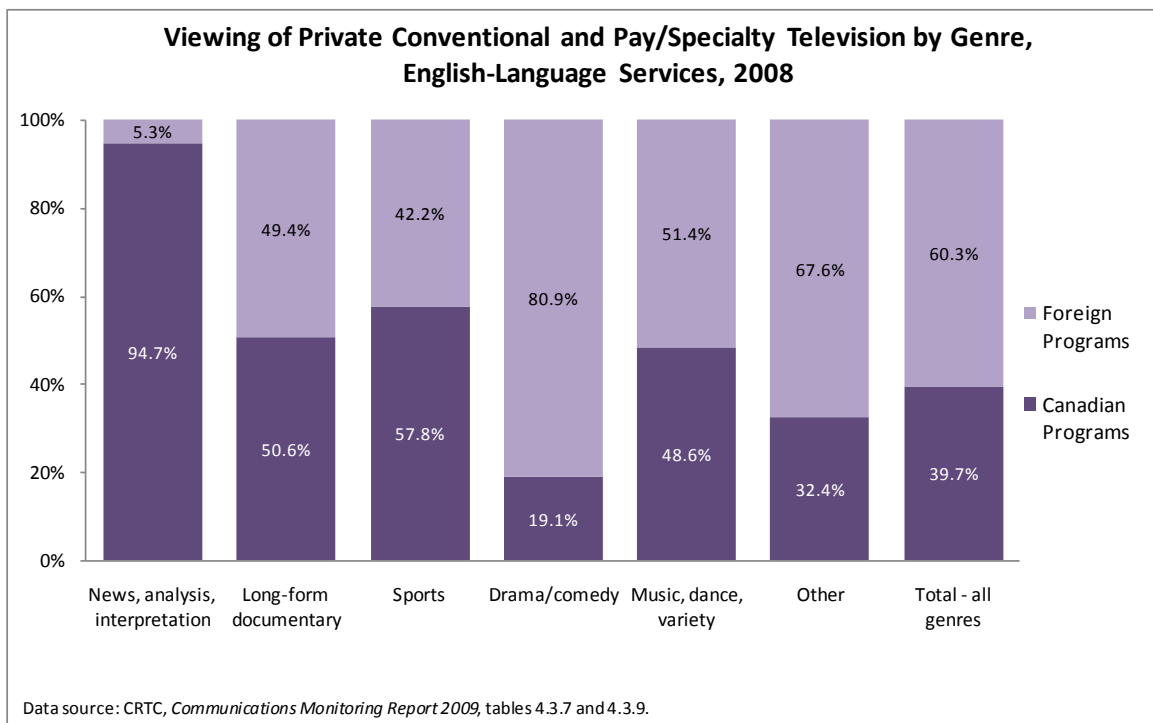


CANADIAN TELEVISION PROGRAM FINANCING



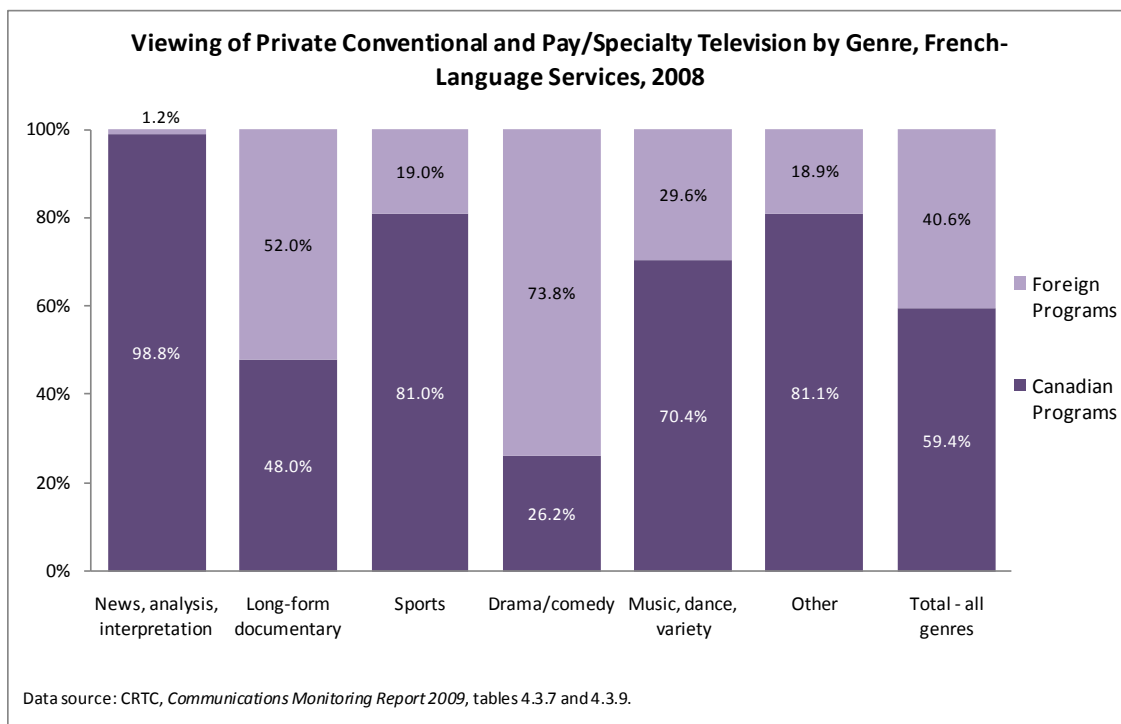
Canadian Television is a Success Story

- ❖ Canadians watch Canadian television services. Nearly three-quarters of Canadian television viewing is to Canadian conventional and pay/specialty services. Private broadcasters bring Canadians the programs they want to watch, from Canada and the world.
- ❖ Some of the most popular Canadian programming aired by private broadcasters is in the news, sports, music, dance, variety and documentary genres. For example, on English-language private television:
 - Over 90% of Canadians' viewing to news programming is to Canadian news
 - About half of Canadians' viewing to documentaries, music, dance and variety programs is to Canadian programs



❖ And, on French-language private television,

- 60% of Canadian’s viewing to all genres of programming is to Canadian programming
- 99% of Canadians’ viewing to news programming is to Canadian news



❖ Along with these Canadian-produced programs, Canadians have access to the most popular programming available in the US.

- For fall 2008 and spring 2009, 94% of the most-watched programs in the US were also available in Canada through Canadian private broadcasters¹

Canada’s Private Broadcasters Support Canadian Programming

❖ Each year, Canadian independent producers create approximately 9,000 hours of Canadian television production, mostly for Canadian broadcast.² In addition, private broadcasters themselves produced Canadian programs in-house, mainly in the news and public affairs genres. In total, private broadcasters, both conventional and pay/specialty, spent \$1.6 billion on Canadian programming in 2008.³

