CANADA MEDIA FUND

Working Group

FOR INFORMATION

SUBJECT: Convergence Requirements

BACKGROUND & DISCUSSION:

Convergence has been a core principle of the CMF since its inception. In the announcement of the new Fund on March 9, 2009, the Department of Canadian Heritage (DCH) said:

> Applicants will be required to make their projects available across a minimum of two distribution platforms, including television. This initiative will also foster the development of cutting-edge applications and content to drive innovation back into the mainstream forms of content.

Two streams of funding were created within the CMF: the Convergent Stream and the Experimental Stream. The Convergent Stream focused on supporting content for both television and non-television digital platforms, and that Stream is the subject of this memo. This memo will not discuss the Experimental Stream.

Current requirements

The current CMF requirements for convergence and digital media content are provided in Appendix “A” to this memo, from the 2011-2012 Performance Envelope (PE) Program Guidelines. These requirements are substantially identical across all CMF Convergent Stream production programs, including the Convergent Digital Media Incentive (CDMI) (see appendix “B” for the CDMI Guidelines).

Currently, the CMF requires all television projects to have a “2nd platform”, either distribution of the television production itself on digital platforms, or additional, value-added digital content on non-TV platforms. The CMF strongly encourages the latter, and has a variety of rules and incentives in place to do so. Some stakeholders have argued that this approach is overly strict. Not every television show merits a robust digital media component, some have argued, and the CMF should leave it to the market to determine demand for digital content. See Appendix “C” for further details on actual results in relation to CMF’s convergence requirement in 2010-2011.

Options for consideration

The CMF’s mandate with regards to convergence has not changed since its inception, nor is it expected to in the near future. As such, the CMF will continue to implement the policy direction contained in the Contribution Agreement as it currently exists (or as amended at the discretion of DCH). Within this framework, however, the CMF may make adjustments to its approach. The following options are available in this regard.

1. Increase the CMF Maximum Contribution for Digital Media Components

Section 2.3.1 of the Performance Envelope Program states, in part:

> For the Digital Media Component(s), the Maximum Contribution is 50% of a component's Eligible Costs or $500,000, whichever is less. Where there are multiple Digital Media Components (e.g. a website, a mobile application, and a game), the $500,000 Maximum Contribution applies to each eligible component.

Section 3.2.DM4 of the Performance Envelope Program states, in part:

> A Digital Media Component that is funded by the CMF must receive minimum financing from a Canadian broadcaster of 10% of the component's Eligible Costs. …Where there are multiple Digital Media Components (e.g. a website, a mobile application, and a game), the 10% minimum financing requirement applies to each eligible component.

With a 50% maximum CMF contribution and a 10% minimum broadcaster contribution, some stakeholders have pointed to a "40% financing gap" which must be filled from other sources, and some have suggested that it is too often producers who must fill it with producer fees, producer investments, or deferrals.

The following shows the amount of financing by source for CMF-funded DM components in 2010-2011:

2010-2011 Digital Media Component Financing
all convergent programs

		$K	%
Broadcasters			
	Licences	2,806	18
	Services	643	4
	Equity	45	0
Broadcasters Sub-total		3,494	22
CMF		6,223	39
Provincial Gov.		1,351	8
Federal Gov.		150	1
Private Funds		2,788	17
Producers		1,382	9
Distributors		160	1
Foreign		86	1
Other Canadian		350	2
Total		15,985	100

These results demonstrate that broadcasters have on average spent far more than the 10% minimum and could support an increase in the minimum % requirement.

As for whether the CMF should increase its Maximum Contribution above 50%, results show that in 2010-2011, 76 out of 117 projects or 65% reached the Maximum Contribution amount (usually the 50%—only two hit the $200,000 cap). In 2011-2012 (as of October 5, 2011), 34 out of 68 or 50% reached the maximum (all 50%, the highest $ is $200,000). These results could support an increase in the CMF's Maximum Contribution[*].

2. 50% Minimum Performance Envelope Spending on DM

As described at section G.6 of the Performance Envelope Manual:

> Projects funded via the CMF's Convergent Stream are required to have two components, as described in section 3.2 of the Performance Envelope Guidelines. Broadcasters with performance envelopes will be required to direct a certain percentage of their envelope (50%) to projects whose non-television component under 3.2(2) meets the CMF's standard for rich and substantial content. This amount is outlined in dollars in each broadcaster's allocation letter.
>
> If a convergent project includes a pre-existing rich & substantial component, contributing broadcasters will only receive credit towards their commitment obligation at a rate of 50% of the value of their performance envelope contribution. Only projects that include new rich & substantial components or pre-existing ones that are sufficiently modified (post-application) will be given 100% credit. The determination as to what constitutes a sufficient modification to a pre-existing component will be made at the CMF's discretion on a case-by-case basis. (see Appendix "D")
>
> The enforcement of this requirement is slightly different for performance envelope holders that are part of a corporate group, since they are able to transfer performance envelope funds to other broadcasters within that group. For administrative and policy purposes, the CMF will give these broadcasters credit for any funded projects that contribute to the obligation stemming from other broadcasters with performance envelopes within that same corporate group. In the end, however, it is the responsibility of each broadcaster to ensure sufficient funds have been allotted within the corporate group to meet their obligation.

