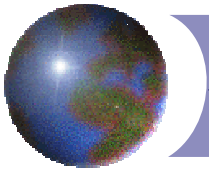


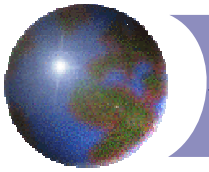
# Profile of the Canadian Film and Television Production Industry

Dustin Chodorowicz  
Nordicity Group Ltd.



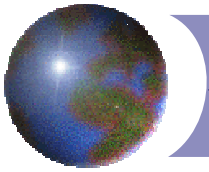
# About Nordicity Group Ltd.

- ◆ Business and technology solutions for communications and media companies
- ◆ Economic and policy analysis for public and private sectors
- ◆ Offices: Toronto and Ottawa
- ◆ Clients: Canada, Caribbean, Africa, Europe
- ◆ [www.nglglobal.com](http://www.nglglobal.com)



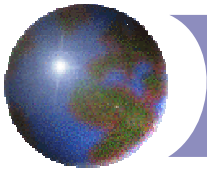
# Origins of TV Production in Canada are with the CBC

- ◆ Up to the early 1980s, Canadian TV production was principally the responsibility of the CBC
  - CBC used public funds to produce 'culturally' relevant programming, without consideration of market forces or viewership
  - Private broadcasters could not generally finance Canadian programming
    - ◆ News and sports are an exception, due to consumer appeal

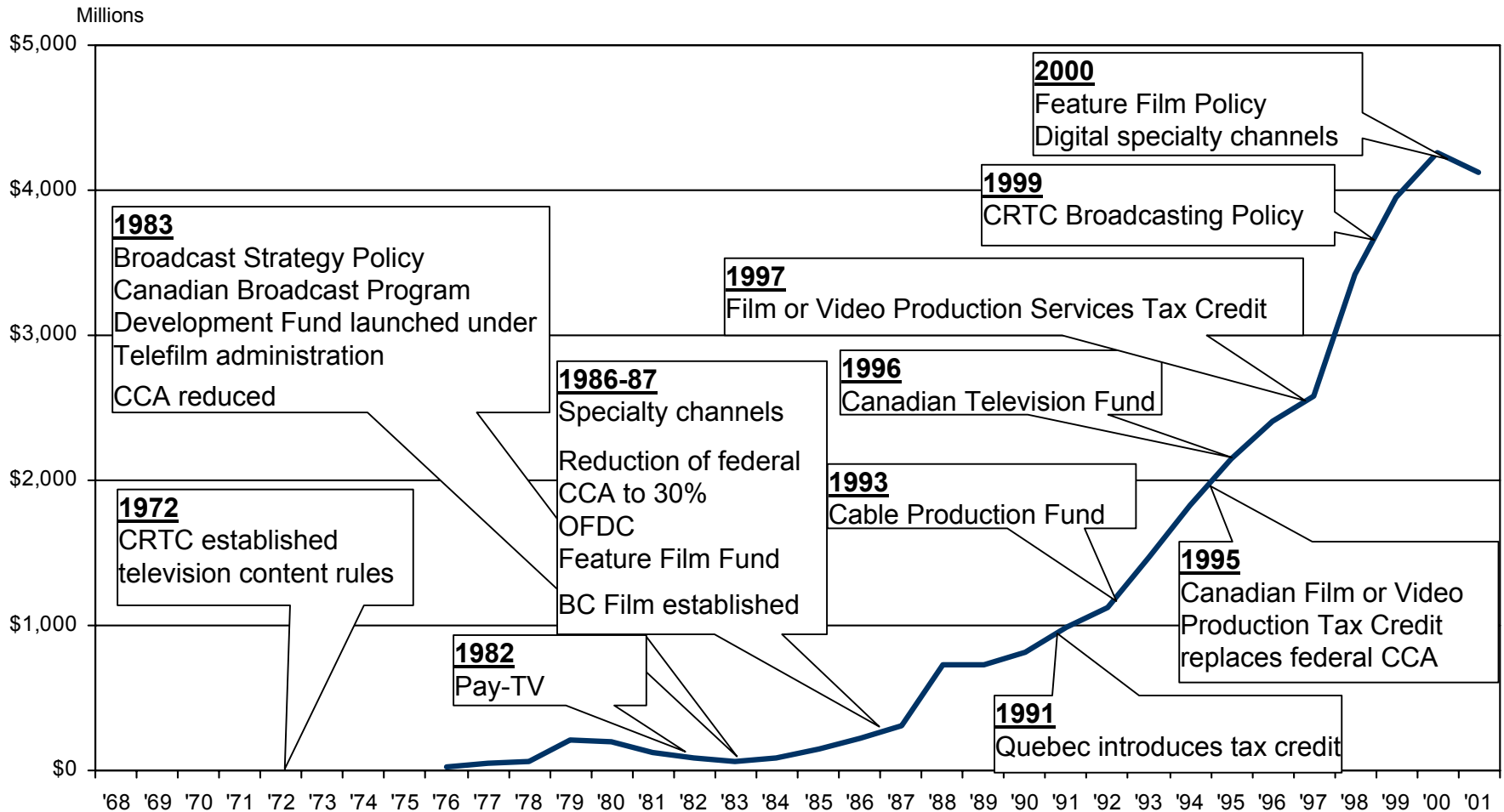


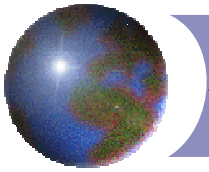
# Market forces and shift in public policy established a Canadian independent production sector

- ◆ In the 1980s, public policy shifted from cultural to economic to create an independent production sector
  - CBC funding consistently declined
  - Production funds and tax credits were established to assist the independent production sector
- ◆ Market forces assisted in the development of the independent production sector
  - Canadian specialty and pay TV sector
  - US cable TV
  - US syndication market



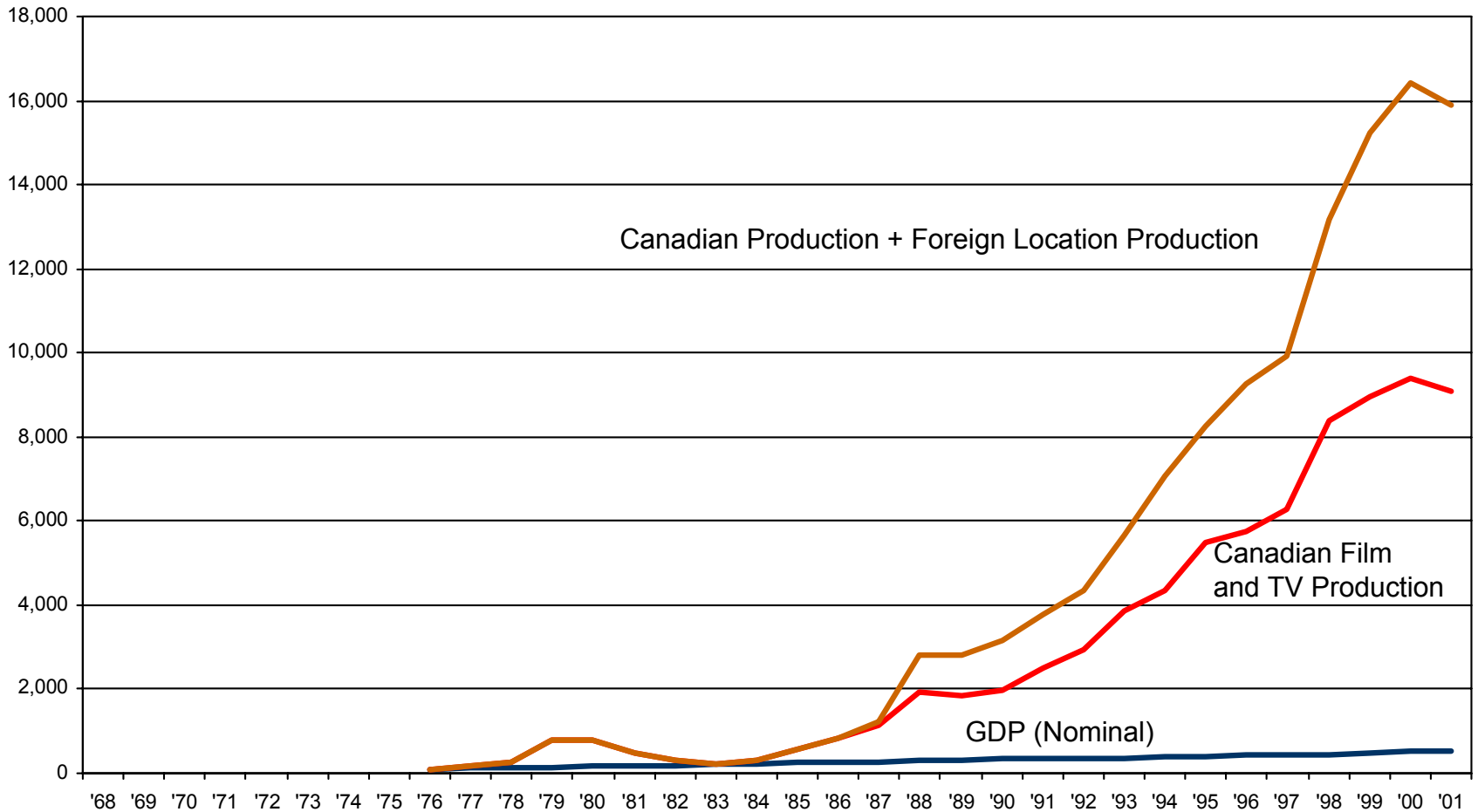
# Independent Production in Canada

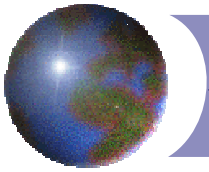




# Independent Production in Canada

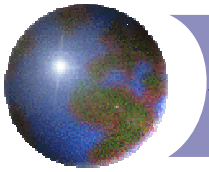
1976 = 100





# Economics of Canadian Programming for Broadcasters

	CDN Series Int'l Focus	CDN Series Cdn Focus	US Series
Net/Revenue/Hour	\$ 120,000	\$ 125,000	\$ 200,000
Program Cost/Hour	\$ 100,000	\$ 200,000	\$ 80,000
Margin	\$ 20,000	-\$75,000	\$ 120,000



# Production Financing in Canada

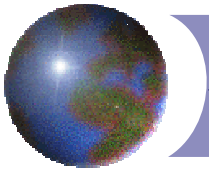
## Sources of Production Financing

### English-Language Market

Broadcaster Advance	23%
Tax Credits	18%
Distributor	10%
Foreign	21%
Canadian Television Fund	19%
Other Private	8%
Other Public	<u>2%</u>
Total	100%

