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Larger cinemas outperform smaller ones

By Norman Verma

The precarious financial condition of cinemas has been much in the press in recent months. Canada's largest cinema chain - Cineplex Odeon Canada - filed for bankruptcy protection this year and plans to close many of its low performing theatres in Canada. The bankruptcy protection filing will help the company restructure by allowing it to break or renegotiate many of its expensive leases.¹

The financial difficulty faced by cinemas, particularly the smaller ones, is not new. In fact, over the last four decades a large number of small and unprofitable theatres closed. The film exhibition industry experienced the first major decline when television sets became standard home equipment in the 1950s. The industry saw the closure of 598 movie theatres, or nearly one-third of the total, between 1952-53 and 1963-64. Admissions also fell almost two-thirds, from 247.7 million to 88 million during the same period. Over the next decade and a half, while admissions remained stable, the number of theatres fell a further 15%.

Movie theatres were hit hard again with the proliferation of videocassette recorders and other forms of home entertainment equipment in the 1980s. Attendance declined a further 22% to 69.2 million in 1991-92. Over this period, the number of theatres fell 40%, from 1,037 to 620.

Moviegoers return to the theatres

After four decades of decline, movie-going rebounded in the 1990s. The seven years from 1991-92 to 1998-99 saw attendance grow by approximately 60% (table 1). Attendance at movie theatres in 1998-99 was 110.9 million, up 12% from the preceding year, the highest level in 39 years.

¹ Cineplex will close 25 movie theatres, The Hamilton Spectator, February 16, 2001. Additional detail on restructuring in the industry can be found in the companion piece to this article entitled "Rebuilding the movie theatre industry."

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What you should know about the Motion Picture Theatres Survey

The Motion Picture Theatres Survey is a census of all movie theatres and drive-in theatres in Canada. The 1998-99 survey included 624 movie theatres and 68 drive-ins that provided data for the fiscal year between April 1, 1998 and March 31, 1999. This article excludes data on drive-in theatres.

In this article, percentage comparisons between 1997-98 and 1998-99 were done excluding 31 theatres that were added to the survey frame in 1998-99 but were also known to have been in operation in 1997-98. Most of these theatres were small and were scattered in various provinces. The theatres excluded from the percentage comparisons represented 1.6% of total revenues and 1.9% of total attendance in 1998-99. However, when comparing between 1991-92 and 1998-99, no attempt was made to correct for differences in the lists of theatres surveyed from year to year. Comparisons are based on total reported data for each year. This may have a slight impact on comparisons over this period.

For the purposes of this article, theatres have been grouped by total operating revenue. Small theatres are those reporting total operating revenues of less than \$500,000, medium theatres had revenues between \$500,000 and \$999,999, large theatres had revenues between \$1 million and \$5 million, and very large theatres reported revenues over \$5 million. The large and very large sizes are sometimes grouped together and referred to as larger theatres.

Table 1

Larger theatres reported growth while smaller ones recorded declines, 1991-92 to 1998-99

	Number of theatres				Number of visits (000,000's)			
	Small theatres	Medium theatres	Larger theatres	Total	Small theatres	Medium theatres	Larger theatres	Total
1991-92	337	116	167	620	10.8	11.9	46.5	69.2
1992-93	318	111	169	598	10.1	12.5	49.1	71.7
1993-94	297	97	187	581	9.5	11.1	55.9	76.5
1994-95	284	104	194	582	9.4	12.0	59.7	81.1
1995-96	286	105	193	584	9.3	12.4	63.1	84.9
1996-97	287	96	205	588	8.7	11.4	69.0	89.0
1997-98	295	85	233	613	8.6	9.0	79.2	96.8
1998-99	276	88	260	624	8.0	9.7	93.2	110.9
% growth in # of theatres 1991-92 to 1998-99	-18.1	-24.1	55.7	0.6				
% growth in attendance 1991-92 to 1998-99					-26.6	-18.1	100.5	60.3

Note: Due to rounding, detail may not always add to the total.

Not all movie theatres, however, benefited from this resurgence, as growth was concentrated mostly in larger theatres. After having grown at an annual average rate of about 9% in the previous six years, attendance at larger theatres was up 16% in 1998-99 from the previous year. Twenty-eight newly opened larger theatres accounted for most of this increase.

The resurgence in attendance in the 1990s was accompanied by rationalization and restructuring within the film exhibition industry. By 1998-99, there were 260 larger theatres in Canada compared to only 167 in 1991-92. This 56% growth came at the expense of small and medium-size theatres, which were reduced by 20% to 364 theatres in 1998-99 (table 1). The closure of

smaller theatres in Canada has been part of a worldwide strategy that is focused on improving the bottom-line for movie theatre chains.

