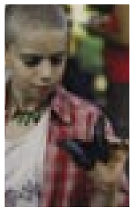



Profile 2005

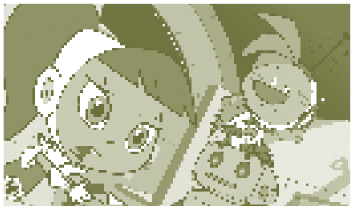
An Economic Report on the Canadian Film and Television Production Industry



Association des Producteurs de Films et de Télévision du Québec

Canadian Heritage Patrimoine canadien

CFTPA ACPFT




Profile 2005

An Economic Report on the Canadian Film and Television Production Industry

Reversal Of Fortune:
The Need to Forge a New Strategy for Canadian Production

February 2005



Produced by the CFTPA and the APFTQ, in conjunction with the Department of Canadian Heritage.
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Overview

Reversal of Fortune: The Need to Forge a New Strategy for Canadian Production

This space is normally devoted to an assessment of the year that was. And for the past three years, the story has been much the same – most of it bad news.

In the interest of getting the bigger picture, let's put on the wide-angle lens and look at the industry's success over the past 10 years. We have seen over 134,000 direct and indirect jobs created while production volumes have doubled to almost $5 billion annually. Of that sum, $3 billion represents Canadian content production, of which two-thirds – $2 billion – is generated by Canada's independent production community.

By any standard, this is a flourishing industry. The growth in production output has become one of the major success stories of government policy. Yet this output has begun to slide and further, it has not yielded a commensurate increase in corporate strength. Something is wrong with this picture.

Canadian producers are holding up their side of the industrial and cultural fabric, but they need a new deal if their businesses are to be sustainable. Government and broadcast partners need to pick up the slack. Together, we can forge a strategy to go forward and, in addressing issues of supply and demand, regulatory and financial concerns and weathering the current trough, we can create the distinct programming environment this nation needs. To do otherwise would threaten the viability of a shared national vision.

It's a bit like the challenge of global warming: act now while there's still time or do nothing and gamble that everything will sort itself in the end.

Is the loss of a distinct Canadian voice a matter of urgency equivalent with global environmental catastrophe? Perhaps not. But it is important enough to merit inclusion in the government's October 2004 Throne Speech, which stated as one of its goals to "*…foster cultural institutions and policies that aspire to excellence, reflect a diverse and multicultural society, respond to the new challenges of globalization and the digital economy, and promote diversity of views and cultural expression at home and abroad.*"

To dismiss producers' persistent appeals for action will suggest these words are just that: words. And it would mean producers' concerns are not the only voices falling on deaf ears. The government could be accused of not listening to its own recommendations.

In June of 2003, the House of Commons Standing Committee on Canadian Heritage issued a report, *Our Cultural Sovereignty: The Second Century of Canadian Broadcasting*. Otherwise known as the Lincoln report, it recommended a reassessment of the CRTC's function and purpose, citing the 1999 policy decision that removed broadcasters' expenditure requirements for their conventional services and relaxed the definition of priority programming and prime time. It called for "increased and stable long-term funding" and recommended a more flexible tax credit system for Canadian television producers.

Heritage Canada's response to the Lincoln report was encouraging. It made reference to the need to align the CRTC with the CTF and Telefilm Canada. But that was in November 2003. And this is 2005.

> The Lincoln report is also facing a resurgence – the Standing Committee on Heritage has asked the government to respond more fully to its recommendations.

There are signs of progress. The June 2004 election resulted in a minority Liberal government creating an opportunity for more debate regarding the culture portfolio. The nation's new Heritage Minister, the Honourable Liza Frulla, is highly-regarded in the industrial and cultural sectors. And one of her first acts was the appointment of Wayne Clarkson, a cultural nationalist, as executive director of Telefilm Canada. The Lincoln report is also facing a resurgence – the Standing Committee on Heritage has asked the government to respond more fully to its recommendations. All for the good: for there is much work to be done.

Meanwhile, last year's numbers speak for themselves.

This year total production declined marginally – from $5.03 billion in 2002/03 to $4.92 billion – but the greatest declines are with respect to indigenous production. Both CAVCO-certified and non-CAVCO production were off by 7% from the previous year, 12% below the peak reached in 1999/00. One of the most dramatic trends was the decline in foreign financing of CAVCO production; the amount of foreign investment is less than half of what it was at that peak. Getting money for a production up front has never been more of a challenge; we're seeing fewer six-point Canadian content shows that could be sold abroad.

The decline in the pre-sales market reflects the worldwide trend away from North American-produced television product, particularly the long-form dramatic production that, with its higher budgets, generates the most jobs and better stimulates the economy. While this year's TV markets at MIP and MIPCOM showed a glimmer of hope, with an upswing in sales activity, it's too soon to say whether this represents a statistical blip or a positive reversal of fortune.

With foreign pre-sales weak, Canadian producers are concentrating their energies on high-Canadian content production (10 out of 10 points) which is possible thanks to the federal government's continuance of the Canadian Television Fund (CTF). But this feeds into another worrying trend flagged in *Profile 2004*: the increasing percentage of public subsidy dollars in production budgets. Direct public funding in 2003/04 accounted for 26% of CAVCO-certified production financing, up from 20% the previous year.

Canada's perceived role as the world's "go-to" co-production partner must be re-assessed given the shocking decline in international co-production over 2004. Changes in co-production rules governing UK producers introduced by that nation's Department of Culture Media and Sport will be showing up in our numbers next year. Meanwhile, European nations - many inspired by Canada's example as a proactive co-production partner - are taking measures to make themselves more appealing. Alas, many of those incentives are geared toward strengthening partnerships within Europe.

A reduction in available co-production partners has a chilling effect on production overall. Higher-budget projects do the most to stimulate the production sector but they need to access financing from many sources.

A reduction in available co-production partners has a chilling effect on production overall. Higher-budget projects do the most to stimulate the production sector but they need to access financing from many sources. They are inherently riskier because of the complexity of the financing arrangements and the time required to package them. And time is money.

At home, the actions of major private broadcasters and film distributors is hardly encouraging. Over the past eight years, demand for Canadian content has increased dramatically – total hours required for CRTC licenses has grown from 33,000 hours in 1996 to over 90,000 hours in 2003. In that same period, the number of movie screens in Canada has increased from 1,700 to 2,947 as English-Canadian films still struggle to find screen time. And yet film distributors and broadcasters are leaning harder on producers to reduce budgets and hence fees.

Changes in the Canadian Film or Video Production Tax Credit (CPTC), the industry's 25% labour-based tax credit for Canadian content production, increased the maximum amount of eligible Canadian labour costs to 60%. And it provided an incentive for high-Canadian content productions by assessing government equity as government assistance. But 25% is no longer enough in the highly competitive global production market. The Canadian content credit rate needs to be increased to remain effective and the service production credit rate must also be adjusted to remain competitive with other countries.

The downside of foreign-location production

Foreign location production was $1.90 billion, down only 1% in 2003/04. But to suggest this indicates stability would be false. The numbers show perilously dramatic swings in work between the regions. British Columbia saw an almost 50% increase in foreign location production while Quebec dropped by 50% and Ontario dropped almost 40%. This kind of see-saw environment is enough to induce vertigo. Preliminary numbers for 2004/05 show across the board decreases.

The prognosis for service work is poor for all stakeholders. The rising value of the loonie has everyone's complete attention. The Canadian dollar hit a 12-year high of 85 American cents in 2004, almost 30% higher in value from January 2003.

Location production has never been more competitive, as Morocco and Iceland join the likes of Australia, the UK, Italy and Eastern Europe in the hunt for foreign location dollars. Meantime, US states such as Louisiana, New Mexico and New York - where the Steiner Film Studios opened in Brooklyn's revitalized Navy Yard - entice their compatriots to shoot at home. In Los Angeles, the city council approved a tax code overhaul that will reduce the tax burden on small and medium-size production companies and exempt locally based talent from city taxes.

Key Canadian facilities and suppliers, such as Toronto Film Studios (TFS) and William F. White, are offering their services and soundstages at prices pegged on 78 American cents. Only six months after Toronto announced plans to go ahead with its on-again, off-again mega-studio, those plans were back on hold as TFS, the winning bidder, wonders if such a facility is sustainable in a shrinking service production environment.

Telefilm Canada executive director Wayne Clarkson put it succinctly. "Building an industry based on foreign production is like building a house on quicksand." A strong indigenous production industry should remain our prime directive.

Split Screens

Canadian films earned $33.3 million at Canadian theatres in 2003, an increase of 25.7% over 2002. In terms of box office share, Canadian films logged a modest increase from 2.7% in 2002 to 3.5% in 2003. But here again the national numbers hide market variations and the distinct challenges faced by English-Canadian feature films.

In Quebec the mood is justly positive. Canadian films earned $24.7 million at the box office in 2003, or 36.5% of the French-language market share in Canada; the highest-grossing title was *La Grande séduction* which earned $7.8 million. But more importantly *Les Invasions barbares* picked up an Oscar for best foreign–language film in March 2004. Overall, box-office earnings of Canadian French-language films in the French-language market were up 40% compared to the previous year.

Hollywood-size marketing budgets that, if seen as a whole, dwarf the entirety of Canadian public subsidy. US pop culture knows no borders, and with a shared language, English-Canadian producers must be given the tools and the backing to press the fight for survival.

In English-Canada the challenge remains the same: how to compete in a market-place dominated by star-studded US productions backed by Hollywood-size marketing budgets that, if seen as a whole, dwarf the entirety of Canadian public subsidy. US pop culture knows no borders, and with a shared language, English-Canadian producers must be given the tools and the backing to press the fight for survival.

Canadian films earned $8.5 million at the box office in 2003, or 1.0% of the total English-language market in Canada. These earnings decreased by 4.5% compared to 2002. *Mambo Italiano* was technically the highest grossing English-language Canadian film of 2003, with a gross of $5.1 million but it should be noted that 40% of that box office take came from the French-language version released in Quebec.

Canadians spent $957 million at the box office in 2003. Of that, foreign films accounted for $924 million or 96.5% of the total. More recent figures suggest American films are holding their market share while films from other foreign countries have lost some ground.

In the first nine months of 2004, Canadian films continued to increase their share of the Canadian box office to hit a high of 5.6% in April, surpassing the 5% target set for Telefilm Canada by the Department of Canadian Heritage. This performance slid back down to 4.8% in September. Still, there were some notable successes in English-Canada, including Canada-UK co-production *Resident Evil: Apocalypse*, which posted the highest gross of any Canadian-produced film, as well as the critically-acclaimed documentary *The Corporation* and CHUM's teen comedy *Going The Distance*.

In television, US programming continues to dominate the airwaves. Between September 2003 and August 2004, *Survivor* was the leader in terms of average audience levels. *Survivor VIII* averaged an Average Minute Audience (AMA) of approximately 3.44 million persons aged two and over across its 18 episodes in the 2003 broadcasting year.

The top-rated Canadian-produced series was the French-language singing contest, *Star Académie* (Dimanche). It averaged an AMA of 2.72 million in the 2003 broadcasting year. The top English-language market series was *Canadian Idol*, with an average AMA of approximately 1.98 million viewers in 2003. Overall, in 2003, Canadian-produced programs occupied only four of the top-10 programs. The other two programs were *Les Bougon* and *Occupation Double*.

Again, the divide between French-language and English-language is striking, a further indication of the power of US marketing in English Canada and the overwhelming need for assistance from government, public agencies and private broadcast partners.

In Quebec the top 10 programs are all Quebec productions, each of which had audience shares over 1 million, including such dramas as *Fortier* and *Les Poupées russes*. Among English programs, only *Canadian Idol* was over 1 million. The highest-rated dramas in English were *Sue Thomas F.B. Eye* at 664,000 AMA and youth drama series *Degrassi: The Next Generation* at 550,000 AMA. Still, new dramatic productions such as *Corner Gas* are proving regionally diverse programming can build a base from which to grow, and set an example to encourage others.

Looking ahead: Corporate growth strategies

It's a vicious circle. Canadian television and film producers can't boost viewership or box office without first producing programs and films. Like any high-value industry, such production requires commensurate and continuous R+D, which is to say talent spotting and script development. But all of this takes time. And time – it's worth saying again – is money.

On one side, public subsidy agencies such as Telefilm Canada insist tax credit dollars should be forced into the financing structure and be recouped in a lower position to the agency. On the other side broadcasters and distributors are demanding those same tax credit dollars be factored in when negotiating license fees and production budgets. It's no longer a subject for debate: the producer gets the squeeze.

> The situation calls for a comprehensive reappraisal of the role of the producer within the industry and recognition of the added value the independent production community delivers.

Small wonder Alliance Atlantis, once the nation's largest producer of film and television product, shuttered its production arm. Deferral of fees, once a measure taken in exceptional circumstance, has become standard procedure to fill the gaps in financing.

The situation calls for a comprehensive reappraisal of the role of the producer within the industry and recognition of the added value the independent production community delivers. That reappraisal could begin within the Broadcast Act itself, with a revision acknowledging the importance of creating a strong and self-sustaining corporate position for producers.

The CFTPA has identified a number of long-term and short-term strategies that the APFTQ also supports. There are three objectives in mind. First, build the corporate strength of independent Canadian production community. Second, simplify and streamline the flow of financing to that community. Third, align the cultural and regulatory agencies into a coherent results-oriented unity.

The CPTC is an excellent starting point. Tax credits are clearly a win-win proposition – producers come to the table with capital while government gains economic stimulus. But corporate growth in the production sector will only come through a tax credit strategy that recognizes producers as the engine of the process and rewards their risk-taking by granting discretion over how those tax credits are applied in the financial structure of a project, or indeed a production slate. Something as simple as a system of advances against the tax credit on commencement of qualifying production could help make the difference - essentially freeing up dollars for much needed development or marketing.

Similarly, Telefilm has been the bulwark of the Canadian production sector, and is in need of an update. Fortunately it is undergoing a review and its mandate, which has not changed since 1967, is being updated by Parliament.

The CTF could be further streamlined in terms of administration. Drawdown schedules could be made more flexible, allowing producers to request payments based on production schedules. The net result of such changes would not only be time saved but more money on the screen and less money paid to banks, lawyers and other brokers in the form of financing and legal fees.

For English Canada a logical next step might be negotiations between private broadcasters and producers towards creating terms-of-trade agreements, such as the one currently in place between the CFTPA and the CBC. Such agreements establish equitable parameters allowing producers and broadcasters to bargain fairly and effectively over the terms for license fees. Terms-of-trade agreements essentially serve as a kind of code of commercial conduct.

Government - be it at the federal, provincial or municipal levels - can play a part by encouraging private investment not just in production but in production companies. Public investment need not take the form of direct subsidy. Recall the tax relief proposed by LA's city council: If they're trying it in Hollywood why not try it in Hollywood North?

One thing is certain: the status quo cannot stand. Consolidation in the broadcast sector has resulted in monolithic corporations with enormous leverage and little oversight. There is an increasing disconnection between rights and return. The time for corrective action is now. And we need look no further than the UK for inspiration and its revision of its Communications Act. There, the government is empowering a new regulatory body to ensure a diverse program supply from the independent production community. There's no reason why similar measures couldn't work here, after all the CRTC needs to work for producers, the cornerstone of this creative industry, not just broadcasters.

Private or public, broadcasting is a national trust. Our regulator's mandate is to ensure licensees uphold that trust. But the CRTC can't be expected to be proactive if it doesn't have the legislative clout to follow through.

The success of Canadian production industry can be attributed to the partnership between the public and private sectors. Public subsidy, while a reality of a small market such as Canada, is itself a public trust that cannot be ignored. And it has proven to be an investment that fires the cultural and economic future of Canada.

Introduction + Highlights 1

Introduction

The CFTPA, the APFTQ, the Department of Canadian Heritage, and Nordicity Group Ltd. have once again collaborated to prepare *Profile 2005*. *Profile 2005* provides an analysis of economic activity in the Canadian production industry from April 1, 2003 to March 31, 2004. [1]

In 2003/04, the Canadian film and television production industry experienced a decrease of 2.1% in the total volume of production. After several years of strong growth during the late 1990s, the industry showed a decrease in 2003/04. Between 1997/98 and 2000/01, the Canadian production industry grew by 56%; since 2000/01, total growth has been just over 4%.

The analysis in *Profile 2005* yields several insights on the current state of the Canadian production industry:

- While production overall was down by only 2%, CAVCO and non-CAVCO certified production was down by 7%.
- Foreign location production declined by only 1% despite experiencing the challenges of the SARS scare in Toronto, the rising Canadian dollar, and heightened competition from other jurisdictions. While Toronto and Montreal saw foreign location drop sharply, production activity in British Columbia was up by nearly 50%, however current indicators show there will be a dramatic decrease in foreign production across the country in 2004/05.
- Canadian broadcasters continued to increase their spending on in-house production. The broadcaster in-house production sector was the only sector to post an increase in 2003/04; it grew by 5%.
- Weak international markets for non-domestic television programs continued to adversely affect the Canadian industry. The foreign financing of Canadian production dropped once again in 2003/04, only 40% of what it was in 1999/00. International co-production activity was up by 18%, however.
- The box-office earnings of Canadian films increased by 26% in 2003 to total $33 million. And in April 2004, Canadian films' share of the Canadian box office reached 5.6%.

Highlights of the 2005 Edition

National

- Total production decreased by 2.1% in 2003/04 for a total volume of **$4.92 billion**, this figure includes:
  - **$1.90 billion** in foreign location production
  - **$1.72 billion** in CAVCO-certified production
  - **$1.04 billion** in broadcaster in-house production
  - **$258 million** in non-CAVCO production

Provincial

- **Ontario** production decreased by 10% to **$1.76 billion**
- **British Columbia** production increased by 35% to **$1.54 billion**
- **Quebec** production decreased by 14% to **$1.21 billion**
- **Nova Scotia** production increased by 1% to **$135 million**
- **Manitoba** production increased by 27% to **$109 million**
- **Alberta** production decreased by 51% to **$99 million**
- **Saskatchewan** production decreased by 48% to **$42 million**
- **New Brunswick** production increased by 10% to **$17 million**
- **Newfoundland** production increased by 53% to **$9 million**
- **Prince Edward Island** production decreased by 16% to **$5 million**

International

- The total **export value** of Canadian production decreased 7% to **$2.27 billion**, including $1.90 billion of foreign location production; and $365 million of foreign distributor and broadcast presales.
- The export value of independently produced Canadian content production dropped by 29% from $515 million to $365 million.
- **Treaty co-production** increased by 18% to **$730 million**.

