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BREAKAWAY PPV



Industry Consultation  
2010



# Agenda

- Industry Consultation Process Overview
- Key Issues for Discussion
- Open Forum
- Closing Comments

# Industry Consultation Process Overview

- **Face-to-face Sessions** (Sept. – Oct.)
  - major cities across Canada
- **Online Discussion Forum** (Oct.)
  - participate in the discussion virtually
- **Survey** (late Oct.)
  - feedback on 2010-2011 policies and programs
- **Working Groups** (Sept. – Nov.)
  - in-depth discussion about policy issues to consider for 2011-2012 with representatives from national organizations
- **National Focus Group** (Nov.)
  - report back on working group discussions

# National Focus Group

- Representatives from:
  - national industry associations
  - sectoral-based organizations
  - funding agencies
  - private funds
- Intended to provide balance among stakeholders:
  - broadcasters
  - producers (television and digital media/interactive)
  - creators
  - distributors
  - private funds
  - public funds/agencies

# Key Issues for Discussion

- Results to-date on new programs and policies implemented in 2010-2011
  - Convergent Stream
  - Experimental Stream
  - English POV Program
  - Diverse Languages Program
- Performance envelopes and digital media audience measurement
- Increased focus on ROI and CMF's role as equity investor
- CMF support to English regional production

# Convergent Stream

Automatic programs – TV component – as of Sept. 30

	2010		2009	
	# of projects	\$ requested	# of projects	\$ requested
<b>English Performance Envelopes</b>	77	\$107M	102	\$116M
<b>French Performance Envelopes</b>	89	\$49M	116	\$53M
<b>English Development Envelopes</b>	18	\$573K	48	\$1.1M

## Production:

- 2 in-house projects
  - 1 EN children’s and youth: 1 FR drama for \$796K (\$7.3M budgets)
  - Broadcasters: Radio-Canada, ichannel
- 4 broadcaster-affiliated projects
  - 3 EN children’s and youth: 1 FR VAPA for \$3.1M (\$20.3M budgets)
  - Broadcasters: YTV, Treehouse, MusiquePlus

## Development:

- 1 broadcaster-affiliated FR drama for \$32K
  - Broadcaster: TVA

# Convergent Stream

DM components (Performance Envelopes):

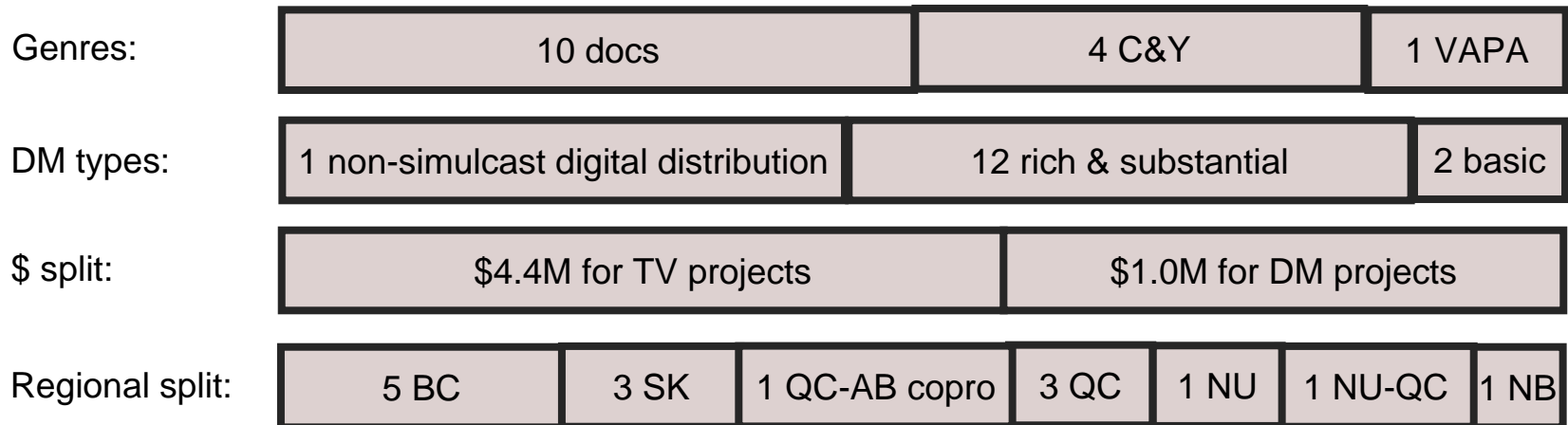
- English:
  - 33 projects (out of 77) have rich and substantial DM components for almost \$1.2M in demand
  - In decreasing order: streaming, VOD, and basic DM components helped trigger eligibility of other projects.
- French:
  - 44 projects (out of 89) have rich and substantial DM components for \$441K in demand
  - In decreasing order, streaming, VOD and basic DM components helped trigger eligibility of other projects.



