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Activity Report 2007-08

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(CAVCO)

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Executive Summary

The Canadian Audio-Visual Certification Office (CAVCO) is pleased to present its *2007-08 Activity Report*. The report contains information and statistics on film and video production supported by the tax credit programs that CAVCO co-administers on behalf of the Department of Canadian Heritage and in coordination with the Canada Revenue Agency (CRA): the Canadian Film or Video Production Tax Credit (CPTC) and the Film or Video Production Services Tax Credit (PSTC). The *Activity Report* also provides a description of CAVCO's activities during 2007-08 and reviews industry developments that occurred during that period of time.

The statistics in this report cover the nine-year period from April 1, 1999 to March 31, 2008. The statistics for the 2007-08 fiscal year are preliminary, however. CAVCO's guidelines permit producers to submit their applications for the CPTC program up to 24 months after the end of the fiscal year in which a project's principal photography commenced. As a result, it takes approximately two years for the data to be considered accurate. Therefore, the statistics presented for 2007-08 may under-represent the full amount of production activity supported by the CPTC and PSTC during that year.

Canadian Film or Video Production Tax Credit

- The CPTC is a refundable tax credit designed to support the creation of Canadian programming and the development of an active domestic independent production sector. It is available at a rate of 25% of eligible salaries and wages, up to a maximum of 60% of production costs, net of assistance.
- In 2007-08, the CPTC supported 918 film and video projects with total expenditures in Canada of \$1.75 billion. The number of projects supported by the CPTC in 2007-08 decreased by 21% compared to 2006-07, while production expenditures decreased 16%.
- The vast majority of CPTC production in 2007-08 was made for primary release on television. CPTC-supported television production expenditures totalled \$1.51 billion in 2007-08 and accounted for 86% of all CPTC production expenditures. However, CPTC-supported television production expenditures dropped 16% in 2007-08, after experiencing three consecutive years of annual growth.

- In 2007-08, the number of CPTC-supported theatrical films fell by one-third to 68; total production expenditures decreased by 16% to \$239 million.
- Over the past decade, Canada's French-language production sector steadily increased its share of both the CPTC-supported projects and production expenditures; its share of total CPTC production expenditures rose from 19% in 1999-00 to 28% in 2007-08.
- The CPTC supported 526 English-language projects in 2007-08 with total production expenditures of \$1.23 billion, 366 French-language projects with total expenditures of \$489 million, 17 bilingual projects with total expenditures of \$26 million, and nine productions originally shot in other languages (including Aboriginal languages) with total expenditures of \$9 million.
- During the 2007-08 fiscal year, the fiction genre was the largest genre of CPTC-supported production, with \$931 million in production expenditures, accounting for 53% of the total amount of CPTC-supported production.
- The documentary genre was the source of the largest number of CPTC projects. The CPTC supported 380 documentary projects, accounting for 38% of the total number of CPTC-supported projects.

Film or Video Production Services Tax Credit

- The PSTC provides a refundable tax credit equal to 16% of eligible labour expenditures and is designed to encourage the employment of Canadians by a taxable Canadian or a foreign-owned corporation with a permanent establishment in Canada, the activities of which are primarily film or video production or production services.
- In 2007-08, a total of 139 projects claimed financial support from the federal government under the PSTC. These 139 projects generated production expenditures in Canada of just under \$1.3 billion.
- Since 2005-06, Canada has experienced year-over-year decreases in both the number of PSTC-supported projects and the associated production expenditures in Canada. The number of projects has dropped from 190 to 139 in 2007-08, while production expenditures in Canada have dropped from \$3.7 million to \$2.5 million – a decrease of one-third.
- Canada's PSTC production is increasingly destined first for theatrical-release windows around the world, as a steady decline in the annual number PSTC-supported movies-of-the-week (MOWs) for

television contributed to a drop in the overall levels of television production. Production for theatrical markets totalled \$727 million in 2007-08 and accounted for the largest share, 56%, of total PSTC production expenditures in Canada. Production for television markets totalled \$470 million, or 36% of the total. Production for other release markets totalled \$97 million or 8% of total PSTC production expenditures in Canada.

- Canada's PSTC production remained concentrated in the fiction genre and the feature film category in 2007-08. Fiction production, which includes most theatrical feature films and television dramas, accounted for 77% of the total number of projects and 87% of total PSTC production expenditures in Canada. All \$727 million of PSTC theatrical production expenditures in Canada in 2007-08 were in the feature film category.

Administration

- CAVCO is committed to providing applicants to the CPTC and PSTC with the highest standards of service. In accordance with its Client Service Charter, CAVCO has an objective of issuing a certificate within eight to ten weeks following receipt of a complete application. CAVCO's application processing time was at its all-time fastest in 2007-08, even as the number of applications rose.
- The number of applications received by CAVCO rose to an all-time high of 2,409 in 2007-08. The number of applications granted by CAVCO in 2007-08 totalled 2,328.
- In 2007-08, CAVCO required, on average, 4 months to process a CPTC application. However, this includes applications which were not fully completed by the applicant, or for which all supporting documentation was not submitted to CAVCO. Between 2000-01 and 2007-08, the average processing time for CPTC applications improved by 59%, even as the annual number of applications grew by 47%.

1 Introduction and Background

1.1 What is CAVCO?

On behalf of the Department of Canadian Heritage, the Canadian Audio-Visual Certification Office (CAVCO) co-administers two federal government tax credit programs with the Canada Revenue Agency (CRA): the Canadian Film or Video Production Tax Credit (CPTC) and the Film or Video Production Services Tax Credit (PSTC). It also administers a subsidiary audit program, the Canadian Content Certification Audit Program, which was created in 2001. Within the Department of Canadian Heritage, CAVCO lies within the Cultural Affairs Sector and is the immediate responsibility of the Cultural Industries Branch.

1.1.1 Mandate

For the CPTC program, CAVCO is responsible for estimating eligible labour expenditures as defined under section 125.4 of the *Income Tax Act*, and determining whether a production meets Canadian content, ownership and control requirements under section 1106 of the *Income Tax Regulations* (the “Regulations”). CAVCO may then recommend that the Minister of Canadian Heritage issue two certificates: the Canadian film or video production certificate (Part A certificate) and the certificate of completion (Part B certificate).

The Minister of Canadian Heritage can issue a Part A certificate before or during principal photography, following CAVCO’s analysis of a CPTC applicant’s detailed cost elements, financing plan, and Canadian content. The Part A certificate projects that a production will be a Canadian film or video production and estimates the qualified labour expenditure for the purpose of calculating the value of the tax credit. The Minister of Canadian Heritage can issue a Part B certificate after a production is completed (but within 30 months from the first fiscal year end date following the commencement of principal photography) and following a review of a production’s financial statements. In some cases, the deadline may be extended by CRA for up to 48 months.

The PSTC program requires that CAVCO confirm the initial eligibility of the production under section 9300 of the *Regulations*, and issue an Accreditation Certificate (Part AC certificate).

1.1.2 History

The Canadian government has long recognized the importance of film and video as a cultural resource, a vehicle of artistic expression, and a mechanism for reaching vast audiences. Through the creation of the National Film Board of Canada (NFB), Telefilm Canada, the Canadian Television Fund (CTF), the Canadian Broadcasting Corporation's television networks and production facilities, and the Canada Council for the Arts' funding programs for audio-visual works, the federal government has moved to provide an artistic, technical and economic climate in which Canada's creative talents can be translated onto television, cinema screens, DVDs, the internet, and other audio-visual distribution platforms.

The federal government created CAVCO in 1974, along with the introduction of the Capital Cost Allowance (CCA) program for Canadian feature films. The federal government designed the latter program to increase private sector support of the Canadian feature film industry. It later expanded the CCA program to include television and other video programming. In 1980 and 1982, amendments were made to the CCA program to encourage greater Canadian participation in the important creative positions of a production. These changes resulted in the adoption of the current Canadian content point system.

Canadian Film or Video Production Tax Credit

On December 12, 1995, the federal government replaced the CCA program with the CPTC program. CAVCO co-administers the program with CRA. The CPTC was designed to encourage a more stable financing environment and longer-term corporate development for production companies, rather than focussing simply on single-project financing. Canadian ownership and control requirements ensure that the incentive is available only to *de facto* Canadian-controlled companies while, at the same time, providing sufficient flexibility to allow Canadian producers to attract foreign investment to Canadian production. Through the CPTC, the federal government continues to support the creation of Canadian programming and the development of an active domestic independent production sector.

Up until November 14, 2003, the CPTC program provided a refundable tax credit of 25% of qualified labour expenditures, up to a maximum of 48% of the total eligible costs of production, net of assistance – thus covering up to 12% of the total production expenditures.

On November 14, 2003, the Department of Finance announced changes to section 125.4 of the *Income Tax Act*. The government made these changes in order to meet the changing demands in Canada's film and television industry.

- One significant change allows that eligible salaries and wages qualifying for the tax credit may not exceed 60% of the cost of the production, net of assistance, as certified by the Minister of Canadian Heritage. Thus, the CPTC can now cover up to 15% of the cost of a production, net of assistance. However, labour expenditures in respect of non-residents of Canada (other than Canadian citizens) are no longer eligible for the CPTC.
- The other significant change: The holding of an interest in a film or video production by a person other than the production corporation no longer disqualifies the production from eligibility to apply for the CPTC, unless the production or one of the investors is associated with a tax shelter. Also, if a government entity is an investor, that investment is treated in the same manner as other forms of government assistance. Previously, such an investment was treated in the same manner as any other investment, other than one by the production corporation.

Film or Video Production Services Tax Credit

On October 29, 1997, the Department of Finance announced the creation of the PSTC to replace tax shelter benefits that were previously available. The Department of Canadian Heritage, through CAVCO, was asked to provide administrative support for the program, also jointly administered by CRA.

Up until the February 2003 federal budget, the PSTC was available at a rate of 11% of the “qualified Canadian labour expenditures” incurred by an “eligible production corporation” for services provided in Canada by Canadian residents or taxable Canadian corporations for the production of an “accredited production.” As labour expenditures generally account for approximately 50% of a production’s budget, the tax credit provided financing support of up to 5.5% of total production expenditures spent in Canada, net of assistance.

In February 2003, the government announced in the federal budget that it had raised the PSTC tax credit rate to 16% of qualified labour expenditures, or up to 8% of the total production expenses spent in Canada, net of assistance.

Canadian Content Certification Audit Program

In 2001, the Minister of Canadian Heritage asked CAVCO to set up a mechanism to audit productions that receive the Canadian Film or Video Production Tax Credit. The Canadian Content Certification Audit Program (CAP) was created in order to verify whether Canadian content requirements of Regulation 1106 have been met. CRA auditors conduct the audits based on files identified by CAVCO. Under this program, CAVCO submits files to CRA, which reviews and audits each file to verify that it meets the requirements of the *Income Tax Act*.

1.2 Changes to Policies and Guidelines

The following changes to CAVCO policies and guidelines were issued in 2007-08.

CPTC Guidelines (Public Notice CRTC 2007-01)

In *Public Notice CAVCO 2007-01*, the Department of Canadian Heritage set out its position on several issues related to the CPTC, which were the subject of consultation processes launched under *Public Notice CAVCO 2005-01* and *Public Notice CAVCO 2006-02*.

In *Public Notice CAVCO 2007-01*, the Department of Canadian Heritage published its position on: (i) copyright ownership, (ii) the acceptable share of revenues to be retained by the producer, (iii) the role of non-Canadian showrunners, (iv) the eligibility of format programs, (v) screen credits, and (vi) guidelines for determining producer control. The details of the Department of Canadian Heritage's position on these issues and its guidance with regards to determining producer control can be found at: <http://www.pch.gc.ca/cavco/pubs/avis-notice/2007-01-eng.cfm>.

Reminder of Application Deadlines for the CPTC (Public Notice CAVCO 2008-01)

On February 27, 2008, CAVCO issued *Public Notice CAVCO 2008-01, Reminder of Application Deadlines for the CPTC*. The notice advises applicants for the CPTC – for productions with a fiscal year end date, following commencement of principal photography, of January 1, 2004, or later – that there is a regulatory requirement to file a Part B application with CAVCO within 24 months from the first fiscal year-end date following commencement of principal photography. Where the 24-month deadline cannot be met, the deadline may be extended for up to 42 months from the first fiscal year end date if a

valid *Waiver in Respect of the Normal Reassessment Period* (CRA form T2029) has been filed with CRA. Failure to meet the final application deadline of 42 months will result in automatic revocation of a previously issued Part A certificate or automatic denial of a Part A/B application.

1.3 Industry Developments

CAVCO administers programs which support the production of film and video programming primarily for Canadian markets, as well as for global media markets. As a result, the production activity supported by CAVCO-administered programs is affected by industry developments both in Canada and around the world. This section provides a brief overview of some of the major industry developments affecting the production of audio-visual programming in Canada in 2007-08.

Corporate consolidation in the Canadian broadcasting industry

Canada's broadcasting industry has experienced a wave of consolidation, which has reduced the number of corporate ownership groups.

- In June 2007, the CRTC approved CTVglobemedia's acquisition of CHUM Limited, including seven conventional television stations and 16 specialty television services.¹
- In September 2007, the CRTC approved Rogers Media Inc.'s acquisition of CHUM Limited's Citytv stations.²
- In December 2007, the CRTC approved Canwest Mediaworks Corp.'s acquisition of Alliance Atlantis Communications Inc., including the latter's 18 specialty television services, 50% joint venture interests in two French-language specialty television services, and minority interests in three other specialty television services.³

As a result of this wave of corporate consolidation, the three largest broadcasting ownership groups, CTVglobemedia, Canwest Media Inc. and Rogers Media Inc. controlled 94% of total revenues in Canada's English-language television market in 2008.⁴ This represents an increase from the 84% share held by the three largest broadcasting ownership groups in 2004.⁵

¹ CRTC, *Broadcasting Decision CRTC 2007-429*, December 20, 2007.

² CRTC, *Broadcasting Decision CRTC 2007-360*, September 28, 2007.

³ CRTC, *Broadcasting Decision CRTC 2007-165*, June 8, 2007.

⁴ CRTC, *Communications Monitoring Report 2009*, August 2009, p. 115.

⁵ CRTC, *Broadcasting Policy Monitoring Report 2005*, June 2005, p. 52. In 2004, the three largest broadcasting ownership groups were Bellglobemedia (CTV), Canwest Mediaworks Inc., and CHUM Limited.

CTVglobemedia, Canwest Media Inc. and Rogers Media Inc. also controlled 62% of revenues in the English-language specialty/pay-per-view/video-on-demand market in 2008.⁶

Continued Weakness in International Demand for Canadian Programming

Film and video programming remains the largest source of Canada's cultural exports.⁷ According to Statistics Canada, film and video accounted for 47% of Canada's overall cultural goods and services exports.⁸ The Canadian film and television production industry continued to experience weakness in international demand for its audio-visual programming in 2007-08. According to a report published by the Canadian Film and Television Production Association (CFTPA), l'Association des producteurs de films et de télévision du Québec (APFTQ) and the Department of Canadian Heritage, the annual export value (value of foreign pre-sale financing) of Canadian television programs and theatrical films dropped from \$275 million in 2006-07 to \$232 million in 2007-08.⁹

International demand for Canadian programming started to weaken in 2000-01, and statistics show that it has since failed to recover. The annual export value of Canadian television programs and theatrical films has steadily fallen by 56% from \$619 million in 1999-00.¹⁰ While many Canadian-produced television programs in the drama, comedy, children's and lifestyle programming genres, continue to enjoy solid secondary-market licensing sales,¹¹ the international pre-sale financing market is much more competitive than it was a decade ago, as evidenced by the export-value numbers published by the CFTPA, l'APFTQ and the Department of Canadian Heritage.

Strong Canadian Dollar

Canada's film and television production industry is very much an export industry, in large part because of foreign location and service production. Canadian producers, technical crews and performers export their skills and services each time they work on a foreign-financed project brought to Canada for production. And like other export industries, the international competitiveness of Canada's film and

⁶ CRTC, *Communications Monitoring Report 2009*, August 2009, p. 115.

⁷ Department of Canadian Heritage, *Intersections: Navigating the Cultural Landscape, Cultural Affairs Sector 2007-2008 Annual Report*, p 18.

⁸ Statistics Canada, *Culture Goods Trade: Data Tables 2007*, catalogue no. 87-007-X; *Cultural Services Trade: Data Tables 2006*, Catalogue no. 87-213-X

⁹ CFTPA, APFTQ and Department of Canadian Heritage, *Profile 2009: An Economic Report on the Canadian Film and Television Production Industry*, February 2009, p. 13.

