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FILM AND TELEVISION PRODUCTION IN CANADA: TRENDS TO 1989 AND PROJECTIONS TO 1995

A report prepared by Paul Audley & Associates Ltd.

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FILM AND TELEVISION PRODUCTION IN CANADA: TRENDS TO 1989 AND PROJECTIONS TO 1995

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**FILM AND TELEVISION PRODUCTION IN CANADA:
TRENDS TO 1989 AND PROJECTIONS TO 1995**

I. INTRODUCTION

This study is a follow-up to a number of earlier studies we have carried out which looked at the volume of film and video production in Canada, and at the sources of financing of Canadian production. At the present time, there is no common database for the film, video and television industries in Canada. As a result, a study such as this must draw together statistical data from a variety of sources, attempting to eliminate overlap as much as possible.

Because of the way a study such as this must be done, the methodology used to develop production statistics is of central importance. Appendix A provides a description of the basic methodology used.

In such studies there must always be a concern regarding the quality of the various data sources used. In earlier studies for example, we have had to work with Statistics Canada data which were believed to provide significantly incomplete coverage of the production industry. However, in 1988-89, Statistics Canada expanded its coverage of the industry very substantially. For our purposes in this study, the result was that the increased revenues from Canadian production reported in 1988-89 might reflect largely the fact that companies included in 1988-89 had not been part of the 1987-88 and earlier surveys.

Statistics Canada advised us, however, that the agency could use tax data to assist us in at least improving the 1987-88 data. That was done for this report, and the tax files that could be identified indicated that the companies added to the 1988-89 survey had accounted for $81.6 million in revenue the previous year. Our tables, therefore, show adjusted data for 1987-88 and will differ from the data included in earlier reports -- both our own and those of other analysts -- as well as differing from those of Statistics Canada. However, the data included represent a more complete picture of production revenues in 1987-88 than was previously available. There are, however, some unresolved issues related to the interpretation of the data concerning Canadian production companies and, where appropriate, we have drawn attention to those issues in the body of the report.

It must be recognized that there remains a significant element of imprecision in the data presented. While there are no perfect data on any subject, this is particularly true of statistics related to the film and video industry. Only limited resources are allocated to either data collection or analysis, and there is not an integrated approach to data collection which would, for example, make it possible to integrate data from television broadcasters with data from producers -- based on consistent definitions of various types of productions, as well as data concerning financial expenditures which would avoid double counting. Nevertheless, while imperfect, we believe that the data used in preparing this report provide a reasonably accurate profile of production activity.

Within the resources available for this study, primary attention has been given to the preparation of reliable data concerning production trends. However, an extensive series of interviews has also been carried out, and the list of interviewees is included as Appendix B. The purpose of these interviews was to identify those factors likely to affect film and video production in the future, and to develop a basis for projecting future levels of production. In an industry driven *primarily* by public policy initiatives rather than the marketplace, such projections are particularly difficult, and the estimates offered here are, as a result, given with important qualifications.

There is nothing unique to Canada in the fact that Canadian production is primarily a reflection of public policy; the same statement could be made concerning every country in Western Europe. However, it can be argued that the particular mix of federal and provincial initiatives (affecting both supply and demand) which is in place is more complex in Canada than in any other country, and that the result for producers is an unusually high degree of uncertainty.

Adding to the complexity of any analysis of Canadian production is the fact that English- and French-language producers in Canada function in domestic markets which, while in many ways similar, are by no means the same. Appendix C to this report provides a look at selected issues affecting French-language production.

This study was carried out with the support of the Alliance of Canadian Cinema, Television and Radio Artists (ACTRA), the Department of Communications of the Government of Canada, the National Film Board and the Ontario Film Development Corporation.

In carrying out the study we received assistance from many people. In the development of the statistical data, Kathryn Williams of Statistics Canada, Katka Selucky of the Canadian Audio-Visual Certification Office, Robert Armstrong and Anne Samson of Telefilm Canada were particularly helpful, as were a number of individuals in the provincial film and video funding agencies. We appreciate the co-operation of all those who made their time available for interviews, and offered their advice on a wide range of issues affecting Canadian production.

II. OVERVIEW

II.1 Growth of the Production Industry in the 1980's

The total value of all production in Canada reached $2.5 billion in 1989. This represents an increase of 20 per cent in current dollars over the three years 1987 to 1989, and 10 per cent in constant dollars (see Tables 1 and 2).

The independent production industry, as measured by Statistics Canada, reached overall profitability in 1984-85. This historic moment arrived, coincidentally or not, at the same time Telefilm's Broadcast Fund began to have an impact on the industry.

The most significant element of growth within the $2.5 billion in production was the independent production industry. With increasing financial support by government, it provided 39 per cent of total production in Canada by 1989. The number of production companies doubled between 1980-81 and 1988-89, while production revenue increased by 378 per cent. (see Table 3) Eighty-nine per cent of the industry's revenues came from the domestic market, with television leading the way.

There was, however, only moderate growth in the total number of productions: an increase of 37 per cent from 1981 to 1989. The number of feature films remained at roughly the same level, and the number of TV commercials declined by 18 per cent. Productions had much higher average budgets, and production values improved. This, in turn, led to higher viewing levels and increased foreign sales.

Despite the overall profitability of production companies, (albeit at a relatively low rate of profit as a percentage of revenue), a great deal of independent production was not commercially viable, depending instead on increased public funding. This is not reflected in the data shown in Table 3 since most of the productions supported by Telefilm and provincial support agencies are carried out through separately incorporated companies not covered in the Statistics Canada surveys. Studies prepared for Telefilm Canada confirm that such production generates revenues which do not come close to covering production costs. [1] Many producers interviewed for this study complained about their increased dependence on Telefilm as a result of the sharply reduced CCA incentive and stated their desire for re-establishing, as an additional source of funds, a more neutral funding mechanism, such as a tax incentive.

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1 The extent to which this is true is documented, for example, in a study carried out for Telefilm Canada by Michel Houle and Paul Audley & Associates Ltd., titled "Study of the Revenues Earned by Canadian Productions", September, 1990.

TABLE 1

Total Film/Video Production in Canada, 1987 to 1989 (1)
(Current Dollars)
($millions)

	1987		1988		1989		% Change
	$	%	$	%	$	%	%
Independent Production	689.6	34	909.8	40	955.6	39	+39
CBC/SRC (2, 3)	582.7e	29	617.1	27	645.9	26	+11
Private TV (2)	345.9	17	388.0	17	422.7	17	+22
Specialty/Pay TV (2)	8.8	<1	13.6	1	35.3	1	+301
Educational TV (2, 4)	47.8e	2	53.3	2	56.9	2	+19
NFB	41.6	2	47.6	2	47.8	2	+15
Cable Community Channels	51.6	3	55.9	2	54.4	2	+5
Total Canadian Production	1,768.0	86	2,085.3	91	2,218.6	90	+25
Foreign Production in Canada	276.0	14	208.3	9	237.1	10	-14
Total Production	2,044.0	100	2,293.6	100	2,455.7	100	+20

SOURCES: Statistics Canada, CRTC, provincial film commissions, and annual reports of CBC, NFB, Alberta Access, Radio Quebec and TV Ontario. Data from Telefilm Canada, CAVCO, B.C. Film, Cultural Industries Development Office (Manitoba), Alberta Motion Picture Development Corporation, Sociétés générale des industries Culturelles (SOGIC), OFDC, and Statistics Canada.

NOTES: (1) The figures in this table are for different year ends. Independent production and foreign production data are for the calendar years indicated. Private TV, specialty, pay TV and cable community channel data are for the fiscal year ending August 31. CBC/SRC, educational TV and NFB data are for the fiscal year ending March 31.

(2) Some duplication inevitable, but acquisitions (foreign and Canadian) excluded wherever identified. For CBC, private TV, specialty and pay TV, and Educational TV, foreign and Canadian acquisitions deducted. For 1987, acquisition expenditures for Canadian productions by pay and specialty services are estimates.

(3) CBC foreign and Canadian acquisitions for 1987 estimated at $40 million.

(4) Educational TV includes Radio Quebec, TV Ontario, and Alberta Access. Radio Quebec's 1987 fiscal year was seven months long, and above estimate based on pro-rated 12 month year.

e Estimate (see footnotes 3 and 4 above).

TABLE 2

Total Film/Video Production in Canada, 1987 to 1989 [1]
(Constant Dollars *)
($millions)

	1987		1988		1989		% Change
	$	%	$	%	$	%	%
Independent Production	689.6	34	874.4	40	874.6	39	+27
CBC/SRC [2,3]	582.7e	29	593.0	27	591.1	26	+1
Private TV [2]	345.9	17	372.9	17	386.9	17	+12
Specialty/Pay TV [2]	8.8	<1	13.1	1	32.3	1	+267
Educational TV [2,4]	47.8e	2	51.2	2	52.1	2	+9
NFB	41.6	2	45.7	2	43.7	2	+5
Cable Community Channels	51.6	3	53.7	2	49.8	2	-3
Total Canadian Production	1,768.0	86	2,004.1	91	2,030.5	90	+15
Foreign Production in Canada	276.0	14	200.2	9	217.0	10	-21
Total Production	2,044.0	100	2,204.3	100	2,247.5	100	+10

SOURCES: Statistics Canada, CRTC, provincial film commissions, and annual reports of CBC, NFB, Alberta Access, Radio Quebec and TV Ontario. Data from Telefilm Canada, CAVCO, B.C. Film, Cultural Industries Development Office (Manitoba), Alberta Motion Picture Development Corporation, Sociétés générale des industries Culturelles (SOGIC), OFDC, and Statistics Canada.

NOTES: (*) Consumer Price Index deflator used.

(1) The figures in this table are for different year ends. Independent production and foreign production data are for the calendar years indicated. Private TV, specialty, pay TV and cable community channel data are for the fiscal year ending August 31. CBC/SRC, educational TV and NFB data are for the fiscal year ending March 31.

(2) Some duplication inevitable, but acquisitions (foreign and Canadian) excluded wherever identified. For CBC, private TV, specialty and pay TV, and Educational TV, foreign and Canadian acquisitions deducted. For 1987, acquisition expenditures for Canadian productions by pay and specialty services are estimates.

(3) CBC foreign and Canadian acquisitions for 1987 estimated at $40 million.

(4) Educational TV includes Radio Quebec, TV Ontario, and Alberta Access. Radio Quebec's 1987 fiscal year was seven months long, and above estimate based on pro-rated 12 month year.

e Estimate (see footnotes 3 and 4 above).

TABLE 3

Trends in the Independent Production Industry, 1980-81 to 1988-89
($millions)

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	% Change
Number of Companies	292	371	497	489	532	561	603	548	620	+112%
Production Revenues*	$110.2	$130.7	$155.7	$151.4	$197.0	$321.3	$349.2	$378.7	$527.1	+378%
Total Revenue	$144.3	$181.1	$201.5	$200.0	$239.1	$358.6	$412.1	$461.0	$622.6	+331%
Net Profit Margin	-5.6%	-39.5%	-3.0%	-7.6%	+4.0%	+7.0%	+3.8%	+5.1%	+3.5%	--
Foreign Revenues	$4.9	$12.0	$14.8	$9.2	$20.8	$11.7	$30.3	$19.5	$57.4	+1,071%
No. of Productions	13,652	12,568	10,809	9,014	14,065	16,784	13,328	15,825	18,737	+37
- Features	35	38	74	62	16	71	26	34	46	+31
- TV Commercials	5,356	5,973	5,284	3,957	3,724	4,857	3,733	3,965	4,366	-18
Employees										
- Working Prop.	39	64	91	92	107	104	72	58	74	+90
- Full Time	1,048	1,224	1,317	1,271	1,497	2,004	2,338	2,586	2,858	+173
- Part Time	140	310	404	258	309	1,017	859	1,003	1,614	+1,053
Total Salary	$20.3	$25.9	$32.0	$29.0	$43.3	$60.8	$69.8	$78.4	$96.9	+377

SOURCE: Statistics Canada.

NOTES: * Because of the extent of reliance on public funding of individual productions, and particularly feature film and TV program production, production revenues are lower than the aggregate budgets of productions, which are reflected in Tables 1 and 2.

Statistics Canada methodology changed with the 1985-86 survey, and numbers before or after that year may not be comparable.

Table 4 demonstrates the impact on independent production of increasing public financing. The figures in Table 4 were compiled using actual production budget information and represent the aggregate budgets of Canadian films and video productions in each category. During the seven year period covered in the table, sponsored production fell from 59 per cent of all independent production to 35 per cent. In the same period the publicly-assisted non-sponsored sector, including television and feature films, grew from 41 per cent to 65 per cent of all independent production.

Because the growth of non-sponsored Canadian production (which is now the largest component of the independent production industry) reflects a series of public policy initiatives taken in the 1980's, it is extremely vulnerable to changes in the complex framework of public measures which have been erected to support it. This dependence is by no means unique to Canada, but exists in virtually all countries except the United States, (and it exists even in the United States for some types of programs).

The tremendous growth of the independent production industry stopped in 1989. Table 2 shows that, *in constant dollars*, from 1988 to 1989 there was a slight decline in CBC and NFB production, and a small increase in private television, specialty television, and foreign production in Canada. From 1987 to 1988 the total value of Canadian production increased 13 per cent in *constant* dollars, and from 1988 to 1989 grew by just 1.3 per cent.

However, independent production showed *zero real growth* in 1989. This flattening of growth in 1989, however, actually reflects a quite complex pattern of change, if one looks province-by-province at the various types of productions. First of all, as Table 5 indicates, if one looks only at Canadian productions certified by CAVCO for purposes of the CCA tax incentive, the overall volume of such production in fact declined by 8.1 per cent in 1989, dropping from $482.8 million to $443.7 million. However, this too is only part of the story: if one looks at production outside Quebec, then the following can be seen:

- certified Canadian production in Ontario alone declined by $128.5 million, or 43 per cent in 1989;

- certified Canadian production in all provinces outside Quebec dropped from $317.6 million in 1988 to $181.8 million in 1989, a decline of 43 per cent.

In Quebec, however, certified Canadian production actually increased by 58 per cent, rising from $165.3 million in 1988, to $262.0 million in 1989. This reflected an increase in the Quebec Government's CCA rate for film to 166 2/3rds per cent, with this attractive incentive in place throughout 1989.

TABLE 4

Estimated Independent Canadian Production Activity
(Feature Film, Television, Non-Theatrical and Sponsored Production),
1983 to 1989
($000's)

	1983	1984	1985	1986	1987	1988	1989	% Change 1983-89
Atlantic Provinces								
- TV, Features, Non-Theatrical	1,470	240	4,655	2,405	10,644	9,165	6,873	+368
- Sponsored Production	418	443	1,422	2,301	4,511	4,966	5,232	+1,152
- Total	1,888	683	6,077	4,706	15,155	14,131	12,105	+541
Manitoba								
- TV, Features, Non-Theatrical	629	402	685	955	1,304	2,092	9,921	+1,477
- Sponsored Production	1,834	1,150	1,770	603	1,362	1,301	1,371	-25
- Total	2,463	1,552	2,455	1,558	2,666	3,393	11,292	+358
Saskatchewan								
- TV, Features, Non-Theatrical	118	365	316	371	635	376	1,741	+1,375
- Sponsored Production	468	899	1,009	238	2,338	4,218	4,060	+767
- Total	586	1,264	1,325	609	2,973	4,594	5,801	+866
Alberta								
- TV, Features, Non-Theatrical	962	3,725	6,066	2,940	531	9,942	10,899	+1,033
- Sponsored Production	2,800	2,903	4,451	5,602	7,810	6,993	7,367	+1,631
- Total	3,762	6,628	10,517	8,542	8,341	16,935	18,266	+382
British Columbia								
- TV, Features, Non-Theatrical	1,601	6,287	3,618	4,395	8,793	26,517	25,259	+1,478
- Sponsored Production	6,365	10,202	13,065	24,691	68,555	56,615	59,643	+837
- Total	7,966	16,489	16,683	29,086	77,348	83,132	84,902	+950

. . . continued

TABLE 4 (continued)

Estimated Independent Canadian Production Activity
(Feature Film, Television, Non-Theatrical and Sponsored Production),
1983 to 1989

($000's)

	1983	1984	1985	1986	1987	1988	1989	% Change 1983-89
Ontario								
- TV, Features, Non-Theatrical	34,200	72,100	133,471	159,600	224,372	364,869	269,986	+691
- Sponsored Production	68,067	89,310	125,235	130,137	170,787	179,543	189,144	+178
- Total	102,267	161,410	258,706	289,737	395,159	544,412	459,130	+350
Quebec								
- TV, Features, Non-Theatrical	33,200	62,900	101,529	127,600	144,607	177,405	294,739	+791
- Sponsored Production	23,297	31,691	25,233	35,012	43,296	65,797	69,316	+197
- Total	56,497	94,591	126,762	162,612	187,903	243,202	364,055	+550
TOTAL CANADIAN								
- TV, Features, Non-Theatrical	72,180	146,019	250,340	298,266	390,886	590,367	619,418	+758
- Sponsored Production	103,028	136,595	172,184	198,746	298,704	319,433	336,133	+226
- Total	175,208	282,614	422,524	497,012	689,590	909,800	955,551	+445

SOURCE: Data from Telefilm Canada, CAVCO, B.C. Film, Cultural Industries Development Office (Manitoba), Alberta Motion Picture Development Corporation, Société générale des industries Culturelles (SOGIC), OFDC, and Statistics Canada. Saskatchewan figures, 1987 to 1989 based on data from Paul Audley & Associates Ltd., survey of Saskatchewan producers, 1990 (non-sponsored production figures for Saskatchewan 1987 to 1989 are reported on the basis of calendar year of completion of principal photography).

NOTES: Data were determined by consolidating figures from Telefilm, CAVCO and the provincial film agencies on a title-by-title basis. 1989 figures include an estimate of certifications yet to be awarded based on applications received as of December 6, 1990. Figures for Ontario and Quebec include provincial agency data for 1989 only ($13.1 million in Ontario, $2.6 million in Quebec).

TABLE 5

Breakdown of Certified Productions By Market and Region, 1986 to 1990

($millions)

	1986		1987		1988		1989		1990 **	
	$	#	$	#	$	#	$	#	$	#
Quebec	111.5	80	141.2	62	165.3	93	262.0	162	175.4	134
-theatres	57.5		67.7		65.9		75.0		40.6	
-TV/PayTV	47.9		65.3		98.6		185.9		133.7	
-Homevid*	6.2		8.2		0.8		1.2		1.1	
Ontario	98.7	75	137.7	65	297.3	49	168.8	40	239.3	69
-theatres	35.3		46.1		76.5		42.7		30.6	
-TV/PayTV	62.3		90.4		208.5		126.0		207.4	
-Homevid*	1.2		1.2		2.3		--		1.3	
B.C.	12.4	19	16.8	26	9.4	14	10.6	3	5.5	8
-theatres	1.8		--		8.2		--		4.6	
-TV/PayTV	9.7		16.6		1.1		10.6		1.0	
-Homevid*	0.8		0.2		>0.1		--		--	
Other Provinces	3.6	8	6.7	11	10.9	6	2.4	3	5.3	3
-theatres	0.2		4.1		5.3		--		1.0	
-TV/PayTV	3.3		2.6		5.5		2.4		4.1	
-Homevid*	>0.1		>0.1		--		--		0.2	
Total	226.2	182	302.4	164	482.8	162	443.7	208	425.5	214
-theatres	94.7	36	117.8	40	156.0	39	117.7	38	76.8	42
-TV/PayTV	123.2	124	174.9	99	323.6	107	324.8	165	346.3	169
-Homevid*	8.3	17	9.7	22	3.1	9	1.2	5	2.6	[illegible]

SOURCE: CAVCO.

NOTES: ** 1986-88 numbers current as of August 1, 1990, and 1989-90 numbers current as of December 6, 1990. 1990 figures include all applications. Figures for other years include certified productions only. Certified films in 1990 were $121 million as of December 6, 1990.

Refers to number of projects certified.

* Home video and educational support.

Figures do not add precisely due to rounding.

Final numbers on certified production for 1990 are not available yet. However, the preliminary data for 1990 suggest a further decline to not more than $425.5 million. Of this total, just over $300 million represents projects which have not yet received final certification. If experience from earlier years holds, about 90 per cent of this production will actually have been carried out in 1990, and will receive final certification. As a result, a final figure for 1990 can be expected to be about $400 million, representing a drop of about 20 per cent from 1988 in current dollars, and in constant dollars a decline of an estimated 25 per cent. These figures for 1990, of course, need to be used with considerable caution until final data are available.

Nevertheless, it is clear that in 1990 the pattern of production by province again shifted substantially. Based on preliminary data:

- certified production in Quebec declined in 1990 by 33 per cent, dropping back to a level of $175.4 million. In constant dollars this would have been a little lower than two years earlier (even assuming that all projects for which applications to CAVCO were submitted were produced in 1990 and received final certification).

- the reverse occurred in Ontario, with production increasing from $168.8 million in 1989 to an estimated $239.3 million in 1990 -- still well below the peak production levels reached in 1988, but representing a quite significant recovery.

- Outside Ontario and Quebec, certified production, which had dropped from levels of over $20 million prior to tax reform, ($23.5 million in 1987), continued to decline. After dropping to $13 million in 1989, it is estimated that such production will fall to about $10 million in 1990 -- a decline of over 50 per cent since 1987.

Here too in these 1990 estimates the impact of provincial incentives can be seen. At the end of 1989 the Quebec Government reduced its tax incentive, introducing a variable rate ranging from 30 per cent to 166 2/3rds per cent. By contrast, in May, 1989 the Ontario Government adopted the Ontario Film Investment Program, a temporary two year program with funding over the two years of up to $30.8 million to provide investors with an incentive which equalled up to 25 per cent of the amount invested.

The conclusion seems obvious: the decision to reduce the federal CCA rate from 100 per cent to 30 per cent has ended the rapid growth in independent production of Canadian feature films and television programs which had been occurring in the 1980's.

Further, without the strong provincial incentives adopted to try to offset the reduced federal incentive, the independent production of certified Canadian feature films and television programs would have been reduced very sharply. Even with strong Quebec and Ontario incentives, the impact on feature films has been particularly severe, with aggregate feature budgets falling by more than half between 1988 and 1990 -- from $156 million to an estimated $77 million.

A number of producers interviewed for this study were of the opinion that the cutback in the federal CCA, and the failure to proceed with film distribution legislation, along with the cable copyright royalty decision, were trade-offs in the free trade negotiations. They believed the price of the Free Trade Agreement with the United States was an unofficial ceiling on public support of the Canadian production industry. This, however, is an allegation which the Government denies strongly.

If one looks at sponsored and non-sponsored production combined, the reduction of the federal CCA, CBC cutbacks, and a weakening market for bigger budget television commercials, precipitated an overall decline of over $85 million in independent Ontario production in 1989 (Table 4).

Table 4 shows that from 1983 to 1989 total independent production grew across the country by an average 445 per cent (in current dollars). British Columbia led the increase with 950 per cent; Quebec 550 per cent; the Atlantic provinces 541 per cent; the Prairies 419 per cent; and Ontario only 350 per cent.

However, in 1989, Ontario production still accounted for the largest share of independent Canadian production -- 48 per cent by comparison with 58 per cent six years earlier, and 60 per cent in 1988. In fact, with the exception of 1989, which reflects a very attractive Quebec incentive for private investment, Ontario's share of production has been remarkably stable -- fluctuating from 57 per cent to 61 per cent over the seven years (see Table 6). It is also clear from Table 5 that 1989 will prove to have been an anomaly, with Ontario production rebounding significantly in 1990, and production in Quebec declining as a result of a reduction in the provincial tax incentive.

Over the seven year period, also, with the single exception of 1989, Quebec's share of independent Canadian production was also relatively stable -- fluctuating from 27 per cent to 34 per cent, with the lowest percentages reported in 1987 and 1988 (27.2 and 26.7 per cent respectively). The increase to 38 per cent which occurred in 1989 should, as noted already, be seen as an aberration.

TABLE 6

Geographic Distribution of Independent Canadian Production, 1983 to 1989

		1983	1984	1985	1986	1987	1988	1989
Ontario	$	$102,267	$161,410	$258,706	$289,737	$395,159	$544,412	$459,130
	%	58%	57%	61%	58%	57%	60%	48%
Quebec	$	$56,497	$94,591	$126,762	$162,612	$187,903	$243,202	$364,055
	%	32%	33%	30%	33%	27%	27%	38%
B.C.	$	$7,966	$16,489	$16,683	$29,086	$77,348	$83,132	$84,902
	%	5%	6%	4%	6%	11%	9%	9%
Other	$	$8,699	$10,127	$20,374	$15,415	$29,135	$39,053	$47,464
	%	5%	4%	5%	3%	4%	4%	5%
TOTAL	$	$175,208	$282,614	$422,524	$497,012	$689,590	$909,800	$955,551
	%	100%	100%	100%	100%	100%	100%	100%

SOURCE: See Table 4.

NOTE: See Table 4.

In the other provinces (that is, excluding Ontario and Quebec) the share of independent Canadian production varied from nine to 15 per cent. For 1983 the figure was 10 per cent, and in 1989 14 per cent. However, this figure must be used with great caution. First of all, if one excludes British Columbia, the picture is quite different: with the share of production occurring in the Prairies and Atlantic Canada at 5 per cent in 1983, and at exactly the same level in 1989. In between production fell to a low of 3.1 per cent in 1986, before rising gradually to five per cent in 1989.

One way of looking at this is to identify the issue as that of whether independent producers in these provinces were, or were not, going to share in the rapid expansion which occurred in the 1980's. Generally speaking, from 1983 to 1986 they did not; while from 1987 to 1989 they increasingly did. However, as the decade ended they had achieved their share of the industry's growth, as a result of provincial government initiatives taken in the last half of the 1980's, and increased responsiveness by Telefilm Canada. Nevertheless, their share of Canadian production did not increase at all.

Finally, based on the data in Table 4, production in British Columbia changed markedly over this seven year period, fluctuating from a low of four per cent of independent Canadian production in 1985, to a high of 11 per cent in 1987. For 1989 the figure was 8.9 per cent, up from 4.5 per cent in 1983. However, the B.C. production figure may be significantly misleading. A high percentage of the sponsored production figure in 1987, 1988 and 1989 is in the category of "other producers/other". It appears possible that this figure may include a quite substantial volume of production by Cannell Films of Canada. If this is the case, then a substantial proportion of the production involved is not Canadian and the actual figure for Canadian production in B.C. may be lower than the nine per cent reported for 1989. In the circumstances, we believe it should not be considered certain that British Columbia has expanded its share of independent Canadian production, although it has almost certainly at least shared in the growth which has occurred.

Two further comments perhaps need to be made concerning the geographic distribution of production activity in Canada. First, the sharp reduction in certified Canadian production outside Quebec and Ontario which occurred in 1989 and 1990 (see Table 5) may suggest that final data for 1990 will show a decline in the share of independent Canadian production accounted for by producers outside Ontario and Quebec. This will be true particularly if the governments of Quebec and Ontario continue to provide enhanced support to offset substantially reduced federal assistance (reduced CCA and, in constant dollars, declining Telefilm funding), while other provinces are unable or unwilling to do so.

Secondly, if one looks at all Canadian production, rather than simply independent production, then the dramatic decline in the CBC's regional programming budgets suggests that at the end of the 1980's a significantly smaller share of all Canadian production is being carried out outside Ontario and Quebec than was the case at the beginning of the decade. Even before the 1990 cuts in CBC's regional operations, the 1988 Report of the House of Commons Standing Committee on Communications, A Broadcasting Policy for Canada, reported that in constant dollars CBC's regional programming expenditures had declined from $136.5 million in 1981-82 to $99.7 million in 1987-88 -- having reached a peak of $146.7 million in 1984-85.

II.2 Canadian Programming on CBC and Private Television

Domestic television, with its regulated marketplace, remains the primary market for Canadian production. CBC, particularly in English-language Canada, remains the main vehicle for reaching viewers with Canadian programming. Table 7 shows that viewing of Canadian programming in prime time has increased by 30 per cent in English-language television, and 28 per cent in French-language TV, during the five years from 1984-85 to 1988-89.

This trend has resulted from CRTC regulatory policies, and measures such as Bill C-58 and simultaneous substitution on the one hand, and Telefilm's Broadcast Fund on the other. The role of the Broadcast Fund in prime time Canadian television viewing can be seen in Table 8, which shows that viewing of Telefilm-assisted programs grew during the five years from 1984-85 to 1988-89 by 300 per cent in English-language productions and 160 per cent in French-language productions. In 1988-89 Telefilm supported 40 per cent of all Canadian prime time drama in English, and 20 per cent of French-language prime time drama.

This combination of regulatory policy and financial assistance to production has been over this period achieving its public objective: Canadian programs of improved quality that attract a growing share of the Canadian audience, and increased foreign sales. The long-standing debate in English-language Canada as to whether well-funded Canadian programs could compete with their American competition was also resolved on December 2, 1985, when the second part of "Anne of Green Gables" drew 5.8 million viewers on CBC, or 56 per cent of all viewers. This was the largest audience for a Canadian drama ever.

But the cost of licensing more and more Canadian television services, or -- as many interviewees would term it -- over-licensing -- has resulted in increased fragmentation of TV audiences and revenues, increased competition and costs to acquire foreign programs, and a risk of declining ability to help finance Canadian programs.

TABLE 7

Viewing of Canadian Programs, on CBC/SRC and Other Stations in Prime Time, 1984-85 to 1988-89
(as a percentage of all English-language TV viewing and of all French-language viewing)

	1984-85 %	1985-86 %	1986-87 %	1987-88 %	1988-89 %	% Change
English TV						
CBC	12.2	13.1	13.6	13.5	14.0	+15
Other Stations	7.4	9.1	9.1	11.1	11.4	+54
Total Viewing of Canadian Programs	19.6	22.2	22.7	24.6	25.4	+30
French TV						
SRC	34.3	36.3	35.1	31.8	35.2	+3
Other Stations	24.4	24.0	27.9	36.5	40.0	+64
Total Viewing of Canadian Programs	58.8	60.3	63.0	68.3	75.2	+28

SOURCE: CBC Research (A.C. Nielsen)

NOTE: Network programs only in 7 to 11 p.m. time period. September to March season, excluding coverage of 1988 Olympics as a percentage of all television viewing.

TABLE 8

Viewing of Telefilm Funded Productions on all Stations in Prime Time, 1984-85 to 1988-89

	1984-85 %	1985-86 %	1986-87 %	1987-88 %	1988-89 %	% Change
English TV						
Telefilm Prod.	2.0	7.0	10.0	6.0	8.0	+300
Non-Telefilm	17.6	15.2	12.7	18.6	17.4	-1
Total Viewing of Canadian Programs	19.6	22.2	22.7	24.6	25.4	+30
French TV						
Telefilm Prod.	5.0	6.0	9.0	13.0	13.0	+160
Non-Telefilm	53.8	54.3	54.0	55.3	62.2	+16
Total Viewing of Canadian Programs	58.8	60.3	63.0	68.3	75.2	+28

SOURCE: CBC Research (A.C. Nielsen)

NOTES: Network programs only in 7 to 11 p.m. time period. September to March season, excluding coverage of 1988 Olympics as a percentage of all television viewing. Telefilm Canada data is preliminary.