The CMF could increase this 50% minimum requirement.

Results pertaining to the 50% target are provided at Appendix "E" to this memo.

3. Pre-existing R&S DM content and the 50% minimum spending rule

The above-noted rule in section G.6 refers to "pre-existing" rich & substantial content, which is credited at 50% of the value of the performance envelope contribution. What is "pre-existing" is described further at Appendix D of the Performance Envelope Manual, and is excerpted below at Appendix "D" to this memo.

The primary objective of this rule, instituted in 2011-2012, was to further encourage the creation of new DM content. The CMF could consider decreasing this amount further with a view to eliminating pre-existing material from the 50% spend requirement.

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[*] Any discussion of Maximum Contributions must take note of the "stacking limits" in the Contribution Agreement between the CMF and the Department of Canadian Heritage. The relevant stacking limit in this context states:

The maximum contribution by the Corporation to an individual project, festival or industry-related event funded by the Convergent Component may not exceed 84% of total eligible expenditures.

4. Unfunded Rich & Substantial Digital Media Components

The CMF currently requires that broadcasters commit at least 50% of their PE to convergent projects that include a rich and substantial Digital Media Component. This does not mean, however, that broadcaster must commit money from their Performance Envelope to those DM components. Indeed, some rich & substantial Digital Media Components are assessed for compliance with this 50% rule but are not funded by the CMF. These unfunded DM components must comply with section 3.2.DM and its subsections, with the exception of section 3.2.DM.4 (the 10% minimum broadcaster financing requirement).

In 2010-2011, unfunded DM content represented 36% of all digital media applications. In 2011-2012 to date the number is 25%.

Given the administrative burden for analyzing unfunded DM applications, both for the CMF and applicants, the CMF could cap the unfunded DM applications it will accept, for example, at 50% of their value, similar to what is currently done with pre-existing content.

5. Establish a minimum budget for Digital Media Components

Last year, some stakeholders suggested that funds allocated to support for digital content are being spread too thin, and that greater investment is needed in DM Components in order to achieve success. One way to accomplish this would be to establish a minimum budget for CMF-eligible DM components. Alternatively, if CMF continues to apply its interpretation of what constitutes rich and substantial DM in a strict manner, this may be enough to ensure that sufficient budgets would be provided in order to deliver robust value-added content.

In 2010-2011, the average English DM budget was $181,064 and the average French DM budget was $102,154.

6. Tailor Convergence Requirements by Genre

Currently, the CMF's convergence requirements apply uniformly across all eligible television genres. Some stakeholders have argued that some genres are more suited to rich & substantial DM content than others. In particular, children's & youth programming has been given as an example of a genre well suited for DM components, while documentaries have been given as an example where DM content is not always appropriate.

The CMF could take a genre-targeted approach to convergence requirements, adjusting DM minimum percentages by genre. (See Appendix "F" for statistics on DM spending by genres and language – Please note that this Appendix will be provided during the Working Group session).

7. Relaxation of the Digital Media Component in Development

Currently, all eligible projects in the Development Program must have a Television Component and a rich & substantial Digital Media Component. Unlike in production, in development there is no option for VOD or non-simulcast digital distribution to qualify as a "2nd platform".

Some stakeholders have reported that this requirement is unduly onerous, forcing some television projects which are not well suited to have a rich & substantial DM component to nevertheless "go through the motions" solely due to the CMF's requirements. Some stakeholders have reported that this has placed untenable burdens on their digital/interactive departments, caused producers and broadcasters to waste money on projects that they fully intended to render eligible in production via VOD or streaming.

The CMF could relax this requirement in development by reducing the percentage—from the current 100%—of projects that must have a rich & substantial DM component.

8. *Convergent Digital Media Incentive*

The CMF created, for 2011-2012 the Convergent Digital Media Incentive (CDMI) with a funding allocation of 10 M$ to provide additional support for convergent digital media content, outside the Performance Envelope system. (The CDMI Guidelines are appended to this memo at Appendix "B".)

Currently, only three broadcasters—TVA, Treehouse, and VRAK—have met the 50% CDMI threshold. TVA has 3 applications in to the CDMI that are currently under evaluation. Treehouse has 2 applications at "Projected" status and YTV has 1 application at "Projected" status. The total amount from the CDMI, including Projected, is $635,000.

Convergent Digital Media Incentive - Applications to date

Note: 2011-2012 data as at September 27, 2011 (exclude Projected)

	English	French	Total
Allocation $	6,666,667	3,333,333	10,000,000
Applications $	**0**	**210,131**	**210,131**
% spent	**0**	**6**	**2**
# of applications	0	3	3

These results, though preliminary, do not seem to demonstrate strong demand for the incentive. The CMF will continue to monitor results until the Final Closing date.

