CANADA WEST

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Out of the West: Export, Growth and the Western Canadian Production Industry

A report for Western Economic Diversification
from Canada West

January 2006

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EXECUTIVE SUMMARY

- This study offers an assessment of the growth potential of the Western Canadian film and television production industry, in particular to understand and define the role of export as a key element in this growth equation, and presents strategic options to sustain and enhance avenues of export for the Western film and television industry.

- The Canadian film and television production industry provides employment, develops infrastructure, and positively impacts local economies through domestic and foreign direct investment. In 2003/04, the Canadian industry contributed $4.9 billion in production expenditures into the Canadian economy and over 134,700 Canadians are now directly or indirectly employed in the film and television production industry.

- The Western Canadian production industry had a combined production volume of $1.8 billion or 36.4% of the Canadian total in 2003/04. The West faces specific challenges in growing its companies, almost all of which are small-and-medium sized enterprises (SMEs), and needs to develop a different approach for addressing these challenges.

- A Canadian market does exist for creative products, but the revenue potential does not fully support the manufacturing costs of domestic film and television production. Financing options in Canada are limited and availability of financing drives the volume level of creative production in Canada. Additional revenues must be found.

- The role of export is critical to the growth of Western Canadian production companies. The economic realities in Canada dictate that producers develop businesses with the global industry in mind. The success of the production industry is based on making contacts and forging working relationships internationally that can sometimes take years to bear fruit.

- Without an influx of capital, access to international markets and buyers would prove to be prohibitively costly to many Western companies to undertake on their own, by default guaranteeing limitations on their growth opportunities.

- Enhancing the export potential of companies means that they must be adequately prepared, have the requisite experience and contacts, and the opportunity to participate in international markets. Strategic options to sustain and enhance avenues of export for the Western film and television industries include:

    - active participation in the international marketplace to seek sales and distribution, international financing and co-production partners.
    - up-to-date knowledge of the marketplace in terms of successful products and services, identification of key decision-makers and potential production partners.

- the business acumen and experience to participate fully in international market activities.

- Current export marketing programs, especially provincial programs, appear to be on the right track however program budgets are limited and performance measurements for particular initiatives are difficult to quantify. Ultimately, more targeted resources are required to enhance export readiness for Western producers.

- A focused approach to investment in Western Canadian producers could enable these companies to grow at a projected rate similar to the global industry – in other words, at a rate of about 5 percent per year, or $429 million over the next five years.

2004-05 Production levels in Western Canada	$1,556,000,000
2009-10 Projected levels in Western Canada	$1,985,200,000

- The results of the study suggest a series of Strategic Directions to be undertaken by Canada West in co-operation with Western Economic Diversification.

INTRODUCTION

Western Canadians have always had wonderful stories to tell. *Corner Gas*, *North of 60*, *DaVinci's Inquest*, *The Saddest Music in the World*, and many, many more. The only puzzling thing is why there are not many more Western Canadian stories in the nation's theatres and on our airwaves.

This study sets out to examine the Western Canadian production industry in the context not only of Canada, but of the world. Intellectual property, like all industrial sectors, is becoming increasingly a commodity traded in a global marketplace. If Western Canada is to succeed in this industry, it must be part of this global reality.

The study examines the size of the industry, its structure and the challenges it must overcome to take its rightful place in the world. It also recommends areas where investment of resources and development of expertise will enable Western Canadian producers to stabilize their companies and grow.

Export as the key element

In particular, the report looks to understand and define the role of export as a key element in this growth equation and presents strategic options to sustain and enhance avenues of export for the Western film and television industries.

As a starting point, it is important to review the role and value of the film and television industries in Canada. One of the basic tenets underlying this report is that the Canadian film and television production industries represent a valuable cultural and economic resource at regional, national and international levels.

On the cultural front, it is generally agreed that it is beneficial for the citizens of a nation to see themselves and their stories reflected on their own film and television screens. A public policy framework has been established in Canada over the years through a variety of legislative, regulatory and financial tools that promote Canadian cultural expression, and, in turn, impact regional and federal policy initiatives supporting the development and production of Canadian creative products.

In addition, the film and television production industries represent tangible economic benefits regionally and nationally. Production activity requires the utilization of services that cut across many sectors and the majority of production dollars spent is injected directly into local and regional economies. Moreover, the labour intensive nature of film and television production leads to significant job creation and infrastructure development. At the international level, the majority of production companies are actively seeking out available sources of financing, providing an opportunity for foreign inward investment in Canada.

The export potential of creative product is also part of Canadian international policy as a vehicle for furthering trade objectives where the lines between cultural and economic benefits are intertwined. Internationally, the Canadian government utilizes cultural product as an entry for trade negotiations with other countries as well as a vehicle to promote a vision of Canada abroad.

As a result, the positive impacts of the film and television industry have made it a matter of interest and concern for provincial and national governments. Given the particular challenges and limitations of financing and producing film and television productions in Canada, exploring international opportunities has emerged as an integral part of growth strategies for Western Canadian producers and filmmakers.

SECTION ONE

1. Overview of the Canadian Film and Television Industry

a) Total Production Volume and Growth

Film and television production is a global industry now worth billions annually. Almost every country around the world competes for its share of this growing market. Price Waterhouse Coopers (PWC) tracks global trends in the entertainment and media industries and projects that global filmed entertainment spending will increase at a 7.1% compound annual rate from $84 billion in 2004 to $119 billion by 2009[1]. World-wide television broadcast spending is projected to increase at a 6% rate compounded annually to $204 billion in 2009 from $152 billion in 2004.

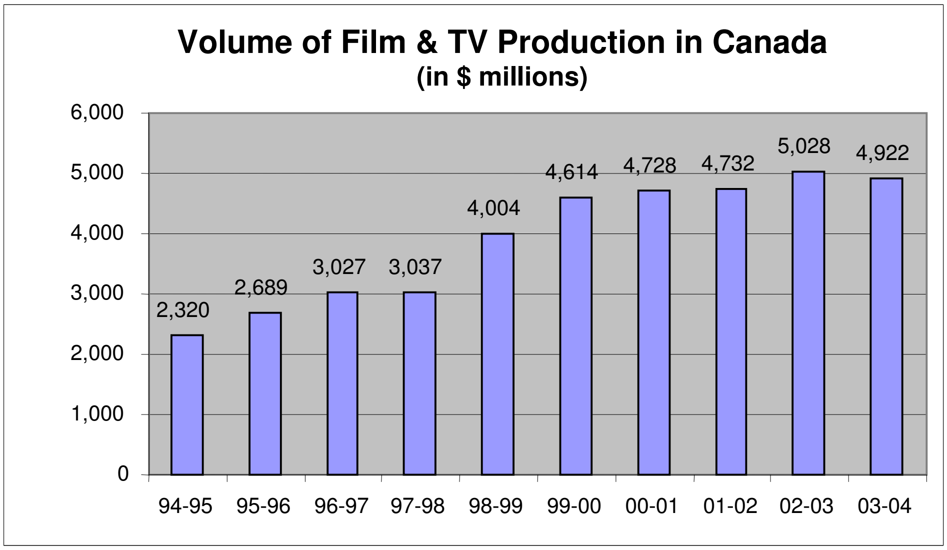
Canada has a modest slice of this global pie. According to PWC, Canadian filmed entertainment spending is expected to increase at an annual rate of 8.4% or from $4.8 billion in 2004 to $7.2 billion by 2009. Television broadcast spending in Canada is expected to grow from $1 billion to $1.4 billion, equaling a 6% annual average growth rate from 2004 to 2009.

The PWC report focuses on a variety of media sectors but does not specifically analyze the Canadian film and television production industry. Alternatively, the Canadian Film and Television Production Association (CFTPA) provides detailed information on the domestic industry in its annually commissioned reports, or Profiles. Profile 2005[2] indicates that film and television production contributed $4.9 billion to the Canadian economy in 2004. While this was a slight decrease from the $5 billion high of 2002/03 it was above the levels generated in previous years. Since 1998, total production activity has exceeded $4 billion in Canada.

The following table summarizes Canadian film and television production activity which includes service as well as domestically owned and controlled production over the past ten years.

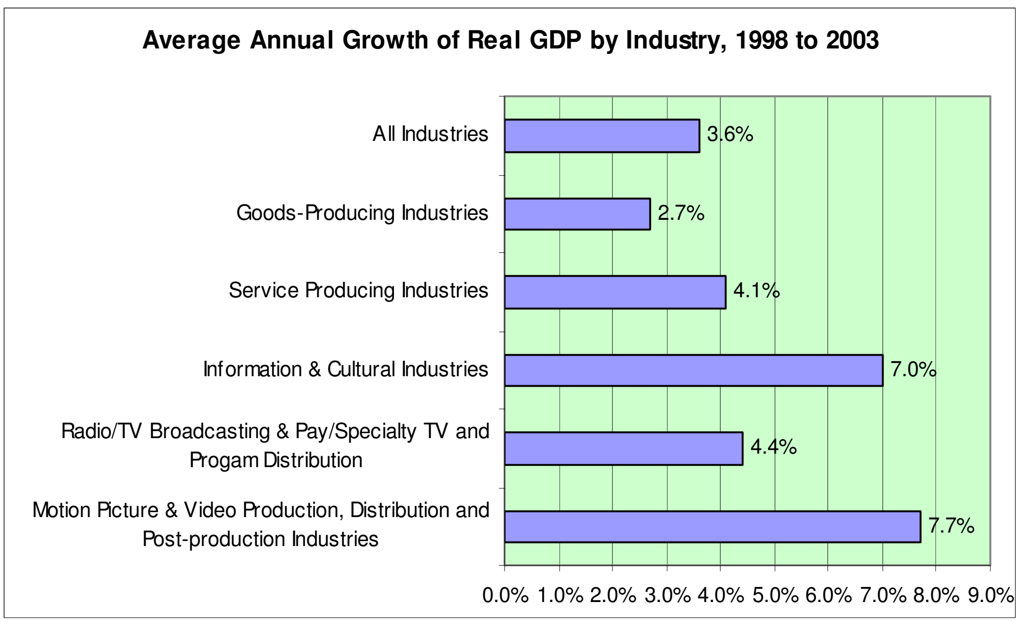
[1] The PWC report is a forecast of spending in 14 entertainment and media segments, including filmed entertainment, television broadcasting and distribution, recorded music, radio and internet advertising, publishing, video games, theme parks, casinos and sports. The Entertainment & Media (E&M) industry's positive momentum will be sparked by an impressive 9.8 percent compound annual growth rate (CAGR) for the Asia/Pacific regional market, and globally by improved economic conditions (especially in developing countries in Asia, Europe and Latin America), the availability of new distribution channels, and continued adoption of next-generation technologies. Source: *Global Entertainment and Media Outlook, 2005-2009*, Price Waterhouse Coopers, New York, June 2005.

[2] *Profile 2005: An Economic Report on the Canadian Film and Television Production Industr*y, published by the Canadian Film and Television Production Association, Ottawa, February 2005.



Source: Profile 2005

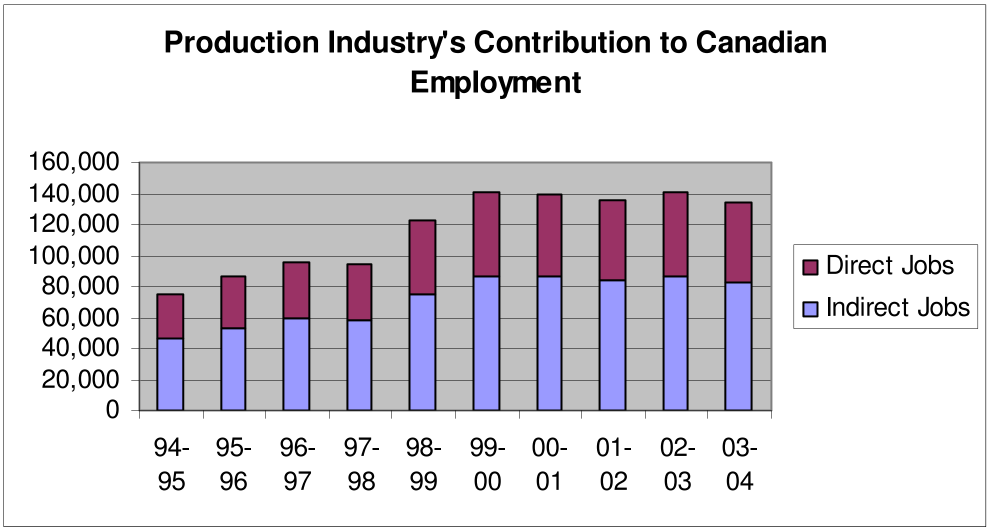
The average annual growth rate of the film and television sector has performed better than other Canadian industries over the past five years. The following chart compares the growth rate of Real Gross Domestic Product (GDP) by industry in Canada.



Source: Profile 2005

b) Contribution to Employment

A successful film and television industry requires collaboration on many levels. From the development phase through to exhibition, this sector involves multi-party negotiations between a variety of players and its production is very labour intensive. From 1998 to 2003, the film and television industry has been an engine of job creation, outpacing that of the overall economy. During this time period, employment in the motion picture and video industries grew at an average yearly rate of 5%.



Source: Profile 2005

Over 134,700 Canadians are now directly or indirectly employed in the film and television production industry. Direct jobs include persons employed by production companies and directly involved in film and television production. Production acquires goods and services from other industries and in so doing generates indirect employment. According to the multiplier utilized by Statistics Canada, each direct job results in the creation of an additional 1.6 indirect jobs in the film and television industry[3].

c) Key Economic Benefits

The key economic benefits of the film and television industry include a high wage sector; a high economic multiplier to regions and suppliers; low environmental impact; and growing economic infrastructure – legal, accounting, financial services.

[3] This is a national multiplier generated by Statistics Canada (StatsCan) as quoted in *Profile 2005: An Economic Report on the Canadian Film and Television Production Industry*.

In 2001, the Alberta government undertook a comprehensive analysis of the economic impact of expenditures on the film and television industry in the province[4]. The outputs from the model included estimated value added from the productions, estimates of taxes returned to all levels of government, and employment. A multiplier was then devised from these results. The study concluded that government expenditures on the film and television industry generated a value added multiplier of 1.89 – every dollar invested by the government resulted in a benefit to the province of $1.89.

