

CANADA MEDIA FUND

Working Group

Date: October 25, 2011

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SUBJECT: Documentary

BACKGROUND AND DISCUSSION:

The CMF currently supports documentary production in a number of ways. The Documentary Working Group provides an opportunity for stakeholders to consider current documentary funding mechanisms, the latest data on their results, and possible changes to the programs. This memo will discuss each aspect of the CMF's support for documentaries, together with the relevant data.

Performance Envelope Genre Allocation

The primary source of funding for documentaries is through the Performance Envelope Program, which allocates funding, in part, by genre. As explained in the Performance Envelope Manual (PEM):

C.1.1 The Budget is Set

The amount of funding budgeted for the Performance Envelope Program, divided by language and genre, is determined by the CMF Board of Directors each fiscal year. These amounts are divided within the Performance Envelope Program based on genre targets, as follows:

	ENGLISH ENVELOPES	FRENCH ENVELOPES
DRAMA	61.1%	55.0%
DOCUMENTARY	16.5%*	22.0%
CHILDREN'S & YOUTH	20.4%	17.0%
VARIETY & PERFORMING ARTS	2.0%	6.0%

* This % excludes the POV program allocation of \$3.5M.

The CMF provides flexibility to broadcasters in how they can spend their genre-language allocations each year. The CMF refers to this as "flex" and it is described in the PEM as follows:

C.1.6 Genre and Flex Amounts are Calculated

In order to provide broadcasters with flexibility in their performance envelope genre usage to suit their changing programming strategies, a certain percentage (50%) is removed from each language-genre category amount earned. These portions are pooled together into a flex amount. The flex amount may be used in any genre supported by the CMF, as the broadcaster sees fit. The remaining genre amount must be used within that genre.

One of the issues for documentary stakeholders is the impact of flex at 50% on the documentary genre. Some stakeholders have raised concerns that flex at 50% will result in the significant movement of envelope money away from documentary production towards other genres.

French										
One-offs										
	POV	18	16	13	2 076	1 171	1 422	10	7	13
	Other one-offs	38	41	28	4 094	3 850	2 115	20	22	19
Sub-total		56	57	41	6 170	5 021	3 537	31	29	32
Mini-series		18	17	12	3 023	2 560	1 628	15	15	15
Series		35	31	15	10 796	10 032	5 730	54	57	53
Total		109	105	68	19 989	17 613	10 896	100	100	100

Note: POV data for 2009-2010 is not reliable.

In addition to the use of flex, the excerpt from section C.1.1 of the PEM above notes that “as of 2011-2012 calculations, the French documentary budget is split between one-offs and series for the purpose of allocation calculations”. Some stakeholders have inquired as to the outcome of this change for 2011-2012. See Appendix “A.1” and “A.2” for simulation in both markets.

In-house and Broadcaster-Affiliated Production in the Performance Envelope Program

The CMF allows a certain percentage of its funding in the Performance Envelope Program to go to productions made directly by broadcasters (in-house) and/or by production companies affiliated with broadcasters. As described at section 2.1.1 of the Performance Envelope Program Guidelines:

A broadcaster-affiliated production company is an Applicant, as defined in section 3.1(1), that is affiliated with a Canadian broadcaster. Affiliated Programming are projects produced by a broadcaster-affiliated production company which are licensed by its affiliated broadcaster(s). In-house Programming are projects produced and owned by a Canadian broadcaster. Broadcasters are limited in the amount of their Performance Envelope that they are permitted to commit on Affiliated Programming and In-house Programming to 7.5% of their documentary Performance Envelope and 15% of their Performance Envelopes in all other genres. [Emphasis added]

Some stakeholders have raised concerns that documentary programming would be particularly attractive to some broadcasters to be done on in-house or by an affiliated production company.

Broadcasters became eligible applicants in 2010-2011.

Affiliated and In-house Production in documentary funding

English

Convergent

	<i>2006-2007</i>	<i>2007-2008</i>	<i>2008-2009</i>	<i>2009-2010</i>	<i>2010-2011</i>
CMF \$K	0	0	0	292	102
% of Total	0	0	0	0.9	0.3
# of projects	0	0	0	2	2
% of Total	0	0	0	1.5	1.8

Note: There was one Documentary affiliated and one in-house production in 2010-2011.

