Atlantic Film/Video Industry Task Force Report

Volume I

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Government of Canada
Department of Communications

Gouvernement du Canada
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CONTENTS

	Page
VOLUME I	
RESUME (FRENCH)	(i)
SUMMARY (ENGLISH)	1
INTRODUCTION	5
A. PAY TV AND THE PRODUCTION INDUSTRY	6
DISTRIBUTION	
B. JURISDICTION	8
C. STRUCTURE	9
THE PROVINCIAL CROWN CORPORATIONS	
NETWORK	
PROGRAMMING	11
EXHIBITION	12
PROFITS	13
D. MODEL	14
REVENUE	
PROGRAMMING SCHEDULE	
CANADIAN CONTENT	
CONCLUSIONS AND CRITERIA	
FRENCH SERVICES	
INCENTIVES	

TABLE OF CONTENTS (Cont'd)

Page

VOLUME I (Cont'd)

E. ELEMENTS OF THE INDUSTRY 20
- BROADCASTERS
- CABLE OPERATORS
- PROVINCIAL GOVERNMENTS
- NATIONAL FILM BOARD
- CANADIAN FILM DEVELOPMENT CORPORATION
- CANADA COUNCIL
- PERFORMING ARTS

ACKNOWLEDGEMENTS 30

APPENDICES
1. TERMS OF REFERENCE
2. OBJECTIVES AND GUIDELINES
3. CRTC - RECOMMENDATIONS
4. SUMMARY OF PROJECTED COSTS
5. DISTRIBUTION OF PAY-TV FUNDS
6. EXPENDITURES AS % OF REVENUE
7. ACADIAN SECTION
8. TRUCK COSTS
9. FINANCIAL
10. DEPARTMENTS OF EDUCATION
11. FILM CO-OPERATIVES
12. BUDGETS

VOLUME 2

INVENTORY

RÉSUMÉ

GROUPE D'ÉTUDE

Mis en place en février 1980 par l'honorable David MacDonald, alors secrétaire d'État et ministre des Communications.

MANDAT

Identifier de nouveaux marchés et recommander les orientations et les structures permettant de favoriser une expansion de l'industrie canadienne de la production dans la région de l'Atlantique.

Une évaluation réaliste des possibilités de Radio-Canada et des télédiffuseurs privés, y compris des débouchés que représentent le secteur de la publicité, les ministères provinciaux de l'Éducation, les circuits de distribution autres que les cinémas, les longs métrages et autres réalisations, a conduit à la conclusion qu'aucun de ces secteurs n'offrait le marché voulu pour une expansion de l'industrie canadienne de la production. Seule reste la télévision à péage.

TÉLÉVISION À PÉAGE

Les discussions qui ont porté sur la télévision ont abouti au consensus suivant : le soutien d'une production canadienne indépendante ne peut venir que de la télévision à péage.

Quelle que soit la structure envisagée pour la télévision à péage, elle reposera sur trois éléments fondamentaux :

Producteurs

Distributeurs ou acheteurs d'émissions

Diffuseurs

DISTRIBUTION

C'est la fonction clé. Trois possibilités :

Propriété privée
mixte
publique

PROPRIÉTÉ PRIVÉE

Il sera difficile de s'assurer que l'essentiel des recettes va à la production indépendante si la distribution est laissée à l'entreprise privée.

Les distributeurs auraient tout naturellement tendance à créer leurs propres sociétés de production et à s'alimenter auprès d'elles. Cela se traduirait dans les faits par un contrôle de la production et de la distribution qui équivaudrait au monopole que les télédiffuseurs traditionnels exercent en ces domaines.

Quels que soient les immenses mérites de Radio-Canada et de la télédiffusion privée, il est évident que leur politique de production interne et d'intégration verticale se sont développées aux dépens de la production indépendante.

Il y a toutes les raisons de penser que la télédistribution suivrait la même voie si elle devenait le principal distributeur de la télévision à péage.

PROPRIÉTÉ MIXTE

La co-propriété publique et privée semble la pire des solutions.

Un consortium mixte aboutirait à la multiplication des conflits d'intérêts, qui verrait des éléments de l'industrie agir d'un côté comme producteurs, de l'autre comme distributeurs, voire même comme diffuseurs.

Un consortium mixte peut constituer à court terme un compromis, mais il laisse de côté la question fondamentale : comment favoriser la production indépendante ?

PROPRIÉTÉ PUBLIQUE

L'appartenance de la distribution au secteur public facilite l'élimination des conflits d'intérêts. C'est elle qui offre le plus ouvert à un producteur indépendant. Une société de la Couronne permettrait d'éviter la bureaucratisation et de favoriser la rentabilité.

COMPÉTENCE

La compétence sur les télécommunications reste assez mal définie et sujette à controverse. L'examen attentif de la législation actuelle et des positions prises lors des débats constitutionnels récents permet cependant d'en arriver à un certain nombre de conclusions.

Les provinces semblent avoir le droit d'exploiter des systèmes de télévision à péage sur leur territoire à condition de ne pas recourir à la diffusion hertzienne.

Le gouvernement fédéral semble disposé à céder aux provinces certains pouvoirs en matière d'attribution de licence, à condition que nul ne lui conteste l'autorité sur la diffusion hertzienne et le contrôle général du contenu canadien.

Des sociétés de la Couronne provinciales pourraient jouer le rôle de distributeurs de la télévision à péage. Organisées en un réseau national d'achat des émissions qui assurerait aussi la diffusion en hyperfréquences et par satellite d'un signal national, elles dépendraient de l'autorité du fédéral, donc du CRTC, pour ce qui est de la réglementation en matière de contenu et de " syphonage ". Les positions constitutionnelles des deux paliers de gouvernement seraient ainsi respectées.

MODÈLE

Le modèle correspondant à une telle structure, et proposé par le groupe d'étude, montre que même avec un faible taux de pénétration 49 % des recettes brutes iraient directement à la production canadienne. Le contenu canadien global serait de 57,5 %. Pendant les heures de pointe, de 18 h à minuit, ce contenu pourrait atteindre 75 %.

Également, ce modèle permet aux programmations provinciales de mieux prendre en compte les goûts régionaux et d'assurer le développement d'ensemble de l'industrie de la production, à condition que des accords sur le partage des coûts, intégrés au système, en constituent l'élément de péréquation.

Le modèle indique comment les revenus de la télévision à péage peuvent être utilisés pour soutenir les institutions culturelles canadiennes et les arts du spectacle.

La structure favorise les aspirations profondes de tous. Elle permet aux télédiffuseurs de produire, aux télédistributeurs d'acheminer, aux producteurs indépendants de produire et de rivaliser, aux arts du spectacle de s'épanouir et d'avoir des débouchés, aux provinces de programmer et de participer, à Ottawa de réglementer.

SUMMARY

The Task Force was commissioned in February 1980 by The Honourable David MacDonald, then Secretary of State and Minister of Communications.

TERMS OF REFERENCE

In broad terms the Task Force was asked to identify new markets and recommend policies and structures for an expanded production industry in Atlantic Canada.

A realistic appraisal of CBC and private broadcasters, including commercials, provincial departments of education, non-theatrical markets, feature and non-feature films led to the conclusion that none could provide the market for an expanded industry. This left pay television.

PAY TELEVISION

The consensus coming from the debate on Pay TV is that it should be used to support Independent Canadian production.

There are three basic elements in any proposed structure for Pay TV:

- Producers
- Distributors or program buyers
- Exhibitors

DISTRIBUTION

The key function is distribution. Here there are three options:

- Private
- Mixed
- Public ownership

PRIVATE

If distribution is left to private enterprise it will be difficult to ensure that the bulk of the revenue flows to the independent production industry.

There would be a natural tendency for private distributors to set up and buy from their own production companies. In effect, this would create the same monopoly over production and distribution which conventional broadcasters now enjoy.

Whatever the considerable merits of the CBC and private broadcasters it is clear that their policies of in-house production and vertical integration have been at the expense of the independent production industry.

There is no reason to believe that the same policies would not be followed by the cable industry if it became the prime distributor for Pay TV.

MIXED OWNERSHIP

A mix of private and public ownership seems to offer the worst of both worlds.

A mixed consortium further complicates the conflict of interest where elements of the industry act as producers, distributors and possibly as exhibitors.

A mixed consortium may be a short term compromise but it avoids the fundamental question: How to promote independent production?

PUBLIC OWNERSHIP

Public control over distribution avoids the conflict of interest. It offers the most open market for the independent producer. Crown corporations can cut down bureaucracy and provide profit-making incentive.

JURISDICTION

Jurisdiction over communications remains clouded and controversial. However, it is possible to draw a number of conclusions from a reading of the present law and the positions taken at the recent constitutional talks.

The provinces appear to have the power to operate Pay TV systems within their boundaries provided they don't use "over the air" or broadcast signals.

The federal government appears willing to cede certain licensing power to the provinces provided it retains authority for "over the air" broadcasting and overall control of Canadian content.

Provincial Crown corporations could act as distributors of Pay TV. By forming a national network to buy programs and distribute a national signal using microwave and satellite distribution they would become subject to federal authority and therefore to CRTC content and syphoning regulations. The constitutional positions of both the federal and provincial governments would be accommodated.

MODEL

The model based on this proposed structure shows that even at low penetration levels, 49% of gross revenue would go directly into Canadian production. Under this model overall Canadian content would be 57.5%. Between the prime hours of 6 p.m. and midnight Canadian content would rise to 75%.

MODEL (Cont'd)

The model allows provincial programming to accommodate regional tastes and ensure the overall development of the production industry, if the element of equalization is built into cost-sharing arrangements.

The model also indicates how the revenue from Pay TV can be used to support Canadian cultural institutions and the performing arts.

The structure encourages the best aspirations of all. It allows the broadcasters to produce, the cable companies to carry, the independents to produce and compete, the performing arts to benefit and market, the provinces to program and participate and Ottawa to regulate.

INTRODUCTION

In the past ten years millions of words have been written and spoken on the subject of pay TV. There are two documents of particular significance. The first is the objectives and guidelines laid down by the federal and provincial communications ministers in October 1979 (Appendix 2); the second is the report of the Committee of the CRTC published in July 1980 (Appendix 3).

In giving its qualified support for the introduction of pay TV the CRTC Committee identified two crucial issues:

1. That the chief justification for pay TV must lie in the opportunity it would afford as a stimulus to the program production industry.

2. Pay TV presents unique problems of jurisdiction between the federal and provincial governments.

It is against the background of these two documents and the two central issues that the Task Force makes its recommendations.

PAY TV AND THE PRODUCTION INDUSTRY

There are three basic components in any proposed structure for pay television:

1. The producers
2. Distributors or program packagers who buy programs and package them for sale or delivery
3. Exhibitors or carriers who deliver the programs over the air or by cable.

DISTRIBUTION

Limited access to the distributors is the single biggest reason Canada does not have a thriving television production industry.

Broadcasters control distribution. As distributors they have produced in-house or bought almost solely from their own program-producing subsidiaries.

As the Therrien Committee has noted:

> "The fairly rigid in-house policies of the broadcasters have inhibited, almost prohibited the growth of a domestic independent production industry".

PRIVATE

If the function was turned over to private enterprise there is reason to believe the problem would be repeated. In effect, another monopoly power over production and distribution and possibly exhibition would be created. The mistakes of the past would be repeated and little would be done for the independent production industry.

MIXED

A mixed consortium of government, broadcasters, cable owners, producers and members of the arts community would only compound the conflict of interest by dividing up the revenue from Pay TV before it got to the production industry.

PUBLIC

This leaves the option of public ownership. While there may be difficulties in this approach small Crown corporations can minimize bureaucracy and be instilled with a degree of profit-making incentive. More important, Crown corporations acting solely as distributors would avoid possible purchasing conflicts and provide the most open market for all producers.

JURISDICTION

The jurisdictional problems centre on the mode of delivery. If the signal is over the air or is sent across provincial boundaries the enterprise is subject to federal jurisdiction. Capital Cities (1978) 2 S.C.R.141 and Dionne (1978) 2 S.C.R.191.

However, an intraprovincial closed circuit system which neither receives nor sends signals over the air could be considered within the power of the provinces. Saskatchewan is operating just such a system. Quebec has passed legislation to put one in place.

It should be noted that the Supreme Court has not been asked to rule on this specific question. However, the dicta from the two cases, Dionne and Capital Cities, leads many legal observers to believe the court would find a closed circuit system to be within provincial powers.

CONSTITUTIONAL TALKS, SEPTEMBER, 1980

Jurisdiction over communications remains unsettled. But it is possible to draw a number of tentative conclusions about federal and provincial jurisdictions as they might relate to a possible Pay TV structure.

The federal government appears willing to cede certain licensing power to the provinces provided it retains authority over broadcasting and Canadian content.

The provinces are anxious to expand their role in communications and, as has been noted, they may now have the power to license Pay TV within their own boundaries. As well, the activities of some provincial governments and an increasing number of entrepreneurs amount to a direct challenge to federal authority.

Clearly, the federal government must move to protect its authority and thwart unilateral action which would lead to a balkanization of services and frustrate forever the national goals and objectives for Pay TV. Inaction threatens the entire broadcasting system and its dangers should not be underestimated.

STRUCTURE

RECOMMENDATION ONE

The federal and provincial governments should agree to propose provincial Crown corporations as distributors for Pay TV subject to CRTC approval.

THE PROVINCIAL CROWN CORPORATIONS

Crown corporations offer the best hope for an open competitive market for all producers.

The independent producer would have multiple provincial distributors to whom he could offer his show. While there would be a natural tendency for a Province to favour its local producers there would be nothing to prevent a Nova Scotia producer from selling his product in Ontario and vice versa. There would be no need for a point system establishing residency.