¹ Sources: (US) Television Bureau of Advertising, Mediastats special analysis for CAB conducted August 2009.

² CFTPA, *09 Profile*, p. 39

³ Source: CRTC, *Statistical and Financial Summaries for Conventional Television and Pay, PPV, VOD and Specialty Services, 2004-2008*.

- ❖ Private broadcasters pay the full cost of programming they produce in-house. Some private broadcasters have affiliated production companies, whose productions are financed from multiple sources including broadcaster licence fees, tax credits, and others. Private broadcasters also licence programming from independent producers. In 2008, private conventional broadcasters spent \$146M on independent production, while pay, specialty, PPV and VOD services spent \$362M on independent production.⁴ In most cases, these payments took the form of licence fees allowing the broadcaster to use the production for a certain period under certain terms.

The Economics of Canadian Programming

- ❖ The cost of programming is high, and increasing. In English:
 - It costs \$1.5M per hour to produce a Canadian fiction program, a figure which has increased 19% in five years⁵
 - An hour of Canadian documentary costs \$257,000, and this cost has grown over 40% in five years⁶
 - An hour of Canadian magazine programming costs over 70% more today than in 2002/03⁷
- ❖ In French:
 - It costs \$429,000 per hour to produce a Canadian fiction program, a figure which has increased 47% in five years⁸
 - An hour of Canadian documentary costs \$151,000, and this cost has grown over 21% in five years⁹
 - An hour of Canadian magazine programming costs 65% more today than in 2002/03¹⁰
- ❖ Funding programs such as the Canada Media Fund (CMF), and other forms of assistance to producers, such as federal and provincial tax credits, help to offset high cost of Canadian programming.