# Convergent Stream

## Aboriginal Program - Production (Final Results)

15 projects financed (\$5.5M)



# Convergent Stream

Francophone Minority Program - Production  
 (Results of 1st round of evaluation)

21 projects financed (\$10M)

Genres:	14 docs				3 VAPA	2 C&Y	2 drama
DM types:	10 non-simulcast digital distribution				6 rich & substantial		5 VOD
\$ split:	\$7.0M for TV projects				\$0.3M for DM projects		
Regional split:	1 BC	3 MB	5 ON	1 NB-QC copro	11 NB		

# Convergent Stream

## Questions:

- Broadcasters required to spend 50% of envelopes on projects submitted with rich and substantial DM components.
  - announced as one year transition measure
  - what impacts anticipated from requiring all projects to have rich and substantial DM components as of 2011-2012?
- New approach adopted in 2010-2011 for the treatment of Other Rights (non-broadcast rights).
  - should CMF revise its policy and if so, how?

# Experimental Stream: 1<sup>st</sup> round results

	Total committed	# of projects approved	Total demand	# of projects received
<b>English Market</b>				
Development	\$1.1M	7	\$19.6M	71
Production	\$8.6M	16	\$42.6M	87
Marketing	\$1.1M	5	\$4.2M	12
<b>Sub-total</b>	<b>\$10.8M</b>	<b>28</b>	<b>\$66M</b>	<b>170</b>
<b>French Market</b>				
Development	\$540K	4	\$3M	33
Production	\$4.3M	11	\$12M	32
Marketing	\$540K	2	\$2M	5
<b>Sub-total</b>	<b>\$5.4M</b>	<b>17</b>	<b>\$17M</b>	<b>70</b>
<b>TOTAL</b>	<b>\$16.2M</b>	<b>45</b>	<b>\$83M</b>	<b>240</b>

Note: \$90M in demand was received.

■ **2<sup>nd</sup> deadline postponed to November 12, 2010**

# Experimental Stream

## Production

- Commitments range from \$69K to \$1M
- Average commitment = \$478K
- 3 projects received max contribution of \$1M
- Average budget = \$1M

## Development

- Commitments range from \$52K to \$500K
- Average commitment = \$149K
- Average budget = \$247K

## Marketing

- Commitments range from \$86K to \$407K
- Average commitment = \$234K
- Average budget = \$757K

# Experimental Stream

Types of projects received include:

- Console, PC and online games
- Alternate reality games
- Websites
- Web portals
- Web series
- Mobile applications
- Software applications

Regions of Applicants:

- All provinces and territories, except New Brunswick and Newfoundland and Labrador

# Experimental Stream

## Questions:

- Does Evaluation Grid assess right criteria?
- Should CMF change or add new criteria?
- Is relative weight for each criteria appropriate?

# English POV Program

## Main objectives:

- support growth of English POV documentaries (CMF recognizes unique circumstances of this genre)
- allow applications that have not yet obtained a broadcast licence agreement with a Canadian broadcaster
  - conditional funding decisions based on all other eligibility criteria and the evaluation matrix
  - applications successful at this stage have until December 6, 2010 to obtain an eligible broadcast licence agreement



# English POV Program Triggers

## ■ 3<sup>rd</sup> Party Financiers:

- Alberta Film Development
- Banff Center of the Arts
- Canada Council
- Conseil des Arts et des Lettres du Québec
- Emploi Québec
- Grand Council of Crees
- NFB
- Nunavut Film Commission
- Rogers Documentary Fund
- SODEC
- distributors
- private investors