### French-Language Market

Broadcaster Advance	45%
Tax Credits	24%
Distributor	<1%
Foreign	1%
Canadian Television Fund	22%
Other Private	6%
Other Public	<u>2%</u>
Total	100%



# Production Financing in Canada

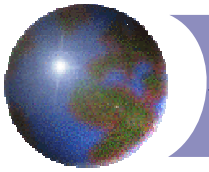
## Average Production Budgets (Canadian Television Fund productions only)

### English-Language Market

Drama	\$737,000 /hour
Children's	\$482,000 /hour
Documentary	\$204,000 /hour
Perf. Arts/Variety	\$132,000 /hour

### French-Language Market

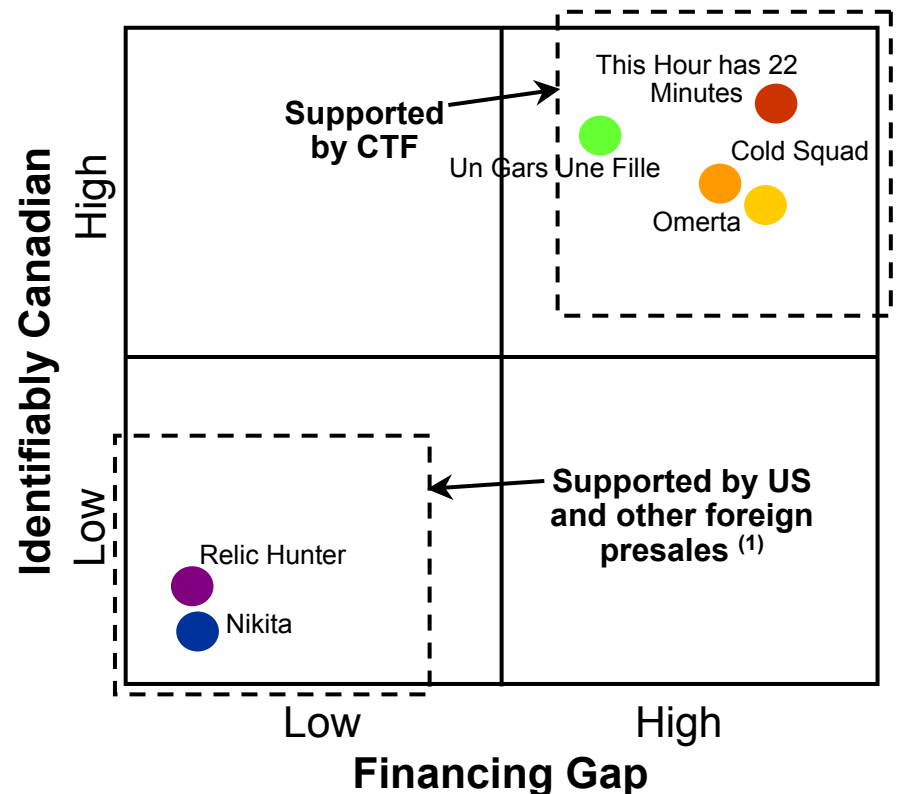
Drama	\$309,000 /hour
Children's	\$ 93,000 /hour
Documentary	\$107,000 /hour
Perf. Arts/Variety	\$ 89,000 /hour



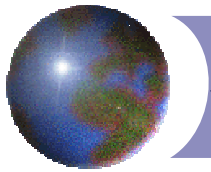
# Production Financing in Canada

- ◆ Producers can only expect to get a 25% presale from broadcasters for Canadian productions due to the size of Canadian TV audiences from which to reap a return.
- ◆ In order to cover the remaining 75% financing gap, Canadian producers must turn to a combination of support mechanisms or foreign markets, but they generally cannot do both.
- ◆ Foreign investment helps sustain production in Canada for economic goals, but doesn't satisfy cultural goals that seek the development of 'Canadian stories'.

## Reality of Financing Canadian Productions

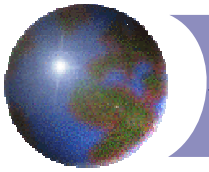


Not a viable model for French-language production.



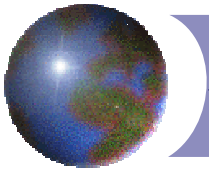
# Key Segments

Segment	Description	Examples
In-House Broadcaster Production	<ul style="list-style-type: none"><li>◆ Television programs produced by broadcasters primarily with internal production resources</li></ul>	News, Sports <i>Hockey Night in Canada</i>
CAVCO Production	<ul style="list-style-type: none"><li>◆ Productions certified as Canadian content by Canadian Audio-visual Certification Office (CAVCO).</li><li>◆ 6/10 to 10/10 CAVCO points</li><li>◆ Canadian producer holds copyright</li></ul>	<i>This Hour has 22 Minutes</i> <i>Cold Squad</i> <i>Degrassi</i> <i>DaVinci's Inquest</i> <i>Lexx</i> <i>Bob &amp; Margaret</i>
Non-CAVCO Production	<ul style="list-style-type: none"><li>◆ Productions certified as Canadian content by the CRTC rather than CAVCO</li></ul>	
Foreign Location Production	<ul style="list-style-type: none"><li>◆ Mostly comprised of Canadian companies that rent production facilities, equipment, and technical expertise primarily to U.S. producers who film productions in Canada.</li><li>◆ Foreign producer often retains the copyright.</li></ul>	<i>Chicago</i> <i>The Score</i> <i>The Shipping News</i>



# National Industry Highlights 2001/2002

- ◆ \$5.1 billion in total production
  - 0% growth rate
  - Decrease in growth rate compared to average annual growth in last 5 years of 11%
  
- ◆ \$2.1 billion in CAVCO certified production
  - ↓ 5%
  
- ◆ \$1.8 billion in foreign location shooting
  - ↓ 0.1%

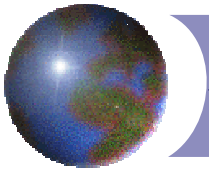


# National Industry Highlights

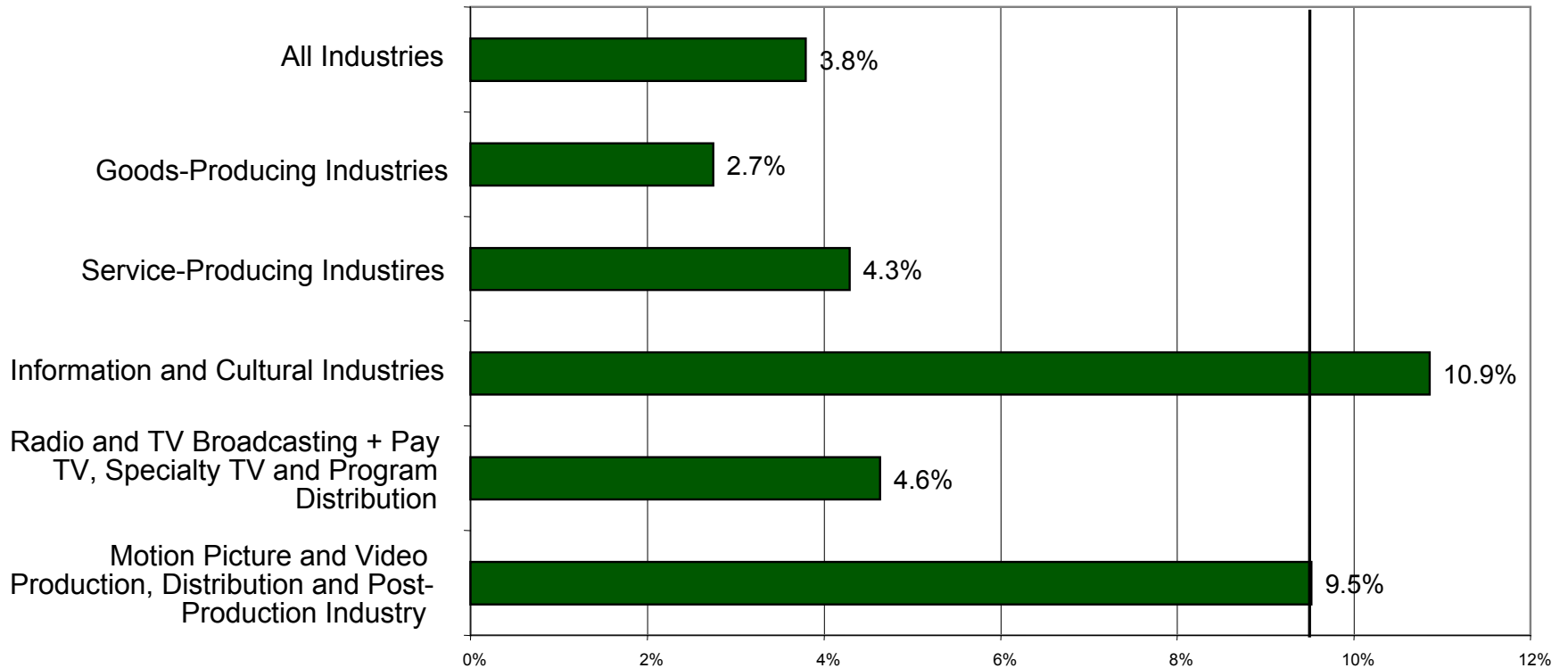
## 2001/2002 (cont'd)

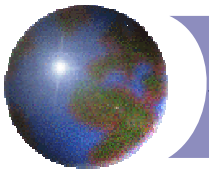
- ◆ Real growth of sector by GDP is 9.5%\*
- ◆ 137,800 total direct and indirect jobs
- ◆ Export value of Canadian productions declined to \$2.3 billion