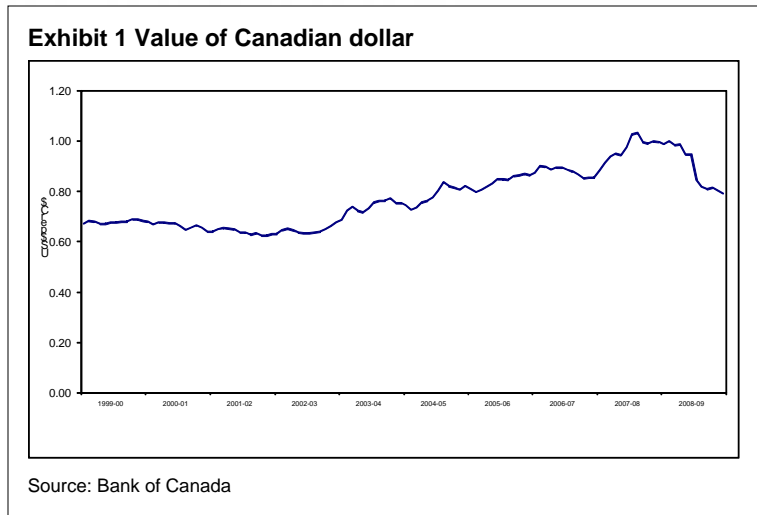
¹⁰ CFTPA, APFTQ and Department of Canadian Heritage, *Profile 2009: An Economic Report on the Canadian Film and Television Production Industry*, February 2009, p. 13.

¹¹ *Ibid.*, p.4.

television production industry can be affected by a strong Canadian currency vis-à-vis the United States (U.S.) dollar.

Canada's location and service production accounts for the vast majority of Canada's film and television production exporting. In 2007-08, this segment of the industry continued to be confronted with the high value of the Canadian dollar in comparison to historical levels, which has made it more expensive for American producers to shoot films and television programs in Canada.

In 2007-08, the Canadian dollar climbed to parity with the U.S. dollar. During that fiscal year, the Canadian dollar reached an average exchange rate of 97 U.S. cents. This was 10% higher than the average of 88 U.S. cents during the 2006-07 fiscal year. Over the longer term, the Canadian dollar in 2007-08 was 43% higher than the average rate of 68 U.S. cents observed between the 1999-00 and 2002-03 fiscal years.



Changes to Provincial Tax Credits for Production Services

To mitigate the impact of the long-term appreciation of the Canadian dollar, several provinces have implemented changes to their own production services tax credits. The following table summarizes the tax credit changes by provincial governments in 2007-2008.



Exhibit 2 Changes to provincial tax credits, 2007-2008

Date	Province	Description
October 2007	Nova Scotia	Increased tax credit for production within Halifax, from 35% of eligible labour expenditures to 50%. Increased tax credit for film in rural Nova Scotia from 55% to 60% of eligible labour expenditures.
December 2007	Quebec	Increased the Production Services Tax Credit from 20% to 25% of eligible labour expenditures.
January 2008	Ontario	Increased the Ontario Production Services Tax Credit from 18% to 25% of eligible labour expenditures.
January 2008	British Columbia	Increased the Production Services Tax Credit from 18% to 25%.

Source: Nordicity research

Growth in High-Definition Programming

During the last several years, there has been a strong acceleration in the availability of high-definition (HD) programming in Canadian television services. Canadian producers are shooting more and more Canadian television programs in HD; the CTF is funding more HD programming; and Canadian broadcasters are quickly moving to HD for sports and news programming. Canadians with HD televisions and the proper enabling equipment can receive many popular Canadian programs in HD. The number of hours of HD programming supported by the CTF increased significantly in 2007-08, as did HD programming's share of total CTF-supported production. In 2007-08, the number of hours of HD programming funded by the CTF increased by 60% to 1,090.¹² HD programming accounted for 62% of total CTF-supported English-language production, 40% of total CTF-supported French-language production, and 44% of total CTF-supported Aboriginal-language production in 2007-08.¹³

Proliferation of Alternative Distribution Platforms

Perhaps one of the most profound developments in the audio-visual sector over the last few years has been the proliferation of alternative distribution platforms for audio-visual programming. Cinemas, DVDs, and conventional and specialty/pay/pay-per-view/video-on-demand platforms are no longer the only routes for Canadians to access films and television programming. Canadians are increasingly turning to the Internet and mobile communications devices to reach their favourite audio-visual content.

¹² Canadian Television Fund, *Annual Report 2007-2008*, p. 68.

¹³ Canadian Television Fund, *Annual Report 2007-2008*, p. 68.

An estimated 40% of Canadians consumed video content over the Internet in 2008; approximately 12% of Canadians used some type of mobile MP3 device to consume video content, while fewer than 10% used a mobile telephone.¹⁴

Canadians' use of the Internet for video consumption has displayed rapid growth in recent years, while the uptake of mobile video has displayed much slower growth. Canadians' consumption of video over the Internet has more than doubled during the past three years; it increased from approximately 18% of the population in 2005 to over 36% in 2008.¹⁵ In 2008, approximately 18% of Anglophone Canadians used the Internet to watch a television program or clip of a television program; among Francophone Canadians, the rate was 16%.¹⁶

In 2008, 5% of Anglophone Canadians watched video content over their cellular phone; among Francophone Canadians, the share was 2%.¹⁷ The lower rate of video consumption on cellular phones was largely due to limited proliferation of video-enabled cellular phones. In 2008, 18% of Anglophone Canadians had a video-enabled cellular phone; among Francophone Canadians the share was 13%.¹⁸

The proliferation of alternative distribution platforms is also evident in the broadcast licensing trends for CTF-supported production. In 2007-08, the number of alternative broadcast licences for Canadian programming, such as Internet, mobile, or video-on-demand licences, increased to 76, from 39 in 2007-06.¹⁹ In total, alternative broadcast licences were worth \$2.2 million in 2007-08, or 0.75% of total broadcast financing of CTF-supported production.²⁰

¹⁴ Media Technology Monitor Survey 2008 (as reported in CRTC, *Communications Monitoring Report 2009*, August 2009, p. 175.)

¹⁵ Media Technology Monitor Survey 2008 (as reported in CRTC, *Communications Monitoring Report 2009*, August 2009, p. 176.)

¹⁶ Media Technology Monitor Survey 2008 (as reported in CRTC, *Communications Monitoring Report 2009*, August 2009, p. 176.)

¹⁷ Media Technology Monitor Survey 2008 (as reported in CRTC, *Communications Monitoring Report 2009*, August 2009, p. 178.)

¹⁸ Media Technology Monitor Survey 2008 (as reported in CRTC, *Communications Monitoring Report 2009*, August 2009, p. 177.)

¹⁹ Canadian Television Fund, *Annual Report 2007-2008*, p. 66.

²⁰ Canadian Television Fund, *Annual Report 2007-2008*, p. 67.

2 Statistical Profile

This section of the activity report contains a statistical profile of the production activity supported by each of the two main programs co-administered by CAVCO: the CPTC and the PSTC. The statistics presented in this section cover the nine-year period that begins April 1, 1999 and ends March 31, 2008. This section also contains an analysis of the trends and annual fluctuations in production activity. Methodological notes on the statistics in this report can be found in the Annex at the end of the report.

2.1 About the Statistics

2.1.1 Limitations in Reporting due to Application Lag

All data are based on the fiscal year of the company in which a production's principal photography commenced, regardless of when the production company actually filed an application with CAVCO. CAVCO's guidelines permit producers to submit their applications for the CPTC or PSTC up to 24 months after the end of the fiscal year in which a project's principal photography commenced. This deadline may be extended for up to 42 months from the first fiscal year end date if an extension is granted by CRA. As a result, it takes approximately two years after the current year for the data to be considered accurate.

Due to the possible lag between the point in time that a production took place and the point in time that the production company submitted an application to CAVCO, the statistics compiled in this report for the 2007-08 year may be incomplete. In other words, the statistics may not have yet captured the full amount of production activity for which principal photography commenced during that fiscal year. For this reason, the statistics contained in this report for 2007-08 should be viewed as preliminary and may underestimate the overall level of production activity. Furthermore, any year-over-year decreases displayed in the 2007-08 statistics should be viewed with caution, as the decreases could become increases, when more accurate data becomes available.

The statistics contained in this report are based on file information available to CAVCO as of April 2009. This date was 12 months after the end of the 2007-08 fiscal year, so, it is possible that CAVCO may still receive applications for productions that commenced principal photography during the 2007-08 fiscal year.

2.1.2 Pro-Rated Canadian Content

This report contains statistics on Canadian content production under the CPTC. The statistics are based on the number of Canadian content points that productions receive for key creative positions filled by Canadians. A live-action production must earn a minimum of six points based on the following creative people qualifying as Canadian: director (2 points), scriptwriter (2 points), lead performer (1 point), second lead performer (1 point), art director (1 point), director of photography (1 point), music composer (1 point), editor (1 point). The points allocated for animation productions are slightly different; please refer to the CAVCO guidelines for further details (available on the CAVCO web site: www.pch.gc.ca/cavco).

The Part B certificate issued by CAVCO will show the number of points given to a production out of the total number of points that are eligible. For example, a production can be given “8 out of 10” points if two of the key creative positions were filled by non-Canadians. If for any reason a position does not exist, the total number of available points will be reduced accordingly. For example, if a documentary has filled all key creative positions except for an art director, the production may only receive a maximum of “9” points.

The Canadian content points described in this report are pro-rated to a ten-point scale. If a production is awarded “7 out of 7” points, that same production is listed in this report as having “10 out of 10” points. Similarly, a production with “8 out of 9” points is listed as having “9 out of 10” points.

2.2 Canadian Film or Video Production Tax Credit

The federal government’s largest single program for providing financial support to the creation of Canadian content

The CPTC is a refundable tax credit that is available at a rate of 25% of eligible salaries and wages. Eligible salaries and wages qualifying for the credit may not exceed 60% of the costs of the production, net of assistance, as certified by the Minister of Canadian Heritage. Therefore, the tax credit could provide assistance of up to 15% of the cost of production. On average, the tax credit accounts for approximately 10% of CPTC-supported production expenditures in Canada (Exhibit 4).

Under the CPTC program, CAVCO performs two distinct functions: (i) the certification of Canadian content, and (ii) an estimation of the qualified labour expenditure. In order for a film or video production to qualify as Canadian content for tax credit purposes through CAVCO, the production must meet specific criteria for key creative personnel and production costs and financing (see Section 2.1.2 for more information on the Canadian-content points system).

The CPTC represents the federal government’s largest single program for the support of films and television programs produced by independent producers and broadcaster-affiliated producers. Independent producers in Canada receive more public financial support through the CPTC program than through any other federal government program.

According to the Department of Finance’s *Tax Expenditures and Evaluations: 2008*, the federal government provided estimated tax credits worth \$200 million under the CPTC and \$125 million under the PSTC in 2007. This is higher than the amounts of federal government funding provided to Canadian film and television programming through the CTF (\$120 million), Canada Feature Film Fund (\$90 million), National Film Board of Canada (\$77 million) and Canada Council for the Arts (\$13 million in funding for media arts).²¹

Exhibit 3 Federal government programs supporting Canadian film and television production, 2007-08

Canadian Film or Video Production Tax Credit (1)	\$200 million
Canadian Television Fund (Department of Canadian Heritage funding) (2)	\$120 million
Canada Feature Film Fund (2)	\$ 90 million
National Film Board of Canada (2)	\$ 77 million
Canada Council for the Arts (funding for media arts) (3)	\$ 13 million
Canadian Independent Film and Video Fund (2)	\$ 2 million

Sources:

(1) Department of Finance, *Tax Expenditures and Evaluations: 2008*. Figure is an estimate for 2007.

(2) Department of Canadian Heritage, *Intersections: Navigating the Cultural Landscape, Cultural Affairs Sector 2007-2008 Annual Report*, pp. 16 and 21;

(3) Canada Council for the Arts, *Annual Report 2007/2008*, p. 51.

The CPTC is a key element in the financing of many of the Canadian films and television programs produced for domestic and global audiences. Virtually all major Canadian-produced prime-time dramas and comedy programs on Canadian television receive CPTC funding. The CPTC also supports

²¹ The federal government also supports the production of Canadian films and television programs, by providing parliamentary appropriations to the Canadian Broadcasting Corporation and la Société Radio-Canada; however, these Crown corporations are engaged in in-house production as well as independent film and television production.

independently produced documentaries, children’s and youth programming, magazine programming, and variety and performing arts programming that CAVCO certifies as Canadian content.

Exhibit 4 provides a historical look at the estimated value of tax credits as a function of total production volume (i.e. the total production expenditures in Canada supported by the CPTC). It shows some fluctuation over the years, from a low of \$154 million in 2001-02 to a high of \$221 million in 2006-07. In recent years, the estimated value of the CPTC has accounted for approximately 10.5% of total CPTC production volume.

Exhibit 4 CPTC production activity and estimated tax credit

	Number of projects	CPTC production volume (\$M)	Estimated tax credit (\$M)	Estimated tax credit as a share of CPTC production volume (%)
1999-00	873	1,826	171	9.4%
2000-01	958	1,726	160	9.3%
2001-02	1,043	1,752	154	8.8%
2002-03	1,120	1,806	159	8.8%
2003-04	1,105	1,760	175	9.9%
2004-05	1,196	1,735	183	10.5%
2005-06	1,200	1,949	203	10.4%
2006-07	1,166	2,100	221	10.5%
2007-08 (P)	918	1,754	185	10.5%

Source: CAVCO
P - Preliminary statistics

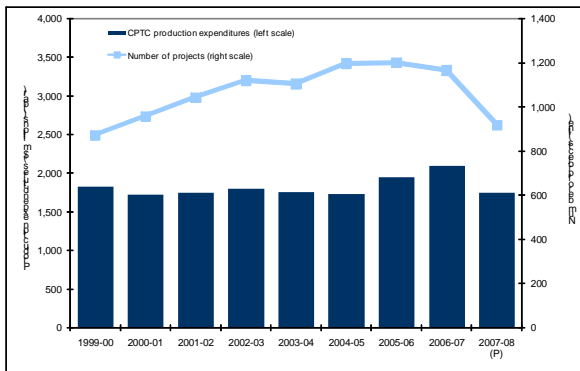
In 2007-08, the CPTC supported 918 film and video projects with total expenditures in Canada of \$1.75 billion.

- The number of projects supported by the CPTC in 2007-08 decreased by 21% compared to 2006-07.
- The production expenditures for CPTC-supported projects were down by 16% compared to a ten-year high of \$2.10 billion in 2006-07.



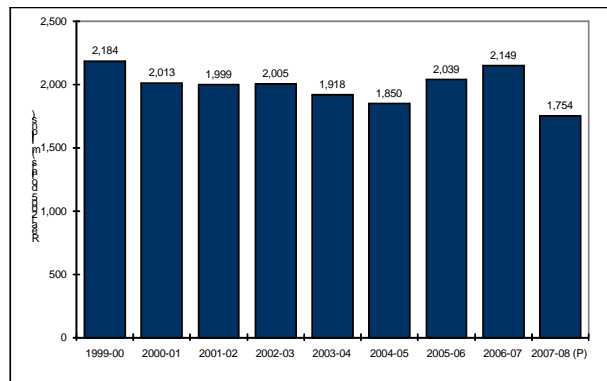
Exhibit 5 CPTC production activity

A. Production expenditures and number of projects



Source: CAVCO
P - Preliminary statistics

B. Production expenditures, real 2008 dollars



Source: CAVCO and Statistics Canada
P - Preliminary statistics

The 16% drop in CPTC production expenditures in 2007-08 comes after two consecutive years of increases in annual production. Between 2004-05 and 2006-07, the total production expenditures for CPTC projects increased by 21% from \$1.74 billion to \$2.10 billion. Throughout the period, however, the number of projects remained relatively flat at approximately 1,200 per annum.

While 2006-07 marked the ten-year peak in CPTC production expenditures on a nominal-dollar basis, on a real-dollar terms (adjusted for consumer price inflation), the peak was in 1999-00. When measured in terms of inflation-adjusted 2008 dollars, CPTC production expenditures totalled \$2.18 billion in 1999-00; production expenditures in 2007-08 were 20% below this ten-year peak (Exhibit 5).

CPTC production expenditures grew very slowly between 2004-05 and 2007-08: they increased by only 1.1%. This slow growth reflected the fact that while the primary source of financing for CPTC production, the Canadian broadcasting industry, experienced strong growth during this period, many of the other major sources of financing for Canadian television and film production experienced limited growth or even decreases in available funding.

- According to CRTC statistics, the total revenues of the Canadian broadcasting industry – including private conventional broadcasters and specialty/pay/pay-per-view services – increased by 23%, or \$943 million, between 2004 and 2008 – from \$4.1 billion to \$5.1 billion.²²
- The CTF’s funding for Canadian television production remained virtually flat between 2004-05 and 2007-08. Its annual contributions to Canadian television production increased only slightly, from \$236 million to \$242 million.²³
- The federal government’s annual contribution to the CFFF remained fixed at \$90.2 million.²⁴
- Between 2004-05 and 2007-08, foreign financing of Canadian television production dropped by 28%, from \$231 million to \$167 million.²⁵
- Distribution advances and foreign financing of Canadian theatrical projects decreased dramatically between 2004-05 and 2007-08. The combination of these two financing sources dropped by 41%, from \$118 million to \$70 million.²⁶

2.2.1 Market Segments

Both the television and theatrical markets experienced lower levels of projects and production expenditures in 2007-08

The vast majority of CPTC production in 2007-08 was made for primary release on television.

- CPTC television production totalled \$1.51 billion in 2007-08 and accounted for 86% of all CPTC production expenditures
- Production for the theatrical market totalled \$239 million and accounted for 14% of total CPTC production.
- Production for other release windows (non-theatrical markets and home video) totalled \$9 million and accounted for less than 1% of total production expenditures.