Employment

- The total number of full-time equivalent jobs generated by film and television production decreased by 4.0% to **134,700**; this total included direct and indirect jobs:
  - **51,800** direct jobs in the film and television production industry
  - **82,900** indirect jobs generated in other industries

Production Industry Facts + Figures

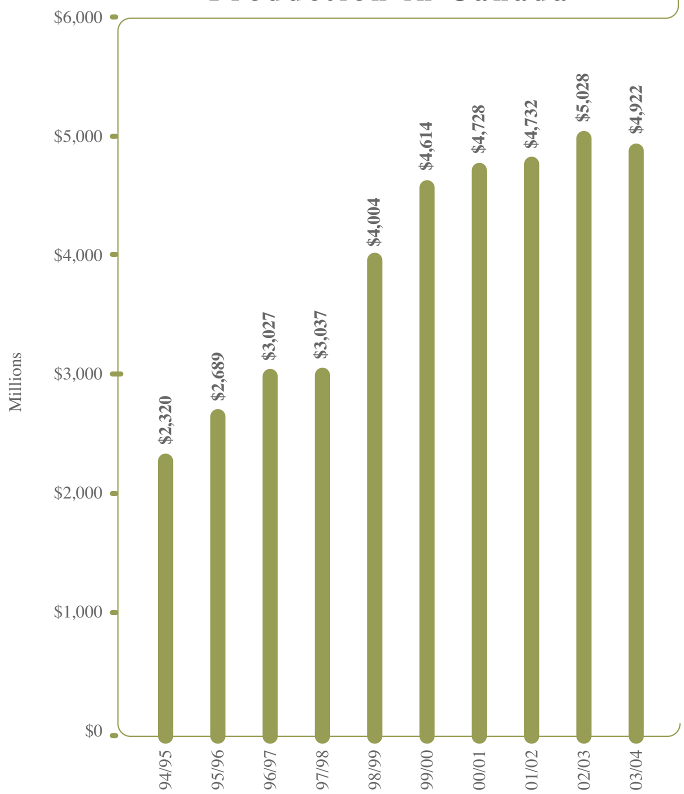
National Indicators of Film + Television Production 2

2.1 Total Volume of Film + Television Production in Canada

Canadian film and television production totalled just under **$4.92 billion** in 2003/04 (Exhibit 1). This amount represents a decrease of 2.1% compared to the $5.03 billion in production in 2002/03. [2]

Exhibit 1

Volume of Film + Television Production in Canada



Source: Estimates based on data collected from CAVCO, CRTC, CBC/SRC, and the Association of Provincial Funding Agencies. See Exhibit Notes 1 and 2.

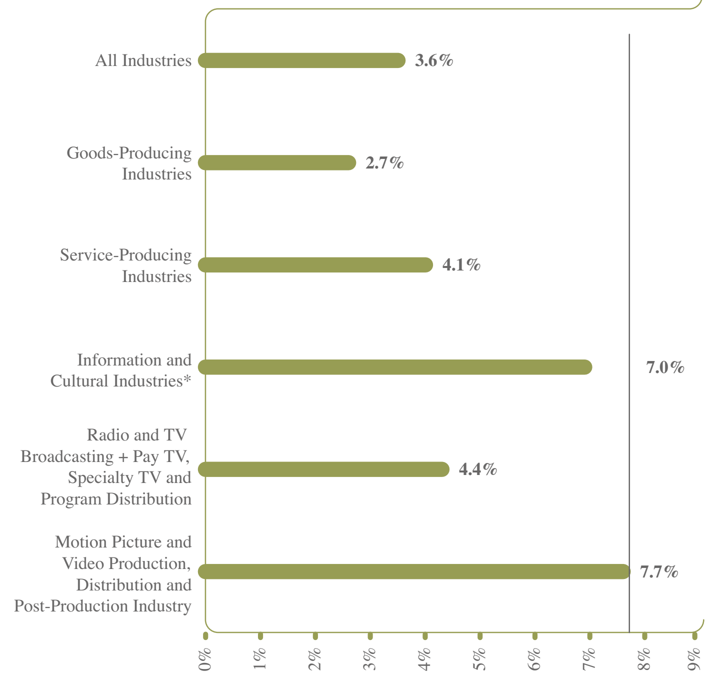
2.2 Real GDP Growth

While GDP figures for the film and television production industry are not available individually from Statistics Canada, the production industry is included in its aggregate category Motion Picture and Video Production, Distribution and Post-Production Industry.[3] Data indicates the industry experienced strong real GDP growth during the 1998 to 2003 period, and that this strong growth outpaced the overall economy (Exhibit 2).

- Real GDP in the motion picture and video production, distribution and post-production industry grew by an average annual rate of **7.7%** between 1998 and 2003.
- During this period, the Canadian economy grew by an average annual rate of 3.6%; service-producing industries grew by an average of 4.1%.

Exhibit 2

Average Annual Growth of Real GDP by Industry, 1998 to 2003



* Based on the North American Industry Classification System, Information and Cultural Industries includes publishing industries (except Internet), motion picture and sound recording industries, broadcasting (except Internet), Internet publishing and broadcasting, telecommunications, Internet services providers, Web search portals, and data processing service and other information services. Source: Statistics Canada. See Exhibit Note 3.

2.3 Volume of Production by Sector

Each sector of the Canadian production industry except broadcaster in-house production contributed to the overall decline in the total volume of Canadian film and television production (See Exhibits 3 and 3a).

Independently produced Canadian film and television production comprised the largest share of Canadian production industry in

2003/04. Independently produced Canadian content – which is represented by the combination of **CAVCO-certified** and **non-CAVCO production** – totalled **$1.98 billion**, or 40% of the total volume of production.

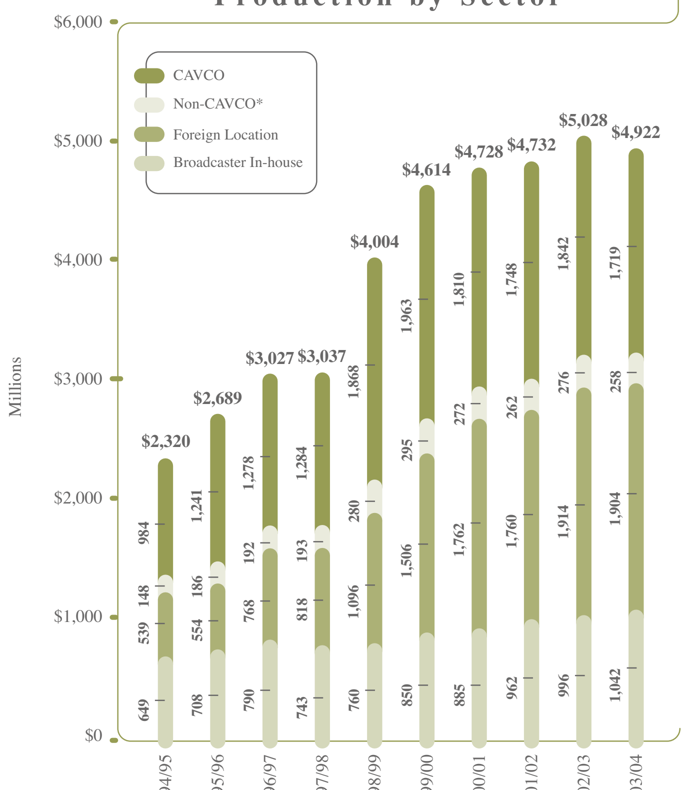
Both CAVCO-certified and non-CAVCO production experienced a 7% decrease in activity compared to 2002/03. Both sectors remain 12% below the peak reached in 1999/00.

The fall in CAVCO-certified and non-CAVCO production from the peak in 1999/00 can largely be attributed to a collapse in international markets for television programming. Weaker demand in international markets for foreign production including Canadian production has reduced levels of foreign financing that helped support high-cost drama production in Canada.

Foreign location production was **$1.90 billion** in 2003/04, accounting for 39% of the total volume of production. This sector experienced an average decline of 1% in 2003/04, however there are dramatic variations that can be noted from province to province. This decline is not surprising considering the numerous challenges it faced including the SARS scare in Toronto in spring 2003, the appreciation of the Canadian dollar, and heightened competition from other countries.

Exhibit 3

Volume of Film + Television Production by Sector



Note: Some totals may not add due to rounding.

Broadcaster in-house production was the only sector of the industry to show growth in 2003/04. Broadcaster in-house production includes in-house productions from private broadcasters, the CBC/SRC, and specialty and pay services. Broadcaster in-house production increased by 5% in 2003/04 and reached **$1.04 billion**. This sector accounted for 21% of the total volume of Canadian production in 2003/04.

The increase in broadcaster in-house production was largely driven by increases in production spending by private conventional broadcasters. According to CRTC data, private conventional broadcasters increased their spending on in-house production by 18% to $381 million.

Specialty and pay-television broadcasters also increased their production spending by 7% to $319 million in the 2003 broadcasting year. According to data in the CRTC financial summaries for private conventional television broadcasters, higher in-house spending by broadcasters on sports and news networks made the largest contribution to the growth in this segment of the broadcaster in-house sector.

Exhibit 3a

Volume of Film + TV Production by Sector Key Measures

	2003/04 (in millions)	Share	1 Year Growth	5 Year Average Growth
CAVCO	$1,719	35%	-7%	-2%
Non-CAVCO*	$258	5%	-7%	-2%
Foreign Location	$1,904	39%	-1%	12%
Broadcaster In-house	$1,042	21%	5%	7%
Total	**$4,922**	**100%**	**-2%**	**4%**

* Estimate based on level of CAVCO production
Note: Some totals may not add due to rounding.
Source: Estimates based on data collected from CAVCO, CRTC, CBC/SRC, and the Association of Provincial Funding Agencies. See Exhibit Notes 1 and 2.

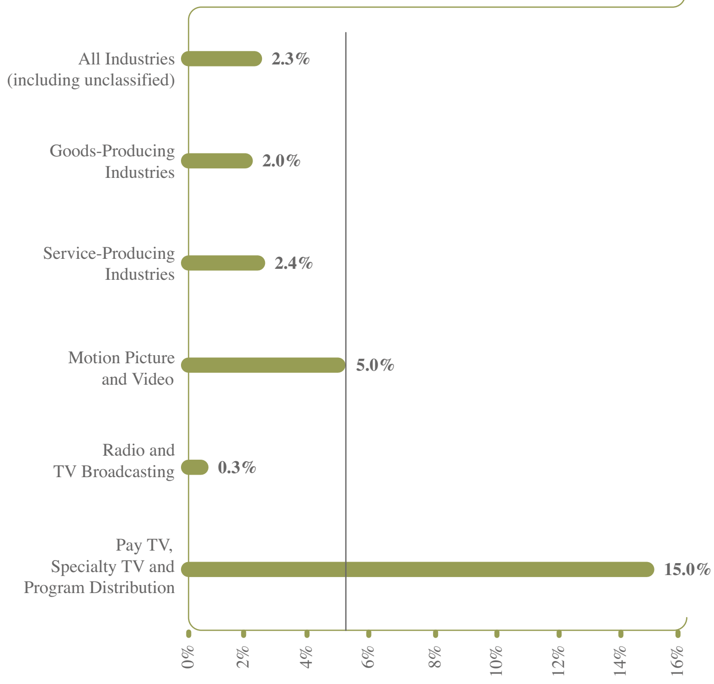
2.4 Average Annual Job Growth by Industry Sector

The film and television production industry has been an engine of job creation during the last six years. Its record of job creation has outpaced that of the overall economy and several related industries (Exhibit 4).

From 1998 to 2003, employment in the motion picture and video industries grew at an average annual rate of **5.0%**.[4] This growth was more than two times faster than all industries combined.[5]

Exhibit 4

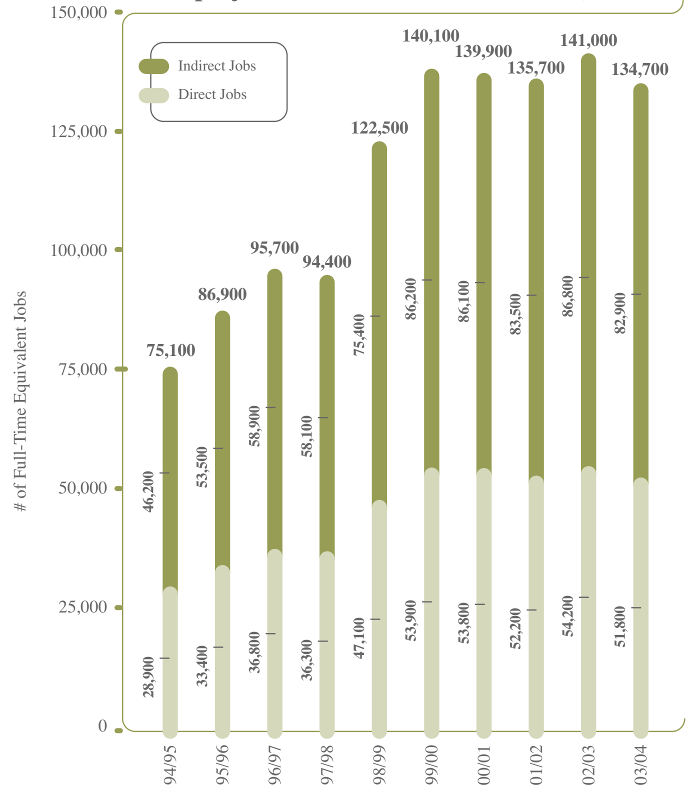
Average Annual Growth of Full- + Part-Time Jobs in Industry Sectors, 1998 to 2003



Source: Statistics Canada. See Exhibit Note 7.

Exhibit 5

Production Industry's Contribution to Canadian Employment (Direct + Indirect Jobs)



Source: Estimates based on data collected from CAVCO, CRTC, CBC/SRC, the Association of Provincial Funding Agencies and Statistics Canada. See Exhibit Note 7.

2.5 Direct + Indirect Job Growth in the Production Industry

Overall, film and television production activity in Canada generated **134,700** direct and indirect full-time equivalent jobs in 2003/04 (Exhibit 5).

Direct jobs include persons employed by production companies and directly involved in the film and television production process. In 2003/04, the Canadian production industry generated **51,800 direct** full-time equivalent jobs.

The Canadian production industry's contribution to Canadian employment is not limited to direct jobs, however. The production acquires goods and services from other Canadian industries, and so generates jobs in these industries – these are referred to as indirect jobs. Each direct job created by the production industry results in the creation of an additional 1.6 indirect jobs.[6] In 2003/04, the Canadian production industry generated **82,900 indirect** full-time equivalent jobs.

2.6 Job Growth by Region

As with changes in the volume of production, the number of direct and indirect production industry jobs increased in 2003/04 in British Columbia, Manitoba, New Brunswick, and Newfoundland (see Exhibit 6). Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia, and Prince Edward Island experienced decreases in the number of direct and indirect jobs as the volume of production declined in these regions. Overall, the production industry continued to make an important contribution to direct and indirect jobs in many parts of Canada.

2.7 Export Value of Film +Television Production in Canada

The **export value**[7] of film and television production in Canada was **$2.27 billion** in 2003/04 – a decrease of 7% from 2002/03 (Exhibit 7).

The largest component of export value – foreign location production – experienced a decline of 1% to $1.90 billion in 2003/04.

The export value of domestic independent production fell by $150 million, or 29% to $365 million. This was the fourth straight year of decline from the peak year of 1999/00 – more than double the 2003/04 level.

Exhibit 6

Production Industry's Contribution to Canadian Employment, Provinces + Territories, (Direct + Indirect Jobs)

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Ontario	42,510	38,250	47,480	53,070	54,700	54,600	54,630	48,100
B.C.*	17,990	18,330	26,180	32,950	34,820	33,900	32,160	42,200
Quebec	26,860	29,950	36,370	39,290	36,870	34,920	39,420	32,990
Nova Scotia	2,210	1,980	3,820	4,030	3,480	3,720	3,770	3,690
Manitoba	1,090	1,120	2,160	1,350	2,110	2,130	2,390	2,960
Alberta	3,930	3,250	4,030	7,280	5,330	4,290	5,640	2,700
Saskatchewan	650	1,090	1,510	1,140	1,250	910	2,260	1,170
New Brunswick	230	340	650	440	750	470	440	470
Newfoundland	160	130	290	230	360	420	160	230
P.E.I	30	30	50	230	180	210	180	160

* Includes the territories Sum of total jobs may differ from Exhibit 5 due to rounding. See Exhibit Notes 7, 9 and 13.
Source: Estimates based on data collected from CAVCO, Statistics Canada, CRTC, CBC/SRC, and the Association of Provincial Funding Agencies.

The decrease in the export value of CAVCO-certified production can be attributed to two factors. First, data for CAVCO-certified productions indicates the share of productions with nine or 10 Canadian content points increased significantly during the last couple of years (see Section 3.8). Productions with higher point ratings typically have a lower share of foreign financing and therefore yield a lower export value. This move to higher point productions is a response to weaker demand in international markets for foreign production and tight presale financing for Canadian productions.[8]

Exhibit 7a

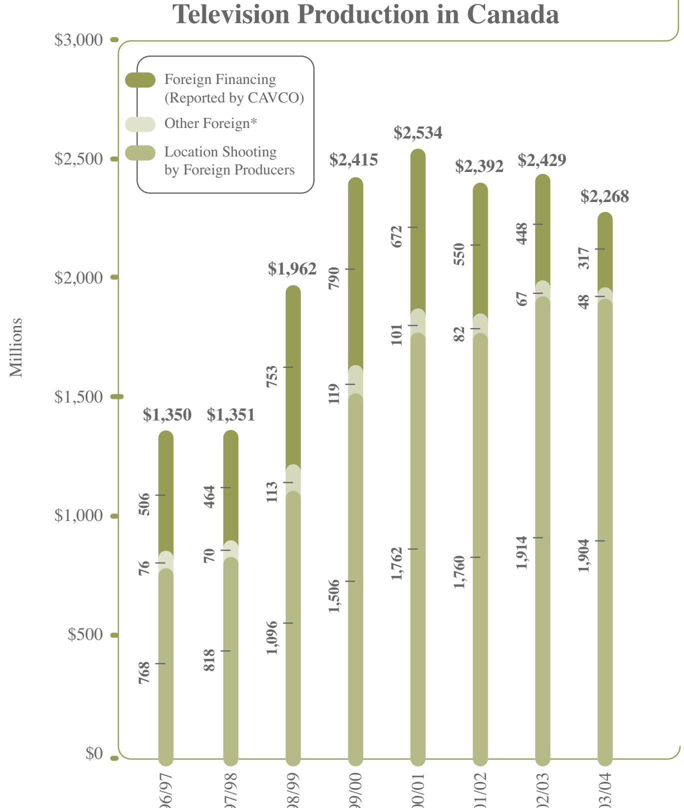
Export Value - Key Measures

	2003/04 (in millions)	Share	1 Year Growth	5 Year Average Growth
Foreign Financing (Reported by CAVCO)	$317	14%	-29%	-16%
Other Foreign*	$48	2%	-29%	-16%
Location Shooting by Foreign Producers	$1,904	84%	-1%	12%
Total	**$2,268**	**100%**	**-7%**	**3%**

* Other foreign refers to the estimate of the export value of non-CAVCO production. Source: Estimates based on data collected from CAVCO and the Association of Provincial Funding Agencies. See Exhibit Notes 1 and 2.

Exhibit 7

Export Value: Foreign Financing of Film + Television Production in Canada



Note: Some totals may not add due to rounding.

Production Industry Facts + Figures

Volume of Film + Television Production by Medium, Sector, Language + Genre

3

3.1 Volume of Film + Television Production by Medium

Television production decreased by 7% to $3.46 billion in 2003/04 (Exhibit 8). It continued to represent the largest share of the volume of production by medium at 70%. Television production detailed in Exhibit 8 includes the production budgets of CAVCO and non-CAVCO certified productions, foreign location production and in-house productions by conventional broadcasters and specialty and pay channels.

Theatrical production grew by 13% in 2003/04 to $1.46 billion; much of that growth was in the foreign sector. Theatrical production has experienced strong growth for the last three years. It has increased by 49% since 2001/02. Theatrical production accounted for a 30% share of the total volume of production in 2003/04. Theatrical production detailed in Exhibit 8 includes the production budgets of CAVCO and non-CAVCO certified productions and foreign location shooting.