\* Compound annual growth rate, 1997 to 2001

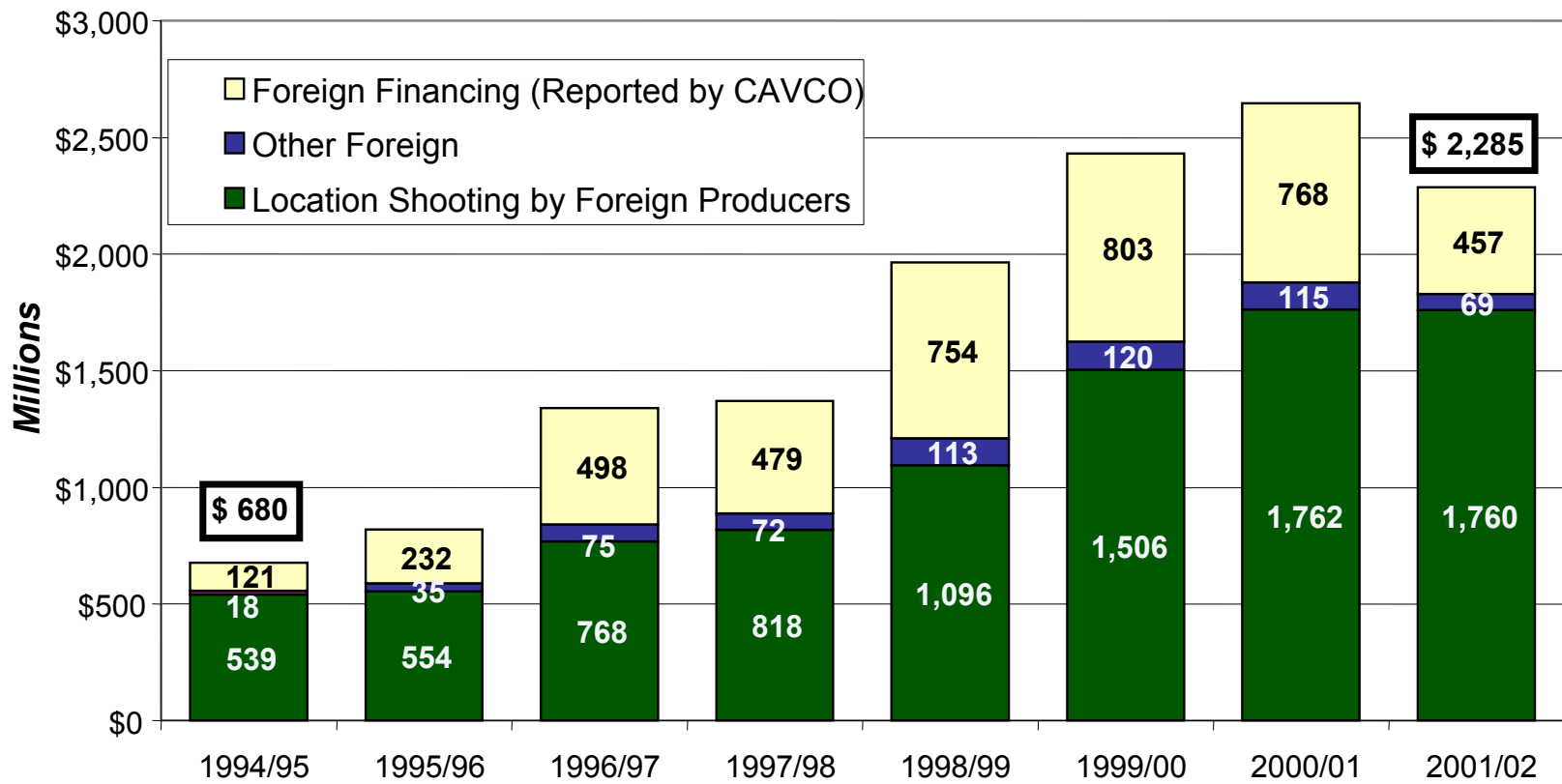


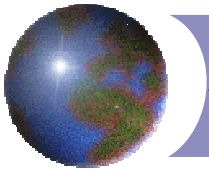
# GDP by Industry Sector



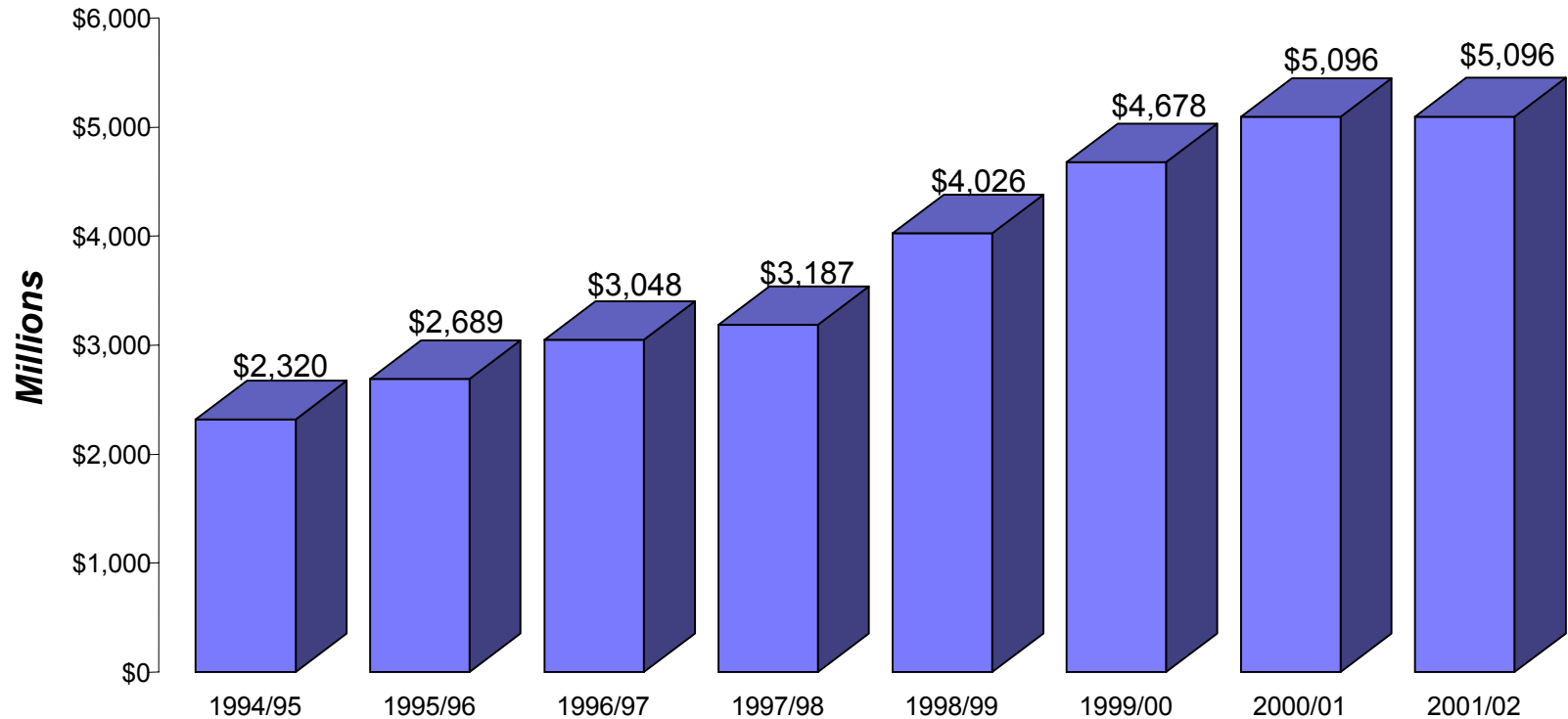


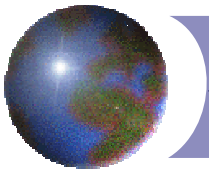
# Export Value



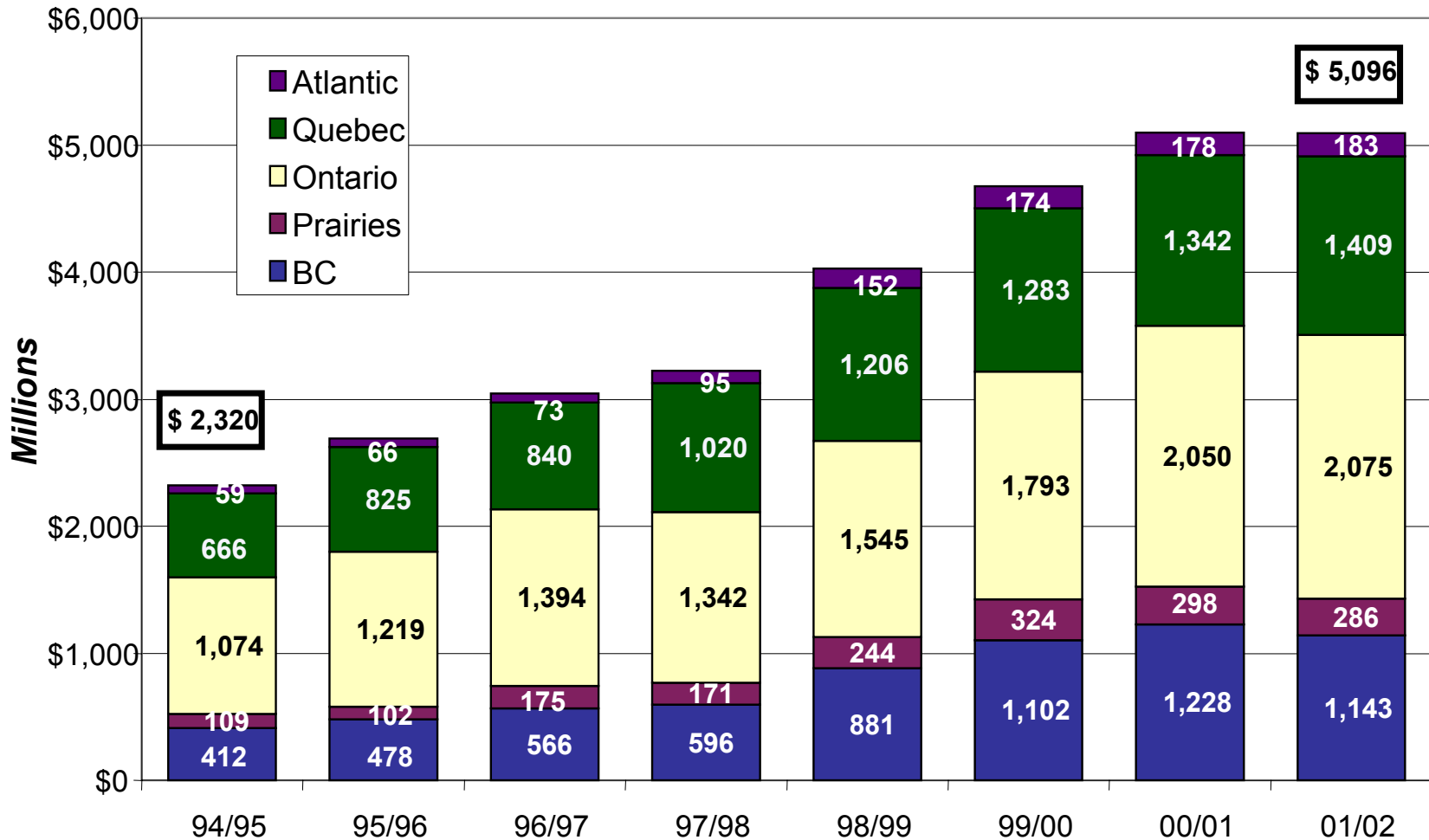


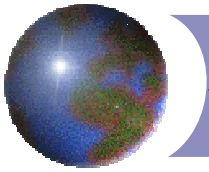
# Total Canadian Film and Television Production Volume