²² Canadian Radio-television and Telecommunication Commission, *Conventional Television: Statistical and Financial Summaries, 2004-2008*, 2009, p. 1; and Canadian Radio-television and Telecommunications Commission, *Pay Television, Pay-Per-View, Video-On-Demand and Specialty Services : Statistical and Financial Summaries, 2004-2008*, 2009, p.1.

²³ Canadian Television Fund, *Annual Report 2007-2008*, p. 31.

²⁴ Department of Canadian Heritage, *Intersections: Navigating the Cultural Landscape, Cultural Affairs Sector 2007-2008 Annual Report*, p.

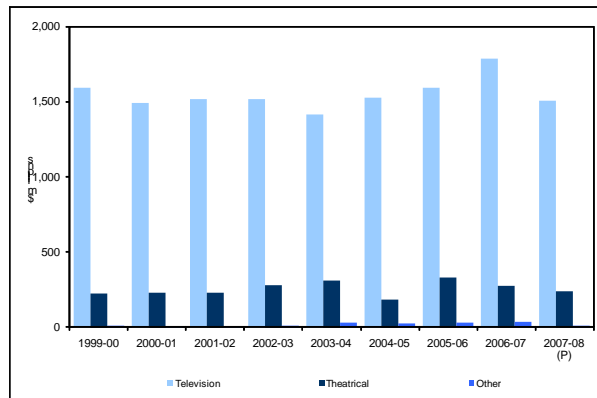
16.

²⁵ CFTPA, APFTQ and Department of Canadian Heritage, *Profile 2009: An Economic Report on the Canadian Film and Television Production Industry*, February 2009, p. 46.

²⁶ *Ibid*, p. 68.

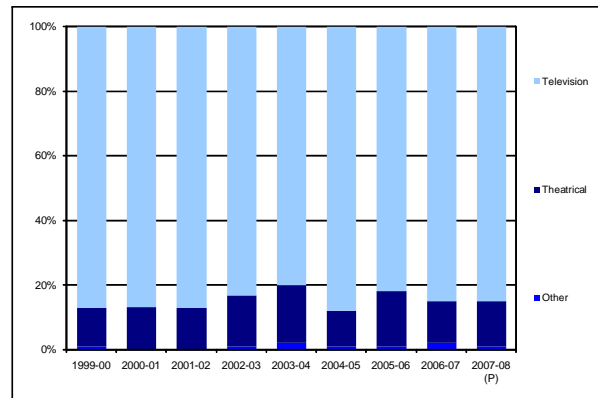
Exhibit 6 CPTC production activity, by market

A. Production expenditures, by market



Source: CAVCO
P - Preliminary statistics

B. Share of production expenditures, by market



Source: CAVCO
P - Preliminary statistics

CPTC production for the television market dropped 16% in 2007-08, after experiencing three consecutive years of annual growth. Between 2003-04 and 2006-07, total CPTC television production expenditures increased by 26%, from \$1.42 billion to \$1.78 billion. The increase in CPTC production during this period coincided with revenue growth in the Canadian broadcasting industry and increased contributions from the CTF. Between 2003-04 and 2006-07, revenues in the Canadian broadcasting industry grew by 19% from \$4.13 billion to \$4.90 billion,²⁷ while the CTF's contributions to production financing increased by 15%, from \$219 million to \$252 million.²⁸

CPTC production for the theatrical market reached a ten-year peak of \$330 million in 2005-06 before experiencing year-over-year declines in 2006-07 and 2007-08 (Exhibit 6 and Exhibit 7). In 2006-07, the number of CPTC-supported theatrical films rose to 101; however, total expenditures dropped 16% to \$277 million. In 2007-08, the number of CPTC-supported theatrical films fell by one-third to 68; total production expenditures decreased by 16% to \$239 million.

²⁷ Canadian Radio -television and Telecommunication Commission, *Conventional Television: Statistical and Financial Summaries, 2004-2008, 2009*, p. 1; and Canadian Radio-television and Telecommunications Commission, *Pay Television, Pay-Per-View, Video-On-Demand and Specialty Services : Statistical and Financial Summaries, 2004-2008, 2009*, p.1.

²⁸ Canadian Television Fund, *Annual Report 2007-2008*, p. 31.

Exhibit 7 CPTC production activity, by market (number of projects and production expenditures)

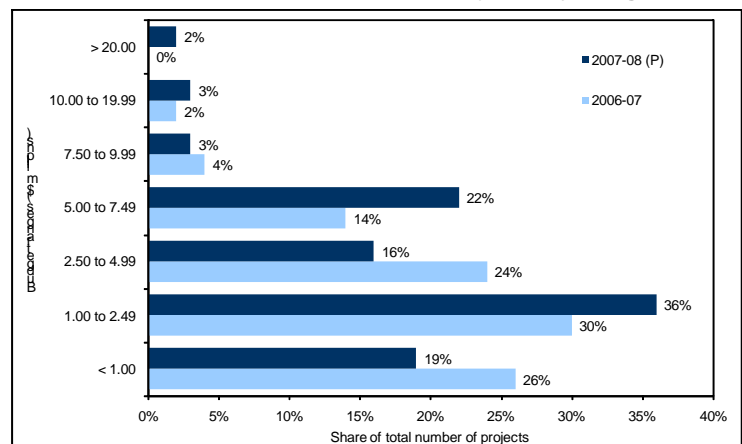
	Television		Theatrical		Other release windows		Total	
	#	\$M	#	\$M	#	\$M	#	\$M
1999-00	796	1,591	69	223	8	12	873	1,826
2000-01	890	1,491	63	228	5	7	958	1,726
2001-02	968	1,516	67	230	8	5	1,043	1,752
2002-03	1,032	1,515	77	280	11	12	1,120	1,806
2003-04	1,004	1,416	82	312	19	32	1,105	1,760
2004-05	1,115	1,526	61	185	20	24	1,196	1,735
2005-06	1,097	1,592	89	330	14	28	1,200	1,949
2006-07	1,042	1,784	101	277	23	38	1,166	2,100
2007-08 (P)	843	1,506	68	239	7	9	918	1,754

Source: CAVCO
P - Preliminary statistics

Over the long-term, the impact of the introduction of the CFFF in 2001 on CPTC theatrical production is evident. Between 1999-00 and 2001-02, the annual level of theatrical production stood at approximately \$230 million, with the annual number of projects ranging from 63 (2000-01) to 69 in (1999-00). With the introduction of the CFFF in 2001, there was a noticeable increase in theatrical production activity (except in 2004-05). In the first full year of the CFFF’s operation – 2002-03 – theatrical production jumped to 77 projects and \$280 million in production expenditures. In 2003-04, theatrical production increased even further to 82 projects and \$312 million in production expenditures.

Theatrical production levels did drop by nearly 50% in 2004-05. In large part, this decrease was attributable to a sharp decrease in international treaty co-production activity with Canada.²⁹ However, in 2005-06, theatrical production rebounded by 78% to \$330 million in expenditures. This rebound can be traced back to an increase in the number of projects, 61 to 89, and an increase in the average size of projects, from \$3.03 million to \$3.71 million.

Exhibit 8 CPTC theatrical feature film projects, by budget size



Source: CAVCO
P - Preliminary statistics

²⁹ CFTPA, APFTQ and Department of Canadian Heritage, *Profile 2007: An Economic Report on the Canadian Film and Television Production Industry*, p. 38.

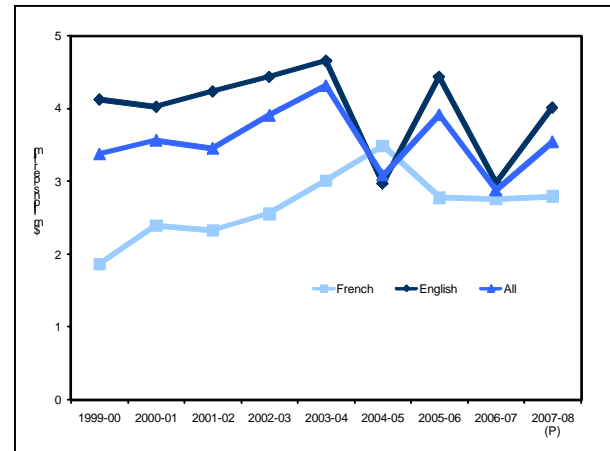
Exhibit 8 compares the distribution of theatrical feature film projects by size for 2006-07 and 2007-08. The statistics show that there was very little change in the distribution of theatrical projects by budget size. However, the share of projects with budgets under \$1.0 million did drop from 26% to 19%, while the share of projects with budgets above \$5.0 million increased from 20% to 30%.

While production for other release windows comprises a small share of overall CPTC production, it is worth noting that this market experienced a significant reduction in activity in 2007-08. The number of projects for other release windows dropped from 23 to 7, while production expenditures fell from \$38 million to \$9 million (Exhibit 7).

After experiencing steady growth up until 2003-04, the average budgets for CPTC theatrical projects have fluctuated. In 2004-05, the average budget of a CPTC-supported theatrical film dropped to \$3.08 million from \$4.31 million in 2003-04. The average budget rose in 2005-06 to \$3.91 million, as the average budget of English-language theatrical films recovered. However, the average budget fell again in 2006-07, decreasing by 26% to \$2.88 million.

The average budget for CPTC-supported theatrical films was up slightly in 2007-08: it increased to \$3.54 million. This increase was largely due to a higher average budget in the English-language market. The average budget of an English-language theatrical feature film rose from \$2.98 million in 2006-07 to \$4.01 million in 2007-08. The average budget for a French-language film was virtually unchanged in 2007-08, standing at \$2.7 million.

Exhibit 9 CPTC theatrical feature film projects, average budget size, by language



Source: CAVCO
P - Preliminary statistics

2.2.2 Language of Production

French-language production continued to increase its share of total production

The CPTC supports production in English, French and other languages; it also supports bilingual productions.

- In 2007-08, the CPTC supported 526 English-language projects with total production expenditures of \$1.23 billion (Exhibit 10). The number of English-language projects dropped by 24%, while total production expenditures decreased by 19%.
- The CPTC supported 366 French-language projects in 2007-08 with total expenditures of \$489 million. The number of French-language projects dropped by 17%, while total production expenditures decreased by 13%.
- A total of 17 bilingual projects received CPTC support in 2007-08 and generated production expenditures of \$26 million. While the number of projects remained unchanged at 17, total production expenditures increased by 86%.
- There were nine projects originally shot in other languages including Aboriginal languages; these projects generated expenditures of \$9 million.

Exhibit 10 CPTC production activity, by language (number of projects and production expenditures)

	English		French		Bilingual		Other languages		Total	
	#	\$M	#	\$M	#	\$M	#	\$M	#	\$M
1999-00	523	1,425	324	344	18	48	8	9	873	1,826
2000-01	569	1,257	332	330	48	133	9	5	958	1,726
2001-02	609	1,248	387	413	39	85	8	6	1,043	1,752
2002-03	667	1,311	396	425	43	66	14	4	1,120	1,806
2003-04	655	1,223	390	447	41	64	19	27	1,105	1,760
2004-05	706	1,217	435	473	31	33	24	12	1,196	1,735
2005-06	709	1,371	453	527	22	39	16	13	1,200	1,949
2006-07	691	1,515	443	560	17	14	15	10	1,166	2,100
2007-08 (P)	526	1,231	366	489	17	26	9	9	918	1,754

Source: CAVCO

P - Preliminary statistics

Over the past decade, Canada's French-language production sector steadily increased both its share of the CPTC-supported projects and production expenditures. Between 1999-00 and 2007-08, the French-language sector experienced annual increases in its share of total production expenditures: its share rose from 19% in 1999-00 to 28% in 2007-08 (Exhibit 11). Over this same period, the English-language

production sector's share of CPTC projects decreased slightly, from 60% to 57%; however, the sector's share of production expenditures fell from 78% in 1999-00 to 70% in 2007-08.

Exhibit 11 Share CPTC production activity, by language (number of projects and production expenditures)

	Number of projects					Production expenditures				
	English	French	Bilingual	Other languages	Total	English	French	Bilingual	Other languages	Total
1999-00	60%	37%	2%	1%	100%	78%	19%	3%	0%	100%
2000-01	59%	35%	5%	1%	100%	73%	19%	8%	0%	100%
2001-02	58%	37%	4%	1%	100%	71%	24%	5%	0%	100%
2002-03	60%	35%	4%	1%	100%	73%	24%	4%	0%	100%
2003-04	59%	35%	4%	2%	100%	69%	25%	4%	2%	100%
2004-05	59%	36%	3%	2%	100%	70%	27%	2%	1%	100%
2005-06	59%	38%	2%	1%	100%	70%	27%	2%	1%	100%
2006-07	59%	38%	1%	1%	100%	72%	27%	1%	0%	100%
2007-08 (P)	57%	40%	2%	1%	100%	70%	28%	1%	0%	100%

Source: CAVCO
P - Preliminary statistics

The bilingual production sector also experienced a decrease in its share of CPTC production, since 2000-01. Between 2000-01 and 2007-08, the bilingual production sector's share of CPTC projects dropped from 5% to 2%; its share of production expenditures dropped from 8% to 1%. Production in other languages accounted for between 1% and 2% of total CPTC production expenditures during the period 1999-00 and 2007-08.

Exhibit 12 Number of hours of CPTC production, by language

	English	French	Bilingual	Other languages	Total
1999-00	3,000	3,879	113	7	6,999
2000-01	2,933	4,979	193	26	8,131
2001-02	3,162	4,082	177	28	7,450
2002-03	3,730	4,365	225	183	8,504
2003-04	3,498	3,700	164	258	7,620
2004-05	3,407	4,285	183	243	8,117
2005-06	2,953	4,295	182	236	7,666
2006-07	3,289	4,417	50	128	7,884
2007-08 (P)	2,564	3,431	198	188	6,381

Source: CAVCO
P - Preliminary statistics

While the largest share of CPTC projects and production expenditures were in the English-language sector, in terms of the hours of production, the French-language sector accounted for more production activity in 2007-08. In 2007-08, the French-language sector generated 3,431 hours of television programming, theatrical films and other CPTC-eligible videos. The English-language sector generated 2,564 hours of production in 2007-08, or approximately 25% fewer hours of production than the French-language sector.

The higher amount of production hours in the French-language sector compared to the English-language sector can largely be attributed to the French-language sector's vastly higher output of programming in the magazine, and variety and performing arts genres. In 2007-08, the French-language sector generated approximately 1,473 more hours of magazine production than the English-language sector did. The French-language sector also generated 354 more hours of production in the variety and performing arts genre than the English-language sector did (Exhibit 13).

Exhibit 13 Number of hours of CPTC television production, by language and genre, 2007-08

	French-language	English-language
Magazine	1,965	492
Variety and performing arts	423	69
Fiction	388	360
Documentary	465	969
Children's and youth	147	284
Educational and other	0	310
Total*	3,388	2,485

Source: CAVCO
 * Total only includes the production of television hours, and therefore, will not match the total the number of hours reported in Exhibit 9.
 P - Preliminary statistics

2.2.3 Genre of Production

The fiction, documentary and children's and youth genres also experienced declines in production activity in 2007-08, while magazine production was higher

The CPTC supports production in all of the major audio-visual genres, including fiction (drama and comedy); documentary; children's and youth programming; magazine programming; and variety and performing arts programming. It also supports the production of educational and instructional videos.

During the 2007-08 fiscal year,

- The fiction genre was the largest genre of CPTC-supported production, with \$931 million in production expenditures (Exhibit 14); it accounted for 53% of total CPTC production expenditures (Exhibit 15).
- The documentary genre was the source of the largest number of CPTC projects. The CPTC supported 380 documentary projects; this amount accounted for 38% of the total number of CPTC-supported projects.
- The magazine genre contributed the largest number of hours of programming. Canadians made 2,743 hours of magazine programming with CPTC support; this represented 43% of the total number of supported hours (Exhibit 16).

Four of the six major genres experienced decreases in production expenditures in 2007-08. The magazine genre was the only genre to experience a significant increase in production expenditures in 2007-08. The educational/instructional genre also experienced an increase in production activity, but it was marginal.

- Production expenditures for fiction projects fell by 15% to \$931 million.
- In the documentary genre, production expenditures decreased by 17% to \$336 million.
- The children's and youth genre experienced a 22% rise in production expenditures in 2006-07; but then saw its expenditures fall by 37% to \$199 million in 2007-08. This was the steepest decline among all of the six major genres.
- Production expenditures in the variety and performing arts genre decreased 13% to \$109 million in 2007-08.
- In the educational and other genre, production expenditures were up slightly to \$56 million.