## ■ Broadcasters (TV component):

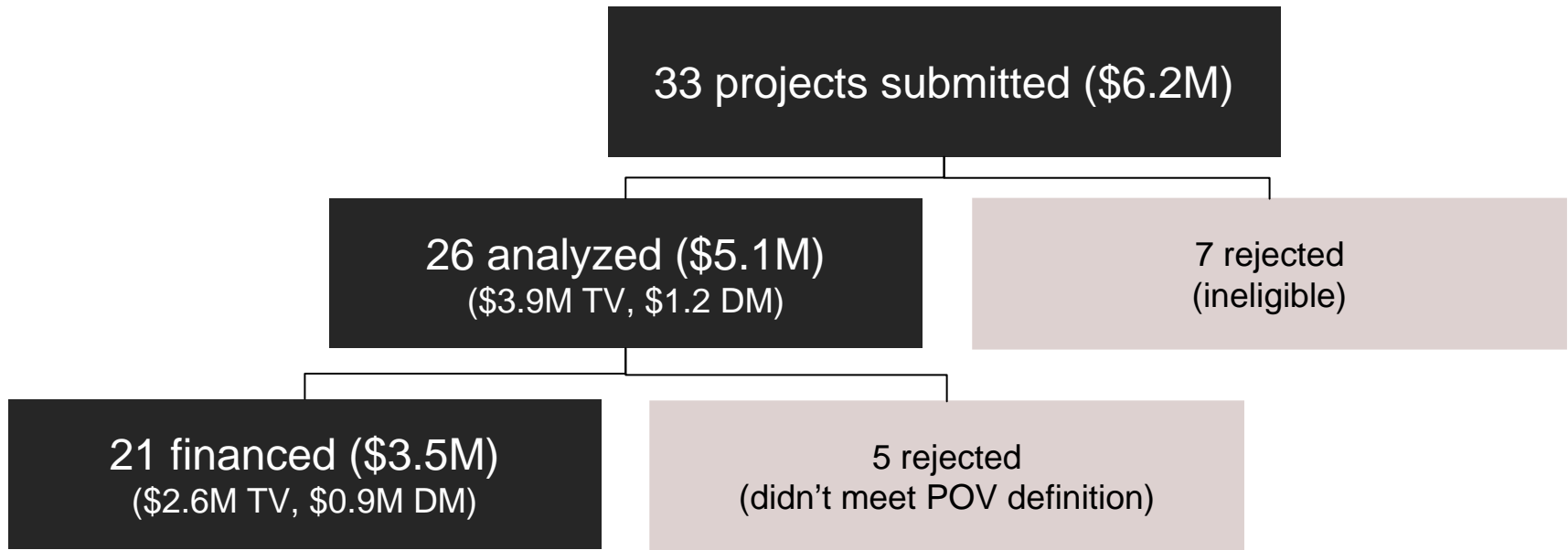
- ARTV
- CBC
- Discovery
- documentary
- Knowledge
- Télé-Québec
- TVO

## ■ Broadcasters (DM component):

- Knowledge
- TVO

# English POV Program

- Funding allocation: \$3.5M



- includes 2 international treaty co-productions
- 9 from Quebec (\$1.1M TV, \$0.3M DM)
- 7 from Ontario/Nunavut (\$0.7M TV, \$0.2M DM)
- 4 from Western Canada (\$0.6M TV, \$0.3M DM)
- 1 from Atlantic Canada (\$0.2M TV, \$0.06M DM)

# English POV Program

- A few projects asked more for DM than TV component
- DM components:
  - 12 received money for both components, i.e. TV and a rich and substantial DM component
  - 1 presented basic digital media components
  - 4 used VOD to meet the 2<sup>nd</sup> platform requirement and 3 used digital distribution
- 16 have broadcaster commitments, but only 8 have reached 20% licence fee requirement

CMF will monitor average budgets and audience results compared to those of one-off docs in Performance Envelope Program

# English POV Program

## Question:

- Eligibility trigger: 3<sup>rd</sup> party must contribute minimum 15% of budget; 20% licence fee commitment also required by Dec. 6, 2010.
  - Are these two percentages appropriate?

# Diverse Languages Program

- Deadline Sept. 7
- Funding allocation: \$1.0M
- 15 TV projects for \$2.4M in demand
- Languages: Italian, Mandarin, Polish, Portuguese, Punjabi, Spanish, Tamil

Genres:



DM Types:



# Digital Media Audience Measurement

Currently, audience success credit is earned based on total hours tuned in Canada to each individual broadcaster's eligible programming over course of 1 broadcast year

## Objective:

- develop measurement methodologies and integration of measured audiences on VOD, online, mobile, other digital platforms into performance envelope calculations

## Key Principles:

- Independence, verifiability, universality

# DM Audience Measurement: VOD

- Viewing not measured by BBM Canada
- Some broadcasters use Rentrak
  - Uses data from BDUs (set-top boxes) to track orders of each program
- Independence:
  - Rentrak is independent of BDUs and broadcasters
  - Data from BDUs subject to quality control checks and audits by Rentrak and major entertainment companies
- Transparency:
  - All subscribers have access to same data collected
- Universality:
  - Rentrak is accepted currency for VOD movie-rental info in USA

# DM Audience Measurement: VOD

## Issues:

- VOD viewing could not be combined with TV viewing due to distinct methodologies
  - Distinct pools of credit required
  - Appropriate funding allocation for each pool must be determined
- Rentrak requires formal agreement with each BDU to release proprietary information to CMF
- Inclusion of VOD could negatively impact smaller, linear broadcasters



# DM Audience Measurement: Online and Mobile

- Currently, no standard measurement techniques
- Two options: 3<sup>rd</sup> party panel-based data or internal server data
- 3<sup>rd</sup> party panel-based data: comScore is only available 3<sup>rd</sup> party supplier in Canada today
- Internal server data: possible, but broadcasters individually customize analytical tools (eg. Omniture, Google Analytics), so challenge to authenticate data

# DM Audience Measurement: Online and Mobile

Additional challenge: what is being measured?