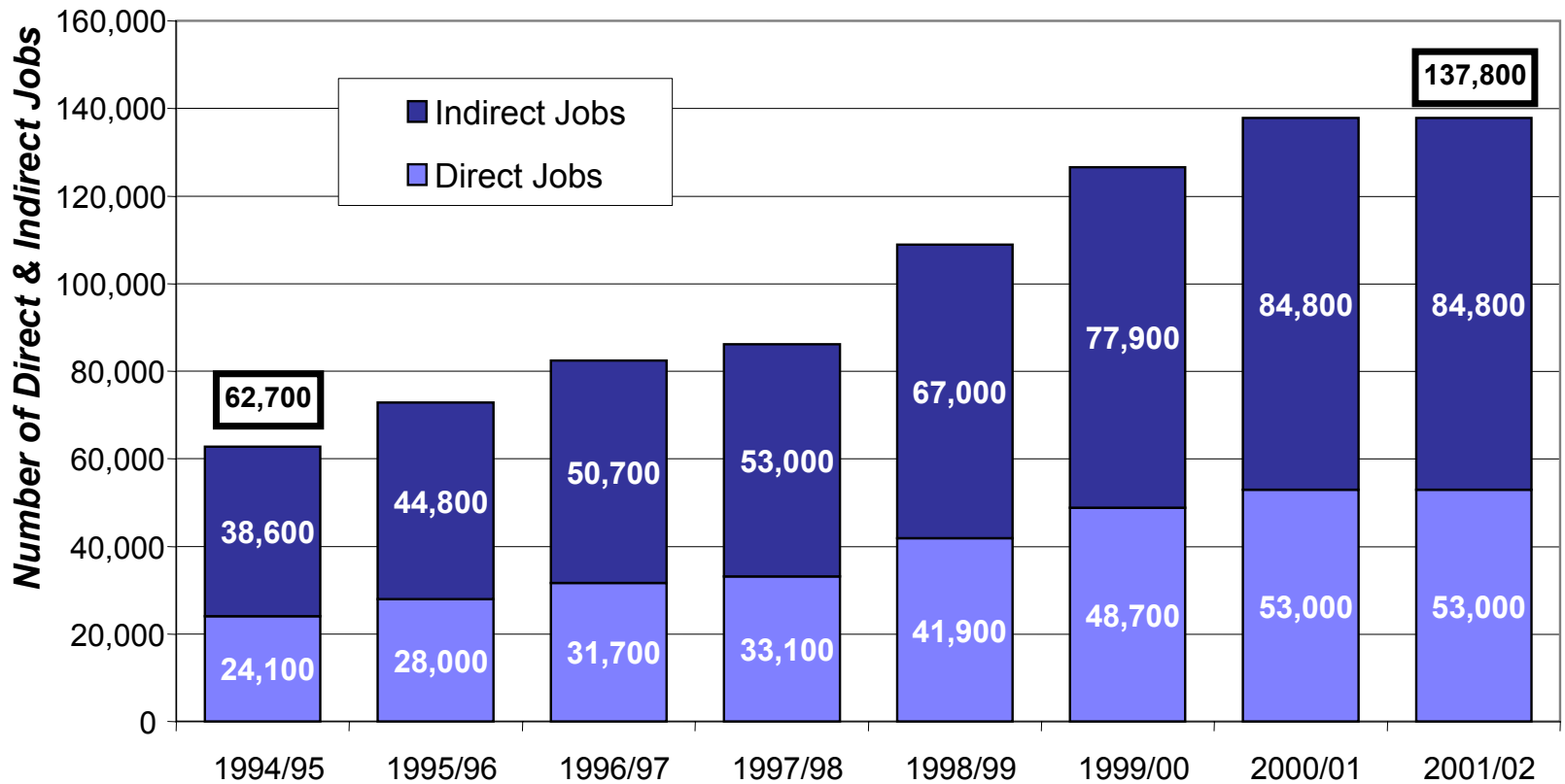


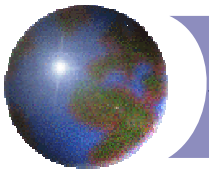
# Regional Production



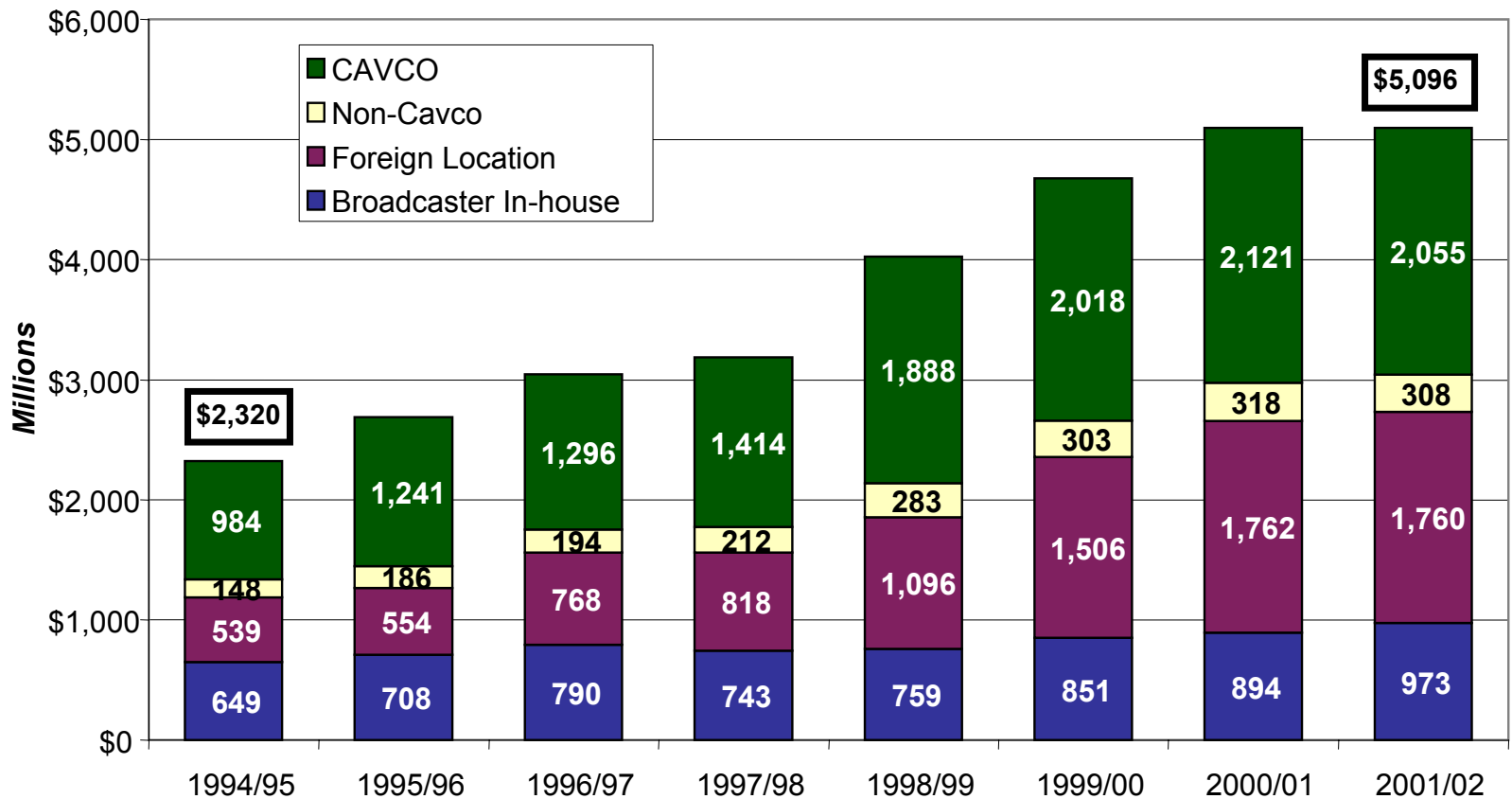


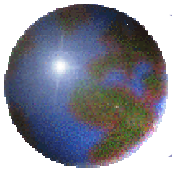
# National Employment



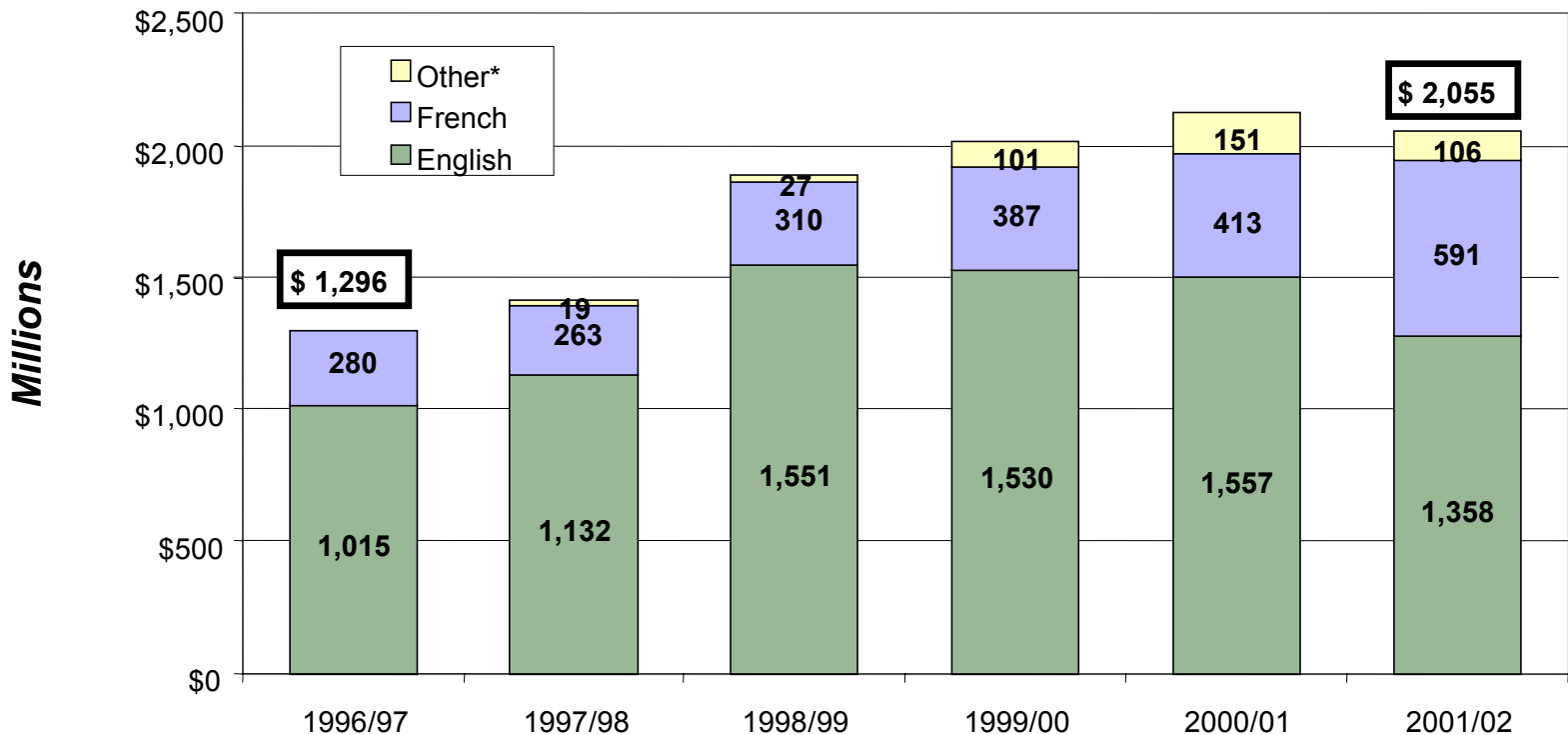


