Profile 2007

An Economic Report on the Canadian Film and Television Production Industry

CFTPA ACPFT

Canadian Heritage Patrimoine canadien

Association des Producteurs de Films et de Télévision du Québec

Profile 2007

An Economic Report on the Canadian Film and Television Production Industry

February 2007

Produced by the CFTPA and the APFTQ,
in conjunction with the Department of Canadian Heritage.
Production facts and figures prepared by Nordicity Group Ltd.

Profile 2007 is published by the Canadian Film and Television Production Association. The report is the result of a collaboration between the CFTPA, l'Association des producteurs de films et de télévision du Québec, and the Department of Canadian Heritage.

At the CFTPA:

Guy Mayson
President, CEO

Susanne Vaas
Vice-president, Business Affairs

Jeff Brinton
Director, Communications & Media

At the APFTQ:

Claire Samson
President, CEO

Céline Pelletier
Director, Communications

At the Department of Canadian Heritage:

Lynn Foran
Manager
Film and Video Policy
and Programs

Caroline Mallandain
Senior Research Analyst
Film and Video Policy
and Programs

Nordicity Group Ltd.
Peter Lyman
Dustin Chodorowicz

Nordicity Group Ltd. (www.nordicity.com) is the pre-eminent Canadian consulting firm providing business strategy and policy analysis to the media/entertainment, culture/content and telecommunications sectors. Nordicity consultants provide clients with strategic planning, business case analysis, market assessment and forecasting, economic analysis, financial modelling, evaluation frameworks, and other tools for strategic and operational decision making.

The Department of Canadian Heritage contributed to the funding of this report. Its content represents the opinions of the authors and does not necessarily represent the policies or the views of the Department of Canadian Heritage or of the Government of Canada.

CFTPA
ACPFT

Ottawa
151 Slater St., Suite 902
Ottawa, ON K1P 5H3

Tel: 800-656-7440 (Canada only)/
613-233-1444
Fax: 613-233-0073
Email: ottawa@cftpa.ca
www.cftpa.ca

Toronto
160 John Street, 5th Floor
Toronto, ON M5V 2E5

Tel: 800-267-8208 (Canada only)/
416-304-0280
Fax: 416-304-0499
Email: toronto@cftpa.ca

Vancouver
301-1140 Homer St.
Vancouver, BC V6B 2X6

Tel: 866-390-7639 (Canada only)/
604-682-8619
Fax: 604-684-9294
Email: vancouver@cftpa.ca

Association des Producteurs de Films et de Télévision du Québec

1450 City Councillors,
Suite 1030
Montréal, QC H3A 2E6

Tel: 514-397-8600
Fax: 514-392-0232
Email: info@apftq.qc.ca
www.apftq.qc.ca

Canadian Heritage | Patrimoine canadien

25 Eddy Street,
Gatineau, QC K1A 0M5

Tel: 866-811-0055 /
819-997-0055
TTY / TDD: 819-997-3123
www.canadianheritage.gc.ca

Contents

Exhibits

Canadian Content in the Era of Multiplying Platforms

Canadians are witnessing one of the most exciting periods in the history of audio-visual production and distribution. Changes abound in the manner in which producers are able to take advantage of audio-visual media and the new digital routes by which they can reach audiences. The wave of progress brought on by advances in computing power and broadband communications is now rolling through the world of audio-visual communications.

Canadians – especially those with broadband Internet access – now enjoy a wide array of options for accessing audio-visual content. Traditional multi-channel television (via cable or direct-to-home satellite) and DVD/VCR home-video appliances now must share the distribution pie with Internet-protocol television services, the second screen for on-demand Internet video streaming, and the downloading of video content from the Web. Audio-visual content now fits in the palm of our hands: iPods®, BlackBerry® and other mobile communications devices have become the *third screen* of audio-visual information and entertainment.

Five years ago, digital camcorders and Apple's Final Cut Pro® brought democratization to the production side of the audio-visual value chain. Today, broadband Internet access and YouTube have introduced democratization to the distribution end of the value chain. The Internet has disintermediated many an industry; it is now doing so to the audio-visual industries – particularly the physical distribution of the content. It is also threatening traditional broadcasting models.

Of course, in Canada, we have long relied on the intermediaries in the television industry – the broadcasters – to play a major role in the regulatory structure we have built up to realize the goals of Canada's broadcasting policy. But now we have an unregulated broadcasting industry emerging alongside the regulated one; and it is eroding the traditional role played by our regulated intermediaries. The question everyone is asking: How will all of these developments in technology affect Canada's broadcasting policy?

Part of Canada's cultural policy is to connect Canadians – and non-Canadians – to Canadian content. A revitalization of content creation and distribution will give all participants in the broadcasting system the opportunity to survive, prosper and make a substantial contribution to Canadian cultural objectives. This revitalization requires some serious re-thinking of the role of producers in the emerging audio-visual value chain. And, in all likelihood it is going to warrant new partnerships between producers and broadcasters.

TV rest in peace; long live TV

Some pundits claim that linear appointment television is a dying medium. That on-demand programming through personal video recorders or Internet-accessible caches is how most – if not all – people will obtain their audio-visual programming in the future. Yet television viewing, even among the young, is still on the rise, despite the availability of alternative platforms. Nielsen data indicate that weekly per-capita hours of television viewing among Canadians rose from

21.8 in 1996/97 to 26.8 in 2005/06.[1] Television remains the leading technology for "lean-back" entertainment. And HD is now enhancing the traditional television experience. Still, the traditional broadcaster-push model is giving way to a more on-demand model. Some of this demand will be satisfied through the regulated broadcasting outlets such as licensed video-on-demand services; but consumer pull outside of the regulated broadcasting infrastructure is growing fast. Either way, technology is handing the scheduling keys to the consumer; so, for Canadian content to survive in the on-demand world it must be compelling and effectively marketed to potential audiences. The policy tool of the prime-time exhibition requirements is being challenged in the on-demand world.

Last December, the Canadian Radio-television and Telecommunications Commission (CRTC), in its section 15 report to the Minister of Canadian Heritage, concluded that traditional television will continue for the foreseeable future "to have a significant place in the lives of Canadians."[2] For the most part at this time, the alternative platforms are being used to support the main outlet – traditional television. The CRTC's review also brought to light a general consensus among broadcasters, content creators and artists that more government support is needed at the creation end of the audio-visual value chain, if we are going to be able to fulfil Canada's broadcasting policy across multiple platforms.[3]

Rising production costs and static funding are a recipe for declining TV output

Expenditures on Canadian television production rose by an anaemic 1% in 2005/06. Moreover, the total hours of original production fell by 15% in that same year – so more money was being invested into individual programs. The implication is clear: Producers are facing rising costs because of HD, interactivity, and formatting for alternative platforms; yet there is very little new money entering the system.

In fact, Canadian broadcasters are diverting more and more money into bidding up the prices of the American programming that they acquire. According to CRTC financial statistics, in 2004/05, Canada's private conventional broadcasters increased their expenditures on foreign drama programming by $28.7 million; however, their total expenditures on Canadian drama programming increased by only $300,000.

The other single major source of financing for Canadian television is the Canadian Television Fund (CTF). Because its funding rises with the growth of cable and DTH revenues, the CTF budget is growing even though the government's contribution is constant.

The international pre-sale market for Canadian production still has not rebounded to levels seen in the late 1990s. Because of this market shrinking, Canadian producers are forced to make fewer hours of original Canadian programming. For all intents and purposes, financing for Canadian television production has been stagnant for the last five years. There is really nothing on the horizon that is going to deliver the financing stimulus that is needed to meet rising production costs. Higher average budgets are a good thing, but not when they lead to lower output or fewer hours of programming.

While the export value numbers in the accompanying report point to continued weakness in the pre-selling of Canadian television programming to foreign buyers, more recent reports indicate that after-market sales activity is gaining strength. Canadian children's production has always been a strong export; but Canadian drama programs such *DaVinci's Inquest*, *Intelligence*, and *Degrassi: The Next Generation* are also posting strong sales outside of Canada.[4]

The success of individual feature films masks a dip below the 5% objective

Canada's feature film industry had a landmark year in 2006. *Bon Cop, Bad Cop* earned over $12 million in Canadian theatres to become the highest dollar-grossing Canadian film of all time. This bilingual production accounted for 35% of Canadian films' box office earnings in Canada in 2006 – thus underlying how one film can make or break the year for the industry. *Trailer Park Boys: The Movie, Silent Hill,* and *Le Secret de ma mère* also had good theatrical runs in Canada. Despite these strong individual performances, Canadian films' share of the domestic box office slid from 2005 levels, and dipped below the federal government's objective of having Canadian films capture 5% of the domestic box office.

Script to Screen, the Canadian Feature Film Policy that has been in place since 2000/01, doubled the federal government funding available to the Canadian feature film production industry. Production activity certainly exceeds the amount in pre-policy days. The statistics show a huge jump in production activity this past year – from $184 million in 2004/05 to $323 million in 2005/06. Moreover, if we compare the average production levels pre- and post-*Script to Screen* policy, it is clear that activity in terms of dollars and output is higher.

The policy has, thus far, been very effective in the French-language market. The most talented filmmakers in French-speaking Canada have been given the resources needed to make films that can leverage the local star system, and achieve very strong audience success. However, the French-language industry has hit a wall of sorts. Even if a film is highly successful in the French-language market in Canada, it still takes substantial public funding to produce. It is difficult to envision how the French-language industry can go beyond the 27% market share if it does not have access to increased public and private financing, so that it can grow its annual output of high-calibre films – commercial and auteur. The French-language market needs a critical mass of films with substantial genre diversity, if Canadian films are going to maintain a significant market share.

In the English-language market, the first years of the policy have shown that production funding is necessary but is not going to be sufficient to make significant audience inroads. More has to be done at other points along the feature film value chain to lift it out of its current 1 to 2% market share. Like the French-language market, the English-language market also needs a critical mass of films. Furthermore, it needs better trailers and access to audiences to show the trailers. It needs more screens and more time in theatres. In addition, the market needs more creative promotion and marketing, and effective partnerships with the other media to develop more awareness of our movies and our stars. All of this is necessary if we are going to get the most out of our investment in feature film production.

Script to Screen's focus on the fictional genre should not divert our attention from the other popular cinematic genre – the feature-length point-of-view documentary. Canadian films such as *Les Voleurs d'enfance, Manufactured Landscapes*, and the American film, *The Inconvenient Truth*, demonstrate that the feature documentary has a place in cinemas. For 2006/07, Telefilm Canada has brought the documentary genre under the auspices of the Canada Feature Film Fund on an exceptional basis. Making feature documentaries requires budgets in excess of $1 million if they are to have chance to capture the widest possible audiences with adequate promotion and screen time. Feature documentaries are now part of the policy and the fund. However, if we want them to be an ongoing fixture of Canadian cinema – furthering our country's long tradition of cinematic leadership in this genre – we need a dedicated program that can generate an annual slate of films.

Hollywood producers keep shooting in Canada

Foreign location production really took a hit in 2004/05 because of the fast-rising loonie and the residual effects of SARS. But this segment bounced back in 2005/06 by some $200 million. This is good news. Foreign location production has always been seen as a source of knowledge and technical transfer for Canadian producers, and gives them the opportunity to work with global talent. What's more, it is a vital element in the development of a sustainable production community with a diverse client base.

Meanwhile, Canada's international co-production activity continues to slide

In juxtaposition to foreign location production, we see that Canada's international treaty co-production continues to drop: Telefilm Canada reports that it was down by another $117 million in 2005. Treaty co-production was once a significant element in the Canadian production industry: as recently as 2000, total activity was in excess of $900 million. But, the global production environment has changed dramatically in the ensuing years; the rules of national treatment in partner countries have changed. The federal government can help stave off future declines by making adjustments to the policy, treaties and their administration, so that the latter can evolve along with the developments in the international marketplace. If the government moves expeditiously on this, it will go a long way towards restoring Canada's competitiveness in treaty co-production. Treaty co-production has to be seen as incremental production, rather than production that displaces domestic production.

Canadian producers are at the forefront of multiplatform media

The traditional distribution and exhibition platforms remain the largest share of the market by far. However, the most important developments in 2006 occurred in the emerging alternative platforms and the user-generated content that audiences often find compelling on these new platforms.

Canadian producers are right at the forefront when it comes to leveraging emerging platforms to engage existing and new audiences. For example, the producers of *Corner Gas, Degrassi: The Next Generation* and *Instant Star* have partnered with CTV to offer on-demand Internet streaming of past episodes of these popular programs. The producers of the sci-fi drama series *ReGenesis* have developed an online game and podcasts to complement the core platform. In Quebec, *Les Invincibles* airs during prime time on Radio-Canada and is supported by a web site that features a director's blog, video clips, as well as audio and images that can be downloaded and shared across cellular phones. Interactivity, gaming, re-purposing content, podcasts, and mobisodes are quickly becoming essential components to attracting and keeping audiences interested in television properties.

More clarity and certainty with respect to multiplatform rights and revenues are absolutely essential if Canada is going to have a presence across all platforms. The United Kingdom (U.K.) has taken the step of crystallizing the rules under which independent producers and broadcasters will operate in this space. The U.K.'s regulated framework for terms of trade offers three separate windows: a time-limited first window in which the broadcaster has cross-platform rights and must share alternative-platform revenues with the producer; a holdback period or blackout window; and a third window, in which all exploitation rights revert back to the producer.[5]

But developing content and applications for alternative platforms requires additional financial investment. Uncertainty and lack of transparency are anathema to investors. A regulatory mandated terms of trade governing the commercial rights and revenues from alternative platforms would go a long way towards injecting some clarity and certainty into the rules of the game. It would provide greater comfort to investors so that they could make better-informed calculations of the reward and financial risks they face in audio-visual properties.

We need to recognize that producers are the "first owners" of the exploitation rights of the works they produce. This position comes with responsibilities to the owners of any copyright material and the other rights holders. It also comes with rights of its own related to the revenue generated by copyright properties.

Government policy in support of film and television production will need to adjust and take a more platform-agnostic approach. However, it should recognize that film and television production is at the heart of the audio-visual content creation sector – mobisodes, podcasts, many interactive games, and much of the web content emanate from the properties originally created for movie theatres or television screens.

At this crucial juncture, broadcasters and producers need to forge a new partnership

An even broader set of regulated terms of trade governing the first window of release may also help establish a new partnership between Canadian producers and broadcasters. This would help address the economic imbalance between the production and broadcasting sectors, and lead to a fairer and more equitable sharing of the value generated by Canadian content among rights holders. This new partnership should provide for appropriate licence fees above today's average of 25% - 30% of project costs.

Higher licence fees might better reflect the reward and risk that all parties hold in a Canadian program. Canadian broadcasters have to start sharing more of the risk. If they put more skin in the game, then they will have more incentive to do all of the other necessary things – scheduling, marketing and promotion – needed to develop Canadian television programs into media properties that can prosper right across platforms.

Canadian broadcasters and distribution undertakings collectively earned $10.4 billion in revenues and over $1.7 billion in operating profits in 2005 – an operating margin of 16%.[6] According to data from Statistics Canada, Canadian film and television producers earned about $2.3 billion in revenues in 2004, but only $177 million in operating profits – an operating margin of just under 8%.[7] The low profit margin among Canada's film and television producers is a signal of the economic imbalance inherent in the system and reflects the underlying economic relationships – relationships that see producers operate from project to project, constantly deferring fees to complete project financing. Producers are caught in a vicious cycle where they have to scramble and pay dearly for interim financing – leaving little in the kitty for new platform rights exploitation.

In this multi-platform era, government policy needs to re-focus on building production companies

If Canadian content is going to have a chance to thrive in an era of multiplying platforms, we need to break the cycle of project-by-project work and move to an environment of self-sustaining production companies that can develop, create and exploit rights.

Moving to such an environment will give production companies the opportunities to invest in research and development – in the sense of developing and making compelling Canadian content, and using innovative ways to engage audiences. Production companies will also be in a better position to pursue marketing and business development opportunities within Canada and abroad.

With production companies operating with sufficient working capital, the industry can better be able to develop new products, monetize rights, and re-invest in innovative applications. To realize this, the production community needs a comprehensive set of support mechanisms that further its ability to develop strong companies that can generate cross-platform content and then sell this content into domestic and foreign markets. By improving the working capital situation of production companies, we can put them on a stronger financial footing that will allow them to invest in new productions and effectively exploit existing works.

The whole Canadian broadcasting system stands to benefit from a financially healthy and vibrant audio-visual production industry that has the resources needed to take risks and be innovative. If we address the economic imbalance between the broadcasting and production sectors, and develop government support measures which help producers expand their ability to grow their rights-exploiting production companies, then we will be rewarded with the highest quality Canadian content available to Canadians across all platforms – traditional and emerging.

1. Barry Kiefl, Canadian Media Research Inc., *Trends in Canadian Television Audiences, New Technologies, Advertising and Programming,* prepared for the CFTPA, August 2006, p.17.
2. CRTC, *The Future Environment Facing the Canadian Broadcasting System*, a report prepared pursuant to section 15 of the Broadcasting Act, December 14, 2006, para. 368.
3. Ibid., para. 356.
4. John Doyle, "Why the world loves Canadian TV," *Globe & Mail*, December 19, 2006.
5. Nordicity Group Ltd., *The Creation of Regulated Terms of Trade Between Producers and Broadcasters in the U.K.*, prepared for the CFTPA, September 2006, pp. 23-24.
6. Calculations based on statistics published by the CRTC.
7. Nordicity Group Ltd., *Analysis of Canadian Broadcaster Financial Performance and Programming*, prepared for the CFTPA, September 2006, p. 14.

1. Introduction

The Canadian Film and Television Production Association (CFTPA), the Association des producteurs de films et de télévision du Québec (APFTQ), the Department of Canadian Heritage, and Nordicity Group Ltd. have once again collaborated to prepare *Profile 2007*.

Profile 2007 provides an analysis of economic activity in the Canadian film and television production industry from April 1, 2005 to March 31, 2006.

The authors of *Profile 2007* are continually seeking new economic indicators that are relevant to industry and government representatives who follow the Canadian production industry. *Profile 2007* includes several new production indicators that provide readers with additional insights into the historical trends and current composition of Canadian film and television production.

For *Profile 2007*, we re-organized the Canadian-content production statistics so that they are better aligned with major release windows for audio-visual content. Canadian production is now segmented into Canadian television production and Canadian theatrical production. The other two major segments of the industry – foreign location production and broadcaster in-house production – remain unchanged.

In terms of new indicators:

- We have added a new section that presents more in-depth data on the four major genres of independent production (fiction, documentary, children's, and variety and performing arts).
- We have added more data on the annual number of Canadian television and theatrical-release projects.
- We have expanded the type of descriptive statistics related to average production budgets – both for Canadian television and Canadian theatrical-release production.
- In the section on the financing of Canadian television production, we have added data for the average per-hour broadcast licence fees paid by Canadian broadcasters to producers.
- In the treaty co-production section, we have added data on the genre and types of production (television and feature film).

Taken together, the existing and new economic indicators will give readers the most comprehensive look at production activity, the economic impact of production, as well as the financing issues in the Canadian film and television production industry.

2. National Indicators of Film and Television Production

The Canadian film and television production industry has, for the last several years, been a major source of economic activity and jobs for Canadians right across the country. In this chapter, we review the overall national activity in the film and television production industry. In subsequent chapters, we examine activity in each of the four major segments of Canadian industry: Canadian television production, Canadian feature film production, foreign location production, and broadcaster in-house production.

HIGHLIGHTS

- In 2005/06, total production increased by 5.8% to $4.8 billion. The increase was largely due to recoveries from last year in both foreign location production and Canadian theatrical-release production.
- The Canadian television production segment was the largest single segment of the industry in 2005/06, accounting for 38% of total production.
- Real GDP in the *motion picture and video production and post-production industry* grew by an average annual rate of 2.2% between 1998 and 2005, and an annual rate of 1.5% in 2005.
- Film and television production generated 124,300 full-time equivalent jobs (FTEs) in Canada in 2005/06, including 47,800 FTEs directly in film and television production activities. The number of FTEs generated by film and television production activity increased by 3% from 120,100 the year before.
- The export value of Canadian production increased by 11% to just under $2 billion in 2005/06, largely due to growth in foreign location production.

2.1 Total Volume of Production

After experiencing a decrease of 9.7% in 2004/05, the total volume of film and television production recovered by rising **5.8%** to attain a total of **$4.8 billion** in 2005/06. Though not quite meeting the record of just over $5 billion in 2002/03, the production industry was back on an upward trajectory.

The increase in total activity was largely caused by a sharp recovery in the volume of foreign location production. After falling by $441 million in 2004/05, Canada's foreign location production bounced back by $203 million to a total volume of $1.7 billion.

Canadian theatrical production also experienced a major recovery in 2005/06. After a steep decline of $159 million – or 46% – in 2004/05, it almost regained the 2003/04 levels, rising by $139 million in 2005/06. Canadian television production was virtually flat in 2005/06; while in-house broadcaster production actually decreased by 9% – the first decrease in this segment in nine years. To summarize the main statistical highlights:

- **Canadian television production** maintained its position as the largest single segment of film and television production, with a 38% share of overall production activity. The total volume of production in this segment increased by 1% to a total of just under **$1.8 billion**.
- **Foreign location production** recovered by 13.8% to just under **$1.7 billion**. It maintained its position as the second largest segment in the Canadian production industry with 35% of total production activity in Canada in 2005/06.

- **Canadian theatrical production** increased by $139 million, or 75.6%, to total **$323 million**. It accounted for 7% of total production activity in 2005/06.

- **Broadcaster in-house production** decreased by 9.1% to **$995 million**. It accounted for 21% of total production activity in Canada in 2005/06.

Further analysis of the statistics in *Profile 2007* and other factors leads to some specific observations about the Canadian production industry in 2005/06:

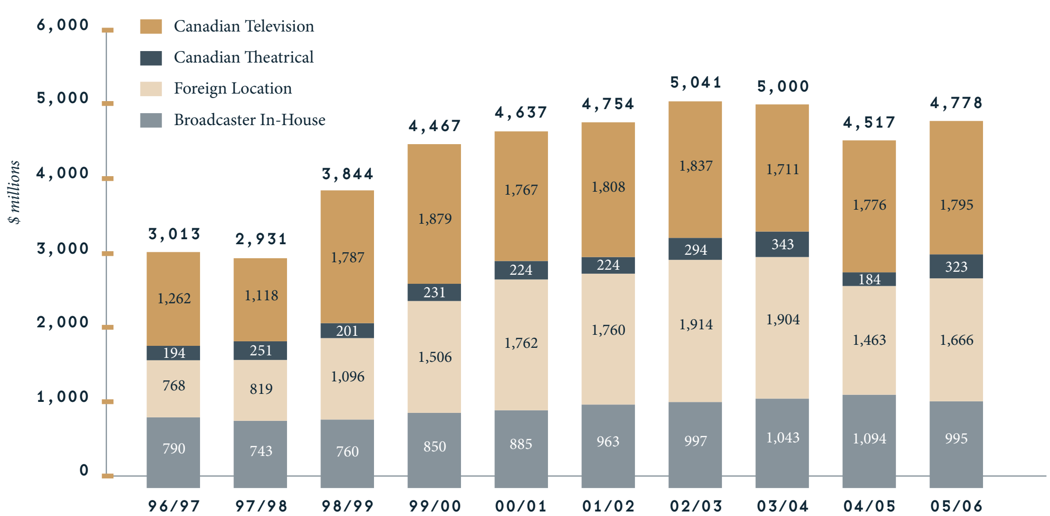
- While Telefilm Canada's treaty co-production statistics show another sharp drop in treaty co-production activity in 2005 (calendar year), data from the Canadian Audio-Visual Certification Office (CAVCO) indicate that a larger number of higher-budget Canadian feature films – some being treaty co-productions – contributed to a strong recovery in Canadian feature film production.

- Policy and regulatory developments in Europe and in the United Kingdom (U.K.) have severely undermined Canada's treaty co-production sector: treaty co-production dropped by 24% and bi-partite activity with the U.K. fell by 54%. However, recent changes to the tax-regime in the U.K. may help to reverse this trend in future years.

- The string of increases in the tax credit rates across several provinces – beginning in December 2004 – has helped maintain production levels in certain provinces and even increased activity in some cases.

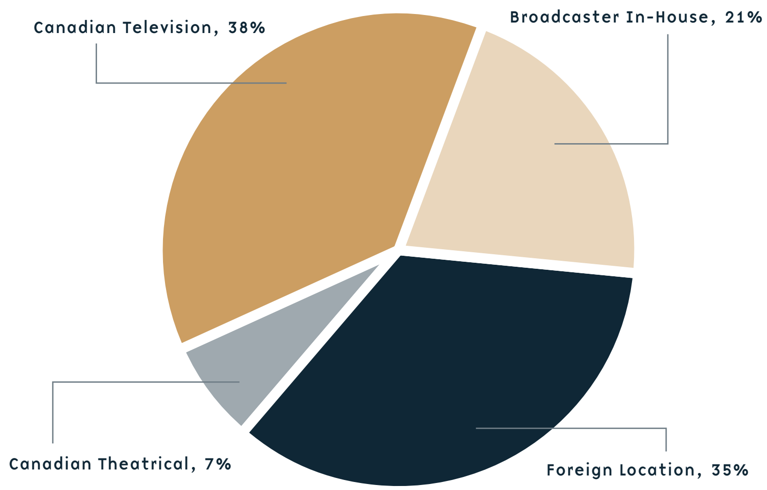
- French-language Canadian feature films captured an outstanding 27% box office share in 2005, lifting Canadian films' share of the domestic box office to 5.5%. In 2006 however, French-language films' box office share dropped to 17%, while the overall market share of Canadian films declined to 4.2%.

Exhibit 1: Total volume of film and television production



Source: Estimates based on data collected from CAVCO, CRTC, CBC/SRC, the Association of Provincial Funding Agencies and the Department of Canadian Heritage.
Some totals may not add due to rounding
Note: 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 2005/06 the bulk of data sources were for the government fiscal year (April 2005 to March 2006). However, some data sources that reported results on a fiscal-year period ending in August 2005 are included in the fiscal year 2005/06.

Exhibit 2: Total volume of film and television production, share by segment, 2005/06



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

Note: Some totals may not add due to rounding

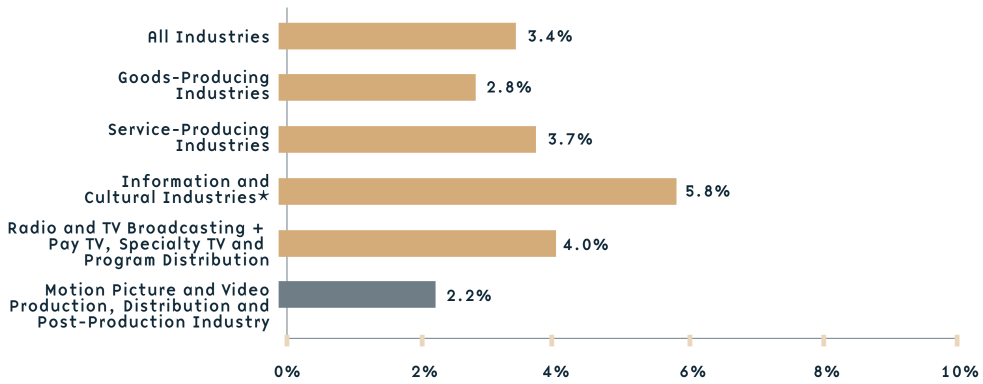
2.2 Real GDP Growth in Film and Video Production and Other Industries

The film and television production industry is included in the aggregate category, *Motion Picture and Video Production, Distribution and Post-Production Industry*.

- **Real GDP** in the motion picture and video production, distribution and post-production industry grew by an average annual rate of **2.2%** between 1998 and 2005, trailing the growth in the overall economy by 1.2 percentage points.