- Variety of activities on a given platform, e.g.:
  - Webpage: hits, time on page
  - App: # of downloads
  - Gaming: # of downloads, time spent in environment

Common set of measures applied for all uses or distinct measures for each?

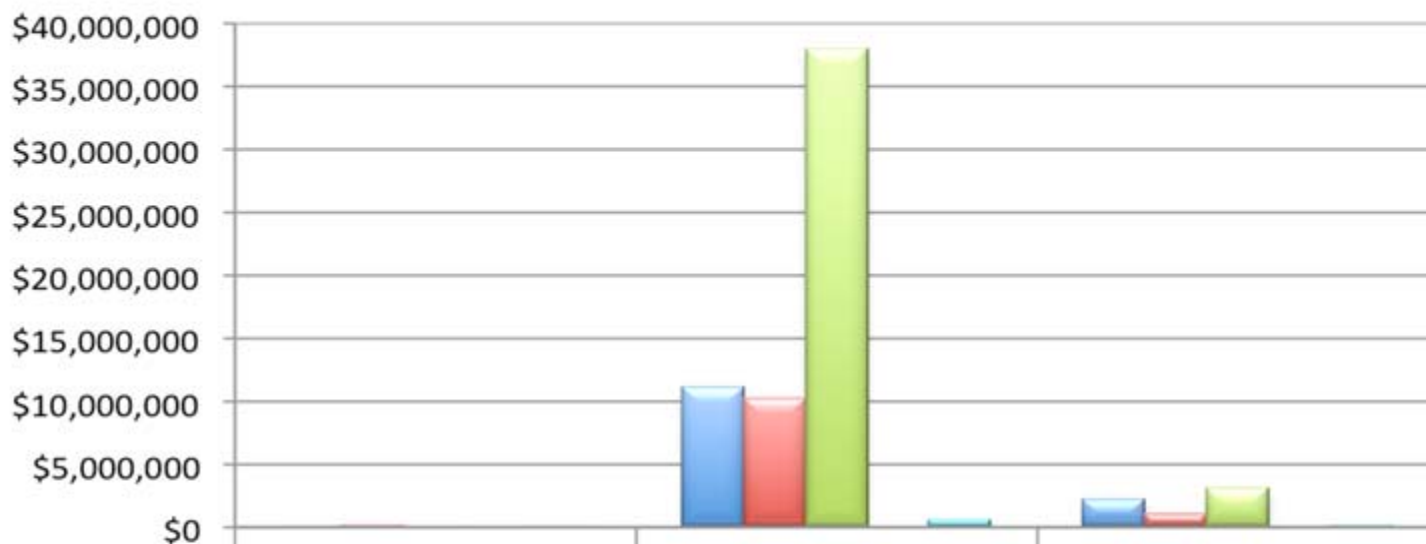
Several accepted definitions of metrics currently used but no common agreement (e.g., new visits, page views, visits with searches, time on site, etc.)

# ROI Definition

- ROI can be measured in a number of ways:
  - Jobs
  - Industry development
  - Cultural impact
  - Social impact
- However, CMF's mandate to increase ROI is about monetary return on investment