Exhibit 8

Volume of Production by Medium

Note: Some totals may not add due to rounding.

Exhibit 8a

Volume of Film + TV Production by Medium – Key Measures

	2003/04 (in millions)	Share	1 Year Growth	5 Year Average Growth
Television	$3,463	70%	-7%	1%
Theatrical	$1,459	30%	13%	13%
Total	**$4,922**	**100%**	**-2%**	**4%**

Source: Estimates based on data collected from CAVCO, CRTC, CBC/SRC, and the Association of Provincial Funding Agencies. See Exhibit Notes 1, 2, and 6.

3.2 Volume of Television Production by Sector

Television production dropped by 7% to **$3.46 billion** in 2003/04 (Exhibit 9).

- **CAVCO-certified television production** decreased by 7% to $1.42 billion.
- **Foreign location television production** in Canada dropped by 20% to $741 million.
- **Broadcaster in-house production** grew by 5% to $1.04 billion.
- **Non-CAVCO certified television production** decreased by 7% to $258 million.

Exhibit 9

Volume of Television Production by Sector

Note: Some totals may not add due to rounding.

Exhibit 9a

Volume of TV Production by Sector – Key Measures

	2003/04 (in millions)	Share	1 Year Growth	5 Year Average Growth
Foreign Location	$741	21%	-20%	7%
Broadcaster In-house	$1,042	30%	5%	7%
Non-CAVCO*	$258	7%	-7%	-2%
CAVCO	$1,423	40%	-7%	-3%
Total	**$ 3,463**	**100%**	**-7%**	**1%**

* Estimate based on level of CAVCO production
Source: Estimates based on data collected from CAVCO, CRTC, CBC/SRC, and the Association of Provincial Funding Agencies. See Exhibit Notes 1, 2, and 6.

3.3 Private, Specialty + Pay TV Spending on Canadian Independent Production

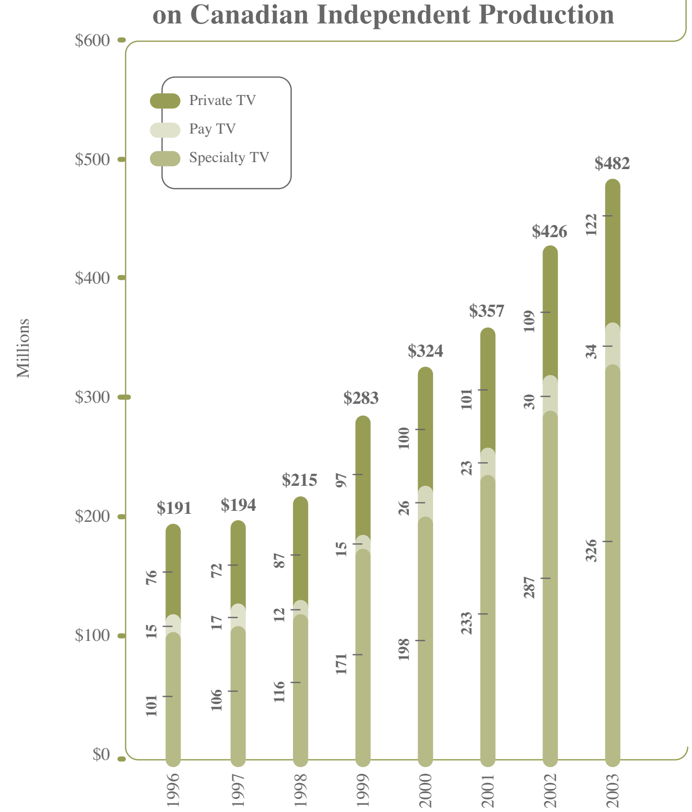
Spending by private, specialty, and pay television services on Canadian independent production increased 13% to **$482 million** in the 2003 broadcast year (Exhibit 10).

The increased total spending by broadcasters on Canadian independent production during the last several years mirrored the growth in the number of television services in Canada. Between 1996 and 2001, the number of television services in Canada increased from 50 to 82 (Exhibit 10c). In 2002, the total number of television services jumped to 133, as 48 new digital-tier specialty services went into operation; as well as one new pay-per-view television service (Breakaway PPV); and two analog services, one on arts (ARTV) and the other an ethnic television service (Channel M: Multivision Television).

- **Specialty services** spent $326 million, an increase of 13%, or $38 million over 2002.
- **Private conventional broadcasters** spent $122 million, an 11% increase. Of this amount, $80 million, or 65% was spent on licence fees for drama productions; 15%, or $19 million was spent on human interest programming; with the remaining amount spent on other categories of programming such as information, sports, game shows, and music, variety and performing arts (See Exhibit 10b).
- **Pay services** increased their expenditures on Canadian independent production by 17% to $34 million.

Exhibit 10

Private, Specialty + Pay TV Spending on Canadian Independent Production



Note: Some totals may not add due to rounding.

Exhibit 10a

Spending on Canadian Independent Production - Key Measures

	2003/04 (in millions)	Share	1 Year Growth	5 Year Average Growth
Private Broadcasters	$122	25%	11%	7%
Pay	$34	7%	17%	24%
Specialty	$326	68%	13%	23%
Total	**$482**	**100%**	**13%**	**18%**

Source: Data obtained from the CRTC. See Exhibit Notes 5 and 10.

Exhibit 10b

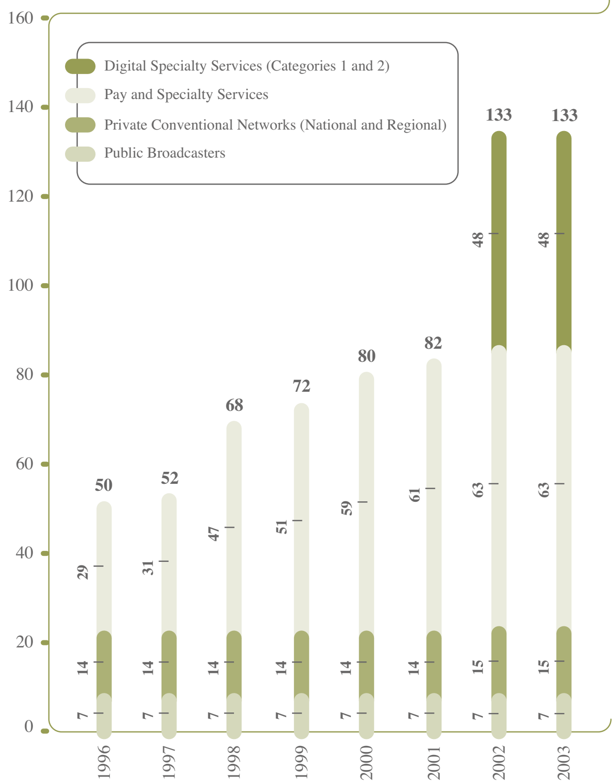
Spending on Canadian Independent Production by Private Conventional Television Broadcasters – Key Measures

	2000 (in millions)	2001	2002	2003	Share
Information (News and Other)	$4.5	$8.0	$10.7	$12.0	10%
Sports	$7.2	$5.0	$7.0	$1.9	2%
Drama	$59.3	$62.3	$62.0	$79.6	65%
Music/Variety	$11.8	$11.9	$18.5	$7.4	6%
Game Shows	$0.5	$0.05	$2.3	$2.0	2%
Human Interest	$16.8	$14.2	$8.8	$18.8	15%
Other	N.A.	$0.1	$0.2	<$0.1	<1%
Total	**$100.0**	**$101.4**	**$109.5**	**$121.9**	**100%**

N.A. - not available
Source: CRTC

Exhibit 10c

Number of Television Services in Canada



Source: Based on data from the CRTC.

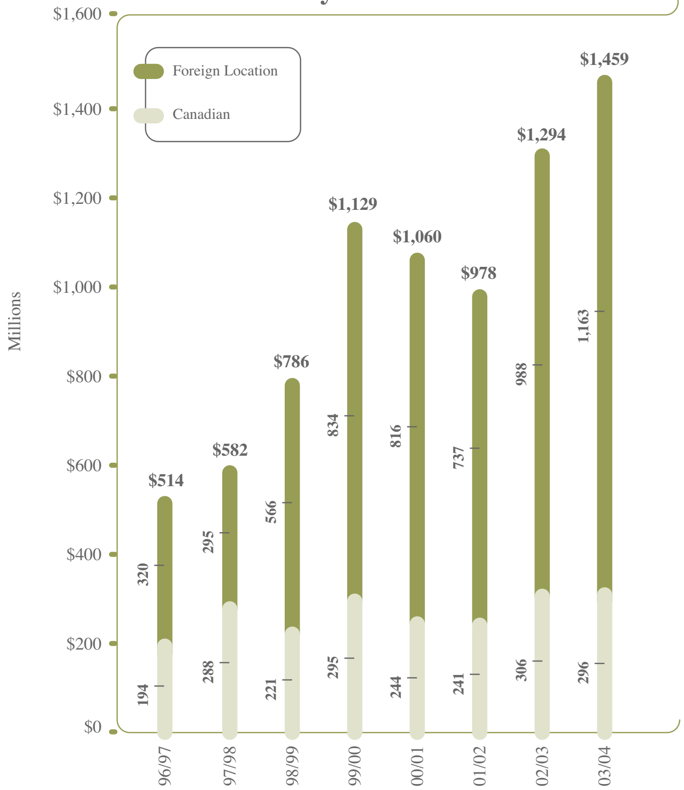
3.4 Volume of Theatrical Production by Sector

Theatrical film production increased 13% in 2003/04 to **$1.46 billion**, after experiencing an increase of 32% in 2002/03 (Exhibit 11). The significant growth in both years was driven by increases in theatrical production in the foreign location production sector.

- **Foreign location** theatrical production increased by 18% to $1.16 billion. Foreign location theatrical production represented 80% of all theatrical production in Canada.
- Despite the growth in overall theatrical production, **Canadian** theatrical production experienced a decline of 3% to **$296 million** in 2003/04. Canadian theatrical production represented 20% of all theatrical production in Canada. This is somewhat below this sector's average share of theatrical production during the previous five years (25%).

Exhibit 11

Volume of Theatrical Production by Sector



Note: Some totals may not add due to rounding.

Exhibit 11a

Volume of Theatrical Production - Key Measures

	2003/04 (in millions)	Share	1 Year Growth	5 Year Average Growth
Foreign Location	$1,163	80%	18%	16%
Canadian	$296	20%	-3%	3%
Total	**$1,459**	**100%**	**13%**	**3%**

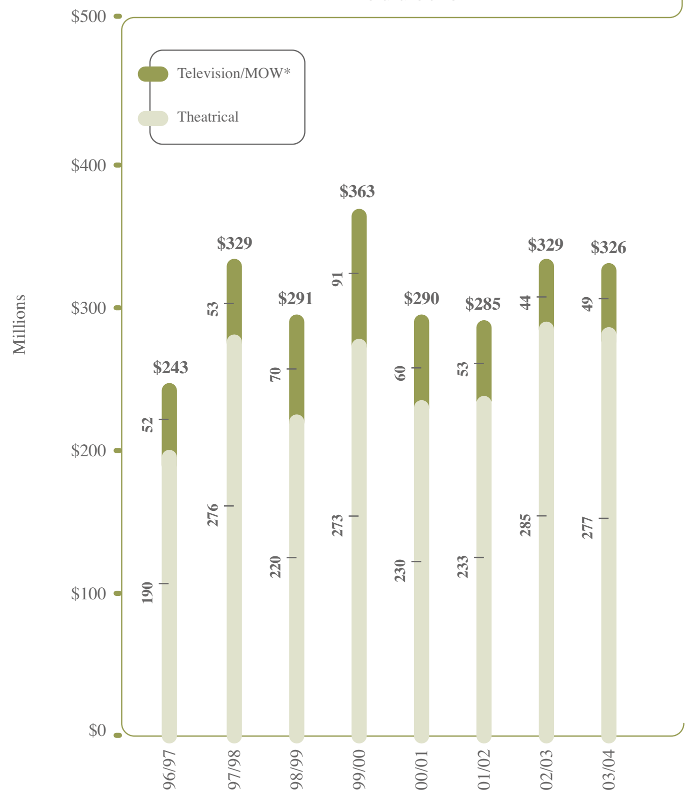
Source: Estimates based on data collected from CAVCO, and the Association of Provincial Funding Agencies. See Exhibit Notes 1, 2, and 6

3.5 Volume of CAVCO-Certified Theatrical + TV MOW* Feature Film Production

In 2003/04, CAVCO-certified feature film production declined by 1% to $326 million (Exhibit 12). Feature film productions for theatrical release accounted for 85% of spending on feature film production budgets in 2003/04. Feature film productions for television release (movies-of-the-week) accounted for 15% of spending. CAVCO-certified feature film production represented 19% of total CAVCO-certified production.

Exhibit 12

CAVCO-Certified Theatrical + TV Feature Film Production



*MOW - Movie of the Week
Note: Some totals may not add due to rounding.

Exhibit 12a

CAVCO-Certified Theatrical + TV Feature Film Production – Key Measures

	2003/04 (in millions)	Share	1 Year Growth	5 Year Average Growth
TV/MOW*	$49	15%	11%	-7%
Theatrical	$277	85%	-3%	5%
Total	**$326**	**100%**	**-1%**	**2%**

* MOW - Movie of the Week
Source: Estimates based on data from CAVCO. See Exhibit Notes 1, 2 and 6.

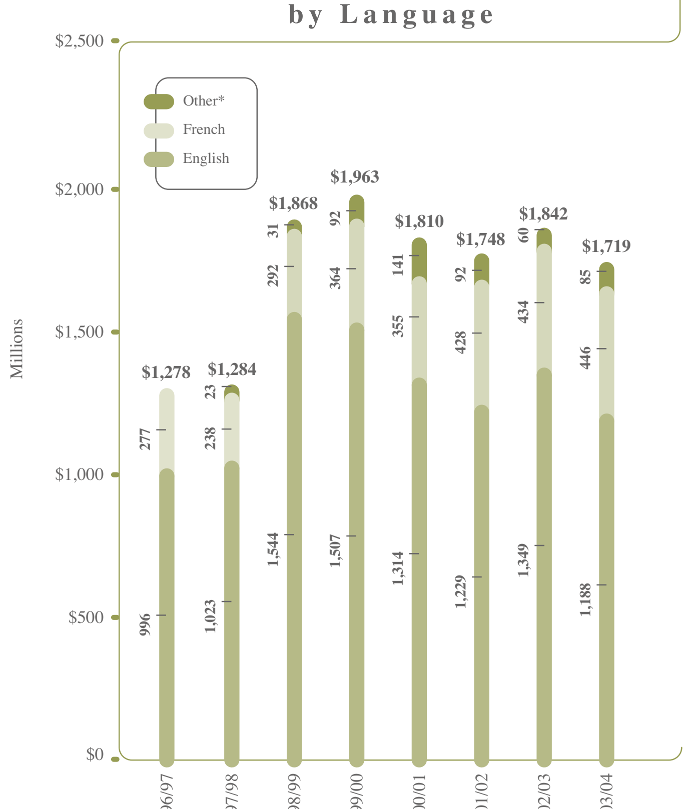
3.6 CAVCO-Certified Production by Language

French-language production increased slightly in 2003/04, while English-language production dropped (Exhibit 13).

- **English-language** production decreased by 12%, and totalled **$1.19 billion**. As a share of total CAVCO-certified production, English-language production dropped from 73% in 2002/03 to 69% in 2003/04.
- **French-language** production increased by 3% to **$446 million**. French-language production's share of CAVCO-certified production increased to 26% in 2003/04.
- The production of CAVCO-certified film and television programs in **other languages**, including bilingual and Aboriginal-language production, accounted for **$85 million**, or 5% of total CAVCO-certified production. Production in other languages rose from $60 million in 2002/03.

Exhibit 13

CAVCO-Certified Production by Language



* Other languages, including bilingual productions
Note: Some totals may not add due to rounding.

Exhibit 13a

CAVCO-Certified Production by Language - Key Measures

	2003/04 (in millions)	Share	1 Year Growth	5 Year Average Growth
Other*	$85	5%	42%	22%
French	$446	26%	3%	9%
English	$1,188	69%	-12%	-5%
Total	**$1,719**	**100%**	**-7%**	**-2%**

* Other languages, including bilingual productions. Note: Some totals may not add due to rounding. Source: Estimates based on data collected from CAVCO. See Exhibit Note 2.

3.7 CAVCO-Certified Production by Genre

When CAVCO-certified production is examined on the basis of genre, the trends appear to demonstrate that economic and regulatory developments in the broadcasting industry have had a significant impact on the pattern of production by genre over the last few years (Exhibit 14).

- **Children's** programming decreased by 15% to **$236 million**, and represented 14% of total CAVCO-certified production in 2003/04. This decline is the fourth year in a row of a decline in children's programming.
- **Documentary** production dropped by 8% to **$247 million**, although it outpaced children's programming for the first time. It represented 14% of total CAVCO-certified production in 2003/04.
- **Fiction** production (i.e. drama, comedy) decreased by 6%, to **$961 million**. In 1999/00 it reached $1.21 billion; since that time it has declined in every year except in 2002/03 when it experienced a slight increase.
- **Music, variety and performing arts** increased by 10% to **$116 million**. This genre comprised 7% of CAVCO-certified production in 2003/04.
- Production in **other** genres such as educational and instructional, and magazine programs accounted **$158 million**, or 9% of total CAVCO production in 2003/04.

The decreases in fiction and children's programming every year since 1999/00 may have been a result of the changes made to the definition of priority programming in the CRTC's 1999 Television Policy.[9] That policy eliminated broadcaster expenditure requirements, broadened the definition of priority programming to include other genres and provided little incentive to broadcast and create children's programming.

Exhibit 14

CAVCO-Certified Production by Genre

Note: Some totals may not add due to rounding.

Exhibit 14a

CAVCO-Certified Production by Genre – Key Measures

	2003/04 (in millions)	Share	1 Year Growth	5 Year Average Growth
Children's	$236	14%	-15%	-7%
Documentary	$247	14%	-8%	-2%
Fiction	$961	56%	-6%	-2%
Music, Variety and Performing Arts	$116	7%	10%	13%
Other*	$158	9%	-8%	9%
Total	**$1,719**	**100%**	**-7%**	**-2%**

Note: Some totals may not add due to rounding.
*Educational, Instructional, Magazine
Source: Estimates based on data obtained from CAVCO. See Exhibit Note 2.

3.8 CAVCO-Certified Production by Points

This indicator measures the level of CAVCO-certified production by the number of points that a particular production receives for its Canadian content (Exhibit 15). Co-productions are not based on a point system and are not subject to a point analysis. The number of points a CAVCO production receives is related to the creative contributions of key Canadians to the production (i.e., writers, directors, actors), and can reach a maximum of 10.

