



Financing Media Content

Canada's World's Best Practice Model

- **10% of the value of Media Company Sales goes into Independent Content Production Funds**
- **5% of Gross Monthly Revenues of Media Companies is contributed to Independent Content Production**
- **Tax Credits of up to 45% of production budgets are available to both local and international producers based on the rate of local talent (labour) in the budget.**

1. Media Company Ownership Changes

Whenever there is a sale or transfer of ownership of a media, broadcast, or broadcast distribution enterprise, the Canadian Radio-television and Telecommunications Commission (CRTC) - the regulatory body that governs television and telecommunications in Canada - requires, as condition for the approval of the transfer of ownership, the purchaser to contribute 10% of the gross sale cost of the transaction to a 'benefits' package for the industry.

This is required of all transactions. The rationale is to have the corporations contribute back to content production in the country. This began in 1991 with the creation of the "Maclean Hunter Television Fund", and in 1996 it became the Independent Production Fund. There now exist approximately 19 different 'private' Funds in Canada, each contributing to different, though sometimes similar, genre (documentaries, drama, new media, etc.), and different kinds of contributions (e.g., development loans, grants, equity financing, inexpensive interim financing, etc.)

In other words, each private fund can establish their own funding mandate and priorities - as long as it gets into the content production sector in some fashion. Over the past few years, the 'purchasers' have become very creative with their 'benefits package'. For example, when Canada's largest Telco (Bell) took over the largest private TV station (CTV) four years ago (purchase price of 2.3 billion CAD), 230 million was contributed back into the independent content creation industry in a variety of programs; i.e.; research, mentorship, development, television production etc. All 'benefits packages' must be approved by the CRTC so there are safeguards to prevent misuse.

2. Monthly Revenues

All Canadian BDU's (broadcast distribution undertakings - including cable TV operators, satellite program delivery companies, etc.) are required by CRTC policy and federal government legislation to contribute 5% of their gross monthly revenue to independent content production in Canada.

4% goes into a 'super-fund' called the Canadian Television Fund (matched by grants from the federal government: Heritage Canada). The CTF is an 'objective' fund that tops-up broadcaster license fees by approximately 20% of budgeted costs. Funding is competitive and it is often the essential first step in

financing television and new media productions. The BDU requirements contribute more than \$110 million each year to the CTF.

1% of this 5% revenue for content paid by the cable and satellite companies is discretionary. Cable operators may use this for upgrading their local programming. Some, as Bell Expressvu contribute this to the creation of their own funds - e.g., the Bell Broadcast and New Media Fund that operates as a not-for-profit entity at arms-length from the corporation. The type of 'funding' and genre is up to the corporation, but must be approved by the regulator (CRTC). The Bell Fund contributes grants to new media production that has a convergent relationship with a TV program. The Bell Fund alone currently distributes CND\$ 6 million per year in grants.

3. Tax Incentives based on Local Talent

Canada has a tax credit system to support the television and film industry, at both federal and state levels. Producers receive a tax credit based on a percentage calculated on Canadian talent (i.e., labour) in the budget. The Federal rate is 48%, while individual states vary. It nets about 12-15% of total budget from federal level, and a little higher from the state (province) in which the program is produced (i.e., a further 15-20% of the budget).

Some funding agencies insist that the 'tax credit' be used to help finance the production budget even though government designed it to provide infrastructure support to the production companies themselves. Tax credits are available to both Canadian and foreign producers to provide incentives for the media production industries.

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