The structure encourages overall development of the production industry as well as cultural expression from the regions.

RECOMMENDATION TWO

The provincial Crown corporations form a network to program and distribute a national Pay TV signal.

THE PAY TV NETWORK

The Pay TV network would be loosely modelled on the present CTV corporate structure. The provincial Crown corporations would act as the network's shareholders with its costs shared on a per capita basis. The cost-sharing arrangements will be more fully considered later in the report.

By participating in the national network using microwave and satellite signals crossing provincial boundaries the provincial Crown corporations would become subject to federal regulation. Thus, the CRTC would retain authority over Pay TV in such matters as Canadian content and anti-syphoning rules.

The federal government has issued a direction to the CRTC prohibiting it from licensing provincial and municipal governments or agents, except as regards "independent corporations", that is corporations that the CRTC is satisfied are not directly controlled by such governments and are used for educational programming.

This is designed to keep the broadcasting system free of potential manipulation for partisan political purposes.

It is suggested that the realities of the possible conflicts of interests and the jurisdictional position require the lifting of this federal directive. The provincial Crown corporations could be removed from possible political manipulation by following the general principle that they report "through" rather than "to" a particular minister.

It should also be pointed out that this proposed structure substantially reduces the possibility of Pay TV being used as a source of political patronage.

Pay TV could be used to further the objectives of the Broadcasting Act with minimum damage to the present industry.

Legislation may be required at both levels of government. The proposed structure shows that the legitimate positions of both federal and provincial governments can be accommodated in the communications field.

RECOMMENDATION THREE

The provincial Crown corporations program and distribute Pay TV programs within the provinces as well as participate in the national Pay TV service.

PROGRAMMING

There would be three basic types of programming:

1. Movies, concerts and sporting events bought by the network and shown on the full national service. 25% would be Canadian.
2. Canadian made for pay TV production. These are programs bought by the provincial crown corporations to be shown on the national network in provincial "windows". To ensure uniform top quality production, all budgets would be comparable, but larger provinces would contribute more programming hours based on per capita revenue. For example, Ontario might provide ten hours of programming to Nova Scotia's one.
3. Local or provincial programming. These would be programs shown only within the province. They would reflect regional tastes and provide a market for smaller production companies. They would also offer a new market for children's and educational TV within the provincial framework.

EXHIBITION

RECOMMENDATION FOUR

> *Local exhibitors be licensed by the provinces, taking into account delivery of the service to the highest number of people while returning the maximum profit to the Crown corporation.*

Existing cable companies would have a natural interest and advantage in becoming exhibitors. However, access to cable lines or new technology would encourage other applicants as well. The local exhibitor would be responsible for line and billing charges.

Since the overall objective is to see the maximum revenue reinvested in programming production, a "cost plus" guideline should be followed in licensing local exhibitors. The CRTC has already indicated a general willingness to give the provinces authority to license cable companies. Since the provincial crown corporations will be subject to CRTC regulation, it may be natural to assume the exhibitors will be as well. The exhibitors will be little more than common carriers. The CRTC will be more interested in controlling the program distributors.

RECOMMENDATION FIVE

> *The provinces use their existing public utilities boards to license Pay TV exhibitors.*

Accounting and technical expertise already exists in these boards and would not have to be duplicated by the Crown corporations which would act essentially as programmers.

However, the nature of utilities boards may vary. Some provinces may wish to have the Crown corporation license local exhibitors.

RECOMMENDATION SIX

Pay TV be introduced on the basis of pay per channel.

Pay per channel will allow the Canadian production industry a period to grow. It will also allow time for the development of more sophisticated and lower priced hardware before the possible introduction of pay per program. In the future the market may also be capable of supporting specialised pay services such as all culture and all sport channels.

PROFITS

RECOMMENDATION SEVEN

The provincial Crown corporations use their revenue to fund cultural activities.

The performing arts will be considered under a separate heading. Suffice to say at this point, they are in desperate need of funding. Pay TV should be used as a provincial source of funding in much the same way Loto Canada has benefited sports and recreation. The structure of the provincial crown corporations will be considered elsewhere as well, but they are designed to be as cost efficient as possible (Appendix 4).

Profits from the corporations should be turned over to the departments of culture to administer and distribute. The advantages of this approach are:

1. A new source of funds for arts.
2. A profit-making incentive for the crown corporations.
3. Restricting the crown corporations to a programming operation and not administrators of the arts.
4. No conflict with existing funding policies on the part of the provincial and federal governments.
5. No possible conflict of interest in both funding an arts organization and buying programs from it.

ECONOMIC MODEL

The economic model based on the proposed structure, shows three things:

1. The revenue that would flow directly into the Canadian production industry.
2. The types of programs it would be possible to produce for pay TV and project realistic Canadian content figures.
3. The areas where special incentives will be needed.

REVENUE

The figures are based on a conservative, 30% penetration of existing cable subscribers at $12 per month; that is, 30% of 4 million subscribers at $12 per month. Gross revenue would be $172.8 million annually. With overhead costs of $41.4 million (Appendix 4), this would leave $129.7 million available for foreign and Canadian programming.

PROGRAMMING

To repeat, there would be three types of programming:

1. Movies, concerts and sporting events bought by the network and shown on the national service. 25% of this programming would be Canadian.
2. Canadian made for pay TV production - programs bought by the provincial crown corporations shown on the national network in provincial "windows".
3. Local or provincial programming within the provinces.

The following schedule shows how the three types of programs could fit into a weekly package.

PROGRAM SCHEDULE

	MON	TUES	WEDS	THURS	FRI	SAT	SUN
2:00						SIGN ON	SIGN ON
3:00						Children's Movie "B"	Children's Movie "B"
4:00	SIGN ON	SIGN ON	SIGN ON	SIGN ON	SIGN ON		
4:00 5:00	Children	Children	Children	Children	Children		
5:00 6:00	Regional	Regional	Regional	Regional	Regional	Movie "B"	Movie "B"
6:00 8:00	Window	Window	Window	Window	Window	Window	Window
8:00 10:00	Movie "A"	Movie "A"	Movie "A"	Movie "A"	Movie "A"	Movie "A"	Movie "A"
10:00 12:00	Window	Window	Window	Window	Window	Window	Window
12:00 2:00	Movie "B"	Movie "B"	Movie "B"	Movie "B"	Movie "B"	Movie "B"	Movie "B"
2:00	SIGN OFF	SIGN OFF	SIGN OFF	SIGN OFF	SIGN OFF	SIGN OFF	SIGN OFF

Program	Weekly	Yearly	Repeat factor	Original Hours required	2 hour Movies
Children Production	7.5	390	3	130	
Children Film	4	208	3	69	35
Regional	2.5	130	3	43	
Window	28	1456	3	485	
Movie "A"	14	728	3	243	121
Movie "B"	18	936	3	312	156

TOTAL HOURS PER WEEK 74

CANADIAN CONTENT

CHILDREN assuming no Canadian film	65.2%
PRIME TIME assuming 25% of "A" Movies, Canadian 6:00 pm -12:00 pm assuming no "B" Movies, Canadian	75.0%
ADULT 5:30 pm - 2:00 am, Mon. - Fri. - assuming 25%, "A" Movie, Canadian 4:00 pm - 2:00 am, Sat. - Fri. - assuming no "B" Movies, Canadian	54.4%
OVERALL assuming 25%, "A" Movies, Canadian assuming no "B" Movies, Canadian	56.0%

CONCLUSIONS UNDER THIS MODEL

The sum of $84.6 million or 49% of gross revenue would flow to the Canadian production industry. On foreign programming $44.2 million or 25.6% of gross revenue would be spent.

Overall, Canadian content would be 57.5%. Between the hours of 6:00 p.m. to midnight Canadian content would be 75%.

CRITERIA

The following figures are designed for illustration only. For example, the assumption of 30% penetration may be low. When penetration reached 40%, gross revenues would rise by $45 million. It should also be noted that market demands could raise the cost of A movies beyond an average of $336,000.

30% penetration at $12 per month per subscriber
Average cost of A movies $336,000 (Appendix 5)
Average cost of B movies $ 96,000 (Appendix 5)
Canadian network programming $80,000 per hour (Appendix 5) (Appendix 12)

Children's network programming $80,000 per hour (Appendix 5)
Regional programming $50,000 per hour (Appendix 5)

Whatever the actual figures, the structure outlined in Section One is designed to produce the largest possible revenue flow into the Canadian production industry.

FRENCH SERVICE

The preceeding program schedule would be applicable to both French and English services. Window and children's programming wouldbe purchased with two audio tracks, one French, one English. However, movies would be bought in English and French and shown on the appropriate service. Movie costs are calculated on a per subscriber cost so this does not generally alter quotes for film buys.

Quebec, Ontario and New Brunswick have francophone populations of 100,000 or more and will require bilingual services. Later with satellite distribution the French service can be extended to smaller, isolated French communities where it is needed. A much fuller consideration of Francophone services is contained in Appendix 7..

INCENTIVES

The structure is designed to accommodate the constitutional concerns of the ten provinces and the federal government. However, Canada's uneven population distribution dictates that if equity between the provinces is to be achieved, a revenue-sharing mechanism must be devised.

While the fixed costs of the ten provincial crown corporations should be roughly comparable, overhead to revenue will represent a much smaller percentage in Ontario than it will in Prince Edward Island, to take the most obvious examples. If a straight per capita cost-sharing approach were adopted, pay TV would be a losing proposition in a number of provinces. There would be far fewer hours of regional local programming, little incentive to build up the industry in these provinces, little revenue returned to the arts, and cultural expression would be dominated by the larger, richer provinces.

RECOMMENDATION EIGHT

The principle of equalization be adopted in Pay TV to alleviate regional disparities.

The formula for equalization can be calculated in two ways:

1. Economic - by adjusting the provincial shares of the national network costs.
2. Cultural - by adjusting the provincial shares of the "window" programming seen on the full network.

Another element of regional disparity should be addressed as well - existing infrastructure. Toronto already has a number of world class production facilities capable of accommodating any pay TV production. There are none in the Atlantic provinces. The capital cost of setting up such a facility would be well over $1 million (Appendix 8). While the production generated for pay TV would support one such facility in Atlantic Canada, that would not be sufficient to stimulate the overall growth of the production industry to the extent desired.

RECOMMENDATION NINE

Legislation related to income taxes, should be changed to provide more incentives for the development and operation of a film industry, particularly those related to production resources for Pay TV.

RECOMMENDATION TEN

Federal government programs be expanded to enable the film and video production industry to take advantage of DREE grants and loan guarantees, Canada Manpower training programs, and Small Business Loans.

In general, the film production industry should be regarded for what it is - a labour intensive industry of great growth potential capable of providing thousands of jobs to highly skilled Canadians.

RECOMMENDATION ELEVEN

Provincial governments be encouraged to extend their economic development programs to the film production industry.

Specific changes required are contained in the separate section on financing (Appendix 9). They follow the CRTC Committee's general recommendation for tax incentives for film-video production.

BROADCASTERS

Conventional broadcasters have legitimate fears that Pay TV will lead to increased audience fragmentation and loss of advertising revenue.

It would be counterproductive to impose a further loss of revenue before the proposal to get the CBC out of advertising is put into effect.

RECOMMENTATION

Pay TV should be free from commercials.

On the positive side, broadcasters, CBC and private would benefit from this proposed Pay TV structure in at least two ways:

1. As producers they would have a new market for programs which they cannot economically mount now;
2. As owners of highly priced hardware they could lease their facilities to independent producers unwilling or unable to invest in production equipment.

Most important, in the long run this structure retains federal control over Canadian content. While broadcasters may occasionally disagree, this power remains the best protection for continued development of the Canadian broadcasting system.

CABLE OPERATORS

Cable operators will have an interest and advantage in becomming exhibitors for Pay TV.

This will mean a substantial new source of revenue directly from Pay TV and indirectly through increased penetration of existing cable services.

Under this structure cable operators could also compete as producers.

Later with the development of other pay services, it may be feasible for cable companies to act as both distributors and exhibitors.

PROVINCIAL GOVERNMENTS

In assuming the role of distributors, the provincial governments will move into an area in which they have little expertise. Experienced programmers will have to be hired from the private sector to fill the key positions in the provincial crown corporations. Budgets for these PCCs allow for compensation to attract such talent (Appendix 4).

In addition to their programming function, the provinces will be licensing local exhibitors. Again, the aim will be to deliver the service to the greatest number of people while returning maximum profit to the crown corporations.

DEPARTMENTS OF EDUCATION

Pay TV offers departments of education new sources of revenue and distribution. The proposed schedule includes 7.5 hours of children's programming on the network. In addition, the hours of local or provincial programming could be used for secondary, post-secondary and adult credit courses. The departments could become suppliers of programs to pay TV at no extra cost to their present budgets and revenue from pay TV could be used to support in-house distribution.

An expanded industry will create new demands for trained personnel. The departments should consider these needs when planning their technical and vocational education programs. Prince Edward Island had such a training program but cancelled it because sufficient jobs did not exist. Educational programs could be activated within a year (Appendix 10).

FILM RESOURCE CENTRES

Most provinces have film resource centres within their departments of arts and culture. The initial aim was to attract major production companies for "on location" work. With the profits from pay TV turned back to arts and culture, the departments will be in a better financial position to support their own industry. Nova Scotia for example, should be able to greatly increase its present $10,000 grant to the Atlantic Film Cooperative.

Distribution is the other problem the co-ops and small producers face. While pay TV will help, the provinces should also consider a quota system for theatres and to rebate to the theatres a portion of the provincial ticket tax as an incentive to play and promote provincially made shorts and feature films (Appendix 11).

