Entertainment

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Report on Canadian English-Language Drama Recommends a New Focus on Audience-Building

A May 23, 2003 report prepared by Trina McQueen entitled "*Dramatic Choices: A Report on Canadian English-Language Drama*" (the "Report") for the Canadian Radio-Television and Telecommunications Commission (the "CRTC") and Telefilm Canada ("Telefilm") addresses the current state of English Canadian television drama. The Report by Ms. McQueen, a well known and widely respected former broadcasting executive, offers a number of recommendations which are designed to encourage the growth of Canadian audiences for "homegrown" drama. It also suggests a number of improvements to the Canadian Television Fund ("CTF") - a private-public initiative created by the federal Canadian government and the Canadian Cable industry with an annual budget of over (Cdn.) $200 Million and which operates 2 complimentary programs: The Equity Investment Program ("EIP") and the Licence Fee Program ("LFP").

The Report indicates that, although spending on drama by Canadian broadcasters has generally increased since 1997, in recent years such spending has significantly declined. To illustrate this, the Report cites a 52% increase in spending on drama by private broadcasters, and a 29% increase in spending on drama by the Canadian Broadcasting Corporation ("CBC") during 1997-2001. The Report then contrasts such spending with the 2001-2002 period, in which there was a 10% decline in spending on drama by private broadcasters, and a 26% decline in such spending by the CBC. The Report also speculates that the 2002-2003 program year will show a decline of 19% in total drama hours supported, and a 41% decline in total series hours supported by Canadian private and public broadcasters.

The Report notes that the CTF will have approximately $17 million less for drama in 2003-2004 due to the Canadian government's reduction of $25 million from the CTF in February 2003. [NOTE: Since the time of the release of the Report, the federal government has authorized the CTF to "borrow" the sum of (Cdn.) $15 Million from its next fiscal year to partially address the 2002-2003 funding short fall.] The CTF funds the production and broadcast of culturally significant Canadian television and film productions through the EIP, administered by Telefilm Canada, and the LFP, administered by the CTF. Its funding is contributed by the Department of Canadian Heritage, Telefilm Canada, the Canadian cable industry, the direct-to-home satellite industry, and other broadcasting distribution undertakings ("BDUs") (i.e. undertakings that distribute programming services to subscribers). The Report also notes the government's lack of commitment to fund the CTF beyond 2004-2005, and speculates that many of the Canadian broadcaster "benefits programs" (including, among others, the BCE-CTV Benefits Program, and CanWest Western Independent Producers Fund) supporting Canadian drama will also disappear over the next 5 to 7 years. Moreover, if the CTF diverts some of its funding to local programming (i.e. programming produced by local conventional television stations that is relevant and reflective of the local community served), as is currently being considered by the CRTC, the CTF's drama envelope could be further reduced by an additional $5 million.

In response to the foregoing funding problems, the Report proposes a new 5-year strategy to increase the size of audiences of Canadian drama on television. The Report identifies 5 "essential tools" for audience-building, namely: (1) "political will"; (2) "new money for drama"; (3) "shelf space"; (4) "broadcaster incentives"; and (5) "star building and promotion".

1. The "political will" recommendation recognizes that an initial extra infusion of public funds is necessary in order to promote larger audiences for Canadian drama. To that end, the Report suggests methods and processes for building the political will required to secure such public funding. For example, the Report recommends that the CRTC hold a public process on drama to elicit comments on the various reports that will be made public over the next few months.

2. The "new money for drama" recommendation proposes that new funds be directed at audience-building, that access to the CTF be simplified, and that money currently directed at English drama productions be spent more efficiently. The Report recommends a 4-part approach to achieve these goals. First, a new 5-year "*Audience Building Fund*" of $30 million should be created by the Canadian government and run by the CTF. This fund would support the development of scripts and finance pilots and production, with priority given to writers, writer-producers and applicants with a "track record of audience success". Secondly, the CRTC should impose a moratorium on applications by any of the CTF's private sector financiers (i.e. such as cable companies and other BDUs) to divert their financial contributions to another purpose. Third, the Department of Canadian Heritage should establish new objectives and a new system of operation for the CTF to increase the CTF's efficiency. For example, applicants to each of the EIP and LFP could submit their funding applications jointly, and Telefilm Canada and CTF staff could then consider these applications together, and release the results simultaneously. Finally, French language productions, which are generally about two-thirds less expensive than their English language counterparts, could serve as a model for English-language drama.

3. The "shelf space" would encourage more production of drama by increasing the programming time available for drama on Canadian "specialty channels". In particular, the Report suggests that the CRTC allow "specialty channels" to amend their licences to enable such channels to carry more drama programming, where the subject of the drama is relevant to the genre of the service, so long as the "specialty channel" provides at least 6.5 hours of original programming per year. These "specialty channels", however, would not be permitted to apply for funding from the CTF or the *Audience Building Fund*, unless, after two years, the CRTC determines that drama has achieved its goals for high audiences, at which time these "specialty channels" would be permitted to apply to the *Audience Building Fund*. The Report also suggests that the CRTC could encourage afternoon soap operas and "edgier drama" broadcast after midnight by allowing a 150% credit against daytime "Canadian content" requirement. Further, live-action children's drama would be encouraged, according to the Report, by allowing a similar credit capped at 1 hour per day, in order not to discourage other forms of children's programming.

4. The Report's "broadcaster incentives" include recommendations that: (i) the CRTC restore the 150% credit for "10 out of 10" distinctively Canadian drama, so that it applies against overall Canadian content; (ii) the CRTC allow a one-minute exemption from the 12-minute limit on advertising; such exemption would apply to each original hour and one repeat of "10 out of 10" drama carried; (iii) the CRTC allow a 200% credit against Canadian content for each hour of "hit" drama (i.e. drama that draws one million viewers on conventional, or 500,000 viewers on specialty television); (iv) the CRTC allow "at-risk" equity investments to count toward program expenditure requirements; and (v) drama pilots which are not broadcast should be given a 50% priority program credit if the broadcaster has paid a licence fee equal to or exceeding 25% of the cost of production. Further, the CBC should continue to maintain its current level of drama spending at $62 million per year, and should be allowed to broadcast "first-run" Hollywood movies.

5. The Report's final recommendation regarding "star building and promotion" is designed to stimulate interest in drama by more effectively promoting Canadian television stars and programs. To accomplish this, the Report recommends that the CRTC: (i) allow third party promotion expenses for "10 out of 10" drama to count as program expenditures; (ii) require BDUs to make 25% of local "availabilities" (i.e. promotional time or advertising "slots") in foreign cable services carried in Canada available for the promotion of drama, without cost; and allow BDUs to use 25% of the remaining "availabilities" for partial system agreements, cable services, and other non-core services, such as the Internet; and (iii) allow "star system" entertainment magazine programs broadcast outside prime time to claim either a 50% priority programming credit, or a 125% credit against daytime Canadian content credits.

At the time of writing, the Report is being considered by the Canadian authorities, and time will tell whether any of the recommendations set out therein will eventually be implemented in Canada.

For more information regarding the Report, please consult the full text of the Report, available at: www.crtc.gc.ca, or contact the following members of the Goodmans Entertainment Group:

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