9. Treat the Rich & Substantial Digital Media content as a 5th genre

This proposal has been made by Télé-Québec. The key points of the proposal are as follows:

- Treat rich & substantial Digital Media (DM) content not as one element of the project but as a distinct "genre" within the PEs.
- Funds from this envelope would be used only to support rich & substantial DM projects
- The envelope would not be subject to flex
- The initial envelope allocation would be based on each broadcaster's pro rata DM contributions in the previous year (both PE and direct broadcaster financing)
- Audience success could be introduced as a calculation factor for the DM envelope once feasible, with additional factors added over time.
- The current 50% spending requirement in the PEs (by which broadcasters must spend a minimum of 50% of their PEs on rich & substantial DM) would be eliminated, allowing broadcasters to spend their allocation on the DM projects they think are best.

The proposal could present the following advantages:

- The amount of funding available for each of TV and DM would be predetermined at the beginning of the year, with potential incremental growth built in for DM. This could be viewed as a form of simplification.
- Could allow CMF to eliminate the Convergent Digital Media Incentive (CDMI), whose design has been criticized by some broadcasters.

The proposal could have the following disadvantages:

- Establishing DM as a fifth genre within the PE could result in a significant amount of unspent envelope funds annually. A given broadcaster may earn an allocation of DM funds that does not align with its current year business objectives, while another broadcaster may have a myriad of DM projects and insufficient funds in its DM allocation. To help alleviate the problem, the CMF could allow broadcasters to transfer or exchange DM money for other genres money.

- Should the 50% rich & substantial DM minimum spend requirement be eliminated, broadcasters would have no obligation to support R&S DM. Theoretically, they could leave their DM allocations unspent and qualify their projects only through streaming or VOD
- The size of the amount dedicated to each broadcaster may vary significantly from one year to another because factors that can bring a certain stability in the system are not yet ready to be implemented: historical behaviors are not yet established and audience success measurements are still in development.
- Implementing this proposal of introducing DM as a fifth genre in 2012-2013 PE calculations does not allow the CDMI program to develop and mature.

A similar suggestion was provided by the Regroupement des Producteurs Multimedia (RPM), to the effect that fixed DM envelopes could be created and calculated based on a percentage of a broadcaster's television envelope—for example, 10% or 20%. This suggestion has similar pros and cons as noted above. RPM also suggested that broadcasters be allowed to trigger non-convergent DM projects in this envelope (such as webseries or a website for games that are not related to the broadcaster's shows). However, under its current policy direction, the CMF is not able to pursue this idea.

COMMENTS:

APPENDIX A

Convergence Requirements from the Performance Envelope Program

3.2 ELIGIBLE PROJECTS

An "Eligible Project" in this Program is a project that meets all of the criteria of section 3.2 and all its subsections.

An Eligible Project is a convergent project. For the CMF's purposes, a convergent project must have:

1) A Television Component that is made available by:
    a. One or more CRTC-licensed traditional, scheduled broadcasters; and/or
    b. One or more CRTC-licensed video-on-demand (VOD) services;

    and

2) Any or all of the following:
    a. One or more Digital Media Components;
    b. The Television Component made available to Canadians by one or more CRTC-licensed video-on-demand services;
    c. The Television Component made available to Canadians by a Canadian entity via non-simulcast digital distribution.

In 2)c above, "Canadian" has the meaning ascribed in subsection 1106(1) of the *Income Tax Act* (Canada) regulations; "non-simulcast" means not made available simultaneously with the television broadcast; and "digital distribution" means any form of electronic distribution over a digital network to an end user, including internet-VOD, digital download, electronic sell-through, digital rental, and wireless/mobile distribution, but, for greater clarity, does not include distribution of physical media, such as mail-order DVD rentals/sales.

A Television Component made available via one or more CRTC-licensed VOD services cannot, by itself, satisfy the requirements of both 1) and 2) above for the same Eligible Project at the same time. Where VOD is relied upon for the purposes of the CMF's "convergent project" requirements, Applicants must elect whether VOD is considered under 1) or 2) above. Where fees for the Canadian VOD Right are included within the Eligible Licence Fee, the VOD exploitation associated with those fees is considered part of the Television Component under 1)b above, and therefore cannot be used to meet the requirements of 2) above.

When relied upon to meet the requirements of 2) above, CRTC-licensed VOD and non-simulcast digital distribution must be made available to Canadians within 18 months of completion and delivery to the broadcaster of the Television Component.

Where there is a Digital Media Component, the television and Digital Media Components must be associated with each other and must enhance the viewer/user's experience of each other. The television and Digital Media Components must be the subject of the same application for CMF funding with all components being submitted at the same time.

Broadcasters are limited in the amount of their Performance Envelope that they can commit to projects that meet 2) above by relying only on 2)b and/or 2)c. See section 3.2.DM below, and section G.6 in the Performance Envelope Manual, for more information.
…

3.2.DM Digital Media Components

A Digital Media Component must be an audiovisual, multimedia, or interactive project that:

a) is associated with the Television Component that is funded by the CMF;
b) is made available to the Canadian public by way of a digital network, including internet and mobile; and
c) is rich and substantial.