NATIONAL FILM BOARD

The proposed structure for pay TV follows the principles the NFB suggested in its presentation to the CRTC. When the NFB opened its Halifax office in 1973, every prospective film maker went to the board for help because there were few film markets elsewhere in the Atlantic region. Since then, the Halifax operation has maintained a fairly large in-house staff because there were few opportunities for training and employment in the private sector. As a result, the small independent producers and technicians complained that they were being deprived of badly needed work which they were competent to perform. The expanded market from pay TV will permit the NFB to reduce its in-house staff and enter into more co-production with the independents.

Other benefits would follow too. The program budgets for pay TV would permit the development of valid program ideas which have been too expensive in the past. Finally, pay TV offers a new means of distribution to the board.

Another irritant not directly concerned with pay TV is the NFB's tendering system for sponsored films. The federal government uses the Ottawa NFB to tender out work for various government departments after the NFB keeps 50% of the work for itself. Atlantic film producers complain, with what appears to be good reason, that the bulk of tendered work is done in Central Canada.

The NFB tendering division is aware of these complaints and has recently revamped and published its tendering procedure.

CANADIAN FILM DEVELOPMENT CORPORATION

The CFDC has shown little interest in first-time producers with film budgets under $500,000. With the possible exception of small amounts of money for script development, there has been no CFDC activity in Atlantic Canada. While the initiative must remain with the individual producer to approach the CFDC, a regular tour through the region by CFDC officers would ease the general alienation felt by prospective film makers.

Sales of Pay TV rights will also reduce the risk of financing Canadian films by offering a new market, thus enabling the CFDC to use its funds to take a more favourable view of innovative productions under $500,000.

RECOMMENDATION THIRTEEN

> *The CFDC examine the effects of Pay TV in formulating its long-range plans, and, specifically, that it consider changing its terms of reference to include made for Pay TV productions.*

Under this proposed structure for Pay TV the main recipients of the profits from Pay television are the provincial departments of Arts and Culture.

However this does not preclude revenue going to a federal agency such as the CFDC. One possible way is by payments from the network. The revenue sharing arrangements could be written into the federal provincial agreement setting up this structure.

CANADA COUNCIL

If, as proposed, the profits from pay TV are returned to the arts through the provincial crown corporations, the Canada Council will wish to study the implications for its own funding activities.

PERFORMING ARTS

Rising costs threaten the existence of many cultural groups and organizations. With pay TV and the financial benefits, increased exposure and production enhancement it would bring, the performing arts could enter a Golden Age that was never before possible.

Financial

Detailed budgets are contained in Appendix 12, and are based on the experience of the Showtime Pay Television Broadway series. Briefly, the producer of the video production pays a fee to the writer and the theatrical producer for the pay TV rights to the work. The CBC recently paid $2,500 to the Confederation Centre in Charlottetown for Feux Follett. Broadway rights average about $20,000. Although the split between the playhouse and the author depends on their original contract, it will become more attractive for theatres to negotiate TV rights at the original signing. For example, there will be nothing to prevent a theatre from co-producing a show with a TV production company whereby a 5% producer's fee would accrue directly to the theatre. Equally, the theatre could act as the producer itself, simply leasing television facilities for its productions.

Ancillary Rights

The greatest financial spinoff should come from long-term participation in rebroadcast and ancillary rights, including foreign sales. As would the actors, writers and director, the original producer would be involved in up to 5% of all monies realized after the original broadcast.

Commissioned Works

Imaginative producers will commission works specifically for pay TV. Theatres will benefit directly from rental fees, house receipts from a live audience, and fees paid to house talent. Theatres will gradually become production studios during their present "down" times.

Government Grants

All cultural groups will benefit from the influx of new funds from the provincial crown corporations distributing pay TV. These funds would flow from the Crown Corporations to the provincial departments of culture to the cultural groups thereby cutting down on the bureaucracies of the pay TV agencies and avoiding possible conflicts with the funding policies of the provincial governments.

Exposure to New Markets

Pay TV will give wider regional and national exposure to all performers. It will also foster closer communication between Canada's cultural institutions and increase possibilities for live touring exchanges. It should further open Canadian culture to foreign audiences, since there is good reason to expect foreign pay TV sales.

Production Enhancement

Creation of additional funds through the development of secondary markets will widen the scope of the performing arts. If, for example, an organization is aware its version of a new Canadian work will be televised, it may be able to engage a "name" artist it would not otherwise have been able to afford. This would improve the production, increase box office receipts, and assist in the development of local performers.

ACKNOWLEDGEMENTS

TASK FORCE

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APPENDICES

TERMS OF REFERENCE

To organize studies, meetings and public hearings as necessary, to:

1. Prepare an inventory of the region's existing:

   a) theatrical and non-theatrical (including sponsored films and commercials), film and video production;

   b) capital investments related to film and video (including technical and processing facilities and exhibition);

   c) creative, technical, financing and marketing personnel;

   d) distribution of theatrical and non-theatrical production (national and international as well as regional);

   e) federal and provincial programs of direct and indirect support to film and video production.

2. Outline the economic and cultural benefits to the region from the film industry as currently structured including specific economic data on the impact of individual projects.

3. Examine the question of an appropriate industry structure to ensure the viability of the industry in the region: that is, the degree of competition, consolidation, or co-operation required within the private sector and between the private and public sectors.

4. Advise on levels of human resources, financing and capital investments necessary for an expanded industry.

5. Advise on ways to ensure that the benefits from the industry would be shared among the four provinces and between the two official language groups.

6. Survey the available financing for film production and make recommendations regarding changes in federal policies and programs and, where needed, federal taxation regulations.

7. Identify the minimum level of new regional markets required to ensure an expanded industry's viability, including specifically:

   a) CBC and private broadcasters (including commercials)

   b) national pay-tv network

   c) provincial departments of education

   d) non-theatrical markets

   e) theatre exhibitors (feature and non-feature)

8. Recommend policies for development of the industry and talent base in the region which could be pursued by the federal government through Canadian Broadcasting Corporation, National Film Board, Canadian Film Development Corporation and Canada Council, and by provincial governments through their programs and through post-secondary educational institutions

9. Recommend the assistance required to build up the industrial infrastructure from existing programs in Department of Regional Economic Expansion, Department of Industry, Trade and Commerce and the provinces

PAY-TELEVISION: OBJECTIVES AND GUIDELINES AS OUTLINED BY THE FEDERAL-PROVINCIAL CONFERENCE IN OTTAWA, OCTOBER 1979

OBJECTIVES

1. Pay-television should satisfy the demands of the public for high quality and complementary programming, and should ensure benefits to Canadian program production and distribution.

2. Canadian program producers should have significant access to pay-television distribution systems.

3. Pay-television should provide new markets for Canadian programs, new sources of revenue for Canadian program producers, and new pools of investment funds for Canadian program production.

4. Canadian programs should be produced for pay-television which will appeal to Canadian audiences and some of which can be sold in international markets.

5. Pay-television programming should be available in Canada's two official languages and should ensure fair regional balance in the production and distribution of programming.

6. Pay-television should be distributed to all parts of Canada at equitable rates.

7. The development of pay-television in Canada should take place within a framework that fosters the orderly development of the industry and that accommodates the interest and priorities of provincial and federal governments in pay-television.

GUIDELINES

1. The introduction of pay-television should initially be through the vehicle of one national distributor but should also permit regional and local pay-television distributors to acquire programs and market them to local exhibitors.

2. The delivery of pay-television to the viewer would be undertaken by a licensed local exhibitor.

3. The distributors should arrange for the most appropriate method of delivering programs to local exhibitors. However, in order to ensure the availability of the service at equitable rates throughout Canada, satellite should be the preferred method for national delivery.

4. Distributors should be the primary mechanism for the acquisition of Canadian programs by means of investments, purchases or other funding arrangements, and should market these programs to local exhibitors.

GUIDELINES (Cont'd)

5. Program producers, distributors, and exhibitors should determine the most beneficial method of payment for viewing, and consideration should be given to both pay-per-channel and pay-per-program methods. In practice, a combination of pay-per-channel and pay-per-program might gradually evolve over time.

6. A realistic balance must be established between the audience viewing levels for Canadian and foreign product material.

7. Programs available via the present Canadian broadcasting system and in Canadian cinemas should not be siphoned onto a pay-television service.

8. Pay-television distributors could include mixed consortia, which may operate on a non-profit basis - involving both public, federal (eg. CBC, CFDC), and provincial, as well as private participation - and could also include independent profit-making entities such as broadcasters, cable operators, symphony orchestras, professional sports organizations, entertainment industries, etc.

9. Cable licensees and other local delivery system operators must provide other potential exhibitors access to their systems on reasonable terms and conditions.

CRTC RECOMMENDATIONS FOR PAY TV

RECOMMENDATION 28

Approval should be given for the introduction of pay-television and other optimal services in Canada and of mechanisms for a system of differential pricing for local delivery, on condition that these new services make a significant and positive contribution to broadcasting in Canada, make effective use of Canadian resources, and that a significant amount of the revenues flow to the Canadian program-production industry.

RECOMMENDATION 29

The CRTC should give absolute precedence to public hearings and licensing actions on the extension of services, separate hearings on pay-television being deferred until later.

RECOMMENDATION 30

The federal government should consider the introduction of a program of tax and other incentives for the production of television programs in Canada.

RECOMMENDATION 31

Consideration should be given to imposing a flat surcharge on the rates paid for pay-TV services, and to methods of distributing the proceeds to the maximum advantage of the program production industry.

RECOMMENDATION 32

A Canadian pay-television system should not be entrusted to a single national agency.

RECOMMENDATION 33

Arrangements for a Canadian pay-television system must be flexible enough to accommodate both federal and provincial legislative authority in the operations to which they may apply.

RECOMMENDATION 34

The federal government should initiate discussions with the governments of the provinces with a view to the authorization of program distributors to market pay-television services in Canada.

RECOMMENDATION 35

Consideration should be given to setting the requisite Canadian content for pay-television at a realistic level responding to the capacity of the Canadian program production industry, which should be reviewed frequently so as to permit the imposition of a higher level as soon as that may appear practicable.

RECOMMENDATION 36

The CRTC should encourage competition for licences to effect local delivery of pay-TV services, for which broadcasters, cable operators, and other entrepreneurs should be equally eligible.

RECOMMENDATION 37

In any system of differential tariffs for reception of optimal television services, there must be an assurance that they not be cross-subsidized by the subscribers to ordinary cable service.

RECOMMENDATION 38

Cable undertakings should not be restricted to offering only one pay-TV service, and it is essential that their facilities be made available without discrimination and at charges that are fair and equitable to all authorized pay-TV distributors.

RECOMMENDATION 39

A pay-per-channel system should be employed in the first instance, but when a stable market for Canadian programs has been established, it should be left to individual distributors and exhibitors to determine the most appropriate method of charging for the programming offered.

RECOMMENDATION 40

Action should be taken, in consultation with the governments of the provinces, to establish technical and operational standards for equipment to be used for local delivery of pay-TV services.

RECOMMENDATION 41

The electronic equipment to be used for local delivery of pay-TV services should be wholly or largely of Canadian manufacture.

SUMMARY OF TOTAL PROJECTED OPERATING COSTS
OF P.C.C.'s AND N.E.T.
VARY MARKET SHARES

	At 20%	At 30%	At 40%
Newfoundland	$ 841,610	$ 893,540	$ 945,470
Prince Edward Island	318,078	338,760	359,424
Nova Scotia	1,259,248	1,455,988	1,652,746
New Brunswick	1,349,122	1,489,576	1,629,994
Quebec	4,498,590	5,892,510	7,286,430
Ontario	8,800,282	11,952,298	15,104,314
Manitoba	1,511,212	1,833,934	2,156,674
Saskatchewan	997,738	1,104,982	1,212,226
Alberta	2,126,734	2,674,737	3,222,736
British Columbia	4,304,680	5,626,636	6,948,610
N.E.T.	8,136,750	8,136,750	8,136,750
	$34,144,044	$41,399,711	$48,655,374

Projected Operating Costs of P.C.C.
Newfoundland

Cable Subscribers - 28,851
% of Total Canadian Subscribers - .7%

SALARIES:

1	Manager	$ 60,000
2	Programmers	100,000
3	Operators & Technicians	75,000
1	Technical Supervisor	30,000
2	Office & Accounting	40,000
		305,000

Other Operating Costs

Equipment including maintenance	(1)	200,000
Premises	(2)	18,750
Office Supplies	(3)	18,750
Travel & Entertainment	(4)	15,250
Distribution	(5)	180,000
		432,750
		$737,750

Operating costs before promotion, marketing and cable payment at varying market shares		At 20% of Market	At 30% of Market	At 40% of Market
Costs as above		$737,750	$737,750	$737,750
Promotion and marketing	(6)	34,620	51,930	69,240
Payments to cable	(7)	69,240	103,860	138,480
Total projected operating costs per annum		$841,610	$893,540	$945,470

Assumptions applicable to all P.C.C.'s

(1) Costs per year amortized over 5 years including maintenance.
(2) 150 sq. ft. per person + 500 sq. ft. control room at $15 per sq. ft.
(3) Same as premises.
(4) 5% of salaries.
(5) Based on cable and CTV experience.
(6) $.50 per month per subscriber.
(7) $1.00 per month per subscriber.