Many small and unprofitable theatres were replaced by larger multi-screen theatres featuring stadium seating, digital sound, video-game arcades, party rooms for children and large,

comfortable refreshment areas, all designed to enhance interest in the big screen experience. The General Social Survey (GSS) shows that 59% of Canadians, 15 years old and over, had attended a movie in 1998, compared to 49% in 1992.

Demographics also seem to be playing a role in this resurgence. The echo offspring of the boomer generation are now well into their teens and twenties and may be contributing to the popularity of movie theatres. The results from the General Social Survey show that young people below the age of 24 are the most avid moviegoers. In 1998, 87% of Canadians between the ages of 15 and 24 reported going to a movie. In contrast, older Canadians are the least likely to go to a movie. For instance, only 28% of Canadians aged 60 and over reported going to a movie in 1998.

Larger movie theatres continued to increase their market share

Not surprisingly, the growth of larger cinemas resulted in their obtaining

an increased share of the market. In 1991-92, these theatres accounted for 27% of the total number of theatres and 67% of total attendance; by 1998-99 the proportions had grown to 42% and 84% respectively (table 2). In contrast, over the same period, the market share of the number of small and medium cinemas fell to 58% while their share of attendance dropped to only 16% of all movie-goers (table 2).

New larger theatres opening in most provinces

New larger theatres were opened in most areas of the country between 1991-92 and 1998-99, particularly in the larger urban centres. Ontario already had the highest number of larger theatres at the beginning of the decade - nearly one-half of all larger theatres in Canada. The rationalizing and restructuring of theatre operations that came as a result of competition from the home entertainment industry seems to have begun in this province in the 1980s. At this time, many small and unprofitable theatres were closed

and many theatres in urban centres were turned into larger multi-screen houses. Between 1991-92 and 1998-99, there was an increase of 14 larger theatres in this province (table 3). However, given the size of Ontario's population, this translates into lower growth than for other provinces. Whereas in 1991-92, Ontario had more larger theatres per 100,000 population than any province except Alberta, by 1998-99 Ontario trailed behind four provinces - Alberta, British Columbia, Saskatchewan and Quebec (table 4). Attendance at larger theatres in Ontario grew 62% between 1991-92 and 1998-99 while their market share of attendance grew 14 percentage points (table 3). In 1998-99, Ontarians went to larger movie theatres almost as often as the Canadian average (308) - 306 visits per 100,000 population (table 5).

Quebec, which had only one-third the number of larger cinemas than Ontario at the beginning of the decade, reported an increase of 36 larger theatres between 1991-92 and

Table 2
Market share grew for larger movie theatres between 1991-92 and 1998-99

	Percentage of theatres				Percentage of visits			
	Small theatres	Medium theatres	Larger theatres	Total	Small theatres	Medium theatres	Larger theatres	Total
	%				%			
1991-92	54	19	27	100	16	17	67	100
1992-93	53	19	28	100	14	17	69	100
1993-94	51	17	32	100	12	15	73	100
1994-95	49	18	33	100	11	15	74	100
1995-96	49	18	33	100	11	15	74	100
1996-97	49	16	35	100	10	13	77	100
1997-98	48	14	38	100	9	9	82	100
1998-99	44	14	42	100	7	9	84	100

Table 3**Market share for larger theatres varied considerably among the provinces, 1991-92 to 1998-99**

	Number of larger theatres in 1998-99	Change in number of larger theatres between 1991-92 and 1998-99	Market share of attendance for larger theatres in 1998-99	Change in market share of attendance for larger theatres between 1991-92 and 1998-99	Change in attendance in larger theatres between 1991-92 and 1998-99
	#	%	%	percentage points	%
Canada	257¹	56	84	17	60
Newfoundland	--	--	--	--	--
Prince Edward Island	--	--	--	--	--
Nova Scotia	6	20	71	11	48
New Brunswick	4	300	78	--	--
Quebec	63	133	89	17	172
Ontario	92	18	86	14	62
Manitoba	9	29	87	15	85
Saskatchewan	9	125	73	27	197
Alberta	36	64	85	17	114
British Columbia	38	81	78	19	109

¹ Excludes Newfoundland and PEI.