Exhibit 14 CPTC production, by genre (number of projects and production expenditures)

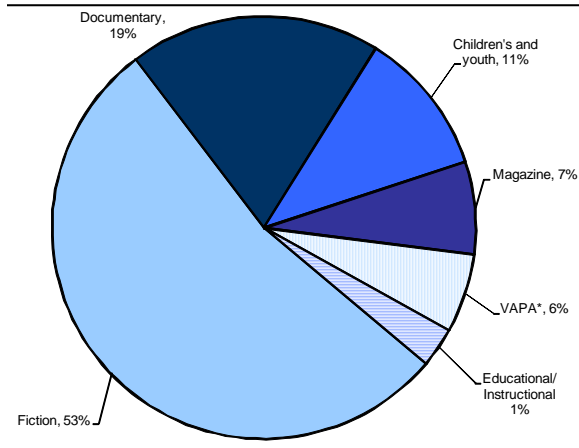
	Fiction		Documentary		Children's and youth	
	#	\$M	#	\$M	#	\$M
1999-00	219	1,161	315	164	88	332
2000-01	190	984	405	224	82	315
2001-02	211	975	455	252	88	306
2002-03	229	1,021	475	268	78	256
2003-04	196	931	549	332	71	243
2004-05	237	874	551	340	81	249
2005-06	278	1,066	528	357	89	258
2006-07	306	1,092	489	403	90	316
2007-08 (P)	226	931	380	336	62	199
	Magazine		Variety and performing arts		Educational and other	
	#	\$M	#	\$M	#	\$M
1999-00	138	83	90	75	23	12
2000-01	145	104	110	86	26	13
2001-02	148	109	119	97	22	12
2002-03	190	124	111	109	37	28
2003-04	154	109	105	130	30	16
2004-05	177	125	103	108	47	39
2005-06	159	128	110	106	36	35
2006-07	124	108	119	126	38	55
2007-08 (P)	125	123	84	109	41	56

Source: CAVCO

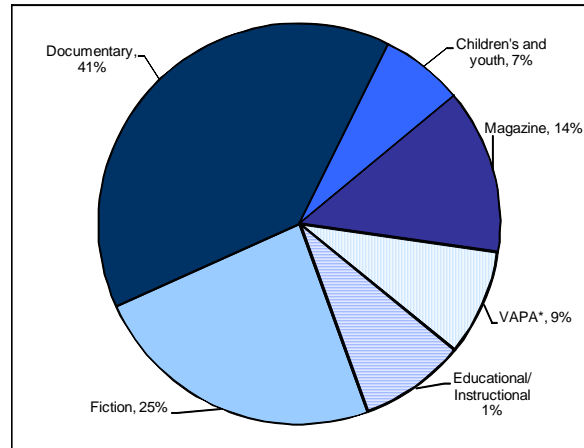
P - Preliminary statistics

Exhibit 15 Share of CPTC production activity, by genre, 2007-08 (P)

A. Share of production expenditures



B. Share of number of projects



Source: CAVCO
P - Preliminary statistics
VAPA: Variety and Performing Arts programming

Exhibit 16 Total hours of CPTC-supported production, by genre (all markets)

	Fiction	Documentary	Children's and youth	Magazine	Variety and performing arts	Educational and other	Total
1999-00	1,043	1,025	754	2,962	939	276	6,999
2000-01	1,009	1,540	711	3,641	939	291	8,131
2001-02	975	1,619	806	2,997	852	200	7,450
2002-03	1,065	1,627	676	3,868	905	363	8,504
2003-04	1,056	1,813	573	3,096	856	227	7,620
2004-05	1,135	1,840	665	3,420	741	316	8,117
2005-06	1,049	1,754	737	3,246	561	319	7,666
2006-07	1,075	2,065	882	2,820	730	311	7,884
2007-08 (P)	882	1,495	451	2,743	500	311	6,381
2007-08 share	14%	23%	7%	43%	8%	5%	100%

Source: CAVCO
P - Preliminary statistics

Theatrical production remained predominantly in the fiction genre

Virtually all of CPTC-supported theatrical production has been in the fiction genre in recent years. In 2007-08, the fiction genre accounted for 87% of the number of CPTC-supported theatrical-release projects and 95% of production expenditures in this market (Exhibit 17).

Exhibit 17 CPTC theatrical-release production, by genre (number of projects and production expenditures)

	Fiction		Other genres		Total	
	#	\$M	#	\$M	#	\$M
1999-00	66	222	3	1	69	223
2000-01	59	212	4	16	63	228
2001-02	63	216	4	14	67	230
2002-03	73	271	4	9	77	280
2003-04	69	289	13	23	82	312
2004-05	51	166	10	19	61	185
2005-06	79	324	10	6	89	330
2006-07	86	259	15	18	101	277
2007-08 (P)	59	226	9	14	68	239

Source: CAVCO
P - Preliminary statistics

In the television market, the fiction genre comprises just less than one-half of production expenditures and about one-fifth of projects. In the television market, only the magazine genre posted a significant increase in production from \$108 million in 2006-07 to \$123 million in 2007-08. The increase in production activity in the educational and other genre was marginal. In the fiction genre – the largest genre when measured on the basis of production expenditures – production expenditures decreased 13% to a total of \$697 million in 2007-08.

Exhibit 18 CPTC television production, by genre (number of projects and production expenditures)

	Fiction		Documentary		Children's and youth	
	#	\$M	#	\$M	#	\$M
1999-00	146	927	313	163	87	331
2000-01	128	766	401	216	80	306
2001-02	146	757	449	241	87	304
2002-03	148	738	470	267	77	248
2003-04	113	615	536	309	67	237
2004-05	175	690	543	334	75	234
2005-06	187	715	517	352	88	256
2006-07	206	801	469	387	87	307
2007-08 (P)	162	697	371	328	61	193

	Magazine		Variety and performing arts		Educational and other	
	#	\$M	#	\$M	#	\$M
1999-00	138	83	90	75	22	11
2000-01	145	104	110	86	26	13
2001-02	148	109	117	93	21	12
2002-03	190	124	111	109	36	28
2003-04	154	109	105	130	29	16
2004-05	177	125	103	108	42	36
2005-06	159	128	110	106	36	35
2006-07	124	108	119	126	37	55
2007-08 (P)	125	123	84	109	40	56

Source: CAVCO
P - Preliminary statistics

2.2.4 Category of Production

Lower levels of television series and MOW production combined with a sharp drop in theatrical feature film production pulled down the overall level of production in 2007-08

The CPTC supports several different categories of film and video production across both the television and theatrical markets, and other release windows. These production categories include series, mini-series, MOWs (movies of the week - a television production more than 74 minutes in length), television pilots, short-length programs (a single, non-series production of 74 minutes or less for release in any market), and theatrical feature films (more than 74 minutes in length).

- The largest category of production is the television series. In 2007-08, the CPTC supported the production of 474 television series (Exhibit 19), generating \$1.12 billion in production expenditures.
- The CPTC supported 163 MOWs which generated \$225 million in production expenditures.
- The CPTC supported the production of 27 mini-series in 2007-08; the production expenditures associated with these mini-series amounted to \$82 million.
- In 2007-08, the production of 16 television pilots generated production expenditures of \$21 million.
- The production of 174 short-length films and single-episode television programs generated \$79 million in production expenditures.
- The CPTC supported the production of 64 theatrical feature films in 2007-08, with total production expenditures of \$226 million.



Exhibit 19 CPTC production, by category (number of projects and production expenditures)

	Television series		MOWs		Mini-series	
	#	\$M	#	\$M	#	\$M
1999-00	460	1,292	85	183	21	56
2000-01	504	1,209	84	168	34	50
2001-02	523	1,200	97	126	33	73
2002-03	580	1,152	98	152	51	127
2003-04	543	1,136	75	137	50	58
2004-05	583	1,151	115	188	47	70
2005-06	596	1,179	140	253	37	64
2006-07	566	1,282	168	288	37	86
2007-08 (P)	474	1,121	163	225	27	82

	Television pilots		Short-length programs		Theatrical feature film	
	#	\$M	#	\$M	#	\$M
1999-00	10	4	231	68	66	223
2000-01	8	5	269	83	59	210
2001-02	16	14	310	118	64	221
2002-03	9	6	311	92	71	277
2003-04	7	7	363	134	67	289
2004-05	17	6	378	148	56	172
2005-06	14	5	329	119	84	329
2006-07	28	24	271	144	96	277
2007-08(P)	16	21	174	79	64	226

Source: CAVCO

P - Preliminary statistics

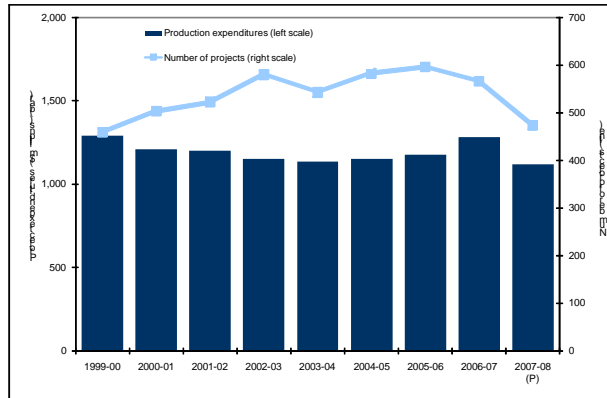
Notes: The categories of series, MOWs, mini-series, television pilots and short-length programs are largely comprised of programming for television; however, the tabulations do include productions where the primary release window was the theatrical market.

The television series category of production did experience steady year-over-year increases in production expenditures between 2003-04 and 2006-07. However, in 2006-07, the number of television series started to decline, and this was followed by a 13% decrease in production in 2007-08.

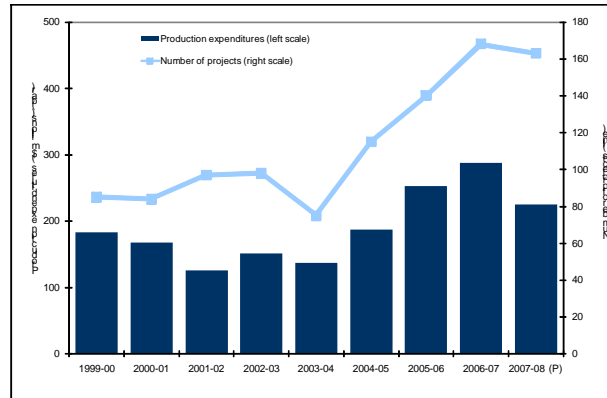
Production activity in the MOW category experienced an even sharper increase between 2003-04 and 2006-07, as the number of MOWs jumped from 75 to 168, and production expenditures increased from \$137 million to \$288 million. In 2007-08, however, production in the MOW category experienced its first decline since 2003-04. The number of MOWs decreased slightly to 163, while production expenditures were down by 22% to \$225 million.

Exhibit 20 CPTC production, television series vs. MOWs (number of projects and production expenditures)

A. Television series



B. MOWs



Source: CAVCO
P - Preliminary statistics

2.2.5 Region of Production

CPTC production activity occurs across all regions of Canada

CPTC production typically occurs across all regions of Canada. In 2007-08, each of the major regions contributed to total production activity.

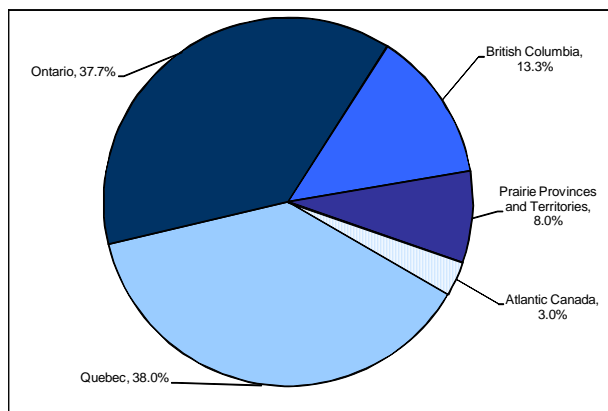
- Quebec and Ontario each accounted for 38% of total production expenditures (Exhibit 21A).
- British Columbia accounted for 13% of total production expenditures.
- The Prairie Provinces (Alberta, Saskatchewan and Manitoba) and the Territories were the location for a combined 8% of production expenditures.
- Atlantic Canada was the location for a combined 3% of production expenditures.

Although Quebec and Ontario were similar in size in 2007-08 on the basis of production expenditures, Quebec held a larger share of production activity on the basis of the number of projects. In 2007-08, Quebec was the location for 48% of the total number of CPTC projects (Exhibit 21B); Ontario was the location for 26%. Quebec's larger share of the number of projects reflects the fact that it hosts virtually all of Canada's French-language film and video productions, which typically have lower average budgets than English-language projects.³⁰

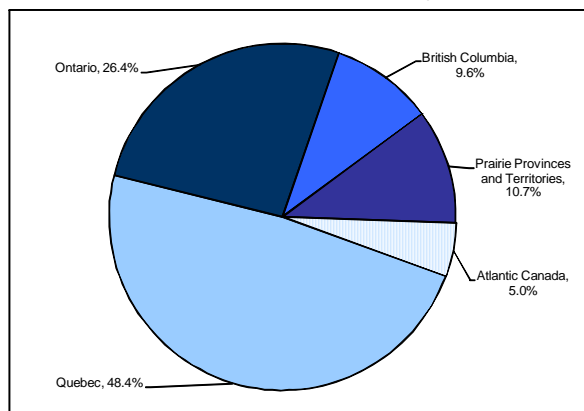
³⁰ CFTPA, APFTQ and the Department of Canadian Heritage. *Profile 2009; An Economic Report on the Canadian Film and Television Production Industry*, p. 40.

Exhibit 21 Share of CPTC production, by province or territory, 2007-08 (P)

A Share of total production expenditures



B Share of number of projects



Source: CAVCO
P - Preliminary statistics

Exhibit 22 CPTC production, by province/territory (number of projects and production expenditures)

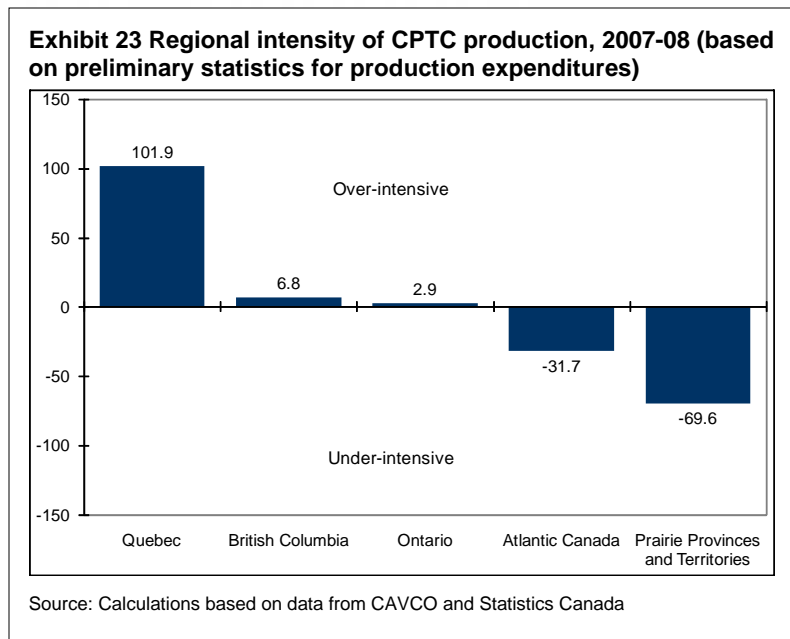
	Ontario		Quebec		British Columbia	
	#	\$M	#	\$M	#	\$M
1999-00	254	701	93	307	93	307
2000-01	311	698	100	299	100	299
2001-02	348	752	96	208	96	208
2002-03	351	699	103	223	103	223
2003-04	359	745	100	189	100	189
2004-05	360	676	120	233	120	233
2005-06	360	764	116	276	116	276
2006-07	333	707	135	382	135	382
2007-08 (P)	242	662	88	233	88	233
	Prairie Provinces and Territories		Atlantic Canada		Total	
	#	\$M	#	\$M	#	\$M
1999-00	67	96	44	59	873	1,826
2000-01	85	109	46	82	958	1,726
2001-02	80	83	50	63	1,043	1,752
2002-03	104	156	57	72	1,120	1,806
2003-04	96	91	51	61	1,105	1,760
2004-05	121	108	57	76	1,196	1,735
2005-06	115	97	55	78	1,200	1,949
2006-07	114	173	44	73	1,166	2,100
2007-08 (P)	98	141	46	52	889	1,750

Source: CAVCO
P - Preliminary statistics

Quebec continues to be the most intensive producer of CPTC-supported films and television programs

Exhibit 23 depicts the regional intensity of production in each of the five geographic regions of Canada.

It compares each region's share of national production activity to its share of the national economy (as measured by gross domestic product). Regions with a score above zero have a level of CPTC production in excess of what would be predicted by the size of their economy; regions with a score below zero display CPTC production levels that are smaller than suggested by the size of their economy.



Three regions displayed over-intensive ratings in 2007-08. Quebec was the most over-intensive province for CPTC production. Its level of CPTC production expenditures were approximately double (over-intensive by 102%) what the size of its economy suggested they should be. While Quebec accounted for 19% of Canada's gross domestic product in 2005, it was the home province for 39% of CPTC production expenditures. Other provinces that displayed over-intensity in CPTC production in 2007-08 were British Columbia (over-intensive by 7%), and Ontario (over-intensive by 3%).