The impact of this fragmentation is, at the present time, difficult to judge accurately because television broadcasters are also being affected substantially by the current economic recession. Beginning January 1, 1991 a federal tax is also being levied for the first time on television advertising. While it is beyond the scope of this study to reach conclusions about the implications of these changes affecting television broadcasting, it is clear that the profits of private broadcasters have been declining, albeit from previously very high levels, and this is particularly true in French-language television. A clearer picture of the current situation will be available when the report of the Task Force on the Economic Status of Canadian Television (Girard-Peters Task Force) is published.

In the current circumstances, many private broadcasters are rationalizing and consolidating their operations. With the CRTC showing a new lenience towards concentration of ownership, the result is much larger broadcast units such as W.I.C. in British Columbia and Alberta, or Baton in Saskatchewan and Ontario, or the multi-media giant Videotron in Quebec. Other companies like Selkirk, Allarcom, or Mid-Canada have disappeared, and Maclean-Hunter has recently announced its intention to withdraw from television station ownership.

This new generation of private broadcasters seems more open to Canadian programming than its predecessor, now that such programming is more popular at home and more saleable abroad. Canadian programming's improved image is also a result of substantial public support, particularly through the Broadcast Fund. In fact, in 1989-90 an estimated 50 per cent of the financing for Broadcast Fund projects came directly from public Canadian sources.

It's also likely that without Bill C-58 and simulcasting, the private Canadian television broadcasters would not have been able to survive the audience fragmentation of the 1980's. In 1989, these two measures generated over $130 million in revenues for Canadian broadcasters, who reported net profits of $50.7 million. Without these public policy measures it would no longer be possible for private broadcasters to support independent, or even expensive in-house, Canadian production.

The CBC, while remaining the most important source of Canadian programming, has been under increasing financial pressure since 1984. Parliamentary appropriations declined in constant dollars from $904.9 million in 1984-85 to $792.9 million in 1988-89. Reductions in CBC's appropriation from Parliament are continuing. As a result, CBC, which accounts for just over one-quarter of all production in Canada, and represents the most important single buyer of independently-produced Canadian programs, has increased its dependence on commercial advertising revenues. In the five years from 1986 to 1990, CBC television advertising revenue increased from 18 per cent to 25 per cent of operating expenses.

With this additional advertising revenue, CBC program expenses increased by one per cent in constant dollars from 1987 to 1989, and the CBC's share of total production declined from 29 per cent to 26 per cent. However, CBC has announced it will reach 91 per cent prime-time Canadian content on its English-language network service next year, and still spends more on Canadian programming than all other sectors of the broadcasting industry combined, whether measured in total dollars or as a percentage of income (see Tables 1, 2 and 9).

TABLE 9

Percentage of Total Income Broadcasters [1] Allocated to All Programming and to Canadian Programming in 1988-89

	CBC	Private TV	Specialty TV	Pay-TV
Total Program Expenditures	74%	55%	45%	56%
Canadian Program Expenditures [2]	71%	39%	38% [3]	18% [3]

SOURCE: Statistics Canada, CRTC, CBC Annual Report.

NOTES: 1 CBC income allocated to TV is assumed to equal operating expense, including $813.2 million, as stated in Annual Report, plus commissions to agencies, selling and merchandising and pro-rated share of Corporate engineering and management expense (see also Table 49).

2 CBC expenditure on foreign program acquisitions estimated at $25 million.

3 Includes all expenditures labelled "other programming", as part of Canadian programming and may therefore overstate such expenditures.

The cumulative impact of these cutbacks could be seen in December of 1990 when local CBC stations and programs were eliminated in order to reduce the Corporation's budgetary short fall by $108 million. However, while these 1990 service reductions were highly visible, they did not represent the first major evidence of changes in the CBC's operations. As the 1988 Report of the Standing Committee on Communications and Culture (A Broadcasting Policy for Canada, June 1988) indicated, between fiscal 1983-84 and 1987-88 the CBC's cut its spending on regional programming by 31 per cent in constant dollars, while over the same period network program expenditures increased by nine per cent (Committee Report, page 111). CBC indicated that at least in its English-language service more of the money spent on network programming would go to acquiring programs from producers based outside Ontario.

Although the Standing Committee supported the increased expenditures on network programming, which reflected a commitment to increased Canadian content programming on the networks, its report rejected the notion that the Canadianization of the network should be funded by reductions in CBC's service at the regional level. Nevertheless, as the 1990 CBC cutbacks indicate, this shift of resources from regions to networks has continued.

Sixteen pay TV and speciality services are now operating in Canada. While such services expand the range of programming available, they do so at some expense in fragmenting the audience and advertising dollars. In 1989, specialty services captured advertising revenues equivalent to about two-and-a-half per cent of the amount spent on conventional broadcasting services.

It remains to be seen whether these channels will produce or purchase enough Canadian programming to offset the cutbacks that conventional broadcasters could face if the lower audiences and declining revenues that conventional broadcasters fear actually materialize. It is also important to recognize that at present the major factor affecting the fragmentation of revenues and audiences is the licensing of additional conventional stations and the Quatre Saisons network -- not the licensing of pay and specialty services.

Although the growth potential of specialty services looks very good, and "Newsworld" even reported a profit after six months, the future of pay TV services at this time is problematic. Statistics Canada has recorded a nine per cent decrease in unduplicated subscribers to discretionary services from 1987 to 1989. The contribution of these services to Canadian production will depend on regulatory policies in the case of specialty services, but regulatory policies may not be able to solve the problems facing pay TV.

II.3 Decline of Theatrical Features

While Canadian production has flourished through most of the 1980's in the regulated television market, it has remained anaemic in the unregulated theatrical and home video markets.

Feature films, especially in the English-language industry are a declining element in the production spectrum. In 1986, 42 per cent of CAVCO certified production dollars were spent on theatrical feature films. By 1989, this had declined to 27 per cent, and preliminary figures have hit 18 per cent for 1990. Producers interviewed reiterated that the risks of feature production were too great, particularly after the CCA was cut back to 30 per cent.

The reason for their anxiety about feature film production can be seen by looking at the Canadian share of the domestic market. The percentage of distributors' revenues generated by Canadian films in the three "feature film markets" of theatres, home video, and pay TV has remained at six to seven per cent.

These three markets represent 68 per cent of total distributors' revenues. The most important is home video, with an estimated 1990 retail revenue of $1.2 billion feeding the 64 per cent of Canadian households with a VCR. Canadian films had a seven per cent share of this market in 1986, declining to five per cent in 1989. This is a serious problem both economically and culturally.

The head of one cultural agency said the feature film problem was a political problem requiring a political solution. Short of that, the prognosis for feature films, at least for those produced in English is uncertain, and production is now heavily dependent on direct financial support from government

II.4 Foreign Production Moves West

Foreign production in Canada peaked at $276 million in 1987, and declined in 1990 to $221 million. This decline in location work reflects in part the move by Hollywood to take increasing advantage of low labour costs in "right to work" states. Quebec and Ontario saw foreign production cut in half from 1987 to 1989, with B.C. continuing to enjoy a foreign production boom which peaked in 1989. In 1990 there was a small increase in foreign work in Ontario and a small decrease in B.C. As Table 10 demonstrates, this work, while lucrative, tends to fluctuate widely from year to year.

II.5 Sponsored Production

According to interviews, there has been a 30 per cent drop in TV commercial production in 1990, and a reduction in the $110 million corporate video market, most of which grew by 545 per cent between 1981 and 1989. Declines in these two markets are recession-related, and will be felt particularly hard in Toronto's independent production community.

TABLE 10

Estimated Value of Foreign Feature Film and TV Program Production in Canada, 1983 to 1990 (1)
($millions)

	1983	1984	1985	1986	1987	1988	1989	1990
Ontario/Quebec								
Ontario	41.5	17.6	46.0	104.3	100.8	69.2	42.0	56.8
Quebec	n/a	n/a	n/a	n/a	22.0	46.0	19.0	21.0
Sub-total	**41.5**	**17.6**	**46.0**	**104.3**	**122.8**	**115.2**	**61.0**	**77.8**
Other Provinces								
Atlantic Provinces	n/a	5.6	n/a	n/a	n/a	n/a	n/a	n/a
Manitoba	--	--	--	--	0.6	--	--	n/a
Saskatchewan	n/a	n/a	n/a	n/a	n/a	n/a	--	n/a
Alberta	2.6	4.0	7.0	7.1	10.6	9.1	28.0	8.0
British Columbia	3.6	34.4	61.9	63.5	142.0	84.0	148.1	135.0
Sub-total	**6.2**	**44.0**	**68.9**	**70.6**	**153.2**	**93.1**	**176.1**	**143.0**
TOTAL	**47.7**	**61.6**	**114.9**	**174.9**	**276.0**	**208.3**	**237.1**	**220.8**

Source: Data from the Ontario Film Development Corporation, Bureau du Cinema du Quebec, Montreal Film Commission, SaskFILM, New Brunswick Film & Video Development Office, Canada-Manitoba Cultural Industries Development Office, Alberta Economic Development & Trade Office and B.C. Film Commission, and were compiled and estimated by Paul Audley & Associates Ltd.

Note: (1) Data cover the expenditures in Canada attributed to foreign productions as reported by the various location offices. Where information was not available it was estimated by Paul Audley & Associates Ltd. Co-ventures and co-productions with Canadians are not included in these figures.

II.6 Future Growth: International Television Series

There was near unanimity among interviewees that television series, especially with foreign co-production or co-venture partners, were in the current circumstances the most stable and profitable production market. International television series may represent a major trend because of the fragmentation of the broadcast markets, although concerns continue to be expressed about the creative integrity of some of these international projects.

European and U.S. television markets, like Canadian markets, are expanding with a dizzying array of new channels. Broadcasters in all three markets are looking for foreign partners to ease the burden of rising program costs. This opening of the international television system creates opportunities for Canadian producers, but simultaneously creates pressure to de-Canadianize content.

With advertisers gaining more authority than they have had since the fifties, international co-productions increasingly necessary to meet budgetary requirements for production, and broadcasters looking for a return on their investment in programming from the U.S. market particularly, the Canadian identity of series such as "Dog House", or "Black Stallion" is invisible.

II.7 Future Trends

It is now generally acknowledged that the Canadian production industry is dependent on public policy, and the public and private elements are so entwined that the growth and health of the one is dependent on the other.

It is also acknowledged that expanding public financial assistance cannot be assumed. As those subsidies reach their limit, so will industry growth. Until that time, continued growth depends, first and foremost, on public policy: tax policy, regulatory policy, and fiscal policy. It also depends on the co-ordination of those policies so that the effect of production subsidies are maximized, and so that the productions that result reflect the social and cultural objectives of public policy.

In the short term, the financial difficulties of the public and private broadcasters will become increasingly apparent to the independent production industry, and on the television screen. Some broadcasters and producers will move to consolidate during this period. CBC's cutback in local stations and the purchase of smaller broadcasters in the private sector are examples of this trend.

In the long term, growth will depend on the level of federal and provincial tax incentives/credits, the maintenance of Telefilm, its provincial counterparts, and the strength and intelligence of CRTC regulation.

It will also depend on increased access to expanding markets at home and abroad. This is true particularly in the burgeoning home video and specialty/pay TV markets which should function as growing markets for Canadian content. On the domestic front, this is widely recognized as requiring legislative intervention in the case of the large home video and theatrical markets.

International television series are likely to be a major production trend, at least in the case of larger budget production projects, as foreign partners are sought to share rising production costs. The Canadian identity of production may sometimes, perhaps often, be compromised in such arrangements, depending on the home market resources Canadian producers can bring into such projects.

Re-opened three-way free trade negotiations may be expected to bring renewed pressure from the American government to reduce or eliminate public subsidies and market protection of the production industry. The expanding European television market, and Canadian inclusion in France's European quota may, however, provide an alternative to the American market.

New delivery systems, such as DBS and pay-per-view, will increase audience fragmentation and could significantly reduce the level of Canadian content within the program mix. Whether Canadian programming is able to capture an appropriate level of Canadian viewing will depend on its funding, on market access, and on the extent to which a separate Canadian industry and a separate Canadian market exist in the future. That will continue to be in large measure a matter of public policy.

Recognizing the unknown factors that will affect Canadian production, it seems clear that independent Canadian production is the most volatile, and that the future of federal tax incentive policy and the freezing of Telefilm funding are the key factors.

After rapid growth in the 1980's, independent Canadian production seems likely to decline in the first half of the 1990's based on existing public policies. The key factors here are the freezing of Telefilm funding from 1989-90 to 1995-96 and the reduction of the federal CCA tax incentive. In the absence of any change to these policies, the most likely result is a decline of seven per cent in independent production by 1995. Without strong and continued provincial support to offset the lost federal tax incentive, the decline, in constant dollars, could be as much as 25 per cent, representing a drop from $877 million in 1989 to $661 million in 1995.

If strong provincial support continues and an effective federal tax incentive is re-established, independent Canadian production could grow by as much as 23 per cent, reaching $1.1 billion in constant 1989 dollars, up from $877 million in 1989.

Depending primarily on public policy initiatives, but also on the economy and the commercial revenues of broadcasters, the total volume of all types of Canadian production in 1995 could vary from a low of $1.8 billion in 1989 dollars -- representing a decline of 20 per cent from $2.2 billion in 1989, to a high of $2.6 billion, or an increase of 16 per cent. However, based on current policies, the most likely outcome is a decline of eight per cent in Canadian production between 1989 and 1995, representing a decline of $173 million in constant 1989 dollars.

III. INDEPENDENT CANADIAN PRODUCTION

III.1 Feature Films

Nearly all of those interviewed were pessimistic about the future of Canadian feature films. Lack of access to the theatrical and home video markets, combined with the loss of the federal tax shelter in 1989 have largely reduced English-Canadian features to a cottage industry. Most producers have said they are moving to television production with its lower risks, greater market access, better co-venture opportunities and better revenue potential.

As Table 11 shows, the reduction of the Capital Cost Allowance (CCA) from 100 per cent to 30 per cent, fully effective in the 1989 tax year, has accelerated a trend among investors to invest in television series instead of features.

TABLE 11

Trend in CAVCO - Certified Feature Film Production, 1986 to 1990 ($millions)

	1986	1987	1988	1989	1990 *
Total Certified Production	$226.2	$302.4	$482.8	$443.7	$425.5
Theatrical Features	$ 94.7	$117.8	$156.0	$117.7	$ 76.8
Percentage of Total	42%	39%	32%	27%	18%

SOURCE: CAVCO

NOTE: * 1990 includes all applications while other years are certified productions only, current to December 6, 1990.

Following the peak year of 1988, when most features were grandfathered at 100 per cent, CCA production budgets fell approximately $40 million in 1989 (from $156.0 to $117.7 million), and based on applications, will probably decline at least another $40 million in 1990, a 50 per cent drop over two years. In looking at the 1990 preliminary CAVCO data, it must be emphasized that there is no guarantee that such productions will proceed and will receive final certification. In fact as of March, 1991, CAVCO has indicated that fewer projects seem to be proceeding to final certification and the final figure for all certified production in 1990 could be as low as $300 million. If this were the case, the decline in feature production would be even greater.

Besides moving into television production, another response to the 30 per cent CCA has been a significant drop in individual feature film budgets, especially in Ontario, as Table 12 indicates.

TABLE 12

Average Certified Production Budget for Feature Films, 1986 to 1990 ($millions)

	1986	1987	1988	1989	1990*
Quebec	2.9	3.2	3.3	3.0	2.0
Ontario	2.5	2.7	5.9	3.3	1.7
Total	2.6	2.9	4.0	3.1	1.8
Number	36	40	39	38	42

SOURCE: CAVCO

NOTE: * 1990 includes all applications while other years are certified productions only, current to December 6, 1990.

This is a reflection of the fact that while aggregate budgets have declined, the total number of feature films certified by CAVCO has remained at approximately 40 per annum over the last five years. Many of those interviewed from the service sector said this has been accomplished by budgets that are too low, deferrals that are too high, and highly subsidized financing. When that subsidy is unavailable, the result can be disastrous. In the case of one Toronto feature budgeted at $2.35 million, when Telefilm decided not to participate, the director deferred her entire fee to complete the financing.

Some producers have solved the problem of declining feature film investment and budgets through international co-productions. Minority co-production budgets, as a percentage of Telefilm's feature film fund, grew from three per cent in 1988 to 33 per cent in 1990.

Table 5 breaks down all certified productions by market and region. One can see that feature production went up in Quebec from $65.9 million in 1988 to $75 million in 1989, while declining in Ontario from $76.5 million to $42.7 million in the same period. It seems safe to assume that the increase in Quebec feature production in 1989 was generated by the 166 2/3rds provincial capital cost allowance (CCA). In December 1989, the Quebec government tightened its CCA, and production has fallen significantly, from $262 million in federal certified production in 1989, to an estimated $175 million in 1990. Table 5 suggests that total feature film expenditure in Quebec declined by nearly one-half, and television production by nearly one-third in one year, (from 1989 to 1990). In December 1990, Quebec replaced the 166 2/3rds CCA with a refundable tax credit for 40 per cent of labour costs up to a maximum of 18 per cent of a film's total budget. The definition of a Quebec film was further tightened. The Quebec government reportedly wants to cap the cost of its tax support for the production industry at $30 million per year, and direct it to producers, rather than financial middlemen who, according to a Samson Belair study, took up to one-third of tax shelter investment.

The Quebec producers association (APFTQ) protested the elimination of the 166 2/3rds per cent CCA, and the tightened definition of a Quebec film which hits English-language production in the province particularly hard (Globe and Mail, February 22, 1991).

In Ontario, the reverse occurred, with total budgets increasing from $168.8 million in 1989 to $239.3 million in 1990. (As noted above, these 1990 estimates may prove unreliable and are regarded by CAVCO as likely to prove high.) Again, provincial tax policy is the apparent explanation. The Ontario Film Investment Program (OFIP) came into effect in 1989-90, providing a rebate of up to 20 per cent of eligible investment (or 25 per cent for eligible feature film investment), up to a maximum Ontario expenditure of $15 million per year for two years. OFDC estimates that total budgets for the first year of OFIP were $120 million, and will be higher in the second year. Since OFIP requires CAVCO certification, all of this production would be included in the federal numbers. OFDC also estimates that about 23 per cent of OFIP projects were features in year one, and about 17 per cent will be in year two.

According to a recent Nordicity study on home video in Canada (June 30, 1989), feature films (including adult films and children's films) represented 94 per cent of the Canadian home video rental market, and 83 per cent of the sales market in 1989. Table 13 shows that the "feature film" markets of theatres, pay TV, and home video accounted for 68 per cent of distributors' revenues in 1988-89. However, as Table 14 demonstrates, over the last four years the revenues generated by Canadian films in these important markets have remained flat, at six to seven per cent.

TABLE 13

Distribution Revenues in Canada By Market For Canadian and Other Productions, 1980-81 to 1988-89
($millions)

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	% Change
Theatres	115.3	125.7	154.6	138.8	132.5	129.4	120.3	149.3	149.7	+30
-Canadian Productions	2.4	3.0	4.6	5.7	1.4	3.9	6.0	7.9	7.8	+225
Television	103.7	99.5	91.2	99.4	108.1	141.2	161.3	191.7	219.4	+112
-Canadian Productions	7.9	7.7	5.5	5.3	6.4	8.4	11.6	14.9	14.9	+89
Pay-TV	--	--	9.6	20.1	14.9	26.3	27.2	36.3	32.9	+243
-Canadian Productions			--	6.8	1.7	4.7	2.3	3.3	5.9	-13
Home Video	--	--	6.2	17.8	43.6	73.7	53.8	50.0	71.2	+1,048
-Canadian Productions			1.0	0.6	0.9	5.1	3.6	4.0	3.5	+250
Non-Theatrical	18.0	18.4	20.4	18.3	19.4	23.9	30.4	32.0	25.3	+41
-Canadian Productions	2.2	2.3	4.5	3.5	3.2	5.7	4.9	6.1	10.4	+372
Sub-Total, Revenue	237.0	243.7	282.1	294.3	318.5	394.5	393.0	459.3	498.5	+110
-Canadian Productions	12.6	13.0	15.5	21.9	13.5	27.9	28.3	36.2	42.4	+237
Home Video Wholesale	--	--	--	--	--	--	128.8	162.9	270.1	+110
Total Revenues	239.2	246.1	284.4	298.3	331.5	406.7	542.0	645.8	789.2	+230
Royalties Paid										
-Foreign Productions	130.2	137.6	165.5	170.1	187.8	196.8	234.0	293.6	303.2	+133
-Canadian Productions	8.4	4.9	8.2	11.2	5.7	13.3	16.2	21.9	27.1	+223
Sub-Total	138.6	142.5	173.7	181.2	193.5	210.2	250.2	315.5	330.3	+138

SOURCE: Statistics Canada.

NOTE: Statistics Canada methodology changed with the 1985-86 survey, and numbers before or after may not be comparable.

Numbers may not add precisely due to rounding.

TABLE 14

Distributors' Revenues from Canadian Films in the Theatrical, Home Video, and Pay TV Markets, 1985-86 to 1988-89
($millions)

	1985-86	1986-87	1987-88	1988-89
Total Theatrical Revenues	$129.4	$120.3	$149.3	$149.7
Theatrical Revenues of Canadian Productions	$3.9	$6.0	$7.9	$7.8
Percentage of Total	3%	5%	5%	5%
Total Home Video Revenues	$73.7	$53.8	$50.0	$71.2
Home Video Revenues of Canadian Productions	$5.1	$3.6	$4.0	$3.5
Percentage of Total	7%	7%	8%	5%
Total Pay TV Revenues	$26.3	$27.2	$36.3	$32.9
Pay TV Revenues of Canadian Productions	$4.7	$2.3	$3.3	$5.9
Percentage of Total	18%	8%	9%	18%
Total Theatrical, Home Video & Pay TV Revenues	$229.4	$201.3	$235.6	$253.8
Total Revenues of Canadian Productions	$13.7	$11.9	$15.2	$17.2
Percentage of Total	6%	6%	6%	7%

SOURCE: Statistics Canada.

Overall, Table 13 shows that Canadian films have improved, from 5.3 per cent of distributors' revenues in 1980-81, to 8.5 per cent in 1988-89. While this is a 60 per cent improvement, the domestic market share for Canadian films remains abnormally small, despite years of effort to improve it.

Most people interviewed believe the root problem for Canadian feature films is marketplace access. However, those interviewed who are in the home video or distribution sectors of the industry say "let the marketplace decide", and suggest better access would be achieved if Canadian features, at least in English, had "stars".

On the other hand, few believe a "free market" for Canadian films exists when foreign commercial interests are in control. At Telefilm, for example, one executive interviewed said he believed the feature film problem "is a political problem" requiring a political solution. Meanwhile, Telefilm assists by providing support for larger marketing budgets. A different, perhaps complementary, option is under consideration in Ontario, which may establish an alternative theatre circuit for Canadian films by four-walling, or renting, theatres in smaller cities so that those tax payers can also see their films. Canadian distributor Dan Weinzweig pointed out to the CRTC how inordinately important the pay TV market is for Canadian films, because it is the only feature market with a quota in place.

Some interviewed were concerned about the efficiency with which the existing financial assistance to the industry is delivered. Many producers felt Telefilm had too much control over the course of Canadian production, and they said they wanted to be sure there was also an alternative and more "neutral" subsidy, as well as Telefilm. Nearly all felt the 100 per cent CCA needed to be replaced to provide that more "neutral" alternative. Table 15 shows that since 1984 certified productions without Telefilm assistance were growing as a percent of total CAVCO/Telefilm production until the CCA cutback in 1989.

Tables 16 and 17 show that feature film fund production has been concentrated in Ontario and Quebec, with the major exception being 1988-89, when 42 per cent of Telefilm assistance went to producers outside Ontario and Quebec. However, this shift in 1988-89 did not reflect reduced support to Ontario and Quebec features, -- which in fact received 16 per cent more in 1988-89 than the previous year -- but rather the fact that Telefilm received an additional $15 million in 1988-89, with regional production one of the priorities identified for this additional money. After the 1988 election this additional funding was withdrawn, and in 1989-90 the geographic distribution of support shifted significantly again, with 78 per cent of Telefilm assistance and 84 per cent of feature production in Ontario and Quebec. The one place where Telefilm support and feature production did drop sharply in 1988-89 was in Ontario, which that year dropped to less than a third of the level in Quebec and less than a third of the level in other provinces as well.

TABLE 15

Consolidation of CAVCO and Telefilm Canada Data on Budgets of Canadian Productions
By Year of Completion of Principal Photography/Taping, 1983 to 1989 *

($millions)

	1983		1984		1985		1986		1987		1988		1989 **	
	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Telefilm Canada Assisted Productions														
- certified	9.4	13	52.4	36	88.9	36	112.2	38	112.1	29	167.6	29	186.0	31
- not certified	11.6	16	61.4	42	95.8	38	84.4	28	92.3	24	107.3	18	146.2	24
Sub-total	21.0	29	113.8	78	184.7	74	197.0	66	204.4	52	274.9	47	332.2	56
Certified Productions Without Telefilm Assistance	51.2	71	32.2	22	64.9	26	100.6	34	186.1	48	312.8	53	263.0	44
Total Estimated Production	72.2	100	146.0	100	249.6	100	297.6	100	390.5	100	587.7	100	595.2	100

SOURCE: Data from the Canadian Audio-visual Certification Office and Telefilm Canada, and were consolidated and estimated by Paul Audley & Associates Ltd.

NOTES: * The figures for 1985, 1986, 1987, 1988 and 1989 were determined by consolidating the data from Telefilm Canada and CAVCO on a title-by-title basis. Data for other years were estimated based on actual data. Data for Telefilm Canada-assisted productions are presented on a calendar year basis by the year of completion of principal photography (known or estimated).

** In this table, data for 1989 reflect actual certification as of December 6, 1990, plus an estimate of additional certifications still to be awarded, based on applications received as of that date.

TABLE 16

Feature Film Fund: Provincial Breakdown of Production Budgets and Telefilm Participation, 1986-87 to 1989-90 *

($000's)

	1986-87		1987-88		1988-89		1989-90	
	Budget	Telefilm	Budget	Telefilm	Budget	Telefilm	Budget	Telefilm
Ontario & Quebec								
Ontario	15,435	6,979	27,764	7,183	11,159	4,945	22,848	7,613
Quebec	21,717	7,773	23,288	10,363	35,197	15,478	28,375	10,155
Sub-total	37,152	14,752	51,052	17,551	46,355	20,423	51,223	17,768
Other Provinces								
Newfoundland	--	--	1,230	603	--	--	1,150	564
Nova Scotia	3,223	1,505	--	--	4,845	2,365	--	--
P.E.I.	--	--	--	--	--	--	--	--
New Brunswick	--	--	--	--	--	--	--	--
Manitoba	--	--	--	--	4,877	2,341	346	160
Saskatchewan	--	--	--	--	--	--	--	--
Alberta	--	--	--	--	7,167	3,307	2,999	1,470
B.C.	--	--	4,387	1,971	17,792	6,928	5,565	2,705
Sub-total	3,223	1,505	5,617	2,574	34,682	14,941	10,060	4,897
TOTAL	40,375	16,257	56,669	20,124	81,037	35,365	61,283	22,666

SOURCE: Telefilm Canada.

NOTE: * By year in which productions are contracted and by location of producer (production only).

Numbers may not add precisely, due to rounding.

TABLE 17

Feature Film Fund: Provincial Breakdown of Production Budgets and Telefilm Participation, 1986-87 to 1989-90 *
(Percent)

	1986-87		1987-88		1988-89		1989-90	
	Budget	Telefilm	Budget	Telefilm	Budget	Telefilm	Budget	Telefilm
Ontario & Quebec								
Ontario	38.2	42.9	49.0	35.7	13.8	14.0	37.3	33.6
Quebec	53.8	47.8	41.1	51.5	43.4	43.8	46.3	44.8
Sub-total	92.0	90.7	90.1	87.2	57.2	57.7	83.6	78.4
Other Provinces								
Newfoundland	--	--	2.2	3.0	--	--	1.9	2.5
Nova Scotia	8.0	9.3	--	--	6.0	6.7	--	--
P.E.I.	--	--	--	--	--	--	--	--
New Brunswick	--	--	--	--	--	--	--	--
Manitoba	--	--	--	--	6.0	6.6	0.6	0.7
Saskatchewan	--	--	--	--	--	--	--	--
Alberta	--	--	--	--	8.8	9.4	4.9	6.5
B.C.	--	--	7.7	9.8	22.0	19.6	9.1	11.9
Sub-total	8.0	9.3	9.9	12.8	42.8	42.2	16.4	21.6
TOTAL	100	100	100	100	100	100	100	100

SOURCE: Telefilm Canada.

NOTE: * By year in which productions are contracted and by location of producer (production only).

Numbers may not add precisely, due to rounding.

The head of one of the largest independent production companies in Toronto said that the 100 per cent CCA definitely needed to be replaced, but with a different and more efficient mechanism, such as a refundable tax credit. Without such a mechanism he says he must do more off-shore production with less Canadian subject matter. He pointed out that his company is shooting much more outside of Toronto because of pressure to keep costs down. As a result, his labour costs have declined 15 per cent over the last two years.

This producer said that the benefit of CCA funding was its objective nature, and that it's not possible to build an infrastructure or plan on the basis of Telefilm decisions. He added that before 1989, his firm relied on private Canadian investment for 50 to 60 per cent of their financing; now only five per cent comes from this source, with a much larger percentage coming from Telefilm and international co-productions. However, he criticized the "inefficiency" of the CCA system which has a cost of delivery (in lawyers, accountants, brokers, etc.) of at least 10 per cent. He felt the real beneficiary has been the brokerage industry, not the film industry. He pointed out that in the later years of the 100 per cent CCA the investor usually broke even, the government gave up about 20 per cent in foregone taxes, the brokers got 10 per cent, or half of that, and the presumed beneficiaries -- the film industry -- netted the other half, or 10 per cent. He says this is too inefficient a means of supporting the production industry, which he believes needs an alternative to Telefilm.

This producer estimates that before the loss of the tax shelter, his company produced 100 per cent in Canada, and 75 per cent in Toronto. Now they produce 80 per cent in Canada, and 50 per cent in Toronto, with both figures declining. He said "If the CCA still existed, we would be doing more stuff, and better stuff, more profitable and more Canadian".

Meanwhile, some interviews done for this study suggest that access to the home video and theatrical markets may be narrowing, as blockbusters take out a larger share of the revenues. A trend of this kind could reduce the market share for other films, including Canadian films, and adds to the poor prognosis for Canadian features in English, unless there is a more coherent, integrated policy which addresses basic structural issues, and improves access to the Canadian market.

III.2 Television Production

A number of public policies developed in the seventies and eighties have supported the independent production industry as the primary vehicle of Canadian program production, eclipsing the central role previously held by the public producers - NFB and even CBC.

