

CANADA MEDIA FUND

Development Working Group

Date: October 30, 2018

1. Introduction

On September 28, 2017, after extensive consultation with stakeholders from Canada's creative industries, the "Creative Canada Policy Framework" ("**Framework**") was announced by the Minister of Canadian Heritage. The Framework provides a blueprint which includes a variety of strategic policies to grow Canada's creative economy in an increasingly borderless and digital world. The Development stage of a project is mentioned explicitly:

"To ensure that the Government's investment in the CMF contributes to the Creative Canada vision, we will work with the Canada Media Fund Corporation over the next year to support the further evolution of television and interactive media production in Canada.

*We will work with the CMF to examine what more could be done to support development...and explore what more might be done to enhance early-stage development of content, such as script-writing and pitch development."*¹

This policy direction from Canadian Heritage aligns with a number of studies and a growing pool of industry stakeholders that hold that successful television productions come from countries that significantly invest in content development.

As the materials necessary to deliver an effective pitch to a broadcaster have become more sophisticated (and onerous) in the last decade, there is a growing need for both increased investment at this stage of a project's lifecycle and a longer incubation time² and process to ensure content is ready to move to production.

Notwithstanding the strength of Canada's current production ecosystem, a consistent theme with Canadian Heritage and the CRTC has been empowering creators and potentially embracing (and leveraging) the new digital outlets available to them.

While there is an argument to be made that in a world with infinite content and choice, there will always be a need for gatekeepers to curate and select which stories get made and effectively market them to reach domestic and international audiences, the CMF realizes that as the industry continues to undergo a significant amount of transition, new, creative solutions must be put forward by all players in the industry, including the CMF.

¹<https://www.canada.ca/content/dam/pch/documents/campaigns/creative-canada/CCCadreFramework-EN.pdf>, p. 15.

²In a review of CMF-funded projects, 60% took less than 1 year from contract to final costs.

2. Early-stage Development Pilot Program

The CMF has been providing support for early-stage development for many years, under different iterations of its predevelopment programs. In the French market, the CMF (and the Canadian Television Fund before the creation of the CMF) has offered predevelopment support for regional producers since at least 2006-2007. In the English market, predevelopment support has been offered to English regional producers since 2012-2013.

In 2018-2019, predevelopment support was extended to all producers across Canada, whether they are regional or not. The current program is only available for production companies that have secured a letter of interest from an eligible broadcaster and a development fee or broadcast licence is not required.

The CMF statistics, over 5 years from 2012-2013 to 2016-2017, demonstrate that 6% of predevelopment projects with letters of interest go into production and 3% move from predevelopment into a Development program. However, while a project moving from predevelopment to production may take several years, it is expected that this percentage will grow over time as more projects will benefit from early-stage development. In the Development Program, which requires a development fee commitment, 28% of the projects go into production. See the Appendix, item 1, for results related to Predevelopment programs.

In June 2018, Canadian Heritage's policy direction to the CMF was to implement a Program aimed at early-stage development, examples offered were script writing and pitch development that did not require a commitment from a CRTC-licensed broadcaster.

This change in policy resulted from what the Minister heard from stakeholders across the country: that the system is under pressure and the CMF's Convergent Stream is too restrictive, and lacks innovation and risk-taking.

This policy has been approved by the Federal Cabinet. Treasury Board approval for the expenditure of the funds is expected in early December. CMF will launch this new program for the 2019-2020 fiscal.

For clarity, this is not a scriptwriting program like those that existed in the past. This Program allows for direct creator access with market interest - but not a broadcast trigger - in early stage development.

The CMF has undertaken discussions with a number of stakeholders that will be impacted by this initiative and wants to continue to engage in discussions with the industry to explore options for the program architecture. It should be noted that 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.

The CMF recognizes that Development is a highly collaborative process. Notwithstanding this reality, however, the mandate from Canadian Heritage stipulates that the core features of this Program must focus on screenwriters as the eligible applicants, not require a broadcaster's involvement to trigger funding, but still have a market test. A market test is required to demonstrate both that the CMF continues to fund projects with viable paths to market release and that the CMF's Program Administrator ("**CMFPA**") is in a position to effectively process the application load in a timely and efficient manner.

In light of these parameters, the CMF proposes that the Program have two, distinct access points.

First, in the Screenwriter access point, Canadian writers will apply directly to the CMF for funding to be able to work on their material and craft their singular vision of what stories they want to tell. The aim of this branch is to acknowledge that while developing and producing television content is a highly collaborative process, enabling screenwriters to cultivate their ideas unfettered from the requirements of gatekeepers will stimulate creativity and innovation.

Because the necessity to have both the *presence* of a market test and the *absence* of the conventional broadcaster gatekeepers can seem contradictory, the CMF holds that the market test in the Screenwriter Branch should be the resumes or body of work of the applicants themselves.

The Writers Guild of Canada (“**WGC**”) submitted a proposal with many positive concepts that could be integrated and adopted by the CMF. Specifically, the WGC holds that eligible screenwriters, or writer/directors in the case of the documentary genre, to this new Program would be required to have a minimum number of hours of professional produced and broadcast work and have received at least one executive producer or associate producer credit on a produced, third-party production.