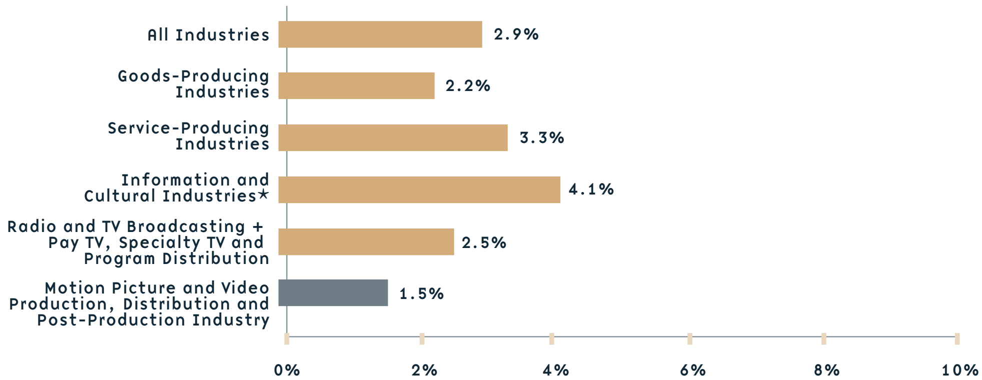
- In 2005, the motion picture and video production, distribution and post-production industry's real GDP increased by 1.5%, while the overall Canadian economy's real GDP grew by 2.9%.

Exhibit 3: Average annual real GDP growth by industry, 1998 to 2005



Source: Calculations based on data from Statistics Canada
* 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.

Exhibit 4: Annual real GDP growth by industry, 2005



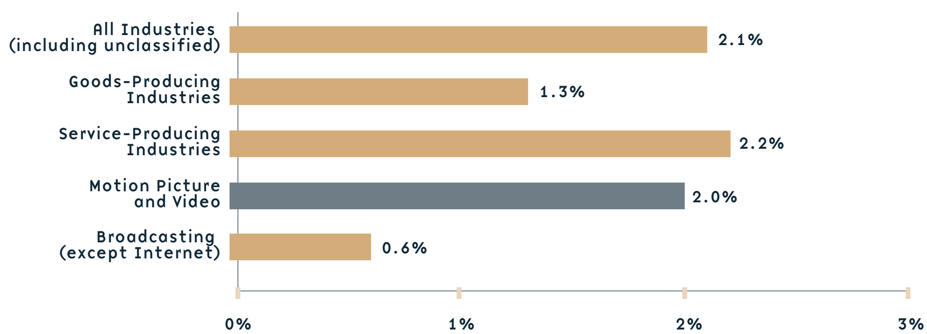
Source: Calculations based on data from Statistics Canada
* Based on the North American Industry Classification System, Information and Cultural Industries includes publishing industries (except Internet), motion picture and sound recording industries, broadcasting (except Internet), Internet publishing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

2.3 Employment in Film and Television Production in Canada

The film and television production industry has been an engine of job creation during the last several years. Its record of job creation has been on par with that of the overall economy and service-producing industries.

- From 1998 to 2005, employment in the *motion picture and video industries*[1] grew at an average annual rate of 2%.[2] This growth was in line with the service economy in Canada, which has been taking up the slack of slower growth in employment in the goods-producing industries.
- This rate of growth was just shy of the employment growth in the overall economy, which experienced average annual job growth of 2.1%.
- The employment growth of the production sector is superior to the slow-growing broadcasting sector; the latter posted annual average employment growth of only 0.6% between 1998 and 2005.

Exhibit 5: Average annual growth of total jobs (full-time and part-time) in industry sectors, 1998 to 2005



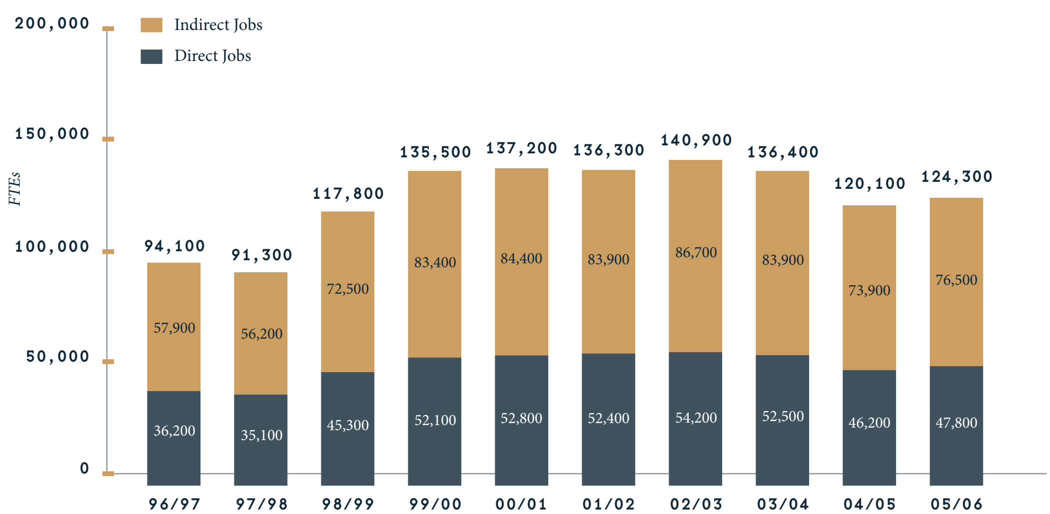
Source: Calculations based on data from Statistics Canada

1. 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 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. Nordicity Group's job estimates are not strictly comparable to those of Statistics Canada. Nordicity Group's employment figures are estimates for full-time equivalent 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 segment of the industry.

The Canadian film and television production industry increased its employment base in 2005/06 and continued to employ thousands of Canadians. On the whole, the industry generated an estimated **124,300** full-time equivalent jobs (FTEs) in Canada.

- **Direct jobs** include persons employed by production companies and directly involved in the film and television production process. In 2005/06, the Canadian production industry generated **47,800 direct** FTEs.
- The Canadian production industry's contribution to Canadian employment is not limited to direct jobs, however. The production industry acquires goods and services from other Canadian industries, and so, generates jobs in these industries – these jobs 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. In 2005/06, the Canadian production industry generated **76,500 indirect** FTEs.
- Both the number of direct and indirect FTEs generated by film and television production activity increased by 8% in 2005/06, as production activity itself increased. This marked the first annual increase in the number of FTEs generated by the industry since 2002/03.

Exhibit 6: Number of full-time equivalent jobs (FTEs) in Canadian film and television production



Source: Estimates based on data collected from CAVCO, Statistics Canada, CRTC, CBC/SRC, the Association of Provincial Funding Agencies and the Department of Canadian Heritage.

2.4 Export Value of Film and Television Production in Canada

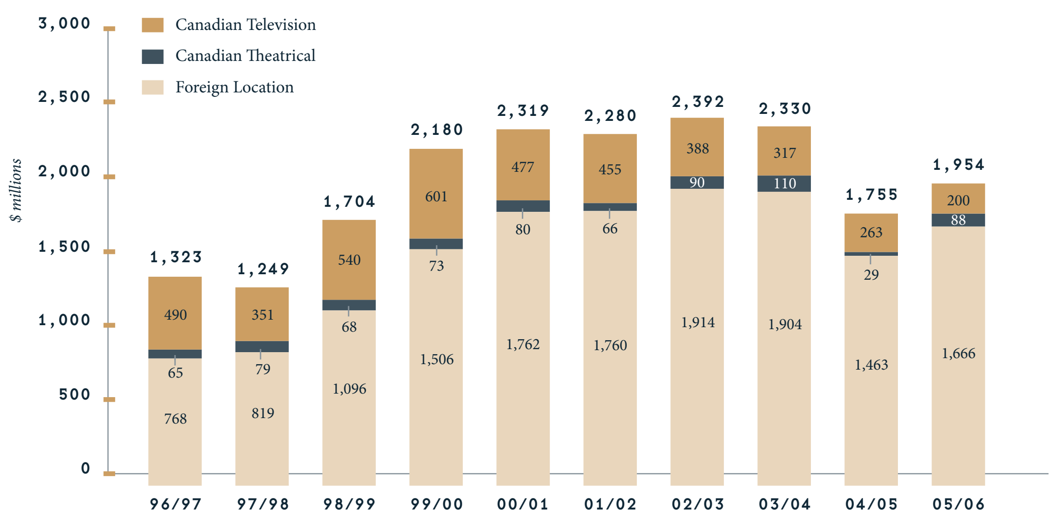
Export value tracks the value of international financial participation in the Canadian production industry. The term "export value" as opposed to just "exports" has been used to better reflect the nature of film and television production in Canada. First, this indicator acknowledges that film and television 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 the total value of foreign location production in Canada.

The **export value** of film and television production in Canada was just under **$2 billion** in 2005/06 – an increase of 11% from 2004/05. This increase was driven by recoveries from the previous year's decline in foreign location production and the foreign financing of Canadian feature films.

- **Foreign location production** increased by 14% to **$1.66 billion**.
- The export value of **Canadian theatrical films** increased by three-fold to a total of **$88 million**.
- The export value of **Canadian television** programs decreased by 24%, or $63 million, to a total of $200 million. The export value of Canadian television production in 2005/06 was 67% lower than the peak level of $601 million in 1999/00.

The decrease in the export value of **Canadian television production** can be attributed to two factors. First, data for Canadian television production indicate that the share of productions with nine or ten Canadian content points increased significantly during the last few 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.

Exhibit 7: Export value of film and television production in Canada



Source: Estimates based on data collected from CAVCO, the Association of Provincial Funding Agencies and the Department of Canadian Heritage.
Some totals may not add due to rounding
Note: 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. This aspect of the CAVCO certification process may also contribute to the decrease in foreign financing levels and the export value of CAVCO productions.

2.5 Volume of Production by Province

Ontario had the highest volume of film and television production among the provinces, with just over $1.8 billion of total production in 2005/06. British Columbia[3] resumed its position as Canada's second largest centre of production in 2005/06, with total volume of just under $1.4 billion. Quebec was the third largest centre of production in Canada, with just over $1.1 billion in activity.

3. Figures for film and television production in the Territories (Nunavut, Yukon, Northwest Territories) have been combined with figures for British Columbia.

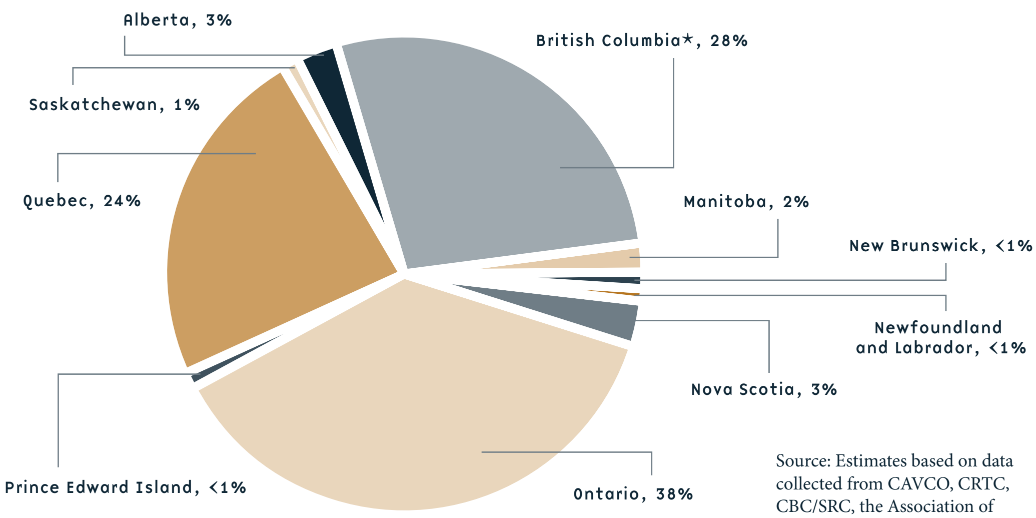
While British Columbia, Nova Scotia, Alberta, and Newfoundland and Labrador each saw an increase in their production levels, Ontario, Quebec, Manitoba, Saskatchewan, New Brunswick and Prince Edward Island all experienced a decline in activity in 2005/06.

Exhibit 8: Volume of film and television production by province

($ millions)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Ontario	1,346	1,217	1,506	1,724	1,841	1,942	1,952	1,795	1,895	1,819
British Columbia*	568	583	843	1,079	1,164	1,165	1,158	1,548	919	1,359
Quebec	835	873	1,092	1,181	1,172	1,218	1,394	1,228	1,271	1,140
Nova Scotia	71	66	124	135	119	131	138	130	115	151
Alberta	124	105	133	237	180	154	198	116	114	122
Manitoba	35	36	64	44	70	74	86	113	96	83
Saskatchewan	21	36	50	37	41	32	86	42	71	58
Newfoundland and Labrador	5	4	9	7	12	15	6	8	7	25
New Brunswick	7	11	21	15	32	17	16	17	28	19
Prince Edward Island	1	1	2	8	7	8	10	5	2	1
Total	**3,013**	**2,931**	**3,844**	**4,467**	**4,637**	**4,754**	**5,041**	**5,000**	**4,517**	**4,778**

Source: Estimates based on data collected from CAVCO, CRTC, CBC/SRC, the Association of Provincial Funding Agencies and the Department of Canadian Heritage.
Note: 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 2007 due to such differences as data collection periods (fiscal vs. calendar year) and production activity reported on the basis of location of spend. Some totals may not add due to rounding.
* Includes the Territories

Exhibit 9: Share of total volume of production by province, 2005/06



Source: Estimates based on data collected from CAVCO, CRTC, CBC/SRC, the Association of Provincial Funding Agencies and the Department of Canadian Heritage.
* Includes the Territories

Exhibit 10: Total direct and indirect full-time equivalent jobs (FTEs) generated by film and television production, by province

	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Ontario	42,100	38,000	46,300	52,300	54,300	55,600	54,600	48,900	50,400	47,300
British Columbia*	17,700	18,200	25,700	32,800	34,300	33,300	32,200	42,100	24,400	35,400
Quebec	26,000	27,300	33,500	35,900	34,600	34,800	39,000	33,500	33,800	29,600
Nova Scotia	2,300	2,100	3,900	4,200	3,600	3,600	3,900	3,600	3,100	3,900
Manitoba	1,000	1,000	2,100	1,300	2,100	2,100	2,300	3,100	2,600	2,100
Alberta	3,900	3,400	4,200	7,300	5,200	4,400	5,500	3,100	3,100	3,100
Saskatchewan	800	1,000	1,600	1,000	1,300	1,000	2,300	1,000	1,800	1,600
Newfoundland and Labrador	300	0	300	300	300	500	300	300	300	500
New Brunswick	300	300	500	500	1,000	500	500	500	800	500
Prince Edward Island	0	0	0	300	300	300	300	300	150	25
Total	**94,400**	**91,300**	**118,100**	**135,900**	**137,000**	**136,100**	**140,900**	**136,400**	**120,450**	**124,025**

Source: Estimates based on data collected from CAVCO, CRTC, CBC/SRC, the Association of Provincial Funding Agencies, Statistics Canada and the Department of Canadian Heritage.
Some totals may not add due to rounding and the sum total of jobs may differ from amounts in Exhibit 6 due to rounding.
* Includes the Territories

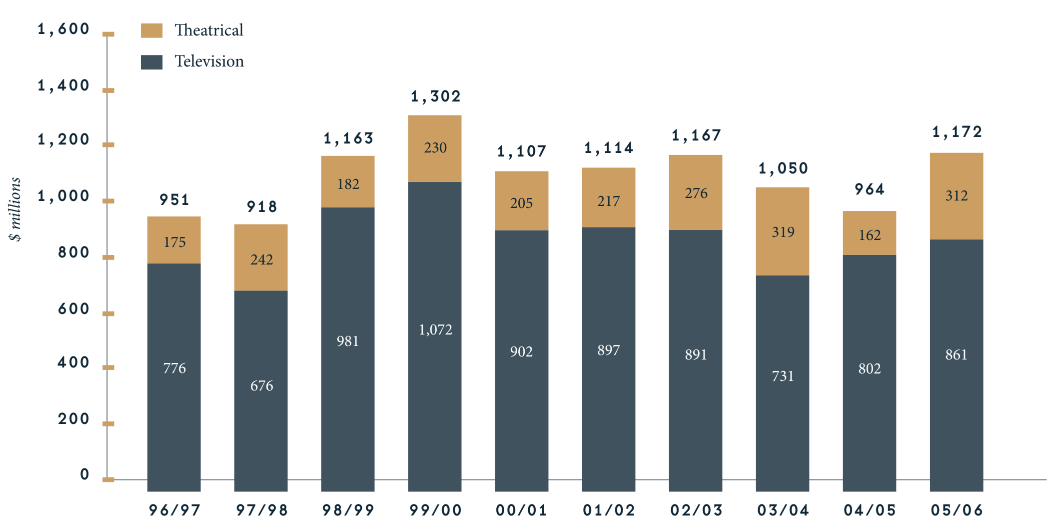
2.6 Genres of Film and Television Production

Fiction

The fiction genre is very much the stalwart of the audio-visual entertainment sector. It encompasses many television sub-genres such as situational comedy, the soap opera, téléromans, crime drama, and many more. This genre also characterizes the vast majority of theatrical-release production, where action-adventure, horror, mystery and romance are just some of the sub-genres one finds on the big screen.

In 2005/06, Canadian fiction production jumped by 22% to a total of $1.17 billion. This increase followed a two-year period in which fiction production dropped by 17%. So, the recovery in 2005/06 returned production levels in this genre to where they were in 2002/03. The increase in fiction production can be traced back to a steady increase in television production over the last few years, and a jump in theatrical fiction production in 2005/06.

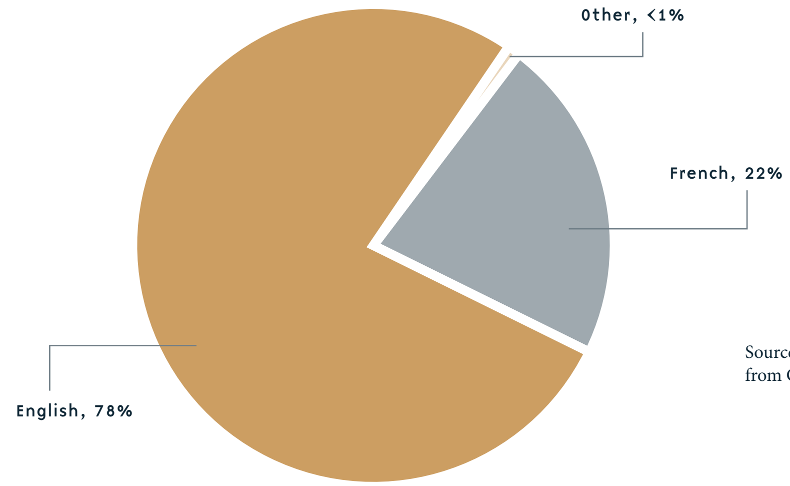
Exhibit 11: Total volume of fiction production



Source: Estimates based on data from CAVCO
Some totals may not add due to rounding

On a dollar-volume basis, just over three-quarters of Canadian fiction production in 2005/06 was for English-language television and theatrical markets; 22% of the production volume was for French-language markets; while fiction production in other languages accounted for less than 1% of the total volume of production in the genre.

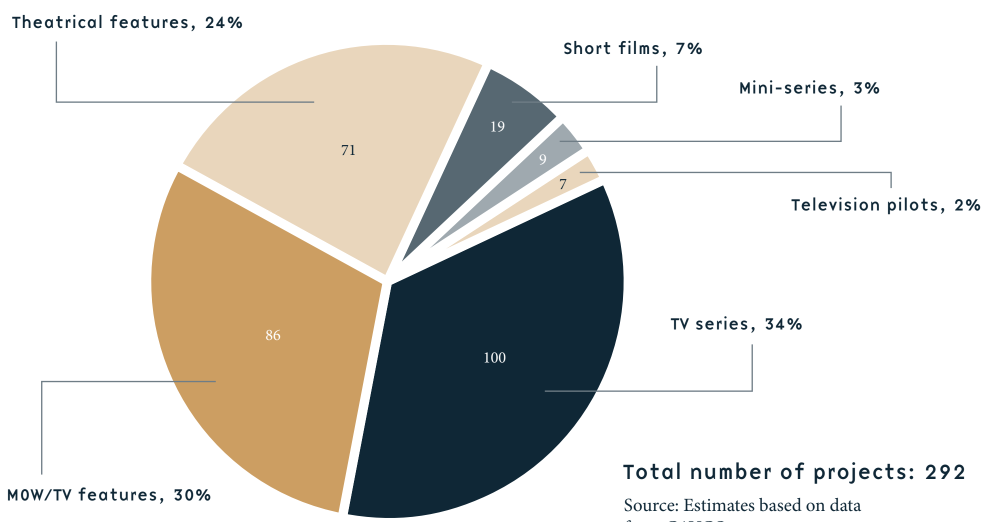
Exhibit 12: Volume of fiction production, by language, 2005/06



Source: Estimates based on data from CAVCO

Canadian fiction production is spread across many different formats. In 2005/06, 100 Canadian fiction projects (34%) were television series. There were 86 movies-of-the-week (MOWs) and feature films for television accounting for 30% of projects; 71 theatrical-release feature films accounting for 24%; 19 short films accounting for 7%; nine mini-series (3%) and seven pilots (2%).

Exhibit 13: Number and share of fiction projects, by type, 2005/06



Total number of projects: 292

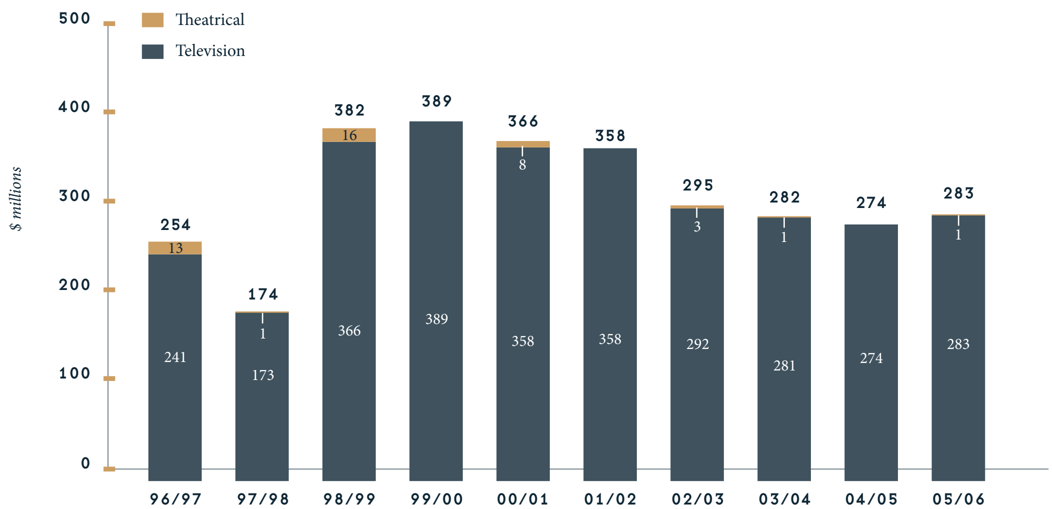
Source: Estimates based on data from CAVCO

Children's programming

Canadians are known around the world for creating entertaining animation and live-action children's programming. Canadian-made children's programs not only enrich the lives of young Canadians, but are also enjoyed by audiences in other countries. *Life with Derek, This is Emily Yeung, Franklin,* and *Angela Anaconda* are just some of the programs airing on Canadian and foreign broadcasters. In Canada's French-language market, programs such as *Ramdam*, *Une grenade avec ça?*, and *Macaroni tout garni* have strong followings among francophone viewers.

Since 1999/00, the total volume of children's production in Canada has been on a steady decline. In 2005/06, however, the volume of production rose slightly from $274 million to $283 million, following five straight years of decline.

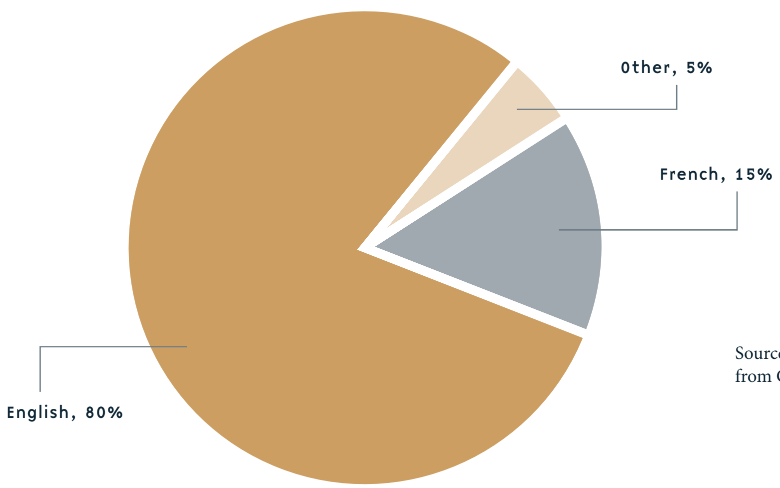
Exhibit 14: Total volume of children's production



Source: Estimates based on data from CAVCO
Some totals may not add due to rounding

On a dollar-volume basis, most children's programming in Canada is produced initially for English-language markets. In 2005/06, 80% of programming in this genre was originally produced in English; 15% of production was in originally made French; and 5% was produced in other languages.

Exhibit 15: Volume of children's production, by language, 2005/06



Source: Estimates based on data from CAVCO

A more detailed look at the breakdown of children's production reveals that a large share of the genre's production in the English language can be traced back to the fact that much of the animation production in the genre is produced originally in English. The vast majority of French-language production in the children's genre is in the live-action format. Overall, French-language production accounted for 29% of total live-action production in the genre.

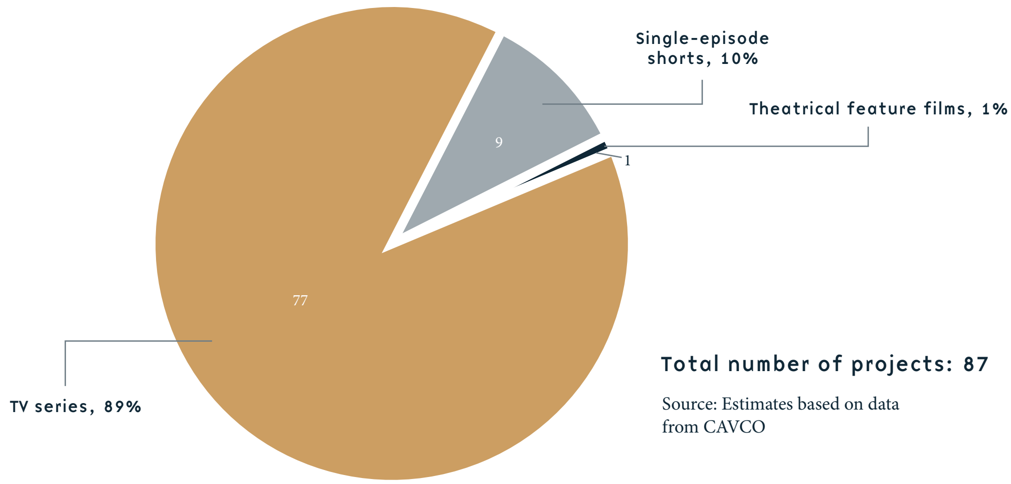
Exhibit 16: Volume of children's production by language and format, 2005/06

($ millions)	Live Action	Animation	Total
English	97	131	228
French	40	3	43
Bilingual	1	12	13
Total	**138**	**146**	**283**

Source: Estimates based on data from CAVCO
Some totals may not add due to rounding

In 2005/06, 77 projects (89%) in the children's genre were television series. Single-episode shorts (predominantly for television release) accounted for nine projects or 10% of the total; and there was one theatrical feature film (1%).