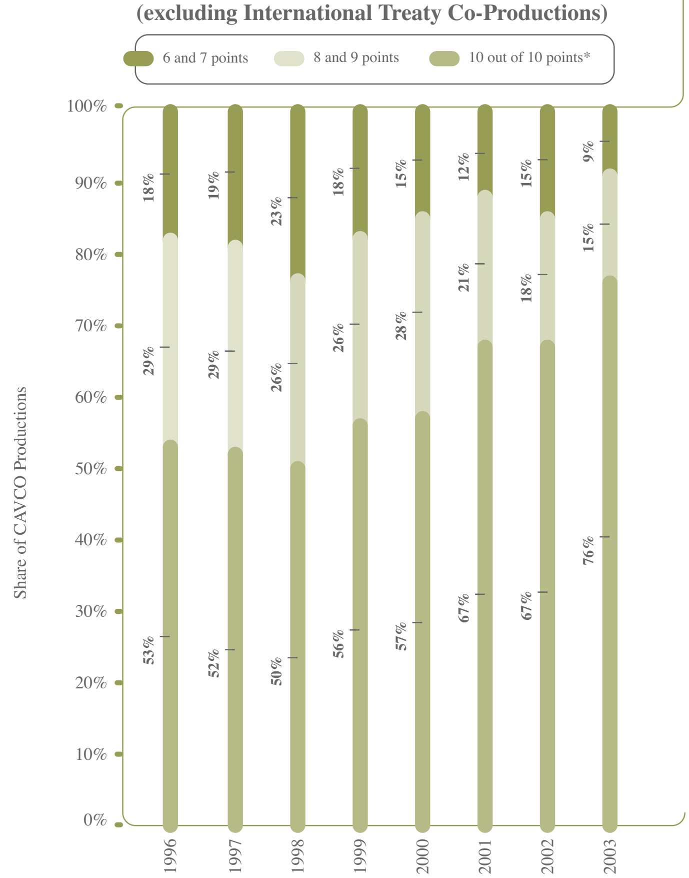
Over the last several years, CAVCO-certified production has undergone a shift to higher-point production – that is, productions with higher levels of Canadian content. Between 1996/97 and 2000/01, 10-point production comprised about 50% to 60% of CAVCO-certified production.[10] In 2001/02 and 2002/03, 10-point production jumped to 67% of CAVCO-certified production. In 2003/04, the share jumped even further to 76% of CAVCO-certified production.

The move away from lower-point production to higher-point production reflects the overall effect of weaker demand from international markets for Canadian production, and more stringent Canadian content rules adopted by the CTF. With the decline in the television presale market, Canadian producers have been forced to focus on 10-point Canadian production in order to be eligible to receive CTF assistance.

Exhibit 15

CAVCO Certified Production by Points

(excluding International Treaty Co-Productions)



* Includes productions that received the maximum number of eligible points. For example, productions that scored "7 out of 7" points are included in data covering 10 out of 10 points. Source: Estimates based on data collected from CAVCO. See Exhibit Note 2.

Production Industry Facts + Figures

Production Financing Indicators 4

4.1 Financing of CAVCO-Certified Television + Theatrical Production

The financing sources for CAVCO-certified production budgets in 2003/04 can be attributed to eight major categories. Private broadcasters comprised 19%; other private sources, 15%; direct public sources, 14%; provincial tax credits, 13%; public broadcasters, 11%; foreign sources, 11%; federal tax credit, 9%; and Canadian distributor financing, 8% (Exhibit 16).[11]

CAVCO production continued to remain highly dependent on direct and indirect public sources of financing. CAVCO data for 2003/04 indicates direct public funding sources (public broadcaster and public financing) accounted for 25% of the total financing of CAVCO-certified production.[12] Indirect sources in the form of tax credits accounted for an additional 22%.

Sources of production financing can vary considerably across genres. Producers often look to different sources of financing, depending on the genre of the content. In 2003/04, CAVCO-certified production had the following financing patterns.

- A large share of financing for **children's** programming came from tax credits (23%), other private sources (20%) and private broadcasters (19%).
- **Documentaries** received 70% of their financing from broadcasters (private and public) and public sources, including tax credits.
- **Fiction** (drama) productions received 21% of their financing from tax credits, 19% from public sources, and 19% from broadcasters.
- **Music, performing arts and variety** programming received the majority of its funding (55%) from broadcasters, with a significant amount from tax credits (23%) as well.

Exhibit 16

Sources of Financing, CAVCO-Certified Film + TV Production, by Genre, 2003/04

	Children's		Documentary		Fiction		Music, Performing Arts & Variety		Other		All Genres	
	%	$ (millions)	%	$ (millions)	%	$ (millions)	%	$ (millions)	%	$ (millions)	%	$ (millions)
Private Broadcasters	19%	45.8	26%	63.5	11%	108.6	21%	24.5	51%	80.9	19%	327.3
Public Broadcasters	9%	21.0	10%	24.4	8%	76.9	34%	38.9	14%	22.5	11%	192.3
Federal Tax Credit	10%	23.2	9%	23.2	8%	80.2	10%	11.9	10%	16.6	9%	155.3
Provincial Tax Credits	13%	30.1	14%	33.5	13%	126.7	13%	15.6	10%	15.8	13%	221.6
Canadian Distributor	12%	27.5	3%	7.7	10%	99.2	3%	3.1	1%	1.1	8%	135.1
Foreign	8%	19.2	8%	20.9	16%	152.8	3%	3.5	1%	2.0	11%	195.5
Public*	9%	21.5	11%	26.0	19%	178.7	4%	4.1	4%	6.2	14%	233.4
Other Private**	20%	47.7	19%	47.9	14%	138.2	12%	14.5	8%	13.4	15%	258.3
Total	**100%**	**235.9**	**100%**	**246.9**	**100%**	**961.3**	**100%**	**116.1**	**100%**	**158.4**	**100%**	**1,718.7**

* 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: Estimates based on data obtained from CAVCO. See Exhibit Notes 2 and 4. Based on CAVCO classifications.

4.2 Financing of CAVCO-Certified Television Production

CAVCO-certified television production includes television series, movies-of-the-week, and single-episode programs produced for television.

Over the last several years, Canadian television productions increased their reliance on financing from broadcasters (Exhibit 17). CAVCO data indicates financing from private broadcasters rose from 12% in 1998/99 to 22% in 2003/04. This coincided with a significant decrease in financing from foreign sources. During the same period, the share of financing from foreign sources decreased from 29% to 11%.

In terms of the overall distribution of financing in 2003/04 of CAVCO-certified television production:

- Private broadcasters accounted for 22%, an increase of 2 percentage points over the previous year.
- Public broadcasters accounted for 13%, an increase of 3 percentage points.
- Federal and provincial tax credits accounted for 22%, an increase of 1 percentage point.
- Canadian distributors accounted for 7%, a decrease of 1 percentage point.
- Foreign sources accounted for 11%, a decrease of 5 percentage points.
- Public sources accounted for 9%; the same level as in prior year.
- Other private sources (corporate production funds, Canadian Television Fund [Licence Fee Program] and other private investors) accounted for 16%, a decrease of 2 percentage points.

Exhibit 17

Financing of CAVCO-Certified Television Production

	1998/99		1999/00		2000/01		2001/02		2002/03		2003/04	
	%	$ (millions)	%	$ (millions)	%	$ (millions)	%	$ (millions)	%	$ (millions)	%	$ (millions)
Private Broadcasters	12%	198.2	12%	200.8	15%	239.8	17%	248.9	20%	301.9	22%	310.4
Public Broadcasters	6%	100.5	6%	105.4	7%	110.2	8%	124.6	10%	148.9	13%	186.8
Federal Tax Credit	9%	154.4	9%	153.4	9%	146.0	9%	134.4	9%	135.0	10%	138.2
Provincial Tax Credits	10%	161.7	10%	167.2	10%	157.8	11%	163.7	12%	180.2	12%	172.3
Canadian Distributor	13%	219.9	13%	216.8	15%	233.3	11%	161.5	8%	119.8	7%	101.5
Foreign	29%	471.2	28%	474.1	22%	339.6	21%	321.3	16%	241.9	11%	160.1
Public*	7%	110.1	7%	110.0	7%	105.4	8%	122.4	9%	136.3	9%	132.9
Other Private**	14%	231.5	14%	240.3	15%	233.8	15%	229.9	18%	272.5	16%	220.7
Total	**100%**	**1,647.4**	**100%**	**1,668.1**	**100%**	**1,565.9**	**100%**	**1,506.7**	**100%**	**1,536.4**	**100%**	**1,423.0**

* 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: Estimates based on data obtained from CAVCO. See Exhibit Notes 2 and 4. Based on CAVCO classifications.

4.3 Financing of CAVCO-Certified Theatrical Production

CAVCO-certified theatrical production includes feature and short films for which the first release window is a theatre.

Canadian theatrical productions increased their reliance on financing from direct public sources in 2003/04 (Exhibit 18). CAVCO data indicates financing from public sources rose from 25% in 2002/03 to 39% in 2003/04. This coincided with a significant decrease in financing from Canadian distributors and foreign sources.

In terms of the overall distribution of financing in 2003/04 of CAVCO-certified theatrical production:

- Private and public broadcasters accounted for 6%, an increase of 2 percentage points over the previous year.
- Tax credits accounted for 22%, an increase of 3 percentage points.
- Canadian distributors accounted for 10%, a decrease of 11 percentage points.
- Foreign sources accounted for 10%, a decrease of 9 percentage points.
- Public sources accounted 39%, an increase of 14 percentage points.
- Other private sources accounted for 12%, an increase of 1 percentage point.

Exhibit 18

Financing of CAVCO-Certified Theatrical Production

	1998/99		1999/00		2000/01		2001/02		2002/03		2003/04	
	%	$ (millions)	%	$ (millions)	%	$ (millions)	%	$ (millions)	%	$ (millions)	%	$ (millions)
Private Broadcasters	2%	5.0	1%	3.5	2%	5.0	3%	7.1	4%	11.4	5%	14.5
Public Broadcasters	0%	0.3	0%	0.5	0%	1.1	1%	1.3	0%	1.3	1%	3.6
Federal Tax Credit	8%	17.4	8%	24.9	7%	18.3	6%	14.5	7%	20.9	5%	14.9
Provincial Tax Credits	10%	21.1	10%	30.1	11%	25.7	12%	29.6	12%	38.0	17%	50.2
Canadian Distributor	14%	30.7	9%	26.8	24%	57.6	18%	43.8	21%	63.7	10%	30.7
Foreign	27%	60.1	29%	84.2	23%	56.3	20%	48.5	19%	58.6	10%	29.5
Public*	17%	36.9	13%	36.9	15%	36.6	26%	63.8	25%	76.8	39%	115.8
Other Private**	22%	49.1	30%	88.1	18%	43.5	14%	32.8	11%	35.0	12%	36.7
Total	**100%**	**220.6**	**100%**	**294.9**	**100%**	**244.1**	**100%**	**241.3**	**100%**	**305.6**	**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. Source: Estimates based on data obtained from CAVCO. See Exhibit Notes 2 and 4. Based on CAVCO classifications.

4.4 Analysis of CAVCO-Certified Production Financing by Points

The financing of CAVCO-certified production varies considerably depending on the number of CAVCO points received by the production (Exhibit 19).

In 2003/04, 10-point productions received 37% of their financing from Canadian broadcasters, 22% from tax credits, and only 6% from foreign sources.

In contrast, productions with 6 or 7 Canadian content points received 45% of their financing from foreign sources, 27% from Canadian distributors, 21% from tax credits, and only 4% from Canadian broadcasters.

Productions with 8 or 9 Canadian content points display yet another profile. Their financing from public sources (12%) is comparable with 10-point productions (15%). Financing from Canadian broadcasters (16%), Canadian distributors (13%), and foreign sources (17%) is about midway between that of 10-point productions and productions receiving 6 or 7 points.

Exhibit 19

CAVCO-Certified Production Financing by Canadian Content Points, 2003/04

	10 Points***		8 and 9 Points		6 and 7 Points	
	%	$ (millions)	%	$ (millions)	%	$ (millions)
Private Broadcasters	22%	289.8	12%	31.6	4%	6.5
Public Broadcasters	15%	196.5	4%	9.5	0%	0.0
Federal Tax Credit	9%	115.5	9%	23.7	11%	16.9
Provincial Tax Credits	13%	171.0	14%	36.2	10%	14.8
Canadian Distributor	3%	45.2	13%	33.7	27%	40.5
Foreign	6%	72.9	17%	44.8	45%	68.0
Public*	15%	195.5	12%	32.4	1%	1.0
Other Private**	16%	214.2	20%	53.9	3%	4.9
Total	**100%**	**1,300.5**	**100%**	**265.7**	**100%**	**152.5**

* 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.
*** Includes productions that received the maximum number of eligible points. For example, productions that scored “7-out-of-7” points.
Note: Some totals may not add due to rounding.
Source: Estimates based on data obtained from CAVCO. See Exhibit Notes 2 and 4.

Production Industry Facts + Figures

Provincial Indicators of the Volume of Production

5

5.1 Volume of Production by Province

On a provincial basis, the total volume of film and television production experienced the following changes in 2003/04 (Exhibits 20 and 20a).

- **Ontario's** production decreased by 9.7% to **$1.76 billion** over the previous year
- **British Columbia's** production increased by 34.6% to **$1.54 billion**[13]
- **Quebec's** production decreased by 14.2% to **$1.21 billion**
- **Nova Scotia's** production increased by 0.8% to **$135 million**
- **Manitoba's** production increased by 27.0% to **$109 million**
- **Alberta's** production decreased by 50.9% to **$99 million**
- **Saskatchewan's** production decreased by 47.5% to **$42 million**
- **New Brunswick's** production increased by 10.2% to **$17 million**
- **Newfoundland's** production increased by 52.9% to **$9 million**
- **Prince Edward Island's** production decreased by 15.8% to **$5 million**

Exhibit 20

Total Volume of Film + TV Production by Province

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Share	1 Year Growth	5 Year Average Growth
Ontario	$1,229.5	$1,550.5	$1,748.9	$1,849.9	$1,905.3	$1,947.7	$1,758.3	35.7%	-9.7%	2.5%
BC*	$589.5	$855.6	$1,085.9	$1,177.6	$1,183.3	$1,146.2	$1,542.4	31.3%	34.6%	12.5%
Quebec	$962.5	$1,188.2	$1,294.6	$1,246.1	$1,218.2	$1,405.7	$1,205.6	24.5%	-14.2%	0.3%
Nova Scotia	$63.8	$124.8	$133.0	$117.7	$130.1	$134.2	$135.3	2.7%	0.8%	1.6%
Manitoba	$35.6	$70.8	$44.2	$71.0	$74.3	$85.5	$108.6	2.2%	27.0%	8.9%
Alberta	$104.7	$131.5	$239.8	$179.9	$149.7	$200.9	$98.5	2.0%	-50.9%	-5.6%
Saskatchewan	$35.4	$49.0	$37.4	$42.6	$32.0	$80.6	$42.3	0.9%	-47.5%	-2.9%
New Brunswick	$11.2	$21.3	$14.7	$25.5	$16.6	$15.6	$17.2	0.3%	10.2%	-4.2%
Newfoundland	$4.2	$9.4	$7.5	$12.6	$14.2	$5.5	$8.5	0.2%	52.9%	-2.0%
P.E.I	$1.1	$2.0	$7.9	$6.4	$7.6	$6.3	$5.3	0.1%	-15.8%	21.1%
Total	**$3,037.0**	**$4,003.7**	**$4,614.2**	**$4,728.3**	**$4,731.8**	**$5,028.0**	**$4,921.8**	**100%**	**-2.1%**	**4.2%**

*Includes the territories. Note: Some totals may not add due to rounding. Various provincial film agencies in Canada also publish statistics for film and television production activity using tax and marketing data in each province. Their statistics may differ from those in *Profile 2005* due to such differences as data collection periods (fiscal vs. calendar year) and production activity reported on the basis of location of spend. Source: Estimates based on data collected from CAVCO, CRTC, CBC/SRC, and the Association of Provincial Funding Agencies. See Exhibit Notes 1, 2, 9 and 13.

Exhibit 20a

Volume of Film + TV Production by Province + Sector

		2003/04 ($ millions)	Share	1 Year Growth	5 Year Average Growth
BC*	CAVCO	184	12%	-14%	-10%
	Non-CAVCO	28	2%	-14%	-10%
	Foreign Location	1,238	80%	49%	23%
	In-house	92	6%	33%	9%
	Total	**1,542**	**100%**	**35%**	**13%**
Alberta	CAVCO	33	33%	-56%	1%
	Non-CAVCO	5	5%	-56%	1%
	Foreign Location	0	0%	N.A.	N.A.
	In-house	61	62%	-7%	4%
	Total	**99**	**100%**	**-51%**	**-6%**
Saskatchewan	CAVCO	26	61%	-54%	7%
	Non-CAVCO	4	9%	-54%	7%
	Foreign Location	0	0%	N.A.	N.A.
	In-house	13	30%	-23%	1%
	Total	**42**	**100%**	**-48%**	**-3%**
Manitoba	CAVCO	12	11%	-55%	-14%
	Non-CAVCO	2	2%	-55%	N.A.
	Foreign Location	79	73%	134%	24%
	In-house	16	15%	-26%	2%
	Total	**109**	**100%**	**27%**	**9%**
Ontario	CAVCO	732	42%	0%	1%
	Non-CAVCO	110	6%	0%	1%
	Foreign Location	340	19%	-38%	0%
	In-house	576	33%	4%	7%
	Total	**1,758**	**100%**	**-10%**	**3%**
Quebec	CAVCO	666	55%	-1%	-1%
	Non-CAVCO	100	8%	-1%	-1%
	Foreign Location	193	16%	-52%	0%
	In-house	246	20%	6%	5%
	Total	**1,206**	**100%**	**-14%**	**0%**
New Brunswick	CAVCO	8	45%	12%	-8%
	Non-CAVCO	1	7%	12%	-8%
	Foreign Location	0	0%	N.A.	N.A.
	In-house	8	49%	9%	2%
	Total	**17**	**100%**	**10%**	**-4%**
Nova Scotia	CAVCO	54	40%	3%	-7%
	Non-CAVCO	8	6%	3%	-7%
	Foreign Location	51	38%	-2%	23%
	In-house	23	17%	1%	4%
	Total	**135**	**100%**	**1%**	**2%**
P.E.I	CAVCO	2	32%	-61%	19%
	Non-CAVCO	0	5%	-61%	19%
	Foreign Location	2	38%	N.A.	N.A.
	In-house	1	26%	9%	2%
	Total	**5**	**100%**	**-16%**	**4%**
Newfoundland	CAVCO	3	31%	271%	-10%
	Non-CAVCO	0	5%	271%	-10%
	Foreign Location	0	0%	N.A.	N.A.
	In-house	5	65%	16%	5%
	Total	**8**	**100%**	**53%**	**-2%**

* Includes the territories. N.A. – not applicable. Note: Some totals may not add due to rounding. Source: Estimates based on data collected from CAVCO, CRTC, CBC/SRC, and the Association of Provincial Funding Agencies. See Exhibit Notes 1, 2, 9 and 13.

5.2 CAVCO-Certified Production by Province

On a provincial basis, the leaders in terms of growth in CAVCO-certified production were (Exhibit 21):

- **Newfoundland**: 271% to $2.6 million
- **New Brunswick**: 12% to $8 million
- **Nova Scotia**: 3% to $54 million

In contrast, several provinces experienced declines in CAVCO-certified production:

- **Ontario**: 0.3% decline to $732 million
- **Quebec**: 1%, to $666 million
- **British Columbia**: 14%, to $184 million
- **Saskatchewan**: 54%, to $26 million
- **Manitoba**: 55%, to $12 million
- **Alberta**: 56% to $33 million
- **Prince Edward Island**: 61% to $2 million

In **Nunavut**, the level of CAVCO certified production was stable at approximately $300,000.