# Equity Investments

**Total Revenues by Language and Genre (1996-1997 to 2008-2009)**



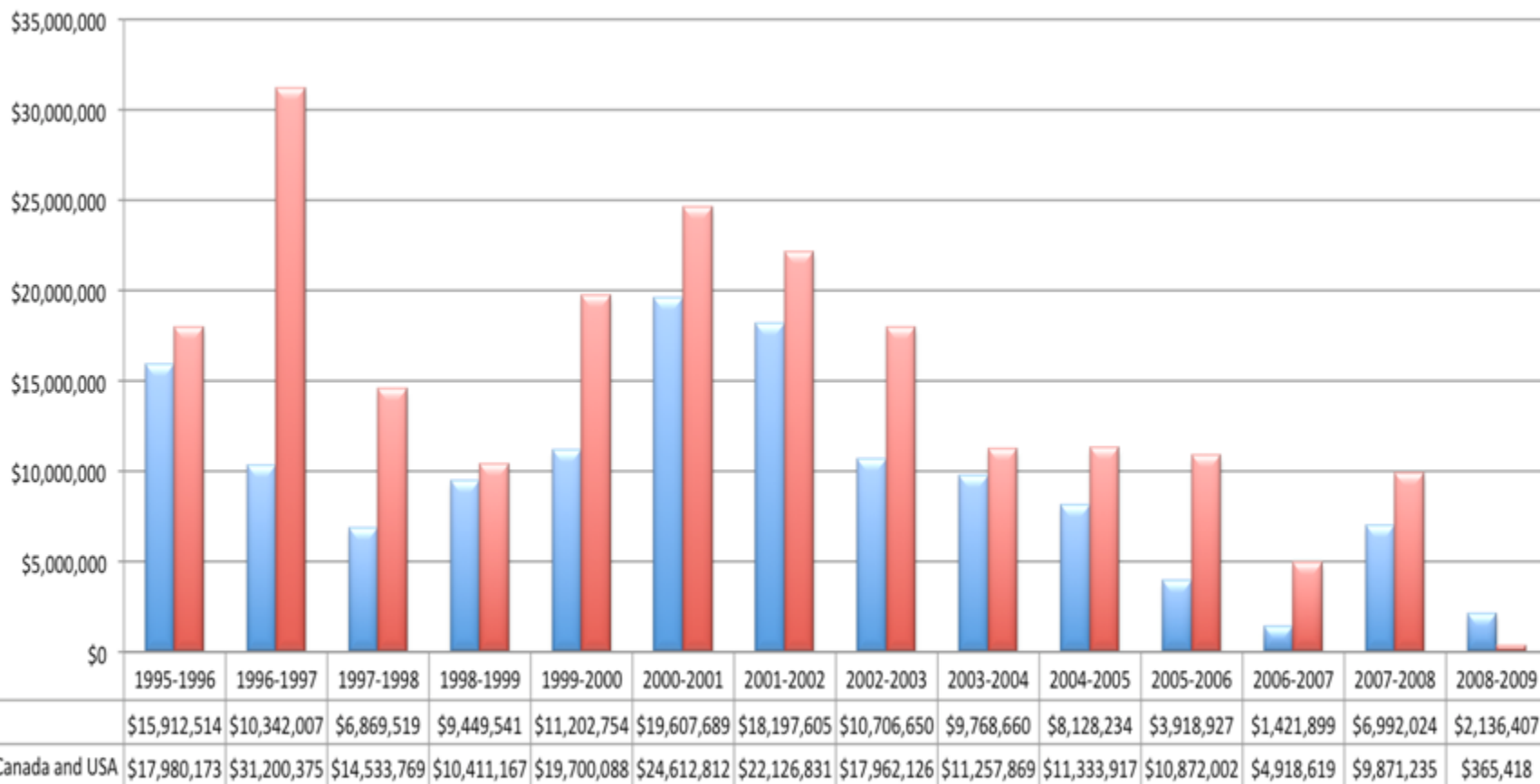
	Aboriginal	English	French
Children & Youth	\$18,776	\$11,057,309	\$2,241,650
Documentary	\$121,305	\$10,235,903	\$1,105,675
Drama	\$3,602	\$37,891,040	\$3,052,104
Drama (Film)			\$2,277
Variety and Performing Arts	\$4,485	\$604,392	\$112,661

■ Children & Youth   
 ■ Documentary   
 ■ Drama   
 ■ Drama (Film)   
 ■ Variety and Performing Arts