Exhibit 17: Number and share of children's projects, by type, 2005/06



Total number of projects: 87

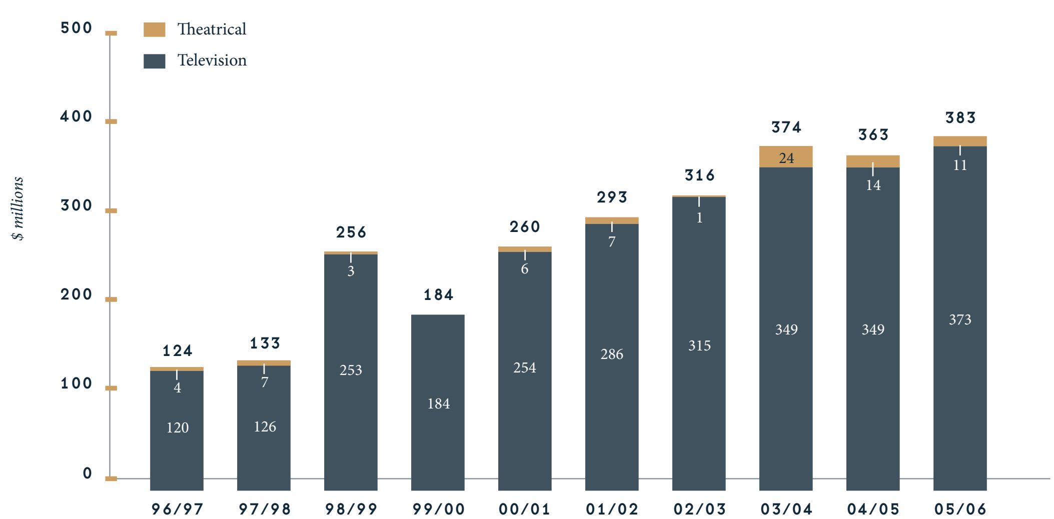
Source: Estimates based on data from CAVCO

Documentary

Canada has a longstanding reputation for being the home of award-winning and socially powerful documentaries. Canadians can find home-grown documentaries throughout the multi-channel universe and in theatres. Production statistics indicate, however, that the vast majority of Canadian-produced documentaries have been made primarily for the television-release window.

Since 1999/00, the total volume of documentary production in Canada has been on a steady increase. There was a slight dip in production activity in 2004/05; but in 2005/06, documentary production resumed its climb and reached a total volume of $383 million.

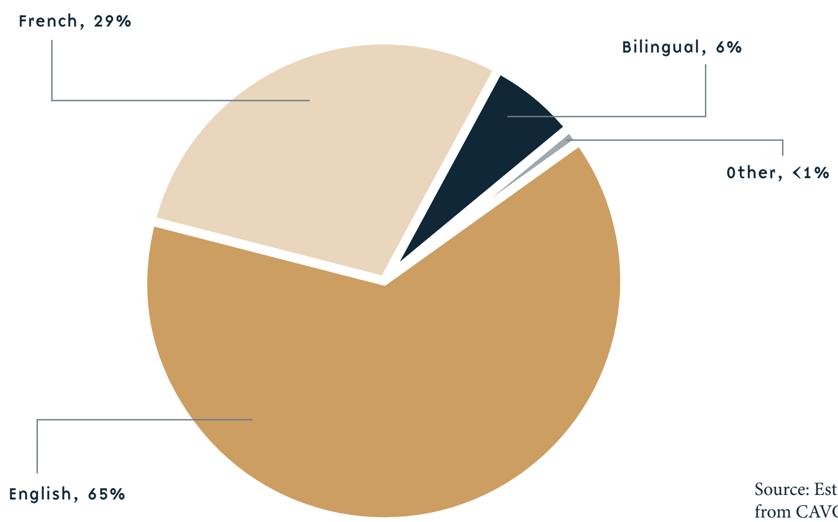
Exhibit 18: Total volume of documentary production



Source: Estimates based on data from CAVCO
Some totals may not add due to rounding

On a dollar-volume basis, just under two-thirds of Canadian documentaries produced in 2005/06 were made initially for English-language markets. Documentaries made initially for French-language markets accounted for 29% of production. Bilingual documentary production accounted for 6%; production in other languages comprised less than 1%.

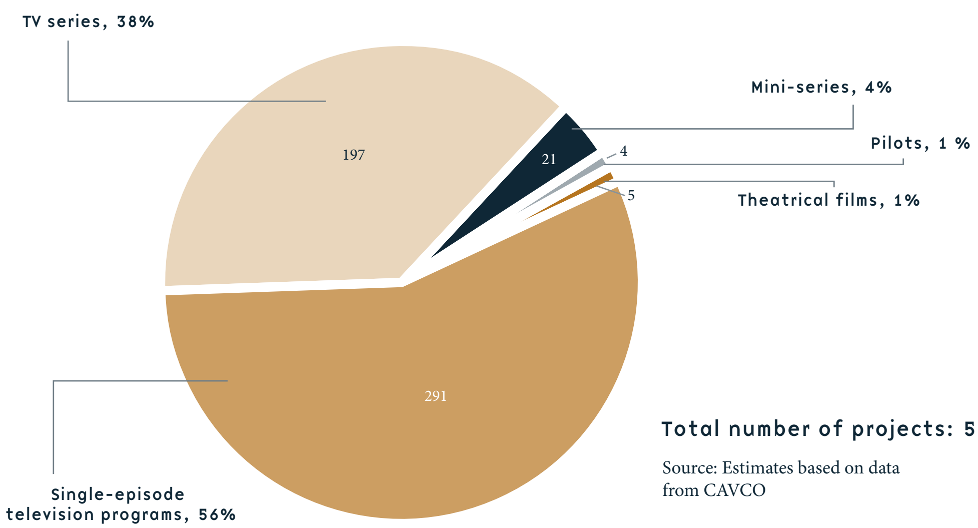
Exhibit 19: Volume of documentary production, by language, 2005/06



Source: Estimates based on data from CAVCO

In 2005/06, there were 291 single-episode programs for television comprising 56% of the total number of documentary projects; this category included short films (less than 30 minutes in length), and feature-length programming. There were 197 television series, accounting for 38%; there were 21 television mini-series (4%), five theatrical films (1%) and four pilots (1%).

Exhibit 20: Number and share of documentary projects, by type, 2005/06



Total number of projects: 518

Source: Estimates based on data from CAVCO

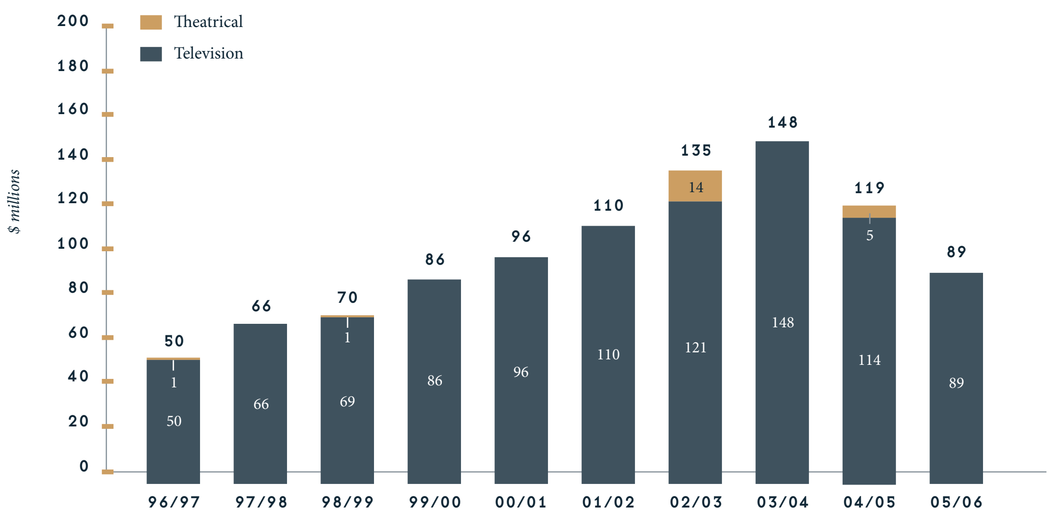
Variety and Performing Arts

Variety and performing arts programming has been a mainstay of the Canadian production industry for many decades. From *Just for Laughs* to *Belle et Bum*, Canadian televisions audiences have always been drawn to this genre as a favourite source of entertainment.

In 2005/06, production in the variety and performing arts genre totalled $89 million. With a few exceptions, in the last ten years, virtually all of the programming in this genre has been in the Canadian television segment.

After experiencing steady growth during the late 1990s and early years of this millennium, production in the variety and performing arts genre experienced a sharp drop in recent years: by 2005/06 the volume of production was 40% lower than the peak level reached in 2003/04.

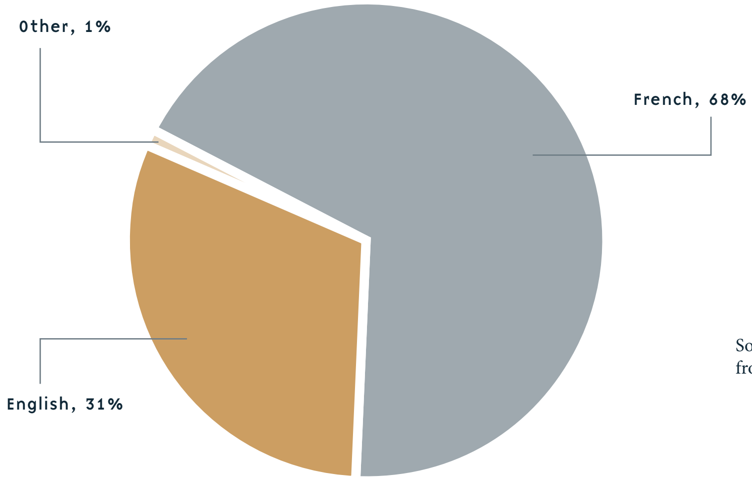
Exhibit 21: Total volume of variety and performing arts production



Source: Estimates based on data from CAVCO
Some totals may not add due to rounding

On a dollar-volume basis, most variety and performing arts programming in Canada is produced in the French-language market. In 2005/06, approximately two-thirds of programming in this genre was made in French; 31% of production was in English; and 1% was produced in other languages.

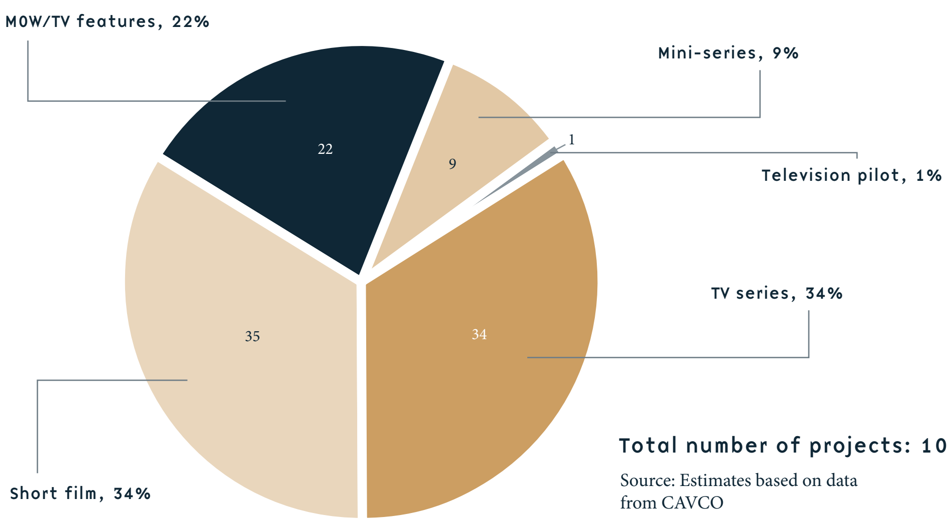
Exhibit 22: Volume of variety and performing arts production, by language, 2005/06



Source: Estimates based on data from CAVCO

In 2005/06, variety and performing arts production was comprised of 35 short films (34%), 34 television series (34%), 22 MOWs and television feature films (22%), nine mini-series (9%) and one pilot (1%).

Exhibit 23: Number and share of variety and performing arts projects, by type, 2005/06



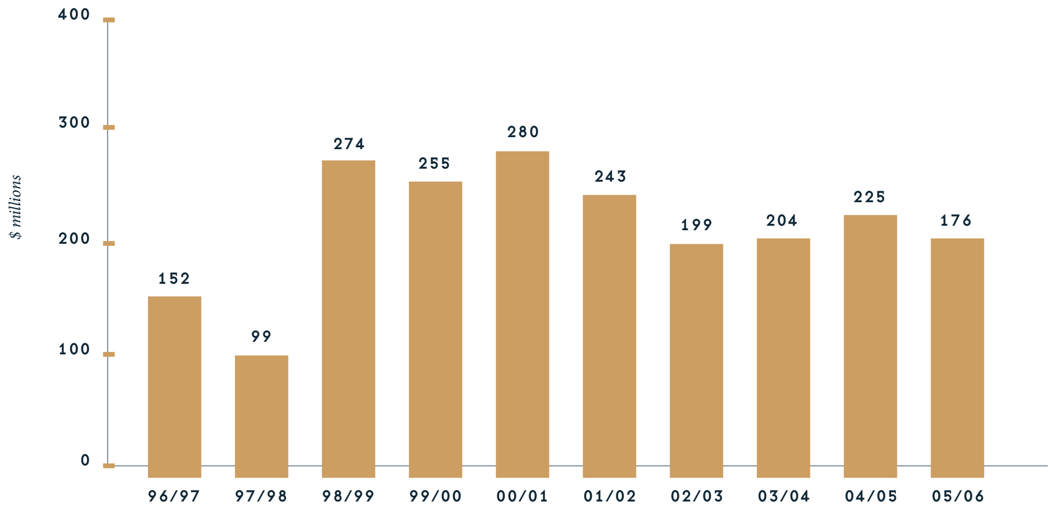
Total number of projects: 101

Source: Estimates based on data from CAVCO

Animation

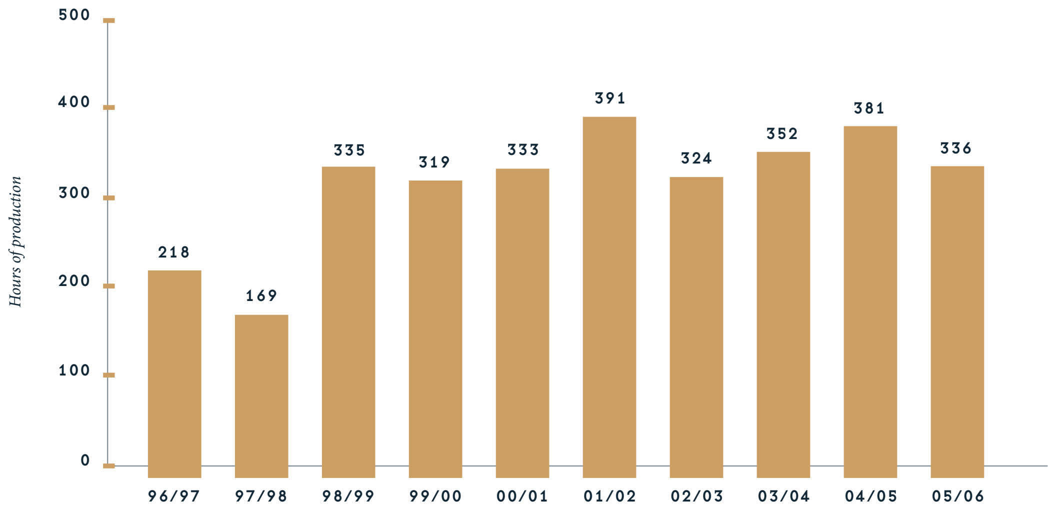
The Canadian production community has long been a global leader in animation production. Several successful independently produced Canadian animation programs, including *Toupie et Binou, Kid Paddle, Atomic Betty, Caillou* and *Arthur* have aired on children's broadcasters around the world. In 2005/06, the total volume of Canadian animation production was $176 million. Canadian producers made 336 hours of animation. Children's programming accounted for 83% of the Canadian animation production in 2005/06.

Exhibit 24: Total volume of Canadian animation production



Source: Estimates based on data from CAVCO

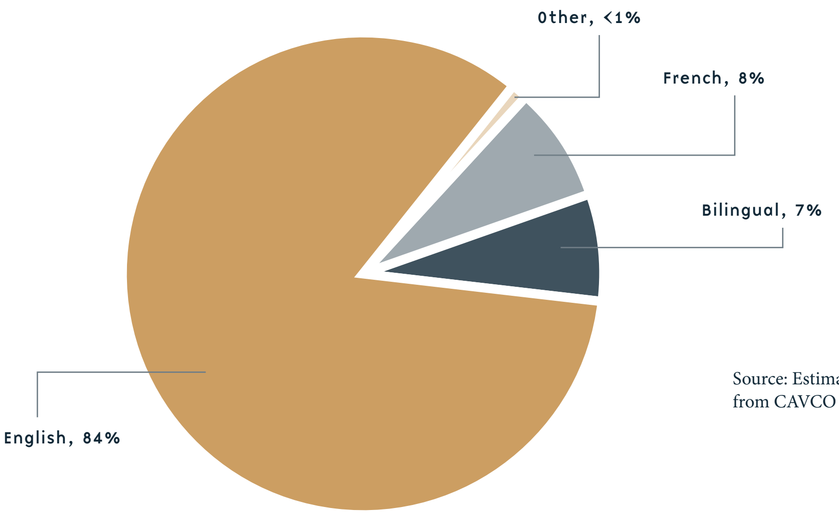
Exhibit 25: Total number of hours of Canadian animation production



Source: Estimates based on data from CAVCO

The vast majority of animation production (84%) in 2005/06 was originally produced in English. Approximately 8% of overall animation production was originally produced in French; while 7% was produced in a bilingual format. Less than 1% of animation production was produced in other languages.

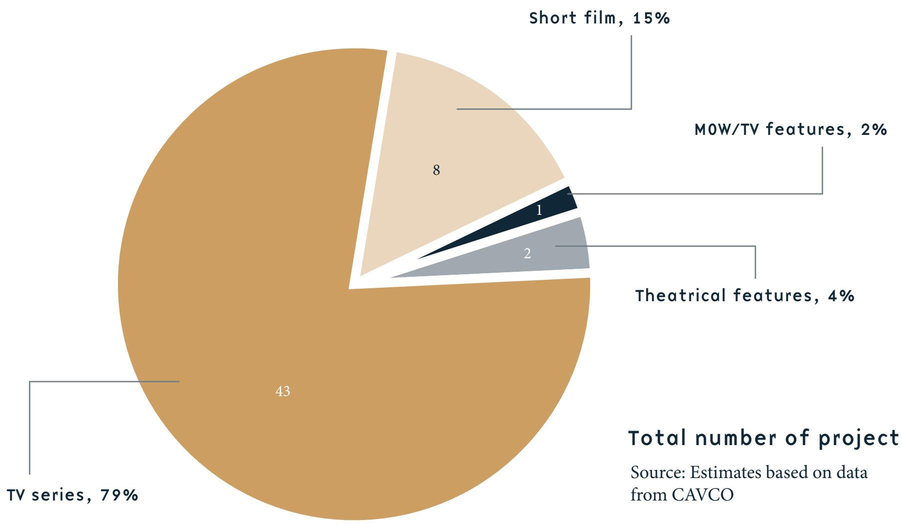
Exhibit 26: Volume of animation production, by language, 2005/06



Source: Estimates based on data from CAVCO

In 2005/06, Canadian animation producers made 43 television series, comprising 79% of the total number of projects, eight short films (15%), two theatrical features (4%), and one television feature (2%).

Exhibit 27: Number and share of animation projects, by type, 2005/06



Total number of projects: 54

Source: Estimates based on data from CAVCO

3. Canadian Television Production

Canadian television production includes the production of various genres of television series, mini-series, MOWs, television feature films and short films made primarily for the television audiences. It includes productions that are certified as Canadian content by either CAVCO or the Canadian Radio-television and Telecommunications Commission (CRTC).

HIGHLIGHTS

- Canadian television production increased by 1% to just under $1.8 billion in 2005/06.
- Canadian television production generated 46,700 full-time equivalent jobs in Canada, including 18,000 directly in production activities.
- Television-series production of various genres was the largest component of Canadian television production; it totalled just under $1.3 billion in 2005/06.
- Fiction television production increased by 7% in 2005/06, and totalled $861 million; children's programming production increased by 3% to $283 million; documentary production also increased by 7% to $373 million; magazine-program production decreased by 6% to $133 million; variety and performing arts programming dropped by 22% to $89 million.
- The total volume of English-language television production decreased by 1% to under $1.3 billion; the total volume of French-language television production increased by 7% to $511 million; the total volume of bilingual production and production in other languages declined by 3% to $44 million.
- The total volume of ten-point (or full-point) television production comprised 80% of the total volume of Canadian television production in 2005/06.
- In 2005/06, the average per-hour broadcast licence fee for English-language Canadian fiction productions was $271,000; for French-language productions, the average was $168,000 per hour.
- The CTF made financial contributions of $249 million to support $817 million in television production in 2005/06.

The Canadian television production segment represents the largest single segment of the Canadian industry. It accounts for the largest share of spending and employs more people than any other industry segment.

Canadian audiences continue to enjoy watching home-grown television programming. In Canada's French-language television market, several prime-time television dramas attract large numbers of Canadian viewers. Programs such as *Annie et ses hommes*, and *Un homme mort* attract audiences in excess of one million viewers per episode. In the English-language market, television series such as *Corner Gas, DeGrassi: The Next Generation, Trailer Park Boys*, and *Royal Canadian Air Farce* have strong audience followings in prime time, in spite of the competition they face from high-budget American series.

3.1 Total Volume of Canadian Television Production

While Canadian television production increased slightly in 2005/06, it was still below the peak level of production attained in 1999/00.

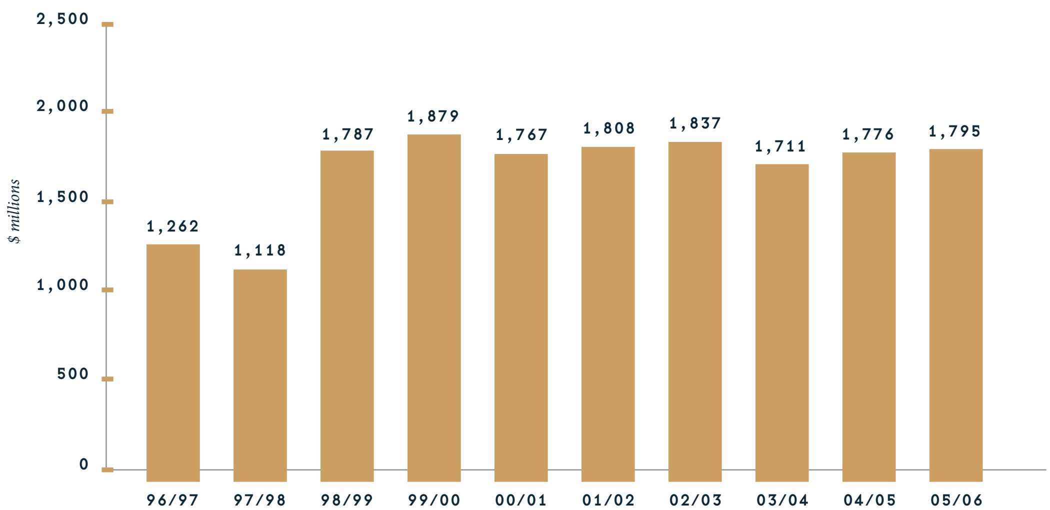
In 2005/06, the total volume of Canadian television production increased by 1% to just under $1.8 billion. This amount was spent on the creation of an estimated 7,929 hours of original television programming. In fact, the level of Canadian television production has not changed very much over the last eight years, since the jump to just under $1.8 billion in 1998/99.

The flat growth in the Canadian television production reflects conditions in the international and domestic market. International markets did not provide additional demand to raise Canadian television production. The lack of any new domestic stimulus for production from the Canadian broadcasting system – particularly in the English-language market – muted any growth of original Canadian content.

In the English-language market, only fiction production experienced a year-over-year increase in the volume of production. In the French-language market, the largest production genres – fiction, children's and documentary – all experienced increases in production volumes (see Section 3.5). Without these increases, the overall volume of Canadian television production would have declined in 2005/06, rather than show a slight increase.

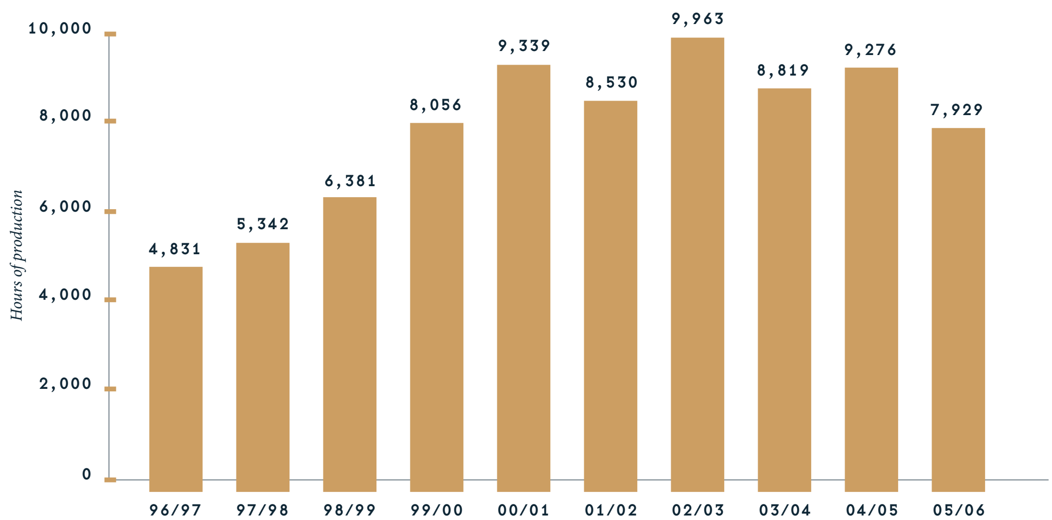
The fact that production volume held relatively steady while the number of hours of production dropped implies that the average hourly budget of productions rose. This higher average budget stems from the increase in fiction production in the English-language market, since English-language fiction is, by far, the most expensive genre to produce (see Section 3.6). As volume in the Canadian television production segment increases, fewer hours of programming are made with limited production financing available to the system. In fact, over the last seven years, the number of hours of Canadian television production has zigzagged, alternatively rising, then falling by about the same amount.

Exhibit 28: Total volume of Canadian television production



Source: Estimates based on data collected from CAVCO
Note: Canadian television production includes CAVCO-certified television production and an estimate for CRTC-certified production. Canadian television production also includes production with non-theatrical release.

Exhibit 29: Total hours of Canadian television production



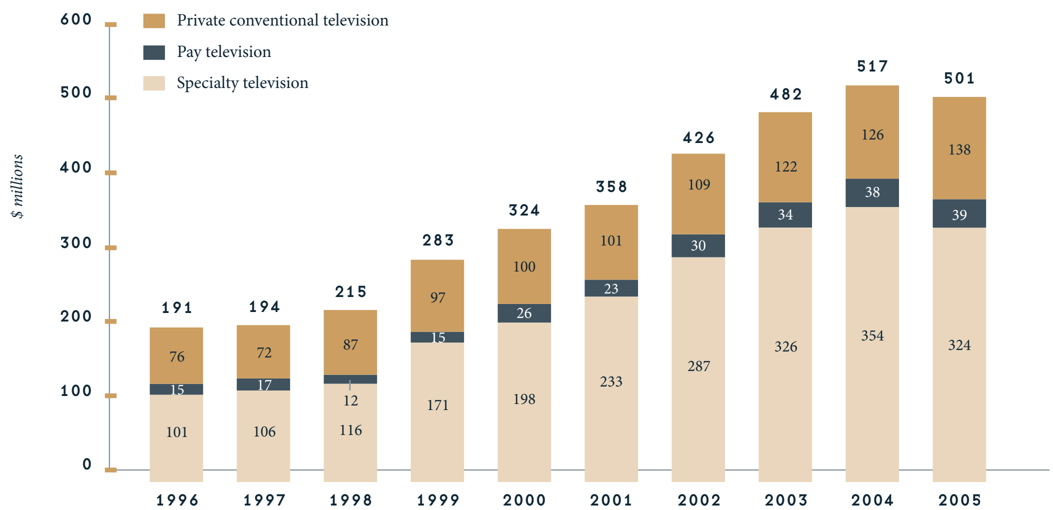
Source: Estimates based on data from CAVCO

3.2 Canadian Broadcaster Program Spending and Financial Performance

The CRTC reports annual statistics on Canadian broadcasters' expenditures on Canadian programming. These statistics provide another indication of broadcasters' annual contribution to the financing of Canadian television programs.

