



CMF work group Funding mechanisms

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GROUPE
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The rules currently in place

- **Broadcasters take on considerable risk yet what they invest in distribution licences in no way entitles them to:**
 - Ownership
 - Profit-sharing rights
 - Recovering their distribution licence fee
- **In addition to distribution licences, broadcasters invest significantly in promoting the films they present.**
- **Their marketing efforts create visibility for and increase the value of films in foreign markets.**
- **In order to share in profits broadcasters must invest in the financial structure of a project in addition to paying for distribution rights.**

A recovery policy that needs review

- **The current policy in place does not factor in broadcaster contributions (please see Appendix A):**
 - The policy, which has been in place for a long time, doesn't offer any incentives to broadcasters who would like to invest in the projects they present.
 - Broadcasters contribute more to projects through licensing fees than the CMF does, yet this additional contribution does not give them any rights.
 - Since tax credits fall under producer contributions and producers have an enhanced recovery rate thanks to provincial credits, broadcasters are definitely at a disadvantage in the current situation.
 - Producers are guaranteed revenue regardless of financial results and receive a major portion of box office receipts despite their minor investment.
 - The problem is not that producers get a share of profits but rather that they're pretty much the only ones who do.

Possible solutions

- **A policy that recognizes contributions made by producers, broadcasters and the CMF.**
 - We need to set guidelines for recovering CMF investments.
 - These guidelines should quantify contributions by the CMF rather than contributions made respectively by producers and broadcasters.
 - We need to set standards for free negotiations between producers and broadcasters regarding profit sharing.
 - We need to remove any restrictions that limit broadcasters in getting any kind of return on their investment in distribution licences.

A more equitable model

- Risks taken on by broadcasters have increased considerably since we've last updated our recovery policy.
- Entering into partnerships that are more equitable by negotiating terms on a case-by-case basis would help create better conditions for developing external markets for our films.
- The possibility of profit sharing would encourage broadcasters to purchase distribution licences from independent producers.
- We all share the common goal of promoting our content in as many territories as possible while recognizing the respective contribution of each player.

In closing, we need to create optimal conditions for exporting our content in order to benefit our entire industry.

Appendix A

Example: Drama series

Production budget:	\$5,000,000
Actual producer contribution:	\$5,000
Distribution licence:	\$1,900,000
Total CMF contribution:	\$1,800,000

Current rate of recovery: Broadcaster:	0%
Producer:	70%
CMF:	30%