This is a somewhat conservative number compared to other economic multipliers. A recent report issued by the Los Angeles County Economic Development Corporation examined the economic output of television movies and series, and feature films of various sizes (small to large) and determined that the economic multipliers ranged from 2.4 to 2.9.[5]

d) Types of Production

The film and television industry in Canada is comprised of independently produced production (by non-broadcaster affiliated production companies) and broadcaster in-house production (by private broadcasters, the CBC, and specialty and pay services).

The independent production sector is made up of two different but complementary types of production – domestic and foreign service production. Foreign service productions are those initiated, owned and controlled by producers from jurisdictions outside of Canada. Foreign producers are primarily interested in Canada as a production location. Typically, service production is highly mobile and expends money on a project-by-project basis. While the productions hire local talent and crew, the key creative decision-making, copyright ownership and profits from worldwide exploitation, remains with the foreign producer.

In contrast, domestic productions are those that are created, developed, owned and controlled by Canadian production companies. Domestic production companies make long term investments in corporate infrastructure to develop a portfolio of film and television projects. A domestic production hires Canadian key creative talent and crew and in doing so contributes to stable employment levels. Domestic production provides opportunities for Canadian content creators to tell their stories to a national and international audience.

[4] *The Alberta Film Review Committee Report*, submitted to the Alberta Ministries of Community Development and Economic Development, September 2001.
[5] Source: *What is the Cost of Runaway Production?,* Los Angeles County Economic Development Corporation (LAEDC), August 2005. See Appendix 1.

International co-productions of film and television products are a highbred version of domestic content product. The ownership and control is shared between producers from each country and the domestic benefits vary due to the particular nature of the co-production. Alternatively, there are co-ventures with partners from various countries which may not be officially ‘certified’ co-productions.

2. Overview of the Western Canadian Production Industry

Overall, the Western Canadian production industry has evolved differently from the industries in Ontario and Quebec. Western producers have adapted to the vagaries of the domestic and international marketplace by undertaking a varied slate of productions that may include distinctively Canadian projects produced for the domestic market, internationally financed productions for the global market, and some foreign service production to generate revenues[6]. Each company is unique in its business strategy and approach, depending on the skills and inclinations of the partners. There is no common blueprint for success.

The infrastructure and capacity exists for growth in the Western production industry. What Western companies need in order to grow is increased access to production financing opportunities and the expertise to exploit those opportunities.

a) Production Volume and Key Measures

According to Profile 2005, total volume of Canadian production activity was $4.9 billion in 2003/04. Of this total, the four Western provinces (British Columbia, Alberta, Saskatchewan and Manitoba) had a combined production volume of $1.8 billion or 36.4% of the Canadian total. It is estimated that in the Western provinces more than 49,000 direct and indirect jobs were generated through the film and television industry in 2003/04.

Total production activity by province is detailed in the following chart.

Total Volume of Film & TV Production by Province

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Share %	5 Yr Avg Growth
BC	$589.5	$855.6	$1,085.9	$1,177.6	$1,183.3	$1,146.2	$1,542.4	31.3%	12.5%
Alberta	$104.7	$131.5	$239.8	$179.9	$149.7	$200.9	$98.5	2.0%	-5.6%
Sask	$35.4	$49.0	$37.4	$42.6	$32.0	$80.6	$42.3	0.9%	-2.9%
Manitoba	$35.6	$70.8	$44.2	$71.0	$74.3	$85.5	$108.6	2.2%	8.9%
Ontario	$1,229.5	$1,550.5	$1,748.9	$1,849.9	$1,905.3	$1,947.7	$1,758.3	35.7%	2.5%
Quebec	$962.5	$1,188.2	$1,294.6	$1,246.1	$1,218.2	$1,405.7	$1,205.6	24.5%	0.3%
Atlantic	$80.3	$157.5	$163.1	$162.2	$168.5	$161.6	$166.3	3.3%	1.9%
Total	$3,037.0	4,003.7	$4,614.2	$4,728.3	$4,731.8	$5,028.0	$4,921.8	100.0%	4.2%

Source: Profile 2005

[6] This information was generated based on feedback through interviews with a number of western production companies regarding their business strategies. See Appendix 2.

As the chart indicates, the production industry in the West can experience significant swings in volume which highlights the cyclical nature of the business and regional variations. It is a growing industry in the West where growth can occur in spurts and can be affected by such things as changes to provincial and federal production financing initiatives and the levels of foreign production.

b) Size and Structure of Western Companies

In order to assess the Western production industry it was necessary to garner additional data from the provincial agencies and the production companies themselves. Based on these sources, virtually all production companies in the Western region would be considered small-and-medium enterprises (or SMEs) based on the number of employees. Only 7% of the 283 production companies active in the West in 2004-05 have more than 4 to 7 full-time employees, including the partners of the companies.

This seems to be a trend across the country. Many of the larger Canadian production companies that emerged in the mid-1990s and became publicly traded companies have since left the independent production business either by choice (such as Alliance Atlantis[7]), by acquisition (such as Nelvana purchased by a broadcaster, Corus Entertainment) or by default (Paragon).

With a few notable exceptions, most Western production companies are less than 10 to 12 years old. However, the Canadian film and television industry in its entirety has only grown in significance since the late 1980s. To a large degree the domestic industry in Canada emerged from the skills development and inward investment of foreign location production that first took root in Ontario, Quebec and British Columbia. With the possible exception of British Columbia, the production industry in the West has been slower to develop in relation to central Canada. Nonetheless, policies and regulations developed at the federal and provincial levels in the late 1980's and 1990's subsequently fostered the expansion of the domestic industry across the country.

[7] Alliance Atlantis (AAC) made the business decision in late 2003 to close its production departments and concentrate on its broadcasting assets. As quoted in an article in Playback Magazine, one producer stated "Big companies are getting out of production because they can't afford it … The amount of overhead you need to do the paperwork alone in our system doesn't justify the spend". Producers were quick to point out, however, that AAC's absence will likely make room for small- and mid-sized companies. *AAC downturn claim refuted by producers*, Playback Magazine, January 5, 2004. p.1

The Canadian film and television industry is comprised primarily of privately-held companies and therefore financial statements are not available to the public for review. The Canadian Film and Television Production Association (CFTPA) has been concerned in recent years that Canadian independent production companies are woefully under-capitalized and that given the nature of project-by-project production it is difficult for Canadian companies to expand and maintain a corporate infrastructure. According to the provincial agencies, this is considered to be the case for companies in Western Canada.

According to the provincial agencies, the majority of production companies in Western Canada are considered to be established domestically in the Canadian market but still emerging on the international scene. Roughly 50% of the companies in Western Canada fall into this category. A projected 22% of companies are established both domestically and internationally at this point in time. In essence, Western producers can be segmented into two groups, each of which will require different growth strategies.

British Columbia

	Total	No. of employees				
	co's	1 - 3	4 - 7	8 - 11	12 - 15	15 +
Number of production companies**	175	143	18	2	0	11
Of these companies:						
- emerging domestically	54	54				
- established domestically but not internationally	93	83	10			
- established domestically and internationally	28	6	9	2		11

Alberta

	Total	No. of employees				
	co's	1 - 3	4 - 7	8 - 11	12 - 15	15 +
Number of production companies**	53	32	18	1	0	2
Of these companies:						
- emerging domestically	4	3	1			
- established domestically but not internationally	22	17	4			1
- established domestically and internationally	27	12	13	1		1

Saskatchewan

	Total	No. of employees				
	co's	1 - 3	4 - 7	8 - 11	12 - 15	15 +
Number of production companies**	22	14	5	2	0	1
Of these companies:						
- emerging domestically	6	5		1		
- established domestically but not internationally	13	9	4			
- established domestically and internationally	3		1	1		1

Manitoba

	Total co's	No. of employees 1 - 3	4 - 7	8 - 11	12 - 15	15 +
Number of production companies**	33	22	9	0	0	2
Of these companies:						
- emerging domestically	13	12	1			
- established domestically but not internationally	16	10	5			1
- established domestically and internationally	4		3			1

* defined as full-time employees for each category

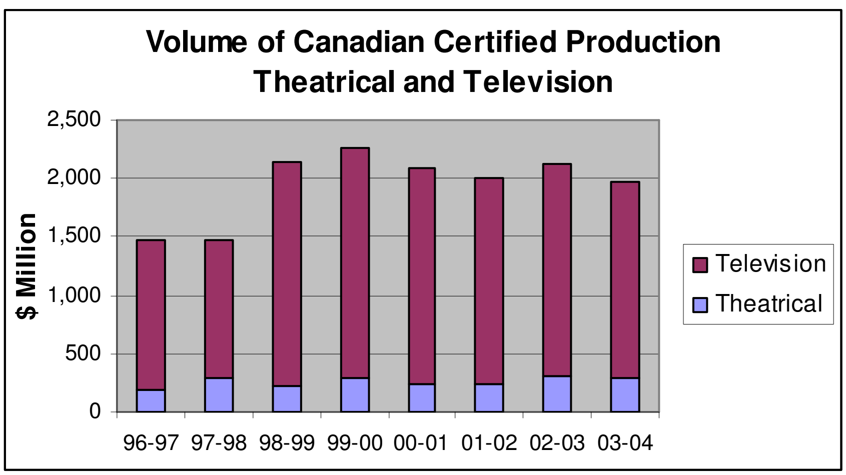
** defined as having produced 1 or 2 projects that have been broadcast, exhibited or distributed

Source: Canada West: BC Film, Alberta Film, SaskFilm, Manitoba Film & Sound

Alberta in particular appears to have a higher number of internationally experienced producers relative to the other Western provinces, which is due to a number of experienced documentary producers in Alberta.

c) Diversity of production

The chart below illustrates the make up of the Canadian film and television production industry by sector. For Canadian independent production companies, television production dominates the landscape at 85% of all film and TV certified Canadian production[8].



Source: Profile 2005

[8] Projects are certified as "Canadian" by the Canadian Audio-Visual Certification Office (CAVCO), which is part of the federal Department of Canadian Heritage and co-administers two tax credit programs with the Canada Revenue Agency. CAVCO certifies projects using a point structure that is based on the number of Canadian key creative people involved in the production, including director, writer, editor, lead actors. The highest number of points for full Canadian content that can be attributed is 10 points out of 10, but a project that meets key criteria and achieves a minimum of 6 points out of 10 is certifiable as "Canadian". See Appendix 3 for the list of points assigned to key positions.

The Western provincial agencies provided data indicating that the majority of Western production activity was also in television production. The numbers in the following chart are estimates for 2004-05 and are comprised of Canadian and foreign location production. They indicate that television drama and documentary production are the most active genres for Western producers[9].

2004-05	British Columbia		Alberta		Saskatchewan		Manitoba	
Production by genre:	# of Projects	Total Budget	# of Projects	Total Budget	# of Projects	Total Budget	# of Projects	Total Budget
	-	-	-	-			-	-
Feature film:								
- drama	46	$554.8	4	$44.7	3	$33.7	8	$44.3
Television:								
- drama	86	$643.0	13	$71.8	3	$10.6	11	$39.0
- documentary one-off	30	$21.2	15	$3.3	9	$1.8	10	$3.0
- documentary series			6	$4.3	4	$4.3	10	$9.2
- lifestyle / reality			15	$7.8			2	$1.7
- kids			1	$0.4	3	$5.2	2	$1.4
- variety/comedy					1	$9.3	1	$0.2
- performing arts			6	$2.6	1	$0.0		
- other*	24	$38.6			1	$0.2		
Total Production:	186	$1,257.6	60	$134.9	25	$65.1	44	$98.8

* "Other" includes short films, animation, educational and other types of production not captured

Source: Canada West: BC Film, Alberta Film, SaskFilm, Manitoba Film & Sound

d) Infrastructure in Western Canada

Each province in Western Canada has varying levels of infrastructure related to the unique components of the production and distribution process. Infrastructure can take the form of equipment suppliers, studio and post-production facilities, and legal and accounting firms, just to name a few. As companies' capacity builds this has a direct impact on labour force growth as well as impacts on the wealth of suppliers.

Key personnel in broadcasting, exhibition and distribution are based in Central Canada resulting in limited access to decision-makers. In Canada, almost all English-language conventional broadcasting outlets and the majority of specialty and pay-TV channels are owned by a few large companies (CanWest Global, Bell Globemedia (CTV), Corus, Alliance Atlantis, Rogers, and Shaw), all of which are headquartered in Toronto. In distribution, 83% of film, video and audio-visual distribution undertakings are based on Ontario and Quebec[10]. Theatre ownership in Canada has recently been consolidated into the hands of one Toronto-based company, Cineplex Galaxy, now with a Canadian market share of between 60% and 65%[11].

[9] See Appendix 2 for more information on Western production company profiles and areas of concern.
[10] Data from StatsCan. See Appendix 4.
[11] *Jitters over Cineplex deal*, Playback Magazine, July 4, 2005, p.1.

Studio and post-production facilities exist to varying degrees in all four Western provinces, but those with a stronger tie to foreign location production have the most developed clusters of these types of facilities, especially in British Columbia where foreign location production levels are traditionally among the highest in the country.

e) Assessment of the Growth Potential of Western Production Companies

Overall, the industry is younger in the West and geographical location alone provides challenges of access to decision-makers and resources. Nonetheless, infrastructure has been developed in each Western province and the capacity exists to increase the volume of total production, as evidenced by higher levels of production activity in previous years in the West. Core financing for production and companies is available in each Western province through various provincial investment mechanisms including tax credits and, with one exception (British Columbia), equity investment programs. These are key elements for a growth equation in the West.

According to the provincial agencies, most companies in the West are small but the majority of Western production companies have experience producing product for the domestic market and a significant number have made inroads at the international level, as summarized in the following chart.

Western Production Companies by Experience Level 2004-05	
Total number of production companies	283
- emerging domestically	77
- established domestically	144
- established domestically and internationally	62

Source: Canada West

These Western companies have garnered experience at the international level over recent years with only limited marketing support and initiatives to encourage international activities. A focused investment in Western Canadian producers could ensure these companies continue to grow and at a rate consistent with global industry.