- According to these data, during the 2005 broadcasting year (September 2004 to August 2005), Canadian broadcasters made expenditures of $501 million on Canadian television programs – a decrease of 3%.
- Most of the decrease in 2005 can be attributed to the decreased spending by Canadian specialty television services. Specialty-television services decreased their spending by $30 million, or 8%, in 2005.

Exhibit 30: Expenditures on Canadian independent production by private Canadian broadcasters

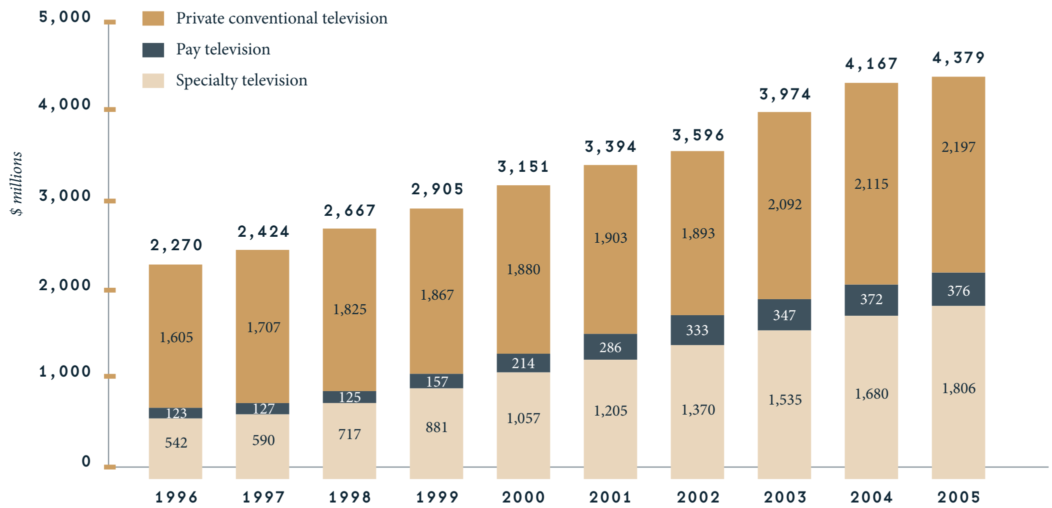


Source: Data obtained from the CRTC
Some totals may not add due to rounding.
Note: Spending on Canadian Independent Production Programming refers to programming and production expenses of conventional television licensees, and Canadian program amortization of specialty- and pay-television licensees.

The total revenues of Canadian broadcasters increased by $212 million, or 5%, during the 2005 broadcasting year. Each of the three broadcaster segments posted increases in 2005.

- Private conventional broadcasters increased their total revenues by $82 million, or 4%, to $2.2 billion.
- The total revenues of pay-television services increased by $4 million, or 1%, to $376 million.
- The total revenues of specialty-television services rose by $126 million, or 8%, $1.8 billion.

Exhibit 31: Total revenues of private Canadian broadcasters

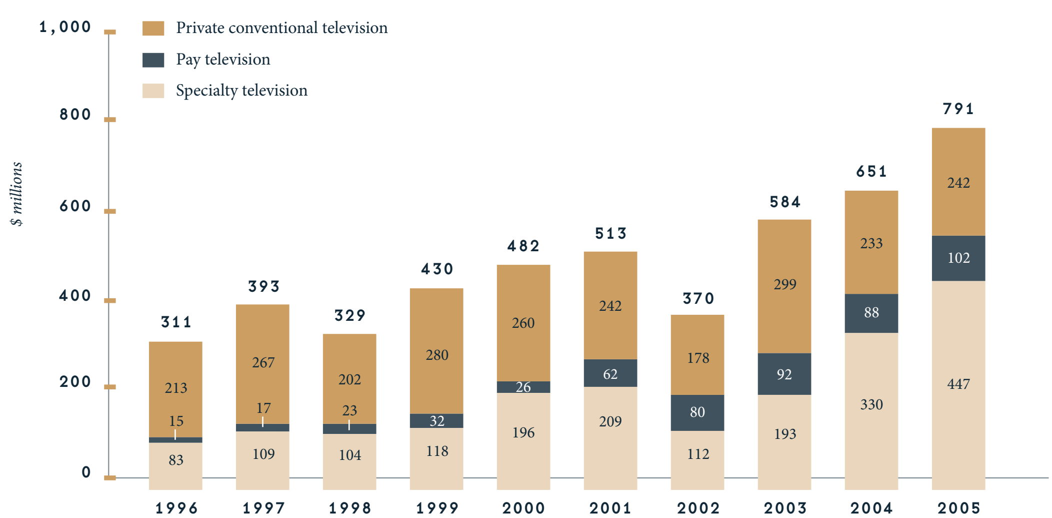


Source: Data obtained from the CRTC
Some totals may not add due to rounding.

In 2005, Canada's private broadcasters posted record profit before interest and taxes (PBIT) totalling $791 million. The combined PBIT posted by broadcasters increased by $140 million, or 22%. Each of the three broadcaster segments experienced significant increases in profitability in 2005.

- Private conventional broadcasters increased their PBIT by $9 million, or 4%, to $242 million.
- The PBIT of pay-television services increased by $14 million, or 16%, to $102 million.
- The PBIT of specialty-television services rose by $117 million, or 35%, to reach a total of $447 million.

Exhibit 32: Total profit before interest and taxes (PBIT) of private Canadian broadcasters



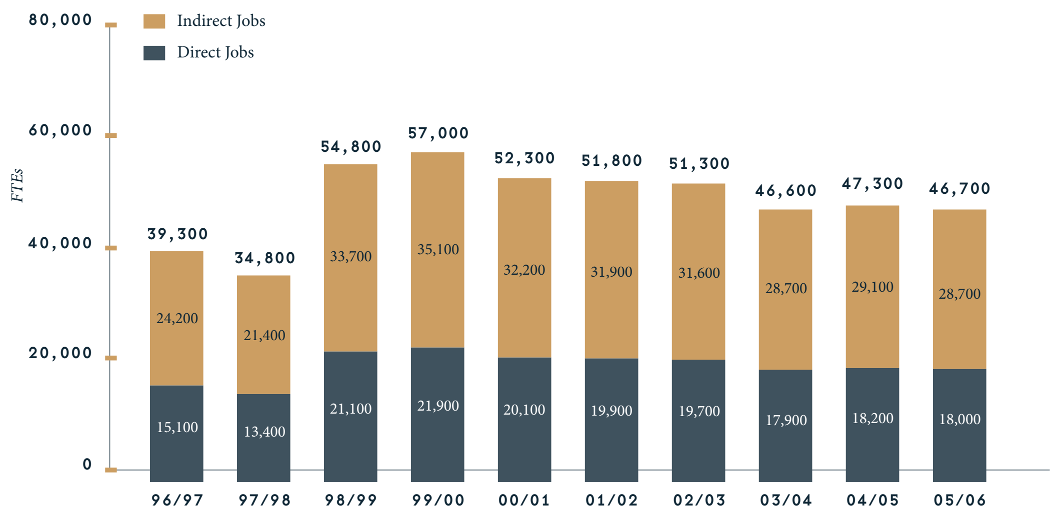
Source: Data obtained from the CRTC

3.3 Direct and Indirect Jobs in Canadian Television Production

In 2005/06, Canadian television production generated an estimated **46,700** full-time equivalent jobs (FTEs) in Canada.

- Direct jobs in Canadian television production: 18,000
- Indirect jobs in other industries: 28,700

Exhibit 33: Number of full-time equivalent jobs (FTEs) in Canadian television production



Source: Estimates based on data from CAVCO and Statistics Canada

3.4 Types of Television Production

Since 1996/97, the vast majority of Canadian television productions have been television series of various genres. MOWs and television movies, short films, and mini-series have accounted for a smaller share of Canadian television production activity. In 2005/06:

- **Television-series** production totalled just under **$1.3 billion**.
- The production of **MOWs** and **made-for-television feature films** totalled **$307 million**.
- **Short film** production totalled **$133 million**.
- The production of television **mini-series** totalled **$71 million**.
- Production budgets for **television pilots** totalled **$6 million**.

Exhibit 34: Volume of television production by type

($ millions)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Series	1,016	878	1,412	1,518	1,432	1,410	1,400	1,345	1,329	1,278
MOW / Television feature films	146	130	206	216	191	165	182	154	223	307
Short film	49	46	90	75	78	134	102	132	144	133
Mini-series	43	54	68	66	59	86	144	72	74	71
Television pilot	7	10	11	5	6	13	9	8	7	6
Total	**1,262**	**1,118**	**1,787**	**1,879**	**1,767**	**1,808**	**1,837**	**1,711**	**1,776**	**1,795**

Source: Estimates based on data collected from CAVCO
Some totals may not add due to rounding

Statistics for the annual number of television projects by various types indicate that during the last few years there has been a shift in production activity away from television series to single-episode programming such as MOWs and television feature films.

- Between 2002/03 and 2005/06, the number of television series dropped from 697 to 593; while the number of MOWs and television feature films increased from 118 to 143.

Exhibit 35: Number of television projects by type

(Number)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Series	310	317	450	542	591	617	697	635	651	593
Short film	198	176	258	266	309	362	370	418	396	327
MOW / Television feature films	76	71	96	99	97	117	118	88	129	143
Mini-series	22	19	22	25	41	39	61	63	53	39
Television pilot	19	14	8	12	9	18	13	7	21	13
Total	**625**	**597**	**834**	**944**	**1,047**	**1,153**	**1,259**	**1,211**	**1,250**	**1,115**

Source: Estimates based on data collected from CAVCO

3.5 Television Production by Genre

In 2005/06, the fiction genre – the largest genre of Canadian television production – experienced an increase in activity of $59 million.

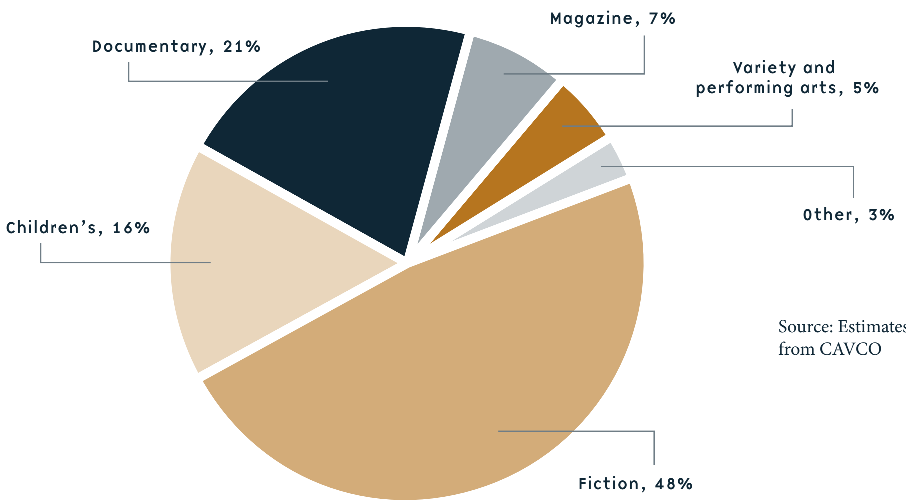
- **Fiction** production increased by 7%, to **$861 million**; this followed a 10% increase in 2004/05. Despite the increase in 2005/06, fiction production was still 20% below the peak of $1.1 billion in 1999/00. In 2005/06, production in the fiction genre represented 48% of Canadian television production.
- **Documentary** production increased by 7% to **$373 million**, and represented 21% of Canadian television production.
- **Children's** programming increased by 3% to **$283 million** in 2005/06, but was still 27% below the peak it attained in 1999/00. Production in the genre represented 16% of total Canadian television production in 2005/06.
- **Magazine-program** production decreased by 6% to **$133 million**, and represented 7% of Canadian television production.
- **Variety and performing arts** programming dropped by 22% to **$89 million**; this followed a 23% decrease in 2004/05. Variety and performing arts programming's share declined to 5% of total Canadian television production.
- Production in **other** genres, such as educational programming, accounted for **$57 million**, or 3% of total Canadian television production in 2005/06.

Exhibit 36: Volume of television production by genre

($ millions)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Fiction	776	676	981	1,072	902	897	891	731	802	861
Documentary	120	126	253	184	254	286	315	349	349	373
Children's	241	173	366	389	358	358	292	281	274	283
Magazine program	59	49	68	96	119	128	150	130	141	133
Variety and performing arts	50	66	69	86	96	110	121	148	114	89
Other	16	28	50	53	38	28	68	72	97	57
Total	**1,262**	**1,118**	**1,787**	**1,879**	**1,767**	**1,808**	**1,837**	**1,711**	**1,776**	**1,795**

Source: Estimates based on data from CAVCO
Some totals may not add due to rounding

Exhibit 37: Total volume of Canadian television production by genre, share of total volume, 2005/06



Source: Estimates based on data from CAVCO

When measured in terms of the total number of hours of original programs produced, the largest genre in 2005/06 was the magazine-program genre.

- **Magazine-program** production totalled **3,591 hours** of original programming in 2005/06 – a decrease of 13%. This genre accounted for 45% of the total hours of original Canadian television programming produced in 2005/06.
- In the **documentary** genre, the total hours of production decreased by 9% to **1,728 hours**.
- **Fiction** production decreased by 6% and totalled **1,104 hours**.
- **Children's** programming production decreased by 14% and totalled **708 hours**.
- **Variety and performing arts** programming decreased by 46% and totalled **420 hours**.
- Production in **other** genres totalled **378 hours** in 2005/06.

Exhibit 38: Number of hours of television production by genre

(Hours)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Magazine program	1,719	1,764	1,907	3,337	4,279	3,493	4,494	3,616	4,120	3,591
Documentary	756	706	1,248	1,148	1,756	1,857	1,929	1,982	1,894	1,728
Fiction	857	711	887	1,031	1,017	994	1,110	1,072	1,180	1,104
Children's	721	733	817	882	826	946	804	673	823	708
Variety and performing arts	616	873	868	1,130	1,049	951	1,024	1,006	771	420
Other	162	555	653	528	411	289	602	471	488	378
Total	**4,831**	**5,342**	**6,381**	**8,056**	**9,339**	**8,530**	**9,963**	**8,819**	**9,276**	**7,929**

Source: Estimates based on data from CAVCO
Some totals may not add due to rounding

3.6 Trends in Average Budgets of Canadian Television Production

English-Language Production

For the most part, the average hourly production budgets of Canadian English-language fiction television programming in 2005/06 remained at or below average rates observed during the 1990s. English-language production in the other genres also posted fluctuations in average hourly budgets.

- **English-language fiction** production had an average hourly budget of **$1.3 million** in 2005/06. This was higher than the average of just over $1 million in 2004/05, but below averages in the late 1990s.
- The average hourly budgets of **variety and performing arts programming** was **$666,000** in 2005/06 – more than double the average of $246,000 in 2004/05.
- **Children's** programming production had an average hourly budget of **$594,000** in 2005/06 – an increase of 13% from 2004/05 but well below levels in the late 1990s.
- **Documentaries** had an average hourly budget of **$268,000** in 2005/06 – an increase of 19% from 2004/05.
- The average hourly budget in the **magazine-program** genre was **$79,000** in 2005/06.

Exhibit 39: Average budgets of English-language Canadian television production

($ 000s per hour)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Fiction	1,396	1,341	1,521	1,408	1,187	1,319	1,308	1,086	1,082	1,305
Variety and performing arts	152	109	102	88	103	118	144	156	246	666
Children's	808	398	647	641	574	481	493	532	524	594
Documentary	169	205	234	178	201	159	179	208	226	268
Magazine	33	31	38	32	49	50	43	41	42	79

Source: Estimates based on data from CAVCO
Note: The calculation of the average budget excludes the foreign budgets of treaty co-productions

Exhibit 40: Median budgets of English-language Canadian television production

($ 000s per hour)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Fiction	1,133	1,107	1,345	1,223	1,292	1,118	1,100	1,154	1,161	1,241
Children's	630	541	766	681	652	605	500	469	550	605
Variety and performing arts	158	125	114	99	116	159	366	221	319	333
Documentary	187	197	215	214	224	208	206	241	247	246
Magazine	34	45	51	43	61	55	43	56	48	59

Source: Estimates based on data from CAVCO
Note: The calculation of the median budget excludes the foreign budgets of treaty co-productions

French-Language Production

The average hourly budget of French-language fiction production climbed in 2005/06, while production in other genres posted fluctuations in average hourly budgets.

- **French-language fiction** production had an average hourly budget of **$326,000**; this is up from $281,000 in 2004/05 and above levels in previous years.
- The average hourly budgets of **variety and performing arts** programming was **$163,000** in 2005/06.
- **Documentaries** had an average hourly budget of **$145,000** in 2005/06 – an increase of 19% from 2004/05.
- **Children's** programming production had an average hourly budget of **$140,000** in 2005/06 – an increase of 40% from 2004/05 but well below levels in the late 1990s.
- The average hourly budget in the **magazine-program** genre was **$35,000** in 2005/06.

In the fiction genre, the average hourly budget of French-language programming is typically lower than that of English-language programming for several reasons. Many of the popular fiction programs in Canada's French-language market are "téléromans" or "soap operas;" as well, they are typically not produced for export. Because of this, fiction productions in Canada's French-language market are characterized by lower production costs: they are shot in digital with smaller supporting casts and production crews, often on location, and with limited special effects and stunts.

Exhibit 41: Average budgets of French-language Canadian television production

($ 000s per hour)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Fiction	305	362	320	340	335	318	288	282	281	326
Variety and performing arts	63	62	64	70	85	110	106	106	122	163
Documentary	137	144	149	124	74	134	120	124	122	145
Children's	133	65	157	166	102	171	151	165	99	140
Magazine	35	26	35	27	23	33	32	38	35	35

Source: Estimates based on data from CAVCO
Note: The calculation of the average budget excludes the foreign budgets of treaty co-productions

Exhibit 42: Median budgets of French-language Canadian television production

($ 000s per hour)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Fiction	254	491	258	349	283	288	382	318	321	467
Documentary	227	191	173	186	145	182	151	176	170	196
Children's	100	64	123	107	115	143	127	154	106	151
Variety and performing arts	97	77	78	85	94	147	142	163	142	145
Magazine	35	25	45	37	33	38	34	36	41	36

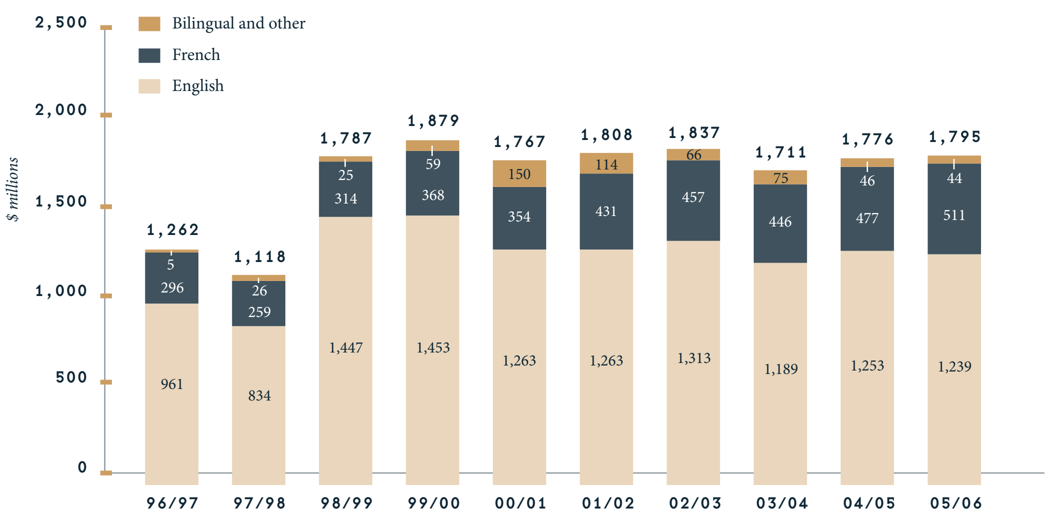
Source: Estimates based on data from CAVCO
Note: The calculation of the median budget excludes the foreign budgets of treaty co-productions

3.7 Television Production by Language

While English-language television production posted a slight decline in 2005/06, French-language television production has shown a fairly steady increase over the last five years.

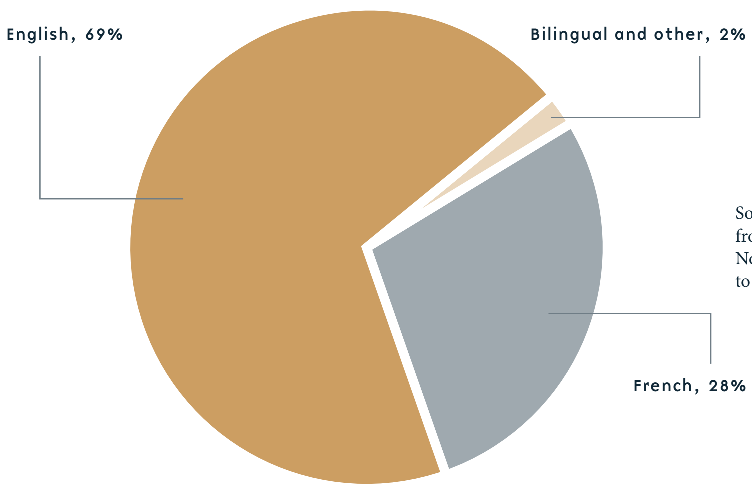
- **English-language** production decreased by 1% to **$1.2 billion** and represented 69% of total Canadian television production.
- **French-language** production increased by 7% to **$511 million**. It represented 28% of total Canadian television production.
- The production of Canadian television programs in **other languages**, including bilingual and Aboriginal-language production, totalled **$44 million**, or 2% of total Canadian television production. It experienced a decline of 3% in 2005/06.

Exhibit 43: Volume of Canadian television production by language



Source: Estimates based on data from CAVCO
Note: Some totals may not add due to rounding

Exhibit 44: Volume of Canadian television production by language, 2005/06 share



Source: Estimates based on data from CAVCO
Note: Some totals may not add due to rounding

Exhibit 45: Number of English-language television projects by type

(Number)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Series	197	189	269	301	309	339	379	341	325	293
MOW / TV feature	51	46	67	64	63	56	74	68	91	109
Short film	152	135	170	171	206	236	237	253	246	201
Mini-series	6	13	13	13	28	20	31	33	30	17
Television pilot	16	10	7	11	7	16	13	7	19	13
Total	**422**	**393**	**526**	**560**	**613**	**667**	**734**	**702**	**711**	**633**

Source: Estimates based on data collected from CAVCO

Exhibit 46: Number of French-language television projects by type

(Number)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Series	112	124	172	227	241	253	284	262	294	278
MOW / TV feature	25	25	28	33	32	54	43	17	35	33
Short film	46	41	78	81	88	108	109	132	144	115
Mini-series	16	6	9	11	8	14	22	25	20	20
Television pilot	2	4	1	1	1	1	0	0	1	0
Total	**201**	**200**	**288**	**353**	**370**	**430**	**458**	**436**	**494**	**446**

Source: Estimates based on data collected from CAVCO

Exhibit 47: Number of television projects in other languages by type

(Number)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Series	1	4	8	13	42	25	33	32	33	22
MOW / TV feature	0	0	1	2	2	7	1	4	2	1
Short film	1	4	11	13	15	20	25	30	18	9
Mini-series	0	0	0	1	5	5	8	5	2	3
Television pilot	0	1	0	0	1	0	0	0	1	0
Total	**2**	**9**	**20**	**29**	**65**	**57**	**67**	**71**	**56**	**35**

Source: Estimates based on data collected from CAVCO

3.8 Television Production by Canadian Content Points

Canadian content in television programs is measured on a ten-point scale (see box on next page). The number of Canadian content points that a production receives is related to the creative contributions of key Canadians (i.e., writers, directors, actors), and can reach a maximum of ten points. Treaty co-productions are not subject to the ten-point scale; as such, all Canadian productions except international treaty co-productions receive a content score.

Over the last several years, a larger and larger share of Canadian television productions has garnered the maximum points available to them. The prevalence of television productions with fewer than the maximum points has dropped significantly in the last several years.

- **Ten-point** or **full-point** television productions accounted for **80%** of Canadian television production in 2005/06 (based on the dollar volume of production).

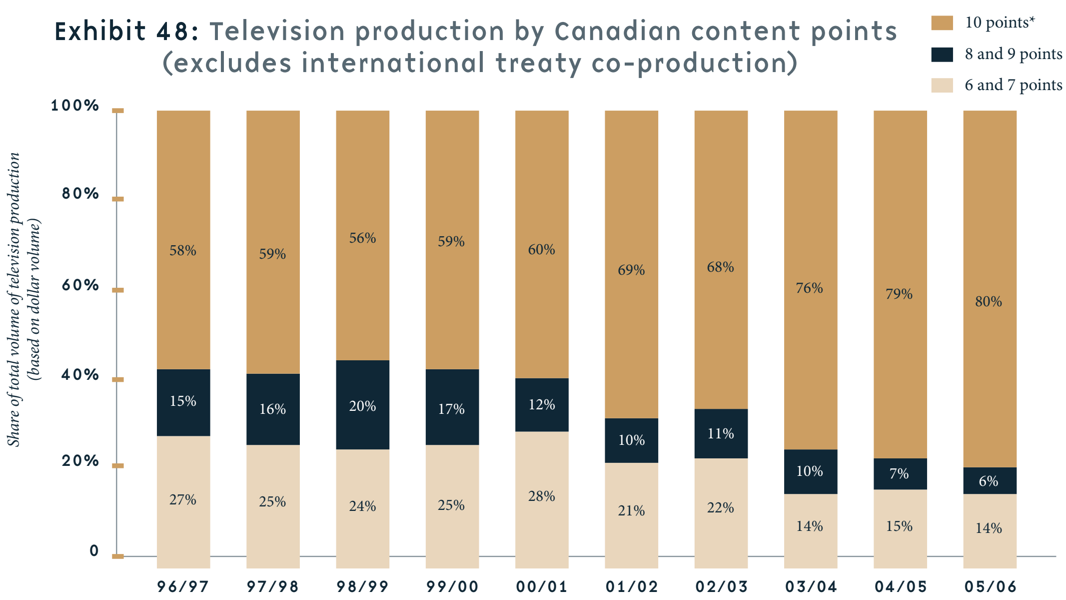
- Television productions with **between six and nine points** accounted for **20%** of Canadian television production.

The shift away from lower-point production to higher-point production reflects the overall effect of weaker demand from international markets for Canadian television production. With the decline in the television presale market, Canadian producers have focused on ten-point Canadian production in order to be eligible to receive financial assistance from the Canadian Television Fund.

Canadian Content Points

CAVCO uses the Canadian content points scale to certify films and television productions. A certified Canadian production qualifies as Canadian content; broadcasters can use it to meet their Canadian television exhibition requirements. It also allows the production to access the Canadian Film or Video Production Tax Credit (CPTC). To be certified as Canadian content, the production must obtain six or more points on the ten-point scale. There are two separate point scales – one for live-action productions and the other for animation productions. For both scales, points are awarded for various key creative positions. In the case of animation, points are also awarded based on the location of certain animation functions. For more information on the Canadian content points scale, please visit: www.canadianheritage.gc.ca/cavco.

Exhibit 48: Television production by Canadian content points (excludes international treaty co-production)



Source: Estimates based on data collected from CAVCO.
* 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.
Note: Some totals may not add due to rounding

3.9 Financing of Television Production

Over the last several years, Canadian television productions have increased their reliance on financing from Canadian broadcasters, as financing from foreign sources has diminished. CAVCO data indicate that financing from Canadian broadcasters rose from 21% in 2000/01 to 34% in 2005/06. This coincided with a decrease in foreign financing from 20% to 10%.

In terms of the overall distribution of financing in 2005/06:

- **Private broadcaster licence fees** accounted for **22%**, a decrease of one percentage point over the previous year.
- **Public broadcaster licence fees** accounted for **12%**, an increase of one percentage point.
- **Federal and provincial tax credits** accounted for **26%**, an increase of three percentage points. Note that the federal government and some provincial governments increased their tax credit rates in 2004 and 2005.
- **Canadian distributors** accounted for **5%**, a decrease of one percentage point.
- **Foreign sources** accounted for **10%**, a decrease of two percentage points.
- **Production companies** contributed **2%** of total financing, a decrease of one percentage point.
- **Public sources** accounted for **9%**, the same level as the prior year.
- **Other private sources** accounted for **15%**, an increase of one percentage point.