-- amount too small to be expressed

Table 4**Quebec had the greatest percentage growth in larger theatres between 1991-92 and 1998-99**

	Number of larger theatres per 100,000 population		% change in rate
	1991-92	1998-99	
Canada	0.60	0.86	43.3
Newfoundland	--	--	--
Prince Edward Island	--	--	--
Nova Scotia	0.55	0.64	16.4
New Brunswick	--	0.53	--
Quebec	0.38	0.86	126.3
Ontario	0.75	0.81	8.0
Manitoba	0.63	0.79	25.4
Saskatchewan	0.40	0.88	120.0
Alberta	0.85	1.24	45.9
British Columbia	0.62	0.95	53.2

-- amount too small to be expressed

1998-99 (table 3). Quebec had lost about two-thirds of its total number of theatres in the 1980s and was slower to start restructuring cinemas than Ontario. However, in the 1990s, Quebec opened a greater

number of larger theatres than Ontario and by 1998-99, the two provinces had achieved approximate parity based on the number of larger theatres per 100,000 population (table 4). Quebecers, however, made

more visits to larger movie theatres than Ontarians, translating into 320 visits per 100,000 population (table 5).

Between 1991-92 and 1998-99 there was an increase in larger theatres in both British Columbia and Alberta (17 and 14 respectively), and the attendance more than doubled in each province for this group of theatres (table 3). Alberta reported the largest number of larger theatres (1.24 theatres) of all provinces, as well as the highest attendance (419 visits), per 100,000 population (table 5).

New Brunswick and Saskatchewan (with 3 and 5 new larger cinemas) actually reported the largest percentage growth in larger cinemas, given their low numbers in 1991-92. This growth was also reflected in attendance at larger theatres, whereby Saskatchewan residents

showed the largest percentage increase in visits (197%) of all provinces between 1991-92 and 1998-99 (table 3).

Over this same period, Nova Scotia had the lowest percentage increase in attendance at larger theatres (48%) (table 3).

The special case of movie theatres in Quebec

In Quebec, tracking the way the two major language groups are served proves interesting. At first glance, it would appear that there has been a decline in the number of larger theatres showing English-language films. However, the apparent change is actually the result of a

shift in industry practices. For the 1994-95 to 1998-99 period², seven of the 17 larger theatres, which had been showing exclusively English films, also began to show films in French. This appears to be part of a larger trend as most of the new larger theatres that opened in Quebec show films in both languages, often showing the same film in both language versions. Overall, the number of larger bilingual theatres grew from 8 to 29 between 1994-95 and 1998-99. The number of larger theatres showing only French-language films also increased from 9 to 24 over the same period. There was a decrease in the total number of small and medium theatres; there was no difference in this trend based on the language of films shown.

Larger movie theatres continued to earn profits while smaller theatres suffered losses

The survival of the film exhibition industry appears to depend on the profitability of larger theatres. In

² Details on the language of films shown have only been collected since 1994-95.

Table 5

Albertans visited larger theatres more often than other Canadians, 1991-92 and 1998-99

	Number of visits per 100,000 population		% change 1991-92 to 1998-99
	1991-92	1998-99	
Canada	165.9	308.2	85.8
Newfoundland	--	--	--
Prince Edward Island	--	--	--
Nova Scotia	140.4	202.4	44.2
New Brunswick	--	196.4	--
Quebec	122.3	320.2	161.9
Ontario	206.3	306.1	48.4
Manitoba	161.4	291.3	80.5
Saskatchewan	83.2	241.7	190.4
Alberta	219.4	419.3	91.2
British Columbia	177.1	312.8	76.6

-- amount too small to be expressed

Table 6

Financial statistics of movie theatres per admission by size of theatre, 1998-99

	Small theatres	Medium theatres	Large theatres*	Very large theatres*	Total
Gross box office profit (\$)	2.70	2.52	2.72	2.87	2.73
Gross refreshment bar profit (\$)	1.37	1.61	1.65	2.00	1.69
Wages, salaries and benefits (\$)	1.65	1.33	1.07	1.15	1.15
Operating profit (\$)	(0.06)	(0.06)	0.62	1.44	0.66
Average capacity utilization (%)	19.0	21.0	24.0	28.0	22.0
Profit margin (profit as % of revenue)	(1.0)	1.0	8.0	16.0	8.8
Number of theatres	276	88	238	22	624

* The categories 'large theatres', and 'very large theatres', make up the category 'larger theatres' used elsewhere in this article.

1998-99, while small and medium theatres had a total loss of \$1 million, larger cinemas earned profits of \$74.6 million.

There are two principal sources of revenue available to movie theatres - the box office and the snack bar³. In both these areas, larger appears to be better. Not only did the larger theatres attract greater numbers of patrons, but they were also able to cut their expenses and operate more efficiently than the smaller ones. Data show that, as size increased, theatres were generally able to increase their per-admission profit at both the box office and snack bar. In other words, the larger the theatre the greater the increases in their profit margins in 1998-99 (table 6).