As per Price Waterhouse Coopers, Canadian spending on entertainment and media has grown 7% over the past 5 years. Utilizing the numbers from Profile 2005, in comparison the Western Canadian production industry has been growing at a somewhat lower rate of 6.2%, as illustrated in the following chart.

Profile 2005: Total Volume of Film & TV Production (millions)	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR*
BC	$1,085.9	$1,177.6	$1,183.3	$1,146.2	$1,542.4	
Alberta	$239.8	$179.9	$149.7	$200.9	$98.5	
Sask	$37.4	$42.6	$32.0	$80.6	$42.3	
Manitoba	$44.2	$71.0	$74.3	$85.5	$108.6	
Total - West	$1,407.3	$1,471.1	$1,439.3	$1,513.2	$1,791.8	6.2%

PWC: Total Spending on Entertainment and Media	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR*
Canada	$16,169	$17,231	$18,653	$19,816	$21,217	7.0%

*CAGR = Compound Annual Growth Rate

PWC projects that Canadian entertainment and media spending will continue to grow by 6.3% to 2009. If the percentage for Western Canadian production tracks in a similar manner at a slightly lower rate, it is not unreasonable to project that western production levels could grow at an annual rate of 5%.

Based on this assumption, total production volume in the West could reach almost $2 billion by 2009/10, using the Canada West production volume for 2004/05. (See Section 2 c) above).

2004-05 Production levels in Western Canada	$1,556,000,000
2009-10 Projected levels in Western Canada	$1,985,200,000

A targeted approach to investment in Western Canadian producers could enable these companies to grow at a projected rate similar to the global industry – in other words, at a rate of about 5 percent per year, or $429 million over the next five years.

SECTION TWO

1. The Economics of Creative Content Production

To explore potential export strategies for Canadian film and television companies, it's important to understand the distinct economic characteristics and challenges of 'creative products.'

Peter Grant and Chris Wood's work[12] provides an excellent discussion of what *The Economist* has called "the curious economics of the business" of creative content production. The manufacture of creative products (television programs, books, sound recordings and magazines) presents challenges quite different from ordinary commodities. Yet, as the authors note, creative products are also clearly bought and sold and respond to the market forces of supply, demand and competition, and the companies which produce them, while they face the same challenges as all small manufacturers, have an additional set of challenges. Grant and Wood demonstrate that film and television products have unique characteristics that differentiate them from the other commodities.

a) The Production Process

Creative production follows the same manufacturing cycle as other commodities, in that there is an initial research and development phase, a production phase, and then a distribution and marketing phase. However, the difference in the nature of the production process between creative products and ordinary commodities is critical.

Creative products typically involve an expensive, time-consuming but one-time process where the majority of the manufacturing costs are incurred to produce the first 'master' copy. Whether the product is a feature film, a television program or a sound recording, the process creates intellectual property embodied in the master that can then be cheaply stored, duplicated and delivered. The master is never consumed. Yet the large initial production cost cannot be avoided – regardless of the size of the eventual marketplace.

b) Demand

For most commodities, demand is to some extent predictable amongst competing products. In contrast, each creative product is unique, and must be launched individually into the marketplace. The demand for each title is independent of the demand for other titles, however while demand for a particular creative product may be unpredictable, aggregate demand for all creative products of a particular kind is fairly stable. The marketplace for creative product is largely dominated by gatekeepers who decide which products get shelf-space and which ones do not.

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[12] Grant, Peter S. and Wood, Chris, *Blockbusters and Trade Wars, Popular Culture in a Globalized World*, (Vancouver/Toronto), Douglas & McIntyre, 2004.

c) Risk

It is virtually impossible to predict which creative products will achieve commercial success, and revenue projections are little more than guesswork. While many film and television products fail to achieve commercial success, those that do succeed offer a substantial return on investment. Hence pre-market and audience research is vitally important in order to assess the commercial viability of a project.

d) Behavioral Dynamic

A successful film and television production is a collaborative effort, including equipment rentals, studios, post-production houses, film processing labs, lawyers, insurers and accountants While the producer gains access to the consumer through broadcasters or exhibitors, (and the revenues these partners provide) the broadcasters and exhibitors require independent producers to fill their programming needs.

e) Pricing

One of the most compelling differences between cultural products and other commodities is the ability to set prices differently for different markets, independent of the costs incurred – in other words, price discrimination. For ordinary commodities, the cost of producing each incremental unit effectively sets a minimum floor for the price of the product to new buyers. However, manufacturers cannot price creative products at marginal incremental costs, since the cost to reproduce additional units is minimal in comparison to the cost of the upfront production of the master copy. To recover the initial manufacturing costs and maximize revenues, the owners of the rights to creative product carefully segregate their markets and price their products on a highly discriminatory basis between each market. The price is often based more on what the market will bear than on the costs to manufacture the creative product[13].

[13] In Canada, many consider the relatively low cost to purchase Canadian rights to US film and television programming as a kind of industrial "dumping", where the cost to purchase these rights do not reflect the cost to initially manufacture the product. See section 2 a).

2. The Canadian "Market"

a) Domestic Demand:

Demand for a product in a pure free market economy would typically drive production levels. Canada's population base is not large enough to support film and television properties financed from strictly domestic free-market sources. Population size limits the potential revenues earned by broadcasters and exhibitors – and hence the price they will pay for the product. The upfront costs of film and television production are significant and have difficulty being recovered from smaller population bases such as in Canada. Film producers are left to cover these manufacturing costs by searching for other sources of revenue.

The problem is exacerbated by Canada's geographic reality as neighbor to the United States. Canadians are inundated with American entertainment on both television and movie theatre screens. The bulk of domestic demand for film and television product in English Canada is met by foreign programs, primarily from the United States. U.S. suppliers are able to sell their products into Canada for far less than their original cost of production, an attractive reality for broadcasters and exhibitors with an eye on the bottom line. Canadian television broadcasters and film theatre owners, as gatekeepers, make programming choices based on optimizing audiences and revenues within their own markets.

There is no mandated requirement that theatre owners in Canada reserve a portion of their screen time for the exhibition of Canadian feature films. However there does exist a federally regulated environment for Canadian broadcasters and the airing of Canadian-content programming. The Canadian Radio-television and Telecommunications Commission (CRTC) is the regulatory body that oversees the broadcasting industry and mandates overall Canadian content requirements as well as specific commitments by broadcasters related to various transactions, such as ownership transfers of broadcasting licenses. As enshrined in the Broadcasting Act (1991), the airwaves are a public resource and as such their usage is granted to Canadian broadcasters with an expectation of return to the public by means of contributions to Canadian cultural expression.

The regulatory framework implemented by the CRTC drives Canadian broadcasters to acquire and pre-license Canadian content television programming. While they can acquire US programming for less than the cost of purchasing the rights to Canadian-produced programs, the regulatory framework ensures a certain level of demand for Canadian-content programming from broadcasters. Ultimately, demand by gatekeepers is driven less by end-user demand and more by financing and regulatory structures that have been put into place in the absence of free market realities.

It is difficult to project the true market for Canadian programming as producers work within a regulated Canadian broadcast world. The Canadian Radio-Television and Telecommunications Commission (CRTC) requires broadcasters to carry specified amounts of Canadian content. There are no such content requirements in the world of theatrical exhibition. If forced to pay the actual manufacturing costs of the product they retail to the public, it is unlikely that broadcasters or exhibitors would purchase any Canadian programming at all. As a consequence, Canadian film and television production is supported by a number of federal and provincial financial contributions.

b) Domestic Production Revenues:

In the Canadian film and television industries, the ability to cover manufacturing costs is often the driving force behind production levels. Money is necessary to underwrite the development, production and completion of projects, and too often, just to keep production companies solvent. The timeline from development through to distribution of a creative product is complex and may take many years to complete. [14]

Canadian production companies secure the monies required to manufacture each production in a variety of ways. In general, funding comes from Canadian sources such as broadcasters, distributors, public funding agencies (provincial and federal) and tax credit systems (provincial and federal), as well as from international sources. This is illustrated in the following table.

2003-04	**Television**		**Feature film**	
Revenue Sources:	**%**	**$**	**%**	**$**
Private broadcasters	22%	310.4	5%	14.5
Public broadcasters	13%	186.8	1%	3.6
Federal tax credit	10%	138.2	5%	14.9
Provincial tax credit	12%	172.3	17%	50.2
Canadian distributor	7%	101.5	10%	30.7
Foreign	11%	160.1	10%	29.5
Public*	9%	132.9	39%	115.8
Other Private**	16%	220.7	12%	36.7
Total	**100%**	**1,423.0**	**100%**	**296.0**

*Public includes financing from the Canadian Television Fund (Equity Investment Program), provincial governments, Telefilm Canada and other government departments and agencies.
**Other Private includes financing from production companies, corporate production funds, the Canadian Television Fund (Licence Fee Program) and other private investors.
Note: Some totals may not add due to rounding.
Source: Profile 2005

It takes many partners to complete the production financing structure of creative products and both financing structures and the cost to manufacture can vary according to genre and format.[15]

[14] For a more detailed view of a production's value chain from Skills Development to Script Development through to Production, Marketing and Distribution, and Exhibition see Appendix 5.
[15] For typical manufacturing costs of various film and television products, see Appendix 6.

Broadcasters and Exhibitors

The initial step for Canadian production companies is to find a buyer for the program. In most industries, the cost of goods sold is recouped with a reasonable profit margin when the product is sold to the buyer(s). However, in Canada, the buyers of film and television properties generally only represent a small portion (on average, about 30 percent) of the overall production budget[16].

Nonetheless, the license fee paid by the broadcaster for the Canadian rights to air a program is vital as it also acts as a trigger for many Canadian funding programs. Similarly, distribution commitments from a Canadian theatrical distributor are key to securing investment for feature films from private and public sources.

The broadcasting landscape in Canada is diverse relative to other countries given the high degree of penetration of cable and satellite distribution to Canadian television homes. Conventional or 'over-the-air' terrestrial broadcasters remain the largest category of broadcaster. Conventional broadcasters are driven by one key source of revenue - advertising. Specialty channels (delivered directly through cable and satellite connections) represent the second largest tier of broadcasters and their revenue stream is based on advertising and subscriber revenue. While pay-TV exists in Canada, these channels are fully subscriber-based and represent a smaller portion of the overall landscape. A sale to a conventional broadcaster represents the largest license fee, with specialty and pay-tv channels paying smaller licenses for programming.

Private Production Funds

A variety of private funds operate either at a national or regional level. Often created as a condition of securing a broadcasting license from the CRTC, these funds are usually established for specific purposes and are of limited duration.

The Public Sector

The small level of investment by the buyers of content product in Canada requires producers to secure other sources of investment to complete the production financing. Given the market behavior of creative products, many nations including Canada have developed a tool kit of policies to promote domestic production.

Federal and provincial government investment in film and television product is based both on the economic benefits of the production process (as in tax credits on labour expenditures) and the merits of supporting the telling of Canadian stories (cultural funding through organizations such as the Canadian Television Fund and Telefilm Canada).[17]

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[16] A 2003 report by the Canadian Coalition of Audio-Visual Unions (CCAU) notes that Australian commercial networks pay license fees for domestic series drama covering 60 to 70% of the cost if shot on film and 80 to 100% if shot on videotape, and that broadcasters in the UK, Europe and the US pay 85 to 100% of budgets for local drama production. It comments that broadcasting quota systems in Europe have contributed significantly to the increase in popularity of local drama. Source*: The Crisis in Canadian English-Language Drama*, A Report prepared by the Canadian Coalition of Audio-Visual Unions, March 2003, p.3.

[17] A more detailed review of existing public programs is attached as Appendix 7.

Financing the "Gap"

Canadian producers piece together the manufacturing cost of a production from various Canadian public and private funding sources, but these rarely cover the full cost. Producers must find other sources to fill the "gap'. In most cases Canadian production companies must look to the international market. They may seek advances from Canadian or international distributors for the rights to markets not sold to the original broadcasters or exhibitors, they may attempt to secure international financing by way of a pre-sale to a foreign broadcaster or exhibitor, or may they may seek an international producing partner to co-produce a project.

SECTION THREE

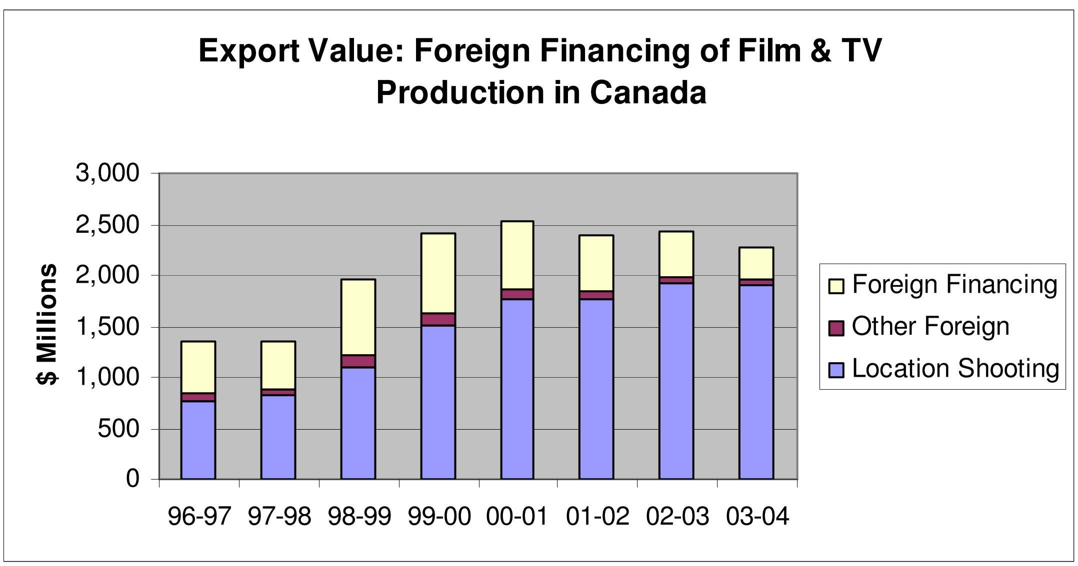
1. The Role of Export in Growth

a) Export as a Key Element of Growth in the West

Typically, export is a necessary consideration maximizing of revenue opportunities for a commodity. A product requires an export strategy to generate further revenues as one of the key elements of sustaining and enhancing domestic activity (job creation, product development). As illustrated in the previous section, the Canadian market is limited in size and cannot cover the cost of manufacturing through domestic market forces alone.