Exhibit 49: Financing of Canadian television production

	2000/01		2001/02		2002/03		2003/04		2004/05		2005/06	
	%	$ millions	%	$ millions	%	$ millions	%	$ millions	%	$ millions	%	$ millions
Private broadcaster licence fees	15%	269	16%	294	19%	356	22%	371	23%	407	22%	392
Public broadcaster licence fees	6%	111	7%	135	9%	159	10%	172	11%	187	12%	223
Federal tax credit	9%	165	9%	162	9%	165	10%	174	11%	191	11%	189
Provincial tax credit	10%	175	11%	194	11%	209	12%	205	12%	222	15%	266
Canadian distributor	16%	283	11%	196	7%	128	8%	128	6%	102	5%	87
Foreign	20%	356	22%	403	19%	349	15%	249	12%	210	10%	175
Production company	6%	109	4%	78	4%	71	4%	67	3%	57	2%	44
Public*	8%	133	8%	146	9%	157	8%	141	9%	153	9%	156
Other private**	9%	166	11%	200	13%	241	12%	204	14%	248	15%	264
Total	**100%**	**1,767**	**100%**	**1,808**	**100%**	**1,837**	**100%**	**1,711**	**100%**	**1,776**	**100%**	**1,795**

Source: Estimates based on data obtained from CAVCO. Based on CAVCO classifications. Note: some totals may not add due to rounding.
* 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 the Canadian Television Fund (Licence Fee Program), independent production funds, broadcaster equity, and other private investors.

Sources of production financing can vary considerably across the television genres. Producers often look to different sources of financing, depending on the genre of the content. In 2005/06, the various genres of Canadian television production had the following financing patterns:

- **Fiction** productions received 27% of their financing from broadcaster licence fees, 25% from tax credits, and 13% from foreign sources.
- **Children's** programming received 30% of its financing from broadcaster licence fees, 29% from tax credits, and 20% from other private sources.
- **Documentaries** received 37% of their financing from broadcaster licence fees, 24% from tax credits, and 14% from other private sources.
- **Variety and performing arts** programming received 60% of its financing from broadcaster licence fees, 22% from tax credits, and 9% from other private sources.
- **Magazine** programming received 63% of its financing from broadcaster licence fees, and 23% from federal and provincial tax credits.

Exhibit 50: Financing of Canadian television production by genre, 2005/06

	Fiction		Children's		Documentary		Variety and Performing Arts		Magazine		Total	
	%	$ millions	%	$ millions	%	$ millions	%	$ millions	%	$ millions	%	$ millions
Private broadcaster licence fees	16%	141	16%	46	28%	105	17%	15	46%	61	22%	392
Public broadcaster licence fees	11%	94	14%	38	9%	32	43%	38	17%	23	12%	223
Federal tax credit	10%	87	11%	31	10%	39	11%	10	12%	16	11%	189
Provincial tax credit	15%	128	18%	51	14%	53	11%	10	11%	15	15%	266
Canadian distributor	5%	43	8%	22	5%	17	0%	0	1%	1	5%	87
Foreign	13%	111	8%	22	9%	34	0%	0	0%	0	10%	175
Production company	2%	20	2%	5	2%	8	5%	4	5%	6	2%	44
Public*	12%	101	4%	13	9%	34	3%	3	1%	1	9%	156
Other private**	16%	137	20%	55	14%	51	9%	8	6%	8	15%	264
Total	**100%**	**861**	**100%**	**283**	**100%**	**373**	**100%**	**89**	**100%**	**133**	**100%**	**1,795**

Source: Estimates based on data obtained from CAVCO. Based on CAVCO classifications. Note: some totals may not add due to rounding.
* 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 the Canadian Television Fund (Licence Fee Program), independent production funds, broadcaster equity, and other private investors.

Independent Production Funds

Privately funded independent production funds are a major source of private-sector funding for Canadian film and television production. In Canada, there are some 19 different independent production funds. These funds provide development, production and interim financing to Canadian television programs, feature films and new media projects across all genres.

Several of the independent production funds focus on particular types of production. Shaw Rocket Fund, for example, provides financing to the production of children's programming. The Astral *Media*® Harold Greenberg Fund/Le Fonds Harold Greenberg focuses on financing feature films. The Bell Broadcast and New Media Fund focuses on new media projects, but also funds television programs. Fonds Quebecor focuses on educational programming.

In the 2005 fiscal year, Canada's independent production funds made funding commitments totalling $57 million to film, television, and new media projects.[4] Of this amount, production financing comprised approximately $34 million, interim financing comprised $20 million, and development financing comprised $3 million.

List of independent production funds

Astral *Media*® The Harold Greenberg Fund/Le Fonds Harold Greenberg
Bell Broadcast and New Media Fund
Bravo!FACT
Canadian Independent Film and Video Fund (CIFVF)
Cogeco Program Development Fund
Corus Family Feature Film Fund
Corus Telelatino Fund
Corus Women's Programming Fund
Corus Young Filmmakers Initiative
Fonds Quebecor
Independent Production Fund
Rogers Cable Network Fund
Rogers Documentary Fund
Rogers Telefund
Shaw Rocket Fund

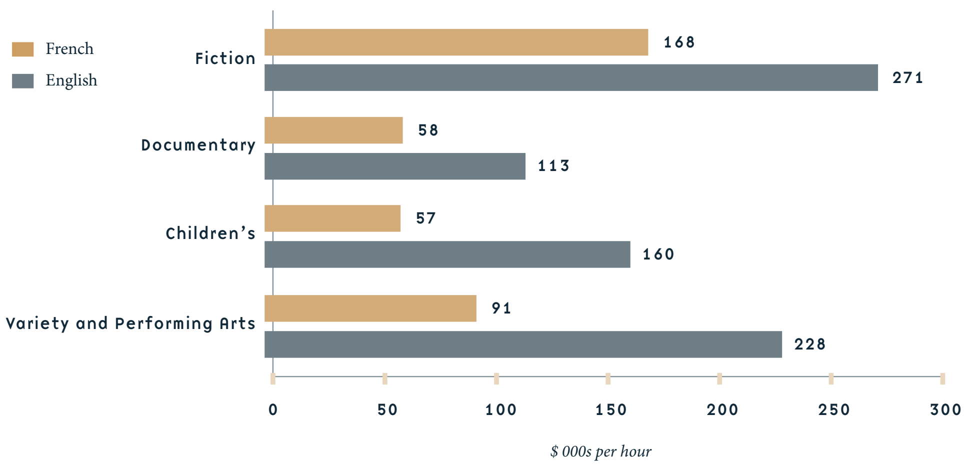
4. Many of the independent funds operate on different fiscal years. The reported figures correspond to fiscal years ending during 2005 (e.g., August 30, 2005, December 31, 2005). Amounts based on statistics collected from independent funds.

Broadcaster Licence Fees

Canadian broadcasters represent the largest single source of financing for Canadian television production. Most financing from Canadian broadcasters is in the form of a broadcast licence fee. On a per-hour basis, broadcast licence fees vary significantly across genres and Canada's two language markets.

- In 2005/06 in the **fiction** genre, broadcaster licence fees averaged $168,000 per hour in the French-language market and $271,000 per hour in the English-language market.
- For **documentaries**, the average broadcaster licence fee was $58,000 per hour in the French-language market and $113,000 per hour in the English-language market.
- For **children's** programming, the average broadcaster licence fee was $57,000 per hour in the French-language market and $160,000 per hour in the English-language market.
- For the **variety and performing arts** genre, the average broadcaster licence fee was $91,000 per hour in the French-language market and $228,000 per hour in the English-language market.

Exhibit 51: Average licence fees paid by Canadian broadcasters for Canadian television programming, 2005/06



Source: Estimates based on data obtained from CAVCO for a sample of 2005/06 projects. Based on CAVCO classifications.

3.10 Canadian Television Audiences

American-produced television programs continued to dominate the list of the top-rated television programs in Canada during the 2005/06 television season (September 2005 to August 2006), when measured on the basis of Average Minute Audience (AMA).

- American-produced television series held nine positions among the top ten rated television series in Canada during the 2005/06 television season.
- During the 2005/06 television season, *C.S.I.* was the leading television series in Canada with an AMA of approximately 3.1 million persons aged two and over.
- The only Canadian-produced series to make it into the top ten during the 2005/06 television season was the French-language singing contest, *Star Académie*; it had an AMA of 2.15 million.

Top-Rated Canadian-Produced Television Programs

The leading Canadian-produced French-language programs during the 2005/06 television season included:

- the singing-performance contests: *Star Académie* and *L'école des fans*;
- the dramatic series: *Un homme mort, Les Bougon*, and *Km/h*;
- the talk show: *Tout le monde en parle*;
- the teleromans: *Annie et ses hommes* and *Les Poupées russes*, and;
- the magazine-show: *Star Système Extra*.

In the English-language market, the list of top ten television programs included:

- the singing-performance contest: *Canadian Idol*;
- the comedy series: *Corner Gas, Royal Canadian Air Farce, This Hour Has 22 Minutes, Rick Mercer Report*, and *Jeff Ltd.*;
- the youth series: *Degrassi: The Next Generation*, and *Instant Star*; and,
- the investigative-news program: *W-Five*.

Exhibit 52: Top ten television series in Canada, September 2005 to August 2006

Program	*Average Minute Audience* (000s)*
1. C.S.I. (U.S.)	3,099
2. Survivor: Guatemala (U.S.)	3,088
3. American Idol - Performance Show (U.S.)	2,804
4. American Idol - Results Show (U.S.)	2,674
5. Survivor: Panama (U.S.)	2,661
6. Desperate Housewives (U.S.)	2,338
7. C.S.I. Miami (U.S.)	2,226
8. Amazing Race 8 (U.S.)	2,175
9. Star Académie - Sunday Performance Show (Canada)	2,147
10. E.R. (U.S.)	2,123

Source: Nielsen Media Research
* Average Minute Audience (Aged 2+) – the number of viewers, aged two and over, tuned to the average minute of a program. The figures are based on original primetime episodes only.

Exhibit 53: Top ten Canadian television series in the French-language market, September 2005 to August 2006

Program	*Average Minute Audience* (000s)*
1. Star Académie - Sunday Performance Show	2,147
2. Un homme mort	1,476
3. Star Académie - Weekday Show	1,413
4. Les Bougon	1,368
5. Tout le monde en parle	1,309
6. Annie et ses hommes	1,305
7. Les Poupées russes	1,303
8. L'école des fans	1,261
9. Km/h	1,152
10. Star Système Extra	1,141

Source: Nielsen Media Research
* Average Minute Audience (Aged 2+) – the number of viewers, aged two and over, tuned to the average minute of a program. The figures are based on original primetime episodes only.

Exhibit 54: Top ten Canadian television series in the English-language market, September 2005 to August 2006

Program	*Average Minute Audience* (000s)*
1. Canadian Idol - Performance Show	1,750
2. Canadian Idol - Results Show	1,569
3. Corner Gas	1,366
4. Degrassi: Next Generation	711
5. Royal Canadian Air Farce	628
6. This Hour Has 22 Minutes	601
7. Rick Mercer Report	568
8. Jeff Ltd.	566
9. W-Five	562
10. Instant Star	520

Source: Nielsen Media Research
* Average Minute Audience (Aged 2+) – the number of viewers, aged two and over, tuned to the average minute of a program. The figures are based on original primetime episodes only.

3.11 CTF-Supported Production

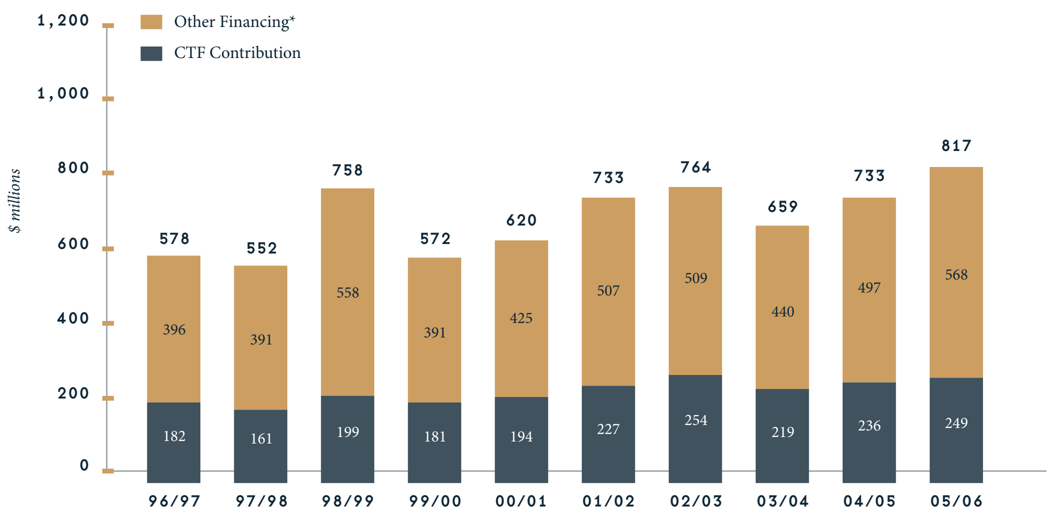
The CTF is a public-private partnership with the objective of funding the production of high-quality, distinctly Canadian television programs in the genres of drama, children's and youth programming, documentary, and variety and performing arts programming. The CTF derives its revenues from broadcast distribution undertakings (cable television services and direct-to-home satellite services), Telefilm Canada, and the federal government, and then distributes this revenue to producers of Canadian television programs.

Total Volume of CTF-Supported Production

The CTF was established in 1996 and continues to be one of the key tools for supporting Canadian television production. In 2005/06, the CTF's contribution to Canadian television programming rose, as did the total production budgets supported by these financial contributions.

- The CTF contributed **$249 million** to production budgets totalling **$817 million** in 2005/06.
- Other financing – comprised largely of contributions from production companies, broadcasters, other government sources and distributors – contributed an additional $568 million to CTF-supported productions.
- CTF contributions rose by 6%; the total volume of CTF-funded production increased by 14%. The increase in CTF contributions was possible because of increased contributions from cable-television and direct-to-home satellite service providers.
- The CTF made a slight improvement in the financial leverage on its projects. In 2004/05, each dollar of financial support from the CTF attracted an additional $2.11 from other public and private financing sources. In 2005/06, this ratio increased to $2.28.

Exhibit 55: Total Canadian television production activity with CTF contributions



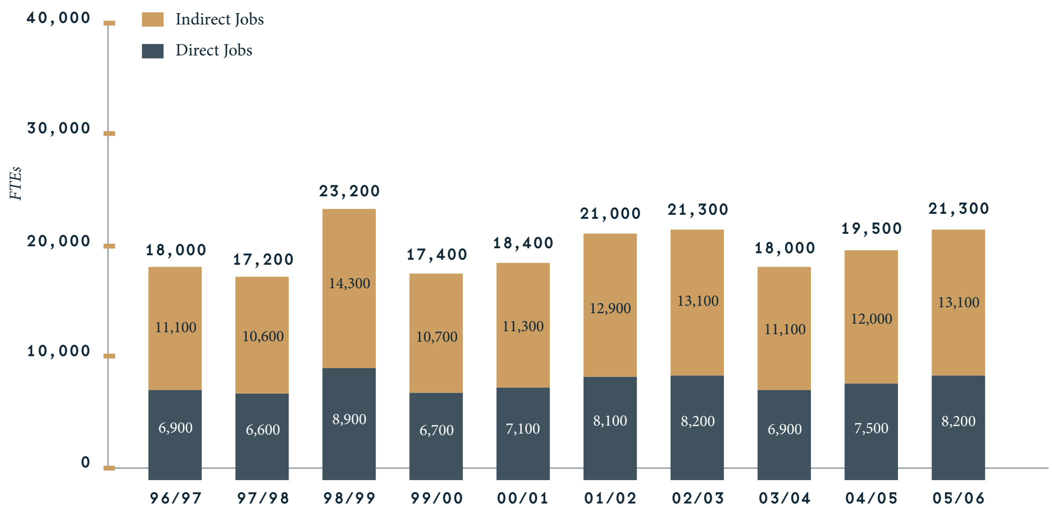
Source: Canadian Television Fund
* Other financing includes contributions from production companies, broadcasters, other government sources and distributors.
Some totals may not add due to rounding

Jobs Supported by CTF-Supported Television Production

In 2005/06, CTF-supported television production generated an estimated 21,300 full-time equivalent jobs (FTEs) in Canada.

- Direct jobs in production: 8,200
- Indirect jobs in other industries: 13,100

Exhibit 56: Number of full-time equivalent jobs (FTEs) generated by CTF-supported production



Source: Estimates based on data from the Canadian Television Fund and Statistics Canada

CTF-Supported Hours of Television Production by Genre

The CTF supports genres that are traditionally under-represented in the Canadian broadcasting system. In 2005/06, the CTF supported just under 2,276 hours of production. This total included:

- 836.5 hours of **documentary** programming;
- 717.2 hours of **children's and youth** programming;
- 525 hours of **drama** (i.e., fiction) programming; and
- 197 hours of **variety and performing arts** programming.

Even while the CTF's contributions to Canadian television increased by 6%, the total output of programming – based on the number of hours of supported production – actually decreased by 7%. Two of the genres – drama and documentary – did experience increases in the number of supported production hours. However, the children's genre experienced a decline in production hours; and the number of hours of CTF-supported variety and performing arts production dropped by 37%.

Exhibit 57: CTF-supported hours of television production by genre

(Hours of production)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Documentary	543.0	568.0	713.0	634.0	968.0	1,120.8	1,000.2	738.5	839.3	836.5
Children's	724.0	517.0	647.0	582.5	513.0	681.5	749.6	595.8	801.8	717.2
Drama (i.e., fiction)	614.0	418.0	600.0	638.0	631.0	624.0	532.0	441.0	471.5	525.0
Variety and performing arts	312.0	380.0	285.0	180.5	275.0	364.2	273.0	366.5	333.0	197.0
Total	**2,193.0**	**1,883.0**	**2,245.0**	**2,035.0**	**2,387.0**	**2,790.5**	**2,554.8**	**2,141.8**	**2,445.6**	**2,275.7**

Source: Canadian Television Fund

In 2005/06, the CTF increased its funding contributions to each of the four CTF-supported genres, except variety and performing arts. The fiction genre was the only genre that saw its share of CTF contributions increase – although only slightly from 56.8% of total contributions in 2004/05 to 58.8% in 2005/06.

Exhibit 58: CTF contributions to television production by genre

Contributions ($ millions)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Documentary	23.8	28.4	32.5	31.8	44.0	55.7	50.0	44.6	46.5	48.3
Children's	40.0	33.9	37.3	28.3	31.1	48.8	58.1	40.5	45.0	46.3
Drama (i.e., fiction)	113.3	89.1	122.0	115.1	113.1	111.8	135.8	126.1	133.8	146.3
Variety and performing arts	4.5	9.8	7.2	6.0	6.2	10.6	10.4	7.7	10.2	8.0
Total	**181.6**	**161.2**	**199.0**	**181.2**	**194.4**	**226.9**	**254.3**	**218.9**	**235.5**	**248.9**
Percent of total										
Documentary	13.1%	18.6%	16.3%	17.5%	22.6%	24.5%	19.7%	20.4%	19.7%	19.4%
Children's	22.0%	22.2%	18.7%	15.6%	16.0%	21.5%	22.8%	18.5%	19.1%	18.6%
Drama (i.e., fiction)	62.4%	58.2%	61.3%	63.5%	58.2%	49.3%	53.4%	57.6%	56.8%	58.8%
Variety and performing arts	2.5%	1.0%	3.6%	3.3%	3.2%	4.7%	4.1%	3.5%	4.3%	3.2%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

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

CTF-Supported High-Definition Television Production

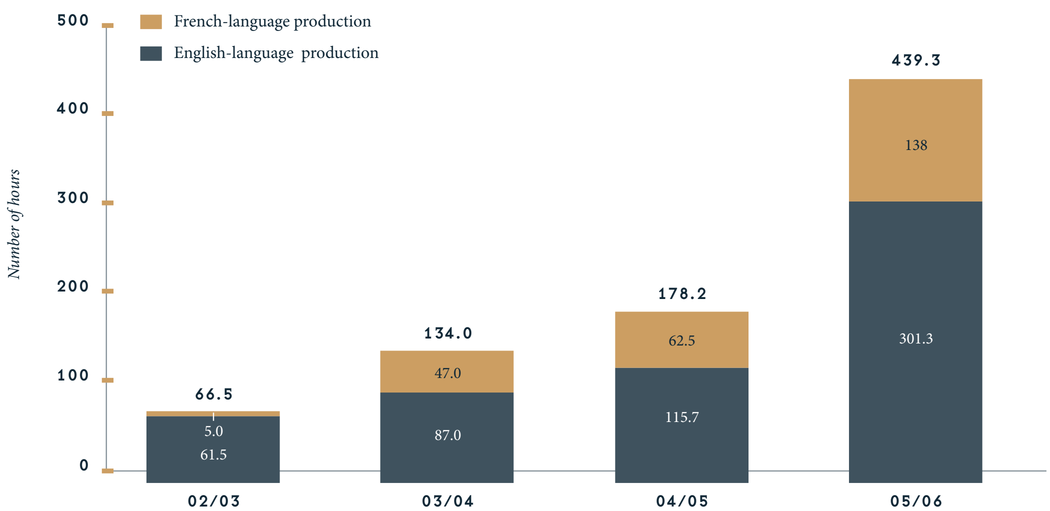
High-definition television (HDTV) is expected to redefine television in much the same way that the introduction of colour television did in the 1960s and 1970s. HDTV delivers crisp higher-resolution images to household HDTV receivers in widescreen akin to cinema screens. The CRTC has already established a framework for allocating electromagnetic spectrum to conventional broadcasters to convert to digital and HDTV. No timeframe for an analog switch-off date has been determined; however, it is one of the issues being addressed by the CRTC.

With respect to the transition to HDTV for pay and specialty-TV services, in 2006, the CRTC announced the regulatory framework. This framework (Broadcasting Public Notice CRTC 2006-74) is designed to help transition that component of the Canadian broadcasting system to HD technology by encouraging broadcasting distribution undertakings to carry the HD versions of pay and specialty television services.

While there are no available statistics on the overall amount of HD programming produced in Canada, there are data for HD programming produced with financial support from the CTF. The amount of HD production supported by the CTF grew steadily between 2002/03 and 2004/05; and in 2005/06, the amount jumped sharply.

- The CTF supported the production of 66.5 hours of HD programming in 2002/03, 134 hours in 2003/04, 178.2 hours in 2004/05, and 439.3 hours in 2005/06.
- In total, the CTF supported 818 hours of HD production during this four-year period. The figure for the last year represents about one-fifth of all CTF-supported production.

Exhibit 59: Number of hours of CTF-supported high-definition television production

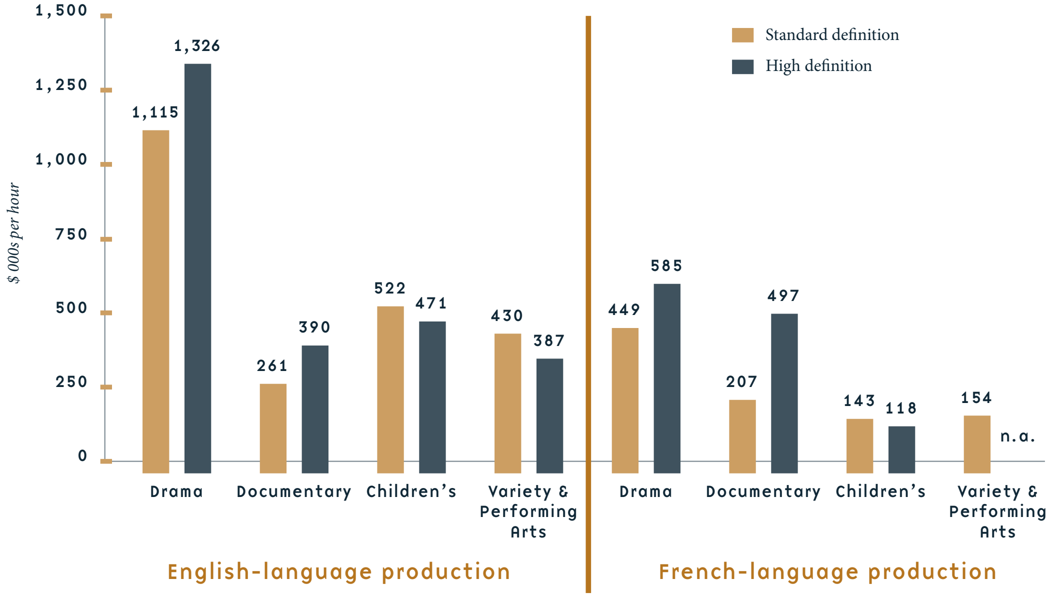


Source: Canadian Television Fund

The CTF also tracks the average cost differences between CTF-supported HD programs and standard-definition programs. The data for 2005/06 indicate that the average cost of producing HD programming in the drama and documentary genres was more expensive than standard-definition production. However, in the children's, and variety and performing arts genres, the opposite was the case.

- CTF-supported English-language drama programming shot in HD cost, on average, 19% more than CTF-supported standard-definition programming. For French-language production, the differential was 30%.
- In the documentary genre, the average cost premiums for HD production were 49% for English-language productions and 140% for French-language productions.

Exhibit 60: Average cost of CTF-supported high-definition television production vs. standard-definition production, 2005/06



Source: Canadian Television Fund
n.a. – There was no CTF-supported French-language variety and performing arts production in high definition in 2005/06.

3.12 Canadian Television Production by Province

In 2005/06, Quebec-based producers accounted for the largest share of Canadian television production. Their total volume of Canadian television production was $716 million, or 40% of the national total. Ontario producers were closely behind, spending $673 million on Canadian television production, or 38% of the national total.

Quebec, Saskatchewan, Manitoba, and Newfoundland and Labrador experienced increases in Canadian television production in 2005/06. Ontario, British Columbia, Nova Scotia, Alberta, New Brunswick and Prince Edward Island experienced decreases.

Exhibit 61: Volume of Canadian television production by province

($ millions unless specified otherwise)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	05/06 share of total
Quebec	453	387	642	636	557	664	658	594	649	716	40%
Ontario	601	564	678	782	737	764	743	757	673	673	38%
British Columbia	126	79	292	307	282	211	209	199	255	225	13%
Nova Scotia	45	36	84	53	62	57	59	48	61	60	3%
Saskatchewan	7	17	22	13	19	18	66	30	36	38	2%
Manitoba	16	10	17	18	20	17	24	16	26	35	2%
Alberta	12	20	36	54	63	63	59	53	53	21	1%
Newfoundland and Labrador	1	0	3	1	2	2	1	3	2	17	1%
New Brunswick	0	5	11	7	20	6	8	8	20	10	1%
Prince Edward Island	0	0	1	7	5	6	9	2	1	0	0%
Territories	0	0	0	2	0	0	0	0	0	0	0%
Total	**1,262**	**1,118**	**1,787**	**1,879**	**1,767**	**1,808**	**1,837**	**1,711**	**1,776**	**1,795**	**100%**

Source: Estimates based on data collected from CAVCO
Some totals may not add due to rounding
Note: 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 2007* due to such differences as data collection periods (fiscal vs. calendar year) and production activity reported on the basis of location of spend.

4. Canadian Theatrical Production

Canadian theatrical production (or theatrical-release production) includes feature films and short films made with movie theatres as the primary venue for initial release to the public. In recent years, many Canadian theatrical films, such as ***Bon Cop Bad Cop***, ***C.R.A.Z.Y.***, ***Trailer Park Boys: The Movie***, ***White Noise***, ***The Corporation***, and ***Resident Evil*** have had strong box office runs.