For greater clarity, in these Guidelines "Digital Media Component" refers to original content that is separate and distinct from the Television Component.

Rich and substantial digital media content includes: "Web 2.0" and higher applications; highly immersive or highly interactive websites, mobile applications/content, or videogames; content or applications that meet or exceed current market standards for richness; or analogous content/applications.

In 2010-2011, the CMF recognized two types of digital media content:

1) Basic content (e.g. Rudimentary "Web 1.0" applications, simple "pamphlet" websites, and analogous content/applications); and
2) 2) Rich and substantial content.

As per the definition above in this section, for 2011-2012 all Digital Media Components must be rich and substantial. Digital media content that is not rich and substantial is not considered a CMF-eligible Digital Media Component, and therefore is not eligible to meet the requirements of section 3.2(2) or to receive funding as described at section 2.3.1.

Broadcasters must commit at least 50% of their Performance Envelope to Eligible Projects that include a rich and substantial Digital Media Component (see section G.6 of the Performance Envelope Manual for more information).

With the exception of section 3.2.DM.4, section 3.2.DM and all its subsections apply to all Digital Media Components associated with a CMF-funded Television Component, whether or not the Digital Media Component is funded by the CMF.

3.2.DM.1 Canadian Content

A Digital Media Component must meet the following criteria:

a) Its underlying rights are owned and significantly and meaningfully developed by Canadians;
b) It is produced in Canada, with at least 75% of its Eligible Costs being Canadian costs; and
c) Its content is intended primarily for a Canadian audience.

International co-productions may be eligible where there is an acceptable degree of Canadian ownership and control.

3.2.DM.2 Ineligible Content

The following is a non-exhaustive list of types of content that are not eligible as a Digital Media Component: industrial, corporate, or primarily promotional projects; curriculum-based projects; and system software.

3.2.DM.3 Canadian Ownership and Control

A Digital Media Component must meet the following criteria:

a) It is under Canadian ownership and Canadian executive and creative control;
b) It is under the financial control of Canadian citizens or permanent residents;
c) The Applicant retains and exercises all effective controls or approvals consistent with those of a producer; and
d) The Applicant owns all rights (including copyright) and options necessary for the production and distribution of the digital media project in Canada and abroad, and retains an ongoing financial interest in the project

Note: These criteria shall be interpreted so as to allow international co-productions that have an acceptable degree of Canadian ownership and control to access the CMF.

3.2.DM.4 Broadcaster Minimum Financing

A Digital Media Component that is funded by the CMF must receive minimum financing from a Canadian broadcaster of 10% of the component's Eligible Costs. This minimum financing must be in cash; it cannot include facilities, goods or services, a producer time-buy, donations or corporate sponsorship monies negotiated and obtained by the Applicant, tax credits or any arrangement which, in the CMF's ssessment, does not constitute genuine cash financing. Where there are multiple Digital Media Components (e.g. a website, a mobile application, and a game), the 10% minimum financing requirement applies to each eligible component.

3.2.DM.5 Miscellaneous Requirements

A Digital Media Component:

a) Must be made available to the Canadian public in a meaningful way. What is meaningful in a particular instance will depend on the nature of the project and its distribution plan. The CMF will make this determination on a case by case basis, but in general, in the absence of an acceptable distribution/exploitation plan to the contrary, the CMF considers that making the project available to the Canadian public for at least 3 months contemporaneously with the associated Television Component will be meaningful;
b) Cannot contain elements of excessive violence, sexual violence, or sexual exploitation or elements which are obscene, indecent or child pornography within the meaning of the Criminal Code (as amended from time to time), or libellous or in any other way unlawful.
c) Must, when the CMF funds it, be new content. The CMF will not fund an already-existing Digital Media Component.

Appendix B

(As taken from the Convergent Digital Media Incentive Program 2011-2012 guidelines)

The Convergent Digital Media Incentive Program

The Canada Media Fund's (CMF) mandate includes encouraging the production of value-added digital media content that is associated with CMF-funded television productions, and which is recognized as Web 2.0 or which are highly immersive or highly interactive. As such, the CMF is creating the Convergent Digital Media Incentive program for the 2011-2012 fiscal year.

This incentive will take the form of a non-repayable contribution (see section 2.2 of the applicable 2011-2012 Convergent Stream production program* Guidelines) of 50% of a Digital Media Component's Eligible Costs (see section 2.3.2 and all its subsections of the applicable 2011-2012 Convergent Stream production program Guidelines) up to a per-project maximum of $500,000. The incentive will be awarded to eligible projects on a first-come, first-served basis until resources for the incentive are depleted or until the application deadline, whichever comes first.