Securing foreign sources of revenue is one of the means by which Canadian production companies cover the manufacturing costs of their film or television productions. Producers need to exploit international markets to secure pre-sales and financing for new projects, to sell their existing product. Long-term sustainability and growth of the Canadian film and television industries requires not only a strategic global approach but also aggressive efforts to get up to speed with the emerging new technologies and delivery platforms.

The following chart shows the degree of foreign financing in Canadian production. "Export value" is a measure used to recognize international participation in the Canadian production industry[18].



Source: Profile 2005

[18] For Profile 2005, Nordicity developed a measure of export value. The term "export value" as opposed to just "export" was used to better reflect the nature of film and television production in Canada

The nature of demand in international markets will continue to be a challenge as local production, especially drama, has become more prevalent[19]. While Canadian producers have many years of experience in international markets, especially Europe, this market is becoming more challenging. The recent establishment of the European Union has meant that member countries look more to each other for market opportunities than to other international partners. Ultimately, Canadian companies must look to many international markets as sources of revenues for their creative content, as Grant and Wood conclude:

> *cultural products that are attractive to consumers in a large geographical market have a lower risk and a much greater potential reward that do those that are produced for a smaller market.*[20]

Export as it relates to the Western Canadian film and television production industries may occur in a number of different ways including co-production arrangements, broadcast presales, distribution advances and guarantees as well as finished product sales.

2. Modes of Export

a) Co-Production and Co-ventures

Co-production allows producers to join revenues in their domestic markets to pay for the manufacturing costs of production. A co-production deal ultimately represents a partnership between production companies from different parts of the world who are serving separate buyers, and as such requires a high level of business acumen as well as flexibility and diplomacy on many levels. Moreover, co-production partners must be able to reach creative compromises.

Canada currently has 49 co-production agreements with 53 countries. Given that co-production treaties are based on the principle of reciprocity, roughly half of total treaty co-production budgets are expended in Canada.[21]

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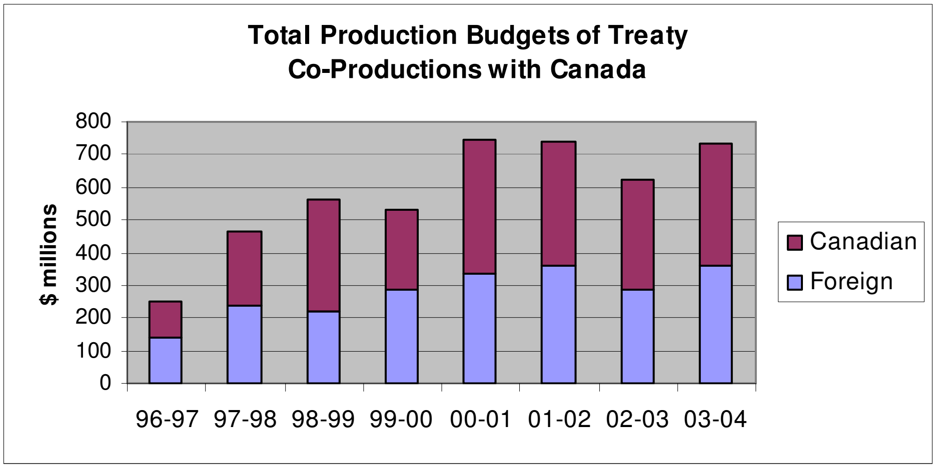
[19] "In Europe, the 1989 Television Without Frontiers Directive…requires a majority of specified programs broadcast by TV stations to be European…The result of these quota systems has been to increase the quantity of local drama on television channels in the countries where the quotas apply. In Europe, for example, a recent report by the European Commission on the implementation of the Television Without Frontiers Directive in 2000 and 2001 found that television broadcasters were devoting an average of 62% of the transmission time devoted to fiction to European works, and that the trend was steadily in favour of improving on the quotas provided for in the Directive." CCAU Report, ibid, p. 4.

[20] Grant and Wood, p. 55.

[21] See Appendix 8 for co-productions undertaken by country in 2004.



Treaty Co-Production - Key Measures

	2003-04 (in millions)	Share %	1 Year Growth	5 Year Avg Growth
Canadian	$371	51%	12%	2%
Foreign	$359	49%	24%	10%
Total	**$730**	**100%**	**18%**	**5%**

Source: Profile 2005

Canada's competitive position has been threatened by a number of factors including strengthening ties amongst European Union (EU) nations, an increase in the incentives and flexibility offered by other countries looking to attract co-production activity, and the relatively inexpensive labour rates available in competing territories[22].

Co-ventures with other countries are more difficult to track since they are not captured under treaties and do not require official treaty certification. Many co-ventures are structured to make the most of the Canadian system without restricting financing and distribution options. Co-ventures usually trigger the various tax credit schemes in Canada and as such are captured under CAVCO data in total production volume numbers.

Co-productions and co-ventures meet domestic demand in a co-producing country and as such demand is driven by the financing needs of the co-producing partners. Alternatively, in terms of export for Canadian domestic product, the key driver of demand is foreign pre-sales and distribution activities. It appears International buyers are also now attempting to negotiate a share of copyright ownership and back-end profit and are often successful because the financial structure won't close with a gap in the financing.

[22] Source: *Canada's Competitiveness in Treaty Coproduction,* a study for Telefilm Canada by the Nordicity Group Ltd, May 2004.

b) Foreign Pre-sales and Acquisitions

Foreign broadcasters may acquire a completed program, providing valuable revenue to the Canadian producer. If these sales are made by the producer directly, not through a distributor, the benefits are even more direct.

Alternatively, Canadian producers may seek out pre-sales from international broadcasters at the development or financing stage of a project. The foreign broadcaster's creative input (and larger financial commitment) is typically a means of tailoring a project to better suit their particular audience needs. International buyers often require significant involvement in the creative and production process in return for their money.

c) Distribution Advances/Guarantees and Secondary Market Sales

Distributors can take over from the producer the responsibility of selling into foreign markets, either through a "distribution advance" for an unfinished production or sales of finished programming into foreign territories. A relationship with a good distributor can be invaluable, since these companies have experience in understanding the needs of the increasingly competitive international marketplace, and can introduce a producer to valuable international networking opportunities. They also free the producer to concentrate on their primary expertise – the creation of new product.

Unlike advances and guarantees, secondary market sales do not contribute to the financial structure of a given project because the money is received over time, usually long after production has been completed, and the amount is never certain. Sales are subject to the changing nature of programming trends and funds ultimately received by producers are net of distribution commissions and marketing expenses. However, the potential for significant revenues exists over time and the realization of revenue justifies the pursuit of these sales.

3. International Demand for Export

a) Television

Foreign demand for television programming can be defined as shelf space on foreign-owned channels for product originating from non-domestic sources.

International financing and sales opportunities for Canadian producers and distributors vary from region to region. As with the Canadian market, expansion in the cable/satellite realm has been prolific across the globe. While creating more potential clients for the acquisition of foreign produced programming, it has also resulted in a fragmented market. There are more buyers to solicit; however, acquisitions budgets are sometimes modest at best.

In addition, economic and political climates shape demand internationally. While general trends tend to hold true over the short term (i.e., five years) the international marketplace is in a state of constant flux. It is vital for a producer to seek out market intelligence in order to understand trends as well as the buying habits of target broadcasters over time in order to fully exploit international potential.

International product demand also varies by genre. Drama is most often sought by conventional broadcasters, but the upsurge in popularity of local drama has reduced access to time slots on international terrestrial broadcasters. Based on Canadian experiences at recent international markets, there is more potential for children's and youth dramas and comedies. Documentary series and factual programming, including lifestyle programming, sell well internationally as long as there are elements that appeal to foreign buyers. Reality programming gained popularity in recent years, but now seems to be losing some appeal. Animation is an easily adaptable format that has world-wide appeal to co-production partners or for pre-sales. The upswing in recent international activity, particularly for animation, is helped by a shortage of programming. The need for content on mobile communications such as cell phones is also emerging as a key new technological driver[23].

To succeed in a competitive international marketplace, producers need to create steady supply of programming that is timely, unique and global in tone coupled with access to international buyers to achieve success in the foreign market.

A detailed international territorial overview can be found in Appendix 9.

b) Film

When examining shelf space for Canadian films in foreign territories, the influence of American film exports around the world must be acknowledged. Popular US films are marketed aggressively worldwide and tend to make up the bulk of world box office receipts. The following chart provides the top 20 list for box office receipts in the year 2004.

[23] The 2005 MIP-TV spring market was marked by an upswing in sales of Canadian drama, especially youth drama and comedies, as well as animation, according to Playback Magazine. *Drama leads at upbeat and busy MIP-TV*, Playback Magazine, April 25, 2005, p. 2.

World Box Office Top 20 - 2004
($ millions USD)

	Original Title	Country of Origin	US Box Office	International Box Office	Total
1	Shrek 2 (1)	US	437	466	903
2	Harry Potter and the Prisoner of Azkaban	US/GB	249	540	789
3	Spider Man 2	US	373	410	783
4	The Passion of Christ	US	370	239	609
5	The Day After Tomorrow	US	187	353	540
6	Lord of the Rings: Return of the King (2)	US/NZ/DE	87	430	517
7	The Incredibles (1)	US	252	263	515
8	Troy	US	133	364	497
9	I, Robot	US	145	201	346
10	The Last Samurai (2)	US/NZ/JP	21	298	319
11	Shark Tale (1)	US	161	155	316
12	Van Helsing	US/CZ	120	182	302
13	The Bourne Supremacy (1)	US/DE	176	100	276
14	The Village	US	114	142	256
15	The Polar Express (1)	US	155	97	252
16	Bridget Jones: The Edge of Reason (1)	GB/US/FR/DE/IE	40	188	228
17	Fahrenheit 9/11	US	119	102	221
18	National Treasure (1)	US	155	64	219
19	Collateral	US	100	117	217
20	King Arthur	US/GB/IE	52	149	201

(1) Still in release in 2005
(2) 2003 release, box office 2004 only
Source: Focus 2005 – World Film Market Trends

The US is listed as the country of origin, or one of the countries of origin, for all of these films. It is interesting to note that 7 of the top 20 films were co-ventures between the United States and other countries, as even the major studios in the US look to international partners to help underwrite the risks and upfront costs of production. In a number of cases, the US has partnered with small countries in making big budget films. The potential exists for Western Canadian producers to fulfill this type of partnering role as well.

Domestic productions typically account for the next most prominent element of box office share in many countries, with a small percentage remaining for imports from other foreign sources. Canada is one of the few unfortunate exceptions. In Canada in 2004, US imports accounted for 90.5% of market share, while other foreign films accounted for 6%, leaving only 3.5% of the market for Canadian product.

Within the European Union in 2004, market share of Europeans films within the European Union accounted for 26.5% of film admissions. US imports took the majority of market share at 59.7% and US-Europe co-production took in another 11.7%—leaving a mere 2.1% for imports from the rest of the world (ROW)[24].

[24] Data per country is from *Focus 2005 – World Film Market Trends,* European Audiovisual Observatory, www.obs.coe.int..

In looking at total admissions for the ROW films, Canadian films achieved 17.2 million in EU admissions (number of tickets sold) in 2004, covering both French and English-language titles. While Asian films were clearly the market leaders, Canadian films, with a lesser volume of titles distributed, achieved a proportionately better score.

Total Admissions (ROW) Films In Distribution in EU (1999-2004)

	millions	%
Asia	72.5	60.3%
Canada	17.3	14.4%
Central and South America	13.4	11.1%
Australia/New Zealand	11	9.1%
Africa/ Middle East	6.1	5.1%
	120.3	100.0%

ROW Market share of 2.4% over period 1999 to 2004

Source: Partnering Europe: Access to the European market for non-European films, European Audiovisual Observatory, 2005

Distribution Contracts for the Top 10 ROW Films in Europe - 2004

22	European independent distributors
2	European TV-related distributors
7	Distributors part of integrated European film groups
11	US-related distributors

Source: Partnering Europe: Access to the European market for non-European films, European Audiovisual Observatory, 2005

This data highlights the importance of independent and sometimes fairly specialized European distribution companies in ensuring access to the market for these ROW films and in ensuring choice for European audiences. Although the opportunity for foreign imports originating outside of the U.S. is relatively small, capturing that window of opportunity could provide substantial gains to the independent Canadian producer. The release of Canadian films “Les Invasions Barbares” and “Cube” have demonstrated that niche films (often lower budget but with an interesting plot twist or recognized talent and a foreign Oscar winner) have the ability to generate audience buzz prior to a major release in many markets. This can result in attracting the attention of distributors who will in turn invest the marketing dollars necessary to optimize international box office.

4. United States Demand for Export

The US market for film and television represents the world's only "free" market for creative production. The substantial population of the US sustains a domestic film and television industry without need for legislation or other government involvement. US broadcasters are often able to wholly commission programming and when their license fees fall short, producers are often able to secure private sources of revenues or distribution to round out their budget. While it has been possible for feature films to recoup production costs through domestic box office alone, many US studios are increasingly looking to international partners to contribute to manufacturing costs, which has provided opportunities for a number of Western Canadian production companies.

a) Television

The acquisition of foreign completed programming is limited within the American conventional network television market. On the cable/satellite tier, however, the need for completed, lower cost programming is prevalent. License fees for foreign product vary widely from broadcaster to broadcaster depending on maturity, penetration and popularity. Given the expanded horizon of the US cable/satellite universe, there are potential homes for every genre of programming.

There is an opportunity for Canadian pre-sales into the US market— especially, but not limited to, the cable/satellite tier. These broadcasters often find the additional revenue Canadian producers are able to bring to the table attractive. US license fees combined with the Canadian portion of the manufacturing costs allow for a much more robust production budget than the broadcaster may be able to manage if they were the sole financier of the project. As no formal co-production treaty exists between Canada and the US, Canadian producers need to have significant expertise and access within both the domestic and US systems to see these deals through from inception to completed program.

b) Film

Much like the television landscape, the film market in America is saturated with US domestic product. American films accounted for an overwhelming 83.5% of US market share in 2004. US-European co-productions accounted for 9.8% of the remaining market share, and European production accounted for 4.7%. This left only 2% for imports from the rest of the world.