HIGHLIGHTS

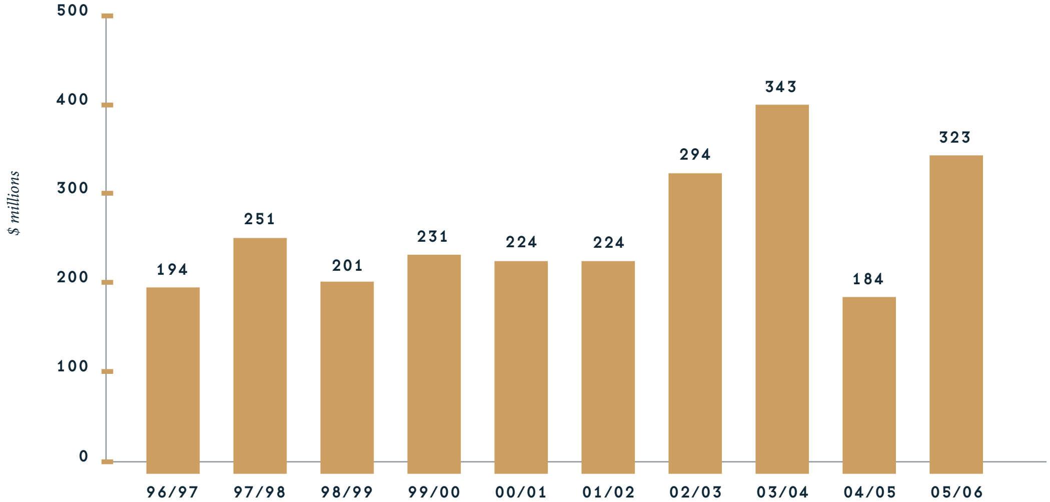
- In 2005/06, the total volume of Canadian feature film production increased by 76% to $323 million. Canadian producers made a total of 80 theatrical-release films in 2005/06 – of this amount, 76 were feature-length films and four were short films.
- Canadian feature film production generated 3,300 direct jobs and 5,300 indirect jobs in 2005/06.
- English-language theatrical production increased by 113% to $258 million. French-language theatrical production increased by 7% to $65 million.
- Most Canadian theatrical production was concentrated in the fiction genre. It accounted for 96% of the production dollar volume and 93% of the number of films produced in 2005/06.
- The theatrical box office in Canada decreased by less than one percent to $831 million in 2006.
- Canadian films held a 4.2% share of the Canadian box office in 2006; American films had an 88.3% share; other foreign films had a 7.6% share.
- In 2005/06, the Canada Feature Film Fund contributed $48 million to the production of 31 films with total budgets of $147 million.

4.1 Total Volume of Theatrical Production

In 2005/06, the total volume of Canadian theatrical production was **$323 million**; Canadian producers made a total of **80 theatrical films**.

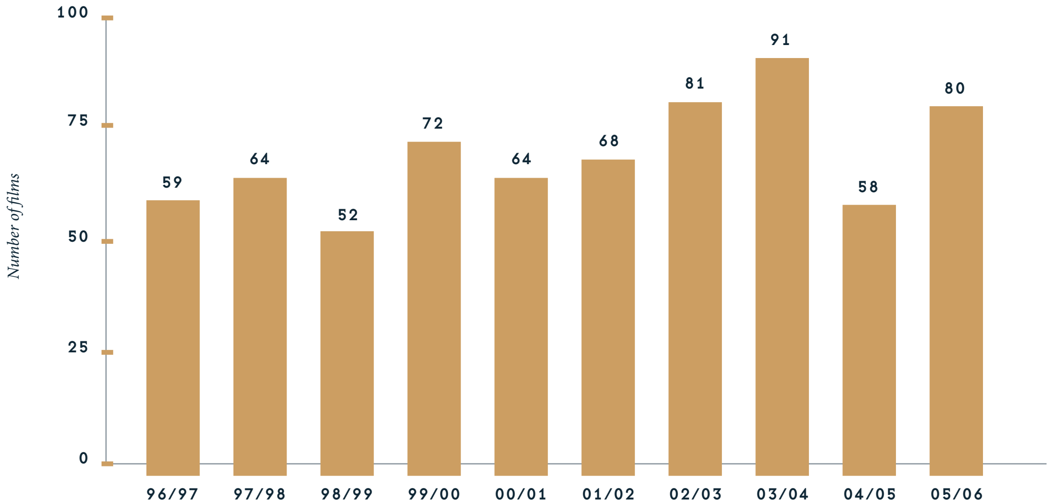
- The dollar volume of production in 2005/06 bounced back to 2003/04 levels, increasing by 76%, from $184 million in 2004/05.
- The number of Canadian theatrical films also rebounded to 2003/04 levels, increasing from a total of 58 in 2004/05.
- Of the total of 80 theatrical-release films, 76 were feature-length films; four were short films.
- The dramatic recovery in Canadian theatrical production can largely be traced back to an increased number of productions at the higher end of the budget scale (see Section 4.5), particularly in the $7.5 million to $10 million budget range; there were no productions in this range in 2004/05. Several of the larger-budget productions in 2005/06 were actually treaty co-productions with significant foreign financing.

Exhibit 62: Total volume of Canadian theatrical production



Source: Estimates based on data from CAVCO

Exhibit 63: Total number of Canadian theatrical films



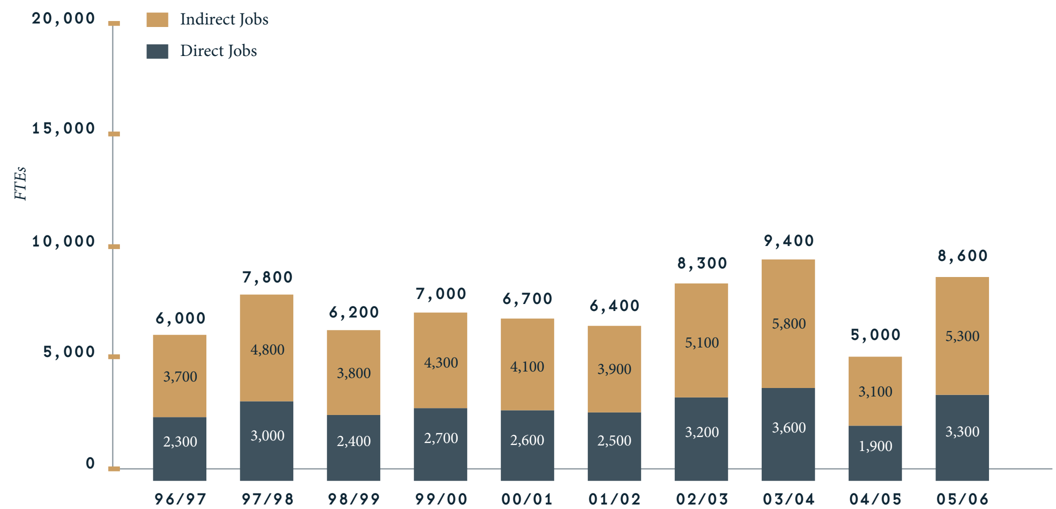
Source: Estimates based on data from CAVCO

4.2 Direct and Indirect Jobs in Canadian Theatrical Production

In 2005/06, Canadian theatrical production generated an estimated 8,600 full-time equivalent jobs (FTEs) in Canada.

- Direct jobs in Canadian theatrical production: 3,300
- Indirect jobs in other industries: 5,300

Exhibit 64: Number of full-time equivalent jobs (FTEs) in Canadian theatrical production



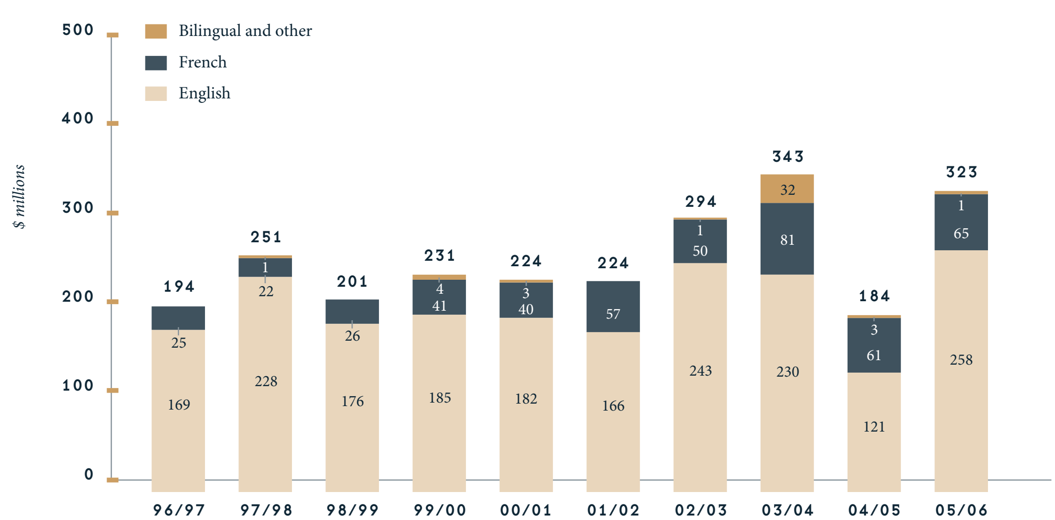
Source: Estimates based on data from CAVCO and Statistics Canada

4.3 Theatrical Production by Language

Both English-language and French-language theatrical production experienced increases in the volume of activity in 2005/06.

- **English-language** theatrical production volume increased by 113% to **$258 million**. It represented 80% of total Canadian theatrical production in 2005/06.
- **French-language** theatrical production increased by 7% to **$65 million**. It represented 20% of total Canadian theatrical production.
- Canadian theatrical films produced in **other languages**, including bilingual and Aboriginal-language production, totalled $1 million in 2005/06.

Exhibit 65: Volume of Canadian theatrical production by language



Source: Estimates based on data collected from CAVCO
Some totals may not add due to rounding

Exhibit 66: Number of theatrical films by language

(Number)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
English	46	48	40	48	46	41	58	50	35	52
French	13	15	12	23	17	26	22	37	21	27
Bilingual and other	0	1	0	1	1	1	1	4	2	1
Total	**59**	**64**	**52**	**72**	**64**	**68**	**81**	**91**	**58**	**80**

Source: Estimates based on data collected from CAVCO

4.4 Theatrical Production by Genre

The vast majority of Canadian theatrical films are from the fiction genre.

- Theatrical films in the **fiction** genre totalled $312 million in 2005/06, and accounted for 96% of total production volume and 74 of the 80 theatrical-release films.
- The production of theatrical-release **documentary** films totalled **$11 million** and accounted for 3% of production volume.
- The total volume of theatrical films in the **children's** genre was under $1 million in 2005/06.

Exhibit 67: Volume of theatrical production by genre

($ millions)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Fiction	175	242	182	230	205	217	276	319	162	312
Documentary	4	7	3	<1	6	7	1	24	14	11
Children's	13	1	16	0	8	0	3	1	0	1
Variety and performing arts	1	0	1	<1	0	0	14	0	5	0
Other	1	1	0	<1	6	0	0	0	3	0
Total	**194**	**251**	**201**	**231**	**224**	**224**	**294**	**343**	**184**	**323**

Source: Estimates based on data from CAVCO
Some totals may not add due to rounding

Exhibit 68: Number of theatrical films by genre

(Number)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Fiction	52	58	47	69	59	65	75	79	47	74
Documentary	2	4	1	1	2	3	4	10	7	5
Variety and performing arts	1	0	1	0	0	0	1	0	0	0
Children's	3	1	3	1	2	0	1	1	1	1
Other	1	1	0	1	1	0	0	1	3	0
Total	**59**	**64**	**52**	**72**	**64**	**68**	**81**	**91**	**58**	**80**

Source: Estimates based on data from CAVCO

4.5 Trends in Theatrical Feature Film Production Budgets

The trends in the average production budgets for Canadian theatrical feature films indicate that the average budgets for fiction feature films have fluctuated from year to year without any steady increase between 1996/97 and 2005/06.

- In 2005/06, the average budget for theatrical feature films in the **fiction** genre was **$4.4 million**. Between 1996/97 and 2005/06, the annual average budget for fiction feature films stayed within the range of $3.4 million to $4.4 million.
- The average budget of English-language projects was $5 million in 2005/06, compared to $3 million for French-language projects.

Exhibit 69: Average budgets of theatrical feature films (fiction genre only)

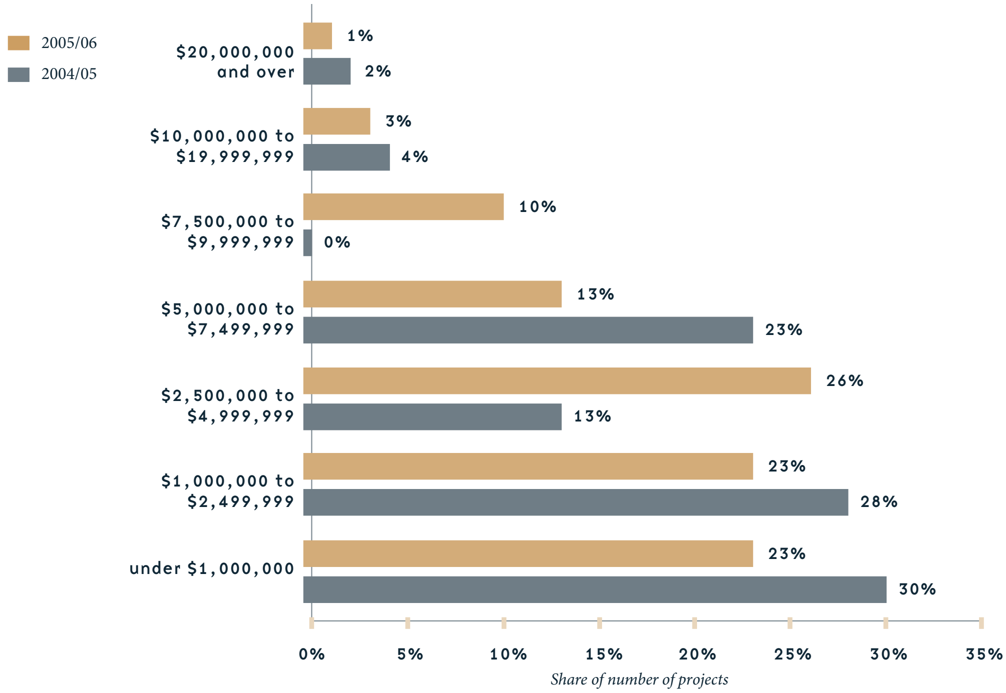
($ millions per film)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
All languages	3.4	4.3	4.0	3.4	3.5	3.4	3.9	4.3	3.4	4.4
English	3.7	5.3	4.4	4.1	3.9	4.2	4.4	4.8	3.5	5.0
French	1.9	1.6	2.6	2.0	2.5	2.3	2.6	2.8	3.4	3.0

Source: Estimates based on data from CAVCO
Note: The calculation of the average budget excludes the foreign budgets of treaty co-productions

A review of the budget-sizes of feature film projects shows that less than half of Canadian theatrical feature films have budgets lower than $2.5 million. These statistics also show that the increase in theatrical production volume in 2005/06 can be partly traced back to a shift from lower-budget to higher-budget films among the portfolio of Canadian films.

- In 2005/06, 23% of Canadian theatrical feature films had a budget of less than $1 million; approximately 27% of films had a budget of $5 million or higher.
- Between 2004/05 and 2005/06, the share of theatrical films with a budget of less than $1 million dropped from 30% to 23%. The share of theatrical films above $7.5 million increased from 6% to 14%.

Exhibit 70: Annual shares of theatrical feature film projects by budget size



Source: Estimates based on data collected from CAVCO
Note: Budget calculations exclude the foreign budgets of treaty co-productions
Some totals may not add due to rounding

4.6 Financing of Theatrical Production

Canadian theatrical production relies heavily on public sources of financing, including direct sources such as the Canada Feature Film Fund and federal and provincial tax credits. In 2005/06 public sources (excluding public broadcasters) accounted for 50% of total financing of Canadian theatrical-release films. At the same time, however, the financing data indicate that the foreign financing of Canadian theatrical-release films increased substantially compared to 2004/05.

In terms of the overall distribution of financing in 2005/06:

- **Public sources** (including the Canada Feature Film Fund) accounted for **28%**, a decrease of nine percentage points.
- **Tax credits** accounted for **22%**, an increase of one percentage point.
- **Canadian distributors** accounted for **9%**, a decrease of six percentage points.
- **Foreign sources** accounted for **26%**, an increase of 16 percentage points.
- **Other private sources** accounted for **7%**, a decrease of four percentage points.
- **Production companies** contributed **5%** of financing, unchanged from the previous year.
- **Private and public broadcaster licence fees** accounted for a combined **3%**, an increase of two percentage points.

Exhibit 71: Financing of Canadian theatrical production

	2000/01		2001/02		2002/03		2003/04		2004/05		2005/06	
	%	*$ millions*	*%*	*$ millions*	*%*	*$ millions*	*%*	*$ millions*	*%*	*$ millions*	*%*	*$ millions*
Private broadcaster licence fees	1%	3	1%	3	2%	5	3%	12	1%	2	2%	8
Public broadcaster licence fees	<1%	1	<1%	1	<1%	1	<1%	1	<1%	1	1%	2
Federal tax credit	7%	16	6%	13	7%	19	7%	24	7%	12	7%	23
Provincial tax credit	10%	23	12%	28	11%	31	14%	48	14%	26	15%	50
Canadian distributor	26%	57	19%	41	21%	63	8%	28	15%	28	9%	30
Foreign	23%	51	18%	41	20%	59	29%	100	10%	19	26%	83
Production company	11%	25	10%	22	4%	13	7%	25	5%	9	5%	15
Public*	16%	35	27%	60	27%	78	24%	84	37%	68	28%	91
Other private**	5%	12	7%	15	9%	26	6%	22	11%	20	7%	21
Total	**100%**	**224**	**100%**	**224**	**100%**	**294**	**100%**	**343**	**100%**	**184**	**100%**	**323**

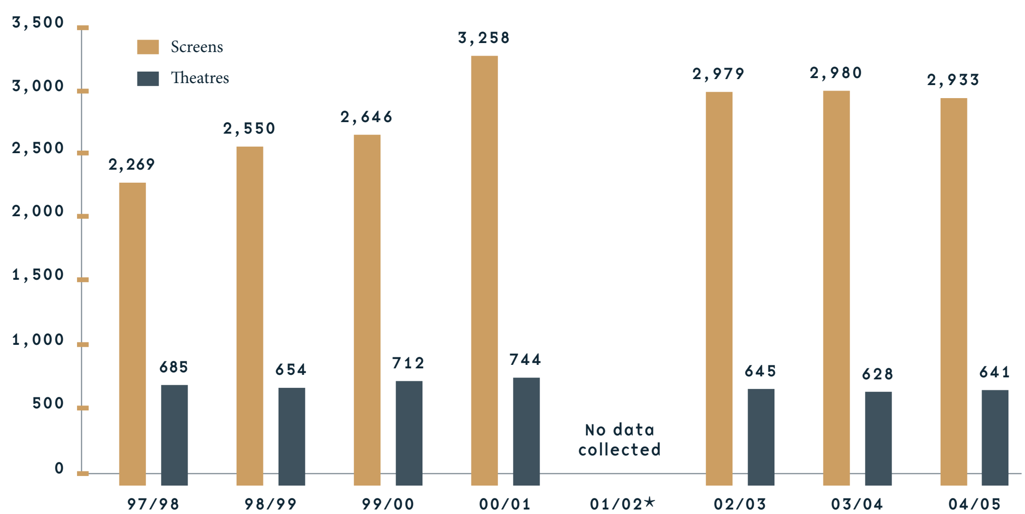
Source: Estimates based on data obtained from CAVCO. Based on CAVCO classifications. Note: Some totals may not add due to rounding.
* Public includes financing from Telefilm Canada (including Canada Feature Film Fund), Canadian Television Fund (Equity Investment Program), provincial governments, and other government departments and agencies.
** Other Private includes financing from the Canadian Television Fund (Licence Fee Program), independent production funds, broadcaster equity, and other private investors.

4.7 Admissions and Screens

While the number of theatre screens in Canada dropped slightly in 2004/05; the number of theatres rose, as did theatre attendance.

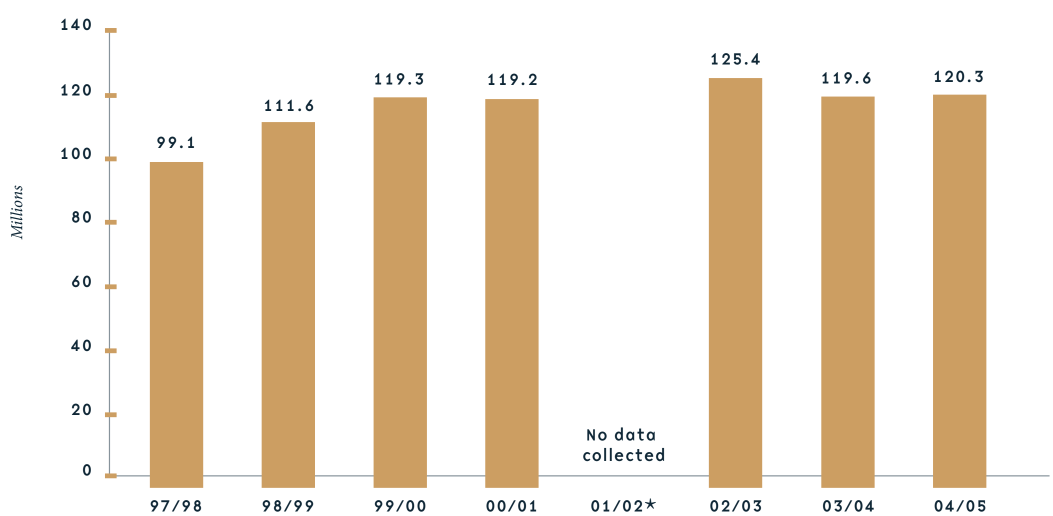
- There were **2,933 theatre screens** across Canada, down from 2,980 in 2003/04.
- The **number of theatres** (including drive-ins) in Canada increased by 13 to **641**.
- **Theatre attendance** rose slightly at **120.3 million** visits.

Exhibit 72: Total number of movie screens and theatres in Canada



Source: Statistics Canada
* No survey was conducted in 2001/02

Exhibit 73: Number of theatre admissions in Canada



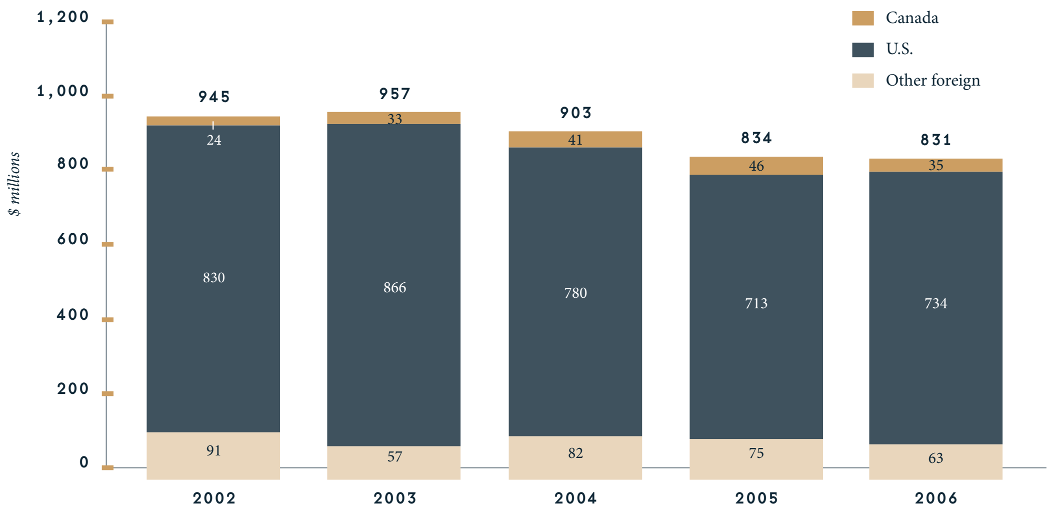
Source: Statistics Canada
Note: Statistics Canada estimates the annual number of theatre admissions by dividing total box office revenues by the average ticket price. The actual number of theatre admissions is not tabulated.
* No survey was conducted in 2001/02

4.8 National Box Office Trends

Canadian theatres collected **$831 million** in box office revenues in 2006 – a slight drop compared to 2005. American films increased their box office revenues and market share in 2006 at the expense of films from other foreign countries and Canadian films.

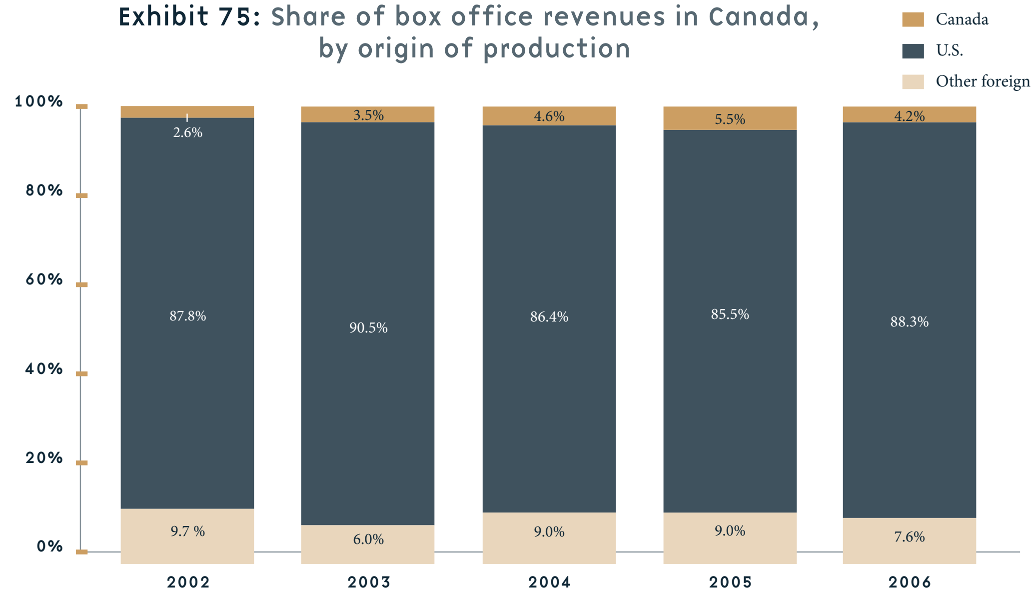
- **Canadian films** earned **$35 million** in 2006, a 24% decrease from 2005. Canadian films saw their share of the domestic box office drop to **4.2%**, from 5.5% in 2005. A total of **99** Canadian films played in Canadian theatres in 2006, down from 105 films in 2005.
- **American films** earned **$734 million** in 2006, an increase of 3% over 2005. American films accounted for **88.3%** of box office receipts in Canada in 2006. A total of **295** American films played in Canadian theatres in 2006, up from 257 in 2005.
- **Other foreign films** earned **$63 million** in 2006, down by 16% compared to 2005. Films from other foreign countries captured **7.6%** of the Canadian box office in 2006. The number of other foreign films in Canadian theatres in 2006 increased to **218**, from 202 in 2005.

Exhibit 74: Canadian box office revenues by origin of production



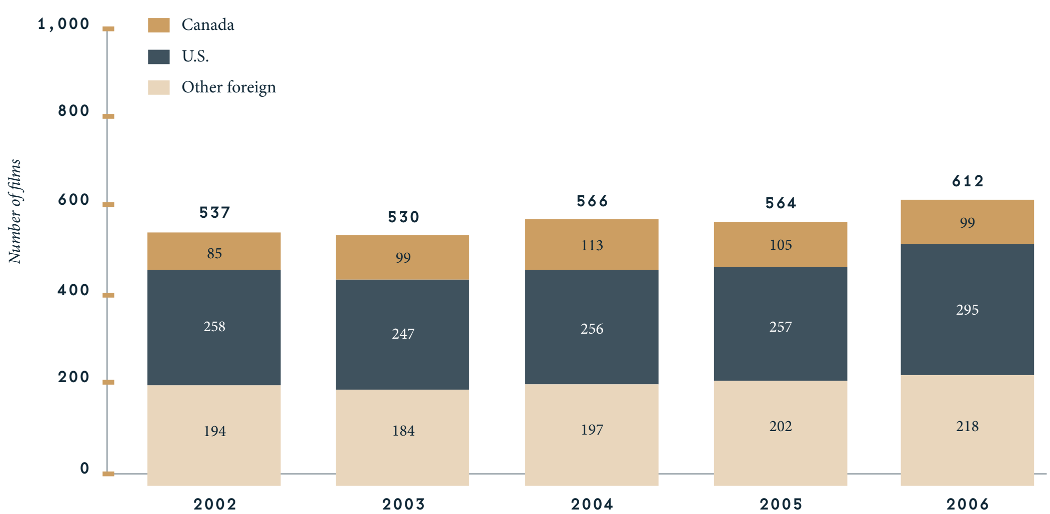
Source: Motion Picture Theatre Associations of Canada (MPTAC)
Further detailed Canadian box office statistics are available from the Motion Picture Theatre Associations of Canada (MPTAC) which offers a subscription service. For more information call Adina Lebo, Executive Director, MPTAC, at (416) 969-7057. All box office statistics presented in *Profile 2007* take into account information provided by MPTAC as of January 2, 2007.
Note: Some totals may not add due to rounding.