The Convergent Digital Media Incentive may be combined with funding from other CMF production program funding programs; it will be awarded separately and in addition to any amounts contributed to the project through other CMF programs, and without regard to Maximum Contribution amounts applicable to those programs, except that in no case will the CMF contribute more than 50% of the Digital Media Component's Eligible Costs from all CMF funding programs combined.

Eligible Projects in the Convergent Digital Media Incentive are convergent projects as described in section 3.2 of the applicable CMF 2011-2012 Convergent Stream production program Guidelines. However, only the Digital Media Component will be financed by the CMF in the Convergent Digital Media Incentive (and not the Television Component).

To be eligible for the Convergent Digital Media Incentive, the following criteria must be met:

a) The Applicant(s) and project meet all of the applicable requirements of section 3 of the applicable CMF 2011-2012 Convergent Stream production program Guidelines.

b) The Digital Media Component has a commitment to receive financing from a Canadian broadcaster (see section 3.2.DM.4 of the applicable 2011-2012 Convergent Stream production program Guidelines) that has exceeded its aggregate Performance Envelope spending on Digital Media Component(s) from 2010-2011 by 25% or $20,000, whichever is greater. Where multiple Canadian broadcasters are contributing to the financing under section 3.2.DM.4, each broadcaster must have exceeded its aggregate Performance Envelope spending by 25% or $20,000, whichever is greater.

c) The Digital Media Component is or was submitted for CMF funding for the 2011-2012 CMF fiscal year; projects that were submitted for and received CMF funding in previous fiscal years are not eligible for the 2011-2012 Convergent Digital Media Incentive.

d) The Digital Media Component is 100% fully financed at application (including the Convergent Digital Media Incentive and any other CMF financing).

Section 4 and the information under "Interpretation, Application, Disclaimer, and other Important Information" in the applicable CMF 2011-2012 Convergent Stream production program Guidelines apply to applications for the Convergent Digital Media Incentive.

The CMF will review the impact of the Convergent Digital Media Incentive at the end of the 2011-2012 fiscal year to determine its future continuation.

* The Convergent Stream production programs are: the Performance Envelope Program, the Aboriginal Program, the Francophone Minority Program, the English POV Program, and the Diverse Languages Program.

Appendix C

Convergence Requirements - Second Platforms

All convergent programs
by language

		2010-2011		
		$M Funding	# of Convergent Projects	% Share of Language Total
	Digital Media	127.8	82	69
	Digital Distribution	22.0	62	12
	Video on Demand	35.8	68	19
English Total		185.6	212	100
	Digital Media	64.3	82	67
	Digital Distribution	28.6	124	30
	Video on Demand	3.0	10	3
French Total		95.9	216	100
	Digital Media	5.4	15	93
	Digital Distribution	0.4	1	7
	Video on Demand	0.0	0	0
Aboriginal Total		5.8	16	100
	Digital Media	0.6	5	56
	Digital Distribution	0.0	0	0
	Video on Demand	0.4	3	44
Diverse Total		1.0	8	100
	Digital Media	198.1	184	69
	Digital Distribution	51.0	187	18
	Video on Demand	39.2	81	13
Grand Total		288.3	452	100

		2011-2012 to date		
		$M Funding	# of Convergent Projects	% Share of Language Total
	Digital Media	41.5	44	33
	Digital Distribution	63.8	61	51
	Video on Demand	19.1	25	16
English Total		124.4	130	100
	Digital Media	38.8	49	67
	Digital Distribution	18.2	82	32
	Video on Demand	0.8	10	1
French Total		57.8	141	100
	Digital Media	3.5	12	100
	Digital Distribution	0.0	0	0
	Video on Demand	0.0	0	0
Aboriginal Total		3.5	12	100
	Digital Media	0.0	0	n.a.
	Digital Distribution	0.0	0	n.a.
	Video on Demand	0.0	0	n.a.

Diverse Total		0.0	0	n.a.
	Digital Media	83.8	105	45
	Digital Distribution	82.0	143	44
	Video on Demand	19.9	35	11
Grand Total		185.7	283	100

Note: 2011-2012 data as at September 27, 2011
Diverse Language decisions have not been made as of this date.

• 2010-2011 Funding to convergent projects with R & S digital media components far exceeded funding to digital media components alone, as most components did not require funding from CMF.
- Convergent projects with digital media as a second platform received over 2/3 of funding in 2010-2011.

In 2011-2012, English DM is low compared to French and compared to English last year.

However, the 1st closing date is on October 14 and many new projects, especially large ones, will be coming in. Also, due to the Terms of Trade, English applications have been slow in arriving.

The 2nd platform split for French projects is right at 2/3 for DM. VOD maintains its low share.

APPENDIX D

New and Pre-Existing Digital Media Content

One of the objectives of the CMF's Convergent Stream is to encourage and support the creation of convergent projects in which the Television Component and the Digital Media Component are meaningfully linked with each other and constitute, to the extent possible, a unified convergent experience for the audience. Where the production of a Television Component develops and evolves over time but its associated Digital Media Component does not, this is unlikely to result in such an experience.