Projected Operating Costs of P.C.C.
Prince Edward Island

Cable Subscribers - 11,482
% of Total Canadian Subscribers - .3%

SALARIES:

1	Manager	$ 60,000
1	Programmers	50,000
1	Operators & Technicians	25,000
0	Technical Supervisor	-
2	Office & Accounting	40,000
		175,000

Other Operating Costs

Equipment including maintenance	50,000
Premises	9,000
Office Supplies	9,000
Travel & Entertainment	8,750
Distribution	25,000
	101,705
	$276,750

Operating costs before promotion, marketing and cable payment at varying market shares	At 20% of Market	At 30% of Market	At 40% of Market
Costs as above	$276,750	$276,750	$276,750
Promotion and marketing	13,776	20,670	27,558
Payments to cable	27,552	41,340	55,116
Total projected operating costs per annum	$318,078	$338,760	$359,424

Projected Operating Costs of P.C.C.
Nova Scotia

Cable Subscribers - 109,304
% of Total Canadian Subscribers - 2.8%

SALARIES:

1 Manager	$ 60,000
3 Programmers	150,000
3 Operators & Technicians	75,000
1 Technical Supervisor	30,000
4 Office & Accounting	80,000
	395,000
Other Operating Costs	
Equipment including maintenance	200,000
Premises	25,500
Office Supplies	25,500
Travel & Entertainment	19,750
Distribution	200,000
	470,750
	$865,750

Operating costs before promotion, marketing and cable payment at varying market shares	At 20% of Market	At 30% of Market	At 40% of Market
Costs as above	$ 865,750	$ 865,750	$ 865,750
Promotion and marketing	131,166	196,746	262,332
Payments to cable	262,332	393,492	524,664
Total projected operating costs per annum	$1,259,248	$1,455,988	$1,652,746

Projected Operating Costs of P.C.C.
New Brunswick

Cable Subscribers - French - 26004
Cable Subscribers - English - 52017
% of Total Canadian Subscribers French - .6%
% of Total Canadian Subscribers English - 1.3%

SALARIES:

1 Manager	$ 60,000
4 Programmers	200,000
3 Operators & Technicians	75,000
1 Technical Supervisor	30,000
6 Office & Accounting	120,000
	485,000
Other Operating Costs	
Equipment including maintenance	250,000
Premises	30,000
Office Supplies	30,000
Travel & Entertainment	23,250
Distribution	250,000
	583,250
	$1,068,250

Operating costs before promotion, marketing and cable payment at varying market shares	At 20% of Market	At 30% of Market	At 40% of Market
Costs as above	$1,068,250	$1,068,250	$1,068,250
Promotion and marketing	93,624	140,442	187,248
Payments to cable	187,248	280,884	374,496
Total projected operating costs per annum	$1,349,122	$1,489,576	$1,629,994

Projected Operating Costs of P.C.C.
Quebec

Cable Subscribers - 774,400
% of Total Canadian Subscribers - 19.2%

SALARIES:

1	Manager	$ 60,000
9	Programmers	450,000
3	Operators & Technicians	75,000
1	Technical Supervisor	30,000
10	Office & Accounting	200,000
		815,000

Other Operating Costs

Equipment including maintenance	250,000
Premises	52,500
Office Supplies	52,500
Travel & Entertainment	40,750
Distribution	500,000
	895,750
	$1,710,750

Operating costs before promotion, marketing and cable payment at varying market shares	At 20% of Market	At 30% of Market	At 40% of Market
Costs as above	$1,710,750	$1,710,750	$1,710,750
Promotion and marketing	929,280	1,393,920	1,858,560
Payments to cable	1,858,560	2,787,840	3,717,120
Total projected operating costs per annum	$4,498,590	$5,892,510	$7,286,430

Projected Operating Costs of P.C.C.
Ontario

Cable Subscribers - 1,751,120
% of Total Canadian Subscribers - 43.4%

SALARIES:

2	Manager	$ 120,000
18	Programmers	900,000
3	Operators & Technicians	75,000
1	Technical Supervisor	30,000
20	Office & Accounting	400,000
		1,525,000

Other Operating Costs

Equipment including maintenance	200,000
Premises	97,500
Office Supplies	97,500
Travel & Entertainment	76,250
Distribution	500,000
	971,250
	$2,496,250

Operating costs before promotion, marketing and cable payment at varying market shares	At 20% of Market	At 30% of Market	At 40% of Market
Costs as above	$2,496,250	$ 2,496,250	$ 2,496,250
Promotion and marketing	2,101,344	3,152,016	4,202,688
Payments to cable	4,202,688	6,204,032	8,405,376
Total projected operating costs per annum	$8,800,282	$11,952,298	$15,104,314

Projected Operating Costs of P.C.C.
Manitoba

Cable Subscribers - 179,295
% of Total Canadian Subscribers - 4.4%

SALARIES:

1	Manager	$ 60,000
3	Programmers	150,000
3	Operators & Technicians	75,000
1	Technical Supervisor	30,000
4	Office & Accounting	80,000
		395,000

Other Operating Costs

Equipment including maintenance	200,000
Premises	25,500
Office Supplies	25,500
Travel & Entertainment	19,750
Distribution	200,000
	470,750
	$865,750

Operating costs before promotion, marketing and cable payment at varying market shares	At 20% of Market	At 30% of Market	At 40% of Market
Costs as above	$ 865,750	$ 865,750	$ 865,750
Promotion and marketing	215,154	322,728	430,308
Payments to cable	430,308	654,456	860,616
Total projected operating costs per annum	$1,511,212	$1,833,934	$2,156,674

Projected Operating Costs of P.C.C.
Saskatchewan

Cable Subscribers - 59,580
% of Total Canadian Subscribers - 1.5%

SALARIES:

1	Manager	$ 60,000
2	Programmers	100,000
3	Operators & Technicians	75,000
1	Technical Supervisor	30,000
3	Office & Accounting	60,000
		325,000

Other Operating Costs

Equipment including maintenance	200,000
Premises	21,000
Office Supplies	21,000
Travel & Entertainment	16,250
Distribution	200,000
	458,250
	$783,250

Operating costs before promotion, marketing and cable payment at varying market shares	At 20% of Market	At 30% of Market	At 40% of Market
Costs as above	$783,250	$ 783,250	$ 783,250
Promotion and marketing	71,496	107,244	142,992
Payments to cable	142,992	214,488	285,984
Total projected operating costs per annum	$997,738	$1,104,982	$1,212,226

Projected Operating Costs of P.C.C.
Alberta

Cable Subscribers - 304,442
% of Total Canadian Subscribers - 7.6%

SALARIES:

1	Manager	$ 60,000
5	Programmers	250,000
3	Operators & Technicians	75,000
1	Technical Supervisor	30,000
6	Office & Accounting	120,000
		535,000

Other Operating Costs

Equipment including maintenance	200,000
Premises	34,500
Office Supplies	34,500
Travel & Entertainment	26,750
Distribution	200,000
	495,750
	$1,030,750

Operating costs before promotion, marketing and cable payment at varying market shares	At 20% of Market	At 30% of Market	At 40% of Market
Costs as above	$1,030,750	$1,030,750	$1,030,750
Promotion and marketing	365,328	547,996	730,662
Payments to cable	730,656	1,095,991	1,461,324
Total projected operating costs per annum	$2,126,734	$2,674,737	$3,222,736

Projected Operating Costs of P.C.C.
British Columbia, N.W.T. and Yukon

Cable Subscribers - 734,424
% of Total Canadian Subscribers - 18.2%

SALARIES:

1	Manager	$ 60,000
9	Programmers	450,000
3	Operators & Technicians	75,000
1	Technical Supervisor	30,000
10	Office & Accounting	200,000
		315,000

Other Operating Costs

Equipment including maintenance	200,000
Premises	52,500
Office Supplies	52,500
Travel & Entertainment	40,750
Distribution	500,000
	845,750
	$1,660,750

Operating costs before promotion, marketing and cable payment at varying market shares	At 20% of Market	At 30% of Market	At 40% of Market
Costs as above	$1,660,750	$1,660,750	$1,660,750
Promotion and marketing	881,310	1,321,962	1,762,620
Payments to cable	1,762,620	2,643,924	3,525,240
Total projected operating costs per annum	$4,304,680	$5,626,636	$6,948,610

Projected Operating Costs of N.E.T.

		English	French
SALARIES:			
2-2	Manager	$ 140,000	$ 140,000
10-5	Programmers	600,000	300,000
15-8	Operators & Technicians	375,000	200,000
4-2	Technical Supervisor	120,000	60,000
15-8	Office & Accounting	300,000	160,000
		1,535,000	860,000
Other Operating Costs			
	Equipment including maintenance	1,000,000	500,000
	Premises	111,000	75,000
	Office Supplies	111,000	75,000
	Travel & Entertainment	76,750	43,000
	Distribution	3,500,000	250,000
		4,798,750	943,000
Total Operating Costs		$6,333,750	$1,803,000

DISTRIBUTION OF PAY-TV FUNDS

OVERHEAD (see appendix)		$ 41,399,711
PROGRAMMING		
Film		
"A" Movies 121 required $.28 per subscribers (1) 1,200,000 Pay-TV subscribers		
121 x $.28 x 1,200,000	$40,656,000	
$.28 x 1,200,000 = $336,000 average cost of "A" movie		
"B" Movies 191 required $.08 per subscribers (1) 1,200,000 Pay-TV subscribers		
191 x $.08 x 1,200,000	18,336,000	
$.08 x 1,200,000 = $96,000 average cost of "B" movie		
Window 485 hours required x 80,000 per hour (see appendix 6)	38,800,000	
Children 130 hours required x 80,000 per hour (see appendix 6)	10,400,000	
Regional 43 hours per service x 50,000 per hour (2) 10 services	21,500,000	129,692,000
TOTAL EXPENDITURES		$171,091,711
REVENUES		172,800,000
EXCESS OF REVENUES OVER EXPENDITURES		$ 1,708,289

(1) Showtime experience

(2) CTV, CBC, PBS experience

EXPENDITURES AS A PERCENTAGE OF REVENUES

Assuming that there will be 30% of present cable home subscribers to Pay-TV at $12.00 per month

.30 x 4,000,000 x 12 x $12 = $172,800,000

Film	@	$58,992,000 =	34.1%
Window	@	$38,800,000 =	22.4%
Regional	@	$21,500,000 =	12.4%
Children	@	$10,400,000 =	6.0%
Programming	@	$129,692,000 =	75.0%
Overhead			24.0%

If 25% of film expenditures are Canadian

Film	$58,992,000 x .25 =	$14,748,000	
Window		38,800,000	
Regional		21,500,000	
Children		10,400,000	$ 85,448,000

Or 49% of Total Revenues would be spent on Canadian private Production, less than 26% would be spent on foreign product.

FILM MAKING IN L'ACADIE
An Analysis of the Artists' Situation

Until 1975, there was for all practical purposes, no film making in the Acadian regions except for a few amateurs. The only films produced in the area were from outside enterprises such as the Montreal-based Office National du Film. However, the picture has changed somewhat with the regionalization of the ONF/NFB in 1974.

For the first time in the region there now existed the possibility for Acadians to learn to make their own films. The speed and enthusiasm shown by the community in taking up this new form of expression demonstrate the need which existed. Within five years fifteen 16mm films have been made, ranging from 15 minute short dramas to 90 minute documentaries, in all areas of the Acadian community. Today it is possible to put together two 16mm crews at a professional level. The number of possible film projects is unlimited as is the need and interest of the community. During the last three years, the program committee of La Regionalisation has to turn back an average of ten projects a year because of financial limitations.

The impact on the community has been substantial. First, the films overall have been well received. For example, Les Gossipeuses, a 60 minute drama short on location at Baie Ste-Marie., a community of 10,000 Acadians in Nova Scotia, drew 2,000 at the premier and has played often since. But it also played throughout the region to large audiences and drew warm applause. It has also played in Quebec and France and throughout the French regions of Canada. Other films have had comparable success, playing in film festivals and Radio-Canada national and regional networks.

For the Acadian community, film making and distribution have become a way to explore their lives and renew contact with their culture. Perhaps most important, it has given Acadians a chance to reassert their presence in the North American setting, a presence ignored when it wasn't repressed for the last 200 years.

But there are problems. In the beginning, the artists or would-be artists came in droves. They were willing to work for nothing or almost nothing. When money ran out, the worked for nothing. Many films shot on location were community enterprises and the contribution ranged from money to housing to free meals and the like.

Today, however, even the goodwill of the community cannot alleviate the disastrous financial situation of La Regionalisation. Taking into account inflation and rising costs, the budget has shrunk by as much as one-third. The needs have grown with the building up of expectation and also with the experience and maturing of the artists themselves - they are looking at bigger and better productions which require more time and money. The talent is still there and available, but many have had to take jobs where a salary is available or go outside the region for opportunities. An ONF/NFB official doing interviews for the position of Distribution representative in Moncton was flabbergasted when not one of the 15 candidates showed interest in promotion to Montreal as a reason to apply. With Acadians, the financial problem is compounded by a number of other factors:

1. Lack of infrastructure.
2. Absence of local financing.
3. O Canada, our far and distant land.

1. Lack of Infrastructure

As in the beginning of motion pictures, everything must start from point zero. There is no tradition, no professional services, no production studio, nobody to run to. When the people or services needed are not already on the set they must be imported, making everything that much harder. For example, a director with a good idea in hand, will have to spent an enormous amount of time and effort to play the role of producer, looking for funds and organizing the whole enterprise when he should be working on his script, or casting or shooting. Then if he finds the money, it is probable that he'll have to build his set from scratch, as well as schedule his shooting and casting according to the availability of locations and actors.

There are some advantages to this situation. Creativity is imposed. When the crew shooting "Y, a du bois dans ma cour" in Madawaska decided they needed an aerial shot, the assistant cameraman just happened to be a licensed pilot. He rented a plane for his regular flying session and the crew built a homemade shock absorbing tripod to fit the only plane available. They shot a remarkably fine aerial view of the area and were rewarded with a splendid sunset from the air. A police scene in "La Cabane" was played by two real life RCMP stationed in the community. Often the bit players are playing their own real life roles. With nearly everything shot on location, ingenuity is required: a church was obtained when the crew offered to paint it.