Exhibit 75: Share of box office revenues in Canada, by origin of production



Source: Motion Picture Theatre Associations of Canada (MPTAC)
Note: Totals may not add due to rounding.

Exhibit 76: Number of films playing in Canadian theatres by origin of production



Source: Motion Picture Theatre Associations of Canada (MPTAC)

4.9 Box Office Trends of Canadian Films by Linguistic Market

When examined on the basis of Canada's two major language markets for feature films, the box office performance of Canadian films varies considerably. In Canada, the French-language market refers to all films presented in French. This includes films for which the original language of production was French, as well as other films dubbed into French, or presented with French subtitles. The English-language market refers to all films presented in English (original language, dubbed or subtitled).

Canadian films exhibited in the French-language market saw their market share drop in 2006; while Canadian films in the English-language market experienced an uptick in revenues and market share – although starting from a small base.

- In the **French-language market**, Canadian films earned **$22 million** in 2006, down from $37 million in 2005.
- Canadian films' box office share in the **French-language market** slid by ten percentage points to **17%** in 2006.
- In the **English-language market**, Canadian films earned just under **$13 million** – an increase of 56% over 2005.
- Canadian films exhibited in the **English-language market** accounted for **1.8%** of the total box office, compared to 1.2% in 2005.
- Canadian films exhibited in the French-language market accounted for 64% of Canadian films' total box office earnings in Canada in 2006; while Canadian films exhibited in the English-language market accounted for the other 36%.

Exhibit 77: Canadian box office and market share by linguistic market

	2002	2003	2004	2005	2006
($ millions unless specified otherwise)					
French-language market					
Box office of Canadian films presented in French	15.2	26.5	29.0	37.4	22.2
Box office of foreign films presented in French	107.0	118.0	106.7	101.1	108.2
Total box office of films presented in French	122.2	144.5	136.7	138.5	130.4
Canadian films' share	12.5%	18.3%	21.2%	27.0%	17.0%
(Number of films)					
Canadian films playing in Canadian theatres	52	68	86	80	77
Foreign films playing in Canadian theatres	262	289	298	302	347
Total films playing in Canadian theatres	314	357	384	382	424
Ratio of foreign to Canadian films	5.04	4.25	3.47	3.78	4.51
($ millions unless specified otherwise)					
English-language market					
Box office of Canadian films presented in English	8.9	6.8	12.1	8.1	12.6
Box office of foreign films presented in English	814.0	805.4	754.1	687.4	688.0
Total box office of films presented in English	822.9	812.2	766.2	695.5	700.6
Canadian films' share	1.1%	0.8%	1.6%	1.2%	1.8%
(Number of films)					
Canadian films playing in Canadian theatres	60	56	67	62	57
Foreign films playing in Canadian theatres	395	362	377	388	413
Total films playing in Canadian theatres	455	418	444	450	470
Ratio of foreign to Canadian films	6.58	6.46	5.63	6.26	7.38

Source: Motion Picture Theatre Associations of Canada (MPTAC)
Note: The English-language market is comprised of all films that are shown in the English language, regardless of whether the original film was in English, dubbed into English, or exhibited with English subtitles. For the French-language market, all theatres in Canada (only Quebec and New Brunswick are captured at this point in time) showing films in French (original, dubbed, or with subtitles) 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 *The Lord of the Rings* would be included in the box office receipts for the French-language market. Please note that these markets are not province specific either. If a theatre in Quebec exhibited *Harry Potter* in English, then the box office results would tabulated in the English-language market results.

Canadian films continue to face formidable competition from Hollywood productions. There is limited shelf space for films on theatrical screens; and that available space, as well as trailers, is typically allocated to Hollywood films. In fact, Hollywood films have access to 10 to 20 times as many screens as most Canadian films.[5] Together with the massive Hollywood marketing platforms such as television, magazines, newspapers, and the Internet, these Hollywood-film advantages create tremendous competition for Canadian films to attract theatre goers.

In the French-language market, Canadian films have been able to achieve more success than in the English-language market in part due to the presence of a well-developed star system and a strong preference among French-language theatre goers for Quebec-produced films.[6] But while there have been many recent successes for Canadian films in the French-language market, it has not always been the case; thus, sustained investment is necessary to maintain a critical mass of films and even strengthen the position of Canadian films.

4.10 Top Films by Language of Presentation

A review of the top ten films in each of Canada's linguistic markets further underlines the fundamental differences between the two language markets in Canada.

- In the English-language market, there were no Canadian films ranked among the top ten films in 2005 and 2006.
- In the French-language market, Canadian films held six of the spots among the top ten films in 2005. However, in 2006, the number of Canadian films dropped to two out of the top ten.

Exhibit 78: Top ten films presented in English-language market, 2005 and 2006

Title	*Box office receipts ($ millions)*	*Country of origin*
2005		
1. Star Wars: Episode III	30.2	U.S.
2. Harry Potter and the Goblet of Fire	25.7	U.S.
3. Wedding Crashers	23.5	U.S.
4. War of the Worlds	17.7	U.S.
5. Mr. and Mrs. Smith	17.5	U.S.
6. Madagascar	17.0	U.S.
7. Batman Begins	16.2	U.S.
8. Hitch	15.8	U.S.
9. Charlie and the Chocolate Factory	15.2	U.S.-U.K.
10. The Chronicles of Narnia	14.9	U.S.
2006		
1. Pirates of the Caribbean: Dead Man's Chest	37.1	U.S.
2. The Da Vinci Code	22.9	U.S.
3. Casino Royale	18.3	U.S.-U.K.-Germany-Czech Republic
4. X-Men: The Last Stand	17.4	U.S.
5. Superman Returns	15.2	U.S.
6. Borat	14.8	U.S.
7. Ice Age: The Meltdown	14.0	U.S.
8. Mission: Impossible III	12.5	U.S.
9. Cars	11.0	U.S.
10. Over the Hedge	10.6	U.S.

Source: Motion Picture Theatre Associations of Canada (MPTAC)

Exhibit 79: Top ten films presented in French-language market, 2005 and 2006

Title	*Box office receipts ($ millions)*	*Country of origin*
2005		
1. C.R.A.Z.Y.	**5.7**	**Canada**
2. Harry Potter and the Goblet of Fire	5.7	U.S.
3. Aurore	**5.3**	**Canada**
4. Star Wars: Episode III	4.4	U.S.
5. Horloge biologique	**4.2**	**Canada**
6. War of the Worlds	3.1	U.S.
7. Le Survenant	**2.9**	**Canada**
8. Maurice Richard	**2.8**	**Canada**
9. Les Boys IV	**2.6**	**Canada**
10. Madagascar	2.5	U.S.
2006		
1. Bon Cop, Bad Cop	**9.7**	**Canada**
2. Pirates of the Caribbean: Dead Man's Chest	6.0	U.S.
3. The Da Vinci Code	5.9	U.S.
4. Ice Age: The Meltdown	4.3	U.S.
5. Click	3.1	U.S.
6. Casino Royale	2.6	U.S.-U.K.-Germany-Czech Republic
7. Mission: Impossible III	2.5	U.S.
8. X-Men: The Last Stand	2.3	U.S.
9. Le Secret de ma mère	**2.3**	**Canada**
10. Eight Below	1.9	U.S.

Source: Motion Picture Theatre Associations of Canada (MPTAC)

5. Telefilm Canada, *Annual Report* 2005-2006, p. 22.

6. Ibid., p. 23.

Exhibit 80: Top ten Canadian-produced films presented in English-language market, 2005 and 2006

Title	Box office receipts ($ millions)	Original language of production
2005		
1. White Noise	3.5	English
2. Water	1.7	English-Hindi
3. Where the Truth Lies	0.5	English
4. Being Julia*	0.4	English
5. C.R.A.Z.Y.	0.4	French
6. It's All Gone Pete Tong	0.2	English
7. Saint Ralph	0.2	English
8. Aurore	0.1	French
9. Maurice Richard	0.1	French
10. Hank Williams First Nation	0.1	English
2006		
1. Trailer Park Boys: The Movie	3.9	English
2. Silent Hill	3.7	English
3. Bon Cop, Bad Cop	2.6	French-English
4. Maurice Richard**	0.6	English
5. Beowulf & Grendel	0.4	English
6. Water**	0.4	Hindi-English
7. Manufactured Landscapes	0.3	English
8. Eve & The Fire Horse	0.1	English
9. Spymate	0.1	English
10. The Journals of Knud Rasmussen	0.1	Inuit

Source: Motion Picture Theatre Associations of Canada (MPTAC)
* Film released in 2004
** Film released in 2005

Exhibit 81: Top ten Canadian-produced films presented in French-language market, 2005 and 2006

Title	Box office receipts ($ millions)	Original language of production
2005		
1. C.R.A.Z.Y.	5.7	French
2. Aurore	5.3	French
3. Horloge biologique	4.2	French
4. Le Survenant	2.9	French
5. Maurice Richard	2.8	French
6. Les Boys IV	2.6	French
7. Maman Last Call	1.8	French
8. Les Voleurs d'enfance	1.7	French
9. Ma vie en cinémascope*	1.7	French
10. Idole instantanée	1.5	French
2006		
1. Bon Cop, Bad Cop	9.7	French-English
2. Le Secret de ma mère	2.3	French
3. Les Boys IV**	1.7	French
4. Maurice Richard**	1.3	French
5. Un dimanche à Kigali	1.0	French
6. Roméo et Juliette	0.8	French
7. La Vie secrète des gens heureux	0.7	French
8. Silent Hill	0.6	English
9. Guide de la petite vengeance	0.5	French
10. La Rage de l'ange	0.5	French

Source: Motion Picture Theatre Associations of Canada (MPTAC)
* Film released in 2004
** Film released in 2005

4.11 Canadian Theatrical Production by Province

In Canada, theatrical production is concentrated among producers located in a small group of provinces. In 2005/06, Ontario-based producers overtook their counterparts in Quebec in terms of production activity. Theatrical production by Ontario-based producers more than doubled from 2004/05 to $148 million; it accounted for 46% of total theatrical production in Canada.

Theatrical production by Quebec-based producers declined by 9% to $91 million, and accounted for 28% of the national total.

Producers based in British Columbia also increased their theatrical production. Production increased from only $8 million in 2004/05 to $68 million in 2005/06.

Nova Scotia and Alberta rounded out the list of provinces with producers active in the Canadian theatrical-production segment in 2005/06.

Exhibit 82: Volume of Canadian theatrical production by province

($ millions unless specified otherwise)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	05/06 share of total
Ontario	76	45	78	39	75	89	105	121	66	148	46%
Quebec	94	168	63	125	61	99	103	194	101	91	28%
British Columbia	20	20	46	43	58	29	48	17	8	68	21%
Nova Scotia	2	6	4	0	0	3	4	8	5	14	4%
Alberta	0	3	1	15	9	0	24	1	1	1	<1%
Manitoba	2	3	5	2	5	3	6	1	2	0	0%
New Brunswick	0	0	2	0	1	0	0	0	0	0	0%
Newfoundland and Labrador	0	0	2	2	5	1	0	0	0	0	0%
Prince Edward Island	0	0	0	0	0	0	0	0	0	0	0%
Saskatchewan	0	6	0	5	9	0	4	0	0	0	0%
Territories	0	0	0	0	0	0	0	0	0	0	0%
Total	**194**	**251**	**201**	**231**	**224**	**224**	**294**	**343**	**184**	**323**	**100%**

Source: Estimates based on data collected from CAVCO
Note: Some totals may not add due to rounding

4.12 Canada Feature Film Fund

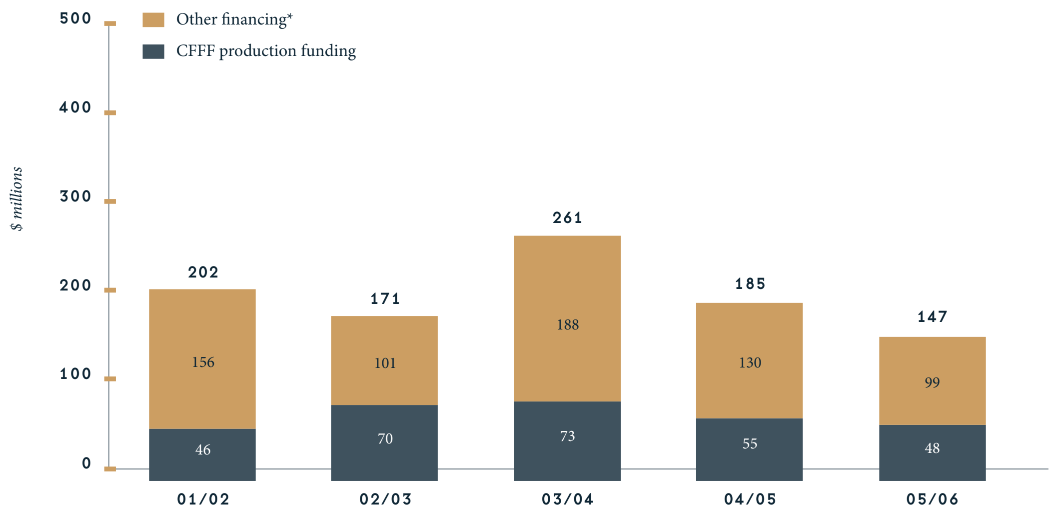
The Canada Feature Film Fund (CFFF), established in 2000 and administered by Telefilm Canada, is the federal government's main program for the support of the Canadian theatrical film industry. The CFFF is comprised of several component programs designed to support the various stages of the feature film production cycle, from scriptwriting to marketing. The CFFF also encompasses programs to support low-budget independent filmmaking. Unlike the CTF, the financial resources for the CFFF are entirely comprised of contributions from the federal government.

In 2005/06, the CFFF's overall contribution to production of Canadian theatrical-release films dropped slightly. A large part of this decrease was due to producers who chose to carry forward part of their performance envelopes of funding into the following year.[7] As well, disbursements from the CFFF fell below performance-envelope commitments made in 2005/06 because of the long production cycle for theatrical feature films.[8]

- The CFFF contributed **$48 million** to the production of **31 feature films** with budgets totalling **$147 million**.
- Other financing – comprised largely of contributions from distributors, production companies, and other government sources – contributed an additional $99 million to CFFF-supported productions.
- CFFF contributions to production decreased by 13%; the total volume of CFFF-supported production dropped by 24%.

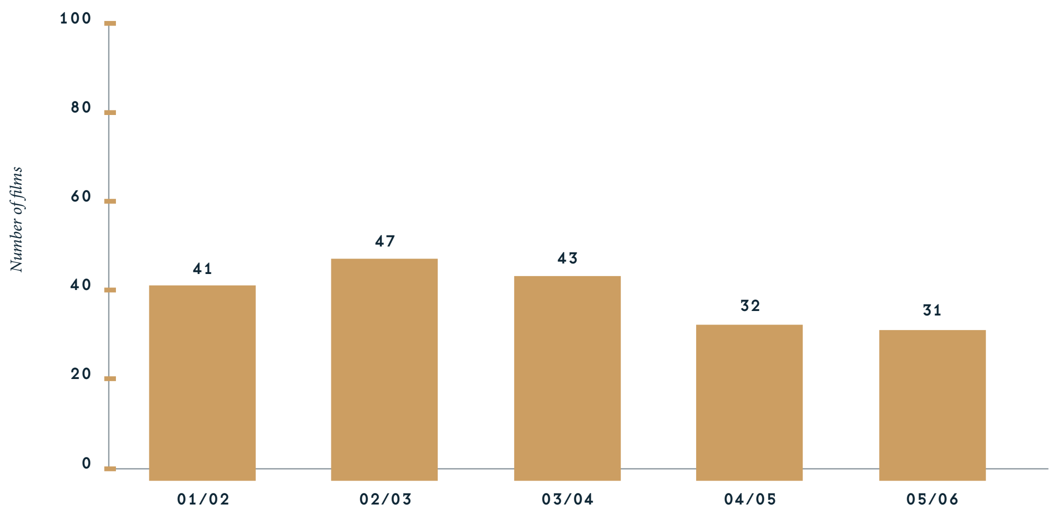
7. Telefilm Canada, *Annual Report* 2005-2006, p. 64.
8. Idem.

Exhibit 83: Total Canadian feature film production activity with CFFF contributions



Source: Telefilm Canada
* Other financing includes contributions from production companies, broadcasters, other government sources and distributors.
Note: Total budgets exclude the foreign portion of co-production budgets for which Canada is a minority partner.

Exhibit 84: Number of Canadian theatrical-release feature films that received financial support from the CFFF



Source: Telefilm Canada

5. Foreign Location Production

The foreign location production sector includes feature films and television programs filmed in Canada by foreign studios and independent producers. In this type of production, the foreign producer retains the copyright, but Canada benefits in the form of jobs and economic activity. Foreign location productions employ Canadian producers, performers, and crews to deliver high-quality productions for global audiences.

HIGHLIGHTS

- Foreign location production recovered by 14% to just under $1.7 billion in 2005/06, following a 23% drop in 2004/05.
- In 2005/06, foreign location production generated 16,700 direct jobs and 26,700 indirect jobs in other industries.
- Most of the increase in foreign location production can be attributed to a 72% recovery in activity in British Columbia. Alberta and Nova Scotia also experienced strong increases in foreign location production, while Ontario, Quebec, Manitoba and Saskatchewan had less activity than the year before.
- Ontario's foreign location production decreased by 13% after experiencing a strong increase in 2004/05.
- Quebec suffered a sharp drop of 62% in activity in 2005/06.
- Feature films accounted for 60% of foreign location production in 2005/06. The balance of production was split between television series (23%), and television movies, mini-series and pilots (collectively accounted for 17%).

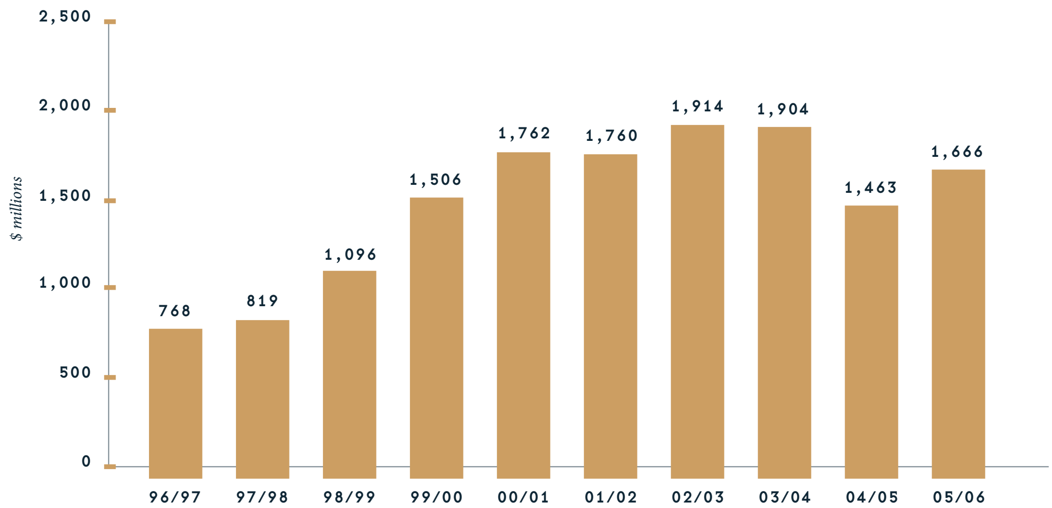
5.1 Total Volume of Foreign Location Production

In 2005/06, foreign location production in Canada rebounded by $203 million (or 14% above the previous year) to **$1.7 billion**. This level of production was a partial recovery from a sharp decrease of $441 million in 2004/05.

Most of the increase in Canada's total foreign location production can be attributed to a strong recovery in activity in British Columbia (see Section 5.3). Foreign location production in British Columbia rose by $406 million to a total of $973 million in 2005/06.

- Part of this strong recovery in British Columbia, however, was offset by decreases in other provinces, including a steep drop in activity in Quebec (see Section 5.3).
- The national result appears to indicate that the rise in the value of the Canadian dollar over the past couple of years has been mostly absorbed, but foreign location production is not back to the high levels achieved between 2000/01 and 2003/04.

Exhibit 85: Total volume of foreign location production



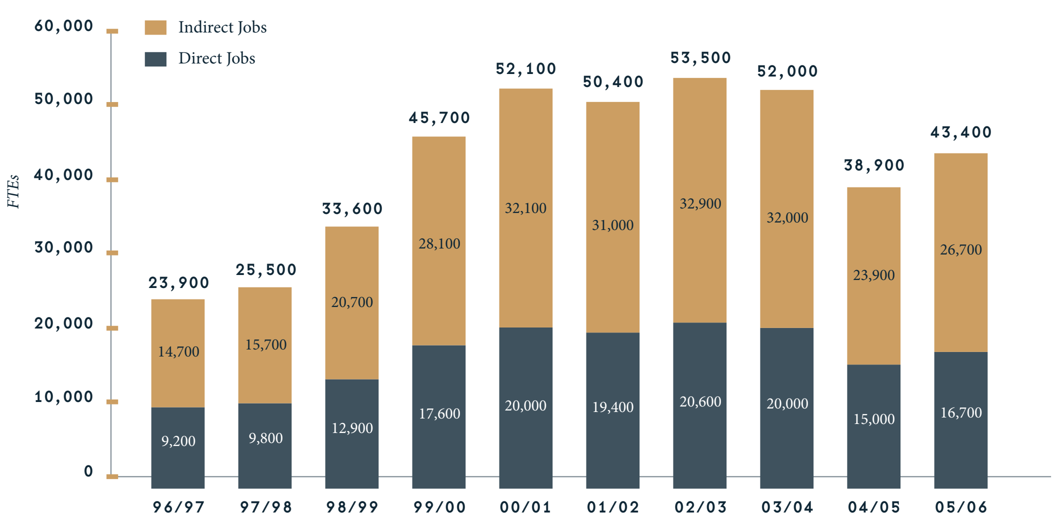
Source: Association of Provincial Funding Agencies and the Department of Canadian Heritage
Note: The Association of Provincial Funding Agencies collects data for foreign location production from provincial film commissions and film development corporations.

5.2 Direct and Indirect Jobs in Foreign Location Production

In 2005/06, foreign location production generated an estimated **43,400** full-time equivalent jobs (FTEs) in Canada.

- Direct jobs in foreign location production: **16,700**
- Indirect jobs in other industries: **26,700**

Exhibit 86: Number of full-time equivalent jobs (FTEs) in foreign location production



Source: Estimates based on data from the Association of Provincial Funding Agencies, Statistics Canada and the Department of Canadian Heritage

5.3 Foreign Location Production by Province

In 2005/06, British Columbia maintained its status as Canada's leading region for foreign location production, with a 58% share of the national level of foreign location production. It almost broke the $1 billion mark, which would only have been the second time ever for the province.

The only other province with more than $100 million in foreign location production in 2005/06 was Ontario. Its dollar volume of activity declined by 13% to $455 million, and thus dropped from the roughly $550 million level it has enjoyed over the previous five years (with the exception of 2003/04).

Canada's third largest centre for foreign location production, Quebec, saw its dollar volume of activity drop by 62% to $99 million in 2005/06. This decline was directly attributable to the drop in the number of foreign location projects in Quebec – from 38 in 2004/05 to 22 in 2005/06.

Foreign location production showed a substantial increase in Nova Scotia and Alberta, and some growth in the Yukon Territory, while it dropped in Manitoba and Saskatchewan in comparison to 2004/05. Nova Scotia equalled its best year over the last ten years, while Alberta rebounded to levels not seen since 2002/03.

New Brunswick, Newfoundland and Labrador, and Nunavut did not record any foreign location activity in 2005/06.

Exhibit 87: Volume of foreign location production by province

($ millions)	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
British Columbia	362	425	445	664	760	857	830	1,236	567	973
Ontario	253	221	347	443	543	561	549	340	521	455
Quebec	87	129	197	213	337	215	399	193	261	99
Nova Scotia	4	5	18	60	35	48	52	51	36	61
Alberta	60	32	46	112	57	34	50	0	1	37
Manitoba	0	7	27	7	25	33	34	79	54	34
Saskatchewan	0	0	16	7	0	0	0	0	23	7
Yukon Territory	2	0	0	1	2	1	0	2	<1	<1
New Brunswick	0	0	0	0	3	3	0	0	0	0
Newfoundland and Labrador	0	0	0	0	0	8	0	0	0	0
Nunavut	0	0	0	0	0	0	0	0	0	0
Prince Edward Island	0	0	0	0	0	0	0	2	0	n/a
Northwest Territories	0	0	0	0	1	0	0	0	0	n/a
Total	**768**	**819**	**1,096**	**1,506**	**1,762**	**1,760**	**1,914**	**1,904**	**1,463**	**1,666**

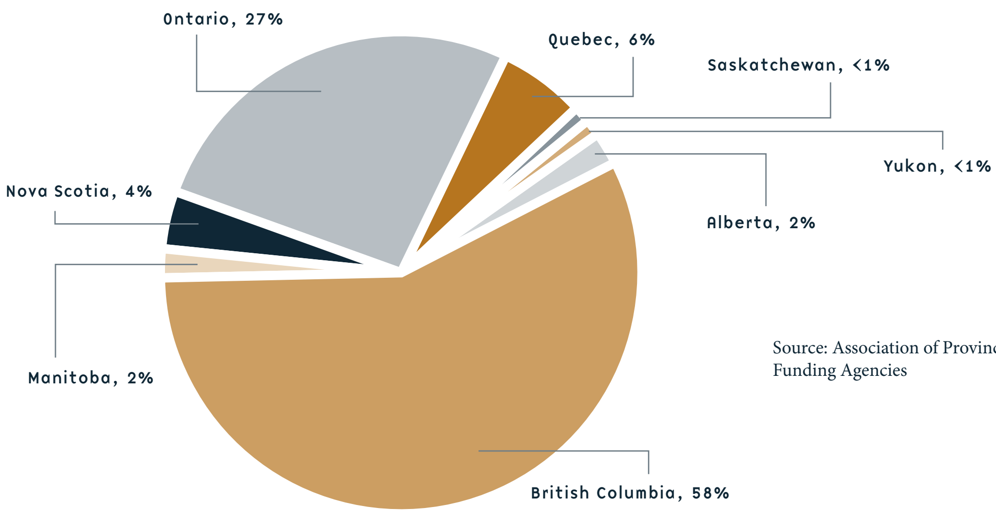
Source: Association of Provincial Funding Agencies and the Department of Canadian Heritage
Note: Some totals may not add due to rounding
n/a: Not available

Exhibit 88: Annual number of foreign location projects by province

	02/03	03/04	04/05	05/06
British Columbia	65	69	68	94
Ontario	76	36	35	49
Quebec	39	40	38	22
Nova Scotia	13	8	8	14
Alberta	3	0	1	9
Manitoba	11	9	5	14
Saskatchewan	0	0	0	1
Yukon Territory	2	3	1	4
New Brunswick	0	0	0	0
Newfoundland and Labrador	0	0	0	0
Nunavut	0	0	0	0
Prince Edward Island	0	1	0	n/a
Northwest Territories	0	0	0	n/a
Total	**209**	**166**	**156**	**207**

Source: Association of Provincial Funding Agencies
n/a: Not available

Exhibit 89: Share of total volume of foreign location production by province, 2005/06



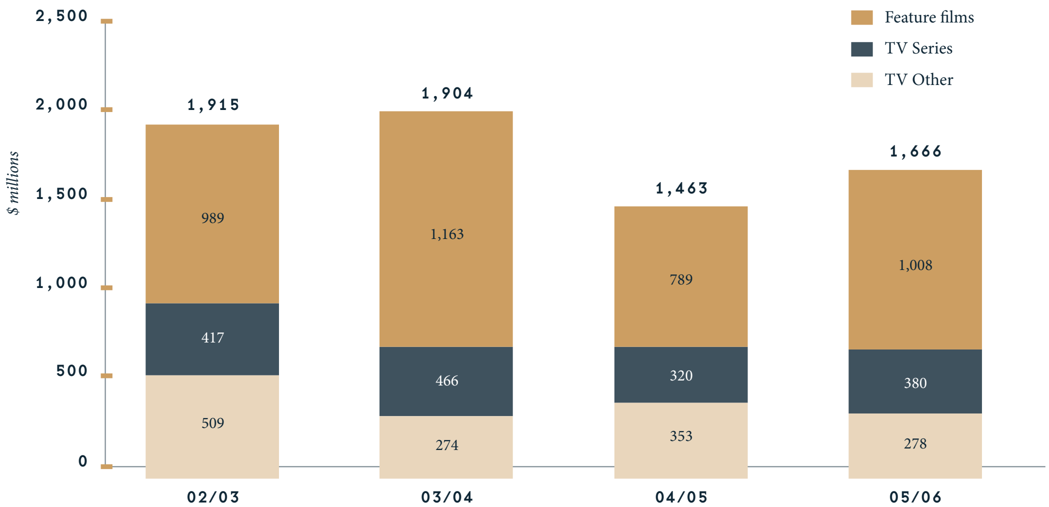
Source: Association of Provincial Funding Agencies

5.4 Foreign Location Production by Type of Production

In 2005/06, foreign location production was comprised of the following types of production:

- **Feature film** production totalled **$1 billion**, or 60% of the total.
- **Television series** production totalled **$380 million**, or 23% of the total.
- **Other types of television** production (e.g., television movies, mini-series, television pilots) totalled **$278 million**, or 17% of the total.