The Top 20 films in the United States were similar to the Top 20 Films in the World for 2004. Some of the rankings varied but only 4 films were different in the top 20, all US-made films but 3 of the 4 were co-ventures with other countries[25].

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[25] Source: *Focus 2005*

Canadian film producers look to partner with American producers or distributors to bring their feature film to life. By virtue of the involvement of an American partner many feature films originating with Canadian producers will generate their financing outside of the traditional Canadian system, utilizing only federal and provincial tax credits. A number of Canadian producers use American producer reps to find partners for their film projects.

SECTION FOUR

1. Existing Barriers to Export

Prior to formulating a plan to nurture the expansion of Western Canadian export activity, it is necessary to identify current challenges faced by Western Canadian producers.

a) Resources – Time and Money

There is only one way to become a player in the international market and that is to be there. Any company serious about export needs to budget significant resources to attend international markets and festivals or to meet with foreign producers/broadcasters/distributors.

The film and television industry is built on "relationships" at every level. Producers with export ambitions must commit to actively and repeatedly seize opportunities to meet key international decision-makers. The associated costs are substantial and represent an immediate drain on corporate cash flow, with return on investment realized over many years. For smaller companies, such as those in Western Canada, the financial resources required may simply be prohibitive.

b) Access to Key Decision-makers

Success in the international marketplace is predicated upon access to decision makers and other key contacts. Most initial contacts are made at international industry events - markets, film festivals, and targeted trade missions. However, attendance alone does not ensure relationships will be forged. Facilitation by way of targeted and planned introductions is an important part of the process.

Typically, one contact leads to another and repeat attendance at events over time results in greater acceptance within the international community. Being recognizable in the marketplace, with a track record of producing product attractive to the international marketplace, lends credibility to the company in the eyes of foreign buyers. As part of a long-term corporate development strategy, on-going participation at the international level is vital.

c) Market Intelligence

This global approach takes years to implement. At the same time individual productions must be developed, financed and produced. Targeting the appropriate individuals requires current market intelligence. Producers must be well versed on the portfolio, emerging delivery platforms, production style, and genre specialties of potential investors and/or co-production partners to effectively assess the suitability of the match.

Given the intensity of the creative process, companies must also share an affinity with their chosen partners. This relationship requires a depth of understanding and trust that does not formulate overnight.

d) International Business Expertise

Success in the global marketplace requires Western Canadian producers to be "export ready". A clear vision of corporate identity enables effective international positioning. Setting out with purpose and direction—vital to establishing credibility and acceptance—requires long-term business planning.

The creation of marketing strategies must reflect the overall corporate goals and objectives while addressing individual project development. Success in an international forum also requires an understanding of export business practices. Producers must have the skills to negotiate international broadcast licenses and co-production agreements, and be knowledgeable of how the Canadian system operates when coupled with different foreign system requirements. In addition, an understanding of different delivery requirements and their costs, withholding tax implications and payment schedules are also necessary. Moreover, success requires an understanding and awareness of cultural and language differences. The accumulation and assimilation of all the necessary knowledge can be somewhat daunting and must be undertaken at a senior management level.

2. Maximizing Export

Several factors, operating simultaneously, challenge a company's ability to maximize export development. Current market conditions will play a significant role. The political milieu of trade policies and incentives also enters into the equation. The third factor is the long-term goals and ambitions of individual companies, coupled with the business skills they can bring to the task. Finally, companies must have the financial resources to meet the opportunity costs of entering the marketplace.

a) Market Conditions

When contemplating corporate or project specific export strategies, it is important to consider the full spectrum of market realities. These include geographic regions of opportunity, genre trends, cultural and language differences—as well as global economic and political factors. Gathering and applying this intelligence is especially challenging, as the marketplace is in constant flux and trends in genre and format are difficult to predict.

Territories with common language and culture make for straightforward partners. Relationships with nontraditional partners can be fraught with complexity; however, future projects may reap the benefit of forging new ground. Producers must learn to assess the markets and potential partners – often on little more than instinct.

b) Policy Framework

Local politics affect the film and television business virtually everywhere in the world. Investment and trade policy and practices affect the viability and attractiveness of any given export opportunity. Incompatible financing mechanisms, content quotas, customs regulations, censorship laws, and other policy directives impact the feasibility of a potential partnership. Producers need a clear understanding of how these policies may impact their export ambitions if they are going to maintain a competitive edge.

c) Corporate Realities

Corporate realities determine not only market opportunities, but whether a company possesses the resources to respond to them. Corporate maturity, portfolio, cash flow, access to financing, available infrastructure, areas of specialization and geographic location all impact a company's export capacity. Each of these factors as they relate to Western Canadian production companies must be examined before export opportunities can be properly evaluated.

Corporate maturity is a major factor in determining the "export readiness" of companies. A more mature company will generally have a more developed roster of contacts and a greater sophistication vis-à-vis negotiations and industry practices. The ability to demonstrate a track record of successful productions is critical to securing international revenues or partners.

Corporate cash flow and access to money also plays a significant role in shaping an export strategy. Selling to the international marketplace requires a substantial investment by way of travel, market/festival registration expenses, promotional materials and display expenses. Western Canadian companies, even those considered mature producers, often lack these critical resources.

Corporate infrastructure – basic skilled manpower, both at international markets and at the company's home office – can be challenging for Western Canadian production companies moving into the export market. The physical location of companies can be a factor as proximity to potential clients and production partners, the cost of travel and differing time zones all contribute to the challenge.

Finally, an export strategy must also take into consideration production specialization. The producer must clearly understand their market, and know which of the many market events around the world will be most useful to their export plan.

3. Enhancing Export Readiness

The majority of companies in Western Canada are established in the Canadian domestic market but have limited experience in the international market.

In order for these companies to succeed in the global marketplace, a number of key elements must be in place:

- a well developed business plan outlining the strategic direction of the company
- an ability to develop and produce a portfolio of projects destined for the international market on an on-going basis
- established relationships with international buyers and distributors that are active in the genres in which the company operates up-to-date market intelligence obtained through attendance at markets and festivals and interaction with international contacts
- experienced production record in Canada with an understanding of the Canadian domestic market and available financing
- company projects have been distributed internationally
- an awareness of the specific financing requirements of potential co-producing countries/partners, the needs of foreign buyers and the flexibility to adapt projects as required

Export activity can be accelerated by assisting Western Canada's producers to meet these challenges.

4. Existing Export Marketing Programs

There are a variety of established programs whose purpose is the enhancement of export of Canadian film or television companies and individual properties. Some of the programs originate at a federal level, while others are provincially based. Most are publicly supported, although a few arise out of the private sector. A listing of export support programs currently available is supplied in Appendix 10.

The administrators of the programs at the federal level have rather diverse portfolios and export is not always their sole or even first priority. In those cases when export is the primary concern of the organization (i.e., International Trade Canada/ITC), film and television is only one of a multitude of client groups represented.

In most cases the amount of available program dollars are modest at best and only help to cover some of the costs of attending individual international markets and festivals. This is demonstrated in the following chart of provincial programs.

Export Marketing Programs - Western Provincial Agencies

Program Name:	Program Purpose:	Total Program Budget:	Eligible Applicants:	Eligible Costs:	Available Funding: per project/co.
SASKFILM:					
Market Travel Assistance Program	To provide financial assistance to producers to travel to approved markets to increase the marketing/ export of SK product and co-production opportunities	$91,250	SK production companies with demonstrated capabilities to max benefits at the intended markets.	Registration, travel, accommodations, per diem	Within Canada: $1500 / Within US $2000 / International $3000
Festival Travel Assistance`	To provide financial assistance through bursaries to SK residents who are nominated for awards at major film and television festivals.	$6,000	SK production companies with demonstrated capabilities to max benefits at the intended markets.	Registration, travel, accommodations, per diem	$1,000

MANITOBA FILM & SOUND/MMPIA:					
Access to Markets Program	Supports the market development activities of MB producers and independent distributors to attend nat'l/int'l markets	Approx. $73,600	MB production companies and eligible distributors with professional experience	Registration, travel, accommodations, per diems, rentals	Within Canada: $2,000 Outside Canada: $3,500 Max $8,000 per applicant per year
Access to Festivals Program	Supports the travel needs of MB filmmakers and distributors to screen at major festivals	Approx. $15,000	MB filmmakers (writers, directors, producers) and distributors with professional experience	Registration, travel, accommodations, per diems	Within Canada: $1,000 Outside Canada: $2,500 Max $4,000 per applicant per year
Professional Marketing Fund	Supports the marketing activities of established MB production companies and independent distribution companies	Approx. $7,000	MB Production Companies and distribution companies that are actively involved in promoting their projects in the int'l film & television marketplace	Marketing materials and promotional activities	50% of eligible costs to a max. of $2,000. Max $3,000 per applicant per year
NSI Global Marketing Fund	Intensive training and mentorship program for Canadian television producers attending their first or second international market	Approx. $120,000	Aimed at mid-level Canadian TV producers with a min. of one 30 minute project televised looking at entering the international marketplace such as MIPCOM	Airfare & accommodations while attending training session in Toronto; MIPCOM registration and travel costs	

BC FILM:					
Passports to Markets Program	To support BC production companies to attend international markets, conferences and film festivals.	$200,000	BC resident producers and eligible distributors/sales agents with professional experience	Registration, travel, accommodations, per diems, marketing materials.	Generally 50% of eligible costs
Slate Development Fund	Provides financing envelopes to advance the development and marketing of a portfolio of film and TV projects by established producers with significant track	$1.65 million	BC owned and controlled production companies who have demonstrated the capacity to sustain production in BC.	Eligible development and marketing expenses	Up to $150,000 per company (Note: The majority of these funds are allocated to development costs; eligible marketing activities are considered on a case-by-case basis.)
ALBERTA FILM:					
Market Access Program	Support for AB production companies to attend markets and film festivals.	$30,000	eligible AB production companies	Registration, travel, accommodations, per diems	up to $2,000

SECTION FIVE

Strategic Options

The Western production industry, like many other manufacturing industries in Canada, needs to engage in export activities to grow its domestic business and diversify its stability in the West. The upfront costs of manufacturing product require producers to look for international partners and international buyers from around the world. The best opportunity for Western production business growth lies in the international marketplace as a source of direct inward investment.

One of the Western production industry's strengths is a core group of companies that have been in business for a number of years, have track records of producing and delivering quality productions and have some degree of experience in international marketing. Additionally, these companies are relatively small and therefore can be flexible and adaptable in their approach to international markets. The activities of these small-and-medium businesses over the past decade have directly contributed to Western labour force growth as well as the wealth of regional suppliers related to the industry, and provide a base in which to invest. With adequate preparation, contacts and resources, these companies will have a greater chance to succeed.

The major impairment to the growth of Western production companies is their lack of access to investment capital and human resources to dedicate to expanding the markets outside of Canada. Most Western companies base their business models on developing and producing a slate of projects, but lack the market intelligence and resources necessary to fully exploit international production and marketing opportunities. Like all manufacturing industries, a key to growth is developing and securing relationships with new buyers as well as maintaining existing partnerships over a period of time.

Internationally, Canadian production companies compete directly with savvy producers from other countries for a share of the world entertainment market, a market that is expected to grow by over 7% over the next five years. On the international scene Canadian film and television producers can be a competitive source of quality, economical product because of an existing infrastructure that allows producers to bring domestic revenues to the table and position themselves as experienced and useful partners/suppliers.

Domestic sources of revenues may grow modestly in the next few years, but the international market provides a much wider opportunity to find buyers and develop partnerships. If Western producers cannot access international markets they will be unable to exploit these opportunities and grow their companies through access to international buyers and distributors. With the right investment and support, Western Canadian producers could double the growth rate predicted for this sector in the global market place – in other words, grow at a rate of about 15 percent over the next five years.

Strategic options to sustain and enhance avenues of export for the Western film and television industries include:

Market Access

Some Western Canadian producers are participating in the international marketplace to seek sales and distribution, international financing and co-production partners in order to sustain and grow. This participation must be focused and made more effective.

Company executives are pursuing contacts and develop on-going relationships with buyers and distributors. Costs to attend just one international market for two staff can exceed $15,000, and a targeted international business strategy for a production company could exceed costs of $50,000 per year. Export marketing programs are currently insufficient to allow for these types and levels of on-going business development activities.

Currently there exist limited federal and provincial mechanisms for western producers to gain access to international markets. The challenge with these existing programs is that their annual budgets are small, and they only cover attendance for one market at a time.

Market Intelligence

Producers must have knowledge of the potential of the international market, including product demand, key decision-makers and potential partners.

There is currently limited access to market intelligence for Western producers, and challenges inside these small companies in digesting and making best use of the information that exists. Information can be gathered by attendance and activity at the international markets and festivals themselves, or through domestic festivals and conferences. Access to market intelligence is key in planning business strategies and exploring appropriate potential partners or buyers internationally.

Western production companies need exposure to current and on-going market intelligence, and assistance in processing how that information can best be put to use within their businesses.

Export Readiness

Producers develop the business acumen and experience to participate fully in international market activities.

A concerted approach to export readiness training would be a valuable contribution towards enhancing western producers' ability to successfully exploit international opportunities and become a player on the international scene. Training programs covering diverse areas relating to international financing, contract negotiation, emerging technologies and delivery platforms could be established on a rotating basis through the four Western provinces.

Performance Measurement

In order to implement an effective plan to enhance growth in the Western production industry requires access to more complete data of the industry in the West. An important step will be to create a pan-Western production industry database that would track international export activity (by company, genre, and country). Once baseline benchmarks can be established, more accurate performance measurements can be implemented.

One of the major challenges in establishing performance measures is the current difficulty in accurately defining the results of many current programs that relate to export development in the film and television industry. This includes accurate pre-sales, sales and distribution information and return on investment of attendance at international festivals and markets. Telefilm Canada and provincial partners are pursuing a performance measurement framework for its international activities as it recognizes the need to determine results-based information.[26]

The process of completing this study has pointed out several areas where accurate data is lacking. It will be important in future to expand and continuously update industry data in order to review the efficacy of government and industry investment in growing the export market, and ultimately in stabilizing the western Canadian production industry.