Construction costs lowered the profits of larger cinemas

The expansion into larger multi-screen complexes resulted in a multi-million dollar building boom of new megaplexes, as well as the conversion of many existing smaller theatres into multi-screen theatres. For example, in 1998-99, 28 new larger complexes opened 244 screens. This expansion was accompanied by higher occupancy costs and greater capital cost allowance and debt payments (depreciation and amortization expenses). Thus, although the larger cinemas were the most profitable, their 1998-99 profits were about 5% lower than in the previous year.

The short-term trend is toward the replacement of smaller and unprofitable theatres by larger and profitable multi-screen theatres. It remains to be seen whether the increased spending associated with the construction of a large number of multi-screen cinemas will continue to translate

into increased attendance and pave the way for greater profits in the future.

³ *Although survey results do not provide separate labour costs associated with each of these sources, information on certain direct expenses allows the calculation of gross profit. To calculate these values, distribution costs are subtracted from ticket revenues and the cost of goods sold is subtracted from snack bar receipts.*

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Rebuilding the movie theatre industry

By Marla Waltman Daschko

During the late 1990s, after years of malaise, the movie business in North America was showing signs of resurgence. In the United States, 1999 was called "a banner year for the movie business."¹ According to other sources, the motion picture industry ended 2000 with a record \$11.4 billion in North American ticket sales, its longest streak - nine years - of continuous gains.² This expansion of the industry, substantiated by Statistics Canada data for 1998-99, is discussed in the accompanying article in this issue of *Focus on Culture*, entitled "Larger cinemas outperform smaller ones." Industry sources have reported, however, that this new growth has not been without significant cost.

Theatre design transformed to meet changing tastes

Responding to the boom of the late 1990s, movie theatre chains went on

a building spree, competing amongst themselves to erect more and better theatres.

The typical cinema of the mid-20th century was, in today's jargon, a uniplex: one large theatre, a large lobby and a concession booth. This design was followed in the mid-1970s by the multiplex. The multiplex movie theatre (one location with 5 to 20 screens) was an innovative response to the competition. The multiplex gave the consumer more choice in movies at a single location and provided theatre owners with a competitive edge. Yet, the rush to build multiplex theatres often ignored some of the niceties of movie going. Potential customers, with access to improved home video systems, cable, satellite and pay-tv, were not enticed by multiplex theatres that were often very small with poor sound and bad sightlines. To compound the problem, growing access to the Internet and the possibilities it presents for entertainment on-line reduced further the lure of the movie theatre.

The approach in the 1990s to increasing audience attendance, improving customer satisfaction and maintaining profitability was the megaplex theatre - a huge state-of-the-art building with 20 to 30 screens. New features such as state-of-the-art digital sound systems, stadium seating (where every row has its own riser for unobstructed viewing), electronic ticket purchase, improved quality and variety of food at

¹ "Movie Industry Promises Ad Cutbacks", 18 January 2001, Editor and Publisher Magazine.

² "Trouble at the Megaplex", Macleans, 22 January 2001.

concession stands and, in some theatres, video arcades – are luring patrons back to the theatres.

Building bonanza

Between 1997 and 2000 Famous Players Canada opened 45 megaplex theatres as part of its largest expansion in history.³ In 1998, Loews Cineplex announced plans to open 12 to 15 megaplex locations in North America each year, and to 're-screen' all of its Canadian theatres.⁴ It also had a strategic plan to add 15 to 20 new theatre locations and a minimum of 175 screens to its international assets over the next several years.⁵ Another large corporation, AMC Entertainment opened its first two megaplex theatres in Canada in December 1998 and had built an additional five by June 2001.

This building boom, however, has had its repercussions. Some analysts claim the industry is now overbuilt⁶ and there have been other, often related, problems. Revenues have increased, primarily due to higher ticket and refreshment prices, but profits have diminished due to construction costs. Other factors, such as declining attendance in older theatres, continued competition from home video, lower attendance levels in 2000 due to poor performance of a number of expected hits, and a shortage of new product to fill the large number of screens, have had a serious impact on the entire industry.

In 2001, an industry spokesman went so far as to announce that "the industry has fallen on hard times and is presently going through one of the most significant and unprecedented reorganizations in its history".⁷

Too much of a good thing?