Unfortunately, there is no equipment pool in the area and laboratory services are limited. But the major problem remains the absence of production companies and studios.

2. Absence of Local Financing

Because of the lack of production services in the area, what little money available is going elsewhere. If there was someone to explain some of the tax benefits, for example, it is possible that some money would be available.

There is a certain amount of sponsored work required by the federal and provincial governments which is allocated to outside companies when it could easily be done by local artists. Moreover, none of the large production companies and none of the government funding agencies are accessible to local film makers.

3. O Canada, Our Far and Distant Land

Centralization is the problem. Only Montreal, Toronto and Ottawa are considered capable of producing artists. Thus, they get the major portion of the money allotted to the Arts by the federal government. The Canada Council reserves funds for people who have proven themselves. The same reasoning is heard from the Canadian Film Development Corporation.

When the ONF/NFB decided to regionalize there was a sotrm of protest. The argument was that the regions did not have a large enough population to keep a film industry alive, that they had no experience, that the pot was already small enough and they couldn't afford to feed the starving. This protest is still going on and indeed it might be getting stronger. Every effort has been made to sabotage the French regionalization and they have forced the regions to resort to political means to save the program. Even then they have succeeded in keeping the funding to the lowest level possible and death by attrition is a certainty unless more funds are allocated.

3. O Canada, Our Far and Distant Land (Cont'd)

Evidently, there is no way the film industry can rival that existing in Montreal, Toronto and other large centres. No one here dreams of another Hollywood in Buctouche. But there is the potential for a viable film making community, one which could live by its own production, which would ensure the community and the artists here of being able to express themselves through the film media and to make its presence felt occasionally on the big screen and regular television networks. What we need is the chance to tell our own story. A community of film makers which could produce on a commercial level would insure us that the resources will stay in the region. The commercial production might indeed pay in part for other less viable type of production: training, experimentation, educational and the like.

But where are the markets?

Distribution

Films made in the region have been distributed by the old film and projector under-the-arm method or through the Radio-Canada regional or national network. This method doesn't pay much and it will not get us any closer to the commercial circuit. As for Radio-Canada, its programming employs the same big apple criteria as described above. To make it worse, it tends to recognize only Parisian French. It is only recently that even Quebecois "joual" has been allowed on the tube. And then only after it had been recognized in France.

But other possible outlets are opening. TVA and Radio-Quebec are in the process of bringing their programming to our region either through regular network or cable.

Distribution (Cont'd)

Then there is the theatrical sector. There are a few locally owned theatres in Northern New Brunswick that present totally French programming. Most of their films come from Quebec distributors and are of the B nature. Some have made their theatres available for local presentations. But even if all would try locally produced films on a commercial basis, it is not a large enough market to be viable.

The Quebec market is bigger. But Quebec film makers have had a hard time getting their own productions across and only a handful of films have made money. It is still a possibility for us but it does not seem at this point to be a secure source of income, since it is largely controlled by the large American distributors.

POSSIBLE FEATURE LENGTH MATERIAL

Following is a short list of possible projects:

Theatre

Although it is not a large operation and largely unknown outside the region, Acadian theatre lives with a number of troups of young talented writers and actors. Its best known representative is Antonine Maillet who now works out of Montreal but gets her inspiration and soul from her native province. Her scripts have played to full houses in Quebec for a number of years and indeed throughout the French speaking world. Her latest effort, a novel, is being prepared for the screen in what has been described as the largest Canadian film enterprise ever. Following in her footsteps are a number of young writers who already have some interesting material; some has been adapted for the screen through the Regional studio of the ONF/NFB: La Confession: Claud Renaud; La Bringue: Jules Boudreau. Three examples that could also be adapted:

1. Louis Mailloux - Jules Boudreau - Calixte Duguay; played for the Caraquet Summer Theatre to full houses for three years.
2. La Marie-Como - a novel by Regis Brun, adapted for the stage by Clarence Comeau; will be playing in Caraquet this summer.
3. Sacordjue-Claude Renaud: published; C. Renaud has also written and directed two shorts for Regionalisation Acadie, ONF/NFB.

Novels

A number of young writers are following this relatively new form of expression for Acadians pioneered by Antonine Maillet. Many of Maillet's other novels are adaptable for the screen, as are the works of some of the upcoming writers.

Scripts

A number of scripts exist in different stages of readiness. Some were written for the screen and dropped or delayed for lack of funding:

1. Cy a Mateur-Phil Comeau; researched and partly written; dropped for lack of funding.
2. Thaddee a pierre a Putsch-Claud Renaud; in a first draft form.
3. Premiere Neige d'Automne-Clarence Comeau; rewritten for the stage and played in Moncton and provincial tournee.

Historical Material

Acadian history is rich in material which could be written for the screen. One of the first feature length films ever shot in Canada was the story of the Expulsion of the Acadians in 1755, shot in Nova Scotia in the early twenties. Maillet's novel mentioned earlier tells the story of how the Acadians came back and resettled in l'Acadie. Presently there is a proposal for a feature length film and a possible TV series, being studied by Regionalisation Acadie/ONF. This would be a major production based on the story of the Acadians in the Petitcodiac (Moncton) area before during and after the Expulsion, but funding is required.

Musical Events and Festivals

This is the form of expression by which the Acadians have lived and been recognized throughout the world. "We sing more than we cry" was the title of a documentary produced by the NFB Regional Atlantic Studio. The community has produced a vast number of performers in all forms of musical expression from classical, shoir to folt and populat music. The best known Acadian performers are stars of the world's French Communaute and sing in French of their country, their people and their culture: Edith Butler, Angele Arseneault, Beausoleil-Broussard, Calixte Duguay, 1775, la chorale Les Jeunes Acadiens, to name but a few.

Musical Events and Festivals (Cont'd)

Throughout the year the Acadian communities hold numerous concerts and musical happenings. Not all would be worthy of film projects but some would make for top notch television. For example, the upcoming tournee of Beausoleil Broussard, a group just returned from a successful trip to Franch where they were featured in top concert halls and on French television, has not played in l'Acadie for over a year. Edith Butler packs 10,000 into the Moncton Colliseum. 1775 attracts 15,000 frolicers to La Butte a Napoleon in Cap Pele. Edith or Calixte both sing at the biggest Acadian festival of them all, Le Festival Acadien de Caraquet. It lasts two weeks and attracts thousands of visitors from across the continent.

International Events

As a member of the world's French Community, l'Acadie is host to numerous international events that are not only newsworthy but lend themselves to film documentaries with large distribution possibilities. This year, for example, will see the gathering of representatives of all French speaking nations in Caraquet for a conference on the future of these Communaute. Last year, Moncton was host to les Choralies Internationales, where choirs from around the world presented a series of concerts featuring the best in choir singing. Last fall, there was a conference of the International Association of French speaking Parlementarians; if not good viewing it certainly would have made for a lot of talk.

These are a few of the possibilities for major film production that exists in l'Acadie. The feeling is that we have only scratched the surface.

by Paul LeBlanc
former producer with ONF

MOBILE PRODUCTION UNIT
ALL PRICES QUOTED AMERICAN

CAMERA:	RCA TK 47	First unit	140,000
		Second unit	105,000
		Subsequent	105,000
		Camera's equipped with 15-1 Zoom lenses	
		Recommend one unit 30-1 Zoom	

VIDEO TAPE RECORDERS:	RCA 2" Recorder	65,000
	RCA 1" Recorder with SLO-MO	
	RCA TR 800	90,000
	RCA TH 200 with dynamic drive	70,000
	RCA TH 50 Portable	40,000
SWITCHER:	Vital 114-2A Switcher	
	24 Video inputs including	
	2 channel mix effects	
	1 mixer	
	1 auto transmission	
	Control	
	Total	51,000
Additional Options		
	Control Cable	$14/ft.
	Chroma-key	1380 per channel
	Key Effects	1754 per channel
	Spin Wipe	2185 per channel
EFFECTS PACKAGE:	Vital Squeezezoom digital effects,	
	General purpose interface with	
	CMX system	
	2 channels	159,045
	Wiring for third and fourth channel	5,354
	30x40 Video Routing	8280
	Zoom Effect	4,140
	Additional Channels	
	1 Channel	38,800
	2 Channel	77,600
	4 Channel Equipped	236,900
	Control Cable	$18/ft
	30x40 Routing	8280
	Chromazoom	4,140

UNIT: TRUCK AND SEMI-TRAILER PRICE QUOTE NOT INCLUDED

APPENDIX 9

This section is designed for support and background to the financial issues discussed in the main body of the report. The questions will be dealt with as they are raised in the specific terms of reference.

TERMS OF REFERENCE #2

Outline the economic and cultural benefits to the region from the film industry as currently structured including specific economic data on the impact of individual projects.

1. ECONOMIC BENEFITS

The economic benefits have been measured by the source of funds which are spent in the region. In some cases the figures are exact, in others there are approximations.

National Film Board	$1,244,146	
Sponsored Film NFB	103,733	
Canada Council	107,000	
Provincial Governments Grants	36,000	
Departments of Education	200,000	approx.
Feature Films	161,000	
TV	50,000	approx.
Commercials Private Sponsored	30,000	approx.
Exhibition Salaries	4,205,000	
Distribution salaries	345,000	
	$6,481,879	

As the figures indicate the economic benefits from the film industry as currently structured come primarily from the exhibition and distribution of film produced outside the area and direct and indirect forms of government support.

2. CULTURAL BENEFITS

Cultural benefits have been defined as financial support for and exposure of indigenous forms of expression.

3. NATIONAL FILM BOARD PRODUCTION

As mentioned above the NFB budget in the Atlantic area amounts to approximately $1.2 million. Productions which may be cited as indigenous to the region include:

Seaweed Walk
Dory Building
Grey Seals
Figgy Duff Christmas
Grenville Mission
The Last Corvette
Harold Horwood of Newfoundland
Squires of Newfoundland
Scotian Kids
Donald Brittain
Cole Crops of P.E.I.
Lunenburg History
Samuel Cunard
Cyrus Eaton
K. C. Irving
Halifax at the Turn of the Century
Confederation and the Maritimes

Other groups which should be considered under this heading are listed below. Cross-reference may be made to the Inventory Section in Volume II for specifics on funding and production.

Atlantic Filmmakers Co-operative
Center for VTR Tapes
New Brunswick Filmmakers Co-operative
Newfoundland Independent Film Makers Co-Operative
Video Theatre Association
Memorial University Extension Service
Tele Acadie

It should be noted that despite an extensive survey of the performing arts in the interim report there was no discernible benefit accruing to the arts from the film industry as it is currently structured. However, if the proposed structure of Pay TV is accepted there should be considerable direct and indirect benefit to the arts as outlined under the Performing Arts Section in the main body of the report, and Appendix 13 dealing with program budgets.

ECONOMIC MODEL

Two locally produced films were studied with a view to determining the economic impact upon the region. Using standard multiplier effect models, a National Film Board production entitled "Confederation and the Maritimes" and a privately produced film entitled "South Pacific 1942" served as examples of economic spinoffs which might be expected from the production of films in the region.

THE ECONOMIC MODEL

The models are based upon standard economic data compiled in 1974 for the Province of Nova Scotia, using 32 industries as the basis. The criteria used is applicable to all four provinces in the Atlantic Region.

The model is designed to "measure the economic impact of a change in output in one industry on household income and employment in an economy". Certain assumptions were made on the ratios used and the available data. In addition, in order to evaluate the impact under different revenue situations, one film (South Pacific 1942) was evaluated assuming that:

1. The revenues will be sufficient to recover only the investment.
2. The revenues will be sufficient to recover the investment plus a 15% return on investment.

The details of these assumptions are shown on Exhibit I and the Economic Benefits of each film are shown on Exhibit II.

CONFEDERATION AND THE MARITIMES

This film was produced in 1978-79 for viewing by the general public and was shown on the CBC network.

The actual expenditures to produce the film were $201,400 of which approximately $158,300 was incurred within the region. As a result of these regional expenditures, household incomes were increased by approximately $123,600 in total. As this was a publicly funded project we have assumed that there were no returns over and above the actual cost of the film.

SOUTH PACIFIC 1942

This film was produced for the most part in 1979 and is now at the final editing stages of production. As yet the producer has not finalized the film's distribution channel.

Financing of the film was provided totally by private investors who purchased income tax deductible units. The film had a budget of approximately $305,000 of which approximately $161,000 was spent within the region.

As the film has not yet earned any revenue or generated any return on investment for the investors, we have determined the economic impact using two different sets of assumptions for comparison:

1. The film recovers its costs only, and
2. The film recovers its costs and in addition provides an effective 15% return on the investment.

Using standard impact analysis (see Exhibit II) the resulting figures indicate that under the first assumption (see also Exhibit I) approximately $360,500 in income benefits would be derived from the film for the Nova Scotia economy. Under the second set of assumptions this figure would increase substantially to approximately $592,800.

Without commenting on the effectiveness of the public versus private expenditures and their varying impacts upon the local economy, it seems that the impact results would vary greatly depending upon such variables as regional content, the various industries involved in the production, the income tax rates of the investors (in the case of the profit oriented venture) and the ultimate success of the film in providing a reasonable return to investors.