*French**Convergent*

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
CMF \$K	273	382	414	452	275
% of Total	1.3	1.7	1.9	1.7	1.2
# of projects	3	2	2	2	1
% of Total	2.5	1.6	1.7	1.6	0.9

Note: There was no Documentary in-house production in 2010-2011 (only year allowed)

Looking over the last five years, affiliated production has not received a significant allocation of documentary funding. Previous to 2010-2011, broadcasters were restricted to historic levels of affiliated support within their envelopes. In 2010-2011, broadcasters were restricted to using 7.5% of their documentary envelopes for in-house or affiliated production (the 7.5% is after removing flex). There was a decrease in French affiliated production funding from 2009-2010 to 2010-2011. English affiliated and in-house production also decreased from 2009-2010 to 2010-2011.

English POV Program

The CMF created, for 2010-2011, a new program called the English POV Program. This program was intended to:

- stimulate demand for one-off documentaries by providing a dedicated allocation for English POV documentaries,
- provide the ability for a documentary project to apply for CMF funding prior to obtaining a Canadian broadcast licence agreement. Given the requirements of the Contribution Agreement with the Department of Canadian Heritage, the CMF cannot release funding to a project without a Canadian broadcaster attached, but the intention was that a producer could obtain a conditional funding commitment from the CMF prior to securing the participation of a Canadian broadcaster, and that conditional CMF commitment would then increase the attractiveness of the project for broadcasters. It was also hoped that financial partners other than Canadian broadcasters could become more involved in documentary financing.

Results show an increased demand for the program this year, with a larger number of eligible projects submitted, from 20 projects to 43, and a higher funding request, from \$3.7M to \$8.7M.

The CMF average contribution for the television component was also higher this year, from \$126K to \$174K, following the increased average budget level, which resulted in a reduction in the number of projects funded (from 20 to 17).

To date, four of the projects supported in 2010-2011 projects have not reached the 15% broadcast licence threshold. They have until December 5, 2011 to do so. As for the 17 projects funded in 2011-2012, 13 have not reached the 15% broadcast licence threshold, but decisions were only announced recently.

See Appendix D for further information on the English POV Program, including contributing broadcasters and third party triggers.

Convergence Requirements

One of the core mandates of the CMF is to pursue “convergence” for all genres of production in the Convergent Stream. Section 3.2 of the Performance Envelope program, for example, states:

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.

A “Digital Media Component” under 2(a) above is described as an “audiovisual, multimedia, or interactive project” that is associated with the Television Component and is, among other things, “rich and substantial”.

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.

It is this “rich and substantial” content in particular that the CMF’s convergence requirements seek to encourage. Some stakeholders, however, have argued that documentaries—and particularly one-off or POV documentaries—and not well suited, or are not well suited in all cases, to having a rich and substantial Digital Media Component attached.

See Appendix “B.1” and “B.2” for convergence results over all genres.

While English documentaries had fewer related funded digital media components than Children’s & Youth and drama projects, French documentaries actually had more funded DM than other genres.

Licence Fee Threshold and Maximum Contribution Calculations

Currently, the Maximum Contribution calculations for English-language documentaries are based on a proportion of the Eligible Licence Fees. For example, for a documentary costing \$400,000 per hour or more, the CMF can contribute no more than \$1.50 for every \$1.00 of Eligible Licence Fees per Performance Envelope (or 49% of the budget, whichever is less).

Some stakeholders have argued that linking the CMF Maximum Contribution to the licence fees paid by the broadcaster in this way unduly limits the variety and flexibility of financing arrangements that can be established for projects. In addition, they note that this formula is not universally applied by the CMF, and that French documentaries simply have an across-the-board 49% (of budget) Maximum Contribution. The CMF could amend—and to a certain degree simplify—the Maximum Contribution calculations for English documentaries by adopting the flat 49% approach currently used in the French market.

In addition, English-language documentaries and French documentaries have different budget and “type” categories. The complete categories are provided at Appendix “C” to this memo. The CMF could attempt to further stimulate documentary production in the English Performance Envelope by lowering the Licence Fee thresholds for one-off/POV and feature-length documentaries, similar to the French market approach.

