

CANADA MEDIA FUND

EARLY STAGE DEVELOPMENT PROGRAM – WORKING GROUP

September 24, 2019

CENTRAL QUESTION

This Briefing Note unpacks the objectives, parameters and results of the CMF’s Early-Stage Development Program’s first year. While a variety of questions are posed to stakeholders in order to help the CMF’s approach to program design, the central question that needs to be determined is **what should the Program’s core identity and primary mandate be moving forward?**

BACKGROUND

On September 28, 2017, after extensive consultation with stakeholders from Canada’s creative industries, the Minister of Canadian Heritage announced the “Creative Canada Policy Framework” which provided a variety of strategic policies to grow and position Canada’s creative economy in an increasingly borderless and digital world. One of these policies focused on new approaches to support and enhance early-stage development. The policy underpinning of this new approach is to allow for creative ideas to be developed in Canada, without the requirement of a domestic license, recognizing the need to invest in ideas prior to the pitch to the market and develop content that will potentially resonate in the international market.

While the CMF had been providing support for pre-development (through a variety of Programs) for many years, in May 2018, Canadian Heritage directed the CMF to implement a new Program aimed at early-stage development with a specific emphasis on writers and would not require a commitment from a CRTC-licensed broadcaster, previously required in every CMF Convergent Stream Program.

In Fall 2018, the CMF conducted both cross-county Focus Groups and a Development Working Group where it heard from a variety stakeholders on options for Program architecture. As it noted in the distributed Briefing Note for the Working Group:

“...any Program the CMF introduces will be implemented on a pilot and iterative basis, where the CMF can gauge initial demand and feedback and adapt the Program where necessary”.

Between the time the Early-Stage Development Program Guidelines were released on March 29, 2019 and the opening date of the Program on June 20, 2019, the CMF and CMF’s Program Administrator (“**CMFPA**”) undertook a variety of initiatives to educate and inform stakeholders on the major parameters of the Program.

The CMFPA in particular handled a large volume of calls and pre-consultations on the different access points of the Program. They report that this process helped greatly reduce the number of potentially ineligible applications as they could respond to questions, troubleshoot and help newer applicants to the CMF's funding ecosystem (particularly writers) understand how the Program would work.

In addition to the significant number of phone calls and discussions with stakeholders (including guilds, associations and unions in addition to direct applicants),

- the CMF published a summary of Guideline changes and held a webcast where it highlighted the new Program and discussed its key requirements;
- the CMFPA conducted its annual Outreach tour where it answered questions about the Program from stakeholders across the country; and
- the CMF and CMFPA together coordinated information sessions with writing guilds in both language markets to strategically communicate information to their members (including a prepared FAQ section prepared by the Writers Guild of Canada).

PROGRAM PARAMETERS

The Program has two separate access points: (i) a Writer Access Point and (ii) a Creator Collaboration Access Point.

Writer Access Point

- *Eligible Applicants:*
 - must have a minimum of ten produced hours of professional produced and broadcast work;
 - in the English-language market, must have received at least one producer-level credit for live action productions, or at least one story editor-level credit for animation productions; and
 - must be incorporated Canadian companies (in line with the CMF's existing policies) and will be capped at one application per year.
- *Eligible Projects:*
 - funded on a first-come/first-served basis and fund costs predominantly devoted to the creative process (e.g., writing and research).
 - may receive a maximum contribution of \$40K in the English-language market and \$20K in the French-language market.

Creator Collaboration Access Point

- *Eligible Applicants:*
 - must be a producer with a contract for writing (e.g., bible, pilot, outline, option agreement) with a Canadian writer; and
 - must have market interest from either a Canadian broadcaster, OTT service, distributor, provincial agency or certified independent production fund. Eligible market interest entities are capped at two applications per year.

- *Eligible Projects:*
 - funded on a first-come/first-served basis and fund similar costs to the 2018-2019 English and French Predevelopment Program (e.g., writing costs, travel, demos, producers' fees, corporate overhead); and
 - may receive a maximum contribution of \$46K in the English-language market and \$23K in the French-language market.

PROGRAM RESULTS

In total, in both language markets and in both access points, the CMF received 400 applications on the first day of the Program. For context, the CMF has never received that many applications on the opening day of any of its first-come/first served Programs. Due to the extremely high level of demand, the Program was closed at the end of the June 20th opening date. While the specific results are outlined below, the Program experienced severe oversubscription, especially in the English-language market.

The first step involved an initial screen of the submitted files for projects or applicants that did not meet the minimum requirements of the Program as outlined in the Guidelines.

Once these files were separated, the scale of oversubscription of eligible files was determined.