The Canada Media Fund: Television for Multiple Platforms

- ❖ The CMF supports distinctively and identifiably Canadian broadcast programming, reflecting Canadian culture, stories and themes. In 2009-10, the Fund is contributing over \$300 million to Canadian television production in the priority categories of drama, children's and youth, documentary, variety and performing arts programming in English, French and Aboriginal languages.¹¹ The CMF's funds come from regulated broadcasting distribution undertakings (BDUs) – cable, satellite and telecom companies – and from the Government of Canada. The Government's contribution for 2009-10 and 2010-11 is \$134.7 million, while the remaining funds come from BDUs.

⁴ *Ibid.*

⁵ Data source: CFTPA, *09 Profile*, p. 40.

⁶ *Ibid.*

⁷ *Ibid.*

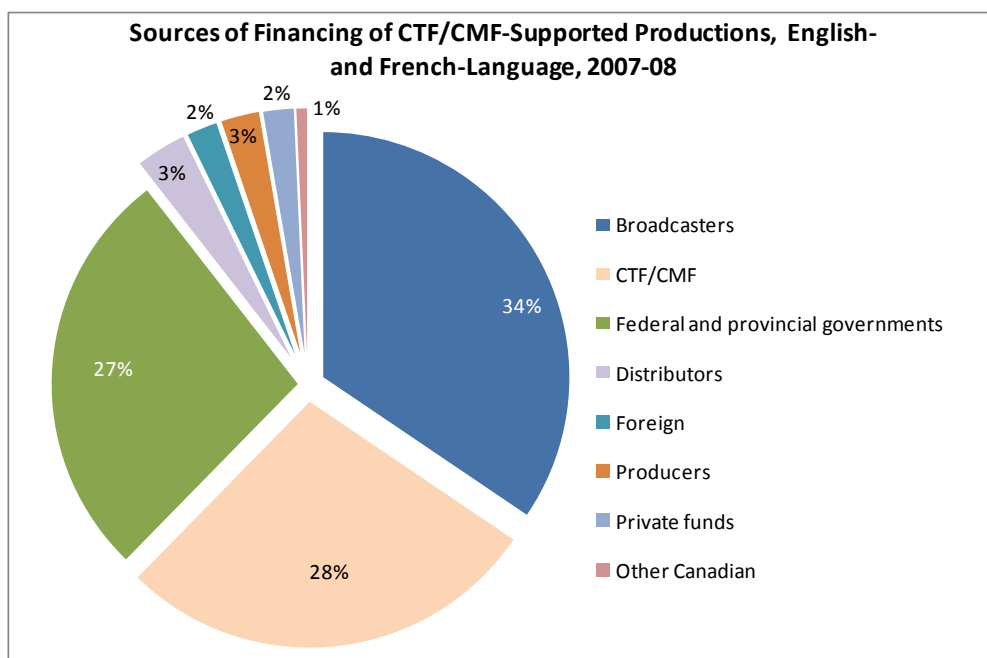
⁸ Data source: CFTPA, *09 Profile*, p. 41

⁹ *Ibid.*

¹⁰ *Ibid.*

¹¹ Source: Canadian Television Fund, "Canadian Television Fund Increases Program Funding for 2009-10". Press release dated March 2, 2009.

- ❖ Funding is provided directly to independent producers (and, to a lesser extent, broadcaster-affiliated production companies), for productions licensed by Canadian broadcasters. In effect, the CMF helps to offset the high cost to broadcasters of original Canadian programming by contributing to a portion of independent producers' costs. The CMF's contribution varies depending on the language, genre, and format of the program. While the funding is provided to independent producers, broadcasters are critical to the success of the production: they are involved in the production from start to finish, ensuring the program will meet their viewers' expectations and interests, marketing and promoting the program on air and in other media, and providing the largest share of the financing.