**\$148,168**
**\$59,788,644**
**\$6,514,367**

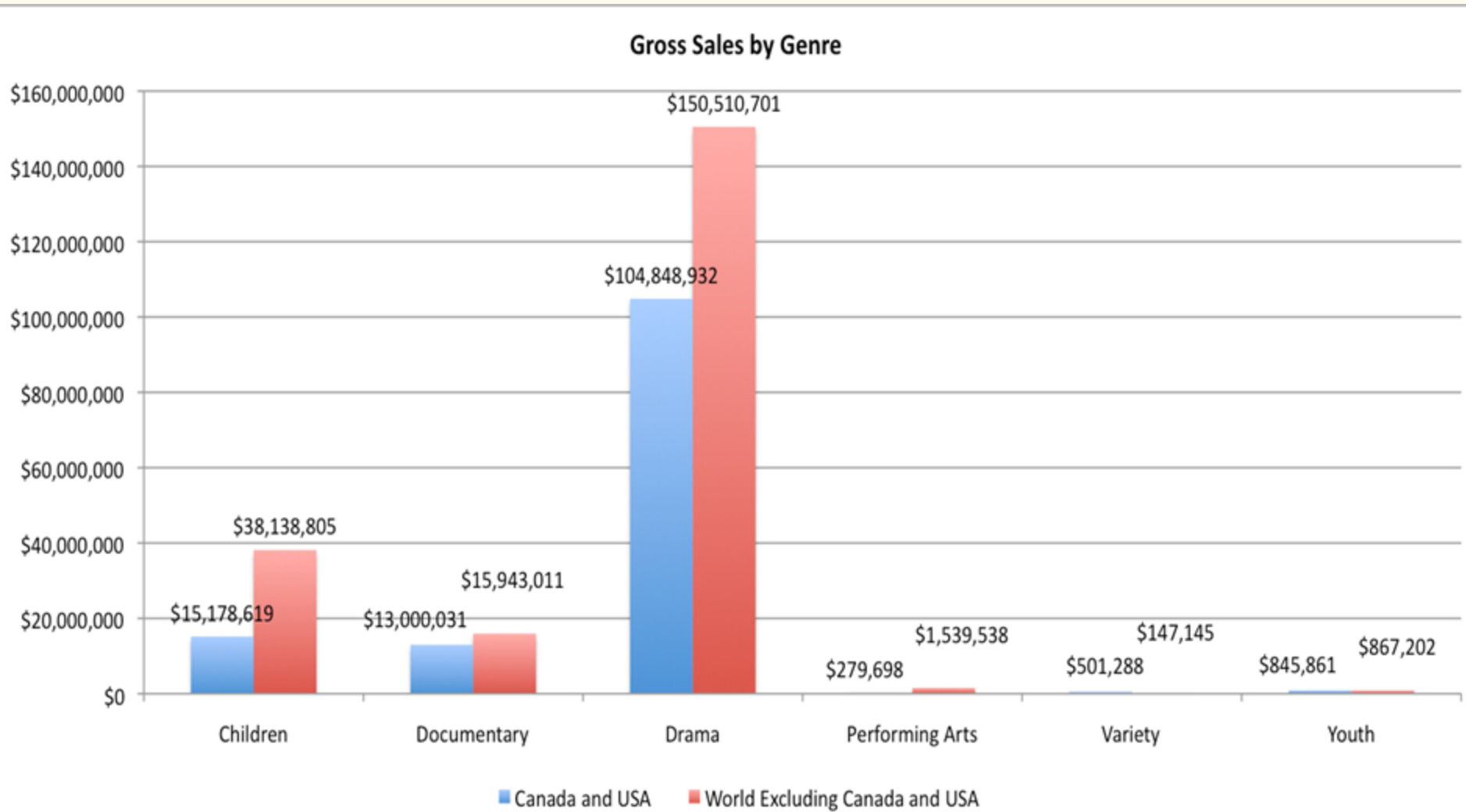
# Equity Investments

Sales by Territory and Year



■ Canada and USA   ■ World Excluding Canada and USA

# Equity Investments

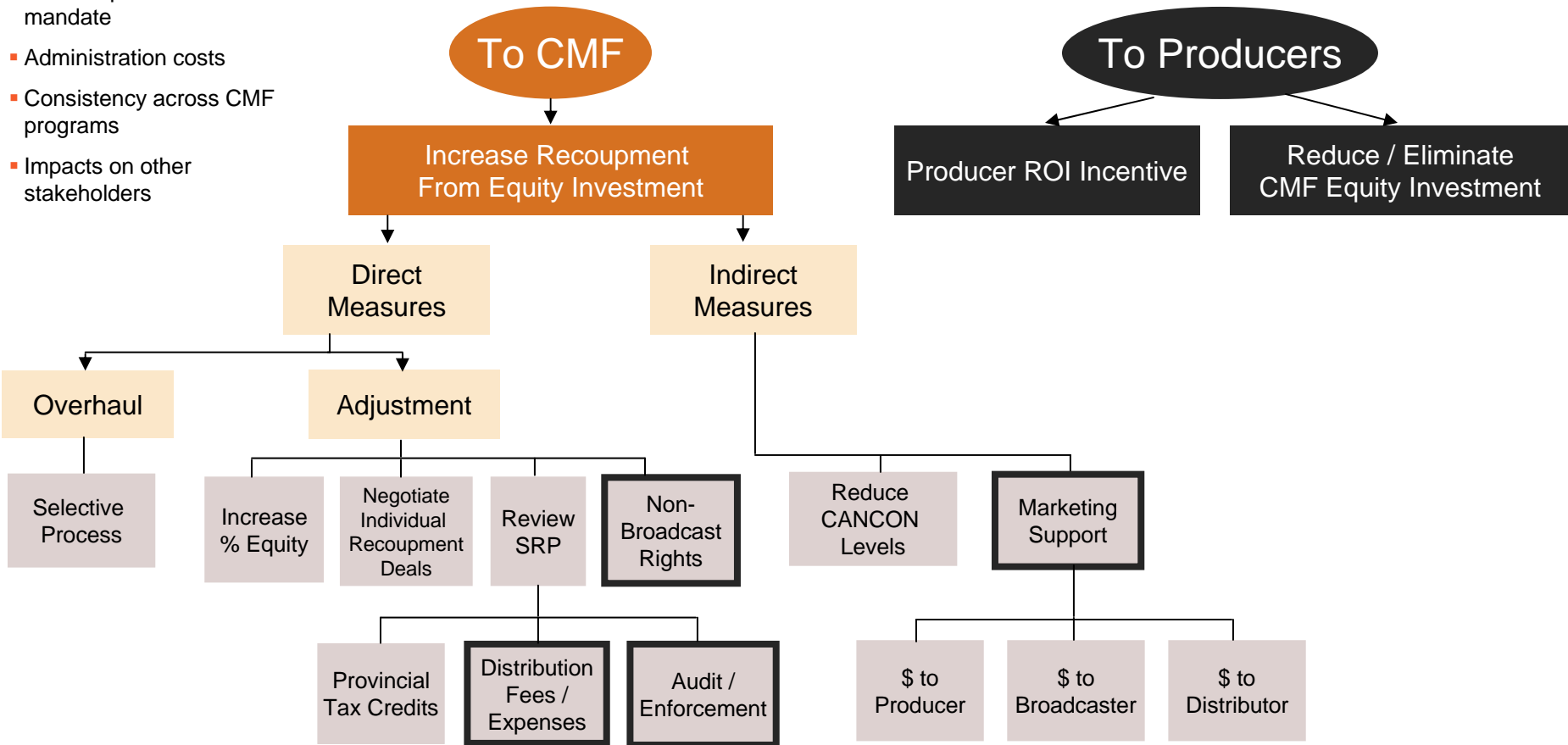


# ROI Options

## ROI = \$

### Factors

- Other aspects of CMF mandate
- Administration costs
- Consistency across CMF programs
- Impacts on other stakeholders



# Canadian TV Funding Program Commitment Totals

source: CTF Annual report by year; excluding feature film

\$ million	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Production								
Licence Fee Top-up	79.7	85.8	112.5	96.1	105.5	130.8	154.5	122.1
Equity Investment	101.9	75.4	86.7	85.1	86.6	96.1	99.8	96.7
<b>Subtotal</b>	<b>181.6</b>	<b>161.2</b>	<b>199.2</b>	<b>181.2</b>	<b>192.1</b>	<b>226.9</b>	<b>254.3</b>	<b>218.8</b>
Development	2.4	3.1	3.4	3.8	3.9	4.5	5.6	8.0
Versioning	0	0	0	0	0	0	n.a.	1.1
<b>Total</b>	<b>184.0</b>	<b>164.3</b>	<b>202.6</b>	<b>185.0</b>	<b>196.0</b>	<b>231.4</b>	<b>259.9</b>	<b>227.9</b>

\$ million	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Production						
Licence Fee Top-up	146.1	162.1	172.0	169.9	188.4	212.1
Equity Investment	89.4	86.7	79.8	72.4	86.8	94.9
<b>Subtotal</b>	<b>235.6</b>	<b>248.7</b>	<b>251.8</b>	<b>242.4</b>	<b>275.2</b>	<b>307.0</b>
Development	11.2	13.3	9.0	8.9	9.3	9.8
Versioning	1.0	1.0	0.7	1.1	0.5	1.3