For example, Season 1 of a television series is produced along with a rich and substantial Digital Media Component. The following year Season 2 of the television series is produced, but the associated Digital Media Component remains unchanged from Season 1. In this example, the lack of ongoing development of the Digital Media Component makes it unlikely that a truly convergent experience will result. The Digital Media Component may become stale and increasingly disconnected from the current season of the television series. In such a case, if Season 2 were to apply to the CMF for production funding and claim Season 1's Digital Media Component, unmodified, as also being Season 2's Digital Media Component, this would be considered pre-existing content for the purposes of section G.6, and would receive credit at a rate of 50%.

Given the objectives of the CMF, the rule at section G.6 is intended to encourage the creation of new and/or sufficiently modified Digital Media Components on an ongoing basis.

Generally speaking, a "new" Digital Media Component is one that did not exist prior to the production of its associated television program and is being created specifically for the Television Component that is the subject of the CMF application.

It is not necessary, however, for completely new Digital Media Components to be created for every Television Component application. The CMF understands that some Digital Media Components, such as a website, may have a longer lifespan than a single season of a television program. As such, a Digital Media Component that is pre-existing but that is sufficiently modified or enhanced will be given 100% credit for the purposes of section G.6.

What constitutes sufficiently modified pre-existing digital media content is highly context specific and dependent on the circumstances of each case. In making its determination, the CMF will be guided by the following principles, namely, that the modifications or enhancements:

1. Are not insignificant in proportion to the overall size and scope of the Digital Media Component; and
2. Result in the maintenance of a meaningful connection between the Digital Media Component and the current Television Component that is the subject of the CMF funding application.

The second principle above can be seen as an extension of the requirement of section 3.2.DM(a) in the Performance Envelope Guidelines that a Digital Media Component must be associated with the Television Component.

The CMF's ultimate consideration will be whether the CMF's overall convergence objectives are met, with reference to the Guidelines and to the two guiding principles noted above. The following indicators may further assist the CMF in determining whether pre-existing digital media content is sufficiently enhanced or modified. This list is not exhaustive:

- 50% or more of the content of the Digital Media Component is new;
    - For example, where a pre-existing Digital Media Component consists primarily of a series of ten original "webisodes", the creation of five new webisodes will likely constitute a sufficient modification.

- A significant new feature(s) or element(s) is/are added;
    - For example, where a pre-existing Digital Media Component consists of a website containing a series of original “webisodes”, the addition of a social casual game to the site will likely constitute a sufficient modification.

- The cost of the modification(s) is significant in the circumstances;
    - Conversely, a relatively low cost to the modification(s) may indicate that the modifications are not sufficient.

- The modification(s) or enhancement(s), if considered by themselves, would be considered a rich & substantial Digital Media Component; and/or

- The pre-existing Digital Media Component(s) is/are already exceptionally robust.
    - The CMF does not want to penalize those broadcasters and producers who have gone the extra mile in creating their initial digital media content iterations. As such, the CMF will consider the richness and substance of the pre-existing content and may allow for less significant modifications to qualify if the overall digital media strategy is sufficiently strong.

For greater clarity, the following are not required in order to sufficiently modify/enhance a pre-existing Digital Media Component for the purposes of section G.6:

- Where there are multiple Digital Media Components, modification of every component.
    - The CMF Guidelines provide the flexibility to determine that there are multiple “Digital Media Components” associated with a single Television Component. Where this is the case, it is not necessary that every single Digital Media Component be “sufficiently modified”. For example, if Season 1 of a television series was associated with a website and a mobile application, it is not necessary that both the website and the mobile app be modified for Season 2; sufficient modifications to one of them will be acceptable.

- Modification of both “feature(s)” and content.
    - Using the previously noted distinction between a “feature” or “element” (e.g. the presence of webisodes on a website, a social casual game on a website) and content (e.g. an individual webisode, a character or level of a game), to the extent that this distinction is applicable, the CMF will not require that both the feature(s)/element(s) and the content of the a Digital Media Component be modified.

Applicants or broadcasters with further questions about the application of section G.6 to their particular circumstances are invited to take advantage of the Pre-Application Consultation process provided by the CMF Program Administrator | Telefilm Canada.

Appendix E

Convergence - Digital Mininum in Performance Envelopes

Spending on convergent projects with rich and substantial digital media components, funded or unfunded
Note: 2011-2012 data as at September 27, 2011

English Market

	2010-2011	2011-2012 to date
Total $M required to meet Digital Minimum	93.7	94.5
(50% of performance envelopes)		
Amount spent $M	114.4	33.9
Share of target met	**122%**	**36%**
# of broadcasters	59	60
# of broadcasters meeting target	56	4
Share of broadcasters meeting target	**95%**	**7%**

French Market

	2010-2011	2011-2012 to date
Total $M required to meet Digital Minimum	44.9	45.0
(50% of performance envelopes)		
Amount spent $M	61.0	35.2
Share of target met	**136%**	**78%**
# of broadcasters	21	23
# of broadcasters meeting target	21	3
Share of broadcasters meeting target	**100%**	**13%**

All Broadcasters

	2010-2011	2011-2012 to date
Total $M required to meet Digital Minimum	138.6	139.5
(50% of performance envelopes)		
Amount spent $M	175.3	69.1
Share of target met	**127%**	**50%**
# of broadcasters	80	83
# of broadcasters meeting target	77	7
Share of broadcasters meeting target	**96%**	**8%**

2011-2012 Applications with Previous Years' Digital Media Components - to date

	# of components	%
Previous Years' DM components	3	3%
New DM components	110	97%
All DM components	113	100%

Notes: includes funded and unfunded components.