These policies include the federal CCA tax incentive, which was established in 1974 and continued at a rate of 100 per cent until 1988. As Table 18 indicates, the level of CCA investment in Canadian films and video tapes claimed by tax payers increased sharply from 1983 to 1988, rising more than seven-fold, from $19 million to $139 million. When the earlier CCA-induced boom, which began in the last half of the 1970's, ended in 1980 the first major initiative to restore independent production activity was the setting up of the Broadcast Fund in 1983-84. As Table 19 indicates, the Fund, with resources of over $70 million in 1989-90, was instrumental in triggering $221 million in TV program production that year.

As Table 20 indicates, provincial government support also expanded through the 1980's, with more governments involved and more support being provided. While in 1986-87 the vast majority of such support was provided by Ontario and Quebec ($9.8 million out of $10.2 million), by 1989-90, $5.8 million, or 28 per cent of an expanded total of $20.6 million in direct production assistance was provided by provinces other than Ontario and Quebec. This ratio is somewhat misleading however, since Quebec, as noted earlier, provided as well an extremely attractive CCA incentive of 166 2/3rds per cent in 1989, while Ontario, beginning in 1989-90 initiated the two-year $30.8 million Ontario Film Investment Program (very recently renewed through 1992-93).

Beginning in 1983 and 1984 two other key changes also occurred which affected independent Canadian production for television. First, the CBC and the Government of Canada announced in October, 1983 that over the next five years the CBC's target was to increase to 50 per cent the proportion of the Canadian programming on its network television services (other than news, sports, and current affairs) provided by independent Canadian producers. Secondly, the CRTC announced the same year a new approach to regulating Canadian program content on private television, which would deal with expenditures on Canadian programming and with exhibition hours, as well as setting requirements related to specific types of programming, such as drama, which in the past had been neglected.

TABLE 18

C.C.A. Claimed on Certified Canadian Productions, 1982 to 1988

($millions)

	1982	1983	1984	1985	1986	1987	1988
Total Budgets	$82	$60	$83	$167	$226	$302	$483
# of Claimants	2,529	1,152	1,767	2,642	3,431	6,168	na
CCA Claimed	$45	$19	$25	$41	$55	$99	$139

SOURCE: CAVCO/Department of Finance.

A central element in the strategy to expand private broadcasting is the continuation of the CRTC's policy of simultaneous program substitution and the provisions of Section 19 of the federal Income Tax Act, which permits the deduction of the cost of television advertising directed to Canadians only if the advertisements are placed on Canadian stations and networks. These measures, taken in the 1970's to offset the consequences of the unusual situation resulting from importing the American commercial broadcasting system into Canada, continue to have a major impact on the commercial revenues of Canadian broadcasters. As Table 21 indicates, these revenues substantially exceed the annual after-tax profits of Canadian television broadcasters, with a recent study estimating their value at between $116 million and $135 million in 1988.

Therefore, it is not surprising that as all of the above measures came into effect, the independent production industry grew rapidly throughout the 1980's. This is evident, for example, in the shifts in sources of income of Canadian writers and performers. Table 22 shows that ACTRA's overall income grew by 136 per cent between 1981 and 1989 because independent production jumped by 601 per cent, especially between 1983 and 1988 as the impact of the Broadcast Fund grew. In other categories, such as the CBC, and TV commercials, ACTRA members' income grew by 76 per cent at most, while private TV income actually declined.

TABLE 19

Composition of Financing of Broadcast Fund Assisted Productions, 1985-86 to 1989-90 (1)

($000'S)

	1985-86		1986-87		1987-88		1988-89		1989-90	
Telefilm	71,506	35%	52,541	31%	76,187	38%	60,137	35%	72,837	33%
Canadian Broadcasters/Pay TV	32,889	16%	27,100	16%	38,301	19%	38,318	22%	38,035	17%
Cdn. Private Sector (2)										
- Producer/Producer Related	17,404	9%	11,328	7%	10,330	5%	9,652	6%	9,173	4%
- Private Investors	15,584	8%	32,640	19%	29,980	15%	24,752*	14%	55,346	25%
- Corp. Investors	n/a	n/a	n/a	n/a	2,860	1%	*	*	**	**
- Distributors	1,231	1%	2,560	15	3,069	2%	5,202	3%	7,085	3%
- Sponsors & Grants	715	--	594	--	2,471	1%	n/a	n/a	**	**
- Other	1,045	1%	935	1%	936	--	n/a	n/a	2,559	1%
- Sub-total	35,979	18%	48,058	28%	49,645	25%	39,606	23%	74,163	34%
Other Govt. Sources	13,121	6%	7,379	4%	7,195	4%	6,183	4%	12,768	6%
Foreign Participants	49,731	24%	36,493	21%	26,921	14%	28,421	16%	23,057	10%
Others	11	--	--	--	--	--	--	--	--	--
TOTAL (3)	203,236	100%	171,571	100%	198,244	100%	172,665	100%	220,859	100%

SOURCE: Telefilm Canada Annual Reports (1985-86, 1986-87, 1987-88 1988-89 and 1989-90).

NOTES: (1) The data are not directly comparable by year, as noted below:
- 1985-86: includes contracted and accepted productions.
- 1986-87, 1987-88, 1988-89 and 1989-90: contracted productions only.

(2) Some sources of financing have been re-categorized to ensure a common definition is used.
(3) Totals may not add precisely due to rounding.
* In 1988-89 only, corporate investment was included with the private investment figure.
** Not available. Has been included in Private Sector "other" category.

TABLE 20

Overview of Assistance Provided by Provincial Agencies for Film and Television Production and Development, (Excluding Interim Financing), 1984-85 to 1989-90 [1]

($millions)

Provincial Agency	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
B.C. Film	--	--	--	0.2	4.0	2.2
Alberta Motion Picture Dev. Corp.	n/a	n/a	n/a	n/a	1.2	1.7
C.I.D.O./Film Manitoba	--	0.4	0.4	0.6	1.1	1.5
Ontario Film Development Corp. [2]	--	--	3.4	4.7	6.1	6.3
Société général des industries culturelles Québec	6.9	7.7	6.4	7.1	7.5	8.5
Nova Scotia Dept. of Culture & Heritage	--	--	--	0.3	0.7	0.4
TOTAL	6.9	8.1	10.2	12.9	20.5	20.6

Source: Data from provincial film agencies and agency annual reports, compiled by Paul Audley & Associates Ltd.

Notes: (1) Data pertain to assistance for script and project development and production financing only; assistance for professional development, marketing, distribution, theatres and special projects such as film festivals is excluded.

(2) Figure for Ontario does not include $30.8 million committed to the Ontario Film Investment Program (OFIP) over 1989-90 and 1990-91, a program of direct support -- but one designed as an incentive to private investment in Ontario productions. For Quebec the figure also excludes the cost in foregone revenue resulting from the tax incentive provided.

TABLE 21

Estimated Financial Impact of C-58 and Simulcasting on Net Canadian TV Advertising Revenues Compared to Canadian Private TV Broadcasters' Net After-Tax Profit 1982, 1984, 1988 and 1990

($millions)

	1982	1984	1988	1990
Simulcasting	21.0	52.7	67.3	81.3[e]
C-58	28.2 - 32.7	35.8 - 41.8	48.6 - 67.5	62.6[e]
Total Benefit	49.2 - 53.5	88.5 - 94.5	115.9 - 134.8	136.5[e]
After Tax Profit of Broadcasters	75.4	89.3	77.0	n/a

SOURCE: 1982, 1984 and 1988 numbers from Arthur Donner, 1990 numbers from CAB member survey, and after tax profit numbers from Statistics Canada.

NOTE: e Indicates an estimate.

<u>TABLE 22</u> (part 1)

Income Reported by ACTRA, 1981 to 1990

($millions)

	1981		1982		1983		1984		1985	
	$	%	$	%	$	%	$	%	$	%
Independent Production	7.6	14	7.0	13	8.8	15	14.6	21	24.9	30
TV Commercials	16.4	31	16.6	30	20.1	34	21.3	31	23.9	28
CBC (1)	20.0	38	23.4	43	22.1	37	24.7	36	26.3	31
Educational TV	1.4	3	1.7	3	1.4	2	1.8	3	2.0	2
Private TV	4.6	9	5.6	10	6.1	10	6.1	9	5.5	7
Other (2)	3.2	6	0.7	1	1.1	2	0.9	1	1.4	2
TOTAL	53.2	100	55.0	100	59.6	100	69.4	100	84.0	100

. . . continued

TABLE 22 (part 2)

Income Reported by ACTRA, 1981 to 1990

($millions)

	1986		1987		1988		1989		Percent change 1981-89	1990 * Jan. - Nov.	
	$	%	$	%	$	%	$	%	%	$	%
Independent Production	35.0	37	45.8	43	52.1	43	53.3	43	+601	43.9	42
TV Commercials	23.0	24	23.9	22	30.3	25	25.4	20	+55	22.8	22
CBC (1)	27.9	30	29.9	27	30.0	25	35.2	28	+76	30.7	29
Educational TV	2.7	3	1.9	2	2.2	2	2.3	2	+64	2.6	2
Private TV	4.1	4	4.1	4	3.2	3	3.8	3	-17	2.5	2
Other (2)	1.6	2	2.6	2	3.8	3	5.3	4	+66	2.8	3
TOTAL	94.3	100	107.3	100	121.6	100	125.3	100	+136	105.4	100
% Change in CPI 1981-1989	--	--	--	--	--	--	--	--	+51	--	--

SOURCE: ACTRA

NOTES: (1) CBC includes co-productions and broadcast journalists.

(2) Other includes audio code, NFB, and other broadcast journalists.

(*) 1990 excludes December, full year estimated at $120 million. Reported income in ACTRA's jurisdiction based on earnings reported to ACTRA Fraternal Benefit Society.

Figures do not add precisely due to rounding.

If the primary area of growth in Canadian production was the independent sector, within that sector the most rapid expansion occurred in production for television. Table 5 shows that from 1986 to 1990, the aggregate budgets of TV programming certified by CAVCO were up 181 per cent compared to an overall growth in CCA budgets of 88 per cent. However, Table 19 also shows that during the same period, 1985-86 to 1989-90, Telefilm's investment in television programs through the Broadcast Fund grew a modest two per cent in current dollars. Yet that Fund provided stability, and increased the incentive for broadcasters to use independent producers, as well as continuing to represent the largest single source of financing.

As CCA certified production grew, it moved to television production and TV series particularly. With CRTC Canadian content rules and Broadcast Fund assistance in Canada, and co-production treaties abroad (and more and more satellite-to-cable channels in the U.S. hungry for programming at a relatively low cost), TV series began to make a certain business sense. By comparison with high risk Canadian feature films, which were produced in a situation in which, at least in English, there was no separate Canadian film industry or market, Canadian television programs were produced in a situation in which there were important public broadcasting services, particularly the CBC, but also provincial services, as well as a financially strong private sector subject to Canadian content regulation by the CRTC. Table 23 shows the increasing use of the CCA for TV programming.

OFIP has been affected by a similar shift to TV programming. OFDC estimates that 75 per cent of OFIP projects certified in year one were TV series, and 80 per cent will be in year two. This would help to explain the expected increase in 1990 CCA production for TV from Ontario (see Table 5), with applications at least rebounding to the $200 million level, after CCA production fell in 1989 to $126 million when the 30 per cent CCA took effect. However, these preliminary figures for 1990 must be used with great caution, since CAVCO has indicated that the volume of production that proceeds to final certification in 1990 could be as low as $300 million. At the same time, TV production dropped in Quebec from $185 million to $133 million, reflecting a tightening of its tax regime.

It is interesting to look as well at the pattern of CCA production in the other provinces. For example, for the four years 1986 to 1989 inclusive, $38 million, or 78 per cent, of a total of $49 million of certified production in British Columbia was accounted for by television projects. While the pattern for 1990 suggests an emphasis on features, which had also been the case in 1988, the 1990 figures are still very much preliminary data and do not justify conclusions. This B.C. figure can be compared with Canada-wide data for certified production over the four years, 1986 to 1989, which show that television programming accounted for aggregate budgets of $946.5 million, or 65 per cent of the total of $1,455.1 million over the four year period.

In the Atlantic and Prairie provinces the ratio is very close to the national average, with 58 per cent of certified projects directed to television.

TABLE 23

Certified TV Programming as Percentage of All CCA Production, 1986 to 1990

($millions)

	1986	1987	1988	1989	1990*
Total Certified Production	$226.2	$302.4	$482.8	$443.7	$425.5
TV/PayTV Certified Production	$123.2	$174.9	$323.7	$324.8	$346.3
% of Total	54%	58%	67%	73%	81%

SOURCE: CAVCO

NOTE: * 1990 includes all applications while other years are certified productions only. Data current to December 6, 1990.

To the extent that independent TV production is being affected adversely by declining private Canadian investment and a possible reduction in financing from Canadian broadcasters, it is fairly clear what producers will try to do. They have said throughout the interviews that they are now opting for international co-productions to try to replace the lost CCA funding. They agree there is a consequent loss of Canadian content in the programs -- both in terms of talent and themes -- and that many Canadian projects are not possible on that basis.

This reliance on foreign partners, both in Europe and the U.S., has been spurred by the growth in new commercial television markets. Most producers interviewed predicted that the future growth of Canadian production would be in international co-production series, or U.S. co-ventures, and added that the cost would be in less identifiable Canadian content.

One major Toronto television producer is optimistic about the long range future demand for TV drama series. However, he believes the production industry will have a couple of bad years because of the recession, and the lack of "service" for U.S. productions caused by a high exchange rate. He also thinks that the broadcasters will enter a period of limited acquisitions as they use up the substantial volume of projects from 1985-88 production which are still on the shelves.

The ability to make such co-production or co-venture arrangements is dependent on many factors. First, to be attractive to potential foreign partners a Canadian producer must be bringing to a project a substantial commitment of revenues from the Canadian market. Second, the international contacts and relationship of professional trust required are usually built up over many years, and it is almost entirely the more established producers in Toronto and Montreal who have such relationships. The potential creative success of such productions remains a matter of debate.

III.3 Summary of Non-Sponsored Independent Production

For more convenient reference Table 25 provides a province-by-province summary which shows both the total volume of non-sponsored production (the vast majority of which is made up of Canadian feature films and TV programs) and the extent of Telefilm involvement in such production.

As Table 24 indicates, if one takes as a base calendar 1984, the first full year in which the Broadcast Fund was in effect, then the proportion of all non-sponsored Canadian production projects which had Telefilm assistance was as follows:

TABLE 24

Percentage of All Non-Sponsored Production With Telefilm Support, 1984 to 1989

	1984	1985	1986	1987	1988	1989
Percent of Non-Sponsored Production with Telefilm Assistance	82.8	75.3	63.7	51.9	46.6	53.6
Percent of Non-Sponsored Production Outside Quebec With Telefilm Assistance	73.1	67.5	61.9	49.6	40.9	58.8

The broad pattern was, then, one which saw not only a very rapid expansion of production supported by Telefilm (which increased from $120.9 million in 1984 to $332.2 million in 1989), but also a rapid expansion of non-sponsored production without Telefilm assistance. The latter increased from $25.1 million in 1984 to a peak of $315.5 million in 1988, before declining to $287.2 million in 1989 (Table 25).

TABLE 25

Estimated Total Budgets of TV Programs, Features and Non-Theatrical Productions, 1983 to 1989

	1983	1984	1985	1986	1987	1988	1989 *
Newfoundland							
- with Telefilm	--	90	25	--	1,451	715	1,123
- Total	--	90	25	--	1,451	715	1,123
Nova Scotia							
- with Telefilm	--	--	1,143	1,803	8,629	8,297	5,064
- Total	1,270	--	3,518	1,803	8,629	8,297	5,064
Prince Edward Is.							
- with Telefilm	--	150	91	26	101	29	--
- Total	200	150	91	26	101	29	--
New Brunswick							
- with Telefilm	--	--	1,021	368	463	124	686
- Total	--	--	1,021	576	463	124	686
Manitoba							
- with Telefilm	113	359	642	559	1,119	1,695	6,365
- Total	629	402	685	955	1,304	2,092	9,921
Saskatchewan							
- with Telefilm	94	231	58	--	249	--	1,159
- Total	118	365	316	371	635	376	1,741
Alberta							
- with Telefilm	--	3,284	5,230	974	--	8,042	4,236
- Total	962	3,725	6,066	2,940	531	9,942	10,899
British Columbia							
- with Telefilm	362	5,164	2,560	2,962	2,923	25,354	21,704
- Total	1,601	6,287	3,618	4,395	8,793	26,517	25,259
Ontario							
- with Telefilm	n/a	51,481	89,625	98,984	107,267	124,682	150,421
- Total	34,200	72,100	133,471	159,600	224,372	364,869	269,986
Quebec							
- with Telefilm	n/a	60,132	88,028	84,274	80,780	105,933	141,415
- Total	33,200	62,900	101,529	127,600	144,607	177,405	294,739
Total							
- with Telefilm	n/a	120,891	188,423	189,950	202,982	274,871	332,173
- Total	72,180	146,019	250,340	298,266	390,886	590,367	619,418

SOURCE: Data from Telefilm Canada, Canadian Audio-Visual Certification Office, B.C. Film, Alberta Motion Picture Development Corporation, Cultural Industries Development Office, Société Générale des Industries Culturelles Québec, and Ontario Film Development Corporation, consolidated and estimated by Paul Audley & Associates Ltd. Saskatchewan figures for 1987 through 1989 based on data from Paul Audley & Associates Ltd., survey of Saskatchewan Producers, 1990.

NOTES: Data were determined by consolidating figures from Telefilm, CAVCO and the provincial film offices on a title-by-title basis; 1983 and 1984 figures for Ontario and Quebec are estimates based on actual data. All Telefilm data are presented on a calendar year basis, by the year in which principal photography was completed (actual or estimated).

* Figures for 1989 current as of December 6, 1990, and include an estimate of certifications to be awarded, based on applications received as of that date. Ontario and Quebec figures include provincial agency data for 1989 only.

If one looks at the percentage of all non-sponsored independent Canadian production which had Telefilm investment, the figure declined steadily from 82.8 per cent in 1984 to a low of 46.6 per cent in 1988, before rising to 53.6 per cent in 1989 (Table 24). This trend can be understood in part by looking at Table 18 which shows private CCA investment increasing from $25 million in 1984 to $139 million in 1988. The pattern can also be understood if one recognizes that the definition of a Canadian program used for the CCA incentive, and to an even greater degree the definition of a Canadian program used by the CRTC, reflects a much more industrial orientation, which contrasts with the focus of Telefilm on projects with higher Canadian creative inputs. Private broadcasters, as a result of CRTC policy, could devote a substantial part of the expenditures and air-time they were expected to commit to Canadian programming to projects which would not have qualified for Telefilm assistance, but which could usually qualify for the CCA incentive and, as a result, attract private Canadian investment.

The shift in pattern in 1989, which reflects primarily the reduction in the federal CCA from 100 to 30 per cent can be seen better by deleting the figures for Quebec. As Table 24 indicates, outside Quebec, 1989 saw the proportion of production with Telefilm investment jump from 41 per cent to 59 per cent. Even this figure may understate the impact of the change in the federal CCA, since in 1989 the Ontario Film Investment Program came into effect, partially offsetting the sharply reduced effectiveness of the federal tax incentive. Even so, if one looks simply at the dollar value of non-sponsored production outside Quebec which proceeded without Telefilm assistance, it fell from $244.0 million in 1988 to $133.9 million the following year, a decline of 45 per cent.

III.4 Sponsored Production

For purposes of this study, sponsored production revenue is generally defined as the sum of four Statistics Canada revenue categories in their producers' survey. These categories are: advertising agencies, government, industry, and other producers.

Table 4 shows the estimated *value* of sponsored and non-sponsored independent production broken down by province. This table identifies the huge change which has come about in the independent production industry since Telefilm's Broadcast Fund was introduced in 1983. In 1983 sponsored production made up 59 per cent of all independent production. In Ontario, it was even higher, with sponsored production at 67 per cent of the total. By 1989, the composition of production was nearly the reverse. Sponsored production had fallen to 35 per cent of the total. TV, features, and non-theatrical production combined has grown 758 per cent during this seven year period.

In terms of production *revenues*, however, Table 26 shows that sponsored production (projects for which by definition the client is bearing at least the full production cost) remains the back-bone of the industry. Revenues from sponsored productions are only slightly down from 65 per cent of total revenues in 1980-81 to 61 per cent in 1988-89. Table 27 shows that from 1985-86, when Ontario producers took 68 per cent of all sponsored revenues, their share of this market has declined to 56 per cent in 1988-89. B.C. and Quebec benefitted most from this decline. (However, as noted elsewhere in this report, the figures for B.C. from 1987-88 on need to be used with great caution, because it is not clear what is included in production for "other producers", which increased sharply that year.)

Thus, there are two separate components to the domestic industry. One is the non-sponsored industry, which relies heavily on public policy and financial assistance based mainly on cultural goals, and this component has grown immensely in the 1980's. The other is the sponsored industry, which has grown at a slower, though impressive, rate of 348 per cent from 1980-81 to 1988-89 (182 per cent in constant dollars).

The sponsored industry is changing. It is becoming less Toronto-centred, and its largest component -- television commercials -- appears to be declining. If one excludes the problematic figure for "other producers", industry-sponsored work has shown the largest growth (545 per cent), but the recession is likely to have a negative impact on this sector. Government work has also grown, but more modestly. Table 28 shows that, from 1983-84 to 1989-90, sponsored production grew fastest in the Atlantic provinces, B.C., and Saskatchewan, albeit from a quite low base. (Note: lower coverage of production outside Ontario and Quebec prior to 1988-89 may result in overstating growth in these provinces.)

TABLE 26 (part 1)

Sponsored Film and Video Production Revenue, 1980-81 to 1988-89

($millions)

Source of Revenue	1980-81		1981-82		1982-83		1983-84	
	$	%	$	%	$	%	$	%
Ad Agencies								
current $	36.5	33	39.4	30	41.7	27	46.3	31
constant $	36.5		35.1		33.8		35.7	
Government								
current $	16.7	15	17.8	14	22.4	14	20.1	13
constant $	16.7		15.9		18.2		15.5	
Industry								
current $	11.2	10	10.9	8	22.2	14	22.8	15
constant $	11.2		9.7		18.0		17.6	
Other Producers								
current $	6.8	6	17.1	13	11.2	7	10.7	7
constant $	6.8		15.2		9.1		8.2	
Sponsored Sub-total								
current $	71.2	65	85.2	65	97.5	63	99.9	66
constant $	71.2		75.9		79.1		77.0	
TOTAL Producers' Revenue								
current $	110.2	100	130.7	100	155.7	100	151.4	100
constant $	110.2		116.4		126.3		116.6	

. . . continued

TABLE 26 (part 2)

Sponsored Film and Video Production Revenue, 1980-81 to 1988-89
($millions)

Source of Revenue	1984-85		1985-86		1986-87		1987-88		1988-89		Increase 1981-89
	$	%	$	%	$	%	$	%	$	%	%
Ad Agencies											
current $	64.8	33	98.1	31	93.1	27	125.8	27	143.1	27	+292
constant $	48.0		69.9		63.7		82.4		90.1		+145
Government											
current $	12.3	6	18.4	6	25.3	7	22.2e	5	37.8	7	+126
constant $	9.1		13.1		17.3		14.5		23.8		+43
Industry											
current $	36.2	18	55.3	17	58.3	17	72.4	16	72.2	14	+545
constant $	26.8		39.4		39.9		47.4		45.4		+305
Other Producers											
current $	16.0	8	29.5	9	22.0	6	77.7	17	65.9	13	+869
constant $	11.9		21.0		15.0		50.9		41.5		+510
Sponsored Sub-total											
current $	129.3	66	201.2	63	198.7	57	298.1	65	318.9	61	+348
constant $	95.8		143.3		135.9		195.2		200.7		+182
TOTAL Producers' Revenue											
current $	197.0	100	321.3	100	349.2	100	460.3	100	527.1	100	+378
constant $	146.0		228.8		238.9		301.4		331.7		+201

SOURCE: Statistics Canada. Figures for 1987-88 reflect updates from tax file data. Where indicated, estimates were made by Paul Audley & Associates Ltd., where information could not be supplied by Statistics Canada due to confidentiality constraints. See Appendix A for details.

NOTE: Statistics Canada methodology changed in 1985-86, and numbers before that date are not directly comparable to numbers after that date. Constant 1981 dollars based on consumer price index (fiscal year ending March 31) which rose 59% from 1980-81 to 1988-89. Sponsored production figures for 1983-84 through 1985-86 do not correspond with figures previously reported in Tables 28 and 4 because figures reported in Tables 28 and 4 for these years reflect Statistics Canada data by type of production (TV commercials, music videos, etc.), rather than source of revenue by client. Statistics Canada discontinued this method of reporting after 1985-86. Figures reflect Statistics Canada data for Saskatchewan. "e" indicates estimate.

TABLE 27

Sponsored Production Revenues by Category and Region, 1985-86 to 1988-89, ($millions)

Customer	1985-86		1986-87		1987-88		1988-89		Percent Change
	$	%	$	%	$	%	$	%	
Ad Agencies									
Ontario	72.9	74	67.7	73	91.5e	73	100.8	70	+38
Quebec	16.6	17	14.6	16	19.6e	16	22.2	15	+34
B.C.	6.4	6	8.3	9	11.0e	9	14.3	10	+123
Other	2.2	2	2.6	2	3.7e	3	5.8	4	+164
Total	**98.1**	100	**93.1**	100	**125.8**	100	**143.1**	100	**+46**
Government									
Ontario	7.1	38	11.2	44	9.1	41	12.6	34	+77
Quebec	6.8	37	8.7	34	6.1e	27	15.7	42	+131
B.C.	2.3	12	3.1	12	3.0e	14	4.6	12	+100
Other	2.1	12	2.3	9	4.0e	18	4.8	13	+129
Total	**18.4**	100	**25.3**	100	**22.2**	100	**37.8**	100	**+105**
Industry									
Ontario	41.7	76	41.8	72	48.6	67	51.5	71	+24
Quebec	4.9	9	9.5	16	13.5	19	9.7	13	+98
B.C.	4.9	9	3.9	7	4.6e	6	5.3	7	+8
Other	3.9	7	3.1	5	5.7e	8	5.6	8	+44
Total	**55.3**	100	**58.3**	100	**72.4**	100	**72.2**	100	**+31**
Other Producers									
Ontario	15.1	52	9.5	43	21.6	28	14.9	23	-1
Quebec	9.9	34	2.2	10	4.0	5	18.2	27	+84
B.C.	3.9	13	9.4	43	50.0e	64	32.3	48	+728
Other	0.5	2	0.9	4	1.8e	2	0.4	1	-20
Total	**29.5**	100	**22.0**	100	**77.7**	100	**65.9**	100	**+123**
TOTAL Sponsored Revenues									
Ontario	136.8	68	130.1	65	170.8	69	179.8	56	+31
Quebec	38.2	19	35.0	18	43.2	15	65.8	21	+72
B.C.	17.5	9	24.7	12	68.6e	10	56.5	18	+229
Other	8.7	4	8.9	4	15.4e	6	16.6	5	+91
Total	**201.2**	100	**198.7**	100	**298.1**	100	**318.9**	100	**+58**

SOURCE: Statistics Canada.

NOTES: "e" indicates an estimate by Paul Audley & Associates Ltd. Consumer Price Index increased 13% from 1985-86 to 1988-89. Figures for 1987-88 reflect updates from tax file data. Where indicated, estimates for provincial breakdowns were made by Paul Audley & Associates Ltd., where information could not be supplied by Statistics Canada due to confidentiality constraints. See Appendix A for details. Figures for Saskatchewan from Statistics Canada.

TABLE 28

Levels of Sponsored Film and Video Production,
by Province of Production Company, 1983-84 to 1989-90

($000's)

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	% Change
Ontario	68,067	89,310	125,235	130,137	170,787	179,543	189,144e	+178%
Quebec	23,297	31,691	25,233	35,012	43,296	65,797	69,316e	+198%
Atlantic Prov.	418e	443	1,422e	2,301	4,511e	4,966	5,232e	+1,152%
Manitoba	1,834e	1,150e	1,770e	603	1,362e	1,301	1,371e	-25%
Saskatchewan	468e	899	1,009e	238	2,338	4,218	4,060e	+768%
Alberta	2,800e	2,903	4,451e	5,602	7,810e	6,993	7,367e	+163%
B.C.	6,365	10,202	13,065	24,691	68,555e	56,615	59,643e	+837%
TOTAL	103,028	136,595	172,184	198,746	298,704	319,433	336,133e	+226%

SOURCE: Data for 1983-84 to 1985-86 are from Statistics Canada, Culture Sub-Division by type of production. Data for 1986-87, 1987-88 and 1988-89 are based on figures from Statistics Canada, and include producers' revenues from private industry, government, ad agencies and other producers. Figures for 1987-88 include updates to published figures from tax file information, and including estimates for provincial breakdowns in cases where certain information was withheld by Statistics Canada due to confidentiality constraints. See Appendix A for detailed description of calculation of estimates. 1989-90 figures are an estimate by Paul Audley & Associates Ltd., based on the assumption of an increase over 1988-89 figures equivalent to inflation. However, there are currently no survey figures available for 1989-90. Interviews suggest that sponsored production may be declining. Saskatchewan figures for 1987-88, 1988-89 and 1989-90 are from Paul Audley & Associates Ltd., Survey of Saskatchewan Producers, 1990.

NOTE: e Figure is an estimate.

Figures reported include revenue from foreign producers, and therefore represent duplication with location production in Canada.

III.4.1 Corporate Video

Video technology has had an impact on costs, techniques, and use of the end product. Videos are increasingly being viewed by individuals, whereas 16mm films were more often viewed by groups. One large difference between film and video technology has been the creation of the "in-house corporate video" which didn't exist when film technology required expertise most companies could not afford and did not want.

However, in-house corporate video tends to consume hardware rather than software. Most interview subjects reported that companies usually use in-house production for their most basic communication needs -- such as recording the president's speeches, or similar material designed for internal consumption. When the same company wants to make a motivational video for its sales force, or an "infomertial" for the public, or a pitch for prospective clients, they tend to use outside production companies because they want slicker and more professional work than the in-house service can provide.

CP Rail, whose corporate video budget has doubled in the past three years to $1 million, uses outside producers for its larger requirements because they believe it is more efficient and better value. According to its head of video services, IBM Canada, with a budget of $500,000, is also moving towards freelance production, with 80 per cent of its work in-house in 1989 and 60 per cent in 1990. Unfortunately, there is no mechanism to reliably estimate the national in-house corporate budget. However, once the in-house producer contracts work to an outside company, that transaction is presumably captured by Statistics Canada's survey.

<u>Table 26</u> shows that industry-sponsored films or videos have grown quite impressively in the last decade, reaching revenues of $72.2 million by 1988-89. This represented 14 per cent of all producers' revenues, and was a huge increase of 545 per cent from the $11.2 million earned in 1980-81. Even in constant dollars, this represented a 305 per cent growth.