Exhibit 21

CAVCO-Certified Production by Province

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Share	1 Year Growth	5 Year Average Growth
Ontario	$541	$697	$735	$713	$711	$734	$732	43%	0%	1%
Quebec	$561	$697	$761	$602	$665	$673	$666	39%	-1%	-1%
British Columbia	$93	$305	$311	$307	$225	$214	$184	11%	-14%	-10%
Nova Scotia	$35	$77	$45	$53	$51	$52	$54	3%	3%	-7%
Alberta	$20	$31	$63	$62	$51	$75	$33	2%	-56%	1%
Saskatchewan	$20	$18	$16	$26	$16	$56	$26	2%	-54%	7%
Manitoba	$11	$26	$18	$23	$17	$26	$12	1%	-55%	-14%
New Brunswick	$4	$12	$6	$13	$5	$7	$8	<1%	12%	-8%
Newfoundland	$0.1	$4.4	$2.5	$6.9	$1.5	$0.7	$2.6	<1%	271%	-10%
P.E.I	0	$1	6	$5	$6	$4	$2	<1%	-61%	19%
Nunavut	0	0	$1.9	0	0	$0.3	$0.3	<1%	0%	N.A.
Yukon	0	0	0	0	0	0	0	0%	N.A.	N.A.
N.W.T	0	0	0	0	0	0	0	0%	N.A.	N.A.
Total	**$1,284**	**$1,867**	**$1,963**	**$1,810**	**$1,748**	**$1,842**	**$1,719**	**100%**	**-7%**	**-2%**

N.A. -. not applicable

Source: Estimates based on data collected from CAVCO. See Exhibit Note 2.

5.3 Foreign Location Production by Province

British Columbia posted a strong gain in foreign location production in 2003/04, while Ontario and Quebec posted significant deceases.

- British Columbia remained the largest centre for foreign location production in Canada, with 65% of total national foreign location production. In 2003/04, foreign location production jumped by 49% to $1.236 billion.
- In **Ontario**, foreign location production fell by 38% to $340 million; the province's share was 18%.
- In **Quebec**, foreign location production fell by 52% to $193 million; it accounted for 10% of the national total.
- In **Manitoba** foreign location jumped by 134% to reach $79 million.
- In **Nova Scotia**, foreign location production totalled $51 million.
- Foreign location production in the **Yukon** was $2.1 million; in **P.E.I.**, it was $2.0 million.
- In **Alberta**, foreign location production fell from $50 million in 2002/03 to zero in 2003/04.

The significant drop in foreign location production in Ontario in 2003/04 happened at the same time as the SARS scare in Toronto in April 2003.

After nearly doubling in the prior year, production in Quebec fell back to the $200 million range. The drop follows a record year for Quebec, and likely reflects the increased competition from other jurisdictions.

While Ontario, Quebec and Alberta saw their level of foreign location production drop, production in British Columbia grew by half, in spite of the rising Canadian dollar, and the shift to reality programming by American broadcasters. The vast majority of the increase in foreign location production activity in British Columbia can be traced back to a $400 million increase in the filming of foreign feature films. In 2003, the number of foreign feature films shot in British Columbia rose to 25 from 15 the year before.

Exhibit 22

Foreign Location Production by Province

(millions)	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Share	1 Year Growth	5 Year Average Growth
British Columbia	$425	$445	$664	$760	$857	$830	$1,236	65%	49%	23%
Ontario	$221	$347	$443	$543	$561	$549	$340	18%	-38%	-0.4%
Quebec	$129	$197	$213	$337	$215	$399	$193	10%	-52%	-0.4%
Manitoba	$7	$27	$7	$25	$33	$34	$79	4%	134%	24%
Nova Scotia	$5	$18	$60	$35	$48	$52	$51	3%	-2%	23%
Yukon	0	0	$1	$2	$1	$0.3	$2.1	<0.1%	600%	N.A.
P.E.I	0	0	0	0	0	0	$2.0	<0.1%	N.A.	N.A.
Alberta	$32	$46	$112	$57	$34	$50	0	0%	-100%	-100%
New Brunswick	0	0	0	$3	$3	0	0	0%	N.A.	N.A.
Saskatchewan	0	$16	$7	0	0	0	0	0%	N.A.	N.A.
Newfoundland	$0.3	0	0	0	$8	0	0	0%	N.A.	N.A.
Northwest Territories	0	0	$0.03	0	0	0	0	0%	N.A.	N.A.
Nunavut	0	0	0	0	0	0	0	0%	N.A.	N.A.
Total	**$819**	**$1,096**	**$1,506**	**$1,762**	**$1,760**	**$1,914**	**$1,904**	**100%**	**-1%**	**12%**

N.A. - not applicable
Source: Estimates based on data collected from the Association of Provincial Funding Agencies. See Exhibit Note 8.

Production Industry Facts + Figures

Canada's Role in the International Production Industry

6

6.1 Total Volume of Treaty Co-production Budgets

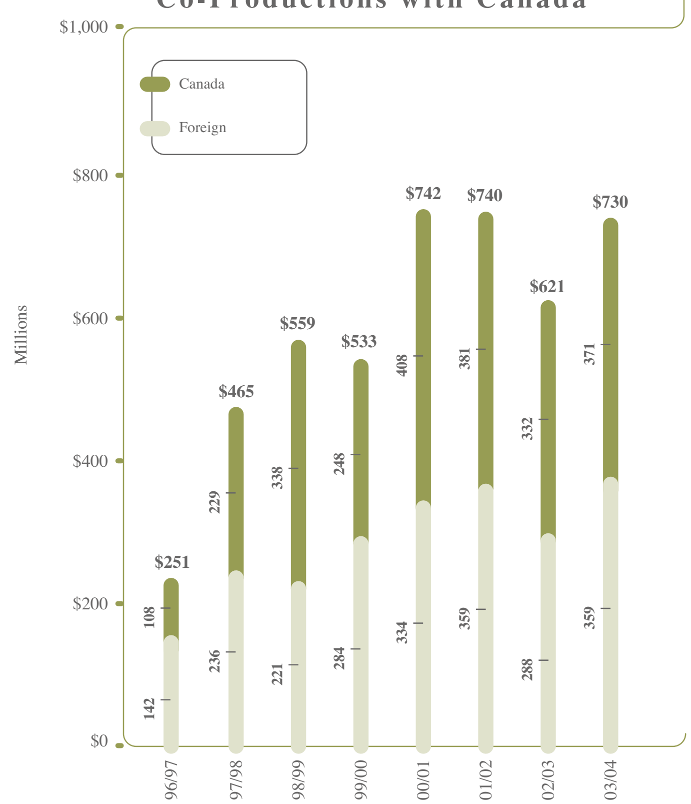
Canada currently has 49 co-production treaties with 53 countries. As co-production treaties are founded on the principle of reciprocity, approximately half of total treaty co-production budgets are spent in Canada.

Total treaty co-production budgets increased by 18% in 2003 to **$730 million**. The Canadian portion of treaty co-production increased by 12% – from $332 million in 2002 to $371 million in 2003. However there are strong indications that activity with the UK will be down considerably over the next year.

Between 1996 and 2003, the annual number of Canadian treaty co-productions increased from 38 to 106.

Exhibit 23

Total Production Budgets of Treaty Co-Productions with Canada



Note: Some totals may not add due to rounding.

While the annual number of treaty co-productions grew steadily, the average project budget fluctuated considerably (Exhibit 24). From 1996 to 2003, the average project budget ranged from a low of $6.0 million in 2002 to a high of $9.5 million in 2000. In 2003, the average project budget stood at $6.9 million – 27% below the peak reached in 2000.

Exhibit 23a

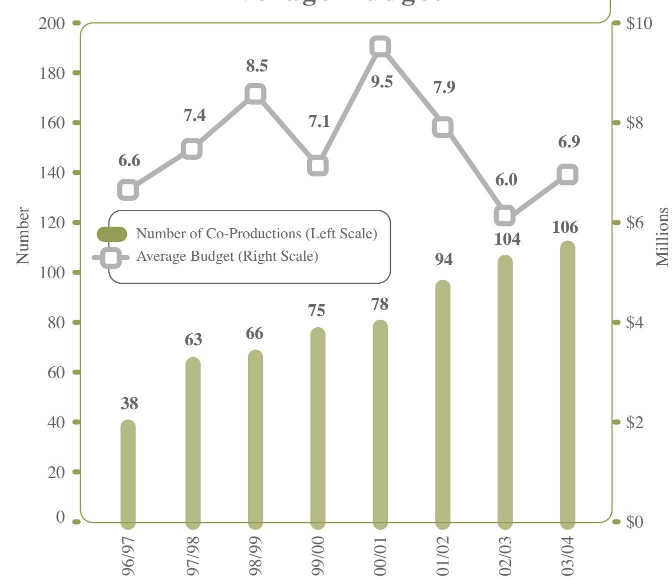
Treaty Co-Production - Key Measures

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

Source: Telefilm Canada

Exhibit 24

Number of Treaty Co-Productions + Average Budget



Note: Average budget refers to average budget per project. A project may be a multi-episode series. Source: Telefilm Canada

6.2 Treaty Co-production by Country

Canada's bipartite treaty co-production activity dropped by 6.5% to total $464 million in 2003 (Exhibit 25). The leading bipartite partner countries were the U.K., France, South Africa and Hong Kong. Among these top four countries, Hong Kong and South Africa posted the largest increases in activity. Bipartite production with Hong Kong increased from zero in 2002 to just under $21.8 million in 2003. Bipartite production with South Africa increased almost 30-fold, from $1.1 million to $29.3 million in 2003.

Canada's treaty co-production with France increased by 19.8% to $147 million.

Bipartite activity with Canada's largest treaty co-production partner, the U.K., dropped by 21.1% to just over $225 million.

While the U.K. remained Canada's largest treaty co-production partner in 2003, production activity in the future is expected to drop because of the new international treaty co-production rules issued in November 2003 by the U.K. Department of Culture, Media and Sport (DCMS).

The DCMS eliminated the sale-and-leaseback for television production, and raised the expenditure requirements for television and feature film co-productions with a grandfathering clause for feature films that started shooting by August 2004. The new expenditure rules stipulate that treaty co-productions must spend 40% of the production budget in the U.K.

Canada's tripartite treaty co-production (Canada and two other partner countries) increased by 94% to total $224 million in 2003. The U.K.-France and France-U.K. combinations led tripartite treaty co-production activity in 2003. Other major tripartite combinations included U.K.-Hungary and U.K.-Hong Kong. The U.K.-South Africa combination, which was the second most active tripartite combination in 2002 ($33 million), dropped to zero in 2003.

Most of Canada's quadripartite treaty co-production (Canada and three other countries) was with U.K.-Italy-Germany. The only other combination was U.K.-France-Luxemburg.

Exhibit 25

Treaty Co-Production Partners

Country	Total Production Budgets, 2002	Total Production Budgets, 2003	Share (2003)	1 Year Growth
Bipartite				
U.K.	$285,594,412	$225,476,389	30.9%	-21.1%
France	122,741,712	147,038,289	20.2%	19.8%
South Africa	1,095,511	29,260,048	4.0%	2570.9%
Hong Kong	–	21,750,000	3.0%	N.A.
Italy	–	11,050,000	1.5%	N.A.
Philippines	9,513,400	9,650,392	1.3%	1.4%
Japan	750,000	5,962,804	0.8%	695.0%
Australia	17,129,300	5,785,568	0.8%	-66.2%
China	38,162,415	5,143,311	0.7%	-86.5%
Singapore	–	1,088,266	0.1%	N.A.
Germany	2,746,747	699,773	0.1%	-74.5%
Netherlands	–	509,931	0.1%	N.A.
New Zealand	8,120,000	316,985	<0.1%	-96.1%
Czech Republic	–	231,250	<0.1%	N.A.
Spain	5,798,381	–	N.A.	N.A.
Austria	3,971,549	–	N.A.	N.A.
Denmark	371,423	–	N.A.	N.A.
Tripartite				
U.K-France	34,384,512	84,244,968	11.5%	145.0%
France-U.K.	14,431,499	62,706,490	8.6%	334.5%
U.K.-Hungary	–	24,042,256	3.3%	N.A.
U.K-Hong Kong	9,528,212	21,016,515	2.9%	120.6%
U.K-Italy	–	8,858,616	1.2%	N.A.
Ireland-Germany	–	7,871,308	1.1%	N.A.
Germany-South Korea	–	4,700,000	0.6%	N.A.
France-Portugal	–	3,936,036	0.5%	N.A.
U.K.-Romania	–	3,613,270	0.5%	N.A.
Israel-Germany	–	2,812,502	0.4%	N.A.
Germany-Austria	–	560,938	0.1%	N.A.
South Africa-U.K.	31,862,635	–	N.A.	N.A.
Spain-France	12,000,348	–	N.A.	N.A.
New Zealand-U.K.	9,307,303	–	N.A.	N.A.
U.K.-New Zealand	3,860,182	–	N.A.	N.A.
Quadripartite				
U.K-Italy-Germany	–	32,638,889	4.5%	N.A.
U.K.-France-Luxemburg	–	8,637,454	1.2%	N.A.
Switzerland-U.K.-France	9,276,357	–	N.A.	N.A.
Total	**$620,645,898**	**$729,602,248**	**100.0%**	**-17.6%**

N.A. - not applicable. Source: Telefilm Canada

6.3 Treaty Co-production by Province

In 2003, Ontario and Quebec, together accounted for 87% of treaty co-production activity (Exhibit 26).

- **Quebec**: $328 million, 45% of total treaty co-production
- **Ontario**: $308 million, 42% of total treaty co-production
- **Alberta**: $46 million, 6% of total treaty co-production
- **British Columbia**: $26 million, 4% of total treaty co-production
- **Nova Scotia**: $12 million, 2% of total treaty co-production
- **Saskatchewan**: $9 million, 1% of total treaty co-production

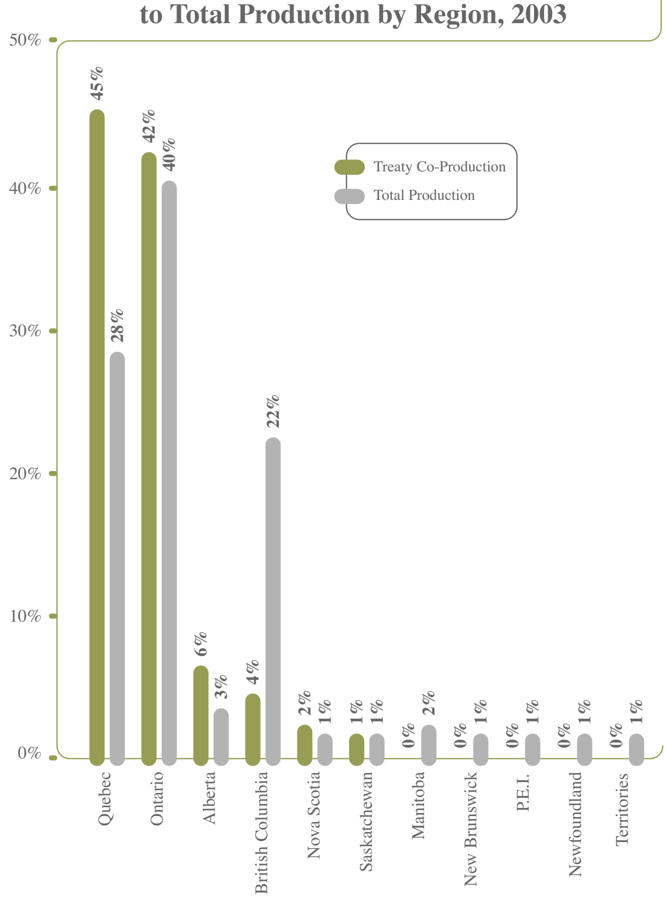
In Exhibit 26, we have presented each province's share of treaty co-production along side its share of the total volume of film and television production. The comparison shows Quebec's share of Canadian treaty co-production is well in excess of its share of total production. Ontario's share is in proportion to its overall share; while British Columbia's share was well below its share of overall production. British Columbia accounted for 36% of total Canadian film and television production in 2003; it only accounted for 4% of treaty co-production in that year.

The regional variances reflect the differences in the international focus of film and television producers in different regions of Canada. The under-representation of treaty co-production in British Columbia reflects that many producers in this province are focused on partnering with Hollywood studios to produce American films. For the last several years, British Columbia has been the largest centre for Canadian production of foreign location films – largely Hollywood films. This type of production of course does not take place under official co-production treaties.

In contrast, Quebec-based producers accounted for 25% of total film and television production in 2003/04, and 45% of treaty co-production in 2003. While there has been a significant amount of Hollywood production in Quebec in recent years, it appears that Quebec-based productions have been focused internationally, and this international production has been within official treaties.

Exhibit 26

Share of Treaty Co-Production Compared to Total Production by Region, 2003



Source: Estimates based on data collected from CAVCO, CRTC, CBC/SRC, the Association of Provincial Funding Agencies and Telefilm Canada. See Exhibit Notes 1, 2, 9 and 13.

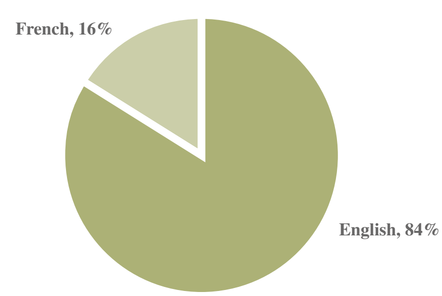
6.4 Treaty Co-production by Language

In 2003, the vast majority of treaty co-productions were produced in English (Exhibit 27).

- **English**: $616 million, 84% of total treaty co-production
- **French**: $114 million, 16% of total treaty co-production

Exhibit 27

Treaty Co-Production by Language, 2003



Total Treaty Co-Production Budgets: $730 million

Source: Telefilm Canada

Production Industry Facts + Figures

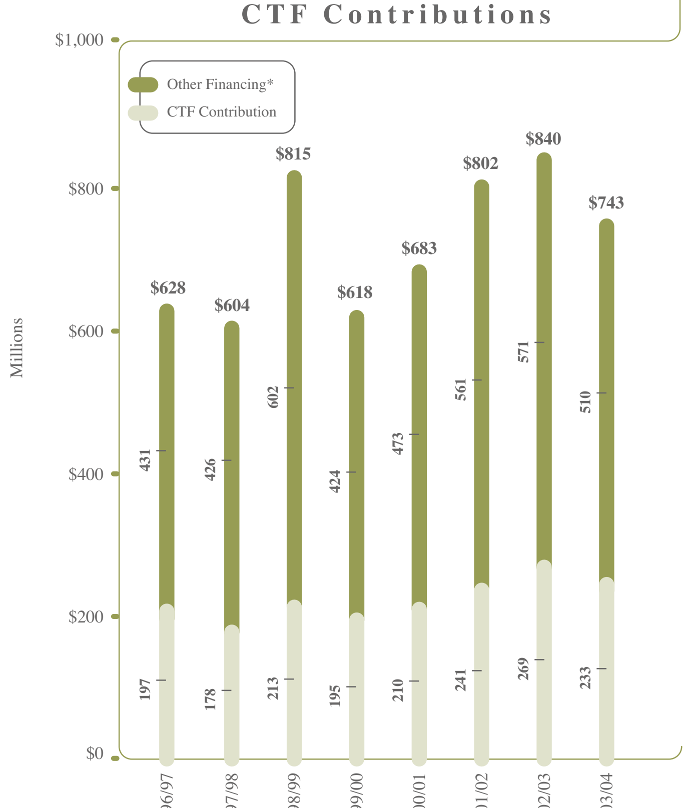
CTF Production 7

7.1 Volume of CTF-Supported Production

The Canadian Television Fund (CTF) is funded by contributions from the Department of Canadian Heritage, Canadian cable-television distribution companies, Telefilm Canada, and Canadian direct-to-home satellite service providers. The CTF contributed $233 million to Canadian production in 2003/04. Other financing, comprised largely of contributions from production companies, broadcasters, other government sources and distributors, contributed $510 million to CTF-supported productions. In total the CTF supported **$743 million** in production budgets in 2003/04 (Exhibit 28).