EXHIBIT I

ECONOMIC IMPACT
CALCULATIONS USING SPECIFIC FILMS

ASSUMPTIONS MADE

APPLICABLE TO EACH FILM

1. The results are based upon standard Nova Scotia economic ratios.

2. The costs and budgeted costs are assumed to be reliable.

APPLICABLE TO SOUTH PACIFIC 1942 (Recovery of Investment Only)

1. Film qualifies for deduction from income for income tax purposes.

2. Investors in 50% tax bracket.

3. The investor's return on investment is reinvested in activities outside the region.

4. Income tax savings spent in normal consumption of goods and services in year of production.

APPLICABLE TO SOUTH PACIFIC 1942 (Recovery of Investment + 15% Return on Effective Investment)

1. Sames as 1. and 2. above.

2. Effective investment is net after tax benefit cost; ie. \$305,081 - \$152,500 = \$152,581.

3. Return on investment at 15% x \$152,581 = \$22,887/year.

4. Investment return for two years (expected life of film).

5. Income stream

- Year 1	$	152,500
- Year 2	$	99,178
- Year 3	$	99,178

6. Discount rate used is opportunity cost of investing funds at 12%, after tax, 6%.

7. Present value of income stream

- Year 1	$ 152,500
- Year 2	93,525
- Year 3	88,268
	$ 334,293

8. Consumption multiplier of 1.2783 (Nova Scotia).

EXHIBIT II

ECONOMIC IMPACT

SCHEDULE OF ECONOMIC BENEFITS

	Confederation and the Maritimes	South Pacific 1942 (Note 1)	South Pacific 1942 (Note 2)
1. Total expenditure	$ 201,400	$ 305,081	$ 305,081
2. Regional Content			
a) expenditures	158,300	161,100	161,100
b) tax shelters @ 50% of (1)	-	152,500	152,500
c) Present value of revenues	-	-	334,293
3. Industry imports	43,100	143,981	143,981
4. For Industry			
Direct Household incomes	79,633	80,656	80,656
Indirect Household incomes	17,087	17,491	17,491
Induced Household incomes	26,921	67,361	67,361
Total Household Incomes	123,641	165,508	165,508
5. Tax Shelter benefits			
Direct Household incomes	-	152,500	-
Indirect Household incomes	-	1,876	-
Induced Household incomes	-	40,565	-
Total Tax Shelter Household Income	-	194,941	-
6. Revenue Benefits including tax shelter benefits	-	-	427,327
7. Combined Benefits	123,641	360,449	592,835
8. a) Household Income / Total Expenditures	.6139	1.1815	1.9432
b) Income Multiplier	1.5526	1.5460	1.4287
9. a) Industry Household Income / Total Expenditures	.6139	.5425	1.3042
b) Income Multiplier	1.5526	2.0520	1.5923

Notes: 1. Recovery of investment only.

2. Recovery of investment plus fifteen percent on investment.

TERMS OF REFERENCE #4

Advise on levels of human resources, financing and capital investment necessary for an expanded industry.

1. EXPANDED INDUSTRY

As the discussion under markets (Terms of Reference #7 below) indicates, Pay television offers the only realistic hope for an expanded industry in Atlantic Canada.

Therefore, the definition of an expanded industry is the revenue generated from Pay TV which will flow to the production industry under the proposed structure.

Cable Subscribers in Atlantic Canada:

Newfoundland	28,851
Prince Edward Island	11,482
Nova Scotia	109,304
New Brunswick	78,021
Total Subscribers	227,658

Projected Pay TV subscribers at 30% penetration - 68,297
Gross Revenue at $12/month for one year - $9,834,336
Minus overhead for Provincial Crown Corporations (Appendix 4)

Overhead Crown Corporations:

Newfoundland	893,540
Prince Edward Island	338,760
Nova Scotia	1,455,988
New Brunswick	1,489,576
Total	4,177,864

Revenue for production $5,656,472

This revenue for production figure assumes the element of equalization, that the four provinces will not have to contribute to the cost of the Pay TV network. For purposes of at least illustration it becomes the definition of an expanded industry.

2. HUMAN RESOURCES

There will be at least two new sources of jobs:

1. The Provincial Crown Corporations
2. Production

Crown Corporations as detailed in Appendix (4):

Newfoundland	9
Prince Edward Island	5
Nova Scotia	12
New Brunswick	15
Total	41

Production Industry:

The accepted economic index in job creation is that:

$35,000 equals one job
$5,656,472 divided by 35 equals 162 jobs

Total human resources or direct jobs = 203

3. FINANCING

Financing will be self-sustaining from the subscribers of Pay TV. These present projections are at the low penetration rate of 30% and will rise significantly as Pay TV is promoted and marketed.

4. CAPITAL COSTS

Capital costs in terms of new broadcast hardware are well over $1 million as outlined in Appendix 8. This model projects approximately 62 hours of production in Atlantic Canada. That could support two units in this area. Specific tax incentives related to capital expenditure will be considered under item 6.

TERMS OF REFERENCE #6

Survey the available financing for film production and make recommendations regarding changes in federal policies and programs and where needed, federal taxation regulations.

For the purposes of this section the distinction should be made between financing for software and for hardware.

1. SOFTWARE

As used here, software financing refers to investments in the production of a specific project through the Canadian Film Development Corporation and the tax advantages afforded by the capital cost allowance.

As mentioned in the body of the report the CFDC has shown little interest in small budget films and with the possible exception of money for script development, there has been no CFDC investment in Atlantic Canada.

CAPITAL COST ALLOWANCE

The 100% Capital Cost Allowance for Canadian films and videotapes in 1979 contributed to over $150 million in feature film production and approximately $36 million in short film and videotape production.

The survey in Atlantic Canada indicates that South Pacific 1942 has been the only production which has taken advantage of this incentive. However, private investors in the four provinces have taken advantage of the program. Exact figures are not available, but discussions with a number of reputable brokers indicate that approximately $1.5 million leaves the Atlantic Region each year for productions in other parts of the country.

These figures indicate there is money available for software production but there has not been the interest or the talent base to take advantage of these programs. As a consequence there is no experience to make worthwhile contributions on either the CFDC and the Capital Cost Allowance.

However, readers are referred to the Discussion Paper, prepared by the Canadian Film Certification Office, Secretary of State, dated July 8, 1980.

2. HARDWARE

As used here hardware refers to the capital needed for equipment such as cameras, tape machines, etc. As outlined in Appendix 8 the cost of a first class production unit is well over a million dollars. The CBC and private broadcasters now have such facilities but special incentives will be needed for the independent production industry.

Reduced tax rates, accelerated capital cost allowances and investment tax credits are all used to provide special incentives. Exhibits 3, 4 and 5 show the possible application of these incentives. Exhibit 6 identifies the specific provisions of the Tax Act which would have to be changed to allow these incentives to be allied to film production hardware.

The specifics on tax incentives needed cannot be projected until the equalization formula has been accepted.

EFFICIENT TAX INCENTIVES

Exhibit III

WRITE-OFF OF INVESTMENT

x nple: re: Reduction -f financing costs and Tax write off	Rate of Write-Off 100%	166 2/3%
ls med capital commitment	$1,000,000	$1,000,000
a deduction obtained	1,000,000	1,666,667
ssumed marginal tax rates	50%	and 60%
a dollars deferred	$500,000/$600,000	$833,333/$1,000,000
mount investor has "at risk"	$500,000/$400,000	$166,667/Nil
o ts of returning "at risk" dollars including interest theron at 17%, 5 year term	$1,562,815/$1,562,815	$418,334/Nil

EFFICIENT TAX INCENTIVES

Exhibit IV

WRITE-OFF OF INVESTMENT

Example II re: Reduction of financing costs through write-offs plus Tax Credit

Assumed capital commitment	$1,000,000	$1,000,000
Tax deduction obtained; say investment less tax credit	800,000	700,000
Assumed marginal tax rates	50%	and 60%
Tax dollars deferred	$400,000/$480,000	$350,000/420,000
Tax credit	$200,000/ 200,000	300,000/300,000
	600,000/ 680,000	650,000/720,000
Amount investor has "at risk"	400,000/320,000	350,000/280,000
Costs of returning "at risk" dollars including interest theron at 17%, 5 year term	$1,000,400/963,000	$878,500/842,800

EFFECT OF TAX INCENTIVES

Exhibit V

SUMMARY

Financing requirements from a Cash Flow Point of View are where:

		Per Annum	Over 5 years
(1)	Conventional financing obtained	\$277,000 to \$317,563	\$1,385,000 to \$1,562,815
(2)	Tax write-offs granted at rate of 100% or 166 2/3%	Nil to \$312,563	Nil to \$1,562,815
(3)	Tax write-off of 100% plus Investment Tax Credits	\$168,500 to \$200,080	\$842,800 to \$1,000,400

TAX INCENTIVES

Exhibit VI

Other incentives which enhance financing ability:

	Section Required to be changed
Extension of manufacturing and processing rules to film production	125.1
Class 29 treatment for assets acquired	Schedule II Class 29
Application of Investment tax Credit	127 (5)

TERMS OF REFERENCE #7

Identify the minimum level of new regional markets required to ensure an expanded industry's viability including specifically:

1. CBC AND PRIVATE BROADCASTERS (including commercials)

The policies of in-house production and vertical integration on the part of the broadcasters have been at the expense of the independent producers. There is no reason to believe this will change. The broadcasters were reluctant to disclose figures for out of house production but they did agree that it was minimal and only occured when a staffer was unavailable. It is not realistic to expect broadcasters to contribute to an expanded industry (Pay TV). In fact, they will be a beneficiary of it through productions and co-productions.

2. NATIONAL PAY TV NETWORK

As outlined before, Pay TV is the only hope for an expanded industry. The figure indicates $5.6 million going into the Atlantic production industry.

3. PROVINCIAL DEPARTMENTS OF EDUCATION

Their present budgets appear to be taxed to the limit. Again, Pay TV offers a new source of revenue; as outlined in Appendix 10.

4. NON-THEATRICAL

Sponsored film through the NFB amounted to $103,000. It is hoped that the new tendering system (Appendix 12) will see more money flowing to the region.

5. THEATRE EXHIBITORS

As outlined above the funding is available for feature and non-feature production. The interest and talent must be developed through the Pay TV market to take advantage of the theatrical market.

TERMS OF REFERENCE #9

Recommend the assistance required to build up the industrial infrastructure from existing programs in the Department of Regional Economic Expansion, Department of Industry, Trade and Commerce and the Provinces.

There is a wide range of government programs directed at the Atlantic Region designed to encourage, develop and support industry. As a general principle they are designed to create jobs, and have aimed primarily at the secondary manufacturing and processing industry. The problem is that film making does not fall within that generally accepted term of reference. However, the film production industry is highly skilled, labour intensive and well paid, which fits the primary objectives for job creation programs.

In most cases legislation will not be required to make film production eligible for special incentives. The attached exhibits contain a list of federal programs which could be used to encourage film production. Readers are also referred to Industrial Estates Limited in Nova Scotia, the Newfoundland and Labrador Development Corporation, Industrial Enterprise Incorporation in Prince Edward Island, and the Department of Commerce and Development in New Brunswick.

FEDERAL GOVERNMENT FUNDING AND INCENTIVE PROGRAMS

DEPARTMENT OF REGIONAL ECONOMIC EXPANSION
INCENTIVES TO INDUSTRY

Type of Industry - Manufacturing or processing
New plant or modernize existing one.

Type of Incentive - (1) Incentive grants (certain new commercial facilities - loan guarantees).

(2) Loan Guarantees

Repayment - Most incentives are non-repayable. Some may be conditionally or fully repayable.

Equity Requirement - 20% of total capital employed (including working capital)
In existing operations - 20% of new capital employed, plus 20% of book value of existing assets and working capital.

Minimum Size Project - $25,000 A.C.C. (Building and production equipment)

Categories - A) B) Standard formula — Projects with less than $1.5 millic of Approved Capital Cost and fewer than 100 jobs.

C) Large projects - Over above limits - special formula.

Standard Formula for Incentives:

(1) New facility or new product expansion - 25% of Approved Capital Cost plus 30% of salary and wages.

(2) Modernization or volume expansion - 20% of A.C.C.

Ceilings on Incentives:

(1) New facility or new product expansion - The lowest of (a) 25% of A.C.C. and $5,000 for each direct job created in the facility (the initial 20% of capital costs may not exceed $6,000,00(

(b) $30,000 for each direct job created

(c) 50% of the capital employed in the operation, or

(d) 80% of A.C.C. for most incentives determined by standard formulae.

Ceiling on Incentives (Cont'd)

(2) Modernization and volume expansion - The lesser of:

(a) 20% of A.C.C.

(b) $6,000,000

Payment - First payment 80% of approved total incentive after plant has been in commercial production for 30 days and after an inspection has revealed that project is operating in accordance with terms of offer. Final payment (20%) 30 months after start of commercial production of an expansion or modernization, or within 42 months for a new plant or new product expansion; but not sooner than 24 or 36 months respectively.

Calculation Example - * See Appendix A

- * See Appendix B

LOAN GUARANTEES

Purpose - To help entrepreneurs obtain adequate term debt financing for projects located within the designated regions.

Features - A loan guarantee insures the lender of repayment up to 90% of the original amount of any loan. It is not a guarantee of prompt payment but a guarantee against loss.

Types - (1) Shared risk - Lender protected for a specified % (up to 90%) of any loss sustained on a loan after liquidation of all security.

(2) Incremental - Lender and DREE do not necessarily share all losses. DREE will pay 100% of any loss sustained up to a pre-negotiated maximum dollar amount. These maximum amounts are subject to the following ceilings:

- 33 1/3% of the loan balance where the term is 5 years or less.
- 25% of the loan balance where the term is more than 5 years.

Eligibility - Manufacturing or processing firms which could be, are, or have been eligible for a development incentive are eligible provided their project is not fully established.

SMALL BUSINESS LOANS ACT

1. Purpose

   a) To help small businesses obtain term credit for business improvement purposes.

2. Assistance

   a) Fixed Equipment Loans/Movable Equipment Loans

      i) For installed cost/renovation improvements or modernization.

   b) Premises Loans (including land)

      i) For purchase, construction/renovations, improvement or modernization.