<u>Table 27</u> shows that Ontario, specifically Toronto, dominates this market as completely as it does the TV commercial market, and for the same reason. Corporate head offices make decisions about video production, and Toronto has more and larger corporate head offices than any other city in Canada. In 1988-89, $51.5 million, or 71 per cent of industry-sponsored production, was produced in Ontario, 13 per cent in Quebec, and seven per cent in B.C.

In December, 1990, Playback magazine sent out their second questionnaire to 250 corporate video producers. According to 110 respondents to this questionnaire, the average cost of each video was $38,500. (In 1989, 35 respondents said the average budget was $30,000 to $40,000, and the average length six to 12 minutes.) According to the 1990 survey, 102 companies produced 2,394 videos, and 56 companies said their total billings were $43.5 million. This is a slight increase over the 35 companies which reported billings of $37 million in 1989, but a 27 per cent decline in average billings per responding company. The largest producer remained Communiqué Group in Toronto, which reported 1990 revenues of $3.5 million, compared to $2.5 million in 1989. If we assume that these respondents were the larger producers in the business, then the Statistics Canada survey of the sponsored industrial market, which generated $72.2 million in revenues in 1989, seems reasonable.

The level of in-house corporate video production is another matter entirely. In their recent report on the Ontario film and video industry (June 20, 1990) NGL pointed out that there is no reliable data on this subject, but they estimated in-house corporate video production in Ontario at $40 million. If we further assume that Ontario represents about 2/3rds of the national market (based on the 71 per cent Ontario share of the Statistics Canada sponsored industry market), then the level of national in-house corporate video production might be estimated at $75 million. Therefore, the total private sector corporate video expenditure, in-house and free-lance, was approximately $148 million in 1989.

According to many interviews, the corporate video market is sensitive to overall business conditions. Therefore, one can assume that it will contract during the recession. Some producers interviewed said it had already crashed in Toronto in the summer of 1990. This will create problems for the estimated 50 to 60 Toronto companies that produce exclusively for the corporate video market. NABET 700 noted that 50 to 75 per cent of its 60 cameramen in Toronto make their living in corporate video. The pressure on most video producers is to work non-union at the lower end of the market to keep costs down. Major video production companies use union talent (including actors) for their upper-end productions. Comedy is a staple of corporate video, which is best used for motivational, rather than educational or informational purposes. Print does some things better, and some companies have returned to print newsletters after trying video newsletters.

Government-sponsored video is the smaller half of this market, but it is probably the more reliable half in a recession. According to a 1990 survey of corporate video users by Deborah Sawyer, 84 per cent of government respondents said they used video (reported in Playback, February 4, 1991). This was the highest response from any sector interviewed. The Department of Supply and Services' (DSS) Film and Video Group contracts sponsored production for the federal government, about 90 to 95 per cent of which is now in video. Their 1989-90 contracts totalled $19.4 million over 879 projects, or an average of $22,118 per program. Since moving to DSS from the NFB in 1984, sponsored work has steadily grown from about $8 million then to $19.4 million last year. DSS expects it to grow to $25 million in 1990-91 since government usually wants to communicate more during tough times.

Statistics Canada data in Table 26 shows that government sponsored films/videos grew by 126 per cent during the eighties. However, the actual increase is probably much greater. For example, in 1987-88 Ontario producers reported $8.6 million in government work to Statistics Canada. In that same year, DSS reported $12.6 million in federal contracts to Ontario producers.

It is also evident looking at DSS numbers that sponsored work going to Toronto has dropped off greatly in the last two years. In 1987-88, Ontario producers received 71 per cent of DSS contracts, or $12.6 million. In 1989-90, Ontario had 58 per cent of the contracts. However, out of this $11.2 million, Ottawa producers took $8.4 million, and other Ontario producers only $2.8 million. Toronto had less than 14 per cent of the national total of $19.4 million.

While Toronto continues to be the dominant centre for corporate video, that market is declining in the face of the recession and generally tightening media budgets (which are also affecting Toronto production in TV commercials). Barring unexpected fiscal demands, DSS interviewees believe government work will grow. However, the value of federal contracts in Toronto has dropped by two-thirds in two years with increases in B.C., Quebec, and Ottawa. Ottawa remains the major production centre of a much more decentralized market.

Including both the private sector's $72.2 million, and government sponsored production, which was $37.8 million, total free-lance corporate video production was $110 million in 1989. Adding an estimated $75 million for in-house production, total corporate video production was approximately $185 million in 1989.

III.4.2 Television Commercials

As a source of earned revenue, television commercials are the most important production category for the independent Canadian production industry. In 1988-89, total television commercial production revenues were $143.1 million according to Statistics Canada, and $183 million according to a Playback estimate, extrapolated from a survey of 20 national advertising agencies (November 26, 1990). The discrepancy could reflect some offshore production, and the Playback estimate is also for one year later.

Toronto dominates the commercial production industry because it is the main business centre in Canada, the location of head offices of major advertising agencies, major advertisers, and the two national English-language networks. According to a study commissioned by the City of Toronto, the value of all film/video production in that city in 1988 was approximately $800 million, and television commercials represented $150 million of that, or about 20 per cent. (Quoted in Associated Economic Consultants, Employment and Education in the British Columbia Motion Picture Industry, May 1988, page 156.)

Table 27 shows that producers' revenue from advertising agencies was concentrated in Ontario between 1985-86 and 1988-89. In 1985-86, Ontario producers received 74 per cent of all revenue from advertising agencies, while Quebec received 17 per cent of the total. In 1988-89 the figures were 70 per cent and 15 per cent for Ontario and Quebec respectively. In 1980 and 1981, Ontario producers accounted for about 61 per cent of production of commercials, while Quebec accounted for about 31 per cent in each year. Over the next five years, half of Quebec's production moved to Toronto. This result may be partially accounted for by a change in Statistics Canada methodology for 1985-86 and later surveys, and partially may be a reflection of the pace of mergers and acquisitions during the eighties in the concentration of both ad agencies and major advertisers. By 1990, according to Playback's survey of 20 national advertising agencies, one-third of French-language television commercials were shot in Toronto.

During the eighties, the number of commercial productions counted by Statistics Canada declined from nearly 6,000 in 1981-82 to fewer than 4,400 in 1988-89 (see Table 3). According to Statistics Canada figures, the average revenue from each commercial rose from $8,550 in 1980-81 to $32,500 in 1988-89, or an increase of 280 per cent during the decade. However, the actual cost of producing a *national* 30 second commercial was $120,000 in 1990, according to Playback.

Table 26 shows that television commercial revenue (defined as producers revenue from advertising agencies) grew from $36.5 million in 1980-81 to $143.1 million in 1988-89, or an increase of 292 per cent. Therefore, considering the increased concentration of production in Toronto together with a tripling of revenues, it is surprising to see income reported by ACTRA members was stagnant during this same period. Table 29 indicates that the revenue from television commercials grew 55 per cent compared to overall ACTRA income which grew by 136 per cent. In constant dollars, ACTRA income from television commercials was flat, increasing by only two per cent. Since ACTRA rates for commercials increased by 107 per cent from 1980 to 1989, it seems clear that ACTRA members are performing in many fewer commercials. It is unclear why ACTRA members would not have benefitted from the overall increase in commercial revenue. Possible reasons are fewer commercials produced, perhaps more non-union commercials and an increase in off-shore production.

TABLE 29

Income Reported for TV Commercials by ACTRA Members, 1981 to 1990
($millions)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990*	Percentage Change (81 - 89)
Sessions											
current $	7.2	7.0	8.5	9.3	10.7	10.7	11.1	13.6	11.3	11.1	+57
constant $	7.2	6.3	7.3	7.6	8.4	8.1	8.0	9.5	7.5	6.9	+4
Residuals											
current $	9.2	9.6	11.6	12.0	13.2	12.3	12.8	16.7	14.1	11.7	+53
constant $	9.2	8.7	9.9	9.8	10.4	9.3	9.3	11.6	9.3	7.2	+1
Total Commercials											
current $	16.4	16.6	20.1	21.3	23.9	23.0	23.9	30.3	25.4	22.8	+55
constant $	16.4	15.0	17.2	17.4	18.8	17.4	17.3	21.1	16.8	14.1	+2
Total ACTRA Income											
current $	53.2	55.0	59.6	69.4	84.0	94.3	107.3	121.6	125.3	105.4	+136
constant $	53.2	49.6	50.9	56.7	66.0	71.2	77.6	84.6	83.0	65.3	+56
Commercial Income as Percentage of ACTRA Total	31%	30%	34%	31%	28%	24%	22%	25%	20%	22%	-35

SOURCE: ACTRA

NOTE: * 1990 excludes month of December. Estimate for 1990 is $26 million in income from commercials and $120 million total ACTRA income, extrapolating from 1989.

Between 1985-86 and 1988-89 commercial production grew much faster in the regions, about 150 per cent, while Ontario and Quebec had moderate growth, in the 36 per cent range (see Table 27). On the other hand, *foreign* revenues for producers of television commercials jumped from two per cent of the total in 1981 to five per cent in 1987 and 13 per cent in 1989, or $18.4 million. According to Statistics Canada, this was an increase of 318 per cent in the last three years, compared to an increase of 131 per cent in domestic commercial revenue during the same period.

One reason for this sharp growth in foreign commercial production was suggested by one of the largest commercial producers in Toronto. He said his Canadian business has declined steadily since 1987, and that he has compensated by opening foreign offices. Now, 55 per cent of his work is off-shore, as opposed to almost none four years ago. The result is less Canadian employment, though at this point one advertising agency executive estimated that only 100 shooting days per year are in the U.S., out of 3,000 shooting days for the Canadian industry as a whole.

Contrary to the Statistics Canada data, interviews consistently suggest a sharp decline of at least 30 per cent in television commercial production in Toronto, especially in the high end of the business. A major advertising agency executive in Toronto confirms this decline in production, but emphasizes that many lower cost commercials are being done by small, non-union producers, or at the television station. One small Toronto producer agreed he is now getting clients who want to spend $30,000 instead of $100,000 for a less sophisticated commercial. He specializes in low budget work and is busy. Playback (November 26, 1990) estimated a decline of 27 per cent in the production of national commercials (excluding television station production) from $183 million in 1989 to $134 million in 1990.

Factors in this decline according to interviews were:

- The Economy: The recession has hit many major advertisers, as have historically high interest rates.

- Mergers and Acquisitions: The leveraged buy-out mania of the 1980's has reduced competition, and advertising budgets.

- TV Advertising Efficiency: Television is a less efficient advertising medium, down 20 per cent in the last five years according to one source, largely because of market fragmentation.

- Market Fragmentation: Another effect of fragmentation is to extend the life of a commercial from one year to one-and-a-half years.

- Free Trade Agreement: According to one interview, the gradual elimination by the FTA of the 11.3 per cent duty on the importation of commercials will increase the financial incentive to produce major commercials in the U.S., and use a single North American campaign with a different script, rather than produce original commercials for each market.

- Costs: Production costs are rising, especially in Toronto, while advertising budgets are declining, and the result is fewer and cheaper commercials, with the higher budget projects using more foreign talent.

According to another interview, major multi-national advertisers, like Pepsi, will have global marketing strategies, and these projects will come out of the U.S. or the U.K., where the top 10 per cent of high-quality commercials are made. Apart from these major projects, Canadian producers are quite competitive for quality, price, and value.

Future trends do not look promising for this extremely important element in the unsubsidized sector of the production industry. One factor in this trend may have been the CRTC's decision to stop monitoring the origin of the advertisements carried on Canadian television stations and networks. Television market fragmentation can only increase, with a resulting decline in television advertising efficiency. However, as Table 30 shows, while television advertising declined slightly from 1981 to 1989, from 16 per cent to 15.6 per cent as a percentage of all media advertising, the actual value of television advertising in constant dollars grew by over one-third (36%).

The larger commercial producers in Toronto are experiencing a sharp cutback in work. One major producer, Boardwalk, closed its doors after ten years in business. Another, Rawi Sherman Films, has affiliated with a Singapore production company to take advantage of costs that are half of those in the U.S.

It has been suggested that major advertisers, operating on both sides of the border, will reduce production costs by making modular commercials that require small changes for use in Canada. Large Canadian producers will have to work out of U.S. centres to compete for this upper-end business, while smaller Canadian producers will fill the local, low-end of the market (possibly using non-union performers). One person interviewed believes that half of the big budget commercials will no longer be produced in Canada, if current trends continue.

TABLE 30

Net Advertising Revenue for TV and All Media, 1981 to 1989

($millions)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	Percent increase
TV Advertising current $	691.7	777.3	863.8	970.3	1,046.5	1,095.3	1,177.5	1,339.0	1,415.7	+105
constant $	691.7	701.5	737.0	793.4	822.7	826.6	852.0	931.2	937.5	+ 36
Percentage of all Media	16.0	16.8	17.1	16.7	16.6	15.7	15.4	15.9	15.6	
All Media Advertising current $	4,331.9	4,622.4	5,050.0	5,810.0	6,299.3	6,992.8	7,634.1	8,432.2	9,049.0	+109
constant $	4,331.9	4,171.8	4,308.9	4,750.6	4,952.3	5,277.6	5,524.0	5,863.8	5,992.7	+38
Percent	100	100	100	100	100	100	100	100	100	

SOURCE: 1981-86 figures are from Statistics Canada, 1987-89 figures are Maclean Hunter Research Bureau estimates, as reported in A Report on Advertising Revenues in Canada, The Maclean Hunter Research Bureau, May, 1990.

III.4.3 Music Videos

Music videos are commercials for records or musicians. Therefore, they should be considered part of the sponsored film/video production industry. Yet, because Canadian record companies often are unable to fully finance the cost of a Canadian music video, they are described more as a labour of love, rather than anyone's bread and butter. Few people seem to make a living exclusively producing these clips; music videos are an entry point for young people wanting to get started, or older people in the business wanting to change gears.

In 1990, the average budget of a music video was $25,000. Most had funding of up to $12,500 from VideoFACT, a foundation launched in 1984 to fund videos out of revenues from Muchmusic and Musique Plus (five per cent of gross revenue from the English channel, and 2.4 per cent from the French channel). VideoFACT has helped finance 289 videos to date, with 42 more in production. Its budget has been growing and reached $750,000 in 1989-90 for video production in English and French. About 27 per cent of its projects are in French and 52 per cent originate from Ontario. The balance of video financing comes from record companies, and the federal Sound Recording Development Program.

Table 31 shows that the Statistics Canada survey has identified 415 Canadian music videos produced since 1984-85, with 59 per cent of these being produced in Ontario and 25 per cent in Quebec. It is interesting to see that production of English-language videos peaked in 1987 and has fallen significantly since then. On the other hand, production of French-language videos, representing only 22 per cent of the total for all five years, has been growing since 1986.

The future trend for music videos does not look very promising based on recent experience. However, Muchmusic revenues are growing, and that market continues to assist video production, along with the federal Sound Recording Development Program and producers who work on them as "labours of love". As long as video channels exist, there will be a market niche for these video productions. In the future, a new market may open up with compact discs that play visuals along with the music, but the market for music videos is not large, and appears at present to be shrinking, at least in the English-language market.

TABLE 31

Number of Music Videos Produced by Region and Language
1984-85 to 1988-89

	1984-85	1985-86	1986-87	1987-88	1988-89	TOTAL
Quebec	4	13	34	27	25	103
Ontario	41	57	58	54	33	243
Prairies	2	6	2	2	3	15
Atlantic	1	4	3	1	2	11
B.C.	2	8	8	8	17	43
TOTAL	50	88	105	92	80	415
English	34	76	89	71	54	324
French	16	12	16	21	26	91

SOURCE: Statistics Canada.

IV. FOREIGN PRODUCTION IN CANADA

Foreign production in Canada is the largest single category of production in the country, and the most volatile. The following table (Table 32) gives a rough indication of its importance by comparing the value of foreign production in Canada to the value of Canadian independent production. These figures may overlap to a limited degree, particularly in relation to production in British Columbia, but such overlap would not be sufficient to significantly distort the data.

TABLE 32

Estimated Value of Domestic and Foreign Program Production in Canada from 1983 to 1989 ($millions)

	1983	1984	1985	1986	1987	1988	1989	Change
Total Canadian Independent Production	175.4	282.6	422.5	496.9	689.6	909.8	955.6	445%
Total Foreign Production in Canada	47.7	61.6	114.9	174.9	276.0	208.3	237.1	395%
Foreign as Percentage of Canadian	27%	22%	27%	35%	40%	23%	25%	--

SOURCE: Tables 4 and 10.

Table 10 shows the highly volatile nature of foreign production which not only rises and falls precipitously, but moves from one location to another within Canada. According to one B.C. study of film industry training, there are five factors in the location decision:

1. Relative production costs in local currencies in one part of a country compared to another.
2. Exchange rates between currencies.
3. Geographic requirements of the scripts.
4. Infrastructure available to support the production.
5. Quality of labour available for production work.

During the 1980's, foreign production generally moved across the country from east to west. In 1983, 13 per cent of foreign production was in Alberta and B.C. By 1989 production in these two provinces peaked, with 74 per cent of all foreign work located there. In 1990, preliminary estimates show a return in the balance towards the east with 65 per cent of work in Alberta and B.C. This was caused largely by a lack of mega-projects in Alberta (which fell from $28 million to $8 million in 1990) and an increase of work in Ontario.

Foreign production has not regained its peak level of 1987, when U.S. companies were shooting at record levels in both Vancouver and Toronto. Then in 1988 U.S. producers began shooting more in the cheap "right to work" states, often saving 30 per cent or more in production expenses. At the same time the value of the Canadian dollar was rising substantially in relation to the U.S. currency. Relative labour costs based on the weekly rate for a full production crew can be seen in <u>Table 33</u>. Non-union U.S. crews cost about 60 per cent of an IATSE crew in L.A., and about 75 per cent of an IATSE crew in Vancouver. However, considering all of the factors described above, the bulk of foreign work in Canada continues to be shot in B.C.

Interview subjects repeated the following reasons for this dramatic westward shift:

- <u>Geographical Proximity</u>: Vancouver is much closer to Los Angeles than Toronto, Montreal, or North Carolina, and is in the same time zone.

- <u>Production Costs</u>: Vancouver living expenses are cheaper than Toronto, and union crew costs are five to ten per cent lower (excluding discounts negotiated by Toronto unions in 1990.)

- <u>Unions</u>: B.C. unions have focused on foreign production to the point of organizing meetings with Los Angeles producers, keeping rates competitive, and harmonizing their rules and regulations to avoid conflicts during shooting.

- <u>Locations</u>: B.C. has many spectacular natural locations, while Toronto is preferred for stories set in "New York" (the real New York being even more expensive than Toronto).

- <u>Dollar</u>: The overall level of U.S. production in Canada is heavily influenced by the level of the Canadian dollar, but obviously the current exchange rate hasn't affected the boom in Vancouver.

TABLE 33

Comparison of Labour Costs for Film Production in Selected Canadian and U.S. Centres in 1990 ($000's)

City	Vancouver		Toronto			Toronto Discount	
Union	IATSE	ACFC	IATSE	ACFC	NABET	ACFC	NABET
Weekly Crew Cost	$171.7	$161.3	$181.9	$190.4	$171.4	--	--
Discount Available	--	--	--	--	--	$164.1	$161.9
Percentage of L.A union cost:							
- at 82.5¢ dollar	75%	71%	80%	83%	75%	72%	71%
- at par dollar	88%	83%	93%	97%	88%	84%	83%
City	Los Angeles		New York		Chicago	Wilmington, N.C.	
Union	IATSE	Non-union	IATSE		IATSE	Non-union	
Weekly Crew Cost	$228.7	$139.7	$258.1		$218.3	$132.5	
Percentage of L.A. union cost	100%	61%	113%		95%	58%	

SOURCE: Directors Guild of Canada, Marilyn Stonehouse.

NOTES: Based on union rates as of May 15, 1990, for five 12 hour days. Lower ACFC and NABET costs in Toronto indicate discounts available to producers at this time. Includes DGC, ACTRA, SAG, and the Directors Guild of America rates where applicable. All figures in Canadian dollars converted at 1.175 exchange rate.

1989 was the peak year for foreign production to date in B.C. when 63 per cent of all independent production was foreign location work. At the same time the major Toronto producers are shooting an increasing proportion of their TV series in Vancouver to take advantage of lower costs and higher benefits available to regional production. As Table 34 shows, Canadian production in British Columbia, as reported by the B.C. Film Commission survey, has steadily increased in the last three years, while foreign production, despite a major increase of 76 per cent in 1989, declined slightly the following year.

In 1990, total foreign dollar volume in B.C. declined by nine per cent from $148 million to $135 million. There were fewer blockbuster movies, and there was more television production from Canadian producers. This is a positive trend, since as Table 35 demonstrates, foreign productions in B.C. spend about 50 per cent of their total budget in the province compared to Canadian productions which, on average, spend about 85 per cent of their budget in B.C.

TABLE 34

Major Domestic and Foreign TV and Feature Production
in British Columbia, 1988 to 1990
($millions)

Year	1988	1989	1990	Increase
Canadian	$46	$54	$60	30%
Foreign	$84	$148	$135	61%
Total	$130	$202	$195	50%

SOURCE: B.C. Film Commission.

Meanwhile, Ontario has seen a general and significant decline in foreign production since 1987. Table 36 shows that this drop in foreign production has been offset to a significant degree by an increase in co-ventures since 1988. However, overall levels of foreign and co-venture production showed a decline in 1989 and 1990 of 15 to 20 per cent (to approximately $120 million), from the earlier plateau of approximately $140 million between 1986 and 1988.

Responding both to the loss of the federal CCA incentive and to the shift of both foreign and domestic production to B.C., Toronto unions have reduced their wage scales up to 15 per cent, and have formed an organization called the Ontario Production Industry Council. These efforts may have had an effect, since foreign production increased 36 per cent from 1989 to 1990, from $42 million to $57 million.

While servicing foreign production remains a lucrative business, it is an extremely unstable business dependent on factors such as union agreements negotiated in Hollywood, or the level of the Canadian dollar.

How high the Canadian dollar must go to cause a major downturn in foreign production is a very difficult question to answer. Conventional wisdom says 90 cents. Table 33 shows that if the dollar were at par in 1990, Canadian union rates would still be about five to 15 per cent lower than Los Angeles union scale. However, this may not be enough to compensate for the increased costs of going on location. Also, the higher the dollar rises, the more advantageous it is to work in non-union production centres like Wilmington, N.C.

As one lawyer interviewed said: "If the dollar goes up, they say they'll be gone. It's not revenue to build a business on."

TABLE 35

Major Foreign and Canadian Production in B.C.
1988 and 1989
($millions)

1988			1989		
Features (18)			Features (14)		
	Total	B.C. Only		Total	B.C. Only
Canadian	$24.49	$20.78	Canadian	$13.35	$11.35
Foreign	$71.26	$33.84	Foreign	$108.06	$50.80
Total	$95.75	$54.62	Total	$121.41	$62.15
TV Movies (8)			TV Movies (11)		
	Total	B.C. Only		Total	B.C. Only
Canadian	$2.5	$2.5	Canadian	$5.90	$4.87
Foreign	$26.9	$12.3	Foreign	$27.82	$14.85
Total	$29.4	$14.8	Total	$33.72	$19.72
TV Series (11)			TV Series (12)		
	Total	B.C. Only		Total	B.C. Only
Canadian	$25.67	$22.27	Canadian	$45.80	$37.55
Foreign	$68.43	$37.88	Foreign	$150.12	$82.47
Total	$94.09	$60.15	Total	$195.92	$120.02
TOTAL			TOTAL		
	Total	B.C. Only		Total	B.C. Only
Canadian	$52.66	$45.85 (87%)	Canadian	$65.05	$53.77 (83%)
Foreign	$166.59	$84.02 (50%)	Foreign	$286.00	$148.12 (52%)
Total	$219.25	$129.87 (59%)	Total	$351.05	$201.89 (58%)

SOURCE: B.C. Film Commission

TABLE 36

Foreign and Co-venture Production in Ontario, 1981 to 1990
($millions)

Year	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Foreign	4.1	31.2	41.5	17.6	46.0	104.3	100.8	69.2	42.0	56.8
Co-venture	--	--	--	43.9	22.7	43.7	42.2	72.4	78.9	61.2
Total	4.1	31.2	41.5	61.5	68.7	148.0	143.0	141.6	120.9	118.0

SOURCE: OFDC.

NOTE: Calendar years, includes major TV features, mini-series, and feature films, and does not include commercials, short films, or Canadian network production.

Figures include only dollars spent in Ontario, not total production budgets.

V. TELEVISION PRODUCTION

V.1 Introduction

Throughout the 1980's Canadian television continued to be the major vehicle through which Canadians had access to their own film and video productions, with Canadian stations and networks both producing programs themselves and acquiring independently produced programs. That this is the case is hardly surprising, since it reflects the existence of a strong Canadian public broadcasting corporation, a number of provincial public broadcasters, a financially strong private sector Canadian television industry which is dominant in the Canadian market, and the existence of Canadian content regulations for private television.

By contrast, the theatrical film and home video markets in Canada are, at least in the English-language sector, an integral part of the American market, with Canadian companies occupying an increasingly marginal position. In the absence of a separate Canadian film and video market and its necessary counterpart, a strong and separate Canadian film and video industry, the emphasis on television is hardly surprising. There are, of course, other factors as well which create difficulties in producing, distributing and exhibiting or renting Canadian theatrical productions -- including high average production costs for American features which dominate the Canadian market, limited resources and expertise for marketing, and, some would say, the absence of Canadian content regulations.

In looking at the statistical data concerning Canadian television which follows, three factors should be kept in mind. First, television programming is not primarily an industrial product, but rather the most powerful available instrument for communicating information and culture. Even the most commercial television series is produced in a particular language (occasionally more than one) by a particular group of people who unavoidably bring to the production the whole of their background -- whether in the drafting of a script or through subtleties of performance. In fact, it could be argued that even the notion of making television programs as commercial products is one which originated in the United States and is only fully accepted there. There are also a very wide range of different types of programs which can be made and a great variety of audiences to be served. To the extent that this is taken into account, it would clearly be facile to judge public policy in Canada a success or failure simply by looking at total dollars spent on Canadian programs, (based on some agreed definition of a "Canadian program"), or total audiences to Canadian programs. Whatever the broad trends, it is difficult to believe that a Canadian policy would be judged satisfactory if, for example, it resulted in any of the following:

- the loss of local or regional Canadian programs in significant communities which had previously had such service;
- an increasing concentration of production resources and viewing on Canadian news and current affairs programs, with a corresponding decline in drama, variety, etc;
- the loss of Canadian performing arts programs, children's programs, or sports coverage;
- a decline in the availability and viewing of French-language programming; or
- increased concentration in the "Canadian" drama available on Canada-U.S. "co-venture" programming which was produced primarily for the American market, depended largely on U.S. financing, and disguised its Canadian origin and production location.

A report such as this one of necessity glosses over such distinctions. This report therefore, needs to be read in conjunction with policy studies which have more to do with the content of programs and the objectives intended to be served by Canadian programming -- whether related to regional reflection, English-French balance, Canadian identity, or the maintenance of Canada as a distinct society.

Secondly, it must be recognized that private television in Canada is going through a difficult period. As recently as April 6, 1989, in its decision on the renewal of private television station licences, the CRTC stated that:

> Although television's share of total advertising revenues may have declined slightly, it appears that television's total advertising revenues are continuing to increase and that private sector stations, on average, are experiencing growth in pre-tax profits. In fact . . . the majority of licensees achieved much better results for the reporting year ending 31 August 1988 than those projected at the time of filing their renewal applications. (CRTC Public Notice 1989-27: Overview: Local Television in the 1990's, page 7)

Less than two years later, however, the situation looks quite different, as the text that follows clearly indicates. The Commission's recognition in its 1989 decision that "the broadcasting industry is faced with a degree of uncertainty over the next five years" has proved accurate, and recent CRTC statements have recognized the altered circumstances. However, while the text that follows reflects the comments heard in the course of the interviews conducted for this study, we are in no position to suggest conclusions with respect to whether the very recent downturn in industry profitability will prove temporary or will continue in the future, with consequences likely to prove damaging to Canadian programming.

Almost certainly the immediate situation in the industry reflects the recession. It is also clear that at least through 1989 the commercial revenues of private television continued to increase in real terms, that is, at a rate faster than inflation. There is also an abundance of evidence from the past to show us that when new stations or networks are introduced they have very frequently experienced major losses, and often undergone changes of ownership, before becoming financially successful. An examination of the early experience of the CTV network, Global or a number of private stations, including CITY in the large Toronto market, helps to put the recent experiences of Quatre Saisons in context. The point here is not that the current difficulties of the English- and French-language sectors of the industry do not justify concern, but rather that an assessment which reflects historical experience and quite sophisticated analysis is required as a basis for judging what is likely to happen in the future. The report of the Task Force on the Economic Status of Canadian Television (the Girard-Peters Task Force), which is due to be published in the next few weeks, will provide a much better basis for such judgements.

The final point, which follows directly from these comments, is that this report is not a study of broadcasting policy. This section of the report reflects comments made in the interviews for this study. These comments have been used as one source of advice in developing estimates of trends in Canadian production activity. However, this study clearly does not provide a sound basis for conclusions regarding the future of Canadian broadcasting.

V.2 Private Broadcasters

Conventional private television, which traditionally has been among the most profitable industries in Canada, has more recently been experiencing significant difficulties. During the eight year period from 1982 to 1989, operating revenue for private TV stations grew by 71 per cent, while operating expenses grew by 119 per cent, including program expenditure increases of 117 per cent. As the market fragmented, advertising revenue, which accounts for 92 per cent of total operating revenue, did not keep up with higher costs.

During the last four years, private television after-tax profits have slipped from a peak of $98.9 million in 1986 to $50.7 million in 1989 (see Table 37). The decline was most severe in Quebec, which saw industry profits drop 138 per cent, to a loss of $8.5 million. The Atlantic broadcasters also slipped into the red in 1989 by $0.9 million, declining 123 per cent, during the same period. Other areas of the country saw a decline in profit, but stayed in the black, unlike Quebec and Atlantic Canada, which also had the largest increase in the number of broadcasters licensed.

A central factor has been market fragmentation, which has led to lower audiences for individual stations and networks, lower advertising revenue, and enhanced competition which tends, particularly during a transitional period, to push costs up and force advertising rates down, crowding everyone's margins as the new players join the system. The CRTC has licensed an increasing number of conventional broadcasters, including Quatre Saisons in Quebec, and new third and fourth, unaffiliated stations in many English-language markets. In addition, the CRTC has licensed many specialty and pay TV channels, (16 are now in operation), most of which depend on a mix of subscriber fees and advertising for revenue. More American channels, such as CNN, are also being carried on Canadian cable systems in optional tiers with Canadian services. Home video is also taking up viewing time that might otherwise be spent watching Canadian broadcasting services.