In all, 305 out of the 400 applications were deemed eligible. Applicants applied from across the country (a breakdown of which can be found in Appendix A).

With regards to ineligibility, in the Writer Access Points (in both language markets), most applications were found ineligible if the applicant did not have the requisite number of hours in the genre they were seeking to develop, they listed written work on broadcasters/platforms that were ineligible in the Program's Guidelines, and they listed projects where they were not listed as a writer.

In the Collaborator Access Points (in both language markets), most applications were found ineligible when a particular triggering entity submitted applications in excess of the 2 application maximum cap or relevant documents as required in the Guidelines were not submitted.

After the initial ineligibility screen was complete, the CMF and CMFPA undertook an analysis on the best strategy forward.

ENGLISH

- *Writer Access (Budget: \$1,250,000)*
 - Applications received: 200
 - Applications ineligible: 45
 - Applications eligible: **155**
 - Based on this number, Applicants would receive a prorated maximum amount of approximately \$8,000 (instead of \$40K).

- *Collaboration Access (Budget: \$1,250,000)*
 - Applications received: 142
 - Applications ineligible: 39
 - Applications eligible: **103**
 - Based on this number, Applicants would receive a prorated maximum amount of approximately \$12,000 (instead of \$46K).

FRENCH:

- *Writer (Budget: \$375 000)*
 - Applications received: 32
 - Applications ineligible: 4
 - Applications eligible: **28**
 - Based on this number, Applicants would receive a prorated maximum amount of approximately \$13,000 (instead of \$20K)

- *Collaboration Access (Budget: \$375 000)*
 - Applications received: 26
 - Applications ineligible: 7
 - Applications eligible: **19**
 - Based on this number, Applicants would receive a prorated maximum amount of approximately \$20,000 (instead of \$23K).

Based on the level of the prorated amounts in the English-language portion of the Program, the CMF considered a variety of approaches to ensure that the Program's mandate could be fulfilled, applicants could successfully deliver materials with prorated funding amounts, and the expectations in the marketplace were met to the extent possible given the outcome.

Ultimately, the CMF concluded that supplementing the existing prorated amounts with an allocation from its Reserve was the approach that best aligned with the expectations in the marketplace (proration has been adopted in other first-come/first served CMF Programs, was in the Program Guidelines and communicated to stakeholders), would have the least negative impact on eligible applicants and enable these applicants to still undertake some viable early-

stage development activities. A corollary to this strategy is that applicants who did not receive their full, originally requested amount would not be expected to complete the same deliverables for the lower amount.

With the Board's review and approval, the CMF added the following amounts to both access points in both language markets:

ENGLISH

- *Writer Access (Budget: \$1,250,000 + \$1,670,240 added from Reserve = Total Revised Budget of \$2,920,240)*
 - The 155 eligible Applicants will now receive 50% of what they sought (roughly \$20K)

- *Collaboration Access (Budget: \$1,250,000 + \$1,165,080 added from Reserve = Total Revised Budget of \$2,415,080)*
 - The 103 eligible Applicants will now receive 50% of what they sought (roughly \$23K)

FRENCH:

- *Writer Access (Budget: \$375 000 + \$185,000 added from Reserve = Total Revised Budget of \$560,000)*
 - The 28 eligible Applicants will now receive 100% of what they sought (roughly \$20K)

- *Collaboration Access (Budget: \$375 000 + \$62,000 added from Reserve = Total Revised Budget of \$437,000)*
 - The 19 eligible Applicants will now receive 100% of what they sought (roughly \$23K)

On August 15th, 2019, the CMFPA began communicating decisions with Applicants to the Program to let them know if they were eligible or not and if they were eligible, to explain the revised approach based on the extenuating circumstances.

On the positive side, as a primary objective in creating this new Program was to ensure that a greater diversity of applicant could access CMF funding, the overwhelming demand in the English-portion of the Program serves as a key bellwether for both the CMF and Canada's screen-based industries. This first year launch of the Program demonstrates a severe need from creatives who may have been unable to access funding in prior CMF Predevelopment Programs (due to the requirement of a producer and a broadcast trigger) and this previously untapped demand will help frame and inform CMF policies in future years.

It also reflects a previously untapped market test: distributor interest in the Program, new to the CMF, was the highest triggering entity in both language markets (see Appendix B).

With regards to challenges the Program faced, there are many areas that can be improved moving forward.

The severe demand on this Program caused significant frustration in the marketplace. This Program generated a wide diversity of stakeholder interest in the CMF's Fall 2018 Consultation and, due to the fact that a broadcast license was not required to access funds, a much wider volume of applications resulted.