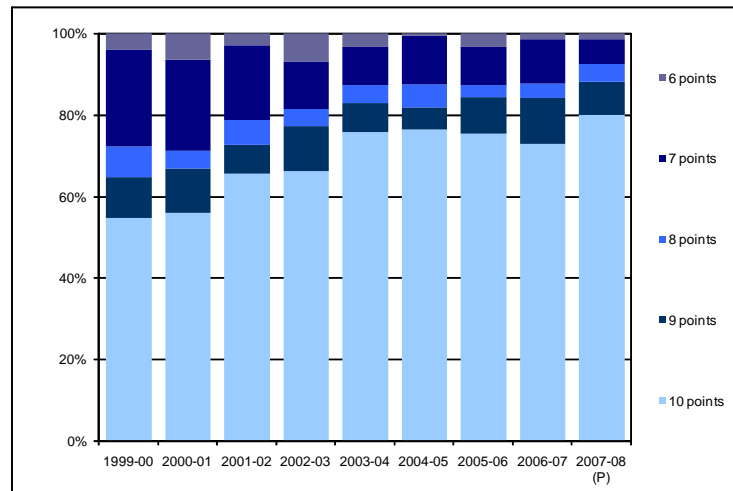
Atlantic Canada displayed 32% under-intensity. In other words, production expenditures in Atlantic Canada were 32% lower than predicted by the region's share of national GDP. On a combined basis, the Prairie Provinces and Territories also displayed significant under-intensity. Their level of production expenditures displayed under-intensity of 70%.

2.2.6 Canadian Content

In recent years the vast majority of CPTC production has had very high levels of Canadian content

All projects applying for the CPTC – except international treaty co-productions – are certified by CAVCO as to their level of Canadian content. “Certified” projects receive a score on the Canadian-content-points scale. CPTC productions in the both the live-action and animation formats must earn between six and ten Canadian-content points on a ten-point scale (see Section 2.1.2). Points are awarded according to the number of key creative positions filled by Canadian citizens or permanent residents.

Exhibit 24 Share of CPTC production expenditures, by Canadian-content points



Source: CAVCO
P - Preliminary statistics

In this section, all of the statistics pertaining to CPTC production have been pro-rated to a ten-point scale (see Section 2.1.2). This is necessary since certain productions can achieve a full-point score without obtaining ten points. In addition, all of the statistics in this section exclude international treaty co-productions, which do not receive a Canadian-content score from CAVCO. Statistics on international treaty co-production can be found in Section 2.2.7.

Productions with nine or ten Canadian content points are typically considered to have “very high” Canadian content. There was a steady increase between 1999-00 and 2007-08 in the share of certified CPTC production expenditures with very high Canadian content (Exhibit 24). Projects that obtained nine of ten Canadian-content points accounted for 65% of production expenditures in 1999-00; by 2007-08, this share had increased to 88%. In 2007-08, 93% of certified CPTC projects obtained nine or ten Canadian-content points (Exhibit 24 and Exhibit 25). These 796 projects generated \$1.38 billion in production expenditures; and thus accounted for 88% of production expenditures among certified projects (Exhibit 25).

Exhibit 25 CPTC production, by Canadian-content points (number of projects and production expenditures)

	10 out of 10 points		9 out of 10 points		8 out of 10 points	
	#	\$M	#	\$M	#	\$M
1999-00	658	855	85	159	23	116
2000-01	747	748	66	146	19	59
2001-02	853	909	44	96	24	84
2002-03	906	1,000	68	167	18	63
2003-04	928	1,090	49	104	19	62
2004-05	1,006	1,194	58	84	27	87
2005-06	1,011	1,323	50	156	18	50
2006-07	937	1,413	67	218	21	69
2007-08 (P)	758	1,248	38	127	13	66
	7 out of 10 points		6 out of 10 points		Total	
	#	\$M	#	\$M	#	\$M
1999-00	35	372	4	61	805	1,563
2000-01	31	296	6	87	869	1,336
2001-02	22	254	4	40	947	1,384
2002-03	25	177	4	103	1,021	1,510
2003-04	21	134	7	49	1,024	1,438
2004-05	30	187	5	9	1,126	1,561
2005-06	49	164	9	60	1,137	1,753
2006-07	66	210	12	30	1,103	1,940
2007-08 (P)	40	96	9	22	858	1,559

Source: CAVCO

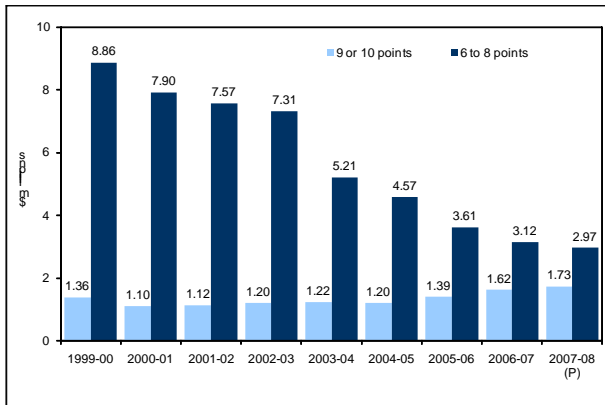
P - Preliminary statistics

Note: Totals differ from totals reported in other exhibits in Section 2.1 due to the exclusion of international treaty co-productions.

While the share of certified CPTC production expenditures accounted for by projects with very high Canadian content steadily increased between 1999-00 and 2007-08, the share of total projects with very high Canadian content remained stable. The shift in the share of production expenditures was due to a dramatic reduction in the average size of projects with six, seven, or eight Canadian-content points, as well as a rise in 2006-07 and 2007-08 in the average size of projects with very high Canadian content. Projects with six, seven or eight Canadian-content points experienced a steady decrease in average project size: from \$8.86 million in 1999-00 to \$2.97 million in 2007-08 (Exhibit 26). Projects with nine or ten Canadian content points saw their average project size increase from \$1.20 million in 2004-05 to \$1.73 million in 2007-08.

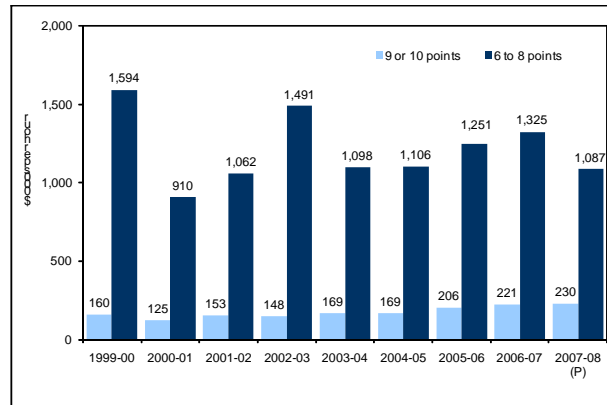
Exhibit 26 Analysis of CPTC project size, by Canadian-content points

**A. Average project size
(production expenditures per project)**



Source: CAVCO
P - Preliminary statistics

**B. Average per-hour budget
(production expenditures per hour)**



Source: CAVCO
P - Preliminary statistics

The decrease in average project size at the lower end of the Canadian-content scale has been largely due to an increase in individual projects with fewer hours of programming, rather than lower average hourly production budgets (i.e. production expenditures) for CPTC projects. Average per-hour production budgets did fluctuate from year-to-year for such projects; but it was the total number of hours associated with these projects that trended downwards during the nine-year period from 1999-00 to 2007-08. The number of hours of production in the category, 6 to 8 points, dropped from a ten-year high of 486 in 2000-01 to 169 in 2007-08 – a decrease of 65%.

Exhibit 27 Total hours of CPTC-supported production, by Canadian-content points

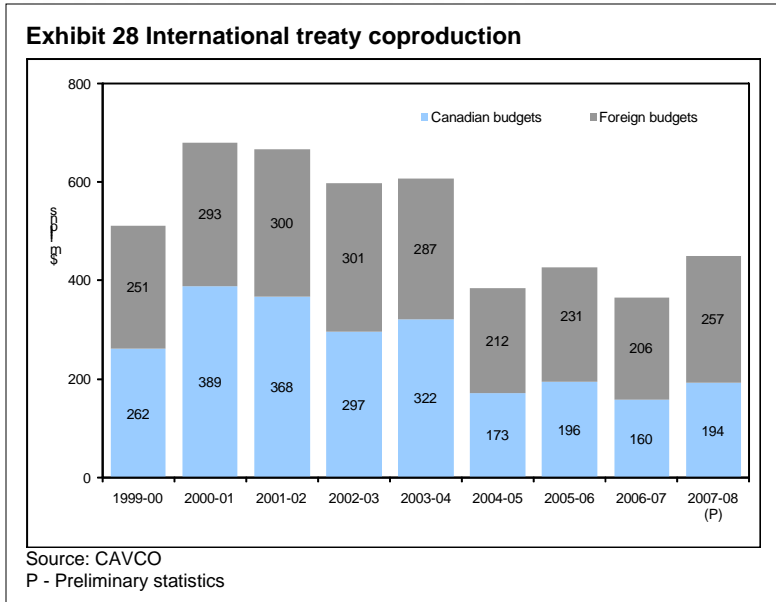
	9 or 10 points	6 to 8 points	Total
1999-00	6,335	345	6,679
2000-01	7,159	486	7,645
2001-02	6,580	356	6,936
2002-03	7,868	230	8,098
2003-04	7,079	223	7,302
2004-05	7,581	256	7,837
2005-06	7,172	219	7,391
2006-07	7,365	233	7,598
2007-08 (P)	5,986	169	6,155

Source: CAVCO
P - Preliminary statistics
Note: Totals differ from totals reported in other exhibits in Section 2.1 due to the exclusion of international treaty co-productions.

2.2.7 International Treaty Coproduction

After dropping sharply in 2004-05, the annual value of Canada’s international treaty coproduction now fluctuates at around \$400 million

International treaty coproduction allows Canadian producers to collaborate with a producer in another country to make a film or television program that will benefit from receiving national status in both countries. In some cases, producers in three or more countries, which have treaties amongst them, will collaborate on a multipartite project. International coproduction permits Canadian producers to incorporate



international creative elements into a production and access international sources of financing. By receiving national status, an international co-production can qualify for public financial support programs and preferential regulatory treatment that are typically only available to indigenous films and television programs. Canada currently has coproduction treaties with 53 countries.

In 2007-08, the total worldwide budgets³¹ of CPTC-supported international coproductions were equal to \$451 million (Exhibit 28 and Exhibit 29). These total worldwide budgets included \$194 million in Canadian budgets and \$257 million in foreign budgets (Exhibit 29).³² After dropping by 14% in 2006-07, worldwide budgets bounced back by 23% in 2007-08. Over the long-term, however, the worldwide budgets – and Canadian budgets – associated with Canada’s international coproduction have been much lower since 2004-05. The worldwide budgets associated with Canadian treaty coproduction peaked at \$682 million in 2000-01. They decreased to \$609 million in 2003-04, and then plunged by 37% to \$386 million in 2004-05. The worldwide budgets associated with Canada’s international coproduction have never recovered to their pre-2004-05 levels.

³¹ “Worldwide budgets” includes the combined Canadian and foreign shares of the total cost of production.

³² “Canadian budgets” refers to the share of the total cost of production, which is under the control of the Canadian co-producer. “Foreign budgets” refers to the share of the total cost of production, which is under the control of foreign co-producers.

The long-term decline in Canada's international treaty coproduction activity was largely due to changes in tax regulations in the United Kingdom (U.K.) and the implementation of audio-visual regulations in the European Union (E.U.). In 2001, the U.K. government made television production ineligible to make use of its sale-and-leaseback tax provisions.³³ In 2004, the U.K. raised the minimum U.K. expenditure requirement, from 20% to 40%, which a feature film required to receive national status.³⁴ The E.U.'s *Television without Frontiers* directive made intra-European coproduction more attractive to European countries than co-production with Canada because the projects qualify as European audio-visual content and national content.

Exhibit 29 International treaty coproduction (number of project and budgets)

	Number of projects	Canadian budgets (\$M)	Foreign budgets (\$M)	Worldwide budget (\$M)
1999-00	68	262	251	513
2000-01	89	389	293	682
2001-02	96	368	300	667
2002-03	99	297	301	597
2003-04	81	322	287	609
2004-05	70	173	212	386
2005-06	63	196	231	427
2006-07	63	160	206	366
2007-08 (P)	60	194	257	451

Source: CAVCO

P - Preliminary statistics

As the worldwide and Canadian budgets associated with international treaty coproduction have fallen, Canada's international treaty coproduction budgets have comprised an ever-decreasing share of CPTC production expenditures. From the ten-year peak in 2000-01, international treaty coproduction as a share of CPTC production expenditures dropped from 23% to a low of 8% in 2006-07, before bouncing back to 11% in 2007-08 (Exhibit 30A). On average, since 2004-05, international treaty coproduction budgets have comprised approximately 10% of total CPTC expenditures.

Canada's share of the worldwide budgets on its treaty coproductions has also decreased in recent years. Between 1999-00 and 2004-05, Canadian budgets comprised more than 50% of worldwide budgets on Canada's international treaty coproduction projects (Exhibit 30B). Since 2004-05, Canadian budgets have comprised no more than 46% on an annual basis.³⁵

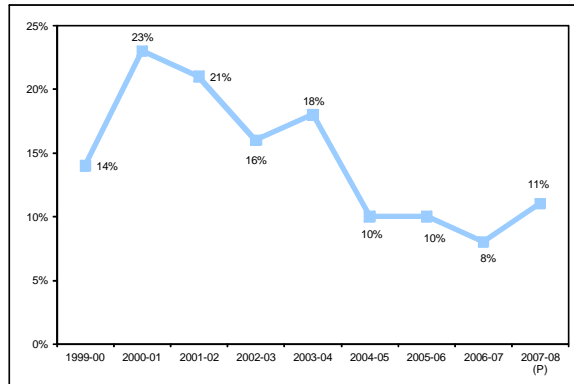
³³ CFTPA, APFTQ and Department of Canadian Heritage 2009, p. 31.

³⁴ CFTPA, APFTQ and Department of Canadian Heritage, 2009, p. 31.

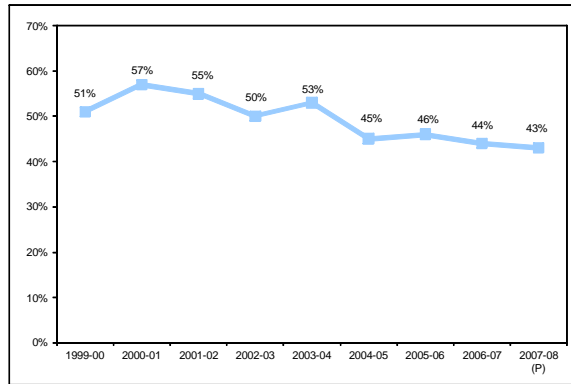
³⁵ The drop in the production expenditures in Canada as a share of worldwide expenditures could be due to increased numbers of multipartite projects that involve three or more treaty countries.

Exhibit 30 International treaty coproduction, Canadian budgets

A Canadian budgets as a share of total CPTC production expenditures



B Canadian budgets as a share of worldwide budgets



Source: CAVCO
P - Preliminary statistics

In 2007-08, international treaty coproduction was comprised of nearly equal amounts of television production and productions for theatrical and other release windows. There were 37 television projects, which accounted for \$93 million in Canadian budgets. There were 23 projects for theatrical and other release markets, which accounted for \$101 million in Canadian budgets. Statistics extending back to 2000-01 show that the drop in Canada’s international treaty coproduction activity since 2000-01 was largely due to lower amounts of television production activity. Canadian budgets for international treaty television productions peaked at \$304 million in 2000-01; by 2007-08, Canadian budgets stood at less than one-third that peak level.

Canadian budgets for theatrical and other release markets tended to fluctuate significantly from year-to-year. The Canadian budgets associated with projects for theatrical and other release markets dropped from \$111 million in 2005-06 to \$35 million in 2006-07, before they recovered to \$101 million in 2007-08.

Exhibit 31 International treaty coproduction, by market (number of projects and Canadian budgets)

	Television		Theatrical and other release windows		Total	
	#	\$M	#	\$M	#	\$M
1999-00	55	216	13	46	68	262
2000-01	74	304	15	85	89	389
2001-02	75	288	21	80	96	368
2002-03	76	182	23	115	99	297
2003-04	55	141	26	180	81	322
2004-05	53	98	17	76	70	173
2005-06	47	84	16	111	63	196
2006-07	49	125	14	35	63	160
2007-08 (P)	37	93	23	101	60	194

Source: CAVCO
P - Preliminary statistics

Most of Canada's international treaty coproduction was originally produced in English. In 2007-08, English-language production accounted for \$168 million of Canadian budgets, or 87% of total Canadian budgets. French-language production accounted for \$15 million of Canadian budgets, or 8%; bilingual production and production in other languages accounted for only \$2 million of Canadian budgets.