Exhibit 28

Production Activity with CTF Contributions



* Other financing includes contributions from production companies, broadcasters, other government sources and distributors.

Exhibit 28a

Production Activity with CTF Contributions – Key Measures

	2003/04 (in millions)	Share	1 Year Growth	5 Year Average Growth
Other Financing*	$510	69%	-11%	-3%
CTF Contribution	$233	31%	-13%	2%
Total	**$743**	**100%**	**-12%**	**-2%**

* Other financing includes contributions from production companies, broadcasters, other government sources and distributors.
Source: Canadian Television Fund

7.2 CTF-Supported Hours of Production by Genre

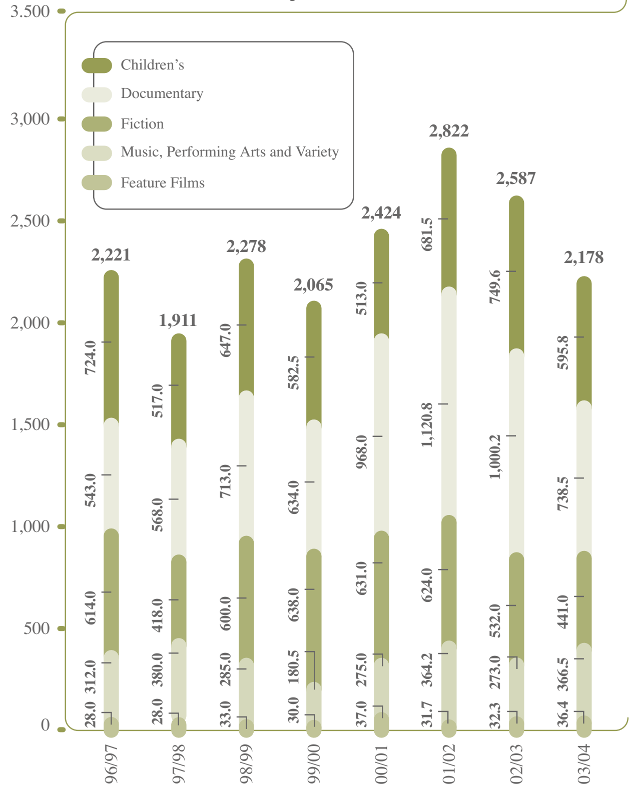
One of the objectives of the CTF is to support genres that are traditionally under-represented in the Canadian broadcasting system. In 2003/04, the CTF supported **2,178 hours** of production (Exhibit 29). This total included:

- 738.5 hours of documentary programming
- 595.8 hours of children's programming
- 441.0 hours of fiction (drama) programming
- 366.5 hours of music, performing arts and variety programming
- 36.4 feature film hours

The 2003/04 total represents a 16% decline in total hours of production supported by the CTF. All supported genres except music, performing arts and variety recorded a drop in the total hours of supported production in 2003/04. For the second straight year, the largest drop in total hours was in the documentary genre, where CTF-supported production decreased by 261.7 hours, or 26% compared to 2002/03.

Exhibit 29

CTF-Supported Hours of Production by Genre



Source: Canadian Television Fund

7.3 CTF-Supported Production by Region

In 2003/04, just over 37% of CTF contributions went to productions in Ontario; just under 37% went to productions in Quebec. The remaining 26% of CTF contributions went to productions in the other eight provinces.

In 2003/04, the largest share of CTF-supported production was in Quebec (Exhibit 30a). Just over $292 million in Quebec production received some support from the CTF. This accounted for 39% of total CTF-supported production in 2003/04.

In Ontario, just under $271 million in production received CTF support; in British Columbia, just over $86 million worth of production received CTF support. The other seven provinces, combined, received CTF support for $93.3 million in production in 2003/04.

7.4 Jobs Supported by CTF Production

CTF-supported production generated an estimated 20,300 full-time equivalent jobs in 2003/04 (Exhibit 31). Direct jobs in the film and television production industry accounted for 7,800 of these total jobs; indirect jobs totalled 12,500.

Exhibit 30

CTF Contributions to Production by Province/Territory

(in millions)	1999/00	2000/01	2001/02	2002/03	2003/04	2003/04 Share
Ontario	$65.9	$59.0	$73.4	$87.7	$86.9	37.3%
Quebec	$72.7	$80.4	$94.1	$101.9	$85.2	36.6%
British Columbia	$28.6	$30.9	$27.6	$32.4	$29.0	12.4%
Nova Scotia	$11.9	$11.1	$16.9	$13.3	$12.4	5.3%
Alberta	$4.9	$10.9	$15.2	$16.1	$8.1	3.5%
Manitoba	$2.5	$4.2	$4.0	$7.5	$5.3	2.3%
Saskatchewan	$2.8	$6.2	$4.2	$3.8	$3.2	1.4%
New Brunswick	$2.2	$0.9	$3.6	$2.5	$2.1	0.9%
Newfoundland	$1.2	$3.9	$0.3	$0.2	$0.6	0.3%
P.E.I	$1.2	$1.6	$1.8	$0.9	$0.5	0.2%
Yukon	$0.1	0	0	$0.2	0	0%
N.W.T	$1.2	$0.4	$0.2	$0.1	0	0%
Total	**$195.2**	**$209.5**	**$241.4**	**$268.9**	**$233.3**	**100%**

Note: Some totals may not add due to rounding.
Source: Canadian Television Fund

Exhibit 30a

CTF-Supported Production by Province/Territory

(in millions)	1999/00	2000/01	2001/02	2002/03	2003/04	2003/04 Share
Quebec	$234.4	$261.2	$324.3	$321.9	$292.2	39.3%
Ontario	$218.6	$210.0	$255.0	$298.1	$270.9	36.5%
British Columbia	$75.2	$97.5	$95.6	$80.3	$86.6	11.7%
Nova Scotia	$44.6	$34.8	$48.3	$43.3	$40.7	5.5%
Alberta	$15.3	$32.2	$40.3	$47.7	$19.1	2.6%
Manitoba	$5.6	$10.7	$9.6	$22.5	$14.0	1.9%
Saskatchewan	$7.5	$16.4	$13.0	$13.3	$10.0	1.3%
New Brunswick	$5.5	$2.8	$9.6	$8.4	$6.3	0.8%
Newfoundland	$2.5	$12.1	$0.9	$0.4	$2.1	0.3%
P.E.I.	$5.7	$4.0	$5.4	$3.7	$1.3	0.2%
Yukon	$0.4	0	0	$0.4	0	0%
N.W.T	$2.5	$1.0	$0.3	$0.3	0	0%
Total	**$617.7**	**$682.8**	**$802.3**	**$840.4**	**$743.0**	**100%**

Note: Some totals may not add due to rounding.
Source: Canadian Television Fund

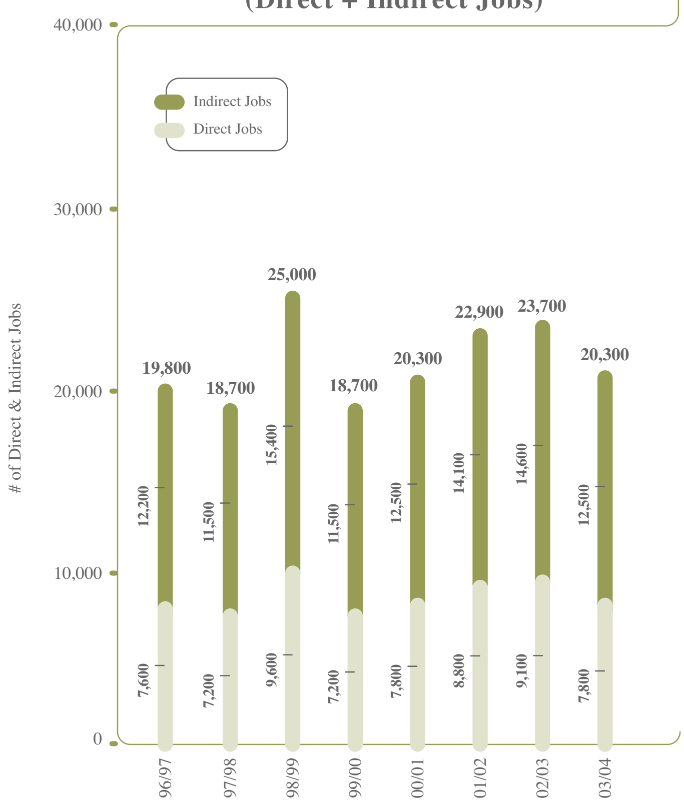
7.5 Financing of CTF-Supported Production

In terms of the overall distribution of financing in 2003/04 of CTF-supported production:

- The CTF (public and private sources) accounted for $233 million or 31.4%.
- Broadcasters also accounted for $233 million or 31.4%.
- Direct and indirect public sources (excluding the CTF) accounted for $181 million or 24.4%.
- Canadian distributor companies accounted for $35.8 million or 4.8%.
- Foreign sources accounted for $18.7 million or 2.5%.
- Producers accounted for $18.1 million or 2.4%.
- Other sources* accounted $22.8 million for 3.1%.

Exhibit 31

CTF-Supported Production Employment (Direct + Indirect Jobs)



Source: Estimates based on data collected from CTF and Statistics Canada.

Exhibit 32

Financing of CTF-Supported Production

	2002/03 (in millions)	Share	2003/04 (in millions)	Share
CTF (public and private sources)	$268.9	32.0%	$233.3	31.4%
Broadcasters	$247.5	29.4%	$233.3	31.4%
Direct and indirect public sources (excluding the CTF)	$198.6	23.6%	$181.2	24.4%
Canadian distributors	$48.7	5.8%	$35.8	4.8%
Producers	$27.3	3.3%	$18.7	2.5%
Foreign sources	$14.0	1.7%	$18.1	2.4%
Other sources*	$35.6	4.2%	$22.8	3.1%
Total	**$840.4**	**100%**	**$743.0**	**100%**

* Other sources includes financing from corporate production funds, other private investors, local foundations, universities, and sponsorships.
Source: Canadian Television Fund

Production Industry Facts + Figures

Non-CTF Certified Canadian Production 8

This section contains indicators of production of non-CTF certified Canadian production. Non-CTF certified Canadian production represents the share of independent production certified as Canadian content by CAVCO or the CRTC, and created without the support of the CTF.

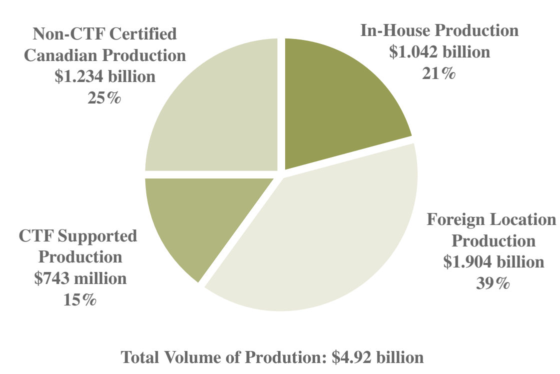
Non-CTF certified Canadian production includes a wide variety of films and television programs, ranging from major motion pictures and made-for-television movies, to cooking shows and low-budget productions. Several recognizable Canadian productions, including *Corner Gas* and *Star Académie* have been produced without CTF funding.

8.1 Non-CTF Certified Canadian Production's Share of Total Volume of Production

In 2003/04, non-CTF certified Canadian production accounted for **$1.23 billion** worth of production in Canada, or 25% of the $4.92 billion of total film and television production in that year (Exhibit 33). Thus, non-CTF production volume is greater than CTF-assisted television production.

Exhibit 33

Share of Canadian Film + Television Production, 2003/04



Note: Some totals may not add due to rounding.
Source: Estimates based on data collected from CAVCO, CTF, CRTC and the Association of Provincial Funding Agencies. See Exhibit Notes 1 and 2.

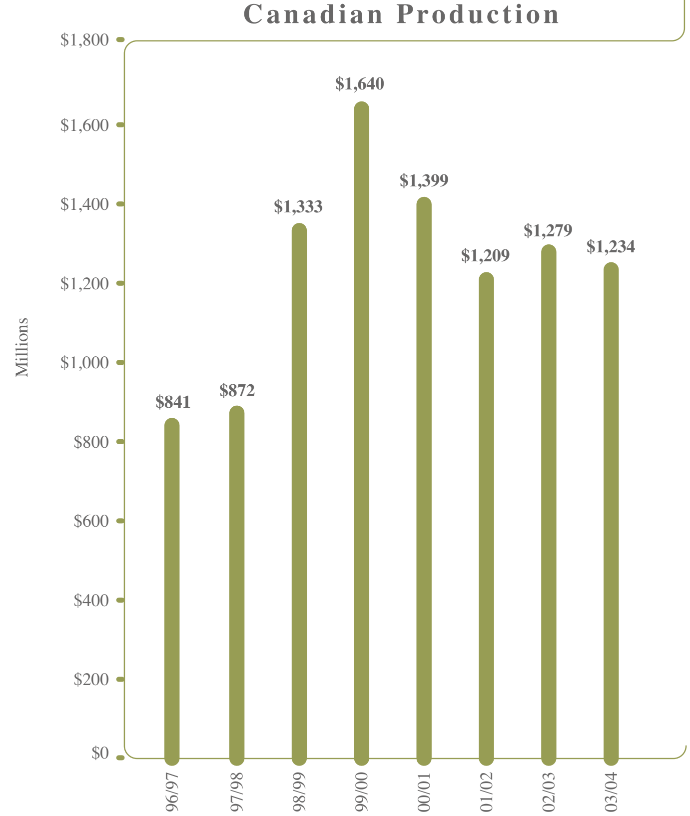
8.2 Volume of Non-CTF Certified Canadian Production

Non-CTF certified Canadian production is one of the largest categories of production. Although it had experienced strong growth up until 1999/00, its drop and stabilization in recent years suggests that this category of production is under pressure (Exhibit 34). The drop in non-CTF production over the last several years reflects weaker international demand for non-domestic programming around the world. A shift in audience preferences for domestic content combined with a weaker market for presales has made it difficult for Canadian producers to raise financing to make programming for audiences outside of Canada.

In 2003/04, the total volume of non-CTF certified Canadian production decreased by 4%. Since reaching a peak in 1999/00, non-CTF certified Canadian production has dropped by 25%, or an annual average rate of 7%.

Exhibit 34

Total Volume of Non-CTF Certified Canadian Production



Source: Estimates based on data collected from CAVCO and the CTF. See Exhibit Note 2.

8.3 Jobs Generated by Non-CTF Certified Canadian Production

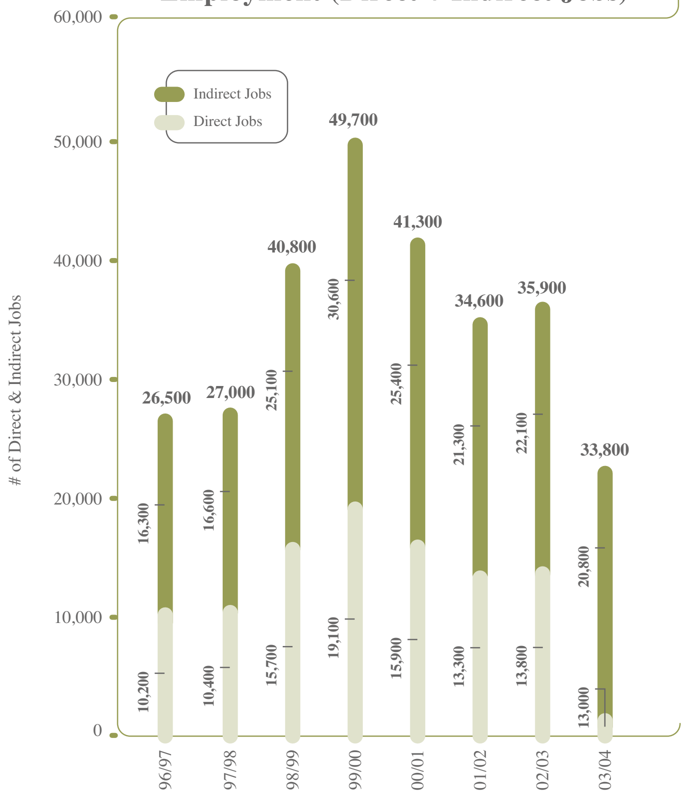
Non-CTF certified Canadian production generated a total of 33,800 full-time equivalent jobs in 2003/04 (Exhibit 35). This included 13,000 direct jobs in the film and television production industry and 20,800 full-time jobs in other industries.

8.4 Export Value of Non-CTF Certified Canadian Production

The export value of non-CTF certified Canadian production fell by 31% to $258 million in 2003/04 (Exhibit 36). This was the fourth straight drop since the $725 million peak in 1999/00, and reflects the lower international demand for Canadian production and the reduced foreign financing associated with this market environment.

Exhibit 35

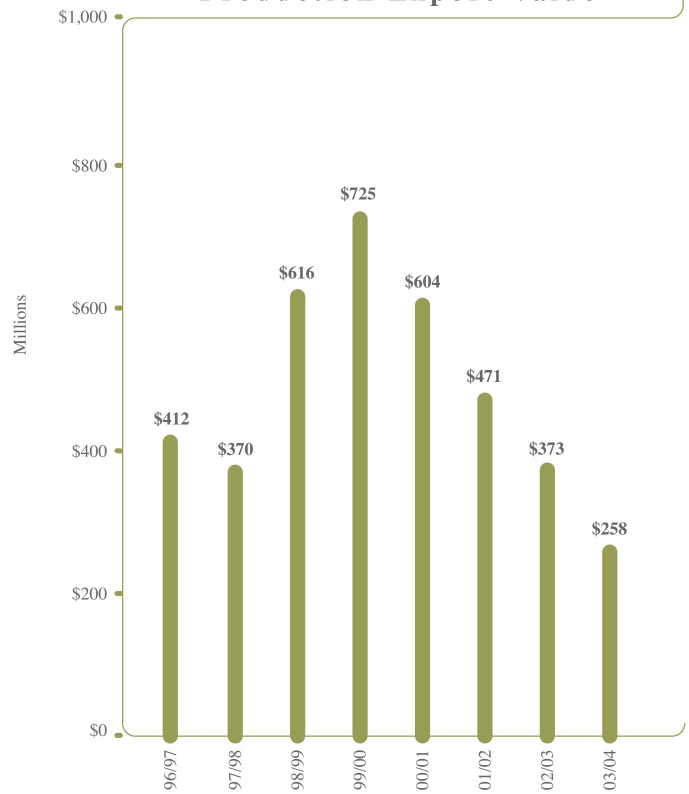
Non-CTF Certified Canadian Production Employment (Direct + Indirect Jobs)



Source: Estimates based on data collected from CAVCO and the CTF. See Exhibit Note 2.