[26] Based on an interim report for Telefilm and its International Initiatives Advisory Committee, results and performance indicators could include: the number of Canadian participants at each market and within the Canada Pavilion; the level of satisfaction of exhibitors and the traffic count at each market; ratings of actual and potential financial impacts of each market by participant; levels of satisfaction with market intelligence obtained; earned press coverage of Canadian film and TV product; dollar value and number of pre-sales, sales and co-production activity, both at an event and forecast; dollar value of sales, pre-sales and co-production divided by investment in market. Source: *Performance Measurement Framework for the International Initiatives Advisory Committee*, Interim Report, prepared by Garry Sears of Kelly Sears Consulting Group, March 17, 2005.

Moving Forward: Strategic Directions

An important and timely opportunity exists for partnership amongst the provincial and federal agencies charged with the responsibility of growing the Western Canadian production industry. A comprehensive program to educate producers regarding the international market place, to provide assistance to these companies to enable them to best determine how the international market can be part of their business plan, and to provide the infrastructure resources to enable companies to carry out these plans would prove an important investment to stabilize Western Canada's position in this important global industry.

The challenges faced by the Western Canadian industry, and the strengths identified within that industry, give some guidance for logical next steps.

If one of Western Canada's strengths is a strong core of companies, the focus should be to build on that strength. Flexibility and adaptability can and must be supported by accurate, up-to-date market intelligence. Professional development opportunities must be designed that will help new companies grow, and larger companies adapt as markets shift and change.

As Western Canada's companies are small in structure relative to their counterparts in other regions of Canada and the world, the public agencies must create infrastructure and services that present these companies to the world in the most professional guise possible – in the vernacular to "punch above their weight class."

Canada West has proven an effective coalition, able to deliver strong programming and infrastructure as a group, enabling all four provinces to make limited resources go further in its joint aims. This coalition, combined with resources from Western Diversification is an excellent starting point for the next steps.

Market Access

- Canada West currently partners with other provincial and federal agencies to create the Canadian Pavilions at targeted international events. Increased resources would enable creation of improved services and profile in these stands, along with targeted events to increase the profile of Western Canadian producers in attendance. Resources from the CW/WD partnership would be used for these joint stand costs, allowing individual provinces to concentrate other resources on investing in individual company support.
- In addition to the four Canadian pavilions, resources from the CW/WD partnership will be used to explore two new markets (either by region or genre) each year.
- Canada West will facilitate "incoming trade missions", bringing together targeted groups of producers and buyers from international markets. Models for this approach exist in several territories, and the approach has proved effective not only in creating business, but in increasing awareness and professionalism in Western Canadian producers.

Market Intelligence

- Canada West will develop a consolidated mechanism to gather and digest international market trends, and circulate this information to Western Canadian producers. (Dissemination will probably be web-based.) Information will be gathered through a combination of literature review, specific research where warranted and gathering information from both agency staff and producers who are attending various international markets.
- This mechanism will also provide updated focus for the genres and regions that should be the focus of the Market Access activities listed above.

Export Readiness

- Professional development opportunities, either created specifically for western Canadian producers, or commissioned where possible or warranted from existing suppliers such as the National Screen Institute, will help teach best practices and skills so producers can make best use of the opportunities afforded by increased exposure to the international marketplace.

Performance Measures

- During the course of this study, it became clear that there is a need to gather data relevant to the Western Canadian situation. In addition, it is important for governments to know the outcome of its activities and investments.

- Any joint investment by the provincial and federal partners providing support to this industry should include resources to allow for collection of updated data on the industry itself, as well as data on the results of the specific activities undertaken by the partnership.

Delivery

- Efficient delivery is critical to the success of any activities undertaken through a CW/WD partnership. As each agency is stretched to provide its current responsibilities, any partnership must include provision for manpower as well as resources towards specific program elements.

APPENDICES

Appendix 1

Motion Picture Production: Jobs and Economic Outputs

2-hour Television Movie-of-the-Week	
Production Budget	$4,400,000
Employment*	102
Direct	25
Indirect	77
Economic Output	$12,600,000
Multiplier	2.86

1-hour television drama series	
(12 x 1 hrs @ $2.2 m per episode)	
Production Budget	$26,800,000
Employment*	720
Direct	180
Indirect	540
Economic Output	$76,500,000
Multiplier	2.85

Low Budget Feature Film	
Production Budget	$2,000,000
Employment*	59
Direct	15
Indirect	44
Economic Output	$4,790,000
Multiplier	2.39

Mid-budget Feature Film	
Production Budget	$17,000,000
Employment*	304
Direct	75
Indirect	228
Economic Output	$43,900,000
Multiplier	2.58

Big Budget Feature Film	
Production Budget	$70,000,000
Employment*	928
Direct	231
Indirect	697
Economic Output	$199,000,000
Multiplier	2.71

*Fulltime annual equivalents (FTEs)

Direct workers are the people who work directly on the production in some capacity: in pre-production, shooting, or post-production.

Indirect workers are the people who owe their jobs to the purchases made by the firms and people working on the each production.

Source: *What is the Cost or Runaway Production?,* Los Angeles County Economic Development Corporation (LAEDC), August 2005.

Notes:
LAEDC measured job creation and economic output using an in-house model based on the Regional Input-Output Modeling System (RIMS II), which was developed by the U.S. Department of Commerce.
LAEDC combed through actual detailed budgets for each type of production from recent productions, obtained from the California Film Commission.
LAEDC used estimates typically representing the lower bound of possible economic impact, choosing to have their results be understated because of data limitations and constraints inherent in economic impact analysis work.

Appendix 2

Interviews with Western Production Companies

Interviews were conducted with a number of producers from Western-based companies, each of whom had a certain degree of experience in both the Canadian and international marketplaces. Overall, these reviews were undertaken with relatively established independent production companies, many of which had been in the business for over 10 years and had developed a corporate infrastructure to varying degrees. The purpose of these interviews was to explore each company's outlook in terms of the growth opportunities in the international marketplace, their business strategies for continued success within the Canadian and international production industries, and areas where they felt that investment should be targeted.

Western production companies, being small, tend to specialize in particular genres such as drama, documentary or children's programming. While a number of companies do produce multiple genres and formats they tend to devote a majority of their energies to a single category of production. The comments and recommendations generally related to distribution, market support and intelligence, trade missions and training.

a. Profile: Western Drama Production Companies

Genre: Most of the Western companies that specialize in drama seem to produce primarily for the television market. Some of the larger companies do a mixture of TV movies and feature films or are looking to expand into feature films. Those companies that specialize predominantly in feature film tend to be smaller operations. Many companies become involved in documentaries on occasion but do so more for personal creative reasons or to diversify their production base.

Size of company: The drama companies consulted were larger in size – most with 10 – 15 full-time staff - with one or two smaller but very experienced companies with 5 full-time staff. All have been in the business for at least 9 years or more and have several production credits in drama.

Canadian or International Focus:
Many of the Western companies that specialize in drama programming currently produce primarily for Canadian broadcasters and the Canadian market. Many cite the difficulties with the existing Canadian investment regime that limits their flexibility to produce product with the international market in mind. Nevertheless, by necessity these producers look to the international market for potential co-producing partners, pre-sales to assist in the completion of their financing or after-sales through distributors. Each company has a particular business strategy based on their areas of interest, expertise and experience. Some have undertaken international co-productions and US co-ventures and all are interested in international contacts as both resources for financing as well as for revenue through distribution.

A few companies take an alternate approach by producing primarily with American partners for the US and international markets. One company acts in many instances as a service producer/financing packager of TV movies and feature films, mostly with US co-producers. The TV movies they undertake are done mostly as fee-for-service productions where their involvement is weighted on the legal and financing components based on their particular expertise and the international contacts which they have developed over the years. With the feature films, the company is more hands-on in the creative development, production and financing elements.

This company illustrates a type of hybrid business plan that some western production companies have developed. The production slate is a mix of foreign service productions and Canadian projects where they retain more ownership and control. Both types of production may utilize elements of the Canadian funding system, but foremost the federal tax credits. In the case of this company, the flexibility of the Alberta funding system allows it to access provincial resources in relation to the degree to which the production benefits Alberta and the production company itself.

b. Profile: Western Documentary/ Factual Entertainment/ Children's Producers

Genre: There are a number of Western companies that focus solely on either children's or documentary programming, and some that do both in the lower budget end of the spectrum. Documentary programming as a category has expanded in recent years to include a multiplicity of types of programming, ranging from one-off traditional types of documentaries to lifestyle series to reality-type entertainment programming. Many companies that started in documentary production now define themselves as producers of 'factual entertainment' programming.

Producers active in the documentary arena stated that one-off point-of-view documentaries have been on a downward trend while more broadly defined documentary series are in greater demand. Feature length documentaries are slowly beginning to make headway into the theatrical marketplace and investment resources in Canada are beginning to be targeted at this format, although it continues to be a challenge.

In the West there are children's producers who focus on lower budget types of programs designed to be high-volume series and then there are the higher budget animated and live action children's and youth drama programs. The higher budget animated and live action drama productions targeted at children and youth share more of the issues and problems of drama producers above, while the lower budget children's producers have comments and concerns similar to documentary series producers.

Size of company:
Documentary production companies in the West tend to be somewhat smaller in size at 10 staff or less, or have been established as specific divisions in companies that have expanded into other formats including corporate or commercial work, post-production studios, multi-media interests or even other genres. Most have roots in the documentary field and have been in business on average 10 years or so.

Canadian or International Focus:
Most documentary companies currently produce projects destined for Canadian television and particularly for Canadian specialty broadcasters, but with an eye to also securing international pre-sales. Despite a growing awareness of and interest in feature-length documentaries, companies are still finding that they are difficult to finance and get exhibited on film screens either at home or abroad. More popular are documentary series designed with a particular broadcaster in mind that may have appeal to similar types of broadcasters internationally.

Documentaries are generally lower in budget than drama projects and less labour-intensive to produce. Companies in this genre tend to produce multiple projects at a time, and many rely on tax credits and broadcast sales to cover the costs of production and avoid the Canadian investment system if at all possible. Others rely more heavily on the CTF federal funding system as the types of programming they are producing may be less attractive to international buyers, especially if their budget is on the lower end of the spectrum. As is the case in drama, many local producers in foreign countries can meet the lower budget needs of the buyers based in those countries.

One of the interesting aspects of documentary and children's production, as described by one Western producer, is that there has been a significant move into multi-platform productions that incorporate web sites and learning tools, thereby providing supporting content driven by the TV program. Demands from broadcasters that programs include inter-active components are becoming common-place although budgets to support these costs are usually limited in scope. Depending on the type of program, platforms can include live web casts with inter-active elements, web sites with learning tools and links, kiosks in museums, DVD sales and other non-theatric educational sales. But to date, there are not many distributors or packagers with expertise in multi-platform content and few are licensing to the multi-platform market. One Western company in particular feels they are breaking new ground in this area.

c) Western Production Companies - Issues:

Distribution:

All companies agreed that distribution for Western Canadian product is a real challenge. A good distributor can provide not only a sales function for completed product but also arrange potential financing and partnership opportunities for projects in development through their international contacts.

However, there currently exist very few well-capitalized Canadian distribution companies with established track records internationally. None are currently active in distributing dramatic television series. There are a few Canadian distribution companies active in feature films, but in most cases these have limited resources to market and release the films domestically in Canada and place them on the international scene.

The main concern expressed by drama producers as it relates to distributors is the fear of packaging by the distributor, whereby their projects are assembled and sold by the distributor to buyers as part of a larger package of programs, making it difficult to determine the revenues that are relative to a particular product in the package.

Distribution was also seen as a key issue for documentary and children's production companies but more on the after-market sales side than on the financing side. Documentary producers stated they immerse themselves in putting together multiple broadcasters to fund their productions, usually including international broadcasters. But there are few available distribution outlets or sales agents[27] for these products after the program has been produced, even though documentary and children's producers are more open to package selling of their product on a bulk basis to international buyers.

Most producers deal with this distribution difficulty by representing and selling their own product to international buyers directly or negotiating a distribution deal with a foreign distributor, and they pursue these revenue sources at international markets or festivals or through targeted trips to specific countries and buyers. This approach is costly and can have its limitations for potential sales revenue, although a number of drama producers felt there were only a few big buyers that can really impact on revenues for a production in any event, including France, Germany, the UK and of course the US. Most companies mentioned the United States as a potential source of revenues, including pre-sales and co-venture opportunities. As a result many, particularly drama producers, feel it necessary to do trips to Los Angeles and New York to meet with US buyers/broadcasters on a regular basis.

[27] The primary difference between a distributor and a sales agent is that sales agents act to represent the product internationally to buyers and other distributors, but do not provide advances or guarantees or develop corporate distribution outlets internationally themselves.

Ultimately all companies felt that more distribution options for taking their product and distributing it internationally is desirable. However, many attempts to invest in Canadian distribution companies over the years have not been successful and not all producers agree on the appropriate approach. For bigger budget drama and children's producers the need might be best met by a facilitating access to international distributors with established track records. For documentary and lower budget children's producers their need would perhaps best be managed by a sales agent for international markets. Feature films producers expressed that the most viable distribution and financing option suggested was the use of producer reps in the country or countries being explored as potential partners, such as the US or the UK.

One Western company with a distribution background felt that international buyers at markets and festivals do not want to meet with a number of producers they don't know and be pitched by each one individually. Instead this particular company felt that support should be directed at developing two or three distribution companies from the west on a long-term plan, focusing on children's and factual programming at least in the short term. It was felt that producers should go to markets to meet financing partners but not for the purpose of selling their product after the fact. So this company recommended two types of initiatives: one for producers for attending markets and trade missions for the purposes of securing production-specific revenues, and another for distributors to build up a volume of product and establish distribution connections to the benefit of groups of producers.

Telefilm Canada conducted a study in 2004 to explore the option of a new Canadian-based international sales agency for feature films[28]. The options explored included 5 models: A government organization exporting Canadian films; a government-supplied producer rep; a charitable organization to support export; a producer-owned "co-op" export company; and, a purely private sector export company. It was noted that various versions of these models are used around the world.