Exhibit 32 International treaty coproduction, by language (number of projects and Canadian budgets)

	English		French		Bilingual and other languages		Total	
	#	\$M	#	\$M	#	\$M	#	\$M
1999-00	43	186	18	41	7	35	68	262
2000-01	58	305	30	11	18	74	106	389
2001-02	64	279	31	42	10	47	105	368
2002-03	70	255	29	25	10	17	109	297
2003-04	53	254	27	25	9	42	89	322
2004-05	49	147	20	22	7	5	76	173
2005-06	41	168	20	18	5	10	66	196
2006-07	42	122	21	34	4	4	67	160
2007-08 (P)	45	168	15	24	2	2	62	194

Source: CAVCO
P - Preliminary statistics

2.3 Film or Video Production Services Tax Credit

Making Canada a competitive locale in the global market for film and television production

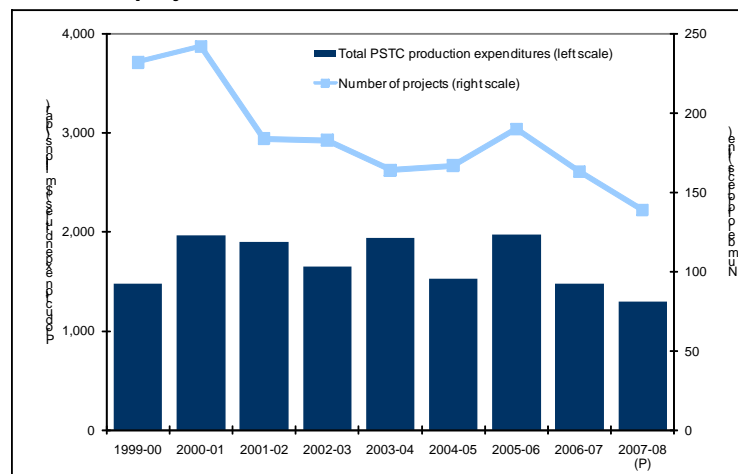
The PSTC, created by the federal government in 1997, is a tax credit program designed to encourage the employment of Canadians by a taxable Canadian or a foreign-owned corporation with a permanent establishment in Canada, the activities of which are primarily film or video production or production services. The PSTC is a tax credit equal to 16% of eligible labour expenditures. This refundable tax credit has no cap on the amount which can be claimed. CAVCO's role under the PSTC program is to determine the eligibility of the production and to issue an "accreditation certificate", or "AC certificate," on behalf of the Minister of Canadian Heritage.

At its introduction in 1997, the PSTC was equal to 11% of salary and wages paid to Canadian residents or taxable Canadian corporations (for amounts paid to employees who are Canadian residents) for services provided to the production

in Canada. Since the announcement of the 2003 Federal Budget, the PSTC has been equal to a rate of 16% with no cap on the amount of labour that can be claimed.

In 2007-08, a total of 139 projects claimed financial support from the federal government under the PSTC (Exhibit 33 and Exhibit 34). These 139 projects generated production expenditures in Canada of just under \$1.30 billion.

Exhibit 33 PSTC production, production expenditures and number of projects



Source: CAVCO
P - Preliminary statistics

Exhibit 34 PSTC production, production expenditures in Canada and worldwide production expenditures

	Number of projects	PSTC production expenditures in Canada (\$M)	Production expenditures outside of Canada (\$M)	Total worldwide production expenditures (\$M)	Production expenditures in Canada as a share of worldwide production expenditures on PSTC projects (%)
1999-00	232	1,473	1,790	3,262	45%
2000-01	242	1,960	2,136	4,096	48%
2001-02	184	1,899	1,549	3,449	55%
2002-03	183	1,647	1,441	3,088	53%
2003-04	164	1,941	1,810	3,751	52%
2004-05	167	1,526	1,751	3,278	47%
2005-06	190	1,975	1,703	3,678	54%
2006-07	163	1,473	1,216	2,689	55%
2007-08 (P)	139	1,295	1,213	2,508	52%

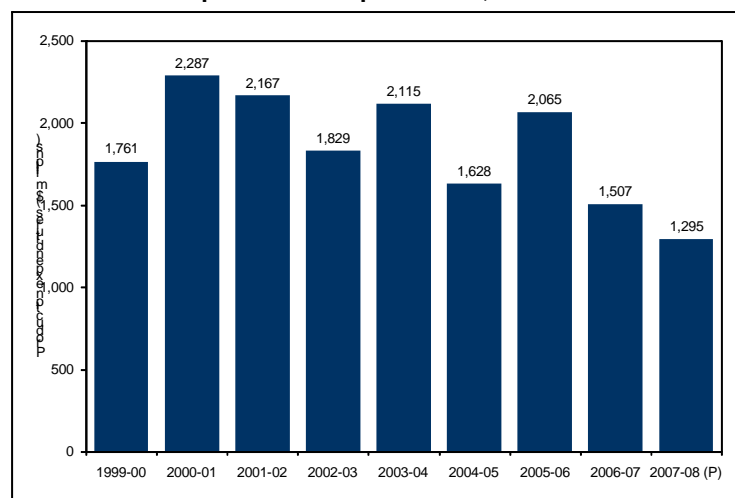
Source: CAVCO
P - Preliminary statistics
Note: Some totals may not add due to rounding.

Since 2005-06, Canada has experienced year-over-year decreases in both the number of PSTC-supported productions and production expenditures.³⁶ The number of projects has dropped from 190 to 139 in 2007-08. Production expenditures dropped by one-third between 2005-06 and 2007-08, from \$1.98 billion to \$1.30 billion.

When adjusted for the effect of consumer price inflation in the Canadian economy, the drop in production expenditures since 2005-06 was even more pronounced: On a real-dollar basis, PSTC-supported production expenditures in Canada fell by 37% between 2005-06 and 2007-08 (Exhibit 35).

On a real-dollar basis, there has also been a notable decrease in production expenditures over the long-term from a ten-year peak in 2000-01. After peaking at \$2.3 billion in 2000-01, production

Exhibit 35 PSTC production expenditures, real 2008 dollars



Source: CAVCO
P - Preliminary statistics

³⁶ In this section, “production expenditures” refers to production expenditures incurred in Canada, unless noted otherwise.

expenditures fell in every year except 2003-04 and 2005-06 (Exhibit 35).

A significant proportion of production expenditures related to PSTC productions are also incurred outside of Canada. In 2007-08, PSTC-supported production was associated with worldwide production expenditures of \$2.51 billion (Exhibit 34). Of this amount, 52% of expenditures occurred in Canada; the remaining 48%, or about \$1.21 billion, occurred outside of Canada.

On average, production expenditures in Canada comprise about one-half of the total worldwide production expenditures for a PSTC-supported project; however, the share is higher for television projects in comparison to theatrical projects. Between 1999-00 and 2007-08, the production expenditures in Canada for PSTC-supported television projects comprised 65% of total worldwide production expenditures (Exhibit 36); for theatrical projects, production expenditures in Canada comprised 42% of worldwide production expenditures over the ten-year period.

Exhibit 36 Production expenditures in Canada and worldwide production expenditures on PSTC projects, by market segment, 1999-00 to 2007-08

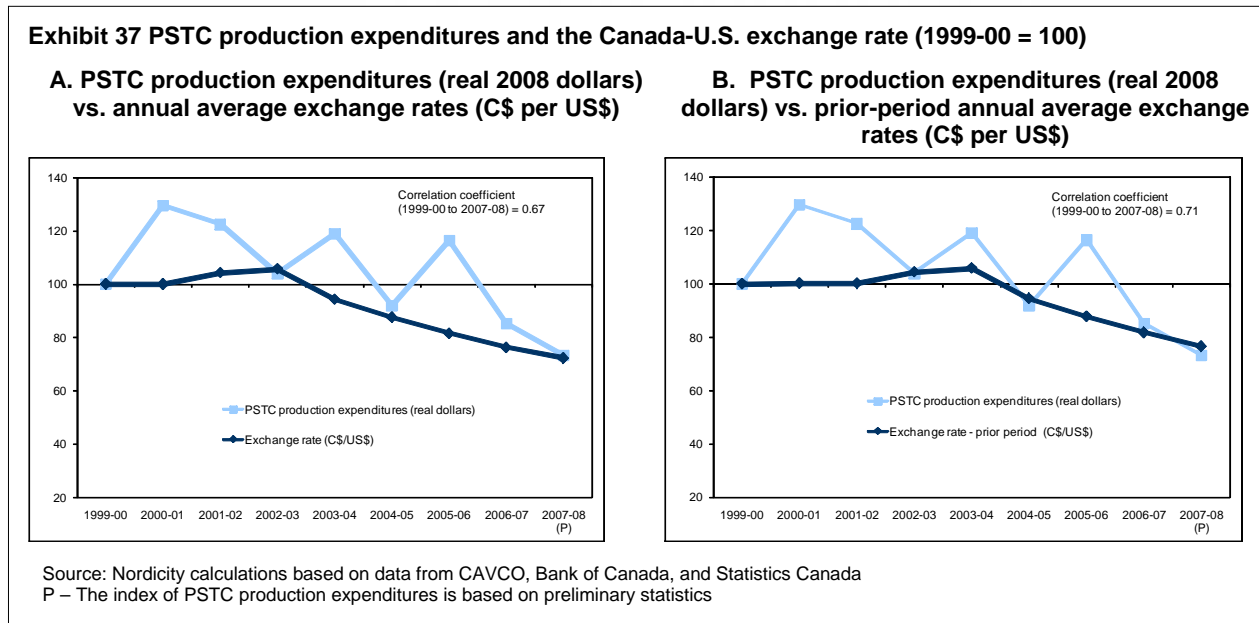
	Number of projects	PSTC production expenditures in Canada (\$M)	Production expenditures outside of Canada on PSTC projects (\$M)	Total worldwide production expenditures (\$M)	Production expenditures in Canada as a share of worldwide production expenditures on PSTC project (%)
Theatrical	523	7,892	10,776	18,667	42%
Television	1,061	6,948	3,732	10,680	65%

Source: CAVCO

The annual level of PSTC-supported production activity can be affected by a number of factors. One important factor is the Canada-U.S. exchange rate. As the Canadian dollar appreciates, the U.S.-dollar cost of producing films and television programs in Canada often increases. A simplified comparison of annual PSTC production expenditures (measured in real dollars) and the annual average exchange rate indicates that there is very little contemporaneous correlation between the year-to-year fluctuations in the Canada-U.S. exchange rate and PSTC production expenditures (Exhibit 37A). However, the longer-term downward trend in the real-dollar value of total annual PSTC production expenditures in Canada has followed the gradual appreciation of the Canadian dollar (depicted in the Exhibit 37A as a depreciation in the U.S. dollar) since 2002-03. Between 2002-03 and 2007-08, the Canadian dollar appreciated by approximately 31%; similarly the real value of PSTC production expenditures dropped



by 30% (Exhibit 37A). The indexed values of these two series depicted in Exhibit 37A displayed a correlation coefficient³⁷ of 0.67, between 1999-00 and 2007-08.



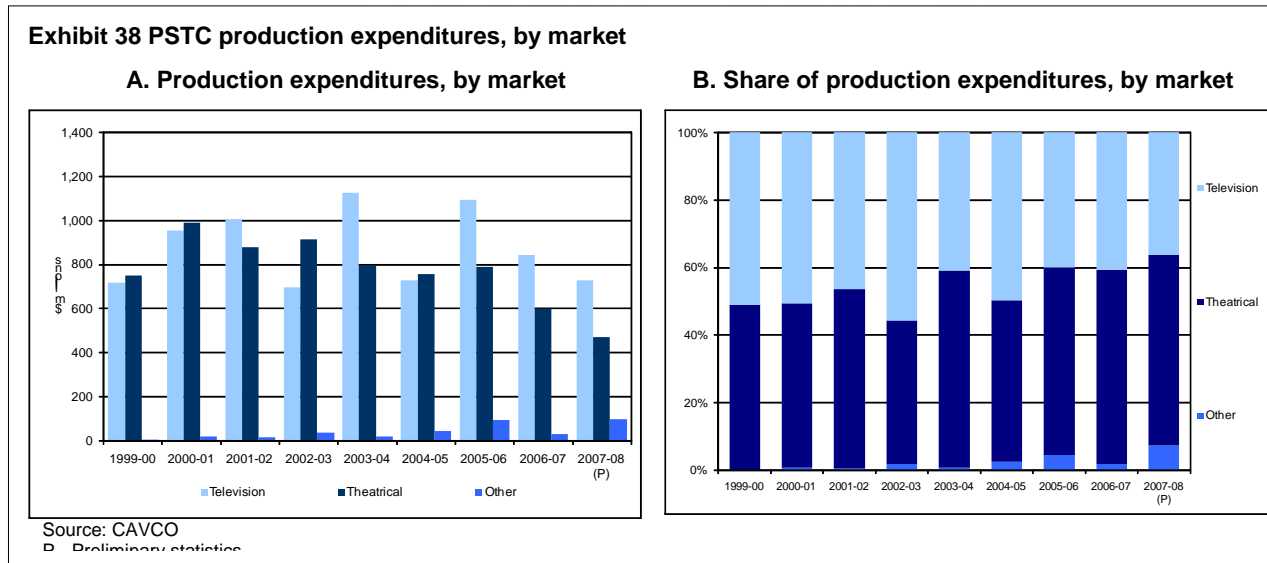
Film or video production decisions often must be made several months in advance of shooting; this would suggest that prior-period exchange rates would have a greater impact on production levels in a given time period. Exhibit 37B depicts the relationship between PSTC production expenditures in a given year and the exchange rate in the prior period. As in Exhibit 37A, there is only a weak relationship between annual levels of PSTC production expenditures and the average annual exchange rate in prior periods: the correlation coefficient was equal to 0.71 for the period, 1999-00 to 2007-08. The long-term trend in correlation between PSTC production expenditures and the exchange is also present.

³⁷ The correlation coefficient provides one measure of the relationship between two data series. A correlation coefficient equal to 1.00 (100%) indicates perfect correlation between two data series. A correlation coefficient closer to zero (0%) indicates very weak or no correlation between two data series.

2.3.1 Market Segments

Theatrical-market production remains the largest segment of PSTC production

In 2007-08, PSTC-supported production for theatrical markets continued to account for just over one-half of overall PSTC production expenditures; while production for television markets and other release markets accounted for the other one-half of production expenditures (Exhibit 38).



In 2007-08, PSTC-supported production for theatrical markets accounted for the largest share of PSTC production activity.

- Production expenditures for theatrical markets totalled \$727 million and accounted for 56% of total PSTC production expenditures (Exhibit 39).
- Production expenditures for television markets totalled \$470 million in 2007-08, accounting for 36% of total PSTC production expenditures.
- Production expenditures for other release markets totalled \$97 million and accounted for 8% of total PSTC production expenditures.

Exhibit 39 PSTC production, by market (number of projects and production expenditures)

	Theatrical		Television		Other release windows		Total	
	#	\$M	#	\$M	#	\$M	#	\$M
1999-00	60	718	169	750	3	4	232	1,473
2000-01	73	953	165	989	4	18	242	1,960
2001-02	61	1,004	117	881	6	15	184	1,899
2002-03	44	696	130	917	9	34	183	1,647
2003-04	53	1,127	104	795	7	19	164	1,941
2004-05	46	728	110	757	11	42	167	1,526
2005-06	70	1,094	106	789	14	92	190	1,975
2006-07	65	845	87	599	11	29	163	1,473
2007-08 (P)	51	727	73	470	15	97	139	1,295

Source: CAVCO

P - Preliminary statistics

Note: Some totals may not add due to rounding.

PSTC production activity for both theatrical and television markets experienced decreases in 2007-08, while production activity for other release markets experienced a sharp jump.

- In 2007-08, the number of theatrical-market projects decreased by 14 to a total of 51; production expenditures decreased by \$118 million, or 14% (Exhibit 39).
- The number of television-market projects decreased by 14 to a total of 73; production expenditures decreased by \$129 million or 21%.
- The number of projects for other release markets increased to a ten-year high of 15 in 2007-08; production expenditures also jumped to a ten-year high of \$97 million.

Lower levels of PSTC production activity have been observed in recent years.

- Between 2000-01 and 2007-08, PSTC production expenditures for television markets dropped by 52%, from a peak of \$989 million to \$470 million.
- Between 2000-01 and 2007-08, production expenditures for theatrical markets dropped by 24%, from \$953 million to \$727 million. Total PSTC theatrical production expenditures in 2007-08 were 35% below their ten-year peak of \$1.13 billion in 2003-04.
- During this period, production expenditures for other release markets (non-theatrical markets) grew substantially and partially offset the drop in production expenditures in the television segment.

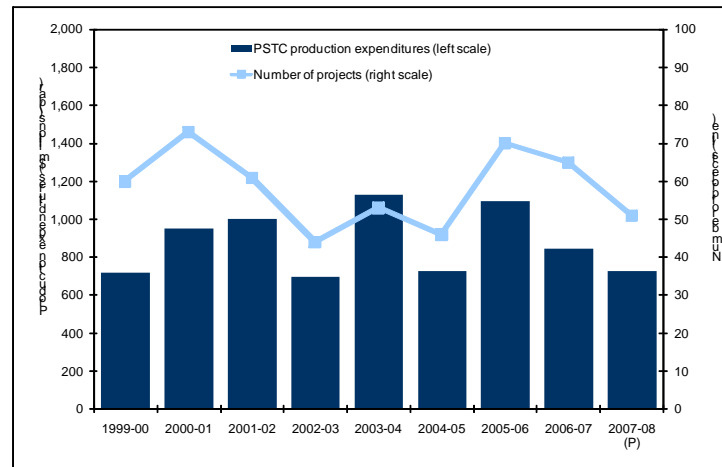
2.3.2 Theatrical Production

Canada's PSTC production is increasingly destined first for theatrical windows around the world

Production for theatrical markets represents the largest single component of PSTC-supported production, although it has experienced lower levels of production activity in recent years.