3. Eligibility

   a) Types of Business

      i) Manufacturing, Wholesale, Retail, Service, Transportation, Construction, Communications;

      ii) Gross revenue: $1 million maximum.

4. General

   a) Loans can be obtained through banks, trust companies, loan companies, etc. who are designated by the Minister of Finance;

   b) Outstanding loan not be exceed $50,000;

   c) 80% of installed cost of fixed and movable equipment; 90% of renovations/improvements/purchase price/cost of construction;

   d) 10 year term;

   e) Rates and installments from lender; security - equipment - 1st charge; premises - 1st mortgage; also promissory note.

FEDERAL BUSINESS DEVELOPMENT BANK

Purpose - Promote and assist in the establishment and development of business enterprises by providing financial and management services. It supplements such services available from others with particular attention to smaller enterprises.

Criteria -
(1) Loans are for less than $100,000.
(2) Supplement the services of other lenders by financing which is not available elsewhere on reasonable terms and conditions.
(3) Amount and character of investments by persons other than FBDB may reasonably be expected to ensure the continuing commitment of these persons to the business.
(4) Future earnings sufficient to repay FBDB plus provide for other needs of business. Proposal must be sound and management capable. Appropriate security available to bank.

Types -
(1) Financial assistance to new and existing business of every type.
(2) Loans, loan guarantees, equity or leasing or in combination.
(3) Loans for purchase of land and buildings/alter or extend existing buildings/construct new buildings or buy equipment.
(4) Working capital loans or finance change in ownership.
(5) Initial financing for new business.

SMALL BUSINESS LOANS ACT

Objective	-	To help small businesses obtain term credit for business improvement purposes (Gross revenue $1,000,000 maximum).
Types of Business	-	Manufacturing Wholesale Retail Service Transportation Construction Communications

Loans can be obtained through banks, trust companies, loan companies, etc., who are designated by the Minister of Finance.

Purpose	-	Fixed Equipment Loans) Movable Equipment Loans) Installed cost/renovation improvements or modernization
	-	Premises Loans (including land) - Purchase, construction/ renovations, improvement or modernization.
Maximums	-	Outstanding loan not to exceed $50,000

80% of installed cost of fixed and movable equipment.
90% of renovations/improvements/ purchase price /cost of construction.
Term 10 years
Rates and installments from lender.
Security - equipment - 1st charge
premises - 1st mortgage
Also promissory note

ENTERPRISE DEVELOPMENT PROGRAM

Objective - To enhance the growth in manufacturing and processing sectors of the Canadian economy by providing assistance to selected firms to make them more viable and internationally competitive. (Small and medium sized firms with relatively high risk projects/ new and existing).

Forms of Assistance -

(1) 50% grants to develop proposals for projects eligible for assistance. (Complex proposals requiring consultants).

(2) 50% grants to study market feasibility (consultant fees)

(3) 50% grants to study productivity improvement projects (consultant fees)

(4) 50% grants for industrial design (industrial design services)

(5) 50% grants for innovation projects.

(6) Loans and loan insurance (90%) for adjustment projects Last resort financing to meet international competition in domestic and export markets.
   - 90% loss insurance in conventional term loans, lease financing, working capital, capital expenditures.
   - Direct loans for injury.

(7) Special purpose forms of assistance.

CANADA MANPOWER INDUSTRIAL TRAINING PROGRAM

Objectives - (1) Help employees fill positions for which skilled workers are not available.

(2) Retain employees who might otherwise have to be laid off due to technological or economic changes.

(3) Participate in the support of industrial development strategies in various regions of the country.

(4) Fill new job vacancies that have resulted from expansion of the company's operations.

(5) Provide jobs and training for people who find it difficult to obtain and hold permanent employment.

Eligibility - Employers - Generally any Canadian employer whose operations are not financed primarily by public funds.

- Trainees - (1) Must be employed by contracting company at time of training.
  (2) Likely to benefit from training and related job experience in terms of increased employability and/or earning capacity.
  (3) One year beyond the school leaving age in the province of training.
  (4) Not a member of the employer's immediate family.

Criteria for Training Approval - (1) Project must be in line with training priorities established for that area.
(2) Provide a realistic solution to training problem.
(3) Take place in Canada and last a minimum of one week, but not more than 52 weeks full time or 1820 hours part time.
(4) Provide trainees with skills that are transferable to similar jobs elsewhere.
(5) Utilize as fully as possible, the expertise and training available in the company and surrounding community.

CANADA MANPOWER INDUSTRIAL TRAINING PROGRAM (Cont'd)

Training Not Eligible - (1) Courses designed for university credit.
(2) General educational upgrading courses unless required prerequisites for skill training to be provided in a company's training program.
(3) Training designed to compensate for high employee turnover, rather than reduce it.
(4) Training that is part of a company's regular staff development program.
(5) Training that has started prior to the signature of the contract with Canada.
(6) Training that takes place outside Canada.

Financing Under Program - (Employer must have incurred costs before reimbursement).

(1) Direct Training Costs

(a) Up to 100% of instructors wages to a daily maximum of $20.00 per trainee, or $100.00 per day, whichever is less.
(b) Up to 100% of instructors travelling and living expenses.
(c) Up to 100% of training aids such as text books and expendable tools.
(d) Up to 75% of course fees when training is contracted out to a public or private institution.
(e) Up to 50% of special travelling and living expenses incurred by trainees as a result of training.

(2) Trainee Wages

(a) Up to 40% of actual wages for employees already working with the Company.
(b) Up to 60% of actual wages for previously unemployed people hired specifically for the program and for workers whose employment is threatened.
(c) Up to 85% of actual wages for "special needs" workers who find it especially difficult to hold permanent employment.

Items Not Financed - Cost of administration, production materials used in training, and fringe benefits.

Employer Obligations - (1) Develop in consultation with union or employee representatives and provincial authorities a training plan that will meet the company's training needs and will increase the trainee's employability.
(2) Implement the plan in accordance with the contract.
(3) Maintain proper accounts and records.

DEPARTMENTS OF EDUCATION

The departments have four basic functions in the film industry:

1. Educating film makers
2. Producing educational material
3. Distributing film
4. They are consumers of educational material.

Educating Film Makers

There are no formal programs in film making in the Atlantic Provinces. Prince Edward Island, as noted earlier, did offer a production course but it was cancelled because of lack of employment opportunities. The four governments believe the current job market is adequately supplied. They indicate that if the need for formal training programs arises, programs could be established within a year. A limited number of courses are offered to teachers in film technique and film appreciation.

Producing Educational Material

Nova Scotia produces about 200 minutes of programming a year through the facilities of the CBC. The costs of $100,000 a year cover only the direct costs of the CBC, with the CBC absorbing all indirect expenses. Production outside the CBC would be prohibitively expensive.

The other provinces do not produce top quality shows. The NFB recently co-produced a series with the four provinces on the fishing industry for in-house distribution.

Nova Scotia's video studio for adult education employs one person and uses 3/4 inch colour. It produces tapes on specific curriculum material. The province also has a person who does film strip dubbing.

Producing Educational Material (Cont'd)

Prince Edward Island has a one-man video studio which produces curriculum material for the school boards. New Brunswick will soon have a video production unit using portable video equipment. Newfoundland employs one person to produce six or seven film strips a year.

With these facilities it is not reasonable to expect the provinces to do any of the work outside the departments. However, the departments all feel their film work is valuable and indicate a desire for more money to expand their operations.

Distributing Educational Material

Off air - CBC broadcasts the Nova Scotia Department of Education programs one hour a day, five days a week, 30 weeks a year. The programs are also available in Prince Edward Island. Although this is the cheapest form of distribution, it also means that teachers must schedule their classes around viewing times.

In school - This is the most expensive but most effective form of distribution. Teachers control both time and material used.

Cable - The departments have considered using cable. It is a cheap form of distribution and teachers have some control over material and timing. The departments have no active plans to use the channels available for education, but they all encourage school boards to use cable. Memorial University of Newfoundland operates a request educational channel in St. John's.

Consumers of Educational Material

The Nova Scotia Department of Education spends about $100,000 a year to maintain its film library. The other provinces are less specific on how much they spend. Nova Scotia's purchased material comes on video and film strips and costs an average of $300 per 30 minute program. Some of the programs come from AIT, a non-profit multinational corporation. None of the provinces have commissioned work nor do they think it will be feasible to do so in the near future.

FILM COOPERATIVES

There are three film cooperatives in the Atlantic Provinces: The Atlantic Coop in Halifax, the New Brunswick Film makers Coop and the Newfoundland Film Makers Coop. Plans for a fourth in Moncton are underway.

The Atlantic and New Brunswick coops are communities of film expression, providing alternatives to commercial houses for experienced and would-be film makers. Members learn from one another and the coops offer film appreciation courses to the community as a whole.

The Newfoundland Coop is more a pooling of resources for commercial as well as non-commercial production.

The Coops have two common problems: funding and distribution. Members find they spend more time trying to raise money than they do shooting film. Their funding breaks down as follows:

1. Overhead and capital expenditures from provincial governments and the Canada Council.
2. Production grants from the NFB in the form of film stock and processing.
3. Production grants from the Canada Council to individual members.
4. Membership fees and personal donations.
5. Corporate grants.

Coop Distribution

At least one of the coops has a staff person who works solely on distribution. The main outlets are the general public, the NFB, public libraries, provincial governments (for film appreciation courses) festivals and exhibitions.

The most encouraging innovation is the formation of the Canadian Film Makers Distribution Centre to distribute coop and experimental films nation-wide, primarily to high schools and universities.

The coops have explored having their work shown by local commercial exhibitors. The immediate problem is the cost of transferring the coops' 16mm work to 35mm for the theatres. The theatre owners have indicated their willingness to show coop shorts and they may be willing to pay for them if the provinces rebate ticket taxes, as proposed in Section dealing with provincial governments.

The Budgets

The type of production will vary, but for the purpose of this report, a series of budgets that take in a number of forms of performing arts presentations is included. The budgets include two theatrical presentations video taped while running in a theatre, a symphony concert using a medium priced feature performer, and a budget guideline for an original work with addendums for musical presentation, original work, and pilot presentation for a mini-series. The budgets are divided into above and below the line costs.

ABOVE THE LINE

It is difficult to present accurate budgets for proposed productions at this stage, particularly since a limited number of projects of this kind have been instituted in Canada. There are, however, basic guidelines which are available to the independent producer through existing agreements. This relates solely to artistic and creative personnel. Both the Association of Canadian Television and Radio Artists and the Canadian Actors Equity Association have agreements with the independent producers association, and each other, regarding minimums that pertain to video productions.

In the case of ACTRA the minimum rates for principals are;

210.56/day
39.48/hr.
842.00/wek

Bit players, as defined by the agreement are paid a minimum;

142.00/day
26.88/hr.
569.00/wk.

In regards to stage production, under the auspices of Equity, the artist must be paid the greater of the ACTRA minimum or two weeks equity minimum for each two days of shooting in the theatre. For the purposes of these budgets, this double Equity consideration were the figures used.

There are, however, additional considerations that should be taken into account for general budgeting of these items. The major consideration is that each of the artists must be individually contracted. In discussions with a number of agents who have contracted independent video production, it was clear that the fee varies greatly. It ranges from scale for the less experienced performer to a high of 1000 per day minimum 8 days for the more seasoned performer.

Further is the question of buy-outs, residuals, and actor participation. The standard for buy-outs is 50% of the total salary for 5 years, 100% for 10 years. The question of residuals and participation is a study onto itself, and in fact, at this writing, has closed down the television production industry in the United States. By most considerations, the guidelines of the ACTRA agreement cover this situation once the method of distribution and payment for the product is determined. At present the CBC, which is the largest single contractor, is allowed one rebroadcast prior to residual payment. In regards to participation by an individual artist, the sky is the limit. In the film medium, this has averaged 2% of gross receipts to the producer for any sales. In the case of American video, a Wayne Newton, Liberace, or Rod Stewart can command up to 70% after cost. However, as for most of the items outlined here, facts can only be ascertained through protracted negotiations.

The American Federation of Musicians is clear on its stand. For a one-hour production, a musician is paid minimum 193.50; for a six-hour session, the leader of which one musician is designated, is paid double, and a featured musician is paid 50% overscale. Usually, with the exception of major musical artists, the minimums and additional doubling fees per instrument apply.

Historically, designers are paid a repeat fee for television broadcast and additional fees for each new design element as outlined in the designer's association contract. In regards to directors for the stage production, as well as any other member of the production staff who is a member of Equity, they have been budgeted at double scale. In regards to these budgets, the original stage director is assigned as director of the production with an associate director assigned to translating the stage directors wishes to video.

The performance rights figure is perhaps the most nebulous area. Since the concept is relatively new to the Canadian scene, the assumption made in this case is that the writer is paid originally double the royalties on theatrical production run. It may also be assumed that in the event of rebroadcast, he would be paid up to 10% of gross receipts. The remainder would go to the producing theatre as an initial payment. However, long term participation for both the producing theatre and the writer of the work should be taken into consideration once the method of distribution and payment is ascertained.

BELOW THE LINE

Generally, all these budgets pertain to a shooting schedule of two days minimum, three days maximum. In the case of productions already in progress, the creative and production personnel are aware of and ideally have seen the show a number of times prior to the shooting. The majority of the shots have been worked out with the stage director in the preproduction sessions. Duties have been assigned and a shooting schedule arranged with the production stage manager. On the morning of the day before the shot, the theatre is set-up by the video production crew. The afternoon of the first day is used as technical rehearsal and the evening performance is shot but not recorded. The day of the shoot augmentation required for lighting and sound is accomplished. The afternoon rehearsal is used to record close-ups and cutaways. The evening performance is recorded completely, and any further recording for the production is done after the performance is complete. This may be additional close-ups, further established shots, etc.