COMMENTS:

APPENDIX "A.1"

French market simulation: removing the split between one-offs and series.

	2011-2012 Envelope		Simulated Envelope w/out split		Difference between Simulation and 2011-2012 amounts		
	\$M	%	\$M	%	Change in Allocation (\$M)	Change in Allocation (%)	Change in Share of Funding Available (% points)
Astral	9.56	48	10.24	52	0.69	0	3
Radio-Canada	6.30	32	5.69	29	-0.61	0	-3
TVA	0.38	2	0.37	2	-0.01	0	0
Ednets	2.06	10	2.03	10	-0.02	0	0
Independents	1.39	7	1.41	7	0.01	0	0
RDS	0.13	1	0.07	0	-0.06	0	0
Total	19.81	100	19.81	100	0.00	0	0

Note: Independents: APTN, TV5, and V; Ednets: TFO, Télé-Québec

The simulation removing the split between one-offs and series shows that the only significant changes in allocation would be for Radio-Canada and Astral. Astral would gain about \$700,000 or a gain of 3 percentage points in share over all its channels and Radio-Canada would lose about \$600,000 which translates into a 3 percentage point loss in share.

This change was made in 2011-2012 for the French market only. Some stakeholders have wished to explore the potential impacts of a similar policy for the English market.

APPENDIX "A.2"

English market simulation: introducing split between one-offs and series.

By type	2011-2012 Documentary Envelope		Simulated One-off envelope		Simulated Multi-episode envelope		Simulated Total Documentary Envelope		Difference between Simulation and 2011-2012 amounts		
									Change in Allocation (\$M)	Change in Allocation (%)	Change in Share of Funding Available (% points)
	\$M	%	\$M	%	\$M	%	\$M	%			
Major Corporate Groups	27.09	91	11.67	92	15.44	91	27.11	91	0.02	0	0.001
Small groups, Ednets, & Independents	2.54	9	1.07	8	1.45	9	2.52	9	-0.02	0	-0.01
<i>Major Corporate Groups</i>											
Astral	0.08	0	0.09	1	0.02	0	0.11	0	0.03	0	36
Bell	4.83	16	2.28	18	2.67	16	4.95	17	0.12	0	2
CBC	4.92	17	6.90	54	0.87	5	7.77	26	2.85	10	58
Corus	3.38	11	0.27	2	2.42	14	2.68	9	-0.69	-2	-21
Rogers	0.14	0	0.04	0	0.08	0	0.12	0	-0.01	0	-10
Shaw	13.74	46	2.10	16	9.38	56	11.47	39	-2.27	-8	-17

Note: Small groups, ednets and independents: APTN, CTS, GlassBox, High Fidelity, Knowledge, SCN, Stornoway, Super Channel, TVO, ZoomerMedia

Simulation of 2011-2012 English docs one-off versus series suggests that the results would be most favourable to the CBC corporate group, adding \$2.85M to its actual \$4.92M docs envelope, or +58% increase. This would come mostly at the expense of Shaw, which would lose \$2.27M or -17% and Corus would lose \$0.7M or -21%.

Comparing between the major corporate groups against the smaller groups, ednets and independents, the impacts are muted, with major corporate groups adding \$20K, at the expense of the smaller groups, ednets and independents. The simulation has been compiled using a 5-year average of one-off vs series split, at a ratio of 43:57 for the English docs budget allocation.

APPENDIX "B.1"

Convergence requirement by genre

		2010-2011					
		\$M Funding	# of Convergent Projects	% Share of Language Total	DM Funding (\$M)	# of Funded DM	Funded # DM % of DM Projects
<i>English</i>							
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
	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	52
	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
	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
	Digital Distribution	2.6	10	71			
	Video on Demand	1.1	3	29			
Variety & Performing Arts Total		3.6	13	100			

APPENDIX "B.2"

		2010-2011					
		\$M Funding	# of Convergent Projects	% Share of Language Total	DM Funding (\$M)	# of Funded DM	Funded # DM % of DM Projects
<i>French</i>							
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
	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	59
	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	87
	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	79
	Digital Distribution	3.7	21	38			
	Video on Demand	0.4	2	4			
Variety & Performing Arts Total		9.9	37	100			