The consultant's' view was that there were problems with the government (through Telefilm) actually establishing a government-owned sales agency, and recommended that the preferred model would be the engagement by Telefilm Canada of a producers' rep to help producers in finding sales agents for their films. "Producers seemed 'surprisingly happy' with non-Canadian sales agents and wanted the freedom to go outside of Canada. Some producers, though, seemed to want more choice in Canada."[29]

[28] "*Foreign Sales of theatrically-driven Canadian feature films*", Final Report to Telefilm Canada by Charlotte Mickie, Toronto, March 31, 2004.
[29] Ibid, p. 21.

The results of the Telefilm feature film study echo comments from Western film and television producers interviewed for this report. However, Telefilm has not yet acted on the recommendations from this report. Therefore, while investment to assist in securing distribution for Canadian producers is an important area for consideration, there does not currently appear to be a consensus in the industry as to the appropriate approach nor is there an obvious or clear cut process for investment strategies.

Market Support:
All the Western companies interviewed agreed that investment to attend international markets and festivals is of significant value, as many companies are not sufficiently capitalized to allocate a significant amount of time and money to develop their international marketing strategies. The most common downside producers expressed in relation to current international marketing programs was that they only provide a small amount of money often only for attendance at one market or festival at a time. Many suggested that access to capital for a corporate longer-term marketing plan would allow them to plan and fund their travels more effectively. This could include support for one-year strategic plans based on a particular slate of projects and addressed at reaching particular international buyers and partners over a certain time period. As one Western feature film producer described it, they made their first contact with a potential partner at the Sundance Film Festival in the spring, then negotiated the deal at the Toronto Film Festival in the fall and subsequently closed the deal at the American Film Market in the winter.

Market Intelligence:
Enhanced access to current market intelligence was of big interest to Western producers, as the markets are always in flux and personnel at international companies change. Knowing how to direct their energies at the international level is of primary importance to producers in making the most of attendance at markets and festivals.

Trade Missions:
Trade missions and reverse trade missions were both seen as excellent areas for investment. Almost all companies had experiences meeting people through these types of exchanges and made contacts that turned out to be useful at some point in time. The consensus was that it is important to get the right caliber and mix of production companies and to ensure that meetings are well matched. Orientation at markets, immersions, and round tables were all supported as areas for potential investment. Additionally, access to experienced people who could act as match-makers at markets and festivals was seen as a valuable resource.

Training:
Many Western companies that produced bigger budget drama programming felt that training at an advanced level would be beneficial to their long term plans, including the business side of skills development. Some were more interested in training that related to capitalizing their companies – the business-speak of venture capital, limited partnerships and hedge funds for example. Some suggested workshops similar to those provided through mini-MBA programs where they could review case studies of other companies. Many felt that there was not enough cross-pollination of ideas and experiences between Canadian companies where they could learn from other companies that were one step ahead of them in the business. It was realized that many companies choose not to share their expertise due to fears of competition.

Most documentary companies are smaller in size than drama production companies, and so corporate business skills were not felt to be as much of a priority. Training was seen to be of value as it relates to international markets and assistance to connect with the right people. A reference was made to the New Media Incubator program which provides corporate support and market training initiatives.

Summary:

There was one comment that was echoed by virtually all of the companies interviewed for this study. All agreed that the production business is a “relationship” business and that whether they produce primarily for the Canadian or for international markets, Western producers need to keep building on relationships and contacts in order to be successful over the long term. And, ultimately, none of their major contacts resided in Western Canada.

Appendix 3

CAVCO Certification Requirements

Canadian Content Point System

Excerpt from Guidelines for Canadian Production Tax Credit

6. Creative services

a. **Non-animated productions (live action)**

To be recognized as a Canadian production, a live action production must be allotted a total of at least six (6) points according to the following scale:

(Points are allotted if the individual(s) who rendered the service is/are Canadian).

Director	2 points
Screenwriter [14]	2 points
Lead performer for whose services the highest remuneration was payable	1 point
Lead performer for whose services the second highest remuneration was payable	1 point
Director of photography*	1 point
Art director**	1 point
Music composer***	1 point
Picture editor*	1 point

* For video productions, the equivalents to DOP are either "technical director" or "lighting director" and the equivalent to picture editor is "off-line editor".

** "Art director" refers to the head of the art department. In some cases, this individual may have the title of "production designer".

*** The point for music composer is allotted only if the music created for the production is an original work.

In addition, a production must obtain two of the four points allotted for the director and the screenwriter (one of the two positions must be filled by a Canadian). A production must also obtain one of the two points allotted for lead performers (one of these two positions must also be filled by a Canadian).

In the case of a documentary production not involving performers or other functions such as art director or music composer, a production may meet the creative services criteria even if the production has not been allotted the minimum six points required. However, all the filled creative positions must be occupied by Canadians.

b. **Animation productions**

To be recognized as a Canadian production, an animation production must be allotted a total of at least six (6) points according to the following scale[15]: (Points are allotted if the individual(s) who rendered the service is/are Canadian).

Director	1 point
Screenwriter and storyboard supervisor	1 point
Lead voice for which the highest or second highest remuneration was payable	1 point
Design supervisor (art director)	1 point
Camera operator where the camera operation is done in Canada	1 point
Music composer*	1 point
Picture editor	1 point

(The following points will be allotted if the place where the work is performed is in Canada**).

Layout and background	1 point
Key animation	1 point
Assistant animation and in-betweening	1 point

* The point for the function of music composer is allotted only if the music created for the production is an original work.

** At Part B, an affidavit will be required attesting that the functions were performed in Canada.

Furthermore, for the production to be considered Canadian, the following conditions must be fulfilled: either the director, or the screenwriter and storyboard supervisor must be Canadian; the lead voice for which the highest or second highest remuneration was payable must be Canadian; and the key animation must be done in Canada.

Appendix 4

Film, Video and Audio-Visual Distribution

Number of firms by principal activity and country of financial control

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Canada:					
Film and video distribution only					
Canadian-controlled	122	128	122	120	124
Foreign-controlled	14	15	13	12	15
Total	**136**	**143**	**135**	**132**	**139**
Ontario:					
Film and video distribution only					
Canadian control	62	64	60	57	57
Foreign control	14	15	13	12	14
Count	**76**	**79**	**73**	**69**	**71**
Quebec:					
Film and video distribution only					
Canadian control	43	45	40	40	44
Foreign control	0	0	0	0	0
Count	**43**	**45**	**40**	**40**	**44**
Rest of Canada:					
Film and video distribution only					
Canadian control	17	19	22	23	23
Foreign control	0	0	0	0	1
Count	**17**	**19**	**22**	**23**	**24**

Sources: Statistics Canada: Film, Video and Audio-Visual Distribution and Videocassette Wholesaling Survey, 2003 ;
Film, video and audio-visual distribution: data tables, July 2005, catalogue no. 87F0010XIE

Appendix 5

Film and Television Value Chain

"The Corporation" is a feature length documentary film created and produced by British Columbia production company Big Picture Media Corporation. The film took 5.5 years to make, from script to screen, beginning in 1998. Since its theatrical release, "The Corporation" has proven to be one of British Columbia's recent success stories both at the box office and with critics around the world. Over the years, British Columbia Film provided financial support to this project at ALL stages of the industry value chain.

Box office figures for “the Corporation”, as of September 2004:

- $1.6 million in Canada,
- $1.7 million in the United States
- $500,000 (aud) in Australia,

for total box office of $3.8 million.

"The Corporation" was released in the United Kingdom, France, Greece, Italy, Poland, Brazil and Mexico in fall 2004 and will be broadcast on television in a further seven countries - significantly adding to its already impressive box office revenues. During its run on the film festival circuit, "The Corporation" garnered over 20 critical and popular awards.

Value Chain from training and development through to marketing and exhibition

Training	Script Development	Production & Post-production	Marketing & Distribution	Exhibition
1998 - Producers participate in Professional Development Workshop at Cineworks. Partnerships In Training, BC Film*				
	1999 - Project receives development financing, BC Film*			
	2000 - Project receives development financing BC Film*	2000 – Commencement of Principal Photography (Production)	2000 - Producer selected to "pitch" project at Toronto Documentary Forum Passports to Markets, BC Film*	
		2000 - Project receives production financing, BC Film*		
			2001 - Producer selected as observer at TDF, Passports to Markets, BC Film*	
2002 Producer receives Kick Start Award, Partnerships in Training, BC Film *				
			2003 - Producer selected as observer at TDF, Passports to Markets, BC Film	2003 - World premiere screening at Toronto Int'l Film Festival
			2003 - Producer attends Amsterdam Documentary Forum, Passports to Markets, BC Film*	
				2004 - Project receives financing in support of theatrical release, BC Film *
				2004 - Film opens in theatres in Canada 2004 - Film opens in theatres in US 2004 - Film opens in theatres in Australia

* indicates BC Film support of the project and/or production company

Source: British Columbia Film, Annual Report 2003-04

Appendix 6

Sample Production Budgets of Canadian-content Productions
(eligible for CTF and CFFF - high-point CAVCO productions)

<u>1. Drama Series - 13 x 1 hour episodes</u>
Budget per episode: $1.4 million
Budget per series: $18.2 million

Production Revenue:

	(millions)
Canadian Broadcaster	$4.20
CTF	$6.60
Federal tax credits	$2.20
Provincial tax credits	$2.40
Gap	$2.80

<u>2. Feature Film</u>
Budget: $5.5 million

Production Revenue:	(millions)
(millions)	
CFFF	$2.50
Distributor	$0.50
Federal tax credits	$0.60
Provincial tax credits	$0.70
Gap	$1.20

<u>3. Documentary Series - 22 x 1/2 hour episodes</u>
Budget per episode: $100,000
Budget per series: $2.2 million

Production Revenue:	(millions)
Canadian Broadcaster	$0.50
CTF envelope	$0.50
Federal tax credits	$0.30
Provincial tax credits	$0.30
Gap	$0.60

Gap generally covered by a combination of:
- producer deferrals/investment
- international pre-sale or distribution

Appendix 7

Federal Agencies and Programs

There are many national and regional funding programs in Canada who provide public or private monies for film and television production based on varying criteria.

The largest and most significant source for television production is the Canadian Television Fund (CTF). The CTF is funded publicly by contributions from the federal Department of Canadian Heritage and Telefilm Canada and privately through Canadian cable distribution and direct-to-home satellite service providers. The role of the CTF is to "assist the creation and broadcast in prime time of high-quality, culturally significant Canadian television programs in both official languages in the genres of drama, variety, children's, documentaries and performing arts."[30]

Producers of feature film projects may access federal investment through one of two programs created solely for feature film producers—The Canada Feature Film Fund (CFFF) and The Low Budget Independent Feature Film Assistance Program (both of which are administered by Telefilm Canada).

The CFFF was created with a goal of increasing Canadian audiences in theatres for Canadian feature films. The CFFF is mandated to encourage the making and marketing of Canadian feature films that have high box office potential while supporting a diverse range of genres, budgets, companies and regions. As with the CTF, the CFFF also employs the cultural mandate when allocating funding. Priority is given, whenever possible, to projects that present a distinctly Canadian point of view.

These funds are inevitably over-subscribed, and as such those projects that most closely conform to cultural mandates are most likely to succeed in the competition for financing. This, in turn, often serves to reduce the suitability of these properties for the international marketplace, thereby further increasing reliance on domestic sources. Ultimately, demand for Canadian content product is significantly influenced by the ever-changing nature of public investment in Canada.

[30] Canadian Television Fund website – www.canadiantelevisionfund.ca

Federal and Provincial Tax Credit and Investment Programs

Separate from the cultural investment available through federal agencies including the CTF and Telefilm are the various tax credit and investment programs that operate nationally or provincially and are driven by the economic benefits of job creation and production activity.

The Canadian Audio-Visual Certification Office (CAVCO), which is part of the federal Department of Canadian Heritage, co-administers two tax credit programs with the Canada Revenue Agency (CRA). The Film or Video Production Services Tax Credit (PSTC) is open to both Canadian and foreign-owned companies. The PSTC is designed to enhance Canada as a location of choice for film and video productions employing talented Canadians as well as strengthen the industry and secure investment. The Canadian Film or Video Production Tax Credit (CPTC) is a tax credit available to taxable Canadian corporations with permanent establishments in Canada and the objective of the CPTC is to encourage Canadian programming and to develop an active domestic production sector.

Most provinces and territories in Canada have provincial agencies or departments that are charged with supporting regional film and television production. The types and levels of financial support and subsidy vary by province and may include grants, loans, equity investment and/or tax credit schemes. In most cases the basis for evaluation is where the production will occur.

Appendix 8

International Co-productions

Co-producing Partners - 2004

Coproductions produced in 2004

	# of projects	Total Budget (In thousands of dollars)	Canadian Share (In thousands of dollars)
Total	**60**	**367 560 001**	**181 008 168**
Bipartite	**54**	**289 434 387**	**155 796 140**
South Africa	1	256 800	204 800
Germany	3	13 938 010	9 187 282
Australia	2	4 703 422	2 678 775
Finland	1	628 332	496 990
France	22	85 394 589	27 449 773
Ireland	4	15 359 654	8 568 164
Japan	1	1 770 000	995 000
Philippines	1	9 917 600	7 250 000
United Kingdom	19	157 465 980	98 965 356
Tripartite	**5**	**51 163 182**	**19 819 541**
Germany, South Korea	1	4 500 000	1 935 000
France, United Kingdom	1	6 483 363	3 903 501
United Kingdom, Iceland	2	25 486 516	10 160 781
United Kingdom, Romania	1	14 693 303	3 820 259
Quadripartite	**1**	**26 962 432**	**5 392 487**
United Kingdom, France, Czech Republic	1	26 962 432	5 392 487

	# of projects	Total Budget (In thousands of dollars)	Canadian Share (In thousands of dollars)
English	47	313 260 799	164 768 103
French	13	54 299 202	16 240 065
Television	45	173 692 120	84 880 697
Film	15	193 867 881	96 127 471

Source: Telefilm Canada

Appendix 9

International Territories – Overview

(Note: It is important to note that international markets are always in a state of flux and so this information may be dated by the time of publication.)

For international conventional over-the-air broadcasters, the increased popularity of local production has reduced the number of slots available for foreign programming. US programming most often dominates imports, leaving a small point of entry for other international product. It is likely that Canadian producers will find more opportunities for sales to cable and satellite channels internationally.