In 2007-08, production expenditures for PSTC theatrical projects decreased by 14% to total \$727 million (Exhibit 40). The number of projects also decreased from 65 to 51 – a decrease of 22%.

Exhibit 40 PSTC theatrical production (production expenditures and number of projects)



Source: CAVCO
P - Preliminary statistics

Virtually all of the PSTC-supported production for theatrical markets was comprised of feature films. Between 1999-00 and 2007-08, feature-length films for the theatrical market accounted for 520 of the total 523 projects (Exhibit 41); the other three theatrical films were short-length. Canada has been the location for the shooting of numerous Hollywood feature films over the years.

Exhibit 41 PSTC theatrical production, by type of production, 1999-00 to 2007-08 (number of projects and production expenditures)

	Theatrical feature films		Theatrical short films		Total	
	#	\$M	#	\$M	#	\$M
1999-00 to 2007-08	520	7,866	3	26	523	7,892

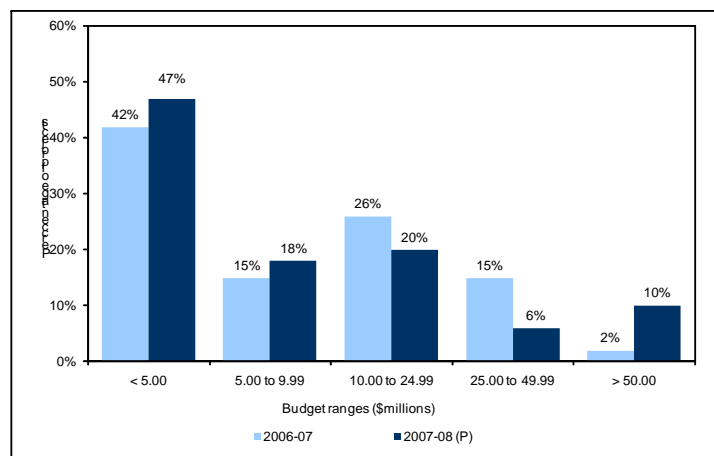
Source: CAVCO
Note: Statistics for 2007-08 are preliminary.

As the annual number of theatrical projects decreased in 2007-08, there was a shift in the composition of both low- and high-budget projects. The share of projects with Canadian budgets³⁸ under \$10 million

³⁸ The "Canadian budget" refers to the share of a PSTC projects' total cost of production that is spent in Canada.

increased, while the share of projects with Canadian budgets between \$10 million and \$25 million decreased (Exhibit 42). In 2006-07, projects with Canadian budgets under \$10 million accounted for 57% of total PSTC projects; projects with Canadian budgets between \$10 million and \$25 million accounted for 26%. In 2007-08, the share of projects with Canadian budgets under \$10 million increased to 65%, while the share of projects in the Canadian budget range of \$10 million to \$25 million decreased to 20%. The share of projects with Canadian budgets of between \$25 million and \$50 million also decreased in 2007-08, dropping to 6% from 15% in 2006-07. The share of projects with Canadian budgets above \$50 million, however, jumped from 2% in 2006-07 to 10% in 2007-08.

Exhibit 42 PSTC theatrical production, by Canadian budget size



Source: CAVCO
 Note: Some totals may not add due to rounding.
 P - Preliminary statistics

The average Canadian budget of PSTC theatrical project was \$14.3 million in 2007-08 (Exhibit 43). This average Canadian budget level was up slightly from \$13.0 million in 2006-07, but below the average Canadian budget range of \$15 million to \$17 million experienced in the early part of the decade. On the basis of the worldwide budget,³⁹ the average size of a PSTC project was \$32.1 million in 2007-08.

Exhibit 43 Average budgets of PSTC theatrical-release projects

	Average per-project Canadian budget (\$M)	Average worldwide budget (\$M)
1999-00	12.0	33.3
2000-01	13.1	33.6
2001-02	16.5	34.9
2002-03	15.8	37.0
2003-04	21.3	48.4
2004-05	15.8	45.9
2005-06	15.6	34.1
2006-07	13.0	27.1
2007-08 (P)	14.3	32.1

Source: CAVCO
 P - Preliminary statistics

³⁹ The "worldwide budget" refers to a PSTC project's total cost of production, including production expenditures spent inside and outside Canada.

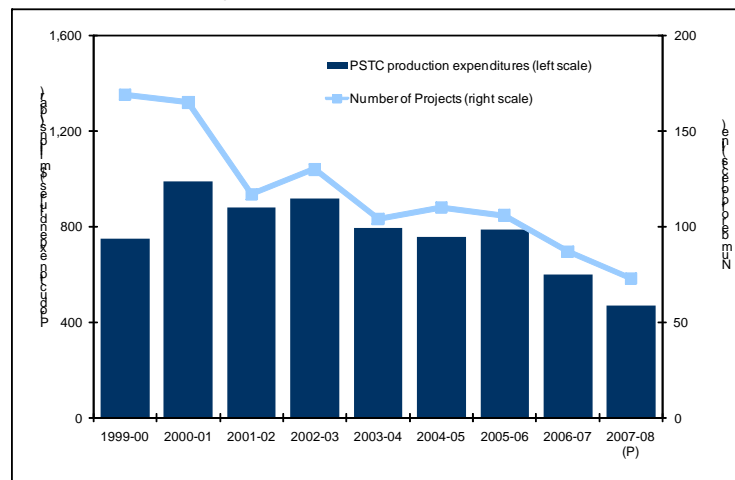
This average worldwide budget was less than one-half of the average negative cost⁴⁰ of feature films shot by members of the Motion Picture Association of America (MPAA) in recent years. In 2007, MPAA-member-produced projects had an average negative cost of \$70.8 million.⁴¹ The significantly lower average among PSTC feature films suggests that most major “big-budget” Hollywood films are not shot in Canada.

2.3.3 Television Production

A steady decline in television series production and a pronounced drop in MOW production have led to lower levels of PSTC-supported television production activity

PSTC-supported production expenditures for television markets dropped 22% to a total \$470 million in 2007-08 (Exhibit 44 and Exhibit 45). The number of projects for television markets fell by 16%, from 87 in 2006-07 to 73 in 2007-08. The reduction in production activity experienced in 2007-08 was the continuation of a trend in falling annual levels of production expenditures and the number of projects, which was present since 2000-01.

Exhibit 44 PSTC television production (production expenditures and number of projects)



Source: CAVCO
P - Preliminary statistics

PSTC-supported production for the television market reached a peak in 2000-01, with 165 projects generating \$989 million in production expenditures in Canada. Since 2000-01, the industry has seen PSTC-supported television production fall by 52% in terms of production expenditures and by 56% in terms of the number of projects (Exhibit 45).

Most of the reduction in PSTC television production activity between 2000-01 and 2007-08 can be

⁴⁰ Negative cost refers to the total production cost, not including post-production costs such as the preparation of prints, advertising or distribution.

⁴¹ Motion Picture Association of America, *Theatrical Market Statistics*, p. 6.

traced back to steady year-over-year declines in the production of MOWs. The MOW category accounted for 76 projects from the 92-project decrease experienced within PSTC television production between 2000-01 and 2007-08 (Exhibit 45). By the same token, the MOW category accounted for \$320 million in production expenditures, or 61%, of the decrease in production expenditures experienced during this eight-year period.

There was also a sharp drop in television series production between 2005-06 and 2007-08, which contributed to the overall drop in television production in recent years. Between 2005-06 and 2007-08, the annual number of television series dropped from 41 to 29, and the total amount of television series production expenditures dropped by 37%, from \$473 million to \$296 million (Exhibit 45).

Exhibit 45 PSTC television production, by category (number of projects and production expenditures)

	Series		MOWs		Mini-series	
	#	\$M	#	\$M	#	\$M
1999-00	36	325	105	364	2	10
2000-01	31	382	108	450	11	106
2001-02	31	494	64	291	3	50
2002-03	25	430	67	307	6	80
2003-04	31	481	53	226	4	40
2004-05	37	470	44	198	9	42
2005-06	41	473	40	151	9	108
2006-07	39	384	32	101	5	37
2007-08 (P)	29	296	32	130	2	16
	Television pilots		Short film		Total	
	#	\$M	#	\$M	#	\$M
1999-00	21	46	5	6	169	750
2000-01	13	48	2	3	165	989
2001-02	12	32	7	14	117	881
2002-03	21	64	11	36	130	917
2003-04	12	38	4	10	104	795
2004-05	14	29	6	17	110	757
2005-06	14	49	2	8	106	789
2006-07	8	32	3	44	87	599
2007-08 (P)	10	28	0	0	73	470

Source: CAVCO

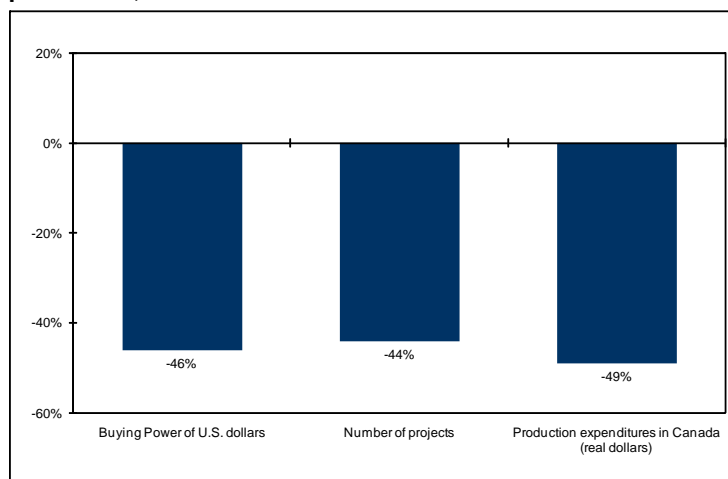
Note: Some totals may not add due to rounding.

P - Preliminary statistics

PSTC television production has, in recent years, followed the depreciation of the U.S. dollar. Between 2002-03 and 2007-08, the U.S. dollar depreciated by 46% against the Canadian dollar, while the number of television projects decreased by 44%, and real-dollar production expenditures decreased by 49% (Exhibit 46). It would appear that PSTC-supported television production is sensitive to a significant depreciation in the U.S. currency's purchasing power in Canada – even with federal and provincial initiatives in place to partly mitigate the impact of this currency movement.

The average hourly Canadian budget for PSTC-supported television series was \$1.1 million in 2007-08 (Exhibit 48). This was higher than the rate for television series made in 2006-07, and also well below rates experienced in the early years of this decade. For MOWs, the average hourly Canadian budget was \$2.2 million in 2007-08. This was up from \$1.7 million in 2006-07, but below levels seen in experience between 2000-01 and 2002-03. The average hourly Canadian budget for a mini-series was \$2.7 million in 2007-08; for a television pilot it was \$5.4 million.

Exhibit 46 Change in U.S. dollar and PSTC television production, 2002-03 to 2007-08



Source: CAVCO, Bank of Canada and Statistics Canada

Exhibit 47 Total hours of PSTC television production, by category

	Television series	MOWs	Mini-series	Pilots	Short films	Total
1999-00	296	164	6	16	4	485
2000-01	312	181	40	17	2	552
2001-02	264	108	25	9	6	412
2002-03	264	109	20	21	9	424
2003-04	358	105	13	10	2	489
2004-05	360	78	30	11	5	483
2005-06	361	61	68	15	6	511
2006-07	325	61	31	8	25	450
2007-08 (P)	264	60	6	5	0	335

Source: CAVCO

P - Preliminary statistics

Note: Some totals may not add due to rounding.

Exhibit 48 Average hourly Canadian budgets of PSTC television production, by category (\$M per hour)

	Television series	MOWs	Mini-series	Pilots	Short films
1999-00	1.1	2.2	1.7	2.9	1.5
2000-01	1.2	2.5	2.6	2.9	1.7
2001-02	1.9	2.7	2.0	3.4	2.5
2002-03	1.6	2.8	3.9	3.1	3.9
2003-04	1.3	2.1	3.0	3.7	4.7
2004-05	1.3	2.5	1.4	2.7	3.6
2005-06	1.3	2.5	1.6	3.3	1.4
2006-07	1.2	1.7	1.2	4.0	1.8
2007-08 (P)	1.1	2.2	2.7	5.4	--

Source: CAVCO

P - Preliminary statistics

2.3.4 Genre of Production

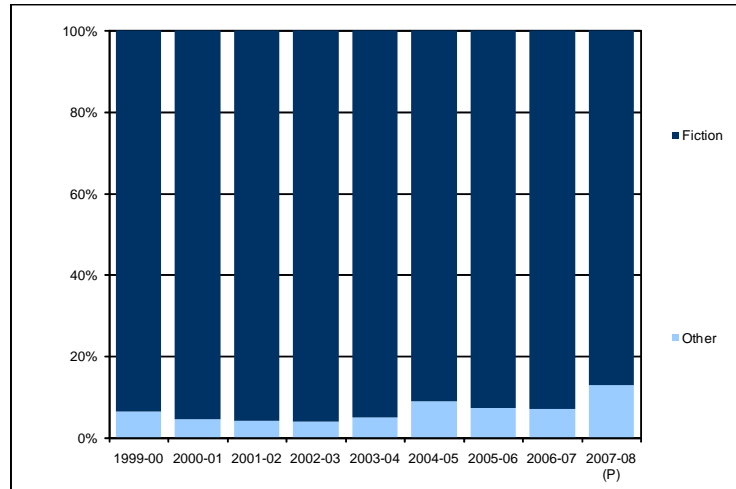
PSTC-supported production continues to largely be in the fiction genre, including drama films and television programs

The fiction genre encompasses a broad range of feature films in sub-genres such as romantic comedy, science fiction, and horror; it also includes television drama and comedy programming. PSTC production in 2007-08 remained

concentrated in the fiction genre, which includes theatrical feature films and television dramas. In 2007-08, the fiction genre accounted for 77% of the total number of PSTC projects (Exhibit 49) and 87% of the production expenditures associated with these projects. The 2007-08 shares remained consistent with the annual shares observed over the last nine years.

In 2007-08, Canada was host to 107 PSTC projects in the fiction genre; these projects accounted for over \$1.12 billion in production expenditures (Exhibit 50). There were 32 projects in other genres such as children's and youth programming, documentary, and variety and performing arts, which accounted for a combined \$170 million in production expenditures.

Exhibit 49 Share of PSTC projects, by genre (based on number of projects)



Source: CAVCO
P - Preliminary statistics

Exhibit 50 PSTC production, by genre (number of projects and production expenditures)

	Fiction		Other genres		Total	
	#	\$M	#	\$M	#	\$M
1999-00	204	1,374	28	99	232	1,473
2000-01	222	1,867	20	93	242	1,960
2001-02	152	1,815	32	84	184	1,899
2002-03	164	1,578	19	70	183	1,647
2003-04	142	1,839	22	102	164	1,941
2004-05	132	1,386	35	140	167	1,526
2005-06	158	1,828	32	147	190	1,975
2006-07	138	1,365	25	108	163	1,473
2007-08 (P)	107	1,124	32	170	139	1,295

Source: CAVCO P - Preliminary statistics Note: Some totals may not add due to rounding.

2.3.5 Origin of Copyright Holders

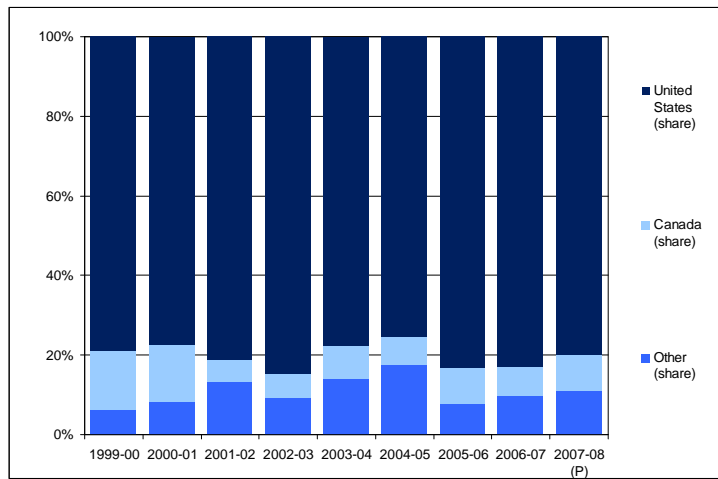
The share of PSTC projects with a foreign copyright holder has dropped sharply in recent years, as Canadian copyright holders comprise a larger and larger share

The copyright for PSTC-supported film and video projects has traditionally been held by entities located outside of Canada. Historically, producers located in the United States have held the copyright in approximately 80% of Canada's PSTC projects (Exhibit 51).

In 2007-08, American companies held the copyright to 80% of projects and accounted for 89% of production expenditures.

- Canadian companies held copyright in 15 PSTC projects shot in 2007-08 (Exhibit 52), accounting for \$71 million in production expenditures.
- U.S. companies held the copyright in 128 PSTC projects, accounting for \$1.258 billion in production expenditures.
- Production companies from other countries held the copyright in 18 projects.