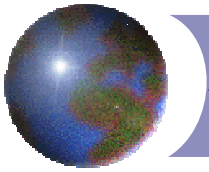
# Production Volume by Sector



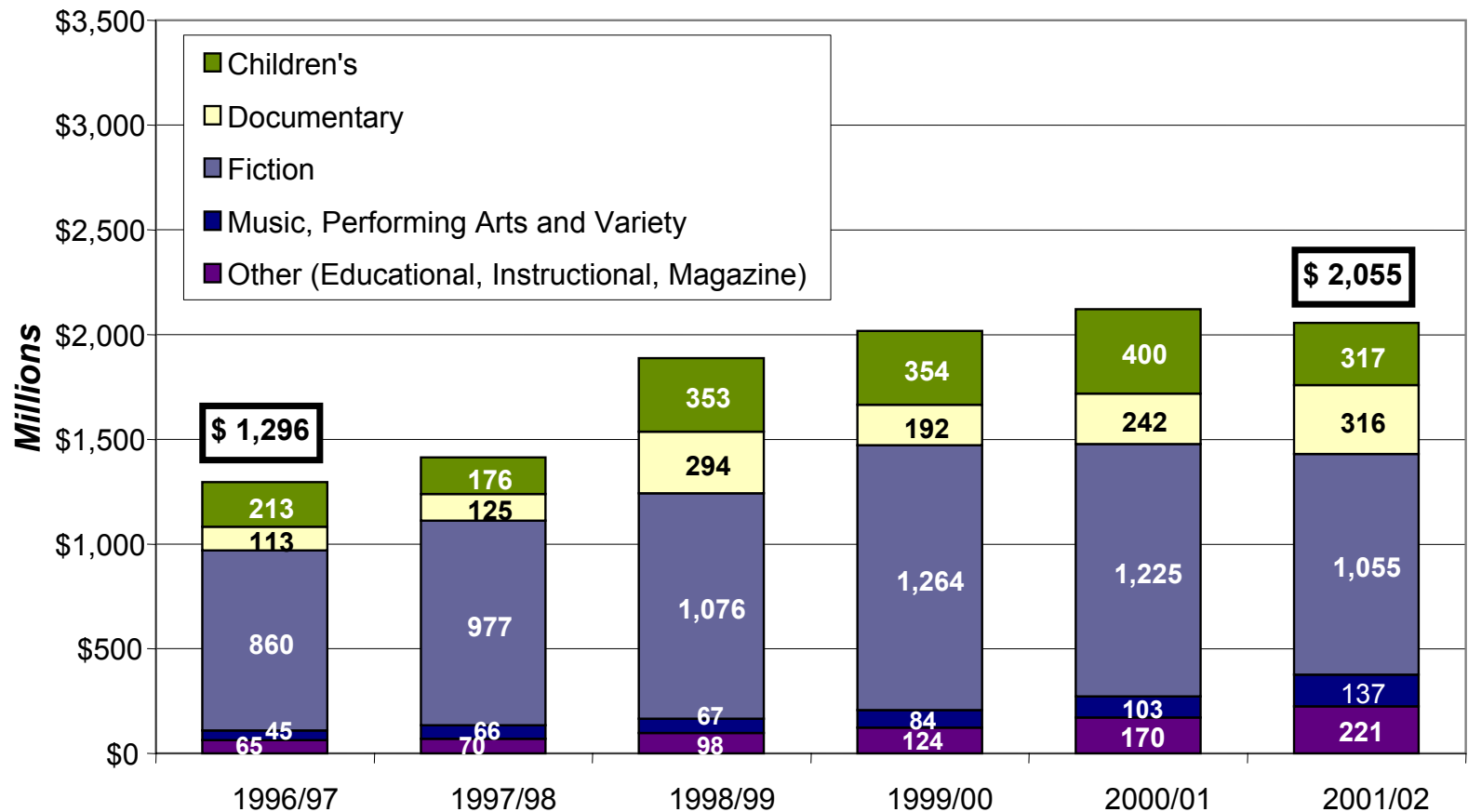


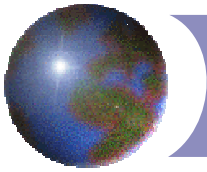
# Production Volume by Language



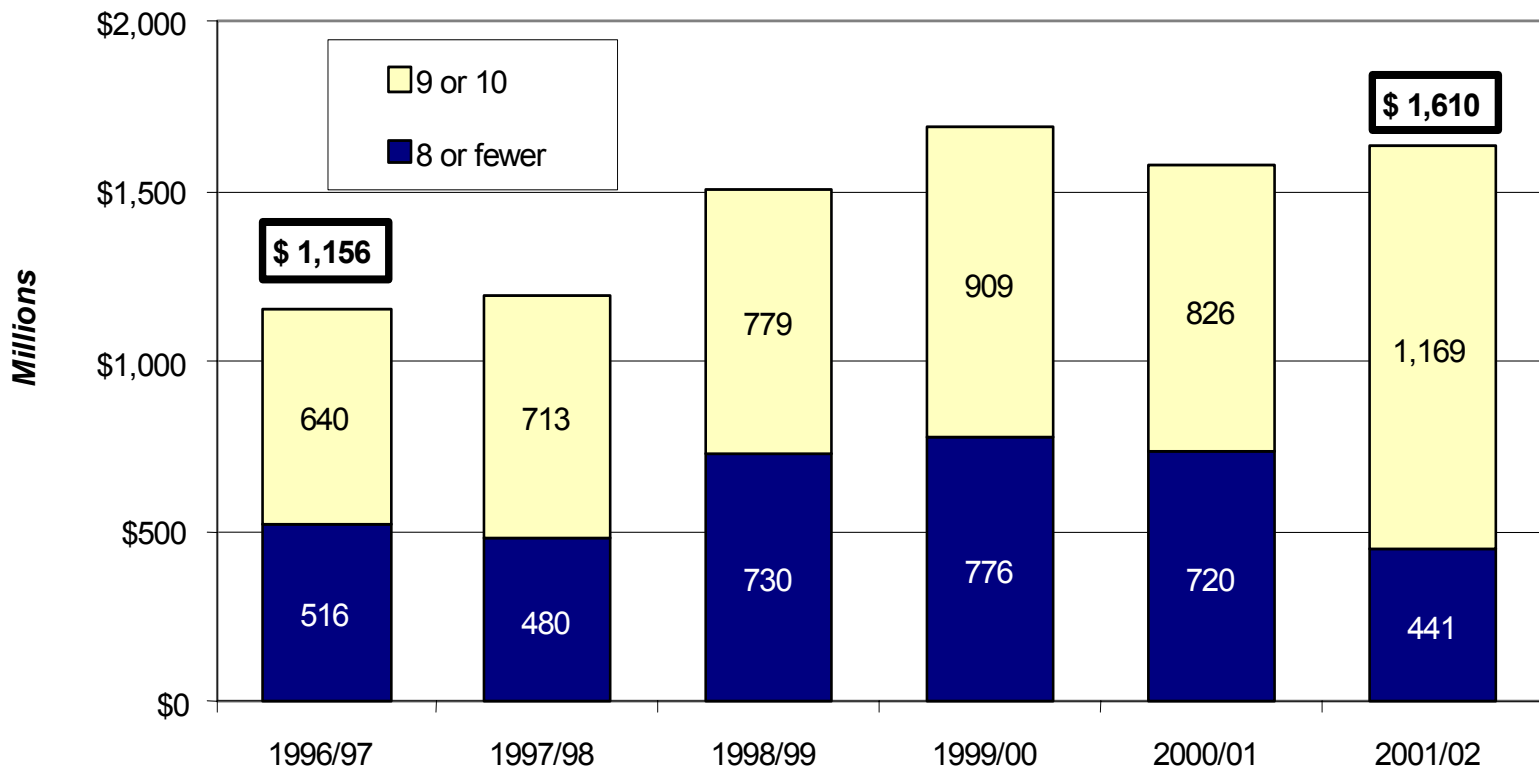


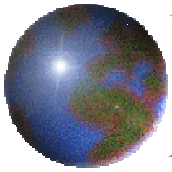