Effectively the process is the same for original productions except that an additional day is made available to avoid the lighting and sound problems that are inherent in a stage production.

In regards to the actual production costs and the past production items, it has been assumed that the equipment used is state of the art as determined from the previous report on equipment, rental, and availability. The lower the quality of the equipment and the less experienced the crew of a mobile facility, the more inexpensive the price. This, of course, would lower the quality of the production from that of an international standard with international market potential possible down to the present quality of cablecasting. Obviously, the latter would not be at all acceptable to the producing theatres.

The post-production facility outlined in these budgets is also state of the art and with the exception of Glen Warren and some CBC units, does not exist in Canada.

Finally, the producers fee is not included within the main body of the budget because of the variation that may take place. This is outlined in the section on advantages to the performing arts.

BUDGET

STAGE PRODUCTION

NON-MUSICAL

IN PRODUCTION

This is a play with six people, none of which are a noted star, shot at the end of a production run.

Stage Production
Non-Musical
In Production

Above the Line

Performers		
Principals (6)	7400	
Benefits	740	
	8140	8140
Creative Staff		
Set Design	1700	
Costume Design	1000	
Director	5760	
	8460	8460
Production Staff		
Associate Producer	2500	
Associate Director	2880	
Production Assistant	500	
Production Stage Manager	800	
Benefits	668	
Photography	500	
	7848	7848
Performance Rights	10,000	10,000
Total Above the Line		34,448

Below the Line

Production		
DAY 1		
Theatre	500	
Lighting Director	300	
Stagehands	360	
Full fax.(no VTR)		
4 Camera Ops		
2 Video Ops		
1 Audio Ops		
1 Technical Director		
1 Utility		
9 x 200	1800	
4 Cameras	2800	
	5760	5760

Stage Presentation
Non-Musical
In Production

DAY 2		
Theatre	500	
Lighting Director	300	
Stagehands	360	
4 Camera Ops		
2 Video Ops		
2 VTR Ops		
1 Audio Ops		
1 Utility		
1 Technical Director		
11 x 200	2200	
4 Cameras	2800	
3 VTRs	2080	
1 16-track Recorder	1440	
	9680	9680
Tape Stock		
4 hrs. Rental 2"	4000	
20 hrs. 3/4"	700	
	4700	4700
Miscellaneous		
Light & Microphone Rental	800	
Wardrobe & Make-up	1000	
Insurance	1200	
Office and Phone	1000	
Production Sect.	1000	
Scripts	100	
Legal Fees	2000	
Supplies	500	
Catering	500	
	8100	8100
Post Production		
CMX OFFLINE	3600	
3 Machine Edit	5760	
Title & Graphics	500	
Audio Mixdown	1000	
Audio retrack	300	
Sweetening	2000	
2" Stock Purchase	1000	
Audio Stock	250	
Cassette Dubs	1000	
Sync Rights	1000	
	16,410	16,410

Stage Presentation
Non-Musical
In Production

Total Below the Line	46,690
Total Costs	81,138
Producer's Fee	8,138
Total Cost	89,276

N.P./N.M./
In Production

2 actors at 1000 double scale	4000
2 actors at 500 double scale	2000
2 actors at 350 double scale	1400
	7,400

<u>BUDGET</u>

<u>18 WHEELS IN PRODUCTION</u>

A budget for a small musical, in this case, 18 WHEELS by John Gray, in production and running in a theatre. Performance rights would be split between the theatrical producers and the writers.

18 Wheels
In Production (1)

Above the Line

Performers		
(2) Principals (4)	4000	
Benefits	400	
	4400	4400
(3) Musicians (4)	2901	
Benefits	290	
	3191	3191
Creative Staff		
(4) Designer	1700	
Music Director	3000	
(5) Director	5760	
Total	10,430	10,430
Production Staff		
Associate Producer	2500	
Associate Director	2880	
Production Assistant	500	
Production Stage Manager	700	
Benefits	658	
Photography	500	
	7738	7738
Performance Rights	10,000	10,000
Total Above the Line		35,759

18 Wheels
In Production

(6) Below the Line

Production		
DAY 1		
Theatre	500	
Lighting Director	300	
Stagehands	180	
Full fax. (No VTR)		
4 Camera Ops.		
2 Video Ops.		
1 Audio Op.		
1 Technical Director		
8 x 200	1600	
4 Cameras	2800	
	5380	5380
DAY 2		
Full tac.		
Stagehands	180	
4 Camera Ops.		
2 Video Ops.		
2 VTR Ops.		
1 Audio Ops.		
1 Utility		
1 Tech. Director	2000	
4 Cameras	2800	
3 VTRs	2080	
1 16-track Recorder	1440	
	8550	8550
Tape Stock		
4 hrs. Rental 2"	4000	
20 hrs. 3/4"	700	
	4700	4700
Miscellaneous		
Light & Microphone Rental	800	
Wardrobe & Make	600	
Scripts	200	
Insurance	1200	
Office & Phone	1000	
Production Sec't	1000	
Legal Fees	2000	
Supplies	500	
Catering	500	
	7800	7800

18 Wheels
In Production

Post Production		
CMX Offline	3600	
3 Machine Edit	5760	
Title & Graphics	500	
Audio Mixdown	1000	
Audio Retrack	300	
Sweetening	2000	
2" Stock Purchase	1000	
Audio Stock Purchase	500	
Cassette Debs	1000	
Sync Rights	1000	
	16,060	16,060
Total Below the Line		42,290
Total Production Costs		78,249 (6)
Producer's Fee		7,824
Total		86,073

NOTES

(1) Show running in a theatre

(2) Actra Minimum

Principal	210.56/day
Hourly	39.48/hr.
Weekly	842.00
Actors	142.00/day
Hourly	26.88/hr.
Weekly	569.00

or

Double Equity Scale = 2 days
267 x 2 = 534/2 days

Fee:

Jan Kudelka	500 x 2 = 1000
Tom Gallant	500 x 2 = 1000
Stan Lesk	500 x 2 = 1000
Mary Trainor	500 x 2 = 1000

(3) AF of M

1 hr. performance	193.50
6 hr. call	
Leader	387.00
Featured + 50%	

Fee per

Leader (Featured 580.50 x 2	1161
Feature (3) Featured 290 x 2 x 3	1740
	2901

(4) Designer
Full Fee

(5) Director
Equity Scale 2880 x 2 5760

(6) See note on production costs in accompanying documentation.

(7) See note on residual payment in accompanying documentation.

BUDGET

SYMPHONY CONCERT

Budget for a Symphony Concert with a featured star performer, for example, Burton Cummings, backed by The Atlantic Symphony Orchestra, could in fact be the basis of a series. Performance rights would be paid entirely to the cultural organization.

Symphony Concert
Live to Tape

Above the Line

	Performers		
	Featured Performer	10,000	
(1)	Featured Musicians	11,600	
	Musicians at Scale	11,610	
	Leader	1,160	
	Conductor	1,160	
	Benefits	3,553	
		39,083	39,083
	Creative Staff		
	Designer	1700	
(2)	Music Director	2000	
	Director	5000	
		8700	8,700
	Production Staff		
	Associate Producer	2500	
	Associate Director	2880	
	Production Assistant	1000	
	Librarian	1160	
	Production Stage Manager	700	
	Orchestra Manager	1160	
	Benefits	940	
	Still Photography	1000	
		11,340	11,340
	Performance Rights	10,000	10,000
	Total Above the Line		69,123

Below the Line

Production		
DAY 1		
Studio	500	
Lighting Director	300	
Stagehands	360	
Full fax. (No VTR)		
5 Camera Ops.		
2 Video Ops.		
3 Audio Ops.		
1 Technical Director		
11 x 200	2200	
5 Cameras	3500	
	6860	6,860

Symphony Concert
Live to Tape

Featured Star

DAY 2		
Theatre	500	
Full fax.		
Stagehands	360	
Lighting Director	300	
5 Camera Ops.		
2 Video Ops.		
3 VTR Ops.		
4 Audio Ops.		
1 Utility		
1 Tech. Director		
200 x 15	3000	
5 Cameras	3500	
4 VTR	2800	
2 24-Track Recorders	4000	
	14,460	14,460
Tape Stock		
4 hrs. Rental 2"	4000	
20 hrs. 3/4"	700	
	4700	4,700
Miscellaneous		
Light & Microphone Rental	3000	
Crane Rental with Op.	600	
Insurance	2500	
Office & Phone	1000	
Production Sec't	1000	
Music Rental	1000	
Legal Fees	3000	
Supplies	500	
Accounting	1000	
Catering	1000	
	14,600	14,600
Post Production		
CMX OFFLINE	3600	
4 Machine Edit	7680	
Title & Graphics	500	
Audio Mixdown	5400	
Audio Retrack	600	
Sweetening	2500	
2" Stock Purchase	1000	
Audio Stock Purchase	3000	
Cassette Dubs	1200	
Sync Rights	1000	
	26,480	26,480

Symphony Concert
Live to Tape

Featured Star

Total Below the Line	67,100
Total Production Cost	136,223
Producers Fee	13,622
Total	149,845

NOTES

(1) 2 6 hr. rehearsal
as 4 3 hr. calls

Musicians	193.50 x 2 x 30	= 11,610
Featured	290.00 x 2 x 20	= 11,600
Leader	580 x 2 x 1	= 1,160
Conductor	580 x 2 x 1	= 1,160

(2) In addition to Conductor's fee

BUDGET

FULL PRODUCTION

This budget is for a full production, not necessarily for theatrical presentation, but using a live audience. In addition, additional costs are outlined if the production is original, which includes a writer's fee, and notes are included for a musical presentation. To determine the cost of a pilot for a mini-series, additional costs would include more than one set, and including props an additional $13,000 per set for actors based on a per actor, per day cost factor analysis.

Full Production

Above the Line

Principals (2)	11,000	
Support (3)	9,000	
Bit (2)	4,512	
Benefits	2,451	
	26,963	26,963
Creative Staff		
Designer Set	2500	
Designer Costumes	1500	
Designer Lights	1500	
Director	5760	
	11,260	11,260
Production Staff		
Associate Producer	2500	
Associate Director	1500	
Production Assistant	2000	
Production Stage Manager	1600	
Assistant Stage Manager	1200	
Benefits	880	
Still Photography	500	
	10,180	10,180
Performance Rights	15,000	15,000
Travel		
250 x 10	2500	2,500
Total Above the Line		65,903

Below the Line

Rehearsal Space		
15 days x 200/day	3000	3,000
Production		
DAY 1		
Theatre	500	
Stagehands	360	
Full Dress	500	
	1360	1,360

Full Production

Production		
DAY 2		
Theatre	500	
Stagehands	360	
Full Fax. (no VTR)		
4 Cameras Ops.		
2 Video Ops.		
1 Audio Ops.		
1 Technical Director		
1 Utility		
9 x 200	1800	
4 Cameras	2800	
	5510	5,510
DAY 3		
Theatre	500	
Stagehands	360	
4 Camera Ops.		
2 Video Ops.		
2 VTR Ops.		
1 Audio Ops.		
1 Technical Director		
1 Utility		
11 x 200	2200	
4 Cameras	2800	
3 VTRs	2080	
1 16-Track recorder	1440	
	9380	9,380
Sets & Costumes		
Set Material	3000	
Set Labour	6000	
Prop Material	2000	
Prop Labour	2000	
Cost Material	3000	
Cost Labour	4000	
Lights & Sound Material	1000	
Labour	2000	
	23,160	23,160
Tape Stock		
4 hrs. Rental 2"	4000	
20 hrs. 3/4"	700	
	4700	4,700

Full Production

Miscellaneous		
Light & Microphone Rental	800	
Wardrobe and Make-up	1000	
Hair & Wigs	1000	
Insurance	1200	
Office & Phone	1000	
Production Sec't	1000	
Scripts	100	
Legal Fees	2000	
Supplies	500	
Catering	500	
	9100	9,100
Post Production		
CMX OFFLINE	3600	
3 Machine Edit	5760	
Title & Graphics	500	
Audio Mixdown	1000	
Audio Retrack	300	
Sweetening	2000	
2" Stock Purchase	1000	
Audio Stock	250	
Cassette Dubs	1000	
Sync Rights	1000	
	16,410	16,410
Total Below the Line		72,620
Total Production Costs		138,523
Producers Fee		13,852
		152,375

For an original production:

ADD

Above the Line	
Creative Staff	
Writers Fee	5,000
Total Above the Line	70,903
Total Below the Line	72,620
Total Original Production	143,523
Producers Fee	14,352
Total Cost	157,875

Full Production

For Musical Presentations:

Above the Line		
Musicians (10)		
8 x 290 x 4 =	9280	
1 x 580 x 4 =	2320	
1 x 580 x 4 =	2320	
1 x 580 x 4 =	2320	
	16,240	16,240
Music Director	3000	3,000
Performance Rights	5000	5,000
Total		24,240
Above the Line		65,903
Above the Line Total		90,143
Below the Line		
Add 1 Audio Op.	400	
Add 1 16-Track	1440	
Total	1840	1840
Below the Line		72,620
Total		74,460
Total Above		90,143
Total Below		74,460
Total Musical Production		164,603
Producers Fee		16,460
Total		181,063

Non-Musical
Full Production

Performers

2 x 2000/wk. x 2 + 1500 x 2	11,000
3 x 1000/wk. x 2 + 1000 x 3	9,000
2 x 752/wk. x 2 + 752 x 2	4,512
Total	24,512
Benefits	2,451
	26,963

ATLANTIC FILM/VIDEO INDUSTRY: TASK FORCE REPORT.