Exhibit 36

Non-CTF Certified Canadian Production Export Value



Source: Estimates based on data collected from CAVCO and the CTF. See Exhibit Note 2.

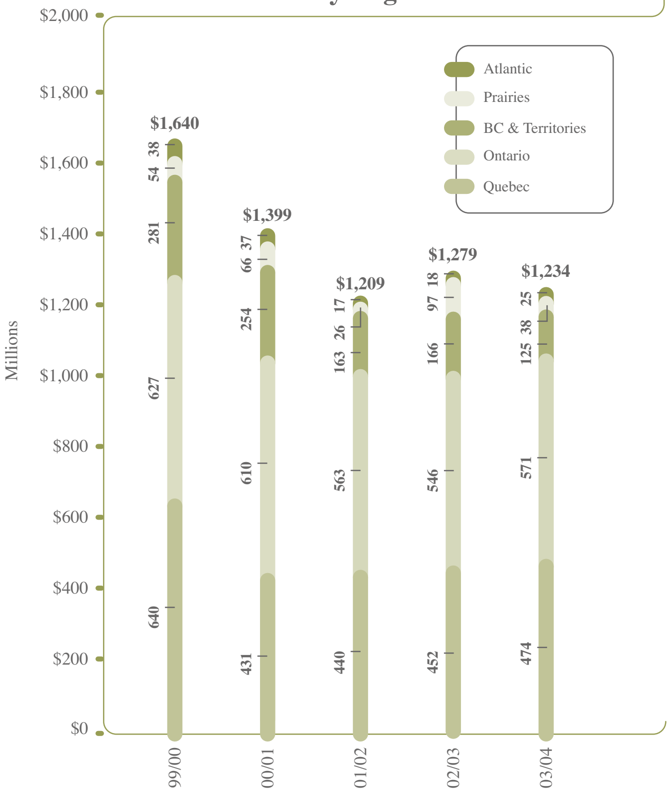
8.5 Non-CTF Certified Canadian Production by Region

Regional levels of non-CTF certified Canadian production in 2003/04:

- **Ontario**: $571 million, 38% of total film and television production within the province
- **Quebec**: $474 million, 39%
- **British Columbia and the Territories**: $125 million, 8%
- **Prairie Provinces**: $38 million, 15%
- **Atlantic Canada**: $25 million, 16%

Exhibit 37

Non-CTF Certified Canadian Production by Region



Source: Estimates based on data collected from CAVCO and the CTF. See Exhibit Note 2.

8.6 Non-CTF Certified Canadian Production's Share of Canadian Content Production

In 2003/04, non-CTF certified Canadian production comprised 41% of the total volume of Canadian content production (includes CTF-supported production and broadcaster in-house production) of $3.02 billion (Exhibit 38). Thus, despite being larger than CTF production, the non-CTF proportion has been declining from a peak of 53% in 1999/00.

Exhibit 38

Non-CTF Certified Canadian Production as a Share of Total Canadian Content Production

Source: Estimates based on data collected from CAVCO and the CTF. See Exhibit Note 2.

8.7 Financing of Non-CTF Certified Canadian Production

Over the last several years, broadcasters' share of financing for non-CTF certified Canadian production has increased as the share from foreign sources has diminished. In 2003/04, financing of non-CTF certified Canadian production included:

- Private broadcasters accounted for 20%, an increase of 2 percentage points
- Public broadcasters accounted for 11%, an increase of 6 percentage points
- Tax credits accounted for 22%, an increase of 2 percentage points
- Canadian distributors accounted for 12%, a decrease of 2 percentage points
- Foreign sources accounted for 22%, a decrease of 7 percentage points
- Public sources accounted for 6%, an increase of 2 percentage points
- Other private sources accounted for 7%, a decrease of 2 percentage points

Exhibit 39

Financing of Non-CTF Certified Canadian Production

	1998/99		1999/00		2000/01		2001/02		2002/03		2003/04	
	%	$ (millions)	%	$ (millions)	%	$ (millions)	%	$ (millions)	%	$ (millions)	%	$ (millions)
Private Broadcasters	8%	110.0	9%	141.1	11%	150.7	12%	150.3	18%	228.5	20%	247.1
Public Broadcasters	3%	41.7	2%	40.0	4%	55.8	4%	50.4	5%	58.7	11%	137.6
Federal Tax Credit	10%	134.7	10%	160.5	10%	138.2	9%	113.1	9%	120.0	10%	121.3
Provincial Tax Credits	10%	127.1	9%	154.5	9%	132.6	10%	122.3	11%	145.9	12%	147.8
Canadian Distributor	17%	226.4	15%	248.2	21%	290.5	17%	202.6	14%	178.2	12%	148.2
Foreign	42%	562.1	39%	642.1	32%	448.4	34%	414.9	29%	374.0	22%	272.9
Public*	1%	16.1	2%	24.7	2%	23.7	4%	51.8	4%	54.6	6%	72.5
Other Private**	9%	114.8	14%	228.8	11%	159.0	9%	103.4	9%	118.7	7%	86.1
Total	**100%**	**1,332.8**	**100%**	**1,639.9**	**100%**	**1,398.9**	**100%**	**1,208.6**	**100%**	**1,278.5**	**100%**	**1,233.6**

* 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, Canadian Television Fund (Licence Fee Program) and other private investors. Note: Some totals may not add due to rounding. Source: Estimates based on data obtained from CAVCO. See Exhibit Note 2.

Production Industry Facts + Figures

The Domestic Theatrical Market + Box Office Performance

9

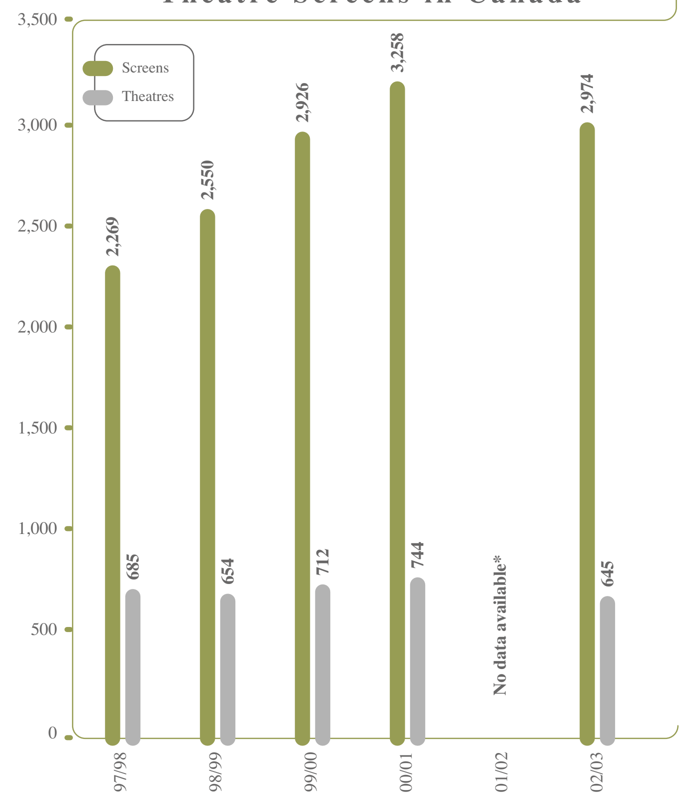
9.1 Admissions + Screens

In 2002/03, there were 645 theatres in Canada with a total of 2,974 screens (Exhibit 40). Both the number of theatres and the number of screens dropped compared to the 2000/01 levels. Between 2000/01 and 2002/03, 99 theatres in Canada closed, resulting in the disappearance of 284 screens.

Despite the reduction in the number of screens, there was a continued increase in overall attendance (Exhibit 40a). Attendance by Canadians to movie theatres reached just over 125 million paid admissions in 2002/03. This represents an increase of 5.4% over 2000/01. Only before the early 1960s has theatre attendance been higher in Canada.

Exhibit 40

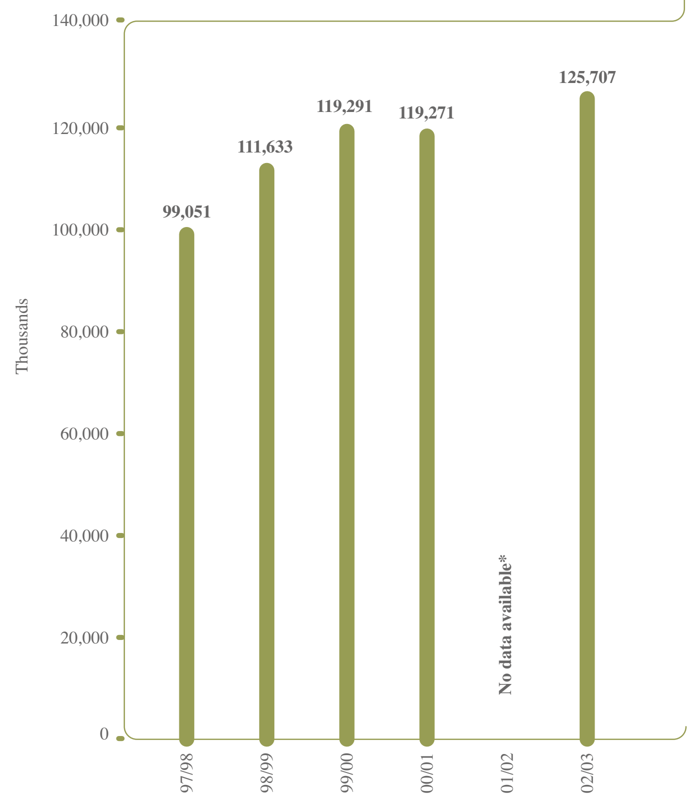
Total Number of Theatres + Theatre Screens in Canada



Source: Statistics Canada
*Data was not collected; it is now collected every two years.

Exhibit 40a

Paid Admissions in Canada



Source: Statistics Canada
*Data was not collected; it is now collected every two years.

9.2 National Box Office Trends

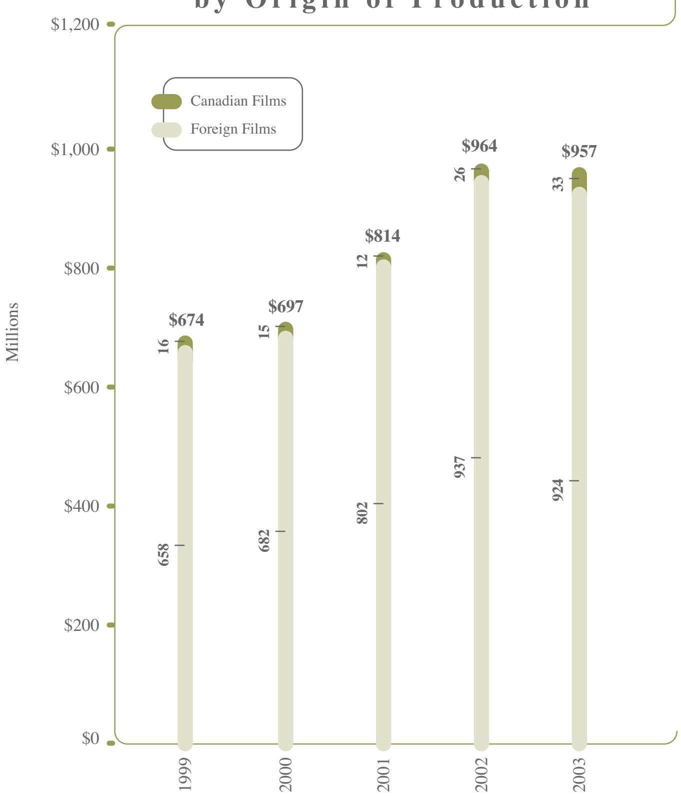
As Exhibit 41 illustrates, Canadian theatres earned $957 million in box office revenue in 2003. While there was a very slight dip in revenue in 2003 over the previous year, average annual growth in box office receipts has been 9.2% from 1999 to 2003 (Exhibit 44).

Foreign films accounted for $924 million (or 96.5%) of total box office receipts in 2003. This represented a 1.4% drop in box office revenue over the previous year when foreign films earned $937 million. Looking at the performance of foreign films over time, their box office take has been increasing each year on average by about 8.8% over the 1999 to 2003 period.

Canadian films generated $33.3 million (or 3.5%) of the total box office in 2003. This performance was up 26% compared to the previous year when Canadian films captured $26.5 million in box office revenue. While there is considerable annual volatility in the box office revenue earned by Canadian films, their average year-over-year growth has been 21% over the 1999 to 2003 period.

Exhibit 41

Canadian Box Office Receipts by Origin of Production



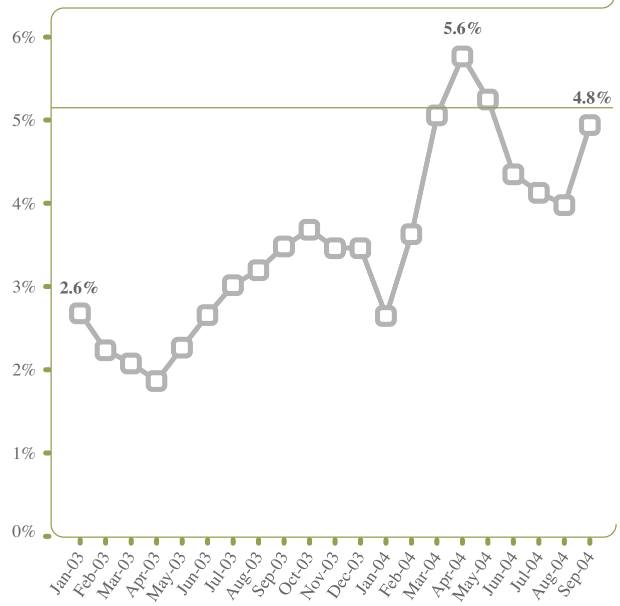
Note: Some totals may not add due to rounding. See Exhibit Note 11.
Source: Motion Picture Theatre Associations of Canada (MPTAC)
Further detailed Canadian box office statistics are available from the Motion Picture Theatre Associations of Canada which offers a subscription service. For more information call Adina Lebo, executive director, MPTAC, at (416) 969-7057.

Recent data suggests these trends are continuing. In the first nine months of 2004 (from January to September), Canadian films' share of the box office rose to 4.8%. However, there was considerable volatility from one month to another. In January 2004, Canadian films captured about 3% of the market. By May their performance had improved to 5.6% (Exhibit 42).

As a whole the domestic box office market has been gaining ground.

Exhibit 42

Box Office Market Share of Canadian Films, January 2003 to September 2004

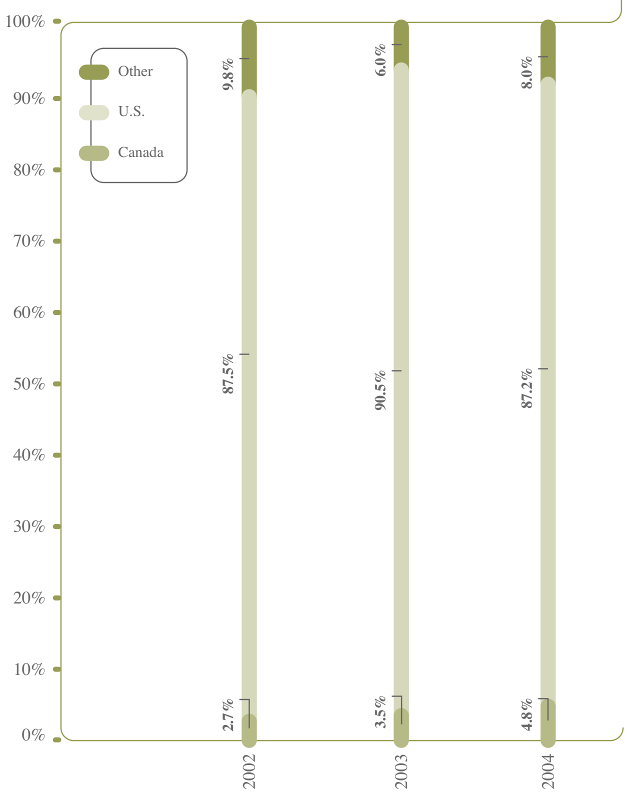


Note: Some totals may not add due to rounding. See Exhibit Note 11.
Source: Motion Picture Theatre Associations of Canada

In 2004 U.S. films accounted for 87.2% of total box office revenue, while films from other foreign countries captured 8%. Compared to 2003, U.S. films decreased their market share from 90.5% and other foreign films increased by 2%. On the whole trends show U.S. films are holding their market share, while Canadian films are improving theirs at the expense of foreign films from non-US countries.

Exhibit 43

International Share of Canadian Box Office



* First nine months only (January 2004 to September 2004)
Source: Motion Picture Theatre Associations of Canada

Exhibit 43a

International Share of Canadian Box Office Receipts, 2003 – Key Measures

Origin of Films	Number of Films Active in Theatres	Box Office Share	Estimated Box Office (in millions)	Average Earnings per Film,
Canada	99	3.5%	$33.3	$336,000
U.S.	247	90.5%	$866.2	$3,507,000
Other	184	6.0%	$ 57.3	$311,000
Total	**525**	**100.0%**	**$956.8**	**$1,805,000**

Source: Nordicity calculations based on data from Motion Picture Theatre Associations of Canada

9.3 Box Office Trends of Canadian Films by Linguistic Market

In 2003 the French-language market was responsible for 74% of the total box office revenue earned by Canadian films. Except for 2000, Canadian films in the French-language market have generated a large majority of the total box office of Canadian films over the past five years (Exhibit 44).

Exhibit 44

Canadian Box-Office Receipts by Origin of Production – Key Measures

Market/Language	1999	2000	2001	2002	2003	2003 Share	1 Year Growth Rate	5 Year Average Growth Rate
Canadian	$15.6	$15.8	$13.5	$26.5	$33.3	3.5%	25.7%	20.9%
French-Language Market	$12.7	$8.0	$11.9	$17.6	$24.7	–	40.3%	18.1%
English-Language Market	$2.8	$7.9	$1.6	$8.9	$8.5	–	-4.5%	32.0%
Foreign	$657.9	$682.3	$801.6	$937 .2	$923 .5	96.5%	-1.5%	8.8%
Total	**$673.9**	**$697.1**	**$813.6**	**$963.7**	**$956.7**	**100%**	**-0.7%**	**9.2%**

Note: Some totals may not add due to rounding. The French-language market includes all Canadian-produced films shown in French in Canadian theatres. The English-language market includes all Canadian-produced films shown in English in Canadian theatres. See Exhibit Note 11.
Source: Motion Picture Theatre Associations of Canada

9.4 Top-10 Performing Films in Canada by Linguistic Market in 2003

Looking at the following tables, the fundamental differences between the two linguistic markets in Canada come to light. In 2003, there was not a single Canadian film ranked in the top-10 in the English-language market, while three Canadian films ranked in the top-10 in the French-language market.

One of the factors that may explain this difference is the level of competition from foreign films in each market. In the English language market the top-10 average box office revenue of the foreign films was $23.0 million (Exhibit 45). In the French-language market, however, the top-10 average box office of foreign films was only $3.4 million (Exhibit 45a).