The extent of increased licensing during the 1980's can be seen in Table 37. The number of conventional broadcasting units reporting to Statistics Canada has increased by 40 per cent from 75 units in 1980 to 105 units in 1989. From 1986 to 1989, the reporting units increased by 18 per cent. In Quebec the increase in reporting units was more dramatic, from 16 in 1980, to 19 in 1986, to 26 in 1989 -- a total increase of 63 per cent. Atlantic Canada also showing a severe decline in profits during the last four years, showed a 33 per cent increase in reporting units, from nine to 12.

As discussed in more detail later, a substantial number of specialty and pay TV channels were also licensed. As Table 38 shows, six new Canadian specialty services started operation in 1989. As a result, the advertising revenues of these services increased from $21 million in 1988 to $40 million in 1989. The intent was that the new services should either not draw upon commercial revenues at all, but only on subscriber fees (in the case of the pay channels); or that they should appeal only to narrowly-defined audiences, and therefore, would have a limited impact on the advertising revenues of existing conventional broadcasters. However, these services also, particularly when combined with the more substantial impact of new conventional stations and networks, have added to concerns regarding fragmentation.

The TV Bureau estimates that specialty channel advertising revenues have grown from $7 million in 1985 to $40 million in 1989. TSN is the most popular specialty/pay-TV channel, with about 30 per cent of all specialty/pay-TV viewing, followed by YTV, with 17 per cent, and First Choice with 12 per cent (BBM, spring 1990).

TABLE 37

Private Television Broadcasters Profitability Broken Down by Regions, 1986 to 1989

($millions)

	1986	1987	1988	1989	% Change $	% Change %
Canada						
TV Broadcasters						
- # reporting profit	n/a	75	69	69		-8
- # reporting loss	n/a	21	30	36		+71
- total number	89	96	99	105		+18
Operating Revenue	1,008	1,006	1,188	1,276	+268	+26
Net Profit After Tax	98.9	84.7	77.0	50.7	-48.3	-49
Quebec						
- # reporting profit	n/a	15	13	16		+7
- # reporting loss	n/a	9	11	10		+11
- total number	19	24	24	26		+37
Operating Revenue	237.1	248.2	283.1	316.7	+79.6	+33
Net Profit After Tax	22.4	18.9	6.6	-8.5	-30.9	-138
Atlantic						
- # reporting Profit	n/a	6	6	5		-17
- # reporting loss	n/a	3	3	7		+133
- total number	9	9	9	12		+33
Operating Revenue	50.2	52.8	58.2	60.7	+10.5	+3
Net Profit After Tax	3.9	2.8	4.5	-0.9	-4.8	-122
Ontario						
- # reporting Profit	n/a	20	19	19		-5
- # reporting loss	n/a	5	6	6		+20
- total number	25	25	25	25		--
Operating Revenue	396.4	427.5	473.7	516.2	+119.8	+30
Net Profit After Tax	36.5	27.5	36.0	27.3	-9.2	-25
Prairies						
- # reporting Profit	n/a	25	23	21		-16
- # reporting loss	n/a	4	9	12		+200
- total number	27	29	32	33		+22
Operating Revenue	216.8	224.7	247.1	248.3	31.5	+15
Net Profit After Tax	28.5	26.9	20.7	25.2	-3.3	-12
B.C., NWT/Yukon						
- # reporting profit	n/a	9	8	8		-11
- # reporting loss	n/a	--	1	1		--
- total number	9	9	9	9		--
Operating Revenue	108.7	112.7	125.9	134.2	25.5	+23
Net Profit After Tax	7.7	8.6	9.2	7.5	-0.2	-3

SOURCE: Statistics Canada.

NOTE: TV broadcasters based on reporting units to Statistics Canada.

TABLE 38

Pay TV and Specialty Channel Programming Expenses, 1987 to 1989
($millions)

	1987	1988	1989
Pay TV Channels - Total Revenue	77.5	85.4	95.1
Number of Licensees	4	4	5
Pay TV Program Expenses			
Total Canadian	7.4	10.4	12.8
Total Foreign	31.5	33.3	36.0
Other Programming *	n/a	n/a	4.4
Total Program Expenses	38.9	43.7	53.2
Net Profit	13.8	16.2	15.3
Specialty Channels - Total Revenue	37.2	57.0	120.8
Number of Licensees	4	4	10
Specialty Program Expenses			
Total Canadian	12.4	18.0	33.0
Total Foreign	4.1	3.1	7.9
Other Programming *	n/a	n/a	13.2
Total Program Expenses	16.5	21.1	54.1
Net Profit	-3.1	8.0	7.8

SOURCE: CRTC.

NOTES: * "Other" means program related expenses, i.e. promotion, production services, management fees, remuneration, etc.

1987 figures are provisional.

1988 specialty services: Chinavision, MuchMusic, Telelatino, and TSN.

1988 pay services: Super Channel, Cathay, First Choice, and Super Ecran; 1989 also includes Family Channel.

1989 specialty services: Canal famille, Chinavision, Météomédia, MuchMusic, Musique Plus, Telelatino, TSN, TV5, Vision TV, and YTV.

Table 39 shows that viewing of conventional TV stations and networks (excluding the provincial broadcasting services) declined from 93 per cent of all television viewing in 1985 to 88 per cent in 1989. Non-conventional television viewing (defined as VCR's, educational channels, cable channels, and U.S. and Canadian pay-TV/specialty channels) increased from seven per cent to 12 per cent of all viewing. According to BBM, over the four years 1987 to 1990, Canadian pay-TV/specialty viewing increased from two to six per cent, while other non-conventional categories, including video-cassette recorders (VCR's) remained static. In the BBM Fall 1989 survey, Canadian pay-TV/specialty channels had six per cent of viewing, U.S. pay/specialty channels one per cent, Canadian cable/educational channels two per cent, and VCR's three per cent. (Since these provincial or educational services are broadcast off-air, a more accurate figure for non-conventional services would be 10 per cent, of which VCR's account for three per cent.)

In 1990 VCR's were in 64 per cent of Canadian homes, and represented an estimated three per cent of weekly television viewing (BBM, fall, 1990). Rentals and sales of cassettes at the retail level are now estimated at $1.2 billion, according to the Canadian Film and Television Producers' Association. In addition, in 1987 the CMPDA estimated that video piracy represented 12 per cent of the retail business and cost distributors about $20 million annually.

Since 1985, the number of French-language television networks has grown from three to nine, serving a population of 6.5 million. The arrival of Quatre Saisons, the acceptance of advertising by Radio-Quebec, and the increase of advertisements on Radio-Canada in response to cutbacks in CBC's Parliamentary appropriation, has doubled the amount of advertising time available to French-language advertisers. The resulting price war has been a boon to advertisers, and crippling to Quebec broadcasters.

However, as Table 37 indicates, from 1986 to 1989 private TV operating revenues in Quebec grew 33 per cent, (from $237 million to $317 million), although industry after tax profits fell by $30.9 million during the same period. More specifically, Télé-Metropole reported losses of $10.4 million on 1989-90 revenues of $69 million, and Quatre Saisons lost $27 million. Radio-Canada and Radio-Quebec had advertising revenues of $95 million and $16 million, respectively.

TABLE 39

Total Share of Television Viewing, 1985 to 1989 *

	1985	1986	1987	1988	1989
CONVENTIONAL TV					
English					
CBC	16	16	15	13	13
CTV	22	20	20	19	17
Ind. Canadian	11	13	14	15	17
Sub-Total	50	49	49	47	47
French					
SRC	9	9	8	7	7
TVA	11	11	10	10	10
Quatre Saisons	--	1	4	4	4
Sub-Total	20	21	21	21	21
U.S. (incl. PBS)	22	22	21	21	20
TOTAL CONVENTIONAL TV	93	92	91	89	88
TOTAL **NON-CONVENTIONAL TV** +	7	8	9	11	12

SOURCE: BBM, Fall 1989 survey.

NOTE: * Share of weekly hours of TV viewing by all persons age two and over.

\+ Non-conventional includes: cable community, Home Shopping, House of Commons, VCR's, Alberta Access, TV Ontario, Radio-Quebec, Knowledge Network, multicultural, cable advertisers, Ontario legislature, and Memorial University.

Numbers may not add precisely due to rounding.

Private Canadian broadcasters have said with increasing frequency that they must differentiate themselves from their American competition by using more and better Canadian programming. This is a frequent refrain whenever a licensee must go before the CRTC, although any change in the Canadian content quota for television, which now requires that 25 per cent of programming between 7:00 p.m. and 11:00 p.m be Canadian, continues to be vigorously resisted. At present, however, in the context of audience fragmentation, a tougher regulator, and more generous public assistance to Canadian programming, it seems a more plausible claim.

At the CTV licence renewal hearing in 1986, president Murray Chercover said that the audience for U.S. shows had peaked, and the growth must come from Canadian programs. His successor, John Cassaday, has said that profits must be improved, and argues that Canadian programming is a means to that end. These ideas were reiterated in interviews with CTV executives.

Other private broadcasters, like WIC's Doug Holtby, have said that Canadian programming is their priority as well. At the 1988 CRTC hearing for permission to buy Ottawa's CJOH, Baton president Doug Bassett said "recent surveys show Canadians are increasingly turning to home-grown shows and emphasis on Canadian programming makes good economic sense."

At the same time, the CRTC has been strengthening some aspects of its Canadian content requirements. For example, during the CTV licence renewal hearing in 1986, CTV promised initially to increase Canadian drama from 1.5 hours per week to two hours per week. CRTC Chairman, André Bureau, said he was disappointed, and CTV raised its offer to three hours weekly. In the 1987 renewal decision, the CRTC actually required that CTV increase Canadian drama to 4.5 hours weekly by the 1991-92 season. The result has been "Bordertown", "E.N.G.", "Neon Rider", and "My Secret Identity". While still a minority of peak-time programming, John Cassaday told Playback (November 26, 1990), that Canadian shows are now their priority, with CTV having five Canadian shows in prime time this season. According to one TV executive, the private broadcasters changed their attitude toward Canadian content when the CRTC began enforcing spending rules in 1985.

On the other hand, public policy provides increasing direct and indirect support for expenditures on Canadian programming. In 1975, the Income Tax Act was amended through Bill C-58, which eliminated tax deductions for advertising shown on foreign media and aimed at Canadian audiences. The CRTC subsequently introduced a regulation requiring that larger cable companies substitute a local signal for a distant signal when two or more stations are carrying an identical program: this simultaneous substitution, or simulcasting, regulation had the effect of substituting Canadian advertisements for American ads on American stations when a Canadian station was showing the same program.

These policies work together to encourage Canadian advertisers to use Canadian broadcasters to reach Canadian viewers. The financial impact of these policies has been analyzed on three occasions by economist Arthur Donner, most recently in 1990. He found that U.S. stations accounted for 7.1 per cent of the Canadian television advertising market in 1975 before these two measures took effect. By 1982, the U.S. share of Canadian net advertising revenues had fallen to 2.2 per cent. In 1988 this share had risen slightly to 2.8 per cent, as a result of an improvement in KVOS-TV's share of the Vancouver market.

The financial impact of this decline has been an important benefit to English-language Canadian private broadcasters. As Table 21 shows, if it hadn't been for these two policies, adopted in the mid-seventies for cultural reasons, private broadcasters in Canada might not have been able to survive the economic impact of market fragmentation of the 1980's, or to have produced Canadian programming in the process.

By 1984 the value of Bill C-58 and simulcasting equalled or exceeded the net after tax profit of Canadian television broadcasters. By 1988, the subsidy these measures generated was nearly double the industry's $77 million after tax net profit, and by 1989 (estimated at about $135 million) nearly triple the industry's $50.7 million after tax net profit. It is clear that without these measures, Canadian private broadcasters would no longer be profitable, and, as one broadcaster said, "Canadian programming would be out the window".

Despite Bill C-58 and simulcasting, Canadian TV advertising revenues are still extremely low compared to American and Australian figures. In 1978, per capita TV advertising revenue was $46 in the U.S., $45 in Australia, and $18.60 in Canada. This was only 40 per cent of the U.S. level (all figures in Canadian dollars based on TV Bureau statistics).

As Table 40 shows, Canadian per capita television advertising expenditures remained at roughly half of the American level in the second half of the 1980's, despite improving from 43 per cent to 56 per cent of the U.S. figure. In addition, while gaining against American per capita advertising expenditures, Canadian gross television advertising has remained at roughly two-thirds of the Australian figure, improving only slightly, from 65 per cent to 70 per cent.

From 1984 to 1989, the average gross all-media advertising expenditure, calculated as a percentage of GNP, underlines the per capita difference in television advertising. Canada spent 1.27 per cent of its GNP on gross all-media advertising, compared to 1.79 per cent in the U.S., and 1.44 per cent in Australia (TV Bureau of Canada).

TABLE 40

Per Capita Television Advertising Expenditure
in Canada, Australia, and the United States, 1985 to 1989 *
($millions)

	1985	1986	1987	1988	1989
Canada					
Total Ad Expend.	$1,199	$1,255	$1,372	$1,538	$1,691
Per Capita Exp.	$47	$49	$53	$59	$65
% of U.S.	43%	41%	46%	52%	56%
Australia					
Total Ad Expend.	$1,080	$1,131	$1,238	$1,415	$1,578
Per Capita Exp.	$70	$73	$76	$85	$93
% of U.S.	64%	61%	66%	74%	81%
U.S.					
Total Ad Expend.	$25,910	$28,706	$28,630	$28,572	$28,802
Per Capita Exp.	$109	$119	$116	$115	$115
% of U.S.	100%	100%	100%	100%	100%

SOURCE: TV Bureau of Canada.

NOTES: * Gross television advertising expenditure includes Canadian pay/specialty channels and U.S. cable services. All numbers calculated in Canadian dollars at the average historical exchange rate for each year.

Some of this discrepancy could be accounted for by the fact Canadians watch 10 to 20 per cent less television, and have 25 per cent less disposable income than Americans, according to a 1987 McCann-Erickson study (Globe and Mail, December 4, 1987). However, the fact Canada's per capita TV ad expenditures are so much lower than those of Australia or the United States, leads to the conclusion that the under-funding of our commercial television system is also caused by our close proximity to the United States, and the presence of U.S. services in the Canadian market. Canada seems to suffer both from cross-border advertising spill-over, and an unbalanced economic relationship.

Like Bill C-58 and simulcasting, Telefilm's Broadcast Fund is an increasingly essential ingredient in the framework of public policy required to maintain a strong private Canadian television industry which can make an increasing contribution to Canadian programming. However, it must be noted that by no means all of the Canadian entertainment carried on private television receives, or would qualify, for Telefilm support.

Table 41 summarizes the degree of public financing in Telefilm productions in the 1989-90 fiscal year. Excluding any estimate of the cost in foregone tax revenues related to either the federal CCA or provincial tax incentives, just under half of the budgets of Broadcast Fund productions that year came from public sources in Canada. Foreign participation amounted to 11 per cent of the budgets (excluding minority co-productions). Canadian private financing from all sources accounted for 28 per cent of the budgets. Canadian private broadcasters put $17.4 million into the financial structure of Broadcast Fund projects in 1989-90. If one included the cost of federal and provincial tax incentives, the extent of total government financing involved would have been higher. A substantial number of projects without Telefilm assistance would also have involved significant tax expenditures, particularly, in the case of federal expenditures, prior to 1989 when the reduced CCA incentive came into effect.

Tables 42 and 43 show the provincial breakdown of the Broadcast Fund from 1983-84 to 1989-90. The overall percentage of Broadcast Fund budgets for projects from Ontario and Quebec producers combined, has remained steady at 93 to 97 per cent in general until 1989-90, when work nearly doubled in B.C. One can also see over the entire span of the Fund the gradually deteriorating position of Quebec producers, as a percentage of the Fund. Quebec production, of course, includes both English- and French-language projects. Appendix C provides a closer analysis of French-language production.

Table 44 shows the total scope of Telefilm-assisted production since 1983-84. Table 45 provides an indication of the extent of the subsidy the Broadcast Fund provides to participants, although this may be overstated, since the table includes only revenues committed at the time of production. Over the five year period from 1985-86 to 1989-90 Telefilm had a return on this basis of 9.9 per cent, or $33.6 million, in revenues on its investment of $339.2 million, (excluding interest and management fees). Revenues over the same period from Feature Film Fund projects amounted to 7.6 per cent. However, 1985-86 was probably anomalous, and a truer picture emerges over the last four years, when the average return of the Broadcast Fund was 12 per cent and the average return of the Feature Fund was seven per cent. (See Table 45). Although these data must be used with caution, revenues additional to those committed at the time of production are typically limited, particularly for television programs. The advantage for a broadcaster using both Telefilm funds and CCA encouraged private investment is substantial.

TABLE 41

Estimated Proportion of Public Financing for Telefilm Productions, 1989-90 *
(Excluding Costs Related to Tax Incentives)
($millions)

	Total Budget		Total Public Financing		Sources of Public Financing						Other Government	
					Telefilm		CBC (1)		ETV			
	$	%	$	%	$	%	$	%	$	%	$	%
Broadcast Fund												
French	63.7	100	28.8	45	20.3	32	1.4	2	1.5	2	5.6	9
English	157.2	100	77.5	49	52.6	33	17.0	11	0.7	-	7.2	5
Sub-total	220.9	100	106.2	48	72.8	33	18.4	8	2.2	1	12.8	6
Feature Film Fund												
French	22.0	100	13.1	60	8.3	38	0.3	1	-		4.6	21
English	39.2	100	21.7	55	14.4	37	0.2	--	-		7.0	18
Sub-total	61.3	100	34.8	57	22.7	37	0.5	1	-		11.7	19
Total	282.1	100	141.0	50	95.5	34	18.9	7	2.2	1	24.4	9

SOURCE: Telefilm Canada.

NOTE: * All numbers reflect funds included in the financing of production budgets, and exclude minority co-productions.

1 CBC participation in the feature film fund is estimated at 33% of total broadcaster participation.

TABLE 42

Broadcast Fund: Provincial Breakdown of Production Budgets and Telefilm Participation, 1983-84 to 1989-90 (1)
($000's)

		1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Ontario/Quebec								
Ontario	- Budget	11,081	62,814	82,921	86,857	103,640	97,424	120,571
	- Telefilm	3,656	19,573	31,626	28,640	37,456	30,400	37,590
Quebec	- Budget	29,329	67,306	82,864	64,810	85,661	62,949	72,272
	- Telefilm	5,048	20,780	28,939	25,478	36,768	24,062	22,302
Sub-total	**- Budget**	**40,410**	**130,120**	**165,785**	**151,667**	**189,301**	**160,373**	**192,843**
	- Telefilm	**8,704**	**40,353**	**60,565**	**54,118**	**74,224**	**54,462**	**59,892**
Other Provinces								
Nfld.	- Budget	--	115	--	--	276	825	--
	- Telefilm	--	38	--	--	136	404	--
N.S.	- Budget	--	--	1,568	1,554	5,424	2,508	2,646
	- Telefilm	--	--	665	607	2,656	1,074	889
P.E.I.	- Budget	--	150	117	--	130	--	--
	- Telefilm	--	50	57	--	55	--	--
N.B.	- Budget	--	--	1,345	103	565	--	871
	- Telefilm	--	--	640	48	258	--	379
Man.	- Budget	141	421	--	647	999	1,695	1,301
	- Telefilm	44	130	--	263	490	813	[illegible]
Sask.	- Budget	143	263	--	--	249	387	744
	- Telefilm	40	88	--	--	122	190	364
Alta.	- Budget	--	1,767	6,927	975	361	548	1,351
	- Telefilm	--	410	3,110	363	177	259	662
B.C.	- Budget	857	5,923	2,140	3,156	938	6,327	21,103
	- Telefilm	273	1,694	782	1,230	436	2,935	10,015
Sub-total	**- Budget**	**1,141**	**8,639**	**12,097**	**6,435**	**8,942**	**12,291**	**28,016**
	- Telefilm	**357**	**2,410**	**5,254**	**2,511**	**4,330**	**5,675**	**12,947**
Total	- Budget	41,551	138,759	177,882	158,102	198,244	172,665	220,859
	- Telefilm	9,061	42,763	65,819	56,629	78,553	60,137	72,837

Source: Telefilm Canada

Notes: (1) By year in which productions are contracted and by location of producer (production only).

Numbers may not add precisely due to rounding.

TABLE 43

Broadcast Fund: Percentage Breakdown of Budgets and Telefilm Participation By Province, 1983-84 to 1989-90 (1)

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Production Budgets							
Ontario	26.7	45.3	46.6	54.9	52.3	56.4	54.6
Quebec	70.6	48.5	46.6	41.0	43.2	36.5	32.7
Sub-total	**97.3**	**93.8**	**93.2**	**95.9**	**95.5**	**93.0**	**87.3**
Newfoundland	--	0.1	--	--	0.1	0.5	--
Nova Scotia	--	--	0.9	1.0	2.7	1.5	1.2
P.E.I.	--	0.1	--	--	0.1	--	--
New Brunswick	--	--	0.8	0.1	0.3	--	0.4
Manitoba	0.3	0.3	--	0.4	0.5	1.0	0.6
Saskatchewan	0.3	0.2	--	--	0.1	0.2	0.4
Alberta	--	1.3	3.9	0.6	0.2	0.3	0.6
British Columbia	2.1	4.3	1.2	2.0	0.5	3.7	9.6
Sub-total	**2.7**	**6.2**	**6.8**	**4.1**	**4.5**	**7.2**	**12.7**
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Telefilm Participation							
Ontario	40.3	45.8	48.0	50.6	47.7	50.6	51.6
Quebec	55.7	48.6	44.0	45.0	46.8	40.0	30.6
Sub-total	**96.1**	**94.4**	**92.0**	**95.6**	**94.5**	**90.6**	**82.1**
Newfoundland	--	--	--	--	0.2	0.7	--
Nova Scotia	--	--	1.0	1.1	3.4	1.8	1.2
P.E.I.	--	0.1	0.1	--	0.1	--	--
New Brunswick	--	--	1.0	0.1	0.3	--	0.5
Manitoba	0.5	0.3	--	0.5	0.6	1.4	0.9
Saskatchewan	0.4	0.2	--	--	0.2	0.3	0.5
Alberta	--	1.0	4.7	0.6	0.2	0.4	0.9
British Columbia	3.0	4.0	1.2	2.2	0.6	4.9	13.7
Sub-total	**3.9**	**5.6**	**8.0**	**4.4**	**5.5**	**9.4**	**17.8**
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Telefilm Canada

Notes: (1) By year in which productions are contracted and by location of producer (production only).

Numbers may not add precisely, due to rounding.

TABLE 44

Production Budgets of Telefilm Canada Assisted Productions
(Broadcast Fund and Feature Film Fund), 1983-84 to 1989-90

($000's)

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Broadcast Fund							
French	15,381	40,301	65,493	63,173	68,439	59,715	63,677
English	11,629	101,319	112,439	108,399	129,804	112,950	157,183
Sub-total	27,010	141,620	177,932	171,571	198,244	172,665	220,860
Feature Film Fund							
French	--	--	--	15,386	16,668	28,279	22,044
English	--	--	--	24,945	40,001	52,758	39,239
Sub-total	--	--	--	40,331	56,669	81,037	61,283
TOTAL	27,010	141,620	177,932	211,902	254,913	253,702	282,143

SOURCE: Telefilm Canada Annual Reports and "The Canadian Broadcast Program Development Fund: After Two Years", Telefilm Canada (1985).

NOTE: Data pertain to projects contracted, production only. The 1983/84 data represent a partial year (July 1, 1983 - March 31, 1984). The data exclude the foreign portion of co-productions, in which Canada was the minority partner. Figures may not add due to rounding.

TABLE 45

Telefilm Revenues and Expenditures from the Broadcast Fund and Feature Film Fund,
1985-86 to 1989-90
($millions)

	1985-86	1986-87	1987-88	1988-89	1989-90	Total
Broadcast Fund						
Revenue	1.4	5.3	9.4	9.7	7.8	33.6
Expenditures	64.5	52.9	74.3	64.1	83.4	339.2
Percentage Return	2.1%	10%	12.7%	15.1%	9.3%	9.9%
Feature Film Fund						
Revenue	1.9	1.6	2.2	2.9	5.5	14.1
Expenditures	6.0	23.7	33.5	58.9	64.0	186.1
Percentage Return	31.6%	6.7%	6.5%	4.9%	8.6%	7.6%

SOURCE: Telefilm Canada.

NOTES: Excludes interest and management fee revenue, and administration and other expenses.

The improvement in private broadcasters' acquisition of Canadian programming (spurred on by the CRTC, the CCA, and the Broadcast Fund), is shown in Table 46. During the three years since Statistics Canada has been collecting this data, the purchase of Canadian programs by private television broadcasters has increased by a substantial 78 per cent, from $40 million to $71 million. During this time foreign program expenses have increased 28 per cent, and in-house program expenses have gone up 22 per cent.

By comparing the percentage of Canadian and foreign programming expenses for each year (Table 46) it becomes clear that the improvement in acquisition expenditures on Canadian material has been accompanied by a decline in broadcasters' in-house production. Foreign program expenses have remained at 29 per cent of total program costs.

Private broadcasters are increasingly investing in independent production, as well as participating with licence fees, to benefit from U.S. sales. Noting the increasing acceptance of Canadian programming in the U.S., Baton has also incorporated a subsidiary to sell in that market, starting with "E.N.G.". With generous incentives in place, the trend to greater use of independent producers by private broadcasters seems "to make good economic sense", as Baton's president told the CRTC in 1988.

TABLE 46

Private Television Broadcaster Programming Expenses, 1986 to 1989 ($millions)

Programming	Acquired				Produced *		Total	
	Canadian		Foreign					
	$	%	$	%	$	%	$	%
1989	71.3	10	202.6	29	422.7	61	696.6	100
1988	55.7	9	168.9	28	388.0	63	612.6	100
1987	40.0	7	158.8	29	345.9	64	544.7	100
1986	n/a		n/a		n/a		488.5	100

OURCE: Statistics Canada.

OTE: * Produced programming is defined as all other program expenses.

One of the responses of private Canadian broadcasters to increasing market fragmentation, regulatory pressures to produce more Canadian programming, and a recession, is a tendency to either leave the business or buy out the competition. For example, Baton Broadcasting pointed out in their 1990 annual report, they began an acquisitions strategy in 1986 to become a larger economic unit for three main reasons:

- to decrease the cost of foreign programming by reducing the number of competitive buyers,
- to improve the quality of Canadian programs in order to increase their audience and foreign sales potential; and
- with a larger market share, to increase advertising efficiency on their stations.

With these goals in mind, Baton has purchased CJOH in Ottawa, as well as television stations in Sudbury, North Bay, Timmins, Pembroke, and Sault Sainte Marie. Baton now has a commanding position in northern Ontario and Saskatchewan, as well as a leading position in Toronto with CFTO.

Since Doug Holtby left Allarcom in Edmonton to run WIC in Vancouver, WIC has also expanded by acquisition, buying the Edmonton-based Allarcom, and Hamilton's CHCH from Maclean-Hunter. In various interviews, as well as before the CRTC, Holtby argued that he will use the weight of this larger company to produce more and better Canadian programming.

With the buy-out of his former partners, Paul Morton and Seymour Epstein, Izzy Asper can also firmly integrate Ontario's Global Network into the Canwest system. This creates a western-based third English grouping of stations which, together with the larger WIC operation, shifts substantial private broadcasting weight to western Canada.

The trends to market concentration became apparent in Quebec as well, when the cable TV giant Videotron bought Tele-Metropole, the province's largest private television station. CFCF, the private English-language broadcaster and cable operator, also received a licence to operate a competitive private TV network, Quatre Saisons. After intense competition, falling ad rates, and mounting losses, CFCF has put all of its cable and broadcasting properties up for sale, although it remains unclear whether any of these broadcasting entities will actually be sold.

The same trend saw Toronto media giant Maclean-Hunter absorb the broadcast/cable company, Selkirk, although Maclean-Hunter has announced that it will sell all of its television stations.

Before the current recession is over, there will have been a major consolidation and rationalization of private television broadcasting. At present, the CRTC is not expressing the concern about concentration of ownership that it once did. In this process, the CRTC strategy seems to be to acquiesce to concentration if it means more resources for Canadian production. In that vein, the CRTC has now allowed local broadcasters to pool resources into informal station groupings to produce Canadian programming.

The CTV Network itself may not be immune to the current reorganization. Then CTV Chairman, Ray Peters, announced at a CRTC hearing into the organization of the network in 1988 that only four members of the consortium wanted to be full partners -- BCTV, Baton, CFCF, and CAP in Kitchener. All other broadcasters simply preferred to be affiliates. Since 1987 the CTV network itself hasn't earned a profit, and under new rules of affiliation, that means the partners didn't earn any revenues from the network. This, of course, reflects the CTV affiliation agreement, and does not mean that CTV and its affiliate owners, taken together, are not very profitable. Baton has publicly announced that upon expiry of the current CTV Network licence in 1992, it will seek a new affiliation arrangement.

If the current trend to larger units continues, then the future expenditures of private Canadian broadcasters on producing and acquiring Canadian programs will depend to an important degree on the determination of the CRTC. Unless the Commission continues to place emphasis on Canadian programming, there is a clear danger that the effects of increased competition and lower profits could lead to pressure for the Commission to accept a reduced contribution to Canadian programming, including perhaps a further watering down of the definition of what a Canadian program is. At present, the private television broadcasters say that it makes good economic sense to provide popular Canadian programming, and there is now substantial public financial support and incentive to do so. Public and private policies have never been as intertwined as they are now. Unfortunately, the reduction of the federal CCA tax incentive and the recent freezing of the Broadcast Fund appropriation will see the available financial assistance to Canadian programming at significantly reduced levels. This cannot help but affect the potential for private broadcasters to make a greater contribution to Canadian programming, adding to the pressures created by their current financial difficulties.

V.3 The CBC

On December 2, 1985, when the second part of "Anne of Green Gables" was broadcast on CBC, it drew 5.8 million viewers, or 56 per cent of all the viewers watching at that time. This was the most popular Canadian television drama ever produced (including part one, which drew 47 per cent of viewers -- 4.9 million -- the previous night), and it was a key factor in changing the psychological landscape of television in English Canada, both for viewers and for broadcasters.

First, it proved that English-speaking Canadians would watch their own stories, if the quality was high enough, in numbers that advertisers and broadcasters couldn't ignore. French-speaking Canadians had been doing that for decades, but English-speaking Canada had no language barrier against American television, and had always relied heavily on U.S. entertainment programming.

Second, it proved that the Telefilm-financed system of independent producers could deliver the product. Kevin Sullivan has gone on to produce a series of extremely popular programs based on the Montgomery stories, including "Road to Avonlea". It would also seem that Canadians have a penchant for children's programming.

Third, it was not surprising that this breakthrough came on the CBC, which had traditionally been more receptive to Canadian programming, and to independent, Canadian producers, than private broadcasters: scarcely surprising in the light of its legislative mandate to do so, and the Parliamentary appropriation it receives. Aiming at 95 per cent Canadian content, it has also taken better advantage of the Broadcast Fund. <u>Table 47</u> shows that, since the Fund was initiated, private broadcasters (including pay and specialty) have participated with $88.3 million, while CBC/SRC has put in $113.0 million. These figures represent amounts "inside the financial structure", defined as revenue used to finance production and, therefore, not available to investors for recoupment.