List of broadcasters meeting target in 2011-2012 to date:

Citytv (sufficient for entire Rogers group)
CTS
Musimax
Radio-Canada (not including ARTV or RDI)
Space
Treehouse
YOOPA

3 English broadcasters (Knowledge, Super Channel, and Pet Network) did not meet the target in 2010-2011. Broadcasters were allowed to meet targets as a corporate group.

As in the 2nd platform statistics, spending on rich & substantial convergent projects far surpassed digital media funding ($6.2M in 2010-2011).

In 2011-2012 to date, few broadcasters with large commitments have pushed up the spending towards the target. English commitments have lagged behind in general because of the recent settlement of Terms of Trade. French broadcasters have made good progress towards meeting the target.

Appendix F.1

Convergence Requirements - Second Platforms

All convergent programs

by genre

English		2010-2011					
		$M Funding	# of Convergent Projects	% Share of Language Total	DM Funding ($M)	# of Funded DM	Funded # DM % of DM Projects
DRAMA	Basic DM	2.5	1	2			
	R & S DM	79.7	21	71			
	Digital Media Sub-total	**82.2**	**22**	**73**	**1.0**	**10**	**45.5**
	Digital Distribution	7.5	7	7			
	Video on Demand	23.1	14	20			
Drama Total		112.8	43	100			
C&Y	Basic DM	3.3	3	8			
	R & S DM	33.9	30	86			
	Digital Media Sub-total	**37.2**	**33**	**95**	**1.6**	**17**	**51.5**
	Digital Distribution	0.8	5	2			
	Video on Demand	1.2	4	3			
Children's & Youth Total		39.2	42	100			
DOCUMENTARY	Basic DM	1.5	5	5			
	R & S DM	7.0	22	23			
	Digital Media Sub-total	**8.4**	**27**	**28**	**0.4**	**12**	**44.4**
	Digital Distribution	11.1	40	37			
	Video on Demand	10.5	47	35			
Documentary Total		30.0	114	100			
VAPA	Basic DM	0.0	0	0			
	R & S DM	0.0	0	0			
	Digital Media Sub-total	**0.0**	**0**	**0**	**0.0**	**0**	**0.0**
	Digital Distribution	2.6	10	71			
	Video on Demand	1.1	3	29			
Variety & Perfoming Arts Total		3.6	13	100			

French		2010-2011					
		$M Funding	# of Convergent Projects	% Share of Language Total	DM Funding ($M)	# of Funded DM	Funded # DM % of DM Projects
DRAMA	Basic DM	1.0	1	2			
	R & S DM	36.3	20	75			
	Digital Media Sub-total	**37.3**	**21**	**77**	**0.5**	**16**	**76.2**
	Digital Distribution	9.6	10	20			
	Video on Demand	1.3	1	3			
Drama Total		48.2	32	100			
C&Y	Basic DM	0.1	1	1			
	R & S DM	10.4	16	69			
	Digital Media Sub-total	**10.5**	**17**	**70**	**0.5**	**10**	**58.8**
	Digital Distribution	4.6	13	30			
	Video on Demand	0.0	0	0			
Children's & Youth Total		15.1	30	100			
DOCUMENTARY	Basic DM	0.0	0	0			
	R & S DM	10.8	30	48			
	Digital Media Sub-total	**10.8**	**30**	**48**	**0.7**	**26**	**86.7**
	Digital Distribution	10.7	80	47			
	Video on Demand	1.2	7	5			
Documentary Total		22.7	117	100			
VAPA	Basic DM	0.4	2	4			
	R & S DM	5.3	12	54			
	Digital Media Sub-total	**5.7**	**14**	**58**	**0.4**	**11**	**78.6**
	Digital Distribution	3.7	21	38			
	Video on Demand	0.4	2	4			
Variety & Perfoming Arts Total		9.9	37	100			