Over the past two years most publicly traded movie theatre chains have lost money and have had their share prices tumble.⁸ The reason, says Edward Shugrue, president of Loews Cineplex International is, "In a word, overdevelopment. And doing it with debt financing ... Part of it was an infatuation with the megaplex. There's been a number of them built in Canada and quite handsomely. But obviously you can't put those things on the table and not have them have an impact on the standing infrastructure. It's a desperate time and a tricky time."⁹

Nine of the eleven largest exhibition chains in the United States filed for bankruptcy protection over the last year, including United Artists, Loews Cineplex, General Cinema, Regal Cinema, Silver Cities International, and Edwards, (United Artists has since come out from bankruptcy protection). For many of these companies, bankruptcy protection allowed them to accelerate the disposal or closure of screens by providing protection from existing leases. A company that files for bankruptcy protection is able to break its leases for those older less-profitable theatres at a fraction of the price. In the first nine months of 2000, Loews Cineplex announced that it had made progress in its continued efforts to close older, obsolete theatres in North America with the disposal of 164 screens at 34 locations.¹⁰

These declarations of bankruptcy are being followed by the consolidation and restructuring of the industry worldwide. Toronto-based Onex Corporation is part of a partnership that has offered to rescue Loews Cineplex from creditor protection in

the United States. At the same time, it has become a major investor in General Cinema Theatres. These deals, if concluded, would see the conglomerate operating more than 300 theatres around the world.

According to recent media reports, Onex's strategy would include the fulfillment of plans by Loews Cineplex to close significant numbers of theatres worldwide. Loews Cineplex had planned to close 140 of its 843 Canadian screens, primarily in multiplex theatres, although there have been indications that the actual number of screens to be closed could be lower.¹¹

Toronto and New York-based IMAX Corporation is another major theatre operation that has had to reconsider its approach to the business. Creator of the giant-screen, large-format film and motion simulator entertainment, IMAX has traditionally housed its

³ "About Famous Players", *Famous Players website*, <www.famousplayers.com>.

⁴ *Cargovision Magazine, special issue 1998*. <www.cargovision.com>.

⁵ *Loews Cineplex Entertainment News Release, 8 June 1998*.

⁶ "Movie fans return to box office: Ailing film industry showing signs of a turnaround", *National Post*, 3 May 2001, "Onex posted to spend 'hundreds of millions'", *National Post*, 11 May 2001, and "Disaster of the Day: Movie Theaters", <www.forbes.com>, 23 January 2001.

⁷ "Cineplex to close 500 screens", 31 May 2001, *National Post*. Quote taken from *Loews Cineplex Entertainment Corp. filing for bankruptcy protection in February 2001 with the U.S. Securities and Exchange Commission*.

⁸ *The Economist*, 15 January 2000.

⁹ *Venture – CBC Television, 20 March 2001: "Movie Theatre Madness"*.

¹⁰ *Loews Cineplex Entertainment News Release, 21 January 2001*.

¹¹ "Cineplex to close 500 screens", *National Post*, 31 May 2001.

films in institutional venues, such as museums and science centres. Recently, in order to return IMAX to profitability, they have begun to 'repurpose' or relaunch Hollywood films for scaled-down IMAX 3-D screens to be built in commercial, non-institutional settings.¹² The plan is to increase the entertainment value of the 'Hollywood' film experience while increasing the amount of product available for IMAX screens.¹³

A time for renewed optimism

Industry box office reports for Canada and the United States show that box office revenues for the first quarter of 2001 are starting to increase and there is increased optimism in the industry.¹⁴ Planned and strategic closures and expectations of 'hot' new product this year fuel this sector's confidence. Yet, the final credits have not been screened. Talk in the industry about what the future holds for cinema design demonstrates the need to rethink continually strategies to meet changing consumer tastes and demands.

A survey of the industry's top designers and architects demonstrates a growing belief that cinema design in the next decade will harken back to an earlier era of movie going. Luxurious movie palaces, with larger but fewer screens in theatres complexes, and even more amenities than those provided by the megaplex, are seen as the future of movie theatres.¹⁵ According to Famous Players, the company building new IMAX theatres in Canada, "People want a reason to leave home...We want to

restore the excitement of the movie palace of the past. We are building the movie palace of the future."¹⁶

¹² "Shareholders grill Imax chiefs over stock's plunge", National Post, 8 June 2001.

¹³ 'Repurposing' refers to the conversion of 35 millimetre films to the giant 3-D Imax format. Examples of recent conversions include the Disney *Fantasia*/2000 project and DreamWorks' *Antz*.

¹⁴ *Ibid.*, National Post, 3 May 2001.

¹⁵ Melissa Morrison, "Top Structuralists Discuss the Future of the Movie Theatre Experience" in 2001-2010: Cinema Design and Architecture.

¹⁶ Dennis Kucherawy, Vice-president of Corporate Relations, Famous Players, quoted in "Imax Gets Bigger (By Getting Smaller)", *Time*, 29 June 1998, Vol. 151, No. 25.

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New Media: Telefilm Canada looks for new ways to encourage the creation of Canadian content

By Audrey Doyle

Canada's new media¹ sector continues to grow, despite the collapse of many dot-coms on the world market, not to mention the need for new revenue models and legal disputes on matters of intellectual property and Internet rights. While these issues persist, Canada's new media producers are creating original Canadian content products of high-quality. Their accomplishments place them on the leading edge of innovation with respect both to new forms of cultural expression and new technology.