By 1989-90, over 50 per cent of Canadian entertainment programming on the CBC English-language network was independently produced, 49 per cent on the French-language network. There were 9.3 hours per week of Canadian drama in English, 56 per cent from outside producers.

TABLE 47

Broadcaster Participation in Production Financing: Telefilm Broadcast Fund
1983-84 to 1989-90 *
($millions)

	CTV/ Affil	Global	Indepen- dent	TVA/ Affil	Quatre Saisons	Pay-TV	Specialty	Total
Canadian Private Sector								
1983-85	3.5	2.5	5.2	0.03	--	--	--	11.2
1985-86	10.3	2.7	1.0	0.4	--	0.4	--	14.8
1986-87	4.9	1.3	3.0	0.2	--	0.1	--	9.5
1987-88	5.8	0.9	1.4	3.0	6.0	0.2	--	17.4
1988-89	6.3	1.3	3.2	2.5	3.8	0.4	0.4	18.0
1989-90	10.9	0.7	2.7	1.2	0.3	0.5	1.1	17.4
Total	41.7	9.4	16.5	7.3	10.1	1.6	1.5	88.3
	CBC	SRC	CBC Sub-total	Radio Quebec	TVO	Other	ETV Sub-total	Total
Canadian Public Sector								
1983-85	19.5	8.0	27.5	n/a	n/a	n/a	n/a	n/a
1985-86	9.6	6.3	15.9	1.2	1.1	--	2.2	18.1
1986-87	11.2	4.0	15.3	1.5	0.8	--	2.3	17.6
1987-88	13.3	4.9	18.2	2.1	0.7	0.01	2.8	21.0
1988-89	13.6	4.0	17.7	2.4	0.3	0.02	2.7	20.3
1989-90	17.0	1.4	18.4	1.4	0.7	0.1	2.2	20.6
Total	84.2	28.6	113.0	8.6	3.6	0.13	12.2	97.6

...continued

TABLE 47 (continued)

Broadcaster Participation in Production Financing: Telefilm Broadcast Fund
1983-84 to 1989-90 *
($millions)

	English	French	Total
Foreign Broadcasters			
1983-85	n/a	n/a	n/a
1985-86	17.7	2.9	20.7
1986-87	10.4	2.4	12.9
1987-88	9.7	0.8	10.5
1988-89	14.6	1.1	15.6
1989-90	11.7	0.1	11.8
Total	64.1	7.3	71.5

SOURCE: Telefilm Canada.

NOTE: * Includes only amounts included in production financing, that is, inside the financial structure.

During the latter half of the 1980's audience statistics indicate that Canadians were watching more Canadian programming. The growth in popularity of CBC's Canadian programs was especially marked on the English-language network. Table 48 shows that over the five years from 1984-85 to 1988-89 the CBC in peak viewing time (defined as 7:00 p.m. to 11:00 p.m.) increased its Canadian content on the network from 76 to 78 per cent in English, and from 75 to 83 per cent in French. While Canadian content grew by less than three per cent on the English-language network, viewing of those programs grew by over 23 per cent, from 60 per cent of the programming viewed on CBC during the 7 to 11 p.m. period, to 74 per cent. The French-language network saw an increase of 11 per cent in content and 13 per cent in viewing of Canadian shows, accounting for 85 per cent of Radio Canada audiences in peak viewing hours.

TABLE 48

CBC Canadian Content and Viewing Audience, 1984-85 to 1989-90 *

	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	% Increase ▲
CBC English TV							
Cdn Content	76%	77%	76%	78%	78%	82%	2.6%
Cdn Viewing	60%	65%	67%	67%	74%	n/a **	23.3%
CBC French TV							
Cdn Content	75%	79%	77%	80%	83%	82%	10.7%
Cdn Viewing	75%	79%	79%	81%	85%	n/a **	13.3%

SOURCE: CBC research.

NOTES: * Network programs only in 7 p.m. to 11 p.m. time period, September to March season.

** Introduction of "people meters" for 1989-90 has caused a delay in Canadian viewing calculations.

▲ 1984-85 to 1988-89.

In English-language television, the CBC continues to be the major vehicle for viewing Canadian programming in peak viewing time (see Table 17). From 1984-85 to 1988-89, viewing of Canadian programs on CBC grew 15 per cent, from 12.2 per cent to 14 per cent of all prime time viewing in the 7:00 to 11 p.m. time period. With the licensing of many other Canadian channels, the viewing of Canadian programs on all other stations grew faster -- from 7.4 per cent of all viewing in 1984-85 to 11.4 per cent in 1988-89. Despite this 54 per cent increase in Canadian viewing on all non-CBC stations, most English-language viewers continued to watch prime time Canadian shows on CBC.

TABLE 49

CBC Television Expenditures and Commercial Revenues, 1969-70 and 1986-87 to 1989-90

(current $millions)

	1969-70	1985-86	1986-87	1987-88	1988-89		1989-90		% increase 1986-87 to 1989-90
	$	$	$	$	$	%	$	%	%
TV Program Costs									
English TV	61.7		379.3	412.5	436.1		484.7		28
French TV	39.3	n/a	243.4	246.3	263.0		286.2		18
Total	101.0		622.7	658.8	699.1	74	770.9	75	24
Television Expense [1]	n/a	n/a	n/a	894.3	948.3	100	1,033.0	100	--
Net TV Ad Revenue [2]	34.1	185.5	205.0	254.3	284.8	30	303.3	29	48
Total Revenue	39.7	208.9	232.6	284.5	317.9	34	353.0	34	52

SOURCE: CBC annual reports.

NOTE: 1 Television expense as reported in CBC annual reports, includes only television programming and distribution costs. The above figures are adjusted to include all commissions to advertising agencies, all selling and merchandising costs, and a pro-rata share of corporate engineering and corporate management and services costs, based on allocating all such expenditures to either the TV or radio services of the Corporation.

2 Net TV advertising revenue has been adjusted to conform to 1989-90 definition.

However, facing the same commercial pressures of market fragmentation and recession that hit the private broadcasters, the CBC has been unable to keep expanding advertising revenue. Outside revenues could no longer keep pace with the shortfall of parliamentary appropriations, and in December 1990 the CBC cut $108 million from its budget, dropping local TV programming, and stations.

It is interesting to note that for the six month period from September to March 1989-90, the CBC's "Newsworld" service cost $13.5 million and had revenues of $14.5 million. Development expenses in excess of $6 million, including the first month on air, will be amortized over a five year period. The CRTC required a separate financial accounting for "Newsworld".

Unfortunately, the rest of the CBC is not in the black, and if its ongoing financial crisis is not alleviated, then network programming cuts are likely to follow. This could have a substantial impact on the independent production community. Already, Hinton Animation in Ottawa has reported that, although the balance of financing was in place, it had to cancel a project and lay off staff because of the uncertainty over CBC involvement.

The CBC is the most important single broadcaster in the financing of Telefilm Broadcast Fund projects. In 1989-90 the CBC/SRC supplied $18.4 million of the production financing for Broadcast Fund projects, which represented 48 per cent of the $38 million provided by all Canadian broadcasters. However, Table 50 shows that when investments outside the production financing structure are included, the CBC/SRC provided 53 per cent of all Canadian broadcaster participation in the Fund. CBC's ability to be involved in such projects is limited by the rule that not more than 50 per cent of Broadcast Fund assistance can go into projects for CBC.

It should perhaps be noted that the amount of financing of Broadcast Fund projects reported by private broadcasters is in sharp contrast to the expenditures private broadcasters report to Statistics Canada for the acquisition of independently-produced Canadian programs. For example, while Table 50 indicates total expenditures by private broadcasters of $20.5 million on Broadcast Fund projects in 1988-89, as Table 46 indicates, private broadcasters reported expenditures of $55.7 million to acquire Canadian programs. Presumably this means that private broadcasters spent about $35 million on Canadian productions not assisted by Telefilm through the Broadcast Fund. Many of the productions, as noted earlier, would have benefitted from CCA investment, having been produced prior to the reduction of the CCA taking effect. A number of the larger projects would have been co-ventures with American producers, which generally speaking would not have qualified for Telefilm support. Telefilm's resources, of course, are also too limited for the agency to have had the capacity to participate in all Canadian productions, and as long as the CCA functioned effectively, such support was not required.

By comparison, the CBC has been involved primarily in independent Canadian productions which qualify for Telefilm assistance and receive such assistance. As a result, the CBC will be less affected by the reduction in the federal CCA than private broadcasters.

Finally, it should be noted that to the extent the Quebec tax incentive and the Ontario Film Investment Program (OFIP) have taken over the function of the federal CCA as the primary vehicle for attracting private Canadian investment, both are predicated on a definition of a Canadian program which is more consistent with Telefilm's than with the definition used in the federal CCA. For example, OFIP requires eight points rather than six based on the 10-point Canadian content definition used for the federal CCA. In requiring a higher degree of Canadian creative "inputs" these provincial incentives reflect a greater concern to generate more identifiably Canadian projects. The resulting productions may be more similar to the types the CBC has been involved with in the past and could affect the type of Canadian productions available to private Canadian broadcasters.

Table 51 provides a summary of the extent of involvement by public and private broadcasters in the financing of Broadcast Fund projects over the five years from 1985-86 to 1989-90. As the table indicates, the balance is approximately equal, with public broadcasters, including the CBC and provincial broadcasters, accounting for 54 per cent of the total in 1989-90.

TABLE 50

Total Participation by Canadian Broadcasters in Telefilm Broadcast Fund Productions, 1988-89 and 1989-90 ($millions)

	1988-89				1989-90			
	Inside Structure	Outside Structure	Total	%	Inside Structure	Outside Structure	Total	%
CTV	6.3	--	6.3		10.9	3.8	14.7	
Global	1.3	0.7	2.0		0.7	0.4	1.1	
Independents	3.2	0.1	3.3		2.7	0.2	2.9	
Télé-Métropole	2.5	2.4	4.9		1.2	2.2	3.4	
Quatre Saisons	3.8	0.2	4.0		0.3	0.5	0.8	
Sub-total	17.1	3.4	20.5	43%	15.9	7.1	22.9	39%
Radio-Quebec	2.4	3.6	6.0		1.4	0.6	2.0	
TV Ontario	0.3	--	0.3		0.7	--	0.7	
Other ETV *	0.02	--	0.02		0.1	--	0.1	
Sub-total	2.7	3.6	6.3	13%	2.2	0.6	2.8	5%
CBC	13.6	0.7	14.3		16.9	2.8	19.7	
SRC	4.0	2.1	6.1		1.5	10.3	11.8	
Sub-total	17.7	2.8	20.5	43%	18.4	13.1	31.4	53%
Pay TV	0.4	--	0.4		0.4	0.2	0.6	
Specialty TV	0.4	0.2	0.6		1.1	0.1	1.2	
Sub-total	0.8	0.2	1.0	2%	1.5	0.3	1.8	3%
TOTAL $	$38.3	$9.9	48.2		38.0	21.1	59.1	
%	79%	21%		100%	64%	36%		100%

SOURCE: Telefilm Canada.

NOTES: Minority co-productions excluded.

* ETV = Educational television: Alberta Access and Knowledge Network.
Numbers may not add due to rounding.

TABLE 51

Broadcaster Participation in Telefilm Broadcast Fund Productions, 1985-86 to 1989-90 [1]

($millions)

	1985-86	1986-87	1987-88	1988-89	1989-90
Private Broadcasters [2] % of Canadian Broadcasters	14.8 46%	9.5 35%	17.3 45%	17.9 47%	17.4 46%
Public Broadcasters [3] % of Canadian Broadcasters	18.1 54%	17.5 65%	20.9 55%	20.4 53%	20.7 54%
Canadian Broadcasters Sub-total % of All Broadcasters	32.9 61%	27 68%	38.3 78%	38.3 71%	38 76%
Foreign Broadcasters % of All Broadcasters	20.7 39%	12.9 32%	10.5 22%	15.6 29%	11.8 24%
Broadcaster Total % of Broadcast Fund Production Budgets	53.6 29%	39.9 18%	48.7 25%	53.9 31%	49.9 23%
Broadcast Fund Total	183.6	220	198.2	172.7	220.9

SOURCE: Telefilm Canada.

NOTES:

1 Participation inside the financial structure, excludes minority co-productions.

2 Private sector includes specialty, pay TV, and conventional broadcasters.

3 Public sector includes CBC and educational broadcasters.

Numbers may not add due to rounding.

V. 4 Pay TV and Specialty Channels

Over the last eight years, the CRTC has licensed 16 new specialty and pay TV channels which are still in operation, plus a number of other services that have failed (including Star Channel, C Channel, and Life Channel). Broadcasters interviewed were especially concerned that the existing specialty services are allowed to tap both subscriber fees and advertising revenues, characterizing this as "unfair" competition.

Market fragmentation appears to be somewhat more substantial than was previously believed, prior to the arrival of "people meters", which more accurately record viewing habits, including the recording of channel-hopping in one minute segments. The pay and specialty channels which were under-reported in the diary system are now benefitting from this precision. As a result, conventional broadcasters are seeing some shift in advertising from the general channels to the specialty channels.

This problem was not unpredictable. The Association of Canadian Advertisers argued at the 1987 CRTC hearing that new media take from old media, since, they argued, the pie is not growing, and any advertising revenue the new specialty channels attract will come from existing services. As we have seen, however, this did not happen, at least in 1989, with commercial revenues continuing to increase significantly faster than inflation. However, at least temporarily, the prediction was fulfilled in 1990: with the recession, according to Media Measurement Services Inc., overall media advertising increased by just three per cent in 1990, and television advertising increased by just 2.5 per cent -- representing a real decline in constant dollars. In 1989 specialty channels attracted approximately $40 million in advertising, or about 2.5 per cent of total television advertising for that year. This is a significant amount, since all television advertising has grown by only 14 per cent in constant dollars from 1985 to 1989 (see Table 31). Table 52 shows that in 1989 pay-TV and specialty services also received $142.2 million in affiliate payments from the cable industry, an increase of 32 per cent over 1987.

From 1987 to 1989 cable industry after-tax profits from pay-TV and specialty services grew from $26.8 million to $49.3 million, an 84 per cent increase. During this same period, as shown in Table 38, the net profit of the proliferating pay-TV and specialty channels themselves increased from $10.7 million to $23.1 million, or 116 per cent. It is interesting to note that the cable industry profit from these services remains more than double the profit generated by the pay-TV and specialty services themselves.

TABLE 52

Cable Industry Revenues from Pay TV and Specialty Services, 1987 to 1989 ($millions)

	1987	1988	1989	% Change
Total Cable Revenues	1,100.3	1,259.6	1,451.1	+32%
Pay TV, Specialty & Other Revenues *	229.7	270.0	297.6	+30%
Pay TV, Specialty ** Subscriptions Only	176.3	212.9	236.1	+34%
Affiliation Payments	107.4	128.7	142.2	+32%
Cable Industry After Tax Profits From Pay TV and Specialty	26.8	41.9	49.3	+84%
Total Cable Industry After Tax Profit ***	115.9	172.8	217.7	+88%

SOURCE: Statistics Canada.

NOTES: * Pay TV, specialty and other revenues includes converter rentals.
** Pay TV, specialty subscriptions only is calculated from the total Pay TV and specialty revenue figure.
*** Includes Pay TV and specialty profit.

From <u>Table 38</u> one can see that in 1989 pay TV channels spent almost $13 million on Canadian programming, and specialty service channels spent another $33 million, out of combined revenues of $216 million. As a percentage of total revenues, pay TV channels spent 18 per cent on Canadian and "other" programming in 1989, while specialty services spent 39 per cent. (See <u>Table 38</u> for a definition of "other" programming.)

To sum up, in 1989 specialty and pay TV services spent 21 per cent of their operating revenue, or $45.8 million, on Canadian programming, and a further eight per cent, or $17.6 million on "other" program-related expenses. By comparison, the CBC spent about 71 per cent of the revenue allocated to its television services, or an estimated $674 million, on Canadian programs (based on the very rough estimate that $25 million of acquisition expenditures are for foreign productions), and private television broadcasters spent 39 per cent, or $494 million. If one leaves aside the question of acquired versus in-house production (or the different accounting systems used), then it would seem that fragmenting the advertising market at the expense of conventional broadcasters is of questionable benefit in terms of directing additional dollars into Canadian programming, at least at this stage in the evolution of these services.

It also seems clear that pay TV channels, which spent only 18 per cent of total revenues on Canadian production, are less efficient than specialty channels, which spent 38 per cent. However, at a 1990 hearing, Canadian distributor Daniel Weinzweig told the CRTC that U.S. domination of Canadian theatres and home video meant pay TV was at present the only way for Canadian feature films to reach the domestic audience (and, of course, these services reach only a minority of cable subscribers). It is also true that pay TV channels don't consume advertising revenues, though they fragment the audience.

Whatever benefits pay TV provides to Canadian program producers, it has an uncertain future. Table 53 shows that the number of subscribers to discretionary services declined by nine per cent from 1987 to 1989, despite an increase in the number of new services available. First Choice announced in 1989 that it would be offering stand-alone customers a discount of up to 33 per cent from its $15 fee (which has remained static since it was licensed). Super Ecran has reported that subscribers declined to 136,000 in 1990 from a peak of 155,000 in 1988. In July 1989 the channel surveyed viewers and found that 340,000 Quebec households were watching Super Ecran, but that only 136,000 were paying for it.

TABLE 53

Number of Unduplicated Cable Subscribers
and Discretionary, Pay and Specialty Services Subscribers,
1987 to 1989 *
($000's)

	1987	1988	1989	% Change
Pay TV, Specialty Services	1,108	1,246	1,011	-9%
Total Cable Subscribers	6,310	6,559	6,886	+9

SOURCE: Statistics Canada.

NOTE: * Unduplicated subscribers defined as subscribers to discretionary and other services.

Shaw Cable reported a decline in its pay TV revenue of 20 per cent in 1990, citing the shift of TSN and MuchMusic to basic cable, and competition from home video. Rogers and Videotron have moved which compete with their pay TV services. Maclean-Hunter has reported that its Canadian pay TV subscribers have declined from 96,000 in 1988, to 92,000 in 1989, to 91,300 in 1990. However, some cable companies report moderate growth, such as an increase of eight per cent in Videotron's Alberta pay TV subscribers in 1990, and an increase of two per cent in Roger's pay TV units from 1988 to 1989.

Already alternatives to pay TV are being proposed that would offer even fewer benefits to Canadian producers. The CRTC has licensed Viewers Choice, a pay-per-view TV service for eastern Canada owned 50.1 per cent by Astral, with Rogers and TSN as minority partners. This English-language service is expected to start up in the Fall, 1991, and to be available to approximately 360,000 pay-TV subscribers who have the necessary decoder.

Movies would cost $4.40, but only 12 out of 2,000 titles to be offered per year would be Canadian, with an additional two Canadian event shows. Viewers Choice said it would spend $400,00 per year on Canadian production. However, the CRTC three year licence requires that it contribute $1 million per year to the Foundation to Underwrite New Drama for pay television (FUND). Astral executive André Bureau, the former CRTC chairman, has been reported in the press saying Viewers Choice offered few Canadian benefits, but that it must be done before an American direct broadcast satellite offers such a service to Canadians.

After ten years of operation, there are a reported 14 million U.S. pay-per-view subscribers to two U.S. networks. American industry revenue has grown from $86.4 million in 1987 to $302 million in 1989 and an estimated $400 million last year on fees that ranged from $4 per movie to over $50 for sports events. (<u>TV Times</u>, February 16, 1991).

NBC plans to offer pay-per-view for the 1992 Olympics, with 600 commercial-free hours available for a $150 fee. NBC is also part of a proposed direct broadcast satellite consortium with Hughes and Cablevision. Canadian private broadcasters are worried about the potential impact of a proposed U.S. DBS system, which technically could provide up to 100 channels. The CAB even prepared a brief for the Peters/Girard Task Force entitled <u>Preparing for Deathstar: Canadian Industry's Response to U.S. DBS</u>. One broadcaster interviewed said the U.S. DBS gave him nightmares, while another said that, after so many false starts, he would worry about it when it happened.

These and other changes in the structure of the film and video markets raise important issues for the future of Canadian production. However, these are matters that the federal and provincial governments, the CRTC and the Girard/Peters Task Force must address, and are well beyond the scope of this study.

V.5 Foreign Television Markets

Foreign markets for Canadian television programming are expanding, especially in Europe and the United States. Therefore, foreign partners are a significant element in financing Canadian production. Table 47 shows that over the last five years foreign broadcasters have provided an average of seven per cent of Broadcast Fund production financing, while domestic broadcasters have provided 18 per cent.

French-language programming has a much smaller level of foreign participation, averaging less than two per cent of Broadcast Fund production budgets over the last five years. Table 50 also shows that in the last two years, Canadian broadcasters have invested more money in French-language programming outside the financial structure than inside. Inside the financial structure, however, domestic broadcasters have put in 17 per cent of the French-language budgets over the last four years, English-language domestic broadcasters have contributed 20 per cent of the English-language budgets, and foreign broadcasters nine per cent.

The interest in co-productions or co-ventures by foreign partners is increasing as those markets expand. Deregulation, privatization, and satellite television have led to a doubling of available air time in Europe and, according to a report from MIP 1990, 100 new stations are expected in Europe by 1995. U.S. producers report that sales of American television to Europe at MIP tripled from 1984 to 1989 to $1 billion.

Canadian dramatic production is competitive with much U.S. programming because of the improving quality and the advantage of co-production status. France has the most stringent television quotas and after 1992, French-language Canadian programming will be counted inside the French 50 per cent quota, while English-language Canadian programming will be counted inside the 10 per cent European quota. This gives Canadian producers a slight advantage over American competitors.

In the United States, the television market is opening to foreign English-language production as the American networks' audience share declines. The three major networks have seen their audience share fall from over 90 per cent in 1980, to 63 per cent in 1990. They pay on average about 75 per cent of the cost of television series, and even after the important U.S. syndication revenues are added, foreign revenues are needed much more frequently to break even or generate profit. At the same time, there are cable-satellite channels that are increasingly competitive and able to spend significant amounts of money to finance production in co-ventures with foreign producers. Disney Channel, Family Channel, and Nickelodeon are major participants in Canadian television series such as "Danger Bay", "You Can't Do That on Television", "Black Stallion", "Dog House", etc.

Fragmentation of the market in the United States has brought benefits for Canadian producers who were completely frozen out when the market was controlled by the major networks. Even on the major networks, scrambling for popular programming, Canada is seen as a possible source of popular and inexpensive material, such as CBC's "Love and Hate", which was the most popular show in the U.S. on the two nights it was broadcast on NBC. In a throw back to the 1950's, fragmentation has meant an increase in the power of advertisers as the networks weaken. For example advertisers are beginning to invest in programs that they sponsor, such as CBS's "Northern Exposure".

There is some potential, of course, for the opening up of these markets to the pressure to de-Canadianize the themes or locations of Canadian programming. Some observers see a trend towards more violent Canadian television in the race to be competitive, such as some new segments of Sullivan Films' "Road to Avonlea", or even the last episode of "The Beachcombers". Speaking about co-production possibilities, Playback reported (December 10, 1990) that Steve Warner, CBS Vice-President, said "we want to do co-productions" but added they would be "our shows, but you (Canadians) pay for them".

The degree of openness of the United States to foreign programming needs to be kept in a realistic perspective, however. A recent U.S. study by Frost & Sullivan Intl., entitled "The U.S. & International Programming Production Market for TV & New Video Technologies" found that, while the U.S. accounted for TV program exports of $1.7 billion in 1989 (representing 71 per cent of a $2.4 billion television program export market), the U.S. spent just $262 million on foreign television programs in 1990, representing its total purchases from all countries in the world. [2]

The same study also provides a reminder that television program exports represent a relatively small percentage of the TV production industry, noting that the vast majority of TV programs produced never leave their country of origin. While the value of television exports was $2.4 billion, the Frost & Sullivan study notes that the TV programming and production industry world-wide was worth $70 billion. [3] The same study estimates that the TV program export market will increase from $2.4 billion in 1989 to $5 billion in 1995, with the U.S. expected to account for 60 per cent of 1995 exports.

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[2] As reported in Variety, "$5 bil. intl. tv market predicted for 1995", February 18, 1991.

[3] As reported in Variety, "U.S. TV EXPORTS TO RISE, STUDY SAYS", February 4, 1991, page 70.

VI. PROJECTED CANADIAN PRODUCTION TO 1995

A significant part of the mandate of this study was to develop projections of Canadian production through the first half of the 1990's. This chapter of the report presents such projections, and it does so based on a variety of sources -- including the statistical data provided in Chapters I to V which set out actual production trends in the 1980's, the advice and comments offered during the extensive series of interviews carried out for this study, in addition to what we now know concerning both the framework of public policy and the situation in the economy.

In the end, however, the projections provided are a combination of educated guesses and just plain guesses. Nevertheless, in order to try to make these projections as useful as possible, two things have been done. First, in the text that follows we have tried to be as clear as possible about the basis for the projections offered, so that readers can judge whether or not our assumptions seem reasonable. Second, we have broken down our projections by type of production, and in each case have developed high, medium and low estimates.

The first set of projections, shown in Table 54, are for independent Canadian production. Such production is looked at under three sub-categories: Telefilm-assisted production; non-sponsored production without Telefilm assistance and sponsored production. Historical trends in the 1980's for each of these sub-categories can be seen in summary form in Tables 4, 5, 25, 26, and 44. The following are the most important assumptions made in Table 54:

a) re Telefilm-assisted Production:

- The main assumption is that stated in the federal Budget of February 26, 1991: funding to Telefilm Canada is to be frozen at the 1989-90 level until 1995-96.

- In addition, we have assumed in all of our projections the CPI levels stated in the 1991 federal Budget, i.e. 1990 - 4.8%, 1991 - 5.6%, 1992 - 3.2% and 1993 to 1995 - 2.3% annually. These projections probably understate the likely level of inflation over this period.

- The projections, like the trend data in Tables 1 and 2 of the report, make no attempt to adjust all data to a calendar year basis. The 1990 data, for example, are for the fiscal year in each case which ended in 1990. All data are stated in constant 1989 dollars.

TABLE 54

Projections of Independent Canadian Production to 1995
(Constant 1989 000's Dollars)

		1989	1990	1991	1992	1993	1994	1995	% change 1989 to 1995
Telefilm-Assisted Production	low	254	269	254	245	225	220	215	-15%
	medium			254	245	240	234	229	-10%
	high			319	309	302	295	288	+13%
Non-sponsored Production without Telefilm	low	287	200	225	250	200	200	200	-30%
	medium			250	250	250	250	250	-13%
	high			300	350	385	405	425	+48%
Sponsored Production	low	336	319	302	287	273	259	246	-27%
	medium			302	311	319	328	336	0%
	high			302	317	333	350	368	+10%
TOTAL INDEPENDENT CANADIAN	low	877	788	781	782	698	679	661	-25%
	medium			806	806	809	812	815	-7%
	high			921	976	1,020	1,050	1,081	+23%

NOTE: Figures for 1989 are actual, for 1990 they are estimated, and for 1991 to 1995 represent projections.

For 1989 the figure shown is for Telefilm's fiscal year (see Table 44) and not for the calendar year 1989, as is shown in Table 1. The calendar year 1989 figures overstate average current annual levels of Telefilm-assisted production.

- Telefilm's total production assistance in the year ended in 1990 is stated in 1989 dollars as $91 million and the production generated as $269 million. In constant dollars the purchasing power of Telefilm's production assistance will be eroded by inflation -- assuming only the rates of inflation predicted in the Budget, Telefilm support will be reduced in constant dollars by 15 per cent between 1989-90 and 1995-96.

- The medium estimates for Telefilm-assisted production assume the current ratio of Telefilm production assistance to total production budgets. The low estimate assumes that Telefilm might have to put up 40¢, rather than the current 33.8¢, to generate a dollar of production, if the Ontario OFIP program were to expire in 1993 and Quebec were to reduce the attractiveness of its tax incentive. The high estimate assumes the Ontario and Quebec incentives and other provincial support continue through 1995, and that a strengthened federal tax incentive is in place, perhaps in the form of a tax credit such as that proposed by the English- and French-language production industries. In this case it is assumed that 25¢ of Telefilm production assistance might generate $1.00 of production -- although Telefilm's resources would still continue to be eroded by inflation.

b) Non-sponsored production without Telefilm assistance:

- This is the most difficult category to develop projections for. Having expanded rapidly, as discussed in Section III.3, such production outside Quebec declined from $244 million in 1988 to $133.9 million in 1989, with this 45 per cent drop reflecting the reduction of the federal CCA incentive from 100 to 30 per cent and other tax reform measures which made such investment less attractive. Nothing has changed at the provincial level which would alter this situation, except in Quebec.

- In Quebec an increased incentive in 1989 spurred production to record levels (the provincial CCA that year was at 166 2/3rds%). The provincial incentive was reduced in 1990 and the level of certified production in Quebec seems to have dropped sharply (see Table 5), although reliable numbers are not yet available. Since December, 1990 Quebec's policy has changed substantially again -- to a refundable tax credit with a tighter definition of eligible productions. The effect of the new incentive on private investment is difficult to judge -- but almost certainly will fall somewhere between the incentive values of Quebec's 1989 and 1990 policies.

- The low and medium estimates for non-sponsored production without Telefilm both assume no change in federal tax policy.

The low and medium estimates reflect different estimates of the impact of Quebec's incentive, and the low estimate assumes that OFIP expires in 1993. The high estimate assumes an enhanced federal tax incentive.

- These are clearly quite speculative projections, but at least they rest on a significant amount of historical experience, although the data for 1990 are far from final. They rest on a knowledge of what provincial policy is likely to be at least until 1993 in Ontario and Quebec, but it must be noted that policy could change in other provinces.

- These and other figures for independent production are also dependent on many other factors which are not known: the impact of the recession on the television industry, future CRTC policy, CBC funding and policy, etc.

c) Sponsored Production

- Levels of sponsored production will depend largely on market factors -- although there are exceptions. CRTC regulations could affect Canadian commercial production, and governments remain important advertisers and buyers of independent video productions.

- While growth has been rapid in the 1980's, interviews suggest a significant downturn in commercial and industrial production -- linked mainly to the recession, but often linked to the impact of the Free Trade Agreement and other factors as well.

- The historical data prior to 1987-88 are not as reliable as one would like, and argue for caution in relying on the trend they suggest.

- The high projection assumes growth in constant dollars averaging five per cent per year. This would require strengthened commercial production in Canada after an initial recession-related slump likely to last through 1990 and 1991, with a slide of 10 per cent over this two year period.

- The low projections assume the interviewees who advised us that there is a trend away from producing commercials in Canada are correct, and reflect a steady decline in constant dollars at a year-to-year rate of five per cent.

- The medium estimate assumes that sponsored production by 1995 has kept pace with inflation.

- All these estimates could be affected substantially by the extent of real growth that occurs in the Canadian economy between now and 1995.

Table 55 provides projections to 1995 for all categories of Canadian production. In developing this table a mix of public policy and market considerations must be taken into account.