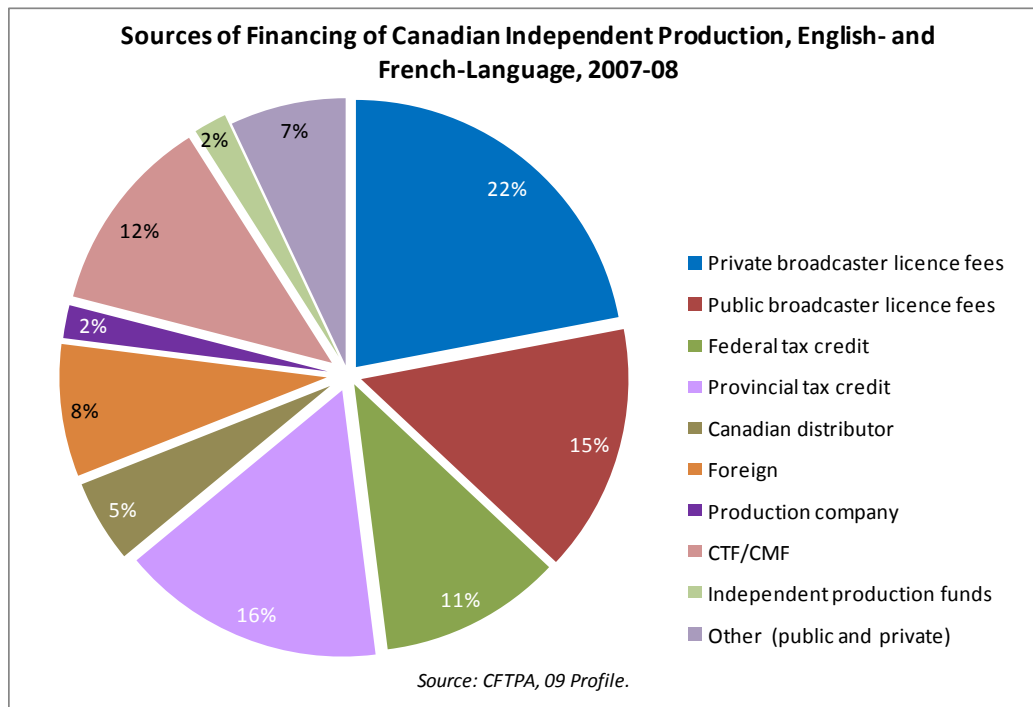
- ❖ The CMF combines, reforms and rebrands to initiatives that have existed for over a decade: the Canadian Television Fund and the Canada New Media Fund. In combining these two funds, the CMF will support Canadian television on multiple platforms – linear television, online, and mobile devices. It is anticipated that, in 2010-11, the majority of the CMF's resources will be directed to multiplatform projects, that is, programming that appears on television and one other platform. Canada's private broadcasters and other industry stakeholders are actively participating in the design of the Fund and its various funding streams.

Private Broadcasters are the Largest Source of Financing for Canadian Television

- ❖ Private broadcaster licence fees cover 22% of the costs of independently produced Canadian programming. Private broadcasters contribute more to the financing of this programming than public broadcasters, the Canadian Television Fund, federal tax credits, provincial tax credits, and production companies¹². Private broadcasters' licence fees can represent anywhere from 14% to 35% of the cost of the production, depending on the language and genre of programming involved.¹³

¹² CFTPA, *09 Profile*, p. 47.

¹³ *Ibid.*



- ❖ Private broadcasters acquire their Canadian programming mainly from independent producers and through in-house production. Of the \$1.6 billion spent by private broadcasters on Canadian programming, 51% was on in-house production and another 31% was on independent production. While broadcasters own and can fully exploit the programming they create in-house or through affiliated production companies, the money they spend on independent production allows broadcasters simply to “rent” programming, to air it on television for a period of time.

Spending by Private Conventional and Pay/Specialty Services on Canadian Programming, 2008

| | |
|---|-------------------|
| In-house production | \$841.1M |
| Broadcaster-affiliated production company | \$86.2M |
| Independent production | \$508.4M |
| Other sources | \$209.9M |
| Total: Canadian Programming | \$1,645.6M |

Data source: CRTC, *Statistical and Financial Summaries* for Conventional Television and Pay, PPV, VOD and Specialty Services, 2004-2008.

- ❖ Broadcasters are the link between the creators of content and Canadian viewers. And broadcasters are the window for Canadians to connect with Canadian television content on the air, online and on mobile. In a world of increasing programming choices, expanding platforms, and regulated and unregulated content providers, however, broadcasters can no longer simply “rent” Canadian programming. Broadcasters need to make it available where, when and how Canadians want it. This could be on linear television, but it could also be via video-on-demand, online and mobile streaming, excerpted for ancillary uses such as games or webisodes, and forms that are still emerging.