Exhibit 45

Top 10 Films in English-Language Market

Title	2003 Box Office Receipts (millions)
Lord of the Rings: Return of the King	$31.5
Lord of the Rings: Two Towers	$30.6
The Matrix Reloaded	$29.3
Pirates of the Caribbean	$28.3
Finding Nemo	$23.0
X2: X-Men United	$21.3
Bruce Almighty	$18.5
Chicago	$17.4
The Matrix Revolutions	$15.9
Catch Me If You Can	$14.7
Average	**$23.0**
Average of Foreign Films	**$23.0**
Average of Canadian Films	**N.A.**

N.A. – not available
Source: Motion Picture Theatre Associations of Canada

Exhibit 45a

Top 10 Films in French-Language Market

Title	2003 Box Office Receipts (millions)
La Grande Séduction	**$7.6**
Les Invasions barbares	**$5.7**
Lord of the Rings: Return of the King	$4.5
Lord of the Rings: Two Towers	$4.3
Séraphin – Un homme et son péché	**$4.0**
The Matrix Reloaded	$3.8
Pirates of the Caribbean	$3.0
Finding Nemo	$2.7
S.W.A.T.	$2.7
Bruce Almighty	$2.6
Average	**$4.1**
Average of Foreign Films	**$3.4**
Average of Canadian Films	**$5.8**

Source: Motion Picture Theatre Associations of Canada

Exhibit 45b

Top 10 Canadian-Produced Films in English-Language Market

Title	2003 Box Office Receipts (millions)	Original Language of Production
Mambo Italiano	$3.10	English
Les Invasions barbares	$0.49	French
Spider	$0.43	English
Blizzard	$0.37	English
Foolproof	$0.35	English
Owning Mahowny	$0.34	English
The Gospel of John	$0.34	English
Séraphin – Un homme et son péché	$0.23	French
Marion Bridge	$0.15	English
La Grande Séduction	$0.13	French
Average	**$0.59**	

Source: Motion Picture Theatre Associations of Canada

Exhibit 45c

Top 10 Canadian-Produced Films in French-Language Market

Title	2003 Box Office Receipts (millions)	Original Language of Production
La Grande Séduction	$7.64	French
Les Invasions barbares	$5.68	French
Seraphin – Un homme et son péché	$4.03	French
Mambo Italiano	$2.04	English
Sur le seuil	$1.95	French
Nez rouge	$1.94	French
Gaz Bar Blues	$0.80	French
Comment ma mère accoucha de moi durant sa ménopause	$0.50	French
Annie Brocoli : le Film	$0.31	French
Blizzard	$0.26	English
Average	**$2.51**	

Source: Motion Picture Theatre Associations of Canada

Production Industry Facts + Figures

Canadian Television Audiences 10

10.1 Top Television Programs in Canada

American-produced television programs continued to occupy most of the spots among the top-rated television programs in Canada. During the 2003 broadcasting year, running from September 2003 to August 2004, *Survivor* was the leading television series in Canada in terms of average audience levels. *Survivor VIII* averaged an Average Minute Audience (AMA) of approximately 3.44 million persons aged two and over across its 18 episodes in the 2003 broadcasting year.

The top-rated Canadian-produced series was the French-language singing contest, *Star Académie* (*Dimanche*). It averaged an AMA of 2.72 million in the 2003 broadcasting year. The top English-language market series was *Canadian Idol*, with an average AMA of approximately 1.98 million viewers in 2003. Overall, in 2003, Canadian-produced programs occupied only four of the top-10 programs. The other two programs were *Les Bougon* and *Occupation Double*.

The other spots in the top-10 were occupied by the American series *Survivor VII, CSI, The Apprentice, Amazing Race,* and *CSI: Miami*.

While American-produced programs occupy many of the spots among the top-rated series in Canada, particularly in the English-language market, it is important to keep in mind that American-produced series have considerably higher production budgets to work with. A top Canadian drama program will be produced with an average hourly budget of about $1 million. A top American drama program, such as *The West Wing* will have per-episode budget of US$3 million to US$5 million.[14]

Exhibit 46

Top 10 Television Series in Canada, September 2003 to August 2004

Rank	Program	Broadcast Outlet	Average Minute Audience (Aged 2+)*
1	*Survivor (VIII)*	Global/CBS	3,440,000
2	*Survivor (VII)*	Global/CBS	3,276,000
3	*Star Académie (Dimanche)*	TVA	2,717,000
4	*CSI*	CTV/CBS	2,063,000
5	*Les Bougon*	SRC	2,025,000
6	*Canadian Idol*	CTV	1,975,000
7	*The Apprentice*	Global/NBC	1,904,000
8	*The Amazing Race*	CTV/CBS	1,864,000
9	*Occupation Double*	TVA	1,841,000
10	*CSI: Miami*	CTV/CBS	1,833,000

* Average Minute Audience (Aged 2+) – the number of viewers, aged two and over, tuned to the average minute of a program. See Exhibit Note 12.
Source: BBM

10.2 Top Canadian-Produced Television Programs

In Canada's French-language market, Canadian-produced programs completely dominate any list of the top-rated programs.

The leading Canadian-produced French-language programs in 2003 included:

- the musical-performance competition *Star Académie* (*Dimanche*)
- the teleromans *Les Poupées russes*
- the comedy series *Les Bougon*
- reality programs *Occupation Double, Loft Story, Facteur de risques*
- the dramatic series *Fortier*

In the English-language market, the list of top-10 television programs for the 2003 broadcasting year included:

- the musical-performance competition *Canadian Idol*
- comedy series *Corner Gas, Monday Report, Just for Laughs, Royal Canadian Air Farce*
- current-affairs programs *W-Five, Fifth Estate, Marketplace*
- the dramatic series, *Sue Thomas F.B. Eye*
- the youth drama series, *Degrassi: The Next Generation*

Exhibit 47

Top 10 Canadian French-Language Market Television Programs September 1, 2003 to August 31, 2004

Rank	Program	Broadcast Outlet	Average Minute Audience (Aged 2+)*
1	*Star Académie (Dimanche)*	TVA	2,171,000
2	*Les Bougon*	SRC	2,025,000
3	*Occupation Double*	TVA	1,841,000
4	*Star Académie 2004 (Semaine)*	TVA	1,741,000
5	*Fortier*	TVA	1,639,000
6	*Loft Story (Talk show)*	TQS	1,517,000
7	*Facteur de risques*	TVA	1,228,000
8	*Les Poupées russes*	TVA	1,210,000
9	*Loft Story (Semaine)*	TQS	1,150,000
10	*Auditions Star Académie*	TVA	1,126,000

*Average Minute Audience (Aged 2+) – the number of viewers, aged two and over, tuned to the average minute of a program
See Exhibit Note 12 for additional information. Source: BBM

Exhibit 47a

Top 10 Canadian English-Language Market Television Programs, September 1, 2003 to August 31, 2004

Rank	Program	Broadcast Outlet	Average Minute Audience (Aged 2+)*
1	*Canadian Idol*	CTV	1,975,000
2	*Corner Gas*	CTV	975,000
3	*Monday Report*	CBC	863,000
4	*Sue Thomas F.B. Eye*	CTV	664,000
5	*W-Five*	CTV	653,000
6	*Just for Laughs*	CBC	552,000
7	*Degrassi: The Next Generation*	CTV	550,000
8	*Fifth Estate*	CBC	545,000
9	*Royal Canadian Air Farce*	CBC	544,000
10	*Marketplace*	CBC	534,000

*Average Minute Audience (Aged 2+) – the number of viewers, aged two and over, tuned to the average minute of a program
See Exhibit Note 12 for additional information. Source: BBM

Annex A

Exhibit Notes

1. The figures for volume of production contain a variety of sources with different reporting periods. All data sources are reported on a 12-month basis for each fiscal year, but the reporting periods overlap. For example, in 2003/04 the bulk of data sources were for either the calendar year 2003 or a government fiscal year (April 2003 to March 2004). However, some data sources that reported results on a fiscal year period ending in August 2003 are included in the fiscal year 2003/04.

2. CAVCO guidelines allow a producer to apply for CAVCO certification up to 30 months after the end of the fiscal year in which principal photography started. It has been our experience that the raw CAVCO statistics for the most recent year of analysis (in this case, 2003/04) often underestimate the ultimate volume of production in that year. As such, we have applied an adjustment factor to the raw CAVCO statistics for 2003/04.

3. Nordicity growth rates for film and television expenses are not directly comparable to growth rates for GDP (either by industry on in an aggregate) provided by Statistics Canada. This is due to the conceptual differences between expenses and GDP. Expenses correspond to the total value of the service offered, which includes all of the intermediate inputs (materials and services) purchased in the course of producing that output. Conversely, GDP is a measure of the "value added" (including capital and labour) to the intermediate inputs to produce the final output. If the rate of profitability, productivity or inflation growth in the industry, or in supplying industries changes, or firms substitute purchases of goods and services for those produced in-house, the growth rates will diverge.

4. Our experience conducting the *Profile* has led us to conclude that estimates for the most recent year (i.e. 2003/04 in this edition) on the level of direct public financing reported by CAVCO is overstated and that the level of foreign financing reported by CAVCO is understated. We presume this is due to the nature of the certification process at CAVCO, but this has not been determined concretely. The presumption is that CAVCO applications with a high-level of foreign financing take longer to confirm and certify. If that is the case, then our data run from CAVCO for the most recent year will have a disproportionately higher level of domestic-oriented productions than foreign. As such, there would be a higher level of direct public financing in the most recent year and a lower level of foreign financing in the most recent year.

5. For broadcasting year ending in August.

6. Canadian theatrical production includes some productions with home video as their first release window.

7. Nordicity's estimates for the jobs in the production industry are for full-time equivalent jobs. Statistics Canada's job figures are the sum of full-time and part-time jobs.

8. The Association of Provincial Funding Agencies collects data for foreign location production from provincial film commissions and film development corporations.

9. Data for the territories (Yukon, Northwest Territories, and Nunavut) is included with British Columbia.

10. Spending on Canadian Independent Production Programming refers to programming and production expenses of conventional television licensees, and Canadian program amortization of specialty and pay-television licensees.

11. The Canadian box office is divided into two markets corresponding to the two official languages. The English-language market is comprised of all films that are shown in the English language, whether in the original English language, English dubbed or English subtitled version. Therefore, all theatres showing films in this manner would be tabulated in the English-language marketplace data. For example, the English dubbed version of the Spanish film *Talk to Her* or the subtitled English version of the French film *Le Papillon* would be included in the English-language marketplace results. The French language market is comprised of all films that are shown in the French language,

whether in the French original, dubbed or subtitled version. Therefore, all theatres in Canada (only Quebec and New Brunswick are captured at this point in time) showing films in this manner would be tabulated in the French-language marketplace data. For example, along with all the original French-language films, the French subtitled version of the English film *Lord of the Rings II* and the French dubbed version of the Australian film *Rabbit Proof Fence* would be included in the French language market data. Please note that these markets are not province specific either. If *Harry Potter* is being shown in Quebec in the English language, then the results are tabulated in the English-language market results, however if *Harry Potter* is being shown in the French language in British Columbia (hypothetically), then its gross would be calculated in the French-language market results.

12. The list of top television programs was derived by examining list of the highest-rated television programs in both the French and English-language markets. Sports programs were excluded from the tabulation of each top-10 list. Special event programs that aired three or fewer times during the 2003 broadcasting year were also excluded. The average AMA (Average Minute Audience) was derived by calculating the weighted-average AMA across all airings (original and any repeats) during the 2003 broadcasting year.

13. A complete set of provincial statistics were not available for private broadcaster in-house production in the Prairie Provinces and Atlantic Canada. For the Prairie Provinces, we developed estimates based on the historical shares observed in the CRTC statistics prior to 2001 – before the CRTC began to suppress the provincial statistics. The breakdown of private broadcaster in-house production among the Atlantic Canada provinces was also based on the development of estimates. Because no historical data existed, each province's share of Atlantic Canada gross domestic product (GDP) was used as the proxy variable for the estimate. CBC/SRC data was available on a provincial basis for 2002/03 and 2003/04. The average share across these two years was used to extrapolate provincial data back to 1996/97.

Annex B

Glossary of Terms

Atlantic Canada | Refers to Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland.

CAVCO | Canadian Audio-Visual Certification Office - CAVCO certified refers to productions certified as "Canadian" for the purpose of utilizing the Canadian Film or Video Production Tax Credit (CPTC). It does not include foreign productions that use the Film or Video Production Services Tax Credit (PSTC), which must also get certification from CAVCO, but are not considered "Canadian" productions.

Export Value | The export value tracks the value of international participation in the Canadian production industry. The term "export value" as opposed to just "export" has been used to better reflect the nature of film and television production in Canada. First, this indicator acknowledges that film and television productions are intangible products and portions of the copyright can be exported to foreign countries. Second, this indicator accounts for the budgets of productions shot in Canada, even when the copyright is held by a foreign entity. The export value includes foreign presales and distribution advances for all CAVCO certified projects; estimates of presales and distribution advances for non-CAVCO certified productions; and foreign location shooting in Canada.

Foreign location (shooting or production) | Foreign location shooting is film or video production shot in Canada by US or foreign studios and independent producers. In this type of production, the US or foreign producer retains the copyright, but Canada benefits in the form of direct and indirect jobs and economic activity.

In-house production | In-house production refers to productions conducted internally by private broadcasters, the CBC/SRC, and specialty and pay services. In-house production is largely comprised of news and sports programming, but can also include production in other genres.

Motion Picture and Video Industries | Industry grouping under the North American Industry Classification System (NAICS). This industry group comprises establishments primarily engaged in producing and/or distributing motion pictures, videos, television programs or commercials; exhibiting motion pictures or providing post-production and related services.

Non-CAVCO | Non-CAVCO production is indigenous production that is certified as Canadian by the CRTC rather than CAVCO.

Pay TV, Specialty TV and Program Distribution | Industry grouping under the North American Industry Classification System (NAICS). This industry group comprises establishments primarily engaged in broadcasting television programs, in a defined limited format, via operators of cable and satellite distribution systems, and establishments primarily engaged in the delivery of programs, to subscribers, by cable or satellite.

Prairie Provinces | Refers to Alberta, Saskatchewan and Manitoba.

Radio and Television Broadcasting | Industry grouping under the North American Industry Classification System (NAICS). This industry group comprises establishments primarily engaged in operating broadcasting studios and facilities for the transmission of a variety of radio and television broadcasts, including entertainment, news, talk shows and other programs.

Sector | In *Profile*, sector refers to the four sectors of production: CAVCO, non-CAVCO, foreign location, and in-house.

Treaty Co-Production | Treaty co-production is production developed jointly by production companies in treaty nations. Treaty co-productions are considered indigenous in both countries, and are fully entitled to legislative and regulatory benefits in their respective countries. The objective of treaty co-productions is to maximize the efficient use of available public incentives in each treaty nation.

Volume of Production | The volume of production refers to the total expenditures on film and TV production in Canada (i.e., the sum of all the production budgets of productions in Canada).

Annex C

New Indicators in *Profile 2005*

Number of Canadian broadcasters

We have added a new statistical series tracking the number of broadcasting entities in Canada. This series was developed by NGL using data from the CRTC. Instead of using the total number of private conventional licensees in this calculation, we used the total number of national and regional broadcasting groupings. Each grouping was counted as a single broadcasting group.

Canadian movie theatres

We have added statistics published by Statistics Canada for Canadian movie theatres. The statistics include data for the number paid admissions, number of theatres, and the total number of screens.

Notes

Part 1 Introduction + Highlights

1 *Profile 2005* includes data for the 2003/04 period. This corresponds to the 12-month period April 2003 to March 2004. *Profile 2005* uses data from a variety of sources, consequently some data is reported on a calendar-year basis. Other data is reported on a broadcasting-year basis (September to August). Please see *Exhibit Notes* for further discussion.

Part 2 National Indicators of Film + Television Production

2.1

2 In constant-dollar terms, the total volume of production has actually dropped by 3.6% since 1999/00, when it reached $5.11 billion in constant 2003 dollars. Since 1994/95, the total volume of production has risen by 56% in constant-dollar terms. The current-dollar value for the total volume of production was converted to constant 2003 dollars using Statistics Canada's consumer price index.

2.2

3 Under the North American Industry Classification System (NAICS).

2.4

4 NGL's job estimates for the production industry also indicate strong growth. According to NGL's estimates, from 1997/98 to 2002/03, the number of direct jobs in the film and television production industry grew at an average annual rate of 8.3%. NGL's job estimates are not strictly comparable to those of Statistics Canada, given that NGL's employment figures are an estimate for full-time jobs while Statistics Canada's figures represent the sum of all full-time and part-time jobs, and exclude jobs in the broadcaster in-house sector.

5 While employment figures for the film and television production industry are not available from Statistics Canada's *Labour Force Survey*, the film and television production industry is included in the aggregate category motion picture and video industries. Statistics Canada does collect employment data for the production industry from its *Film, Video + Audio Visual Production Survey*. However, in order to compare across industries we have used data from the *Labour Force Survey*.

2.5

6 This is a national multiplier generated by Statistics Canada. Regional multipliers may vary.

2.7

7 In order to track international participation in the Canadian production industry, Nordicity has developed a measure of export value. The term "export value" as opposed to just "export" has been used to better reflect the nature of film and television production in Canada. First, this indicator acknowledges that film and television productions are intangible products and portions of the copyright can be exported to foreign countries (e.g., broadcast rights of a Canadian production are sold to the BBC in the UK). Second, this indicator accounts for the budgets of productions shot in Canada, even when the copyright is held by a foreign entity (e.g., when a US studio shoots a feature film in Vancouver).

8 The nature of the CAVCO certification process may underestimate the export value of CAVCO production. Productions with a high level of foreign financing may not obtain certification as quickly as other productions (see Exhibit Note 4). This aspect of the CAVCO certification process may also contribute to the decrease in foreign financing levels and the export value of CAVCO productions.

Part 3 Volume of Film + Television Production Indicators by Medium, Sector, Language and Genre

3.7

9 *CRTC, Building on Success - A Policy Framework for Canadian Television*, (Public Notice CRTC 1999-97)

3.8

10 CAVCO does not assign a CAVCO-points rating to treaty co-production.

Part 4 Production Financing Indicators

4.1

11 The category of **private broadcasters** includes the licence fees paid by private Canadian broadcasters to acquire programming and any equity investments they have made. The category of **public broadcasters** includes the licence fees paid by public broadcasters in Canada to acquire programming, and any equity investments they have made. **Public financing** includes direct government funding for Canadian productions. Direct government funding includes grants, contributions and equity investments from government programs such as the Canadian Television Fund's Equity Investment Program, Telefilm Canada, and numerous provincial-government funding programs. **Tax Credits** includes federal and provincial tax credit programs such as the Canadian Film or Video Production Tax Credit (CPTC), and provincial tax credits. **Distributor** financing includes production financing from Canadian companies distributing Canadian programming outside of Canada. **Foreign** financing includes funding from foreign companies that distribute Canadian programming outside of Canada. **Other private** sources include funding from production companies, the Canadian Television's Fund Licence Fee Program and other corporate-sponsored production funds

Part 5 Provincial Indicators of the Volume of Production

5.1

12 Includes the territories (Yukon, Northwest Territories, Nunavut).

Part 10 Canadian Television Audiences

10.1

13 Alain Gourd, Group Executive Vice-president, Corporate for Bell Globemedia, testimony to Meeting of the Standing Committee on Canadian Heritage, 21 March 2002.