In the case of the CBC, which accounts for over a quarter of all Canadian production, a number of policy decisions have been stated in recent budgets. The 1989 federal Budget announced a reduction of $140 million to be implemented over the four year period from 1990-91 to 1993-94, with the 1993-94 budget to be reduced by $50 million. The 1990 federal Budget froze the CBC's capital budget for two years and rescinded increases of $5 million and $15 million, which had been approved for 1990-91 and 1991-92 respectively. The capital budget was to be kept at the same level as in 1989-90. It is too early to assess the precise impact for CBC of the broad government spending controls contained in the February 26, 1991 Budget.

The CBC estimates in Table 55 are for in-house production only -- in order to avoid double-counting of independent productions partially financed by CBC, but reported fully in independent production budgets. The medium estimate assumes that the reductions already in place to 1993-94 will force real reductions averaging three per cent per year in CBC budgets for in-house production starting in 1991. The low projection assumes that further reductions in CBC funding will occur forcing an additional reduction of CBC budgets starting in 1993, representing an additional two per cent reduction of in-house programming expenditures in constant dollars. The high estimate assumes that beginning in 1992, the CBC will receive sufficient funding to permit an increase of three per cent in real terms beginning in 1992, after maintaining current levels in 1991.

The remaining major component of overall Canadian programming expenditure is in-house spending by private Canadian broadcasters. Private broadcasters are at present bound by a CRTC policy which ties advertising spending to expenditures on Canadian programming (Public Notice CRTC 1989-27). Such expenditures include both in-house Canadian programming and the acquisition of Canadian programming -- with the latter having edged up slightly at the expense of in-house production.

The recession has seen advertising expenditure increase by only 2.5 per cent in 1990, significantly less than the CPI increase of 4.8 per cent. Table 55 assumes for 1990 that the result was a corresponding decline in real terms of in-house Canadian programming expenditures by private broadcasters. A soft advertising market is continuing into 1991 and a further slight decline is likely, but it is early in 1991 to guess when the recession may end. From 1991 on, the low estimate assumes a declining trend through the five year period, with real advertising revenue and program expense slipping by two per cent in each year. The medium projection assumes that after declines in 1990 and 1991, private television will see its revenues recover by two per cent each year in real terms, with corresponding rises in Canadian programming expenditures. The high estimates assume the recession will end in the first half of 1991 with significant real growth occurring -- at three per cent a year on average through 1995.

The remaining estimates are reasonably straightforward. For pay TV and specialty services most expenditures are for acquisition, not in-house programming, with the result that the total expenditures for in-house Canadian programming are not large in absolute terms, although an increase is likely through to 1995. Production in the remaining categories is unlikely to grow either much slower or much faster than inflation, or to become substantially more important as a component of overall Canadian programming.

Recognizing the unknown factors that will affect Canadian production, it seems clear that independent Canadian production is the most volatile, and that the future of federal tax incentive policy and the freezing of Telefilm funding are the key factors.

After rapid growth in the 1980's, independent Canadian production seems likely to decline in the first half of the 1990's based on existing public policies. The key factors here are the freezing of Telefilm funding from 1989-90 to 1995-96 and the reduction of the federal CCA tax incentive. In the absence of any change to these policies, the most likely result is a decline of seven per cent in independent production by 1995. Without strong and continued provincial support to offset the lost federal tax incentive, the decline, in constant dollars, could be as much as 25 per cent, representing a drop from $877 million in 1989 to $661 million in 1995.

If strong provincial support continues and an effective federal tax incentive is re-established, independent Canadian production could grow by as much as 23 per cent, reaching $1.1 billion in constant 1989 dollars, up from $877 million in 1989.

Depending primarily on public policy initiatives, but also on the economy and the commercial revenues of broadcasters, the total volume of all types of Canadian production in 1995 could vary from a low of $1.8 billion in 1989 dollars -- representing a decline of 20 per cent from $2.2 billion in 1989, to a high of $2.6 billion, or an increase of 16 per cent. However, based on current policies, the most likely outcome is a decline of eight per cent in Canadian production between 1989 and 1995, representing a decline of $173 million in constant 1989 dollars.

TABLE 55

Projections of All Canadian Production to 1995
(Constant 1989 000's Dollars)

		1989	1990	1991	1992	1993	1994	1995	% change 1989 to 1995
Independent Production	low medium high	877	788	781 806 921	782 806 976	698 809 1,020	679 812 1,050	661 815 1,081	-25% -7% +23%
CBC/SRC (in-house)	low medium high	646	678	658 658 678	638 638 698	607 619 719	594 606 741	576 588 756	-11% -9% +17%
Private TV (in-house)	low medium high	423	413	395 403 425	387 411 438	379 420 450	372 428 473	364 437 487	-14% +3% +15%
Specialty/PayTV (in-house)	low medium high	35	37	35 39 41	35 41 45	35 43 49	35 45 54	35 47 60	0% +34% +71%
Educational TV (in-house)	low medium high	57	57	57 57 59	55 57 60	54 57 62	52 57 64	50 57 66	-12% 0% +16%
NFB	low medium high	48	48	47 48 49	45 48 51	44 48 52	42 48 54	41 48 57	-15% 0% +19%
Cable Community	low medium high	54	54	53 54 55	52 54 56	51 54 57	50 54 58	49 54 60	-9% 0% +11%
TOTAL CANADIAN	low medium high	2,219	2,075	2,026 2,065 2,228	1,994 2,055 2,324	1,868 2,050 2,409	1,824 2,050 2,494	1,776 2,046 2,567	-20% -8% +16%

NOTE: Figures for 1989 are actual, for 1990 they are estimated, and for 1991 to 1995 represent projections.

APPENDICES

APPENDIX A

METHODOLOGY

I) ESTIMATES OF INDEPENDENT FILM AND TELEVISION PRODUCTION

Total independent film and television production for Canada for 1983 through 1987 was estimated by Paul Audley and Associates for the Canadian Film and Television Association and the Association of Canadian Film and Television Producers, in "Independent Canadian Film and Television Production and Capital Cost Allowance Financing: Trends for 1983 to 1988 and Projections, 1989 to 1993," February, 1989. Figures for provinces excluding Ontario and Quebec, 1983 through 1987, are from "The Development of Regional Film and Television Production in Canada," Paul Audley & Associates, October, 1989. This report updates the estimates for independent production previously reported for 1988, and provides an estimate of production in 1989. Independent production figures reported for the province of Saskatchewan for 1987, 1988 and 1989 are based on data collected for Paul Audley & Associates, Survey of Saskatchewan Producers, 1990.

Among the agencies which provided data on Canadian independent production activity for this study are: Telefilm Canada, Canadian Audio-Visual Certification Office (CAVCO), B.C. Film, Alberta Motion Picture Development Corporation, Canada-Manitoba Cultural Industries Development Office (CIDO), Ontario Film Development Corporation, Société générale des industries culturelles Québec, Film Nova Scotia, and SaskFILM.

In order to provide reliable data on independent production activity, information on the budgets of Canadian productions was acquired from the major data sources -- CAVCO, Telefilm and the provincial film agencies. (Figures for Ontario and Quebec include provincial film agency data for 1989 only.) These data were consolidated on a title-by-title basis in order to eliminate overlap among sources. Exceptions to the title-by-title consolidation were the calculations for Ontario and Quebec in 1983 and 1984, where overlap between sources was estimated, based on actual data. All consolidated data are reported by calendar year, based on the year in which principal photography was completed for individual productions. There are differences in reporting practices among the various data sources: while CAVCO maintains data by the calendar year in which productions were completed, Telefilm and the provincial film funding agencies generally release data according to the government fiscal year in which productions are contracted. Where the completion date of a particular production assisted by Telefilm could not be determined, the portion which would have been completed in the first calendar year of Telefilm's fiscal year, ending March 31, was estimated. The following ratios were used:

Telefilm Fiscal Year	Portion Completed in: 1st Year	2nd Year
	%	%
1983/84	78	22
1984/85	78	22
1985/86	86	14
1986/87	82	19
1987/88	66	34
1988/89	70	30
1989/90	76	24

For example, for a production contracted in Telefilm's 1989-90 fiscal year, where the date of completion of principal photography could not be determined, it was assumed that 76% of the budgets were completed in 1989, and 24% in 1988-89. The ratios used for 1985-86 through 1989-90 are based on a review of the actual completion dates of Telefilm assisted productions. Ratios for 1983-84 and 1984-85 are weighted averages of the three subsequent years, as used in the calculations of total production for the CFTA and ACFTP. The ratio used for 1989-90 represents the average of 1985-86 through 1988-89 ratios.

Some discretion was required in the consolidation of data from the various sources. Specifically, in some cases budget figures for individual productions varied among data sources. Also, the reported province of origination and titles of some productions varied among data sources.

For 1989 production figures, it should also be noted that figures include an estimate of productions for which CAVCO has received applications, but for which certification has not yet been awarded, based on applications received as of December 6, 1990.

Two additional adjustments were made. It was determined that several large budget television series certified by CAVCO as 1989 productions actually had most episodes completed in 1988. Because principal photography for the last episode in the series was completed in 1989, the entire series was classified, according to CAVCO policy, as a 1989 production. However, the effect of this classification on production figures was to distort the totals for 1988 and 1989, by placing a larger portion of production in 1989. In order to arrive at a more accurate reflection of total production which occurred in each of 1988 and 1989, an adjustment was made for series which had episodes produced in both years, but which had the final episode completed in 1989, and which were, therefore, classified as 1989 productions by CAVCO. This was done by allocating the total production budget for the series on a pro-rated basis, according to the number of episodes completed in each year. For example, if a 10 episode production with a budget of $1,000,000 had seven episodes completed in 1988 and three episodes completed in 1989, $700,000 would have been included in the figure for 1988 production.

In addition, an adjustment was made in the 1988 and 1989 CAVCO figures used in the consolidation, so that budgets included only the Canadian portion of co-productions in which Canada is the minority partner, consistent with Telefilm policy. CAVCO normally includes the foreign portion of co-production budgets in reporting production budgets.

II) SPONSORED PRODUCTION

Figures for sponsored production were derived from Statistics Canada data. The use of published Statistics Canada figures posed some difficulty however, in carrying out a trend analysis over several years. This was due to the fact that Statistics Canada survey coverage of production companies increased by 165 firms in 1988-89, making it likely that increases in revenue reported in 1988-89 were due to increased coverage. Statistics Canada advised us that 1987-88 data could be improved, however, using information from Revenue Canada's tax files for those firms which were added to the film and video production survey in 1988-89. (The Statistics Act allows Statistics Canada to have access to returns obtained for the purposes of the Income Tax Act. These data have the same provisions for confidentiality and penalties for disclosure as all other data collected under the authority of the federal Statistics Act.)

For 75 of the 165 firms which responded for the first time to the Statistics Canada 1988-89 survey, tax data information was available, and was used to update revenue figures for 1987-88. Total additional revenue for 1987-88, using tax data, was $81.6 million.

Statistics Canada provided estimates for breakdowns by revenue category, based on 1988-89 survey results. Certain breakdowns for the $81.6 million additional revenue, by revenue category and province, could not be provided by Statistics Canada, however, due to confidentiality constraints. In these cases estimates were made by Paul Audley & Associates. The methodology used in formulating these estimates is presented below. Statistics Canada figures for 1989-90 are not yet available. The figures presented in the report for 1989-90 therefore are an estimate, increasing 1988-89 figures for inflation.

Statistics Canada provided the following updates to producers' revenue data for 1987-88:

	Total Add'l Revenue
Newfoundland, N.B.	196
N.S.	865
Quebec	17,046
Ontario	16,098
Manitoba & Alberta	472
Saskatchewan	469
B.C.	46,415
Total	81,561

CALCULATION OF ESTIMATES:

Sponsored Production, 1987-88
Additional Revenue (Re: Tax Data Addition)
By Source of Revenue

	Ad Agencies	Government	Industry	Other/Other Producers	Total
Quebec	2,854	846e(2)	3,812	1,866	9,378
Ontario	5,821e (1)	506	2,216	7,100	15,643
Other	2,493e	649	773	43,389	47,304
Alberta					391e (3)
B.C.	2,390e	622e	741 e	41,597e	45,350e (3)
Manitoba					68e (3)
Sask'n					459e (3)
Atlantic					1,036e (3)
Canada	11,168	2,001e	6,801	52,355	72,325

NOTES: e Indicates an estimate by Paul Audley & Associates. Breakdowns by client category are estimates by Statistics Canada.

(1) Estimates for Ad Agency revenue for Ontario are based on the percentage of total Ontario revenue accounted for by Ad Agencies in 1987, in the previously reported figures:

$$\frac{85{,}652{,}610}{236{,}865{,}744} = 0.3616$$

Total Additional Revenue, Ontario X 0.3616
= 16,098 X 0.3616 = 5,821

For "Other" provinces, (i.e., excluding Quebec, which was estimated by Statistics Canada) ad agency revenue was then estimated as the difference between the known total figure and the Ontario (estimated) plus Quebec (actual) figures:

Total additional Ad Agency Revenue = Quebec (actual) + Ontario (est.) + Other (est.) or

11,168 = 2,854 + 5,821 (est) + X
X = 11,168 - 2,854 - 5821
X = 2,493

(2) The estimate of the Government Revenue figure for Quebec was necessary because additional Government and Educational revenue were combined by Statistics Canada for Quebec in order to protect confidentiality. The Government versus Educational split was estimated based on actual 1987-88 Statistics Canada figures for Quebec (i.e., the film revenue figures excluding the additional information from tax file data):

Original 1987-88 Quebec revenue:

		%
Educational	225,639	0.0406
Government	5,326,762	0.9594
	5,552,401	1.0000

Therefore, using the same ratio for the additional revenue:
Government + Educational = 882
Therefore: Government = 882 X 0.9549 = 846 (est)

(3) Estimates for sponsored production for additional 1987-88 revenue, for the provincial breakdown for "Other" provinces (total: $47,304) are based on Statistics Canada figures. The breakdown used for the sponsored production revenue is the portion of total additional revenue from tax data accounted for by the various provinces (as follows):

Total Additional Revenue for Tax File Data: $81,561 (Includes all revenue categories). Ontario: $16,098, Quebec: $17,046.

Total Additional Revenue, excluding Ontario and Quebec:

			%
B.C.	$46,415	=	0.9587
Manitoba & Alberta	$ 472	=	0.0097
Atlantic provinces	$1,061	=	0.0219
Saskatchewan	$ 469	=	0.0097
	$48,417		1.0000

Therefore estimates of total additional revenue from advertising agencies, government, industry and other producers/other by province, are as follows, based on the portion of additional revenue in all categories accounted for by each province:

B.C.	X	0.9587	=	45,350	(e)	
Manitoba & Alberta	X	0.0097	=	459	(e)	**
Atlantic provinces	X	0.0219	=	1,036	(e)	**
Saskatchewan	X	0.0097	=	459	(e)	
				47,304		

(** Estimate Alberta = 391, Manitoba = 68. Alberta/Manitoba split based on 1987-88 sponsored revenue.)

Therefore, the estimated provincial breakdown is:

	Original	Additional Revenue From Tax Files	Total
Ontario	155,144	15,643	170,787
Quebec	33,918	9,378	43,296
Alberta	7,419	391	7,810
Manitoba	1,294	68	1,362
B.C.	23,205	45,350	68,555
Saskatchewan	1,224	459	1,683
Atlantic	3,475	1,036	4,511
Canada	225,724	72,325	298,049
			655 *
			298,704

NOTE: * Additional Saskatchewan data, from Paul Audley & Associates Survey of Saskatchewan Producers, 1990.

<u>1987-88 Breakdown by Client Category</u>

	Original	Additional	Total
Ad Agencies	114.6	11.2	125.8
Government	20.2	2.0 (e)	22.2
Industry	65.6	6.8	72.4
Other Producers *	25.3	52.4	77.7
			298.1

NOTE: * For Additional revenue from the tax files, "other" revenue has been included in the "other producers" category. This could not be divided out for reasons of confidentiality, but is a small portion of the revenue.

Figure of $298.1 does not include data for Saskatchewan from Paul Audley & Associates Survey of Saskatchewan Producers.

Some apparent inconsistencies in sponsored figures reported in the body of the report require additional explanation. Figures used in Tables 4 and 28, for 1983-84 through 1985-86 are production company revenues from TV commercials and sponsored industrial/government productions as reported to Statistics Canada. After 1985-86, Statistics Canada discontinued reporting of producers' revenues by type of production. Figures for 1986-87 through 1988-89 therefore were derived by adding together those Statistics Canada revenue categories which represent sponsored production: advertising agencies, government, industry and other producers. For the purposes of examining trends in these categories, sponsored figures for 1983-84 through 1985-86 as reported in Tables 26 and 27 are based on revenue from the four client categories (not revenue by production type) and therefore are not consistent with sponsored production figures for those years as reported in Tables 4 and 28.

APPENDIX B

LIST OF PEOPLE INTERVIEWED

Asa Akhavan (Ontario Cinecorp)
Robert Armstrong (Telefilm Canada)
Norma Bailey (Manitoba)
Donato Baldassarra (Association of Canadian Film Craftspeople)
Debbie Bernstein (Canadian Broadcasting Corporation)
Robert Brisebois (SOGIC)
Peter Campbell (Medallion Lab)
François Champagne (Les Productions SDA)
Wayne Clarkson (Ontario Film Development Corporation)
Stuart Cobbett (Astral Film Enterprises)
John Coleman (Canadian Advertising Foundation)
Margaret Collier (ACTRA, National Office)
Mike Collier (Producer, Yaletown, British Columbia)
Gerri Cook (SaskFILM)
Robert Daudelin (Cinémathèque)
Charles Denis (SOGIC)
Pierre DesRoches (Telefilm Canada)
Arthur Donner (economist)
Paul Donovan (Nova Scotia)
Robert Dubberley (British Columbia Motion Picture Association)
Donald Duprey (TV Ontario)
Glyn Evans (Stonehenge Productions)
Jerry Ezekial (Banff Television Festival)
Helen Foster (Nova Scotia)
Tony Foster (ACTRA, Maritimes)
Roger Frappier (Max Films Productions)
Paul Gaffney (Canadian Broadcasting Corporation)
Linda Gardon (NABET 700)
Tosca Gazar (ITVA)
Jim Grosso (Loblaws)
Don Haig (Film Arts)
Stewart Harding (Alliance Communications Corporation)
Daniel Harvey (Spectel Vidéo)
Mike Helm (Communications Canada)
Michael Hirsh (Nelvana Ltd.)
Jack Hurwitz (Supply and Services Canada)
Samuel Jephcott (Canadian Film and Television Association) [1]
Ken Katz (Canadian Radio-Television Commission)
Ron Keast (VISION TV)
Allan King (Allan King Associates Ltd.)
Richard Laferrière (Les Productions Coscient)
André Lafond (Montreal Film Commission)
John Lash (Producer)
Guy Latraverse (Sogestalt 2001)
Douglas Leiterman (Motion Picture Guarantors Ltd.)
Miklos Lente (CAMERA Guild of Canada)

Michael Levine (Goodman & Goodman)
Phil Lind (Rogers Communications Inc.)
Daniel Lyon (Astral Communications)
Michael MacMillan (Atlantis Films Ltd.)
Lorne MacPherson (Alberta Motion Picture Development Corporation)
René Malo (Malofilm Production)
William Marsden (Alberta Economic Development and Trade)
Bruce McCloud (Alliance of Canadian Cinema, Television and Radio Artists - ACTRA)
Bill Miller (Video One)
David Mintz (Global Communications Ltd.)
Tom Morawitz (Playback)
Peter Mortimer (Association of Canadian Film and Television Producers) [1]
LeeAnne Muldoon (Cannell, British Columbia)
Jim Murphy (Malofilm Production Inc.)
James Nadler (OFDC)
Bill Nemtin (WTVS, Detroit PBS)
Dianne Neufeld (British Columbia Film Commission)
Peter O'Brian (Centre for Advanced Film Studies)
Jason Paikowsky (Directors Guild of Canada)
Reynald Paré (Sogestalt 2001)
Leslie Parrot (J. Walter Thompson)
Barbara Pavlic (Communiqué)
Peter Pearson (Quebec)
David Perlmutter (Cinexus Capitol Corporation)
Françoyse Picard (Canada Council)
Michael Quinn (IBM Canada)
Tom Radford (Alberta)
Ousama Rawi (Rawi Sherman Films Inc.)
Peter Raymont (Canadian Independent Film Caucus)
Bill Roberts (TV Ontario)
Pattie Robertson (IATSE 891, Motion Picture Studio Production Technicians)
Richard Robesco (Supply and Services Canada)
Michel Rodrigue (Les Productions Guy Cloutier)
Katka Selucky (Canadian Audio-Visual Certification Office)
David Silcox (then Deputy Minister, Ontario)
Jimmie Silden (Film Manitoba)
Michael Spencer (Film Finances Canada)
Wayne Sterloff (British Columbia Film Fund)
Marilyn Stonehouse (Directors Guild of Canada)
Heather Thibault (Directors Guild of Canada)
Julie Thorburn (VideoFACTS)
Claude Veillet (Téléfiction)
Jim Wartly (CP Rail)

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[1] CFTA and ACFTP are now Canadian Film and Television Production Association (CFTPA).

APPENDIX C

TENDANCES RÉCENTES MAJEURES DE LA PRODUCTION AUDOIVISUELLE AU QUÉBEC

TENDANCES RÉCENTES MAJEURES DE LA PRODUCTION AUDIOVISUELLE AU QUÉBEC

1-) SECTEUR TÉLÉVISION:

1.1-) Le niveau de production:

- La production d'émissions de télévison en langue française par les producteurs indépendants du Québec s'est située à un niveau très élevé au cours de la période 1986-1990. On dénombre ainsi 194 projets d'émissions de télé comportant une participation de Téléfilm au cours des quatre années de la période, représentant un total de1 226 heures de diffusion en version originale, comparativement à 241 projets et 924 heures de diffusion du côté des émissions en langue anglaise. (Voir Tableau 1)

- Le nombre d'heures produites a atteint un niveau particulièrement élevé au cours des années 1987-88 (soit 385 heures) et 1988-89 (soit 356 heures), pour ensuite retomber substantiellement l'année suivante (263 heures). Ce phénomène s'explique essentiellement par la très forte croissance des acquisitions de productions indépendantes par Télé-Métropole et Quatre Saisons en 87-88 et 88-89, suivie d'un retrait quasi-total de Quatre Saisons en 89-90. Le tableau suivant indique l'évolution du nombres d'heures (première diffusion) de productions indépendantes (avec participation de Téléfilm) acquises par Télé-Métropole et Quatre Saisons au cours de la période 86-90:

	1986-87	1987-88	1988-89	1989-90
Télé-Métropole	1h.	50h.	74h	64h.
Quatre Saisons	55h.	183h.	105h.	15h.
Sous-total	56h.	233h.	179h.	79h.

Il faut noter que la forte croissance enregistrée par Quatre Saisons à partir de 1987-88 s'explique entre autres par l'acquisition du téléroman quotidien *La Maison Deschênes*. La chute brutale de 183h. en 87-88 à 15h. seulement en 89-90 du nombre d'heures de productions acquises par Quatre Saisons traduit cependant un retrait massif de ce réseau dont l'explication ne peut se réduire à la disparition de *La Maison Deschênes*. (voir section "Financement")

1.2-) <u>La structure de l'industrie</u>:

- On peut maintenant affirmer qu'une véritable industrie de production indépendante d'émissions de télévision a vu le jour au Québec au cours de la deuxième moitié de la décennie 1980. Bien sûr la majorité des entreprises qui la composent sont encore de très petite taille et l'industrie dans son ensemble demeure extrêmement fragile. Mais il n'en demeure pas moins que le secteur compte aujourd'hui environ une douzaine de firmes de taille moyenne qui ont pu développer un niveau d'activité relativement important et continu au cours des cinq dernières années. Parmi celles-ci, mentionnons les maisons suivantes et certaines de leurs productions les plus connues:

-Coscient (Playback, Omni science, de nombreux magazines télé)

-Les Productions SDA (À plein temps, Rock, Bonjour Docteur, Les débrouillards, Des fleurs sur la neige)

-Communications Claude Héroux (Lance et compte, Formule I)

-Prisma (La Maison Deschêsnes)

-Spectel Vidéo /Téléfiction (Rock et Belles Oreilles, Super sans plomb, plusieurs spéciaux de variétés télé)

-Sogestalt 2001 (Samedi de rire, Samedi P.M., plusieurs spéciaux de variétés télé)

-Les Productions du Verseau (Manon, L'or et le papier)

-Les Films Rozon (Juste pour rire)

-Productions PRAM (Surprise ...sur prise)

-Cité-Amérique (Les filles de Caleb)

-Les Productions Guy Cloutier (nombreuses émissions de variétés et de type magazine)

Notons que Téléfilm a participé au financement de la plupart des émissions mentionnées ci-dessus.

1.3-) La demande pour les productions indépendantes:

* Rappelons d'abord que le niveau de la "demande" pour les émissions produites par les producteurs indépendants peut se mesurer sous deux angles fort différents:

> -la demande indirecte, telle que mesurer par le degré de popularité des émissions (côtes d'écoute)
>
> -la demande directe, telle que mesurée par le volume des acquisitions réalisées par les réseaux ou stations de télévision

- Les émissions de télévision en langue française produites par les producteurs indépendants du Québec ont reçu en général un accueil très favorable de la part du public québécois au cours des cinq dernières années. Les séries de fiction (téléromans) ont été les émissions les plus populaires, certaines d'entre elles comme *Lance et Compte* et *Les filles de Caleb* enregistrant même des côtes d'écoute de près de 3 millions d'auditeurs. Le niveau d'écoute de ces deux séries a dépassé les records d'écoute atteints par certains des grands téléromans produits par Radio-Canada tels que *Les dames de coeur* et *Le temps d'une paix* . D'autres catégories de productions indépendantes ont également été bien reçues de la part du public, telles que les émissions d'humour (Rock et Belles Oreilles, Samedi de rire) ou certaines émissions pour enfants ou adolescents (À plein temps, Omni science).

-Par ailleurs, la demande directe de productions indépendantes, telle que mesurée par le volume des acquisitions des réseaux ou stations de télévision, a varié considérablement selon les années au cours de la période 1986-90. L'évolution de cette demande directe traduit évidemment l'évolution des disponiblités de financement en provenance des diverses sources potentielles. (Voir section suivante)

1.4-) <u>Le financement des productions</u>:

Les données des Tableaux 1 et 2 et Graphique 1 font ressortir clairement l'évolution des disponibilités globales de financement pour la production télévisuelle indépendante de langue française (comparativement aux productions de langue anglaise), de même que l'évolution de la part relative de chaque participant. Les tendances majeures des quatre dernières années sont les suivantes:

- Les budgets globaux sont demeurés relativement constants (environ 65 millions $) du côté français, alors que la tendance est nettement à la hausse du côté anglais.

- La participation de Téléfilm au financement reflète les mêmes tendances que l'évolution des budgets globaux

- On enregistre un accroissement plus important de la participation des organismes provinciaux du côté anglophone, ce qui s'explique évidemment par le développement de plusieurs nouveaux organismes ou programmes au Canada anglais au cours de la période (OFDC, B.C. Film, CIDO, AMPDC). La contribution de la SOGIC (SGC) au financement des productions télévisuelles est demeuré relativement faible (1,3 million $ en moyenne par année) comparativement à ses investissements en productions de longs métrages (3,9 millions en moyenne par année). (voir Graphiques 3 et 4)

- La décroissance continue de la participation financière des entreprises de télédiffusion du côté francophone (alors que cette participation s'accroît au contraire du côté anglais) demeure le phénomène majeur de la période. Elle s'explique d'abord et avant tout par le retrait quasi-total de Quatre Saisons et la chute marquée de la participation de Télé-Métropole en 89-90 (reflet de la situation financière de ces deux entreprises), mais aussi par une baisse importante de la contribution de Radio-Canada (reflet de coupures budgétaires).

- Le secteur privé est le seul participant ayant accru très significativement sa participation financière du côté francophone, ce qui s'explique évidemment par l'accroissement de l'abri fiscal québécois à 166%, accroissement qui a plus que contrebalancé la diminution des avantages fiscaux offerts par le gouvernement fédéral.

- Enfin, il faut noter que la participation des distributeurs au financement des productions télévisuelles est demeuré insigifiante du côté francophone (marché très peu important en France), alors qu'elle s'est accrue significativement pour les productions en langue anglaise (marché relativement important aux États-Unis).

2-) SECTEUR CINÉMA:

2.1-) Le niveau de production:

- En général les longs métrages canadiens tournés en français comportent une participation financière à la fois de Téléfilm et de la SGC/SOGIC. Les statistiques de ces organismes constituent donc un bon indicateur du volume de production. Il faut toutefois noter que quelques longs métrages français financés par la SGC/SOGIC ne comportaient pas de participation financière de Téléfilm. Par ailleurs, à l'inverse, quelques longs métrages financés par Téléfilm ne comportaient pas de participation de la SGC/SOGIC.

	1986-87	1987-88	1988-89	1989-90
Téléfilm (français seulement)	8	8	14	9
SGC/SOGIC (français seulement)	9	6	14	10

- Au total, il s'est produit près de cinquante longs métrages canadiens en langue française au Québec durant la période 1986-1990, soit en moyenne une douzaine par année au cours des quatre dernières années. Ce nombre est tout compte fait relativement élevé, comparativement au volume de production de longs métrages canadiens en langue anglaise, soit 16 en moyenne par année (voir Tableau 3).

2.2-) La structure de l'industrie:

- Les quelque cinquante films longs métrages en langue française produits au cours des années 1986-90 sont attribuables à une à plus d'une vingtaine de maison de production différentes, ce qui demeure encore un nombre élevé d'entreprises étant donné la population du Québec. Toutefois, on peut malgré tout affirmer que la deuxième moitié de la décennie 1980 aura connu une consolidation marquée de l'industrie de la production cinématographique au Québec. On dénombre en effet une quinzaine de maisons de productions ayant connu un niveau d'activité relativement important et continu au cours de cette période. Mais, plus important encore, ces maisons sont aujourd'hui dirigées non plus par des réalisateurs, comme c'était souvent le cas durant les années soixante-dix, mais plutôt par de véritables producteurs/dirigeants d'entreprises. Parmi celles-ci, mentionnons les maisons suivantes:

- Les Productions Vidéofilms (Exit, Cruising Bar, Amoureux fou)

- Cinévidéo (Flag, Les Fous de Bassan)

- Les Productions du Lundi Matin (Marie s'en va-t-en ville, Tinamer, Les Matins infidèles)

- Malofilm Production (Les Portes tournantes, Leçon de choses)

- Productions Oz / Max Films (Un Zoo la nuit, Jésus de Montréal, Moody Beach)

- Téléscène (À corps perdu, Une histoire inventée)

- Les Films Vision 4 (Gaspard et fils, Simon les nuages, Sous les draps, les étoiles, Love-moi)

- Les Productions La Fête (La Grenouille et la baleine, Le Petit chaperon rouge, Fiero ...l'été des secrets, Pas de répit pour Mélanie)

- Les Productions du Regard (Portion d'éternité, Babylone)

- Cléo 24 (Cargo, Vent de Galerne)

- Aska Film Productions (Rafales)

- L'ACPAV (La Ligne de chaleur, Le Party, La Sarrasine)

1.3-) La demande pour les films canadiens de langue française et leur popularité:

- La "demande" pour les films canadiens de langue française est encore aujourd'hui principalement dépendante du niveau de disponibilité de financement de la part des différents organismes publics (voir section suivante).