Europe

After the US, Europe is the most coveted market for television properties. The United Kingdom still represents opportunities for imported programming on free, cable and satellite television and France is considered one of the big markets especially for cable and satellite channels. Co-production opportunities have, however, declined sharply in both countries in recent years. While the license fees are not usually as substantial as the US, the opportunity to place completed programming or to pre-sell programming in development can be better.

Germany remains a difficult market to crack although some producers have made inroads with co-producing partnerships and in gaining access to the German media funds. Unfortunately those funds have now come under scrutiny by the German government and may be collapsed. While there are some limited opportunities for drama on free television, other genres must rely on the cable/satellite realm where reasonable license fees can be found for a limited amount of product. Italy and Spain are similar. There are limited opportunities available and the language barrier does make versioning a concern.

The Netherlands and Scandinavian countries can provide a good opportunity for the placement of completed programming. The broadcast budgets tend to be smaller and therefore there is less commissioned domestic programming and more demand for acquisitions. The license fees are generally very reasonable and the gatekeepers are quite accessible.

Eastern European territories have traditionally been acquired as a group by one broadcaster or distributor for a small fee or sold country by country for very small license fees. However, a number of distributors see Eastern Europe as a more realistic source of revenues now that their economies are picking up. It is similar to the South American territory in that regard.

South America and Latin America

The South American market has been one of unpredictable economic conditions and an unstable buying environment. Pre-sales are difficult to secure in this region due to language and cultural barriers but distributors are seeing Latin America as a potential new source of revenue. Many use sub-distributors in these areas and are meeting with some success as, overall, the Spanish American market is quite large.

Asia and Australasia

Most of the countries in Asia represent very low license fees; however, they are generally hungry for product. Some sectors of the industry feel that Asia is poised for an upswing and that programming trade will take off on a new level. As it stands, the largest single license fee likely to be realized out of Asia is in Japan. There are opportunities for pre-sales as well as finished product acquisitions on all broadcast tiers. Singapore, Hong Kong, Korea and Thailand are becoming relatively good sources of sales revenues for children's and factual programming.

The market in Australia is very similar to the Canadian market. There are strict content regulations and production is government subsidized. License fees for acquisitions are on par with those in Canada; however, opportunities for foreign acquisitions are few and far between (outside of US imports) on both cable and free TV. There is some opportunity for pre-sales as cultural and language barriers are not imposing; however, the television market in Australia has recently taken a downturn and opportunities seem to be diminishing along with license fees—at least for the short term. New Zealand is much the same, although license fees are lower and the opportunities are fewer.

Middle East and Africa

The Middle East and Africa have recently become good sources of sales for children's and family programming although the revenues are modest. South Africa has emerged as a co-production partner for Canadian productions recently and a number of Canadian co-productions have successfully been completed there.

Appendix 10

Publicly Supported Initiatives—Federal:

DEPARTMENT OF CANADIAN HERITAGE WITH DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE

A. Trade Routes

This program has two objectives: to assist arts and cultural entrepreneurs to become more "export-ready" for international markets, and to assist them in increasing trade in arts and cultural products and services. Trade Routes follows a three-stream approach through:

1. **Project assistance through the Trade Routes Contribution Program:**
   - **Export Preparedness** contributes to arts and cultural organizations becoming more "export ready". It is a professional development program to assist with business on a global scale, including exposure to international business, markets and the development of alliances and strategies.

   - **International Market Development** assists organizations in the arts and cultural sector that are generally export-ready to build their capacity for successful international sales through activities including market information, support at trade shows and events, and networking.

   - For **2003/04,** the Trade Routes Contribution Program provided almost $2 million in project assistance to approximately 67 companies, including theatre and dance companies, art galleries, publishers, craft and design associations, music companies and associations as well as handful of film and television-related production companies and associations. The average contribution was under $30,000.

2. **Trade advisers** at the Government of Canada's International Trade Centres in Canada and at Canadian missions abroad, and through the Trade Routes head office in the Department of Canadian Heritage;

3. **Strategic Market Information** including targeted market information on priority countries, reports on trade shows, surveys and profiles of Canadian cultural sectors, and collection of data on Canadian cultural exporters and cultural trade.

B. Travel Assistance for International Market Development

- **For Producers to Festivals** offers support to Canadian producers to accompany directors to an international festival where their work has been selected for official competition.

- **For Producers to Pre-Selected Market or Pitching Sessions** allows producers whose project has been pre-selected for a pitching session at an international event or market to apply for a travel grant.

- **For Directors and Producers** allows producers or directors of a project that has been endorsed by a Canadian representative abroad (Embassy, High Commission, Consulate) to apply for a travel grant. The festival in question must be credible, have an international participation, and be recognized as a good venue for Canadian visibility.

  Travel grants are awarded at a level of up to $1,000 for a market or festival in North America, and up to $2,000 for international markets.

C. Trade Association Program (PEMD-TA)

- **Trade Association Program (PEMD-TA)** Assistance is provided for generic international business development activities that benefit a particular industry sector. The association's proposed activities must be for the benefit of its members, relate to the generic export promotion of the sector's products or services, the improvement of market access or the development of market information/intelligence.

- The selection process is conducted on an annual basis. The annual contribution is a minimum of $20,000 and a maximum of $150,000.

TELEFILM CANADA

A. Markets and Festivals

The Corporation's presence at international markets is a way for it to promote Canadian productions, in cooperation with private enterprise. The Corporation maintains an umbrella booth at the markets it considers most suitable for promotion of Canadian works: MIP-TV and MIPCOM (international TV markets), MIF (Marche International du film, which takes place during the film festival in Cannes), and NATPE (National Association of Television Program Executives) held in the United States.

B. International Festivals and Events Abroad Participation and Assistance Program

This initiative of the Festivals and Markets Bureau is to encourage and foster the selection and presentation of Canadian productions—more specifically feature-length or short films, television programs, video or new media works—at foreign festivals and events. Through its Festivals and Markets Bureau, Telefilm Canada coordinates the Canadian participation at foreign international festivals recognized by the Corporation.

- **Print Purchase and Subtitling**
  In order to facilitate the Canadian participation at certain recognized festivals, Telefilm Canada may purchase and subtitle fiction or documentary productions meeting specified criteria.

- **Promotional Brochures**
  To highlight the presence of Canadian productions at select international events, the Corporation publishes promotional documents aimed at bringing attention to these productions.

- **Canada Showcase**
  Canada Showcase seeks to encourage opportunities to celebrate, showcase and market Canadian works at festivals that are international, national or regional in scope. Canada Showcase also supports festivals that provide business-building opportunities (i.e., markets, forums, sales).

C. National Training Program in the Film and Video Sector

Telefilm provides support to national training schools through this program, which is designed to foster the professional development of Canadian creators and to renew the skills of professional Canadian creators to encourage a healthy and thriving film and video industry.

D. Financial Assistance

- **Major Foreign Festivals**
  - Assistance for promotion of productions selected in official competition or for presentation in a key category.
  - Travel grants for directors whose works have been selected in official competition or for presentation in a key category.

- **Other Festivals**
  - Possible financial participation, depending on the availability of funds or the scope of the Canadian presence at the festival in a given year.

- **Travel Grants**
  - Subject to the Festivals and Markets Bureau availability of funds, two travel grants per recognized foreign festival may be awarded to those that meet eligibility requirements.

Publicly Supported Initiatives—Provincial:

THE ALBERTA FOUNDATION FOR THE ARTS

A. Market Access Program

Experienced producers can receive up to $2,000 annually to attend international markets or festivals, or to participate in trade missions.

B. Cultural Industries Organization Project Grant Program

This is reserved to artists who have already successfully produced film or video and offers travel and/or marketing assistance to attend festivals screening their work, conferences, festivals or award ceremonies to which they have been invited, as well as marketing events at which the film or video artists propose to pitch an identified project.

BRITISH COLUMBIA FILM

A. Passport to Markets

This program supports the attendance of BC film and television producers or limited sales agent/distributors at international markets, co-production conferences/exchanges and a limited number of film festivals in order to facilitate relationships with the international marketplace and gain market intelligence.

B. International Markets

This program provides opportunities for BC producers and distributors to participate in key national and international markets through group-share marketing strands that act as business centers and meeting places to facilitate sales and export development.

MANITOBA FILM AND SOUND

A. Access to Festivals Program

This program provides financial assistance to film and television directors and writers who have professional experience in the film and television industry and whose programs have been selected to screen at festivals that have significant industry recognition. The program provides financial assistance to selected individuals to help offset registration, travel and accommodation costs to a maximum of $750 within Canada and $1,500 outside of Canada to a maximum of 50% of the proposed budget.

SASKATCHEWAN FILM & VIDEO DEVELOPMENT CORPORATION (SASKFILM)

A. Market Travel Assistance Program

This program provides financial assistance through bursaries to Saskatchewan-based producers who travel to approved program markets in order to increase the marketing and export of Saskatchewan product. SaskFilm targets its resources to companies with demonstrated capabilities to maximize benefits at the intended markets.

B. Festival/Competition Travel Assistance Program

This program may provide financial assistance through bursaries to Saskatchewan residents who are nominated for awards in major film and television industry competitions or where their production is invited to screen at a major film or television festival. SaskFilm will provide up to 50% of the approved travel budget to a total maximum of $1,000 per festival.

Privately Supported Initiatives:

CORUS EXPORT INITIATIVE

This is a $500,000 program established in 2002 by Corus Entertainment (Canadian specialty channel broadcaster owned by Shaw) to promote international sales of Canadian programming. As of February 2004, almost half these funds had been expended.

A. Travel Grants of up to $2,000 per applicant per market are made available to small and medium-sized, Canadian-owned and controlled production or distribution companies. Allowable items include air and ground transportation costs and accommodation expenses for travel to MIPTV or MIPCOM Jr./ MIPCOM. Travel must occur within three months of approval with a maximum of two travel grants per company per year.

B. Advertising and Promotion Support of up to $3,000 per initiative is made available to small and medium–sized, Canadian-owned and controlled production or distribution companies. The Corus Export Initiative will contribute up to 75% of advertising and/or promoting Canadian film or television programs at MIPTV and MIPCOM. Advertising and promotional material must be produced within three months of approval with a maximum of two travel grants per company per year.

NATIONAL SCREEN INSTITUTE GLOBAL MARKETING PROGRAM

This program seeks to help emerging Canadian television producers advance their projects at their first or second attendance at key international television marketplaces through a training program that provides professional and project development, culminating with at-market mentoring and support during MIP in Cannes, France. Up to 10 Canadian television producers from across the country are selected per year to receive this customized training and direction.

Source: CFTPA Guide 2005; websites: Department of Canadian Heritage, Telefilm Canada, Corus Entertainment, National Screen Institute.

Appendix 11

Federal Cultural Spending and Other Industries

According to Statistics Canada's recent review of cultural spending[31], the federal government spent $3.4 billion or 1.9% of its total budget on culture in 2002/03, which was an increase from a year earlier. However, broadcasting (including the CBC) and the heritage sector accounted for the vast majority of this amount. Federal spending on the film and video industry while increasing in 2002/03 to $398 million only accounted for approximately 12% of the total federal cultural budget. (It was noted that producers in Quebec and Ontario benefited the most from this increase.)

Based on departmental reports on projected spending for 2005-06, spending by the federal Department of Canadian Heritage in 2005-06 is projected to be $1.4 billion, of which $863 million will be in the form of grants and contributions within various program activities. Within the program activities 1) Creation of Canadian Content and Performance Excellence and 2) Sustainability of Cultural Expression and Participation, are grant/loan/contributions for the CTF and other film/video initiatives, book and magazine publishing, music, new media and sports initiatives totaling $312 million. These numbers are the amounts allocated as grants, loans, investments or other direct contributions to these initiatives and organizations.

In the following charts, this data is summarized and then compared to grants, loans and investment programs operated by other federal departments.

Canadian Heritage	
	(in $ millions)
Planned Spending 2005-06	1,410.30
Grants and Contributions	863.4
Included in grants, loans and investments:	
(relating to film/TV)	
Canadian Content	234.5
Cultural Expression	77.3

[31] *Government expenditures on culture*, The Daily, Statistics Canada, January 27, 2005. www.statcan.ca.

Industry Canada	
Planned Spending 2005-06	1,557.4
Grants and Contributions	902.6
Included in grants, loans and investments:	
Technology partnerships (investments in R&D)	337.5
Economic Development (SMEs/community dev't)	389.1

Agriculture Canada	
Planned Spending 2005-06	2,153.10
Grants and Contributions	1,492.10
Included in grants, loans and investments:	
Business Risk Mgt (crop/farm insurance)	1,205.90

International Trade	
Planned Spending 2005-06	841.9
Grants and Contributions	663.9
Included in grants, loans and investments:	
Export Devt Canada (export trade financing and business services for Cdn exporters)	653

Human Resources/Skills Development Canada	
Planned Spending 2005-06	3,518.10
Grants and Contributions	1,623.10
Included in grants, loans and investments:	
Employment Programs	893
Workplace Skills	168.8
Learning	929.5
Labour	205.8

(Note: data from Reports on Plans and Priorities 2005-06 per each department's web site - see www.canada.gc.ca)

Appendix 12

Methodology:

Canada West is an umbrella group comprised of British Columbia Film, Alberta Film, SaskFilm and Manitoba Film & Sound. This group together with the federal Department of Western Economic Diversification (WED) undertook a preliminary review of growth and export opportunities for the Western Canadian film and television production industry in 2003-04. A draft document was prepared entitled *Growth and Export in the Western Canadian Film and Television Industries*. The draft report was not completed and became the basis for Canada West and WED to proceed with a new updated and re-focused approach to examining the issues of growth and export potential for Western production companies.

Seascape Media Co. of Vancouver, British Columbia was brought on board to assist in the drafting of a revised report. This current report includes some remaining elements of the previous draft study but is predominantly based on updated analyses from numerous Canadian and international sources as cited in the body of this report. Additionally, conclusions and strategic options have varied from the original draft report and reflect input from discussions held with the four Western agencies. Editing and written contributions from both Liz Shorten at British Columbia Film and Jane Bisbee from Alberta Film formed an important and valuable part of this report. Many thanks to the contributions of all the people involved with Canada West and its member agencies.