Moving forward, in order for applicants to maximize the benefits of the Program's objectives and the CMF to effectively administer Program demand, either eligibility criteria must be raised or more resources (in terms of both administrative personnel and budget allocation) must be devoted to this Program.

It is important to note that as revenue contributions to the CMF from the regulated sector continues to decline, the additional funds provided by Canadian Heritage only stabilized the CMF budget and did not enhance it. Therefore, any review of eligibility criteria and program design must be done through the lens of balancing the mandate of the program with overall diminishing resources.

Additionally, while the Guilds did an admirable job in onboarding their members, new applicants to the CMF were not familiar with the environment and process. More explicit communication and explanations of the requirements will be required moving forward to manage the expectations of prospective applicants. While the CMF constantly wrestles with drafting Guidelines that are rich in detail versus ones that are more accessible and user-friendly, a better balance must be met in future iterations of the Program.

The sheer volume of applications compounded the time it took to clarify requirements and explanations to a large number of new applicants.

Therefore, while the significant demand in the Program's initial year is both valuable market intelligence to build upon, it also illustrates that significant changes are necessary on a go forward basis to ensure the underlying policy is balanced with the administrative resources currently available and a stable but declining overall revenue base.

QUESTIONS FOR DISCUSSION

Eligible Platform

- 1) In the Writers access point, there was confusion from some applicants around what entities could qualify towards an applicant's hours of previously produced/broadcast work. While the Guidelines state these hours must be broadcast by an entity that met the CMF's definition of a "Canadian Broadcaster", some applicants were unclear on this provision.

What additional communication strategies can the CMF employ to ensure prospective applicants in the Writers access point understand that only the CMF’s definition of “Canadian Broadcaster” will qualify to demonstrate previously produced professional content?

In the Creator Collaboration access point, the Program expanded the type of entity allowed to trigger funding that previously existed in earlier CMF predevelopment Programs.

In addition to the CMF’s expanded definition of Canadian Broadcaster, letters of interest from eligible Canadian distributors, provincial funding agencies and certified independent production funds are now considered qualified triggering entities.

A number of provincial/territorial agencies – while appreciative of the opportunity to be involved – expressed concern that they did not have the proper infrastructure in place to effectively administer and evaluate projects. Further, there was concern that if some provincial/territorial agencies were not willing to adopt an approach to trigger funding in the Program, there could be issues of regional representation. In total, 19 projects were triggered by 11 provincial/territorial agencies

Additionally, some certified independent production funds, while also excited to be included in this Program, expressed concern that by selecting up to 2 projects for eligibility in the Program, they could possibly alienate the other projects/applicants in their funding ecosystem that they did not select. In total, 3 projects were triggered by 2 certified independent production funds.

Given the significant oversubscription to this Program, what mitigating strategies should the CMF adopt?

Who should be considered eligible triggers in this Program moving forward?

Hours

- 2) Despite some prospective applicants’ feedback that the CMF’s definition of “Canadian Broadcaster” for previously produced work was too restrictive – as it eliminated some applicants with produced writing for non-Canadian broadcasters/platforms – demand in the English-language Writer access point was still severely oversubscribed.

Based on the market intelligence gained from this first year of the Program:

- **Should the minimum threshold hours be adjusted? If so, would the best approach be to change the number of required hours? Limit the required**

hours to a designated timeframe? Only hours on CMF-funded projects would count? Another way?

- **How would a different threshold be affected if the CMF adjusted its selection process in this Program (discussed in greater detail below)?**
- **Should the CMF's application of the qualifying hours threshold still require applicants' hours to be in the same genre as the project in which they are seeking Program funds?**

Selection Process

- 3) When the CMF was exploring options for the design of the Program, it considered a variety of options. One possibility was to utilize evaluation criteria and award funding through a selective process. While this option has positive elements, it also presents a few issues.

As the Program is for early-stage development, an applicant is seeking funds for the project's extremely nascent phase. As such, there would potentially be a dearth of prepared material for any selection committee to effectively evaluate the project.

As one of the objectives of the Program was to provide funding to create material so it was in better shape to make a formal pitch to a broadcaster, producer, platform, or other potential buyer so it could be developed further, applying an effective selection process to fairly evaluate such preliminary material on its merits at this early stage presented some issues.

If one of the purposes of this funding was to ensure writers did not work for free in order to prepare a more complete pitch to potential funders, requiring them to present more significant material (for free) to be effectively evaluated would undercut one of the objectives of the Program. Alternatively, if no significant material was required for evaluation in the Program, the selection committee would be forced to evaluate projects that had potential to move forward with very limited information.