Exhibit 51 Share of PSTC projects, by origin of copyright holder (based on number of projects)



Source: CAVCO
P - Preliminary statistics, Updated Feb. 1, 2010

Exhibit 52 PSTC production, by origin of copyright holder (number of projects and production expenditures)

	United States		Canada		Other		Total	
	#	\$M	#	\$M	#	\$M	#	\$M
1999-00	185	1,162	35	218	12	93	232	1,473
2000-01	194	1,514	36	283	12	162	242	1,960
2001-02	145	1,542	23	103	16	255	184	1,899
2002-03	155	1,394	15	99	13	154	183	1,647
2003-04	131	1,508	20	163	13	270	164	1,941
2004-05	117	1,150	27	106	23	270	167	1,526
2005-06	138	1,642	37	180	15	153	190	1,975
2006-07	139	1,305	12	76	17	150	168	1,530
2007-08 (P)	128	1,258	15	71	18	77	161	1,407

Source: CAVCO
P - Preliminary statistics Note: Some totals may not add due to rounding. Updated Feb. 1, 2010

3 Administration

This section describes the administration process at CAVCO, and presents workload statistics related to CAVCO's processing of applications for the CPTC and PSTC.

3.1 Administrative Process

When an application is received at CAVCO, a file is created with all the information the producer submitted, and date stamped on the day of arrival. A certification clerk then enters all relevant information into the computer database, and a receipt for the payment of the application fee is sent to the production company. The file is then placed in CAVCO's Bank where it awaits a review by a tax credit officer.

On a first-come, first-served basis, a tax credit officer will retrieve a file from the Bank and conduct a full analysis. If there are issues to be resolved or missing information, the officer will ask the producer for the appropriate documents. The time that the file remains with the officer normally depends on how quickly the producer responds to the document request. In accordance with its Client Service Charter, CAVCO aims, under normal circumstances, to finish its review of an application and issue a certificate within eight to ten weeks, where the application is complete.

Once the officer determines the file is ready for approval, he or she will print the recommendation and certificate and send it to the Director for approval. The official certificate is routed to the Director General, Cultural Industries, for signature. Once signed, the certificate is returned to the certification clerk who forwards it to the production company.

3.2 Workload

Workload is represented by the total number of applications received and the total number of applications granted at CAVCO in any given year. The majority of the workload is made up of analyzing and processing CPTC applications.

3.2.1 Applications Received by CAVCO

Increases in the number of applications for Canadian-content productions drove the annual number of applications received by CAVCO to above 2,400 for the first time, in 2007-08

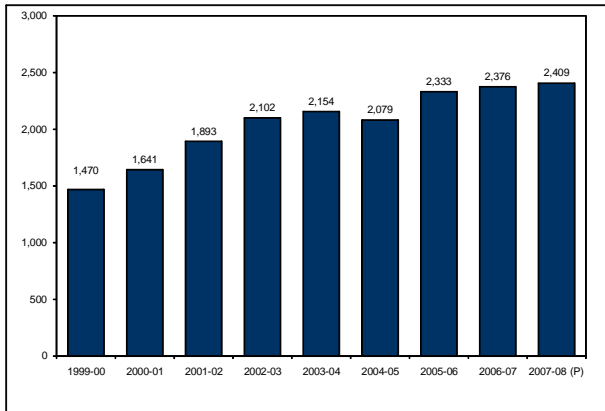
Total applications received by CAVCO reached a ten-year high of 2,409 in 2007-08 – an increase of 1% from 2006-07 (Exhibit 53). The increase in applications received by CAVCO during the last five years can be traced back to significant increases in applications for Part A and Part B certificates for CPTC projects.

- The annual number of applications for Part A certificates increased by 15%, from 871 in 2004-05 to 1,000 in 2007-08.
- The annual number of applications for Part B certificates also increased by 26%, from 802 in 2004-05 to 1,012 in 2007-08.
- The annual number of Part A/B certificates decreased from 248 in 2004-05 to 216 in 2007-08.
- The annual number of Part AC certificates for PSTC projects increased from 158 in 2004-05 to 181 in 2007-08.

CAVCO experienced year-over-year increases in the annual number of applications it received in all but one year during the nine-year period, 1999-00 to 2007-08. The growth in the number of applications received by CAVCO was due to a growth in both Part A and Part B applications. Between 1999-00 and 2007-08, the annual number of Part B applications more than doubled from 438 to 1,012. During the same period, the annual number of Part A applications increased 60%, from 625 to 1,000. (Exhibit 54) The trend in increasing numbers of Part A and Part B applications mirrored the growth in the annual number of CPTC projects. The annual number of AC certificate applications mirrored the trends in the annual number of PSTC projects.

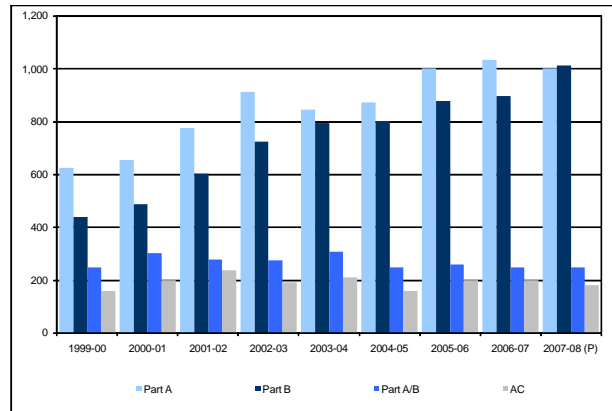
Exhibit 53 Applications received by CAVCO

A. Total number of applications received by CAVCO



Source: CAVCO
P - Preliminary statistics

B. Number of applications received by CAVCO, by certificate type



Source: CAVCO
P - Preliminary statistics

Exhibit 54 Number of applications received by CAVCO, by certificate type

	Part A certificate	Part B certificate	Part A/B certificate	AC certificate	Total
1999-00	625	438	247	160	1,470
2000-01	655	487	301	198	1,641
2001-02	774	604	277	238	1,893
2002-03	912	725	275	190	2,102
2003-04	844	794	306	210	2,154
2004-05	871	802	248	158	2,079
2005-06	1,002	876	258	197	2,333
2006-07	1,033	896	248	199	2,376
2007-08 (P)	1,000	1,012	216	181	2,409

Source: CAVCO
P - Preliminary statistics

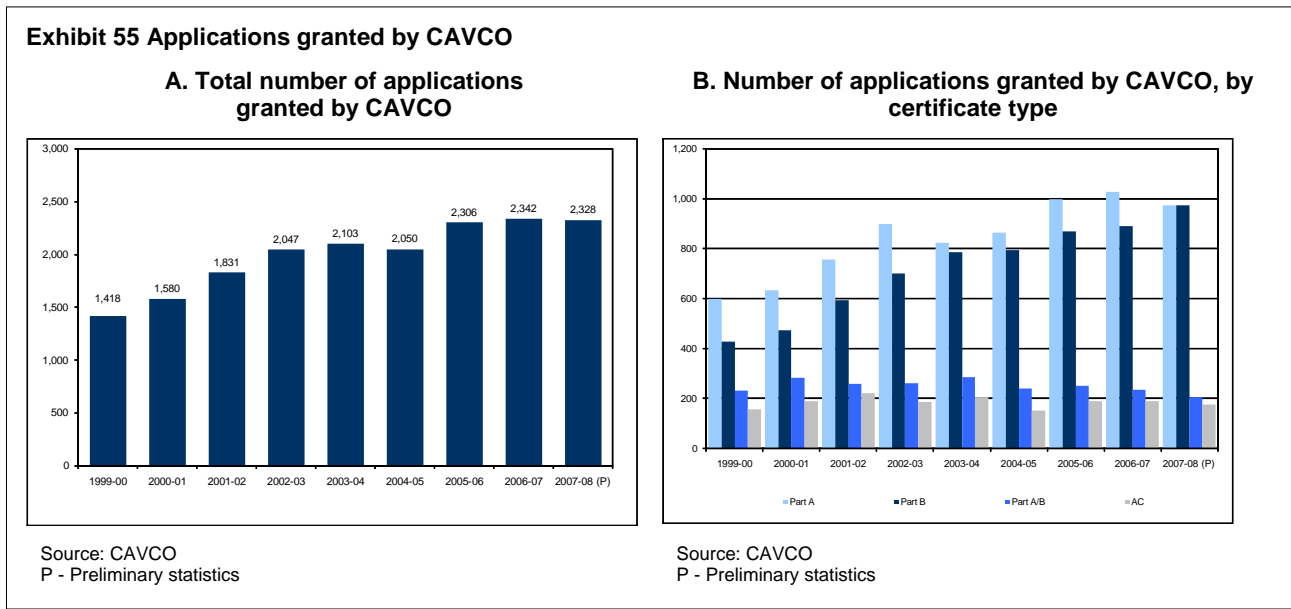
3.2.2 Applications Granted by CAVCO

The number of applications granted by CAVCO peaked at 2,342 in 2006-07.

CAVCO granted a total of 2,328 applications in 2007-08, just below the ten-year high of 2,342 in 2006-07. The bulk of the overall increase in applications granted by CAVCO during the five years leading up to 2007-08 was due to significant increases in the annual number of Part A and Part B certificate applications granted by CAVCO.

- Between 2003-04 and 2007-08, the annual number of applications granted by CAVCO for Part A certificates increased from 824 to 972, or 18% (Exhibit 56).

- The number of applications granted by CAVCO for Part B certificates increased from 787 to 974, or 24%.
- The annual number of Part A/B certificates granted by CAVCO decreased by 29% between 2003-04 and 2007-08, from 287 to 205.
- Applications granted by CAVCO for AC certificates under the PSTC program decreased by 15% between 2003-04 and 2007-08, from 205 to 177.



Leading up to 2006-07, CAVCO experienced year-over-year increases in the annual number of applications granted by it in each year except 2004-05. Most of this growth was due to increases in the annual number of Part B and Part A applications. Between 1999-00 and 2007-08, the annual number of Part B applications granted by CAVCO increased by 546, or 128%, while the number of Part A applications granted by CAVCO increased by 374, or 63%.

Exhibit 56 Number of applications granted by CAVCO, by certificate type

	Part A certificate	Part B certificate	Part A/B certificate	AC certificate	Total
1999-00	598	428	233	159	1,418
2000-01	634	473	282	191	1,580
2001-02	756	592	260	223	1,831
2002-03	897	701	261	188	2,047
2003-04	824	787	287	205	2,103
2004-05	863	794	240	153	2,050
2005-06	997	869	251	189	2,306
2006-07	1,025	891	235	191	2,342
2007-08 (P)	972	974	205	177	2,328

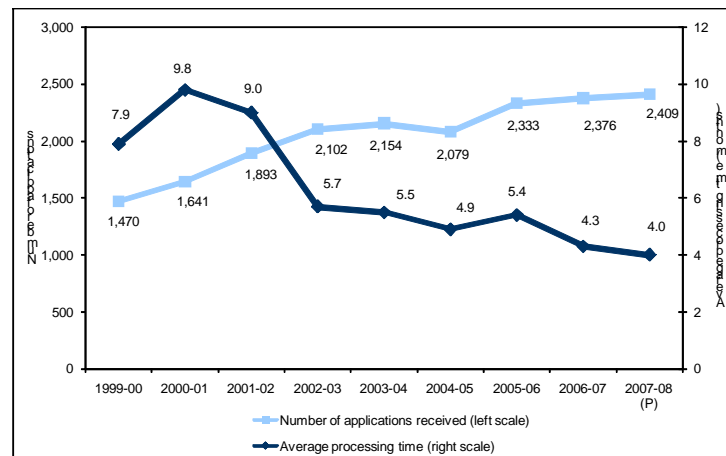
Source: CAVCO P - Preliminary statistics

3.2.3 Application Processing Times

CAVCO's application processing times improved to an all-time low of four months, even as the number of applications rose

CAVCO is committed to providing applicants to the CPTC and PSTC with the highest possible standard of service delivery. In 2007-08, CAVCO required, on average, four months to process an application (Exhibit 57). CAVCO's average application processing time in 2007-08 was 7% lower than the average processing time in 2006-07, and well below the average processing times prior to 2006-07.

Exhibit 57 Application processing time vs. number of received CPTC and PSTC applications



Source: CAVCO
P - Preliminary statistics

In 2000-01, CAVCO implemented numerous measures to streamline its application-processing system. These measures included: hiring more staff; retaining experienced staff through organizational restructuring; automating the certificate-generation process; reducing the amount of required documentation from producers; and creating a triage system under which applications are assessed and organized by language and difficulty.

The results of CAVCO's process reengineering initiative are evident in the statistics for average application processing times. Beginning in 2002-03, CAVCO's average processing application time improved in each fiscal year except 2005-06, when it rose temporarily by 10% to 5.4 months. CAVCO's average processing time for applications improved 59%, dropping from a high of 9.8 months in 2000-01 to 4.0 months in 2007-08. The steady and significant improvement in application processing time occurred even as the annual number of applications received by CAVCO grew by 47%.

Annex: Additional notes about the statistics

1. Notes on terms used

All productions and certified productions

The data in this report are based on *all productions* rather than *certified productions* from CAVCO's database. All productions are those which have applied to CAVCO for a Part A, Part B or Part A/B certificate. The use of data for all productions provides a more accurate reflection of the production activity in a particular fiscal year and results in less fluctuation from year to year.

Markets and Categories

CAVCO's data can be broken down into three major markets. **Television** includes the categories of series, MOWs, feature films destined for television, mini-series and pilots. **Theatrical** includes the categories of feature films and short films identified as destined for cinemas as the first release market. In general, feature films are 75 minutes or more in length and short films are 74 minutes in length or shorter. **Other release windows** include non-theatrical, home video, educational programming and direct-to-video productions.

Genre

The CPTC and PSTC support production in six major audio-visual genres: fiction (drama and comedy), documentary, children's and youth programming, magazine programming, variety and performing arts and education/instructional

Language

Language is the primary language of a production: English, French, bilingual (English and French) or other languages.

Province/Territory

Province refers to the province of residence of the production company. In the case of a domestic coproduction, which generally involves two or more producers from different provinces working together on one project, the principal residence of the applicant producer is used to categorize the province or territory for the project (as one producer files with CAVCO on behalf of all co-producers). This applicant producer is usually the majority producer in the project. In other words she or he holds the largest single ownership interest in the copyright of the film or television program.

Canadian Cost

Unless otherwise indicated, the financial data used for this report is the Canadian cost of production or the total cost of production. In comparison, Canadian financing is the amount of financing that producers have obtained for their productions. Canadian cost is a better indicator of the production budget of a production. The Canadian financing that a producer obtains for a production may be higher than the cost of the production.

2. Comparability to other Publications

This report contains statistics for annual levels of film and video production that is certified as Canadian content and statistics for foreign location and service production in Canada. The Canadian Film and Television Production Association (CFTPA), *Association des producteurs de films et de télévision du Québec* (APFTQ), and the Department of Canadian Heritage jointly publish an annual report that contains statistics for the annual levels of production in the Canadian film and television production industry; the most recent edition of this report is *Profile 2009: An Economic Report on the Canadian Film and Television Production Industry* (referred to herein as “*Profile 2009*”).

While the statistics contained in *Profile 2009* are also based on data from CAVCO, they may differ from those in *2007-08 CAVCO Activity Report*. The differences in the two publications’ statistics are due to the following reasons:

- The statistics for independently produced Canadian film and television production found in *Profile 2009* include an estimate for television programs that receive Canadian-content certification from the CRTC, rather than from CAVCO. The *2007-08 CAVCO Activity Report* contains no such

estimate. It only contains statistics for television programs that receive Canadian-content certification from CAVCO through the CPTC program.

- The statistics found in *Profile 2009* for independently produced Canadian film and television production for 2007-08 include an estimate for production activity that has not yet applied to CAVCO for certification (the “incomplete year” discussed in Section 2.1.1). The *2007-08 CAVCO Activity Report* contains no such estimate.
- In *Profile 2009*, the CFTPA/APFTQ make certain adjustments to historical data, to account for differences in genre coding of television programs between CAVCO and the CTF.
- The statistics for foreign location and service production in *Profile 2009* are not sourced from CAVCO. Instead, the CFTPA obtains these data from the Association of Provincial Funding Agencies, which conducts an annual survey of its members. The *2007-08 CAVCO Activity Report* contains data for foreign location and service production that was drawn from PSTC certification files. The national totals from these two data sources may differ, since the PSTC operates on a government fiscal-year basis, while some provincial funding agencies operate on a calendar-year basis.

This report also contains statistics for annual levels of international treaty coproduction as recognized by Telefilm Canada. Telefilm Canada also publishes statistics for annual levels of international treaty co-production. The statistics reported in the *2007-08 CAVCO Activity Report* may differ from those reported by Telefilm Canada. The statistics reported in the *2007-08 CAVCO Activity Report* are presented on a fiscal-year basis; Telefilm Canada publishes coproduction statistics on a calendar-year basis.

Each year, the Department of Finance publishes a report entitled, *Tax Expenditures and Evaluations*. Within this report, the Department of Finance provides total financial estimates for CPTC and PSTC tax credits for past years as well as financial projections for upcoming years. These financial data are available by calendar year. For each production, CAVCO estimates the qualified labour expenditure and the estimated tax credit. These data are available by fiscal year. CAVCO’s estimated tax credits are not comparable to the Department of Finance’s financial estimates or projections of the tax credits for the CPTC and PSTC.

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