# CAVCO Certified Production by Genre



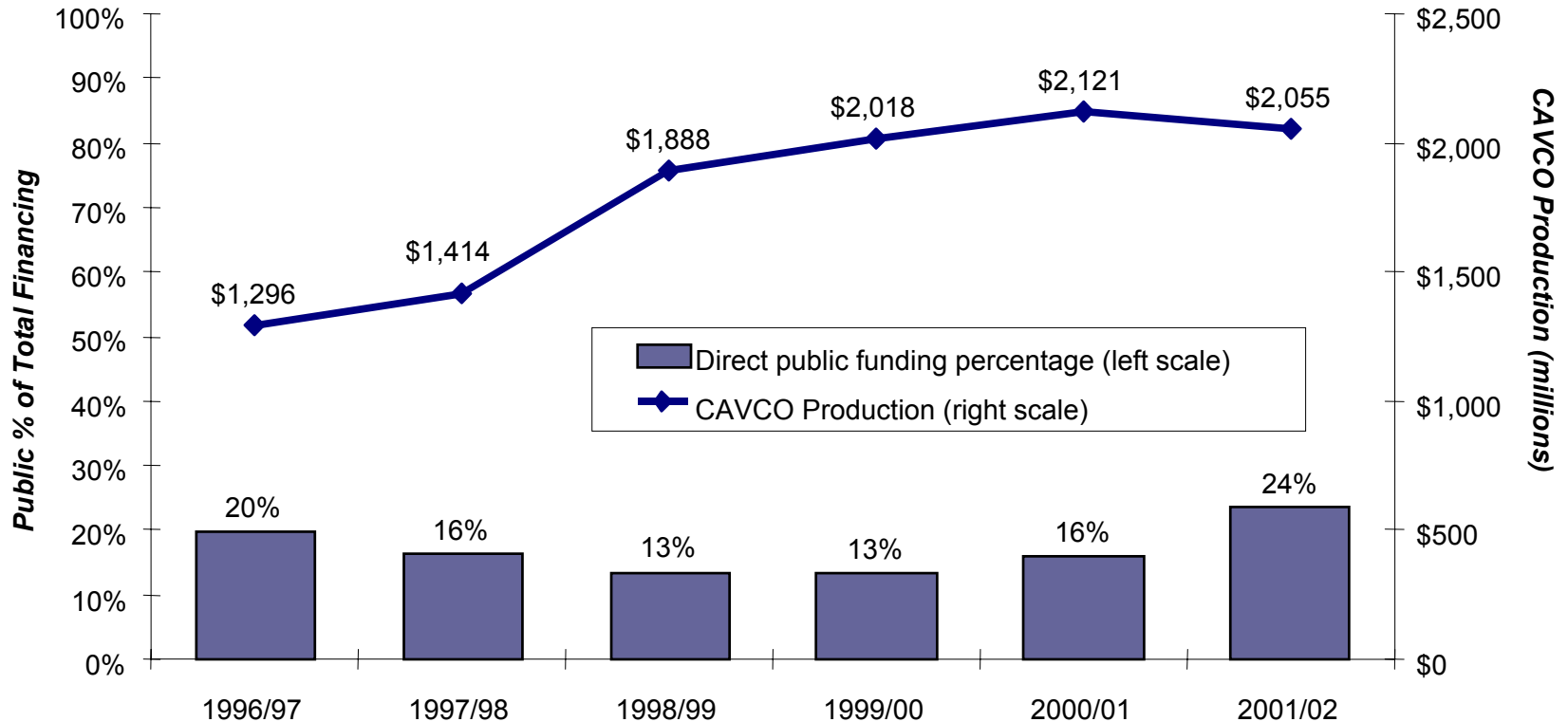


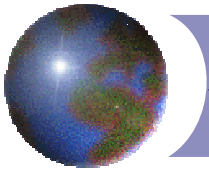
# CAVCO Certified Production by Points



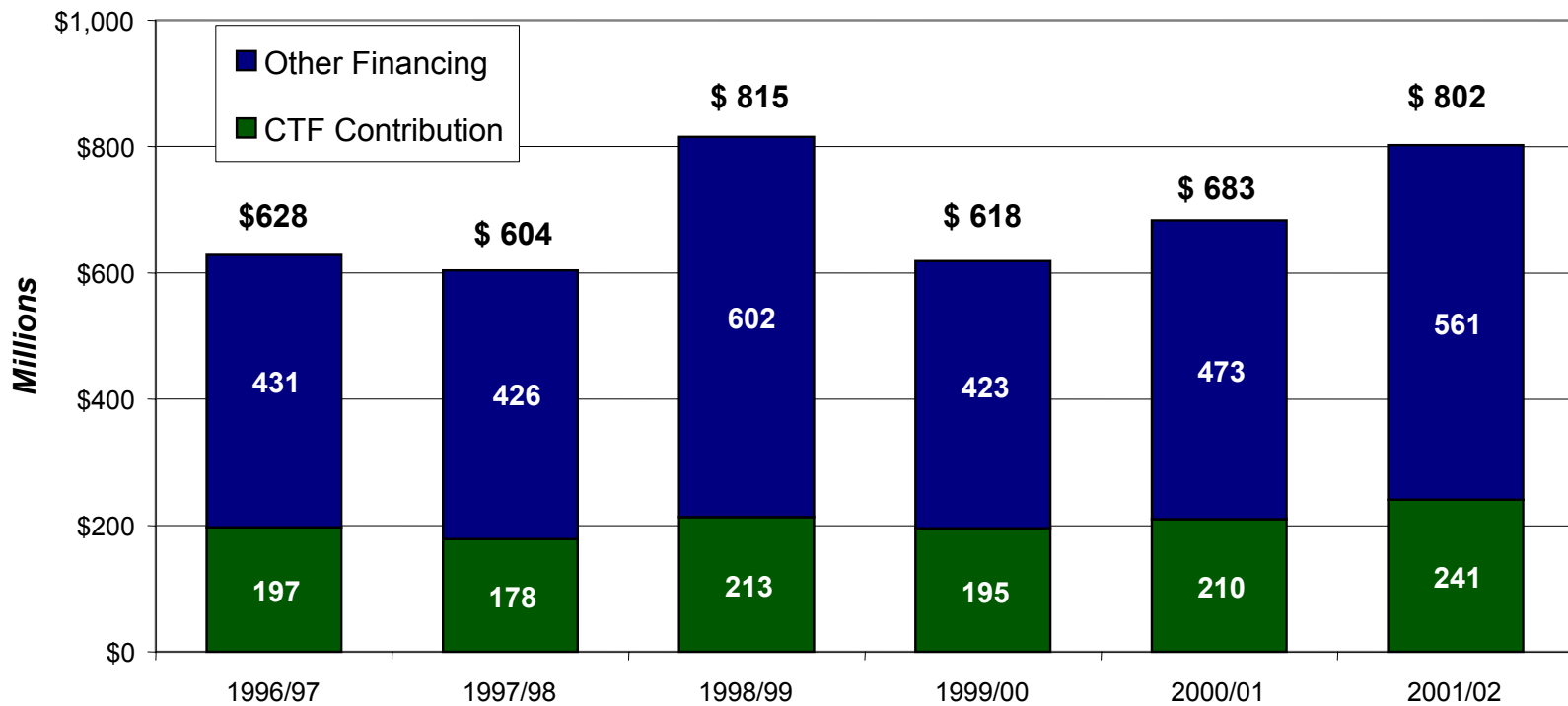


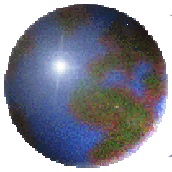
# Direct public funding of CAVCO production