Further, if the CMF decided to bring in an external jury (made up of industry experts), other issues arose. Outside of the fact that CMF Programs with external juries have different administrative costs, some stakeholders felt that whoever was on the Program jury would have unfiltered access to a range of original IP. Further, this expert panel would still have to evaluate the merits of extremely early/limited material. Finally, the CMF will also need to ensure (as it always does) that there is no conflict of interest between applicants and jurors. Due to the possible high numbers of applicants, this exercise could possibly present added difficulty and be a longer process for jurors to evaluate.

While the CMF chose to make this Program first-come/first-served based on the above-noted challenges, after the first-year response to the Program, it is open to revisiting the idea of awarding Program funding on a selective or juried basis.

If a selection process is decided to be the most effective way to choose projects in this Program, based on the above, what are the best methods and strategies to help eliminate or mitigate the accompanying issues noted above?

Specifically, in implementing a selection process for this Program, what is the right balance requiring enough material to fairly evaluate the merits of applicants' projects and not requiring Writers to undertake and prepare the materials necessary for evaluation for free?

Eligible Applicants

- 4) Despite all of the challenges this Program experienced with application volume, there are a range of other industry (or industry-adjacent) stakeholders that are lobbying for their inclusion in this Program in future years.

The Directors Guild of Canada (“**DGC**”), Association des réalisateurs et réalisatrices du Québec (“**ARRQ**”), Canadian Association of Stand-up Comedians (“**CASC**”), and organizations representing diverse and emerging voices in the industry all have raised their hand and requested the CMF open the doors to this Program further.

In determining the Program's central mandate, should applicant eligibility be broadened to include different types of creators?

APPENDIX A

<i>Writer Access Point - English</i>	<i># of applications received</i>	<i>%</i>	<i># of applications funded</i>	<i>%</i>
Toronto	105	52.5%	86	55.5%
British Columbia	40	20.0%	24	15.5%
Montreal	20	10.0%	19	12.3%
Nova Scotia	8	4.0%	8	5.2%
Ontario ex. Toronto	7	3.5%	5	3.2%
Alberta	6	3.0%	5	3.2%
Quebec ex. Montreal	6	3.0%	3	1.9%
Newfoundland /Labrador	5	2.5%	2	1.3%
Manitoba	1	0.5%	1	0.6%
PEI	1	0.5%	1	0.6%
California	1	0.5%	1	0.6%
Total	200	100.0%	155	100.0%

<i>Writer Access Point - French</i>	<i># of applications received</i>	<i>%</i>	<i># of applications funded</i>	<i>%</i>
Montreal	29	90.6%	25	89.3%
Quebec ex. Montreal	1	3.1%	1	3.6%
Toronto	1	3.1%	1	3.6%
Ontario ex. Toronto	1	3.1%	1	3.6%
Total	32	100.0%	28	100.0%

Creator Collaborator Access Point - English	<i># of applications received</i>	<i>%</i>	<i># of applications funded</i>	<i>%</i>
Toronto	53	37.3%	37	35.9%
British Columbia	24	16.9%	18	17.5%
Montreal	16	11.3%	10	9.7%
Alberta	12	8.5%	10	9.7%
Ontario ex. Toronto	8	5.6%	7	6.8%
Nova Scotia	8	5.6%	6	5.8%
Newfoundland /Labrador	4	2.8%	4	3.9%
PEI	4	2.8%	4	3.9%
Manitoba	8	5.6%	3	2.9%
New Brunswick	2	1.4%	2	1.9%
Quebec ex. Montreal	1	0.7%	1	1.0%
Nunavut	1	0.7%	1	1.0%
Saskatchewan	1	0.7%	-	0.0%
Total	142	100.0%	103	100.0%

Creator Collaborator Access Point - French	<i># of applications received</i>	<i>%</i>	<i># of applications funded</i>	<i>%</i>
Montreal	19	73.1%	14	73.7%
Quebec ex. Montreal	4	15.4%	3	15.8%
New Brunswick	2	7.7%	1	5.3%
Toronto	1	3.8%	1	5.3%
Total	26	100.0%	19	100.0%

APPENDIX B

English - Creator Collaboration	<i># of applications funded</i>	%
Distributors	56	54.4%
Broadcasters	28	27.2%
Provincial Agencies	17	16.5%
CIPFs	2	1.9%
Total	103	100.0%

French - Creator Collaboration	<i># of applications funded</i>	%
Distributors	9	47.4%
Broadcasters	7	36.8%
Provincial Agencies	2	10.5%
CIPFs	1	5.3%
Total	19	100.0%