What is new media?

The new media industry includes businesses that integrate computers with digitally stored information in a format that may include text, graphics, sound, animation and still or motion pictures. Products range from web sites to CD-ROMs and computer graphics programs.

Telefilm Canada is always looking for new ways to stimulate and encourage the creation of Canadian-made new media content. A foremost concern is to fulfill its obligation to Canadian audiences and users, who seek high quality and original new media products that are appealing and reflect Canadian society, stories, themes and perspectives.

The program

Telefilm Canada first instituted a pilot program for multimedia assistance in 1996. Its creators were mindful of the emergence of a new media industry in Canada, the promising future of the digital environment and the need to ensure a high level of Canadian cultural content in new media production. In 1998, the Department of Canadian Heritage created the Multimedia Fund and entrusted Telefilm Canada with its administration.

With a budget of \$30 million over five years, one of the Fund's distinctive characteristics is the financial support it provides at every stage, from product development to production through to marketing.

¹ The term *new media* is used interchangeably with the term *multimedia*.

The main goals of Telefilm Canada's Multimedia Fund are:

- to provide financial support for the development, production and marketing of high-quality interactive Canadian cultural new media works in both official languages that are intended for the general public;
- to provide consumers with greater access to Canadian cultural new media products; and
- to assist in the growth and development of a Canadian new media production and distribution industry that is competitive in international markets.

In March 2001, the Fund was expanded to include financial support for distribution and industry-related initiatives that promote industrial and professional development of the new media sector and its image amongst Canadians.

These goals represent a comprehensive approach that ensures the creation, availability and accessibility of quality Canadian new media products while, at the same time, fostering a healthy and stable industry.

What has been funded so far?

The Fund supports a variety of projects: documentaries, reference works, educational and edutainment products, action and strategy games, and websites (table 1). For the most part, funded projects come from Canadian companies that specialize in new media, but also include film and television producers diversifying their operations, and conventional publishing houses exploring new avenues.

Overall, one-third of the Fund is allocated to French-language productions while two-thirds goes to English-language productions (table 2). Production outside central Canada, for the most part, accounts for close to 50% of the Fund's resources. Even so, growth remains uneven in Canada's new media sector, due mainly to differences in the types of incentive measures provided by the various provincial governments. Montreal and Vancouver stand out as Canada's main production centres. Projects also originate in the Prairie provinces, the Atlantic region and different regions of Quebec and Ontario, reflecting a national interest for new creative technologies (table 3).

Table 1
Edutainment is a growing segment of new media content

Project type	1998-99	1999-00	2000-01 (as at 25 Sept. 2000)
% of projects funded			
Games	28.9	39.8	16.1
Education	41.8	13.6	21.2
Edutainment	13.0	32.0	37.9
Documentary	0.0	4.7	16.0
Children	4.5	3.0	0.0
Reference	2.1	5.7	8.8
Variety	8.7	1.3	0.0
Total	100.0	100.0	100.0

Note: Numbers may not add to 100 due to rounding.
Source: Telefilm Canada.

Table 2
Marketing is growing in importance in the funding of new media projects, 1998-99 to 1999-00

Activity	1998-99 Telefilm Canada contribution			1999-00 Telefilm Canada contribution		
	Number of projects	(000) \$	% of project budget funded by Telefilm Canada	Number of projects	(000) \$	% of project budget funded by Telefilm Canada
Development	31	1,500	42.5	33	1,750	37.8
Production	26	3,449	30.9	17	2,519	30.8
Marketing	14	1,410	32.9	15	1,593	40.8
Total	71	6,359	33.5	65	5,862	35.1

Source: Telefilm Canada.

Table 3
British Columbia and Quebec are areas of greatest multimedia project development

Location	1998-99		1999-00	
	Number of projects	(000) \$	Number of projects	(000) \$
Halifax office for Atlantic Canada	4	121	6	316
New Brunswick	1	14	0	0
Nova Scotia	3	107	5	286
Prince Edward Island	0	0	0	0
Newfoundland	0	0	1	30
Montreal office for Quebec	32	2,738	21	2,111
Toronto office for Ontario	16	1,178	14	1,248
Vancouver office for Western Canada	19	1,963	20	1,766
British Columbia	12	1,493	18	1,606
Alberta	3	295	1	100
Saskatchewan	4	175	1	60
Manitoba	0	0	0	0
Total	71	6,000	61	5,441

Source: Telefilm Canada.