By shifting the market test away from the gatekeepers’ evaluation of a project and towards the previous work experience and resumes of the applicants themselves, the CMF would be narrowing the eligible applicant pool to those creators with a minimum threshold of professional experience as working writers in the industry.

In order to both manage administrative bandwidth with the CMFPA and avoid creating a host of peripheral administrative, financial and legal issues, a creator in this Screenwriter access point to the Program must still be a for-profit corporation.

Second, in the Creator Collaboration access point, there would be a two-prong market test: applicants would still have to meet an analogous eligibility requirement as laid out in the Screenwriter Branch, but with a lower barrier to entry to allow for newer entrants and they would have to apply to the Branch with some other existing attachment (e.g., agreement with a production company, broadcaster, online platform, distributor, etc.).

The CMF holds that this option is sufficiently malleable to enable a broader range of CMF applicants to explore a wider range of creative and financial partnerships to trigger CMF funding.

The CMF would enforce the same requirement that eligible applicants in this access point be for-profit corporations.

With regards to the administration and selection criteria of projects, the CMF is exploring a number of options.

One possibility could be to merge this pilot Program with the CMF’s existing Pre-development Program.

Further, the CMF has had preliminary discussions with some provincial/territorial agencies concerning their potential involvement in this initiative, based on the logic that these agencies work closely with creators and the production industry in their jurisdictions. While such involvement could take on a number of forms (i.e., act as an initial eligibility screen, provide matching funds for suitable projects, etc.), the CMF is cognizant that coordination with a multitude

of different organizations could impact the timing and ultimate effectiveness of the initiative. Additionally, not all provinces and territories invest in all genres supported by the CMF and some have small administrative structures. However a uniform approach across the country would not necessarily be required. Provincial agencies that do have an interest could participate.

The Canadian Association of Content Exporters (“**CACE**”) has also proposed a \$1.5M matching fund for the Program which would increase resources available to early stage development for projects with high international potential.

In terms of the selection process the CMF holds the view that there is merit to have projects be chosen via a selective process by a jury made up of a cross-section of industry stakeholders, including Writers, Producers, Distributors, Canadian online platforms and Broadcasters to ensure that selected projects were evaluated from a variety of creative and financial perspectives. The jury could in fact be considered the market test.

In light of all of the above, the CMF is soliciting stakeholders’ feedback on the following:

- **How should “eligible creator” be defined?**
 - **Should it be different for each separate access point (Screenwriter vs. Creator Collaboration)?**
 - **Should it be different for each genre?**

- **What would be a sufficient market interest test?**

- **In light of how many predevelopment projects advance to the production stage (as noted in the Appendix, Figure 2), what should the nature of the CMF contribution be (e.g., repayable advance, non-repayable contribution, etc.)?**

3. Development Envelopes

Currently, the CMF provides just under \$17.7M (or 5.8% of its \$306M Convergent Stream Budget) through 10 of its Programs to projects seeking Development-stage funding:

Figure 1 – Total CMF Development Funding

CONVERGENT STREAM	BUDGET \$K
DEVELOPMENT ENVELOPE PROGRAM	9,600
EXPORT PILOT PROGRAM ³	3,100
ENGLISH PREDEVELOPMENT SUB-PROGRAM	1,250
CORUS ‘PAGE TO PITCH’ PROGRAM	1,011
ABORIGINAL PROGRAM - DEVELOPMENT	850
CMF-QUEBECOR FUND EXPORT ASSISTANCE PILOT PARTNERSHIP ⁴	600

³Included due to the fact that the Program is designed to secure pre-sale financing at the development stage.

⁴ Included due to the fact that the Program is designed to secure pre-sale financing.

FRANCOPHONE MINORITY PROGRAM – DEVELOPMENT	500
QUEBEC FRENCH REGIONAL DEVELOPMENT	300
QUEBEC FRENCH PREDEVELOPMENT	250
NORTHERN INCENTIVE - DEVELOPMENT	200
TOTAL	17,661
TOTAL (% of CMF \$306M CONVERGENT STREAM PROGRAM BUDGET)	5.8%

In addition to the amounts noted in the Table above, additional Development funding is available through a variety of CMF International Matching Incentives.

While this diversity in Development funding programs ensures that a wide variety of stakeholders can apply for funding during this increasingly valuable time, over half of all Convergent Stream Development funding is done through Broadcaster Development Envelope Allocations.

In 2017-2018, 4 Broadcaster groups in each language market represented 75% of all Development Envelope Program applications and over 86% of Program funds.

While it could be argued that this dominance in the Development Envelope Program by a small number of broadcasters is representative of the tremendous amount of consolidation in Canada’s media industries over the last number of years, it is undeniable that the industry and consumer consumption habits are rapidly changing. With the CMF expanding its current “broadcast trigger” to include online platforms and services owned and operated by broadcasters and broadcasting distribution undertakings (“**BDUs**”), the CMF is optimistic that project diversity will increase with a wider selection of platforms eligible to participate in supporting projects at the development stage.