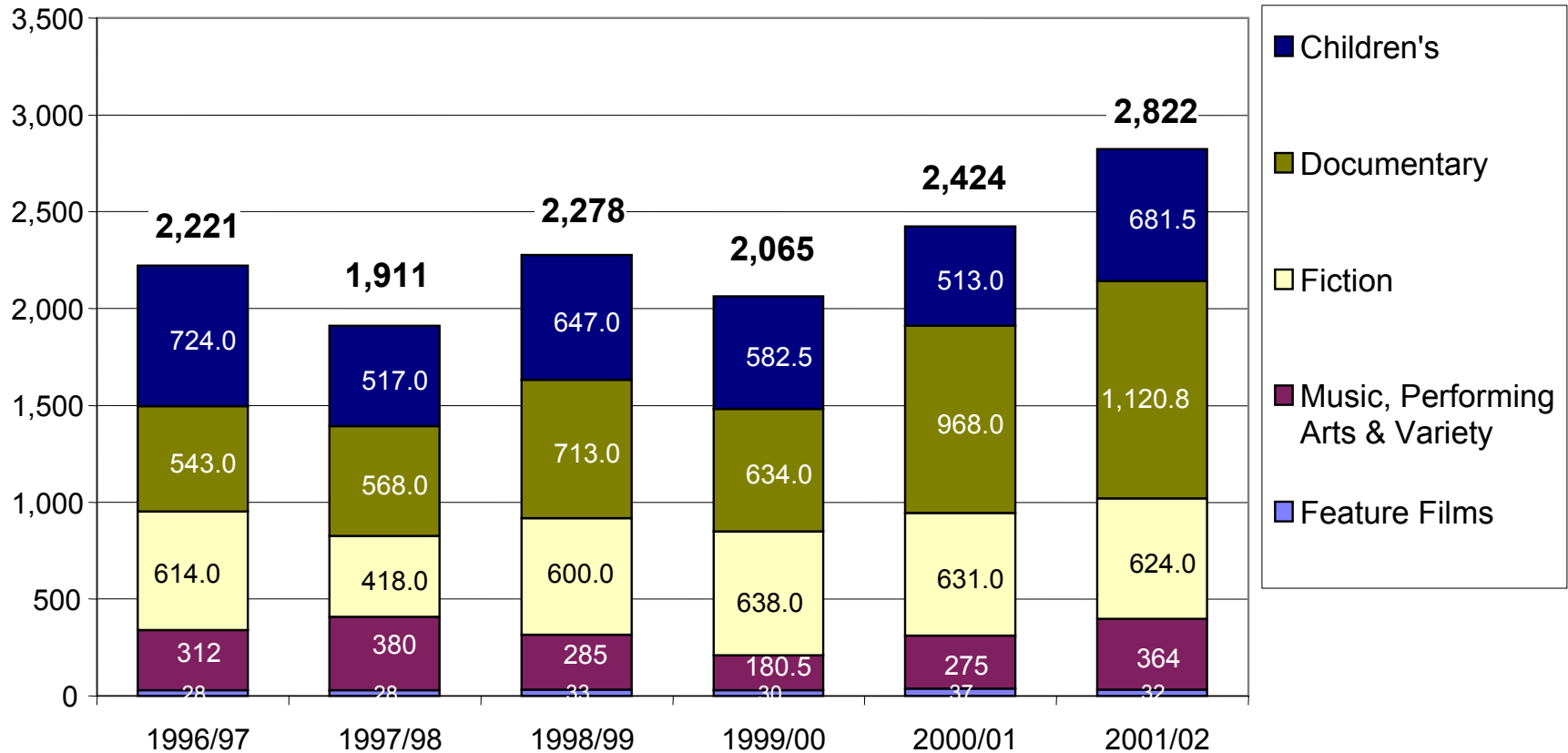


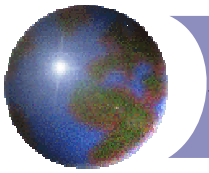
# CTF-Supported Production



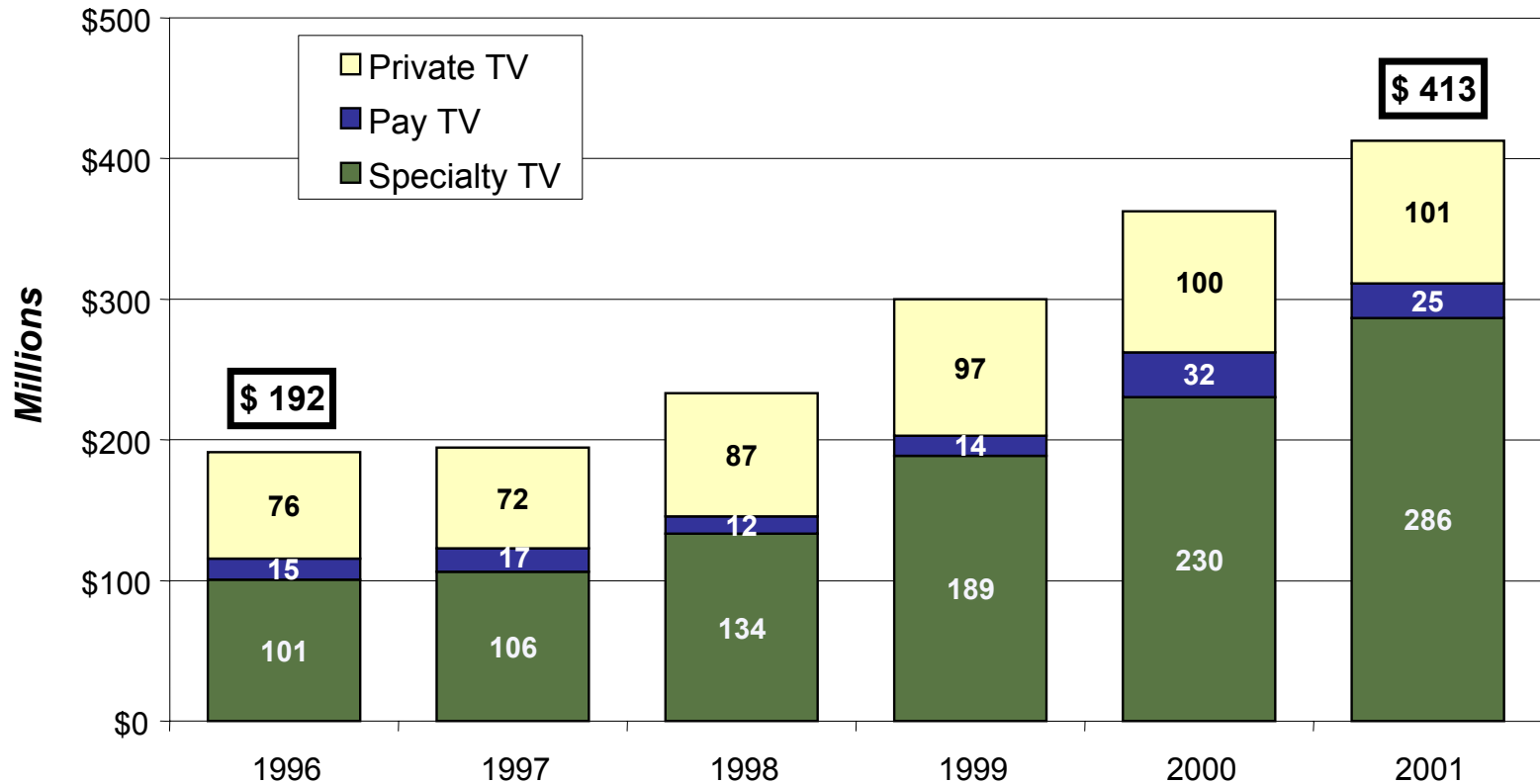


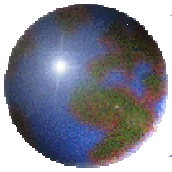
# CTF - Supported Hours of Production by Genre



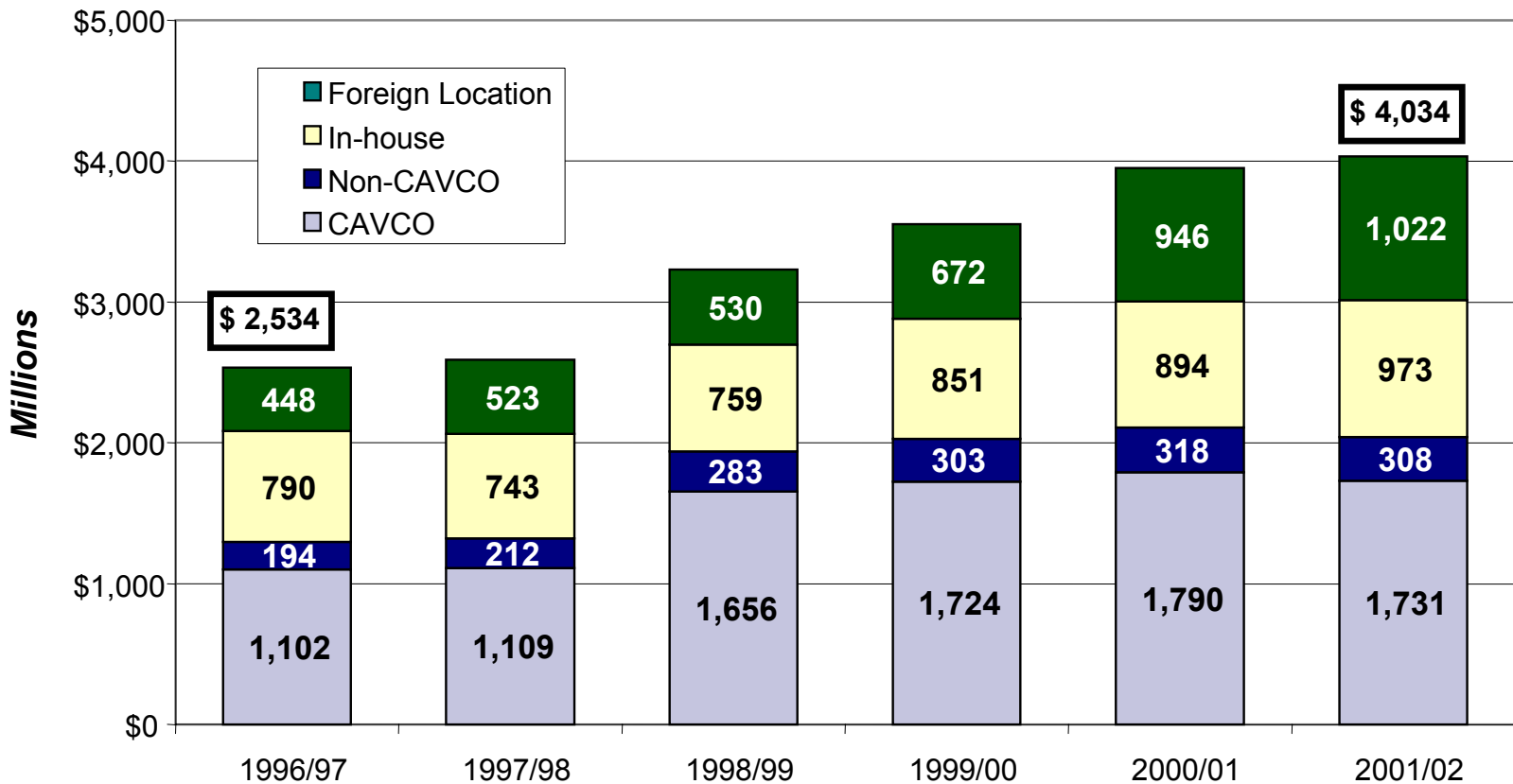


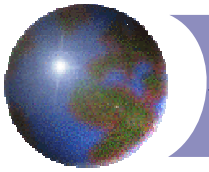
# Private, Specialty and Pay TV Spending on Canadian Independent Production



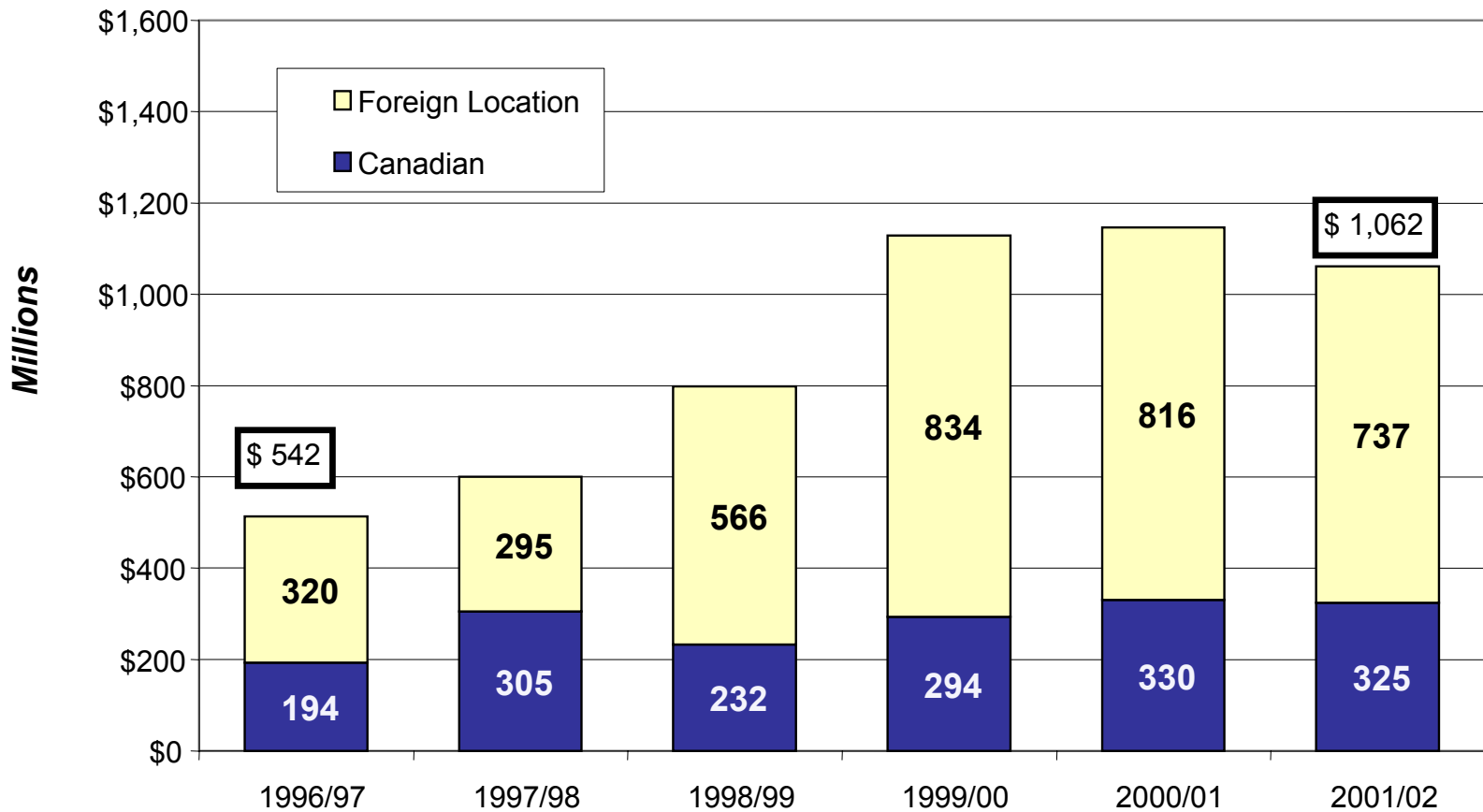


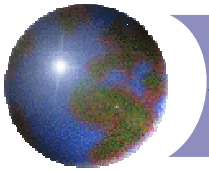
# Volume of Television Production by Sector