- Sauf quelques exceptions notables, telles que Cruising Bar, Le Party, Un zoo la nuit, Jésus de Montréal et les films pour la jeunesse des Productions La Fête (en particulier La Grenouille et la baleine), la plupart des films québécois produits au cours de la période 1986-90 n'ont enregistré que de piètres résultats au box office. Il faut toutefois noter que dans l'ensemble les longs métrages canadiens en langue française ont connu une popularité relative plus élevée que les films canadiens en langue anglaise. Au total, les films canadiens représentent encore aujourd'hui moins de 10% des entrées en salles au Québec.

2.4-) Le financement des productions:

- Les longs métrages en français ont représenté 34% des budgets totaux de l'ensemble des films comportant participation financière de Téléfilm au cours des quatres années de la période 1986-1990. (voir Tableau 3)

- Ces longs métrages ont par ailleurs accaparé 37% des investissements totaux de Téléfilm dans les longs métrages au cours de la période. La contribution de Téléfilm a compté pour 42% des budgets totaux en moyenne du côté francophone, soit un pourcentage significativement plus élevé que le chiffre de 38% du côté des films en langue anglaise.

- La contribution des "autres organismes gouvernementaux" au financement des films en français a compté pour 24% des budgets totaux , soit près de deux fois plus que du côté anglophone. En comprenant Téléfilm, la contribution globale des organismes gouvernementaux a compté pour 66% des budgets du côté français comparativement à 51% pour les films en langue anglaise. La contribution de la SOGIC(SGC) a compté pour environ 25% du total des contributions gouvernementales au financement de longs métrages comportant une participation de Téléfilm. Il faut toutefois noter que la SOGIC(SGC) a toutefois investi certaines sommes dans des productions ne comportant pas de contribution de Téléfilm. (Voir Graphique 4)

- La contribution des entreprises de radiodiffusion est demeurée en moyenne minuscule tant du côté francophone (2% des budgets totaux) que du côté anglophone (3%).

- La participation financière du secteur privé au financement des longs métrage en français, bien qu'encore relativment faible (15% en moyenne, contre 25% du côté anglais), s'est toutefois élevée constamment durant la période, passant de 2,3 millions en 1986-87 à 4 millions $ en 1989-90, et ce malgré la baisse de 100% à 30% de la déduction fédérale pour amortissement. Il faut bien sûr noter que l'augmentation de la déduction du gouvernement du Québec à 133 % en décembre 87 et à 166% en mai 88 est venu en partie compenser les conséquences dramatiques de la réduction des incitatifs fiscaux du gouvernement fédéral. Rappelons par ailleurs que le gouvernement québécois a annoncé en décembre 1990 le remplacement de la déduction fiscale par un crédit d'impôt remboursable de 40% des côuts de main-d'oeuvre.

- Enfin, la création en mai 88 du Fonds d'aide à la distribution de longs métrages de Téléfilm (17 M$ par année) a largement contribué tant du côté francophone que du côté anglophone à un accroissement substantiel des investissements des distributeurs dans le financement de la production des longs métrages canadiens.

TABLEAU 1

TÉLÉFILM / Fonds de développement d'émissions canadiennes de télévision

ANALYSE DE LA PARTICIPATION FINANCIERE / 1986-1990 (production seulement)

PROJETS EN FRANÇAIS

	86-87		87-88		88-89		89-90		Moy. 86-90	
Nb projets	51		47		49		47		194	
hres v.orig.	222		385		356		263		1 226	
	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total
BUDGET TOTAL	63.173	100%	68.439	100%	59.715	100%	63.677	100%	255.004	100%
Téléfilm	18.132	29%	28.344	41%	22.744	38%	20.264	32%	89.485	35%
Autres gouv.	3.811	6%	4.189	6%	2.745	5%	5.615	9%	16.359	6%
Entreprises TV	7.387	12%	16.558	24%	13.305	22%	5.771	9%	43.022	17%
Secteur privé	15.815	25%	14.449	21%	19.843	33%	27.595	43%	77.702	30%
Distributeurs	0.200	0%	0.456	1%	0.006	0%	0.569	1%	1.231	0%
Part. étrangers	17.828	28%	4.443	6%	1.073	2%	3.862	6%	27.206	11%

PROJETS EN ANGLAIS

	86-87		87-88		88-89		89-90		Moy. 86-90	
Nb projets	62		61		64		54		241	
hres v.orig.	215		252		214		243		924	
	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total
BUDGET TOTAL	108.399	100%	129.804	100%	112.950	100%	157.183	100%	508.336	100%
Téléfilm	34.409	32%	47.837	37%	37.393	33%	52.573	33%	172.211	34%
Autres gouv.	3.568	3%	3.007	2%	3.438	3%	7.153	5%	17.166	3%
Entreprises TV	19.713	18%	21.743	17%	25.013	22%	32.263	21%	98.733	19%
Secteur privé	29.683	27%	32.127	25%	14.561	13%	39.483	25%	115.854	23%
Distributeurs	2.360	2%	2.614	2%	5.196	5%	6.516	4%	16.685	3%
Part. étrangers	18.665	17%	22.477	17%	27.349	24%	19.194	12%	87.686	17%

SOURCE: Telefilm Canada, Rapports annuels, 1986-87 à 1989-90

TABLEAU 1 (suite)

TÉLÉFILM / Fonds de développement d'émissions canadiennes de télévision

ANALYSE DE LA PARTICIPATION FINANCIERE / 1986-1990 (production seulement)

ENSEMBLE DES PROJETS, FRANÇAIS ET ANGLAIS

	86-87		87-88		88-89		89-90		Moy. 86-90	
Nb projets	113		108		113		101		435	
hres v.orig.	437		637		570		506		2 150	
	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total
BUDGET TOTAL	171.571	100%	198.244	100%	172.665	100%	220.859	100%	763.339	100%
Téléfilm	52.541	31%	76.181	38%	60.137	35%	72.837	33%	261.696	34%
Autres gouv.	7.379	4%	7.195	4%	6.183	4%	12.768	6%	33.525	4%
Entreprises TV	27.100	16%	38.301	19%	38.318	22%	38.035	17%	141.754	19%
Secteur privé	45.498	27%	46.576	23%	34.404	20%	67.078	30%	193.556	25%
Distributeurs	2.560	1%	3.069	2%	5.202	3%	7.085	3%	17.916	2%
Part. étrangers	36.493	21%	26.921	14%	28.421	16%	23.057	10%	114.892	15%

PART DES PROJETS FRANÇAIS SUR L'ENSEMBLE

	86-87	87-88	88-89	89-90	Moy. 86-90
Nb projets	45%	44%	43%	47%	45%
hres v.orig.	51%	60%	62%	52%	57%
BUDGET TOTAL	37%	35%	35%	29%	33%
Téléfilm	35%	37%	38%	28%	34%
Autres gouv.	52%	58%	44%	44%	49%
Entreprises TV	27%	43%	35%	15%	30%
Secteur privé	35%	31%	58%	41%	40%
Distributeurs	8%	15%	0%	8%	7%
Part. étrangers	49%	17%	4%	17%	24%

SOURCE: Telefilm Canada, Rapports annuels, 1986-87 à 1989-90

TABLEAU 2

TÉLÉFILM / Fonds de développement d'émissions canadiennes de télévision, 1986-1990*

PARTICIPATION FINANCIERE DES ENTREPRISES DE TÉLÉVISION (production seulement)

	PROJETS EN FRANÇAIS						PROJETS EN ANGLAIS					
	1986-1987		1987-1988		1989-1990		1986-1987		1987-1988		1989-1990	
	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total
TOTAL TV	7.387	100%	16.558	100%	5.771	100%	19.713	100%	21.743	100%	32.263	100%
CBC			0.040	0%	0.179	3%	11.212	57%	11.493	53%	16.718	52%
R.-Canada	4.038	55%	4.872	29%	1.264	22%			1.776	8%	0.283	1%
R.-Québec	1.524	21%	2.064	12%	1.417	25%						
TVO			0.415	3%	0.075	1%	0.808	4%	0.277	1%	0.600	2%
Aut.TV pr					0.002	0%			0.013	0%	0.110	0%
CTV							4.919	25%	5.799	27%	10.920	34%
Global	0.416	6%					0.905	5%	0.935	4%	0.742	2%
Indép.			0.050	0%	1.050	18%	1.683	9%	1.370	6%	1.645	5%
T.-Métr.	0.055	1%	3.006	18%	1.095	19%	0.130	1%			0.130	0%
Q. Sais.	1.347	18%	5.996	36%	0.210	4%					0.065	0%
TV pay.	0.008	0%	0.116	1%	0.300	5%	0.055	0%	0.080	0%	0.150	0%
Serv. sp.					0.180	3%					0.901	3%

PARTICIPATION FINANCIERE DES ENTREPRISES DES ORGANISMES GOUVERNEMENTAUX (production seulement)

	PROJETS EN FRANÇAIS						PROJETS EN ANGLAIS					
	1986-1987		1987-1988		1989-1990		1986-1987		1987-1988		1989-1990	
	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total
TOTAL GOV.	21.943	100%	32.533	100%	25.879	100%	37.977	100%	50.843	100%	59.726	100%
Téléfilm	18.132	83%	28.344	87%	20.264	78%	34.409	91%	47.837	94%	52.573	88%
ONF	1.102	5%	1.356	4%	2.685	10%	0.693	2%	0.078	0%	2.260	4%
Autres Féd.	0.254	1%			0.449	2%	0.452	1%			0.229	0%
SOGIC/SGC	1.600	7%	2.235	7%	2.312	9%			0.081	0%	0.083	0%
OFDC			0.065	0%	0.055	0%	0.996	3%	1.767	3%	1.880	3%
CIDO/Man.					0.100	0%	0.268	1%	0.260	1%	0.745	1%
B.C. Film									0.010	0%	1.021	2%
AMPDC											0.775	1%
Aut. Prov.					0.014	0%					0.160	0%
Subventions	0.097	0%	0.533	2%			0.982	3%	0.811	2%	0.160	0%
Autres	0.757	3%					0.177	0%				

Source: Telefilm Canada, Rapports annuels

TABLEAU 3

TÉLÉFILM / Fonds de financement de longs métrages

ANALYSE DE LA PARTICIPATION FINANCIERE / 1986-1990 (production seulement)

PROJETS EN FRANÇAIS

	86-87		87-88		88-89		89-90		Moy. 86-90	
Nb projets	8		8		14		9		39	
	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total
BUDGET TOTAL	15.386	100%	16.668	100%	28.279	100%	22.044	100%	82.377	100%
Téléfilm	6.024	39%	7.803	47%	12.872	46%	8.270	38%	34.969	42%
Autres gouv.	3.971	26%	4.041	24%	6.792	24%	4.631	21%	19.434	24%
Entreprises TV	0.200	1%	0.210	1%	0.710	3%	0.770	3%	1.890	2%
Secteur privé	2.310	15%	2.751	17%	3.631	13%	4.023	18%	12.715	15%
Distributeurs	0.450	3%	0.310	2%	1.892	7%	4.350	20%	7.002	9%
Part. étrangers	2.431	16%	1.553	9%	2.382	8%	0.000	0%	6.366	8%

PROJETS EN ANGLAIS

	86-87		87-88		88-89		89-90		Moy. 86-90	
Nb projets	14		15		20		16		65	
	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total
BUDGET TOTAL	24.945	100%	40.001	100%	52.758	100%	39.239	100%	156.943	100%
Téléfilm	10.203	41%	12.351	31%	22.492	43%	14.395	37%	59.442	38%
Autres gouv.	1.678	7%	3.323	8%	7.938	15%	7.047	18%	19.985	13%
Entreprises TV	0.190	1%	0.913	2%	3.678	7%	0.655	2%	5.436	3%
Secteur privé	10.974	44%	6.620	17%	15.492	29%	6.553	17%	39.640	25%
Distributeurs	0.010	0%	3.058	8%	2.262	4%	5.615	14%	10.945	7%
Part. étrangers	1.890	8%	13.734	34%	0.895	2%	4.975	13%	21.494	14%

Source: Telefim Canada, Rapports annuels

TABLEAU 3 (suite)

TÉLÉFILM / Fonds de financement de longs métrages

ANALYSE DE LA PARTICIPATION FINANCIERE / 1986-1990 (production seulement)

ENSEMBLE DES PROJETS, FRANÇAIS ET ANGLAIS

	86-87		87-88		88-89		89-90		Moy. 86-90	
Nb projets	22		23		34		25		104	
	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total
BUDGET TOTAL	40.331	100%	56.669	100%	81.037	100%	61.283	100%	239.320	100%
Téléfilm	16.228	40%	20.154	36%	35.365	44%	22.666	37%	94.412	39%
Autres gouv.	5.648	14%	7.364	13%	14.730	18%	11.677	19%	39.419	16%
Entreprises TV	0.390	1%	1.123	2%	4.388	5%	1.425	2%	7.326	3%
Secteur privé	13.284	33%	9.372	17%	19.123	24%	10.576	17%	52.355	22%
Distributeurs	0.460	1%	3.368	6%	4.154	5%	9.965	16%	17.947	7%
Part. étrangers	4.321	11%	15.287	27%	3.277	4%	4.975	8%	27.860	12%

PART DES PROJETS FRANÇAIS SUR L'ENSEMBLE

	86-87	87-88	88-89	89-90	Moy. 86-90
Nb projets	36%	35%	41%	36%	38%
BUDGET TOTAL	38%	29%	35%	36%	34%
Téléfilm	37%	39%	36%	36%	37%
Autres gouv.	70%	55%	46%	40%	49%
Entreprises TV	51%	19%	16%	54%	26%
Secteur privé	17%	29%	19%	38%	24%
Distributeurs	98%	9%	46%	44%	39%
Part. étrangers	56%	10%	73%	0%	23%

Source: Telefim Canada, Rapports annuels

TABLEAU 4

TÉLÉFILM / Fonds de financement de longs métrages

PARTICIPATION FINANCIERE DES ENTREPRISES DES ORGANISMES GOUVERNEMENTAUX (production seulement)

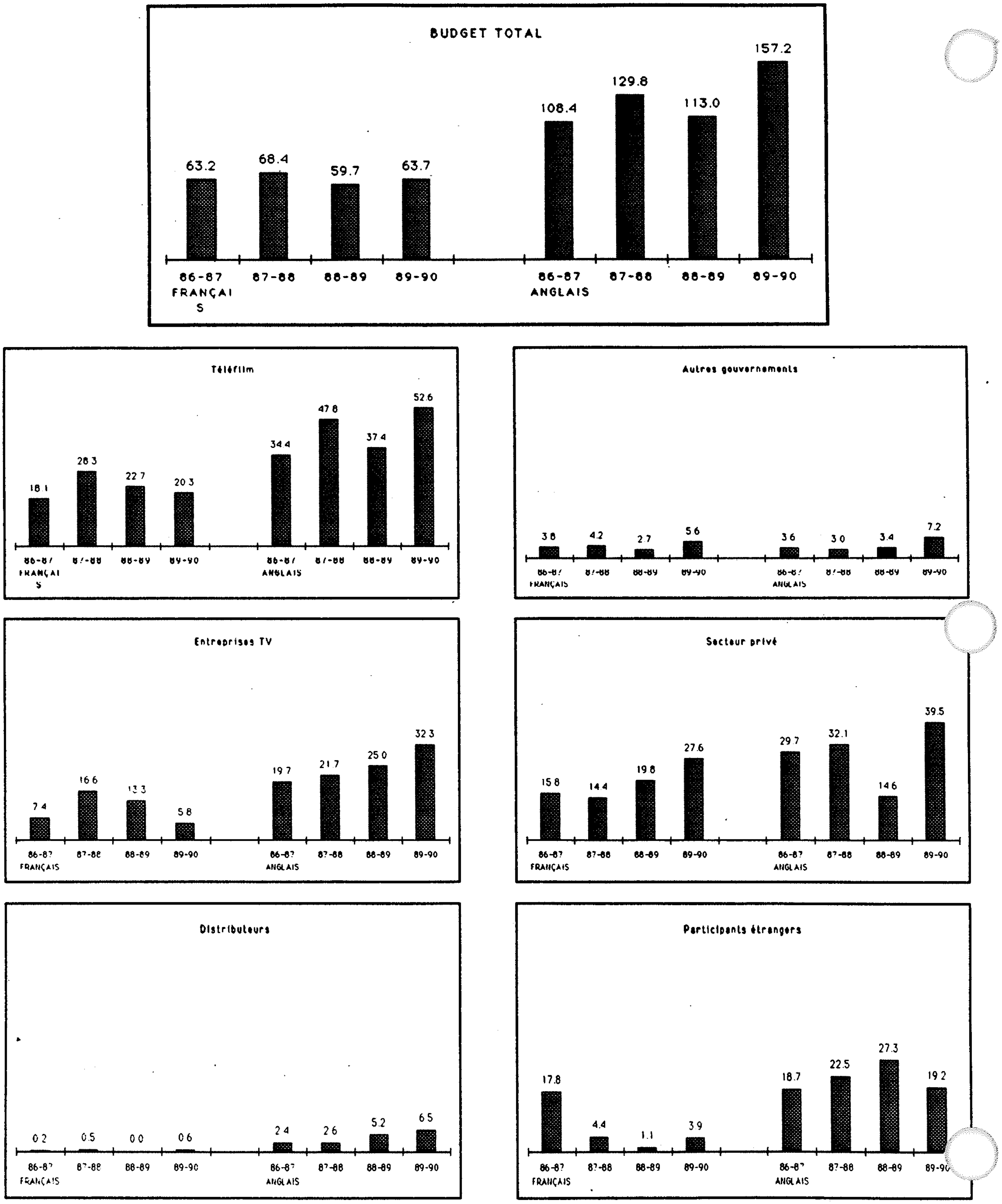
	PROJETS EN FRANÇAIS						PROJETS EN ANGLAIS					
	1986-1987		1987-1988		1989-1990		1986-1987		1987-1988		1989-1990	
	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total	millions de $	% total
TOTAL GOV.	9.995	100%	11.844	100%	12.901	100%	11.881	100%	15.675	100%	21.442	100%
Téléfilm	6.024	60%	7.803	66%	8.270	64%	10.203	86%	12.351	79%	14.395	67%
ONF	1.527	15%	1.071	9%	1.831	14%	0.024	0%	0.621	4%	1.568	7%
Autres Féd.	0.060	1%									0.050	0%
SOGIC/SGC	2.384	24%	2.970	25%	2.800	22%			0.368	2%	0.389	2%
OFDC							1.358	11%	1.731	11%	3.400	16%
CIDO/Man.									0.245	2%	0.040	0%
B.C. Film									0.170	1%	1.000	5%
AMPDC											0.400	2%
Aut. Prov.											0.199	1%
Subventions							0.196	2%	0.189	1%		
Autres							0.100	1%				

Source: Telefilm Canada, Rapports annuels

GRAPHIQUE 1

TÉLÉFILM / Fonds de développement d'émissions canadiennes de télévision

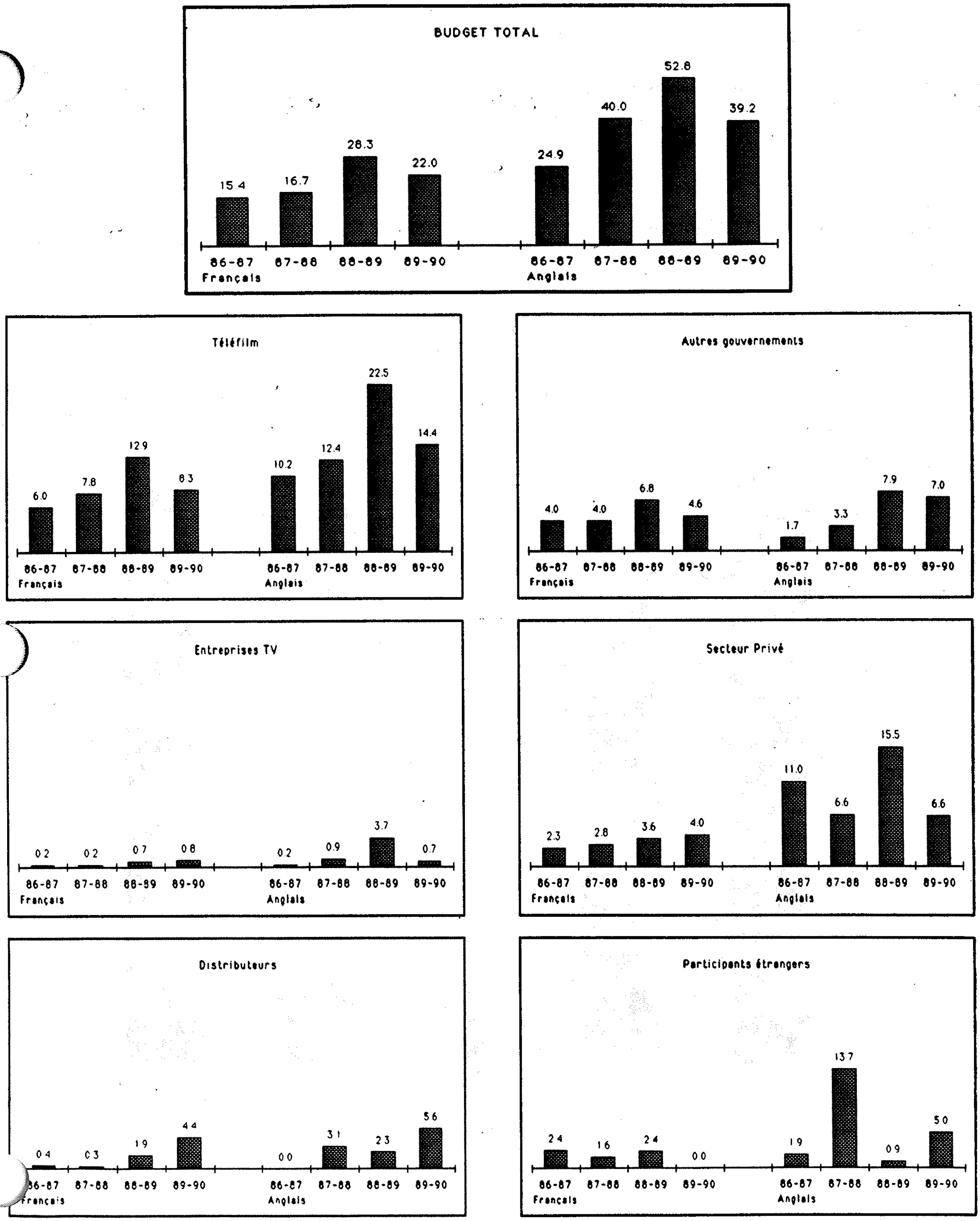
ANALYSE DE LA PARTICIPATION FINANCIERE / 1986-1990 (production seulement)
(en millions de dollars)



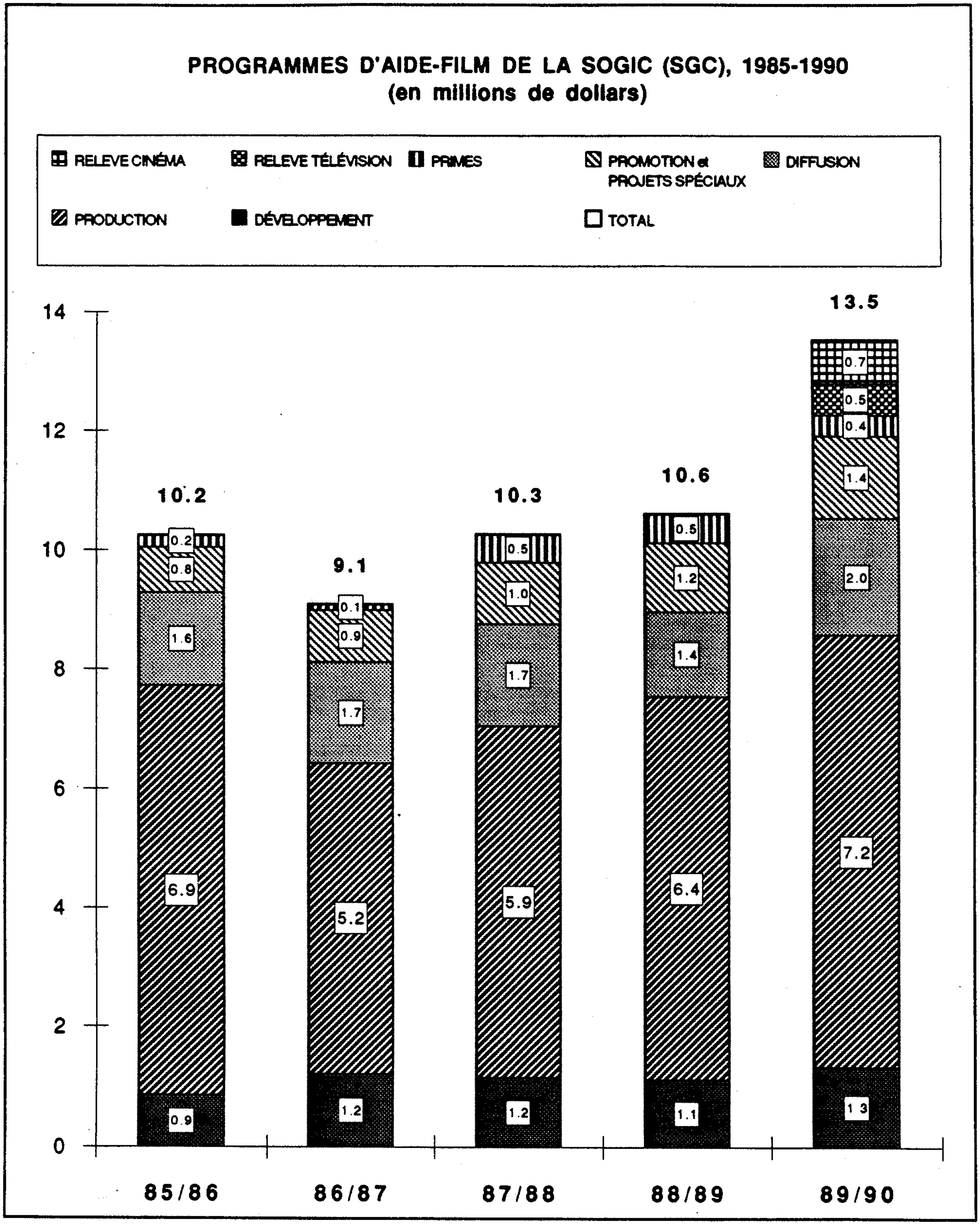
GRAPHIQUE 2

TÉLÉFILM / Fonds de financement de longs métrages

ANALYSE DE LA PARTICIPATION FINANCIERE / 1986-1990 (production seulement)
(en millions de dollars)

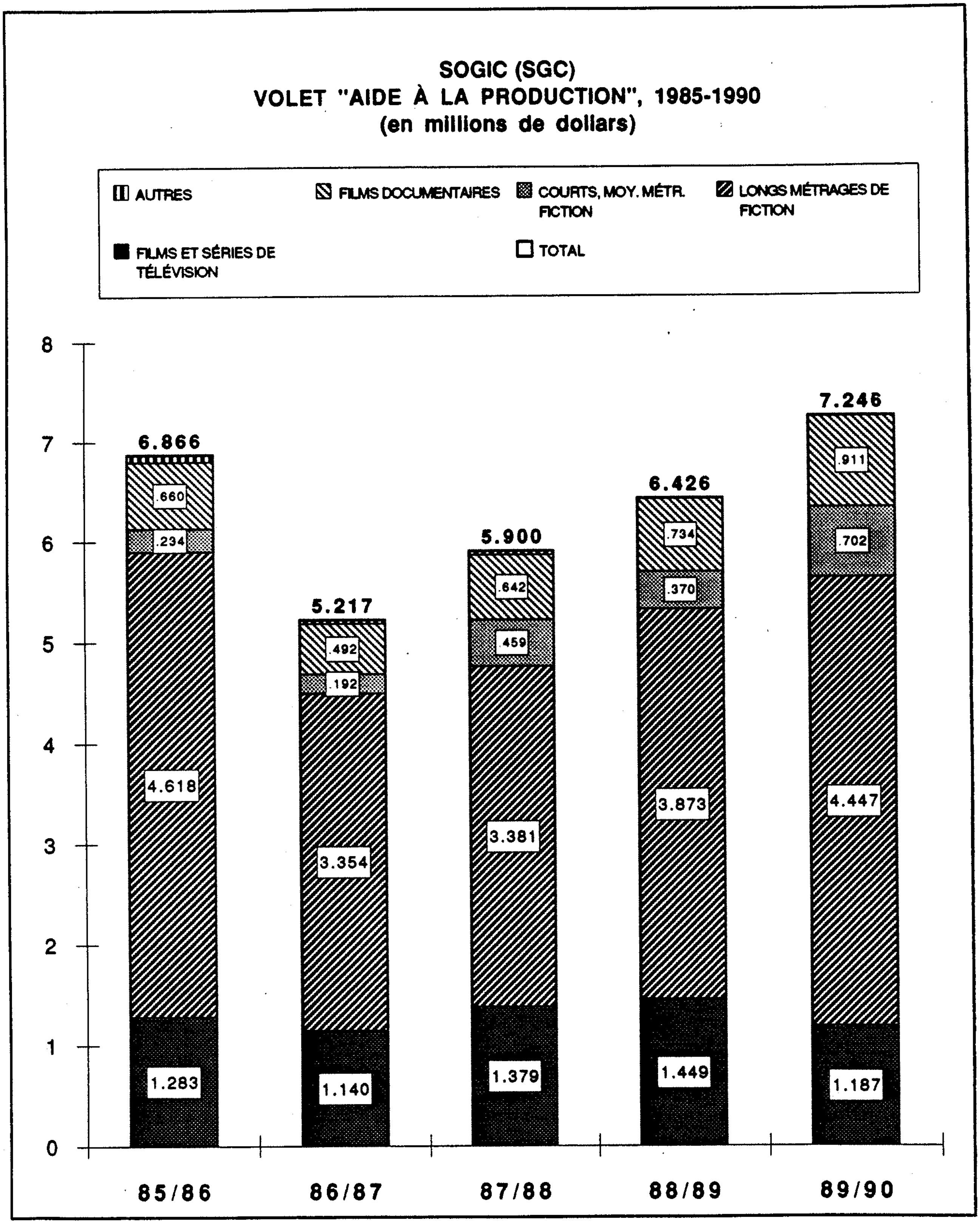


GRAPHIQUE 3



Source: SOGIC, Rapport d'activités, 1989-1990

Graphique 4



Source: SOGIC, Rapport d'activités, 1989-1990