Exhibit 90: Total volume of foreign location production by type of production



Source: Association of Provincial Funding Agencies
Note: Data are only available for 2002/03 to 2005/06.
Some totals may not add due to rounding

6. Broadcaster In-House Production

Broadcaster in-house production ("in-house production") refers to productions made internally by private television broadcasters, the Canadian Broadcasting Corporation (CBC), Société Radio-Canada (SRC), and specialty- and pay-television services. In-house production is largely comprised of news and sports programming, but can also include production in other genres.

HIGHLIGHTS

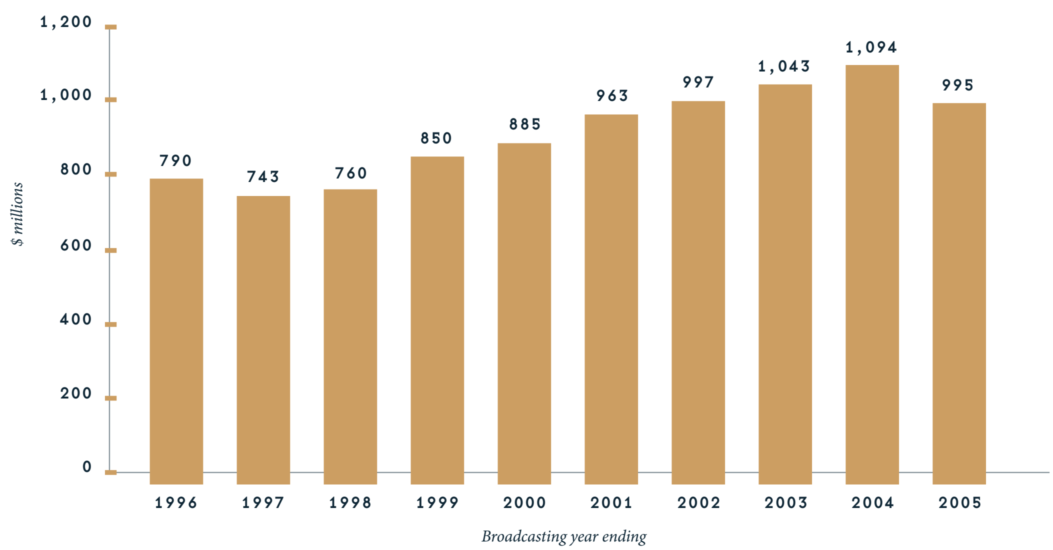
- During the 2005 broadcasting year, in-house production decreased by 9% to $995 million.
- During the 2005 broadcasting year, 69% of in-house production took place in the conventional television segment; 30%, in the specialty television segment; and 1%, in the pay television segment.
- In-house production generated 10,000 direct jobs and 15,900 indirect jobs in 2005.

6.1 Total Volume of Broadcaster In-House Production

During the 2005 broadcasting year (September 2004 to August 2005) in-house production decreased by 9% to $995 million. This marked the first year since 1997 that this segment recorded a decrease in activity.

- All of the broadcasting industry segments – private and public conventional television, specialty television, and pay television – recorded a decrease in in-house production in 2005 (see Section 6.2).
- Some $62 million of this $99 million overall decrease in in-house production can be attributed to declines in spending by private and public conventional broadcasters (see Section 6.2). This decrease was due in large part to the cancellation of the 2004/05 National Hockey League season.

Exhibit 91: Total volume of broadcaster in-house production



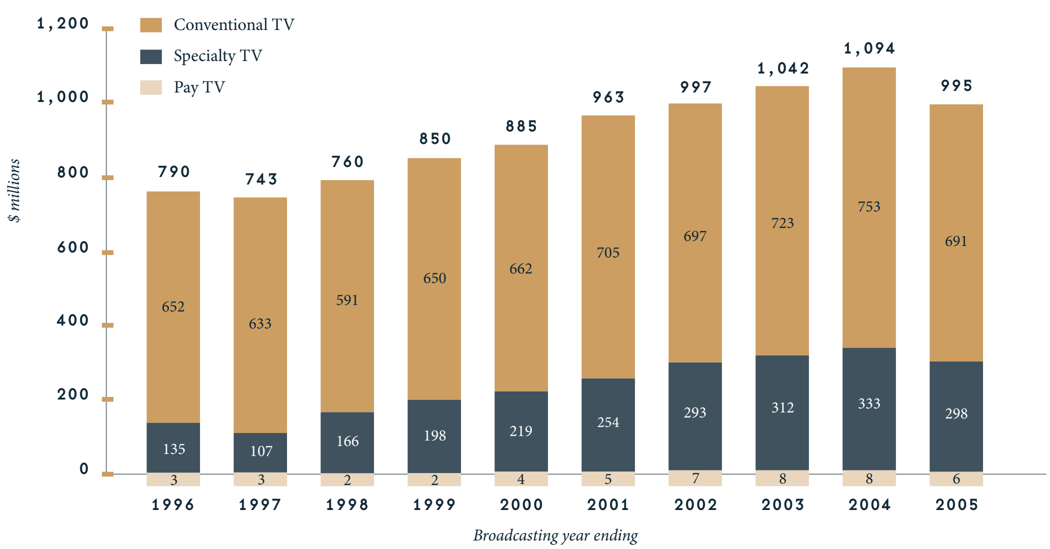
Source: Estimates based on data from CRTC and CBC/SRC

6.2 Broadcaster In-House Production by Segment

During the 2005 broadcasting year, and in prior years, most in-house production took place in the conventional television segment.

- In 2005, in-house production by **conventional television** broadcasters totalled **$691 million**, or 69% of total in-house production. In-house production by conventional television broadcasters decreased by 8% in 2005, but was still 6% higher than the level in 1999.
- In-house production by **specialty television** broadcasters totalled **$298 million** in 2005, or 30% of total in-house production. In-house production by specialty television services decreased by 11% in 2005.
- **Pay television** services made expenditures of **$6 million** on in-house production and accounted for 1% of total in-house production in 2005.

Exhibit 92: Broadcaster in-house production by segment



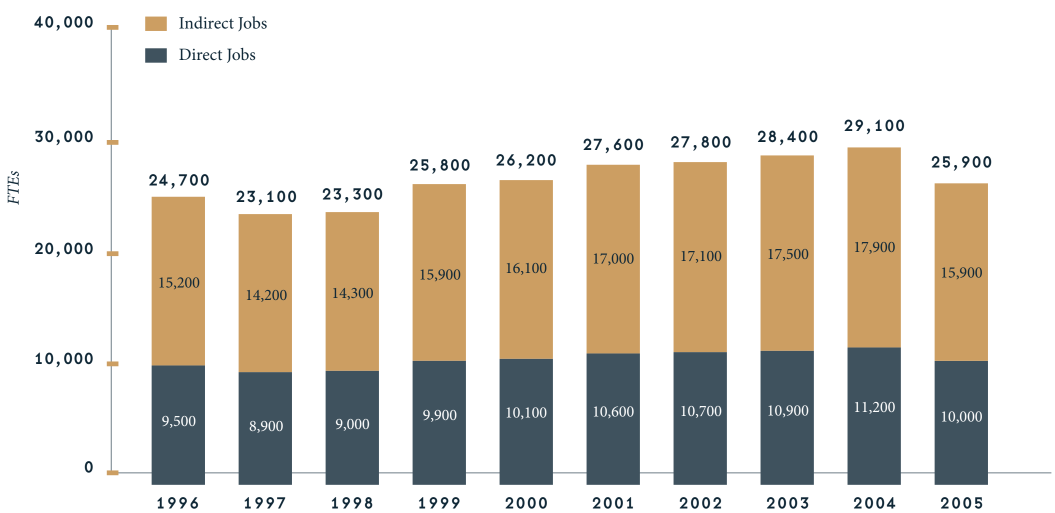
Source: Estimates based on data collected from CRTC and CBC/SRC.
Some totals may not add due to rounding

6.3 Direct and Indirect Jobs in Broadcaster In-House Production

In 2005, in-house production generated an estimated **25,900** full-time equivalent jobs (FTEs) in Canada.

- Direct jobs in in-house production: **10,000**
- Indirect jobs in other industries: **15,900**

Exhibit 93: Number of full-time equivalent jobs (FTEs) in broadcaster in-house production



Source: Estimates based on data from CRTC, CBC/SRC and Statistics Canada

6.4 Broadcaster In-House Production by Province

In 2005, Ontario was Canada's largest centre for in-house production, producing $542 million or 55% of the national total. The province is the location of the majority of Canada's English-language television networks and specialty-television services.

Quebec was the second largest centre for in-house production, with $234 million, or 24% of the national total. All of Canada's French-language television networks and specialty-television services are based in Quebec.

Exhibit 94: Broadcaster in-house production by province

($ millions, unless otherwise specified)	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Share 2005	One-year growth
Ontario	415	387	402	461	486	528	556	576	635	542	54%	-15%
Quebec	203	188	189	207	216	240	234	247	260	234	24%	-10%
British Columbia*	58	58	60	62	62	67	70	93	88	96	10%	9%
Alberta	52	51	50	55	52	57	65	61	59	63	6%	6%
Nova Scotia	19	19	18	21	22	23	22	23	14	16	2%	19%
Manitoba	17	17	15	17	20	22	22	16	14	14	1%	3%
Saskatchewan	14	13	12	12	12	14	16	13	12	13	1%	8%
New Brunswick	7	7	8	8	8	8	8	8	8	8	1%	6%
Newfoundland and Labrador	4	4	4	5	5	4	5	5	5	8	1%	62%
Prince Edward Island	1	1	1	1	1	1	1	1	1	1	<1%	12%
Total	**790**	**743**	**760**	**850**	**885**	**963**	**997**	**1,043**	**1,094**	**995**	**100%**	**-9%**

Source: Estimates based on data collected from CRTC, CBC/SRC, and Statistics Canada
Some totals may not add due to rounding.
* Includes the Territories
Note: A complete set of provincial statistics were not available for private broadcaster in-house production in the Prairies Provinces and Atlantic Canada. For the Prairie Provinces, Nordicity 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 provinces in Atlantic Canada was also based on the development of estimates. Because no historical data existed, each province's share of Atlantic Canada's total 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 to 2005/06. The average share across these four years was used to extrapolate provincial data back to 1996/97.

7. International Treaty Co-Production

One way that Canadian producers participate in international film and television production is through international treaty co-production. The Government of Canada currently has co-production treaties with 53 countries. As co-production treaties are founded on the principle of reciprocity, approximately one-half of total treaty co-production budgets are spent in Canada.

HIGHLIGHTS

- The total volume (Canadian + foreign budgets) of Canadian treaty co-productions dropped by 25% to $349 million in 2005.
- France returned to the first position over the United Kingdom as Canada's largest treaty co-production partner in 2005.
- The total volume of treaty co-production in 2005 was 62% lower than the peak reached in 2000.
- English-language production accounted for 78% of the total volume of treaty co-production in 2005; French-language production accounted for 22%.
- The average per-project budget for a Canadian treaty co-production was $5.5 million – a decrease of 11% from $6.2 million in 2004.

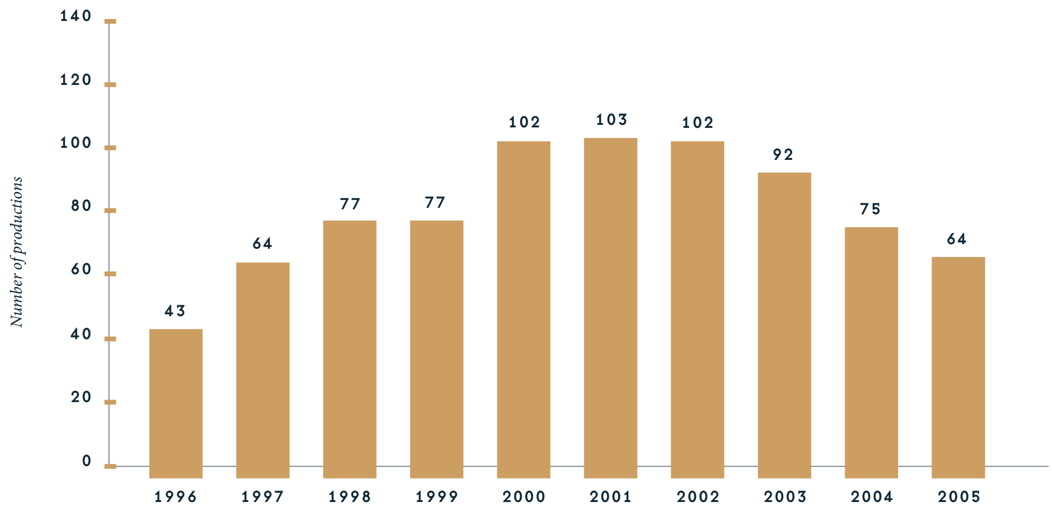
Treaty co-productions allow Canadian and foreign producers to pool creative, artistic, technical and financial resources to co-produce projects that are considered "national productions" in each of the partner countries. They also play an important role in providing the co-producers with additional sources of funding and access to foreign markets for the distribution of their works. Treaty co-productions often give Canadian producers the opportunity to work on larger-budget productions than they experience on purely domestic Canadian productions.

7.1 Total Volume of Treaty Co-Production

In 2005, Canadian treaty co-production activity experienced another significant drop; the **total volume** of treaty co-production dropped by 25% to **$349 million**. More specifically:

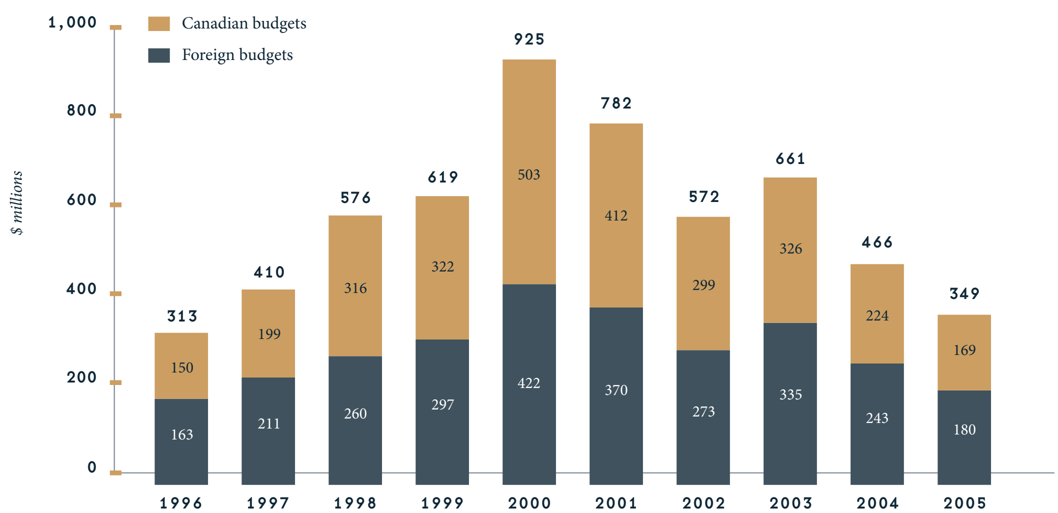
- The **number** of treaty co-productions dropped by 15% from 75 in 2004 to **64** in 2005.
- The **Canadian portion** of treaty co-production budgets dropped by 25% to **$169 million**.
- The **foreign portion** of treaty co-production budgets dropped by 26% to **$180 million**.
- The total volume of treaty co-production in 2005 was 62% lower than the peak of $925 million reached in 2000.

Exhibit 95: Annual number of treaty co-productions



Source: Telefilm Canada

Exhibit 96: Total volume of treaty co-production with Canada



Source: Telefilm Canada

7.2 Trends in Treaty Co-production by Country

France leapfrogged the U.K. to become Canada's largest treaty co-production partner in 2005. While the composition of Canada's partners has fluctuated significantly from year to year with the production slate, France and the U.K. have consistently been Canada's top two partners.

Canada's **bipartite** production was **$337 million** in 2005 – an 8% drop compared to 2004.

- **France** was Canada's leading bipartite partner with **$171 million** in total volume.
- The **U.K.** dropped to second position with **$80 million** in total volume – a drop of 53% compared to 2004.
- Canada's treaty co-production activity with **Australia** and the **Philippines** increased in 2005; while its production with **South Africa, Ireland** and **Germany** decreased when compared to 2004.
- Several partner countries saw production drop to zero in 2005.
- Production activity increased with **New Zealand, Luxemburg, Denmark** and **Czech Republic** – four countries that had no bipartite activity with Canada in 2004.

Tripartite activity in 2005 was confined to a single country pairing, compared to six different country pairings in 2004.

Quadripartite activity in 2005 dropped by 73% compared to 2004. Canada was involved in a single project with a total budget of just under $8 million.

Canada's treaty co-production with European partners continued to drop in 2005, as the European regulatory environment remained oriented toward promoting intra-European production. The European Union's *Television without Borders* directive combined with more flexible treaty rules for European Union (E.U.) countries have led to increases in intra-European co-production at the expense of production with non-E.U. countries.

Canada's production with the U.K. also took a sharp dive in 2005; thus reflecting the impact of changes in the regulatory environment in the U.K. over the past several years. In 2003, the U.K. government enacted a requirement that at least 40% of co-production budget expenditures for feature films be made in the U.K. In 2004, it announced the elimination of the *sale-and-leaseback* financing option for television production.

In 2006, the U.K. government announced that it was dropping the U.K. spend requirement for international co-production from 40% to 25%, and was introducing a new tax credit for film production that would see producers claim tax benefits equal to 16% of qualifying production costs for large-budget films and 20% for small-budget films. These new tax relief measures may help to reverse the downward trend in Canada-U.K. co-production.

Exhibit 97: Volume of treaty co-production and number of projects, by partner country, 2004 and 2005

Country	2004		2005	
	Number of projects	*Total volume ($)*	*Number of projects*	*Total volume ($)*
Bipartite				
France	30	117,812,654	29	170,597,102
United Kingdom	21	170,160,088	19	79,545,048
Australia	2	4,685,421	3	19,350,756
South Africa	2	30,665,077	1	18,200,000
New Zealand	--	--	1	12,743,409
Philippines	1	6,624,800	1	10,070,450
Luxemburg	--	--	2	9,542,000
Denmark	--	--	1	6,303,983
Germany	2	11,372,354	2	6,062,525
Ireland	4	15,832,049	1	3,559,094
Brazil	--	--	1	552,290
Czech Republic	--	--	1	49,144
Malta	1	12,166,381	--	--
Japan	1	1,770,000	--	--
Finland	1	628,333	--	--
China	--	--	--	--
Austria	--	--	--	--
Singapore	--	--	--	--
Netherlands	--	--	--	--
Total Bipartite	**65**	**371,717,157**	**62**	**336,575,801**
Tripartite				
Belgium, France	--	--	1	5,000,000
United Kingdom, Iceland	2	28,065,009	--	--
United Kingdom, Romania	1	17,760,720	--	--
France, United Kingdom	1	8,327,079	--	--
France, Switzerland	1	5,299,505	--	--
Germany, South Korea	1	4,500,000	--	--
Iceland, France	1	1,109,600	--	--
France, Iceland	1	1,087,540	--	--
Total Tripartite	**8**	**66,149,811**	**1**	**5,000,000**
Quadripartite				
Belgium, France, Luxemburg	--	--	1	7,776,748
United Kingdom, France, Czech Republic	1	26,962,432	--	--
United Kingdom, Czech Republic, Italy	1	1,627,786	--	--
Total Quadripartite	**2**	**28,590,218**	**1**	**7,776,748**
Grand Total	**75**	**466,457,186**	**64**	**349,352,549**

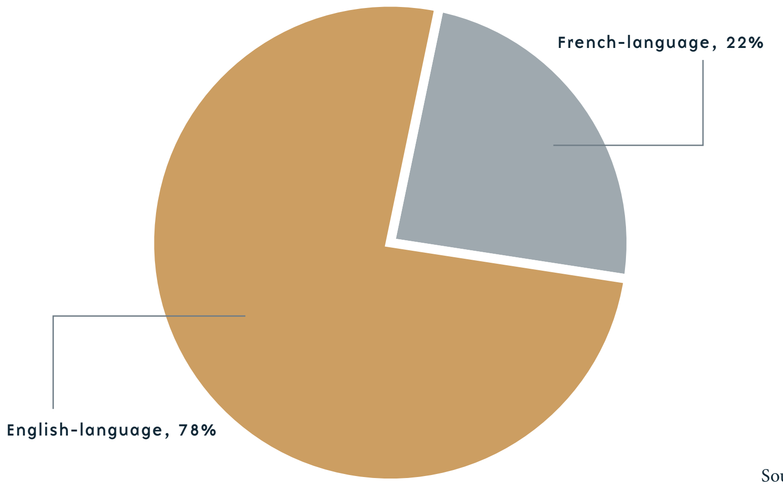
Source: Telefilm Canada

7.3 Treaty Co-production by Language

In 2005, most of the volume of treaty co-production was produced in English.

- **English-language:** $271 million, 78% of total volume of treaty co-production
- **French-language:** $78 million, 22% of total volume of treaty co-production

Exhibit 98: Share of the total volume of treaty co-production by language, 2005



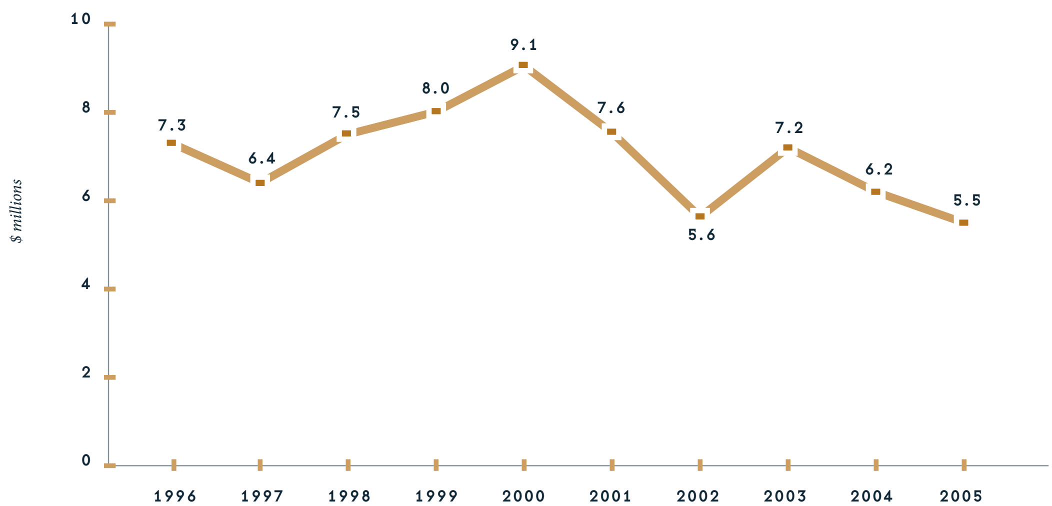
Source: Telefilm Canada

7.4 Trends in Average Budgets, Genre and Type of Production in the Treaty Co-Production Segment

The recent downward trend in the average budget of treaty co-production projects continued in 2005: the average budget for a Canadian treaty co-production project decreased by 11% to $5.5 million.

- The drop in the average budget in 2005 was accompanied by a drop in the number of treaty co-productions.
- The average budget was 40% lower than the peak average of $9.1 million recorded in 2000.

Exhibit 99: Average project budget of treaty co-productions



Source: Telefilm Canada

The steady drop in the average budget of Canada's international treaty co-production projects is partly due to a drop in the share of international treaty co-production activity in the drama genre. In 2000, drama accounted for 62% of the total volume of treaty co-production activity; as of 2005, the share was down to 48%. While the drama genre's share of treaty co-production volume decreased, the documentary genre's share rose. Given that documentary projects often come with lower budgets, this shift away from drama to documentary production likely contributed to the overall decrease in average project budgets of Canadian treaty co-productions.

Exhibit 100: Share of total volume of international treaty co-production, by genre

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Drama	41%	63%	58%	57%	62%	58%	65%	59%	59%	48%
Documentary	3%	4%	3%	3%	3%	5%	10%	5%	9%	16%
Children's	56%	34%	40%	40%	35%	37%	24%	36%	32%	36%
Other	0%	0%	0%	0%	0%	0%	0%	1%	1%	1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Telefilm Canada
Some totals may not add due to rounding.

At the same time, the average project budget for treaty co-production drama projects themselves experienced a downward slide between 2000 and 2005. In 2000, drama projects had an average budget of $14.6 million; in 2005, the average was down to $10.7 million.

Exhibit 101: Average project budget of international treaty co-production, by genre

($ millions)	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Drama	5.8	8.0	11.6	11.5	14.6	13.4	11.0	11.1	13.0	10.7
Documentary	1.3	1.2	0.9	1.2	1.3	1.2	1.2	0.9	1.4	1.9
Children's	12.6	7.2	7.3	8.5	8.0	7.7	7.7	9.0	7.0	7.0
Other	n/a	n/a	n/a	n/a	1.0	n/a	2.2	8.0	1.4	1.8

Source: Telefilm Canada
n/a – Not applicable

Also of note – and related to drop in drama budgets – was the downward trend in the average project budget for treaty co-production television projects. In 2000, the average budget of treaty co-production television projects was $8.7 million; in 2005, it was $4.3 million.

Exhibit 102: Share of total volume of international treaty co-production, by type

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Television	80%	54%	67%	65%	74%	76%	65%	43%	52%	61%
Feature film	20%	46%	33%	35%	26%	24%	35%	57%	48%	39%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Telefilm Canada

Exhibit 103: Average project budget of international treaty co-production, by type

($ millions)	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Television	8.1	6.0	6.3	7.4	8.7	7.1	4.7	4.6	4.2	4.3
Feature film	5.2	7.0	11.6	10.2	10.9	9.5	9.2	11.6	13.1	8.9

Source: Telefilm Canada

Glossary of Terms

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

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 Production
Foreign location production is film or video production shot in Canada by U.S. or foreign studios and independent producers. In this type of production, the U.S. or foreign producer retains the copyright, but Canada benefits in the form of direct and spin-off jobs and economic activity.

Broadcaster In-house Production
Broadcaster 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.

Treaty Co-Production
Treaty co-production is production developed jointly by production companies in two or more treaty nations. Co-production treaties are founded on the principle of reciprocity and allow producers to more easily access international financing, and include more creative and performing talent from outside their home country.

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).