English		2011-2012 to date					
		$M Funding	# of Convergent Projects	% Share of Language Total	DM Funding ($M)	# of Funded DM	Funded # DM % of DM Projects
DRAMA	Digital Media	28.9	9	32	**0**	**0**	**0.0**
	Digital Distribution	46.8	14	53			
	Video on Demand	13.2	4	15			
Drama Total		88.9	27	100			
C&Y	Digital Media	7.9	8	44	**0.2**	**2**	**25.0**
	Digital Distribution	7.4	3	42			
	Video on Demand	2.5	3	14			
Children's & Youth Total		17.8	14	100			
DOCUMENTARY	Digital Media	4.7	20	27	**0.01**	**1**	**5.0**
	Digital Distribution	9.6	26	54			
	Video on Demand	3.4	14	19			
Documentary Total		17.7	60	100			
VAPA	Digital Media	0.0	0		**0**	**0**	**0.0**
	Digital Distribution	0.0	0				
	Video on Demand	0.0	0				
Variety & Perfoming Arts Total		0.0	0				

Note: 2011-2012 data as at September 27, 2011

French		2011-2012 to date					
		$M Funding	# of Convergent Projects	% Share of Language Total	DM Funding ($M)	# of Funded DM	Funded # DM % of DM Projects
DRAMA	Digital Media	26.1	13	83	**0.1**	**3**	**23.1**
	Digital Distribution	5.4	4	17			
	Video on Demand	0.0	0	0			
Drama Total		31.5	17	100			
C&Y	Digital Media	6.0	10	58	**0.001**	**1**	**10.0**
	Digital Distribution	4.1	7	39			
	Video on Demand	0.3	2	3			
Children's & Youth Total		10.4	19	100			
DOCUMENTARY	Digital Media	4.2	11	35	**0.0**	**0**	**0.0**
	Digital Distribution	7.3	46	61			
	Video on Demand	0.5	7	4			
Documentary Total		12.0	64	100			
VAPA	Digital Media	2.5	7	63	**0.1**	**3**	**42.9**
	Digital Distribution	1.5	10	37			
	Video on Demand	0.0	0	0			
Variety & Perfoming Arts Total		4.0	17	100			

Appendix F.2

Convergence Requirements - Second Platforms
All convergent programs
by language

		2010-2011					
		$M Funding	# of Convergent Projects	% Share of Language Total	DM Funding ($M)	# of Funded DM	Funded # DM % of DM Projects
ENGLISH	Digital Media	127.8	82	69	**3.0**	**39**	**47.6**
	Digital Distribution	22.0	62	12			
	Video on Demand	35.8	68	19			
English Total		185.6	212	100			
FRENCH	Digital Media	64.3	82	67	**2.1**	**63**	**76.8**
	Digital Distribution	28.6	124	30			
	Video on Demand	3.0	10	3			
French Total		95.9	216	100			
ABORIGINAL	Digital Media	5.4	15	93	**1.0**	**11**	**73.3**
	Digital Distribution	0.4	1	7			
	Video on Demand	0.0	0	0			
Aboriginal Total		5.8	16	100			
DIVERSE	Digital Media	0.6	5	56	**0.1**	**4**	**80.0**
	Digital Distribution	0.0	0	0			
	Video on Demand	0.4	3	44			
Diverse Total		1.0	8	100			
TOTAL	Digital Media	198.1	184	69	**6.2**	**117**	**63.6**
	Digital Distribution	51.0	187	18			
	Video on Demand	39.2	81	13			
Grand Total		288.3	452	100			

		2011-2012 to date					
		$M Funding	# of Convergent Projects	% Share of Language Total	DM Funding ($M)	# of Funded DM	Funded # DM % of DM Projects
ENGLISH	Digital Media	41.5	37	33	**0.2**	**3**	**8.1**
	Digital Distribution	63.8	43	51			
	Video on Demand	19.1	21	16			
English Total		124.4	101	100			
FRENCH	Digital Media	38.8	41	67	**0.2**	**7**	**17.1**
	Digital Distribution	18.2	67	32			
	Video on Demand	0.8	9	1			
French Total		57.8	117	100			
ABORIGINAL	Digital Media	3.5	9	100	**0.3**	**4**	**44.4**
	Digital Distribution	0.0	0	0			
	Video on Demand	0.0	0	0			
Aboriginal Total		3.5	9	100			
DIVERSE	Digital Media	0.0	0	n.a.	**0.0**	**0**	**n.a.**
	Digital Distribution	0.0	0	n.a.			
	Video on Demand	0.0	0	n.a.			
Diverse Total		0.0	0	n.a.			
TOTAL	Digital Media	83.8	87	45	**0.7**	**14**	**16.1**
	Digital Distribution	82.0	110	44			
	Video on Demand	19.9	30	11			
Grand Total		185.7	227	100			

Note: 2011-2012 data as at September 27, 2011
Diverse Language decisions have not yet been made as of this date.

• 2010-2011 Funding to convergent projects with R & S digital media components far exceeded funding to digital media components alone, as most components did not require funding from CMF.
- Convergent projects with digital media as a second platform received over 2/3 of funding in 2010-2011.

In 2011-2012, English DM is low compared to French and compared to English last year.

However, the 1st closing date is not for 2 weeks and many new projects, especially large ones, will be coming in. Also, due to the Terms of Trade, English applications have been slow in arriving.

The 2nd platform split for French projects is right at 2/3 for DM. VOD maintains its low share.