Digital Media	n.a.	n.a.	n.a.	2.0	2.0	9.6
<b>Total</b>	<b>247.8</b>	<b>263</b>	<b>261.5</b>	<b>252.4</b>	<b>287.1</b>	<b>327.7</b>
Administration Expenses	\$16.7	\$15.0	\$15.3	\$14.1	\$13.5	



# ROI Options: \$ to the CMF

- Increased recoupment from equity investments
  - Increase % of equity financing per project
    - Currently, 1<sup>st</sup> CMF contribution to TV component is licence fee top-up to maximum of 20% of eligible costs (25% for big-budget drama); thereafter, equity
    - CMF could lower top-up %, potentially increasing % of equity as proportion of CMF financing
    - Potential impacts:
      - federal tax credit “grind”
      - possible reduction in broadcasters’ contributions

# ROI Options: \$ to the CMF

- Increased recoupment from equity investments
  - Review and tighten the Standard Recoupment Policy (SRP)
    - Reduce or eliminate preferential recoupment position for provincial tax credits
    - Lower caps for allowable fees and expenses that can be deducted from revenues by distributors
    - Step up CMF enforcement activities
    - Potential impacts:
      - changes to preferential recoupment position for provincial tax credits will delay producer recoupment of those credits
      - potential for more money to producers and CMF from distributors
      - Increased enforcement activities may not result in additional recoupment revenue