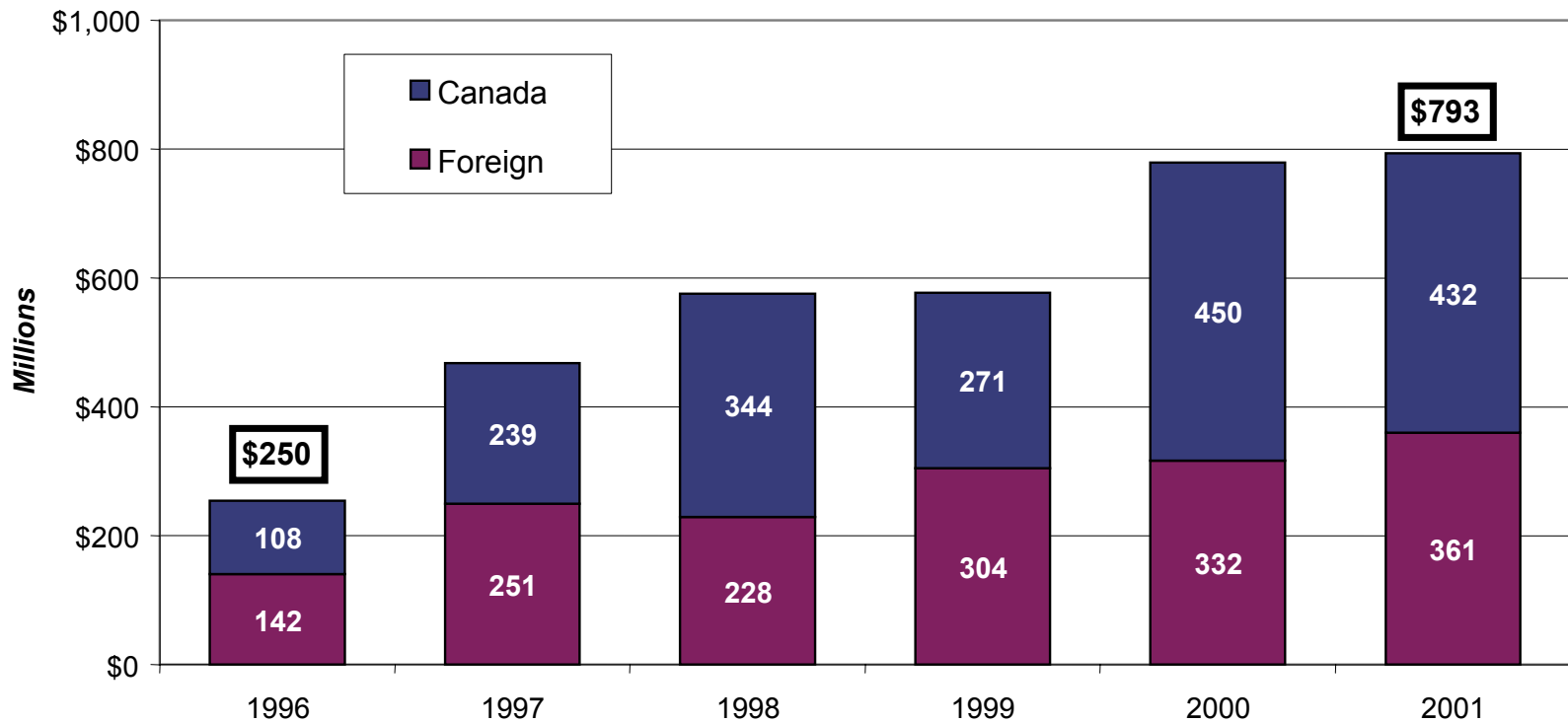


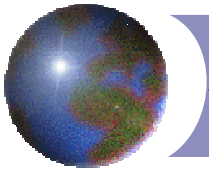
# Volume of Theatrical Production by Sector



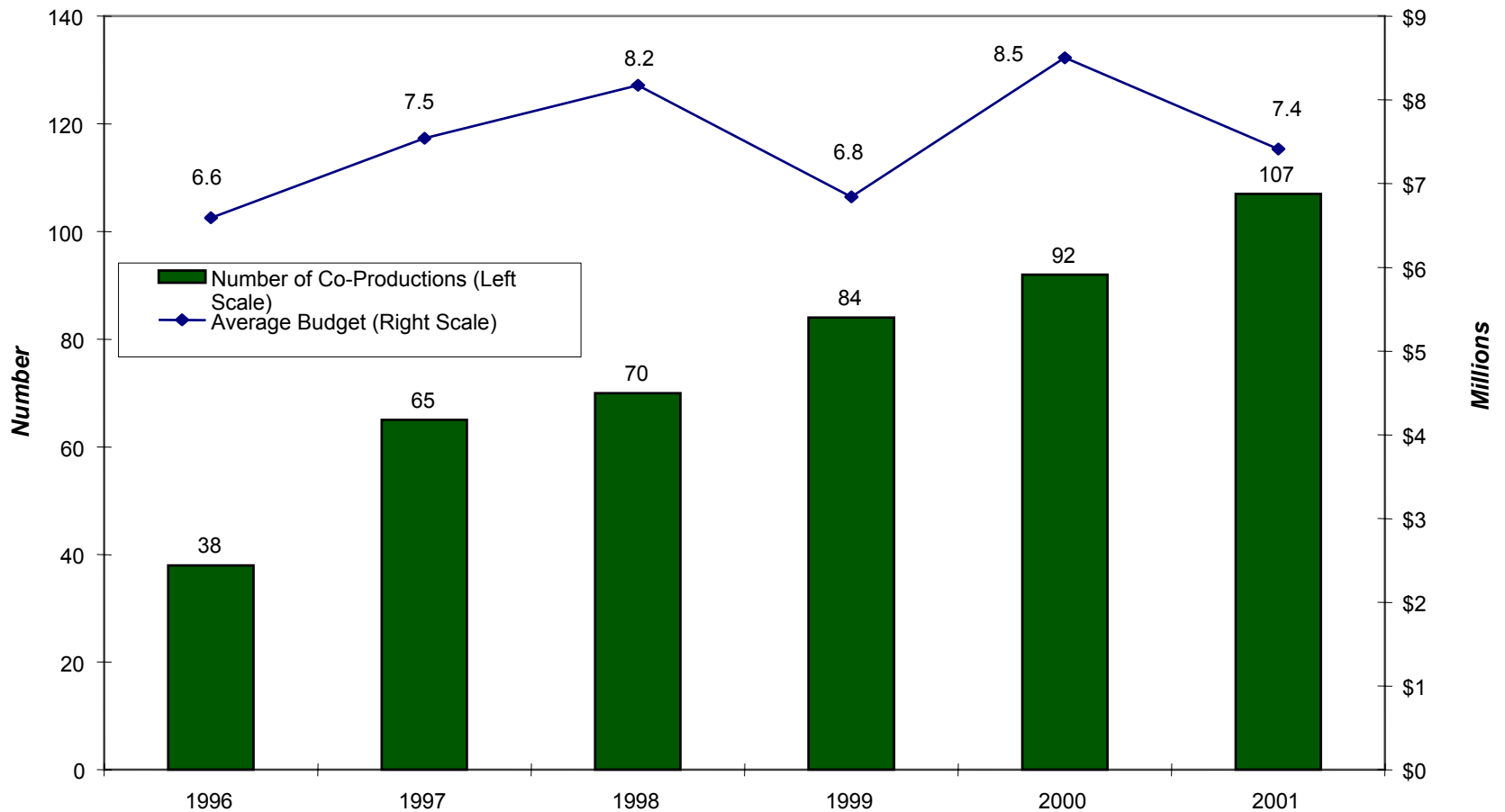


# Treaty Co-Production



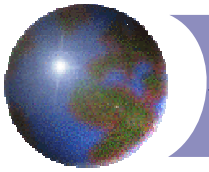


# Treaty Co-Production (cont'd)



# Treaty Co-Production – Top Partners

Country	2001 Rank	2000 Rank	2001 Total Budget	Share	1 year growth
France	1	2	\$280.4	35%	3%
UK	2	1	\$248.7	31%	-32%
Australia	3	3	\$92.0	12%	122%
China	4	6	\$42.0	5%	153%
Spain	5	10	\$32.9	4%	n/a
Philippines	6	n/a	\$18.6	2%	n/a
Germany	7	4	\$16.2	2%	-44%
Hungary	8	n/a	\$14.1	2%	n/a
Hong Kong	9	8	\$10.7	1%	60%
Italy	10	7	\$9.2	1%	-13%
Poland	11	14	\$8.1	1%	n/a
Japan	12	n/a	\$6.2	1%	n/a
South Korea	13	9	\$5.5	1%	0%
Ireland	14	5	\$5.1	1%	-82%
Iceland	15	n/a	\$2.9	<1%	n/a
Denmark	16	n/a	\$0.5	<1%	n/a
Total	n/a	n/a	\$793.0	100%	2%



# Industry Trends

- ◆ Overall growth of the industry has plateaued
- ◆ Notable drop in foreign financing reported by CAVCO
- ◆ Decline in fiction production, particularly English language drama and children's
- ◆ Significant rise in in-house production