As such, despite the fact that a large portion of this consolidation was permitted by the CRTC as a strategy to help Canadian companies remain competitive in the new global marketplace, a system which enables a few (mostly conventional) broadcasters to dominate the CMF’s largest Program devoted to Development may no longer be the ideal method of distributing funds as global and digital disruption continue to exert pressure on Canada’s ‘closed’ Broadcasting System. While the cost-efficiency and predictability of the existing model are positives, the status quo is dominated by a select few players that do not currently exhibit an appetite for innovation or risk-taking.

In 2016-2017, 7% of the Broadcasters’ Development Envelope Allocations, representing \$679K, were not spent. In 2017-2018, this percentage increased to 9% and \$860K.

While the CMF’s own audience-focused policies may be a contributing factor to broadcasters wanting to mitigate risk, another reason raised by many stakeholders is that as Canadian broadcasters became part of bigger, vertically-integrated (“**VI**”) corporations, which have then consolidated with other VI companies, a significant aversion to risk has crept into the assessment process connected to licensing and/or investing in projects. Further, as there are fewer doors to knock on now than ever before, Canadian content makers and producers are increasingly side-

stepping Canadian broadcasters and the CMF in favor of US and international interest in their creative ideas.

While domestic broadcasters may still remain the primary buyers of Canadian-made content, their role as the sole gatekeepers has changed in the Canadian system.

There is increased collaboration with digital platforms and international broadcasters and distributors in recent years. Online streaming services like Netflix have begun to appear in CMF-supported projects' financial structures (e.g., *Alias Grace*, *Between*, *Frontier*). Additionally, there are a few examples of high-profile CMF-funded projects that have partnered with foreign broadcasters at the development stage who have contributed significant portions of development financing⁵.

In light of both Canadian Heritage's focus on a project's development stage and the tension between the conventional and emerging models, the CMF is seeking stakeholder opinion on the following:

- **Is the CMF's current Development Envelope model-and its primacy in the CMF's overall Convergent Stream Development budget- still relevant and effective in today's marketplace?**
- **What steps can the CMF take to ensure that it enables longer periods of writing on a project before going into production?**

⁵For examples, A&E Television Networks, BBC America, and NBC Universal.

Appendix

1. CMF Pre-development results

By program – 2013-2014 to 2016-2017

<i>Total Contribution \$ K</i>	<i>2013-2014</i>	<i>2014-2015</i>	<i>2015-2016</i>	<i>2016-2017</i>
English Regional	884	1,470	1,216	1,450
Aboriginal Program	317	134	333	164
Francophone Minority Program	15	153	107	0
French Regional	17	68	20	20
Total	1,233	1,825	1,676	1,634
<i>Number of projects</i>				
English Regional	74	133	107	98
Aboriginal Program	33	10	23	12
Francophone Minority Program	3	13	7	0
French Regional	4	7	2	2
Total	114	163	139	112
<i>Average contribution \$K per project</i>				
English Regional	12	11	11	15
Aboriginal Program	10	13	14	14
Francophone Minority Program	5	12	15	N/A
French Regional	4	10	10	10

As at 22 October

By language – 2017-2018 and 2018-2019

New programs were introduced in 2018-2019, English Predevelopment (all regions) and Quebec French Predevelopment

		<i>2017-2018</i>			<i>2018-2019 to date</i>		
		<i>Average CMF contribution \$K</i>	<i>Average budget \$K \$K</i>	<i># of projects</i>	<i>Average CMF contribution \$K</i>	<i>Average budget \$K \$K</i>	<i># of projects</i>
English	Children's & Youth	14	17	9	13	30	15
	Documentary	13	17	49	14	27	37
	Drama	11	16	39	12	24	37
	Variety & Performing Arts	N/A	N/A	0	N/A	N/A	0
French	Children's & Youth	13	15	1	20	24	2
	Documentary	7	8	1	19	27	8
	Drama	6	21	2	19	25	3

	Variety & Performing Arts	10	12	1	N/A	N/A	0
Aboriginal	Children's & Youth	N/A	N/A	0	N/A	N/A	0
	Documentary	13	16	3	25	31	4
	Drama	14	17	3	25	33	2
	Variety & Performing Arts	N/A	N/A	0	N/A	N/A	0

2018-2019 Signed and Recommended status as at 16 October.

2. Pre-development Program projects receiving CMF funding in Development and Production programs

% of all Pre-development

To Development

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	Total
Children's & Youth	0%	6%	9%	0%	0%	4%
Documentary	5%	3%	2%	2%	0%	3%
Drama	11%	8%	1%	0%	0%	4%
Variety & Performing Arts	0%	0%	0%	0%	0%	0%
Total	7%	4%	2%	1%	0%	3%

To Production

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	Total
Children's & Youth	0%	0%	9%	10%	0%	4%
Documentary	13%	20%	8%	4%	0%	10%
Drama	3%	0%	0%	0%	0%	1%
Variety & Performing Arts	0%	0%	0%	0%	0%	0%
Total	7%	11%	4%	3%	0%	6%