# ROI Options: \$ to the CMF

- Increased recoupment from equity investments
  - Continue to develop rules pertaining to non-broadcast rights and/or other limitations on broadcasters' exploitation of TV show on other platforms/media/languages/territories
    - Currently, CMF has rules on treatment of “Other Rights” (section 3.2.TV.5.3)
    - Develop additional rules to ensure maximum exploitation of TV content, with increased potential for revenues
      - eg. iTunes, Netflix, streaming, VOD, etc.
    - Potential impacts:
      - CMF more involved in rights negotiations between producers and broadcasters
      - producers may benefit by retaining more rights and/or obtaining better prices from broadcasters for rights
      - broadcasters may reduce licence fees paid to air TV program in Canada
      - administrative challenges for CMF in complex, evolving rights marketplace

# ROI Options: \$ to the CMF

- Increased recoupment from equity investments
  - Negotiate recoupment on a case-by-case basis
    - Currently, CMF's Standard Recoupment Policy sets same basic terms for all projects
    - more aggressively negotiate recoupment arrangements for each individual project
    - Potential impacts:
      - potentially higher recoupment for CMF and producers
      - higher administrative costs for case-by-case negotiation, along with potential for administrative delays and inconsistencies between projects

# ROI Options: \$ to the CMF

- Increased recoupment from equity investments
  - Selective decision-making for CMF-funded projects
    - Currently, most Convergent Stream projects funded through Performance Envelope Program (i.e. broadcasters choose eligible projects)
    - Eliminate this mechanism and choose which projects to fund based on assessment by CMF of potential to achieve high ROI
    - Potential impacts:
      - less efficient, less predictable, higher administrative costs
      - no guarantee CMF could pick higher-returning projects than broadcasters

# ROI Options: \$ to the CMF

- Increased recoupment from equity investments
  - Marketing and Promotion support
    - Currently, CMF generally does not fund marketing and promotion costs for TV component of funded projects
    - support marketing activities to generate additional international or non-TV platform sales
    - Support to producers, broadcasters, and/or distributors
    - Potential impacts:
      - limited resources: draw from production funding
      - increased marketing/promotion might also benefit producers
      - replace existing expenditures

# ROI Options: \$ to the Producer

- Producer ROI Incentive
  - Reward projects that return higher proportions of CMF investment
  - Reward as producer envelope: funds available to producer for future CMF projects – development or production
  - Potential impacts:
    - Limited resources
    - Further incentives to exploit content beyond marketplace required?
    - increased exploitation activity by producers could improve CMF's own ROI
  - If CMF introduces a producer incentive:
    - threshold to access funding?
    - reference period?

# Equity Investment Questions

- Broadcasters:
  - Position of broadcasters on CMF's favouring equity financing?
  - Impact of CRTC's decision to eliminate use of licence fee top-ups to count as part of specialty broadcasters' Canadian programming expenditures?



# English Regional Production

## Regional Funding 2009-2010

88. English Production Funding										
	2005-2006		2006-2007		2007-2008		2008-2009		2009-2010	
Funding Commitments (\$M)	74.3	45%	71.2	43%	60.9	39%	47.9	26%	72.2	36%
Hours of Content	357	36%	414	41%	374	38%	281	29%	389	40%
Project Budgets (\$M)	224.7	41%	249.6	42%	220.7	37%	172.2	26%	245.4	35%
Projects	119	47%	135	48%	97	41%	88	35%	101	42%

# English Regional Production

## Key factors influencing regional production:

- Provincial funding and tax credits
- CRTC – conditions of licence
- Production capacity (infrastructure, talent, crews)
- Broadcaster regional presence (access to broadcasters)
- CMF – regional factor weight
  - Still right mechanism to encourage regional production?
  - Should the CMF establish a condition whereby allocations earned through the regional factor by broadcasters should be spent in regions?
- CMF – production incentive
  - Still right mechanism to encourage regional production?
  - Are the 5 key areas still appropriate?
  - Is the calculation used to determine if an area qualifies for the incentive still appropriate?

# English Regional Production

## Regional Questions:

- In terms of producers:
  - What are primary barriers for regional producers to create content in regions or about regions?
  - What CMF measures would most assist regional production?
  
- In terms of broadcasters:
  - What are primary factors affecting broadcasters' "greenlight" decision-making in terms of regional production?
  - How would a lower or higher regional performance envelope factor weighting affect their commissioning decisions?
  - How has CMF's English Production Incentive affected broadcaster decision-making? Has it stimulated new production or merely displaced other sources of financing?
  - How could CMF best encourage broadcasters to commission regional production?

# English Regional Production

Other potential tools to influence regional production:

- Pre-development envelope to help regional producers prepare pitches to broadcasters
- Regional development incentive
- Up-front production bonus for regional projects
- Bonus for returning series
- Higher PFCO to help cover travelling expenses to centers to meet with broadcasters
- Lower thresholds for regional productions
- Expand eligible genres

# Open Forum

- Other questions, concerns, comments?

# Today – Your Feedback

- What worked?
- What could be improved?