Over its short life, the program has already seen a change in the type of formats that are presented for funding. For example, there has been an increase in the number of projects that are focused on the creation of websites as opposed to CD-ROM or other formats. In 1998-99 Telefilm Canada contributed to the financial support of only one website project, whereas in 1999-2000 support was provided to 14 websites. Preliminary data for 2000-2001 indicate that project funding for website development continues to grow.

Other tools also available

Canada is very well positioned to succeed in the new media industry. Our existing skills in software development, digital animation and the creation of content all provide a solid foundation for the development of this new industry.

The strategies that guide the Fund are designed to ensure companies' stability and help them establish more solid foundations on the

market. In addition, to achieve this objective, Telefilm Canada must be able to provide new media companies with a variety of tools that go beyond the project level and, instead, enable the creation of international business opportunities, contacts and market intelligence.

Telefilm Canada's support also includes corporate development on the international level, with new media companies benefiting from Telefilm Canada's logistical and promotional services at international events including MILIA in Cannes, E3 in Los Angeles and London's ECTS, all markets that open new doors for Canadian creators, producers and distributors. Participation in international markets is one of the best tools for the growth and success of the Canadian new media industry.

In addition, the Corporation provides assistance that encourages professional and industrial

development in the new media sector, principally training, research and promotion activities.

How are we doing?

A historical overview of the industry since 1998 reveals that:

- in 2001 the industry still has large capital needs and significant venture capital for the sector has not materialized;
- revenue models specific to this industry have not yet stabilized;
- to date, product life cycles have been short and a considerable level of product maintenance is required to keep the new media product current;
- the CD-ROM market is less relevant in 2001 with the prevalence of the Internet (which was not the case in 1998);
- in 2000, 70 percent of the interactive production companies derive revenue from export.

Recognizing that the environment in which the new media industry operates has changed since the creation of the Multimedia Fund in 1998, Telefilm Canada in the coming months will be revising the Fund to better respond to the current and evolving needs of the industry.

The Canadian government, with Telefilm Canada, is strongly committed to fostering an environment of effective public policy and Canadian creative entrepreneurship that enables the new media sector to innovate, create, produce and disseminate competitive cultural products at home and internationally.

Audrey Doyle is a senior analyst at Telefilm Canada.

□

An international comparison of sport participation data

Adapted and reprinted from the "Culture and Recreation News", April 2001 published by The National Centre for Culture and Recreation Statistics, Australian Bureau of Statistics, Australia.

How 'sporty' are Australians compared with those in other

countries? In attempting to answer this question, the Australian National Centre of Culture and Recreation Statistics (NCCRS) recently completed a project that included an examination of data collected in sport participation surveys in five countries. Table 1 summarises the key results from these surveys by showing participation rates in sport and physical activities as published by the statistical agencies or sports authorities of the five countries.

If we took these results at face value, we would conclude that Canadians are the least active, with only 34% undertaking any sporting activity in the 12 months prior to interview, while New Zealanders are the most active, with 98% being involved. Australia ranks second to last, with a participation rate of 55%. In terms of differences by sex, three of the surveys (namely Australia, Canada¹ and Great Britain) suggest that men are more active when it comes to participating in sports and physical activities, one survey (Finland) indicates that women are somewhat more active, and the final survey (New Zealand) suggests no difference by sex.

Yet, in examining results from different surveys, one cannot simply compare the values given without

determining how they were collected. While the data for each of the countries relate to participation in the 12 months before interview, the scope of the surveys, the methodology employed, the definitions used, the wording of the questions asked and the reference year

What you should know about the 1998 General Social Survey

Canadian references are based on data from the Statistics Canada 1998 General Social Survey (GSS) on time use. The survey interviewed almost 11,000 Canadians aged 15 and over in the 10 provinces and provides information about how people spend their time and who was with them during one day's activities. Included in the data collected is information pertaining to the sports activities of household members. Respondents were asked whether they or any other household members had regularly participated in any sport during the previous 12 months; they were also asked whether they or any other household member had participated in amateur sport as a coach, sports official/referee/umpire, administrator or helper.

Sport: mainly team or organized sports such as hockey, basketball, baseball, golf, competitive swimming, downhill skiing, soccer, volleyball and tennis. A number of popular recreational physical activities were not defined as sport by the survey, so data were not collected for them; for example, walking, aerobics/dancercise, aquafit, bicycling for recreation or transportation, body building, hiking, jogging, and skate boarding.

Table 1
Participation rates in sport and physical activities, various countries

Country	Reference year	Males	Females	Persons
		%	%	%
Australia	1999-2000	59	51	55
Canada	1998	43	26	34
Finland	1991	80	84	82
Great Britain	1996	87	77	81
New Zealand	1998-99	98	98	98

¹ Statistics Canada, *General Social Survey, 1998*.

all tend to vary. We briefly discuss some of these differences below.