DOCUMENTARY PROGRAMMING

LANGUAGE	PROJECT		MAXIMUM CONTRIBUTION
	TYPE	LICENCE FEE THRESHOLD	PERFORMANCE ENVELOPE PROGRAM
ENGLISH	Projects of six episodes or less, and with Eligible Costs of less than \$400K per hour*	30% of Eligible Costs or \$100K per hour, whichever is less	\$1.50 for every \$1.00 of Eligible Licence Fees per Performance Envelope, or 49% of Eligible Costs per project, whichever is less
	Projects of seven episodes or more, and with Eligible Costs of less than \$400K per hour	40% of Eligible Costs or \$100K per hour, whichever is less	\$1.00 for every \$1.00 of Eligible Licence Fees per Performance Envelope, or 49% of Eligible Costs per project, whichever is less
	Projects with Eligible Costs of \$400K per hour or more*	\$100K per hour	\$1.50 for every \$1.00 of Eligible Licence Fees per Performance Envelope, or 49% of Eligible Costs per project, whichever is less
FRENCH	Projects with Eligible Costs of less than \$100K per hour	35% of Eligible Costs	49% of Eligible Costs per project
	Projects with Eligible Costs of \$100K per hour to \$400K per hour	20% of Eligible Costs	
	Projects with Eligible Costs of more than \$400K per hour to \$750K per hour	15% of Eligible Costs	
	Projects with Eligible Costs of more than \$750K per hour	10% of Eligible Costs	
	Feature-length Documentary projects with Eligible Costs of \$100K to \$750K	12% of Eligible Costs	
	Feature-length Documentary projects with Eligible Costs of more than \$750K	10% of Eligible Costs	

*For English-language feature-length documentaries, the project's running time will be rounded up to the nearest half-hour for the purposes of the CMF per-hour-based calculations in this section.

APPENDIX "D"

English POV Program results

	2010-2011		2011-2011	
	TV	DM	TV	DM
Eligible projects analyzed	21	12 with R&S, 2 unfunded R&S, 7 VOD/digital dist.	43	29 with R&S, 14 with VOD/digital dist.
Total demand (in \$M)	2 843 656 \$	837 967 \$	8 000 000 \$	697 126 \$
Projects financed	20	11	17	11
Convergence criteria	11 funded R&S, 3 unfunded R&S, 6 VOD/digital distribution		11 funded R&S, 3 unfunded R&S, 3 digital distribution	
CMF total contribution	2 643 218 \$	806 782 \$	2 961 956 \$	538 044 \$
Average CMF contribution	125 867 \$	73 344 \$	174 232 \$	48 913 \$
Average budget	403 630 \$	157 792 \$	579 595 \$	134 958 \$
TV projects with 15% licence at application	8		4	
TV projects without 15% licence to date*	4*		13	
Participating provinces	AL, BC, NS, NU, ON, QC, SK		BC, MB, NS, ON, QC, SK	
Participating broadcasters	Bold (1), Canal D (1), CTS (1), documentary (2), ichannel (1), Knowledge (1), Superchannel (5), Télé-Québec (1), TFO (1), TVO (5)		documentary (1), Movie Central (1), SRC-RDI (2), Superchannel (2), TVO (2), CTS (1)	
3rd party triggers	Alberta Film Development, Banff Center for the Arts, Canada Council, CALQ, Emploi Québec, Grand Council of Crees, NFB, Nunavut Film Commission, Rogers Documentary Fund, SODEC, distributors, private investors		Bell Fund, Canada Council for the Arts, CIFVF, CALQ, Film Nova Scotia, Fonds Quebecor, Hot Docs, Nunavut Film Development Corporation, OMDC, NFB, Rogers Documentary Fund, SaskFilm, Shaw Media - Hot Docs Completion Fund, Telefilm, distributors, private investors	

* At the end of 2010-2011, 13 projects had not secured a 15% broadcast licence. They were offered an extension to find a licence until December 5, 2011. Four projects have yet to reach this threshold.