The differences in the scope of the surveys will have an impact on recorded participation rates. Finland's survey included people aged 10 years and over, Canada's survey included those aged 15 years and over, Great Britain's survey included those aged 16 years and over, while both Australia's and New Zealand's surveys included those aged 18 years and over. As younger people generally have higher rates of participation in sport and physical activities, this would have the effect of boosting the reported participation rates of Finland, Canada and Great Britain relative to the others.

The methodology employed can also influence the participation rates that are obtained. For example, the New Zealand survey was voluntary and a relatively low response rate of 65% was achieved. By comparison, the response rate for the Canadian survey, also voluntary, was 80% while for the Australian survey, it was over 90%. As people with little or no interest in a survey topic are more likely to refuse to participate in a survey, a low response rate can have the effect of increasing the reported participation rates. Consequently, the relatively low response rate achieved in the New Zealand survey may have led to an overstatement of the participation rate for that country.

The definitions used in the surveys also affect the results. The activities

covered by the Canadian survey were restricted just to team or organized sports. The Australian and Great Britain surveys included both sport and recreational physical activities such as aerobics, walking and cycling. The Finnish participation rate included only summer sports and physical activities. The New Zealand survey used the widest definition of sports and physical activities of all the surveys, and included activities such as gardening.

The survey results are also influenced by the actual wording of the questions. For example, the Canadian survey asks about regular participation in sport (i.e. at least once a week during the season) whereas the Australian and New Zealand surveys ask about any participation in the previous year. Whether the respondent is shown a prompt card listing the activities within the scope of the survey when being asked the questions will also influence the results that are produced (as the prompt card may help to jog the respondent's memory about activities undertaken irregularly). Prompt cards were used in the Australian, Great Britain and New Zealand surveys, but not in the Canadian survey.

In summary, our comparison of the international data on participation in sport and physical activities tells us more about the difficulties in making such comparisons than it does about how Australia's participation rates compare with

other countries. Certainly, some of the variation in observed participation rates will be a result of real differences in the 'sportiness' of the residents of the various countries. However, what we cannot determine from the available information is the proportion of the observed differences that are due to these 'real' differences rather than due to differences in survey methodology, scope, wording of questions, reference year and so on.

On the European front, a project has been initiated that is aimed at improving comparability in European sports participation statistics. The project, named COMPASS (Coordinated Monitoring of Participation in Sports), is a joint initiative between the Italian Olympic Committee, UK Sport and Sport England. In the COMPASS report entitled *Sports Participation in Europe: COMPASS 1999*, a number of recommendations are made for harmonising sports participation statistics between countries. The adoption of those recommendations would make European sports participation statistics more comparable with those collected in Australia. Over the course of the next few years, NCCRS will be monitoring the up-take of these recommendations, as well as any other outcomes of the COMPASS projects, with the aim of providing more information, when possible, on how 'sporty' Australians are compared with those in other countries. □

Provincial and territorial data

Often in our analysis of survey data, we look at the national picture only,

and do not highlight particular provincial or territorial patterns. In order to place more provincial culture data in front of our users, we are presenting selected provincial and territorial data in each issue of *Focus*

on Culture. This time, we have chosen to include recently released data on the film, video and audio-visual production industry for 1998-99.

Key indicators in film, video and audio-visual production by province, 1998-99

	Canada ¹	Atlantic provinces	Quebec	Ontario	Manitoba	Sask.	Alberta	B.C
Number of producers	637	35	218	231	11	20	39	82
Number of productions - television sub-total	8,272	102	2,759	3,780	6	70	342	1,213
Total number of productions	14,019	275	3,695	6,092	122	426	1,896	1,513
Total employment	29,917	473	16,868	9,202	124	311	1,491	1,448
Total salaries and wages (\$millions)	450.7	6.9	168.3	216.3	3.8	12.8	11.5	31.1
Revenue								
Production revenue sub-total (\$millions)	1,230.4	30.3	373.9	684.6	9.2	20.8	39.2	72.4
Total revenue (\$millions)	1,781.2	32.7	438.4	1,131.5	11.7	23.7	42.2	101.1
Exports (\$millions)	419.6	3.7	56.6	330.6	1.5	7.4	4.5	25.1
Total operating expenses (\$millions)	1,642.7	33.5	381.8	1,055.3	11.0	20.4	42.8	97.8

¹ Includes data for Northwest Territories and Yukon.

Source: Film, Video and Audio-visual Production Survey, 1999.



Do you enjoy reading FOCUS ON CULTURE?

We hope you find this bulletin both informative and useful. Your views on the information and analysis contained in this issue, or previous issues, of Focus on Culture are important as they help us to meet your needs for information about culture in Canada. Please let us know how we are doing.

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