



# Canadian Private Television: A Success Story

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Thursday, June 16, 2005



# Canadian Private Television & Specialty Services

- **Canadians watch Canadian services**

- Viewing to English Language Services

– Private Conventional	33.0%	}	68.3%
– Private Pay & Specialty	35.3%		
– CBC & Newsworld	6.9%		
– Foreign	24.8%		

- Viewing to French Language Services

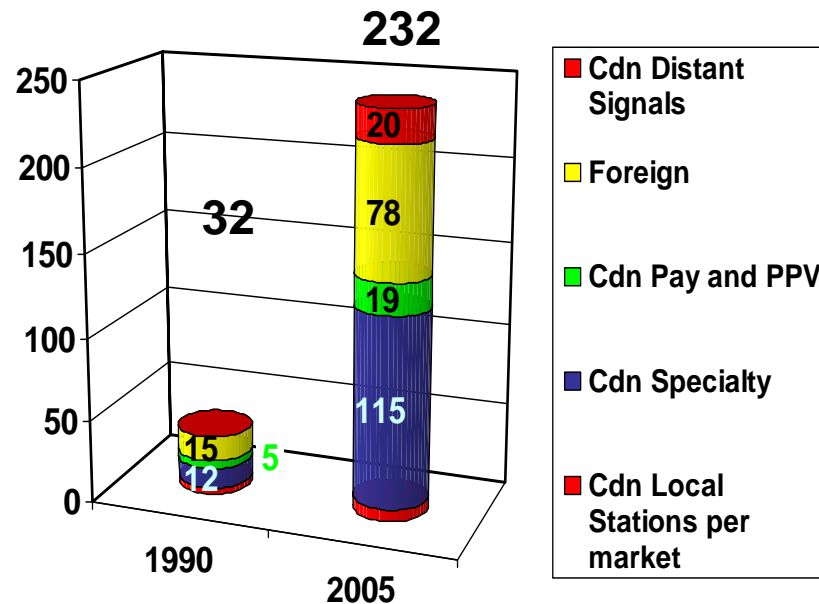
– Private Conventional	46.9%	}	76.3%
– Private Pay & Specialty	29.4%		
– SRC, RDI, & Télé-Quebec	23.7%		



# Unparalleled Choice

## Number of Services available to Canadian viewers

- Over the last 15 years, the television landscape has changed dramatically. There are many more services available to Canadians



- In 1990, there were 32 viewing choices available to Canadian viewers
- In 2005, there are over 230 viewing choices available to Canadians



# Canada's Static Viewing Numbers

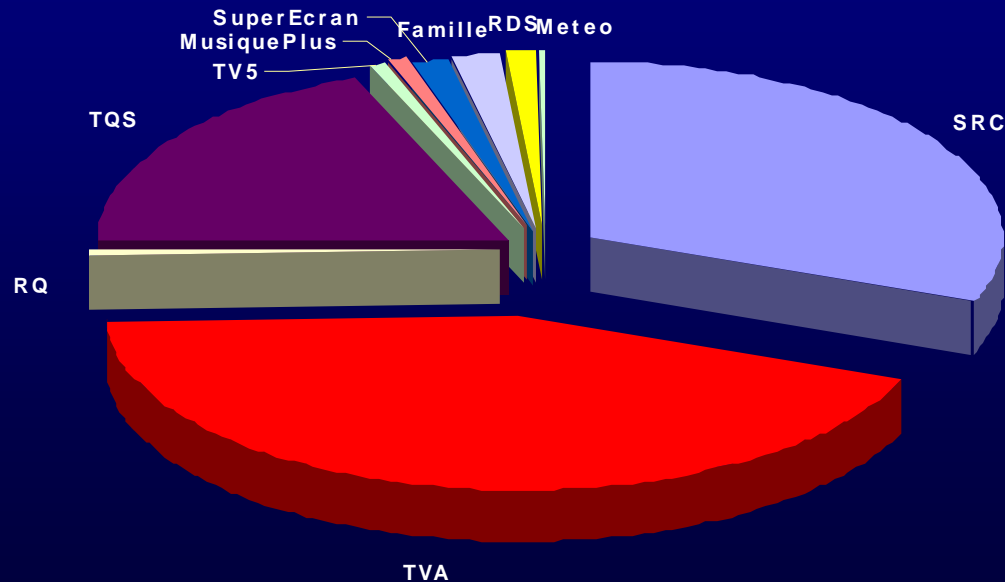
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- However, despite the explosion of new viewing choices, viewing to English and French television has remained flat at 22 hours a week
- The result: drastically less viewing to each channel than 15 years ago



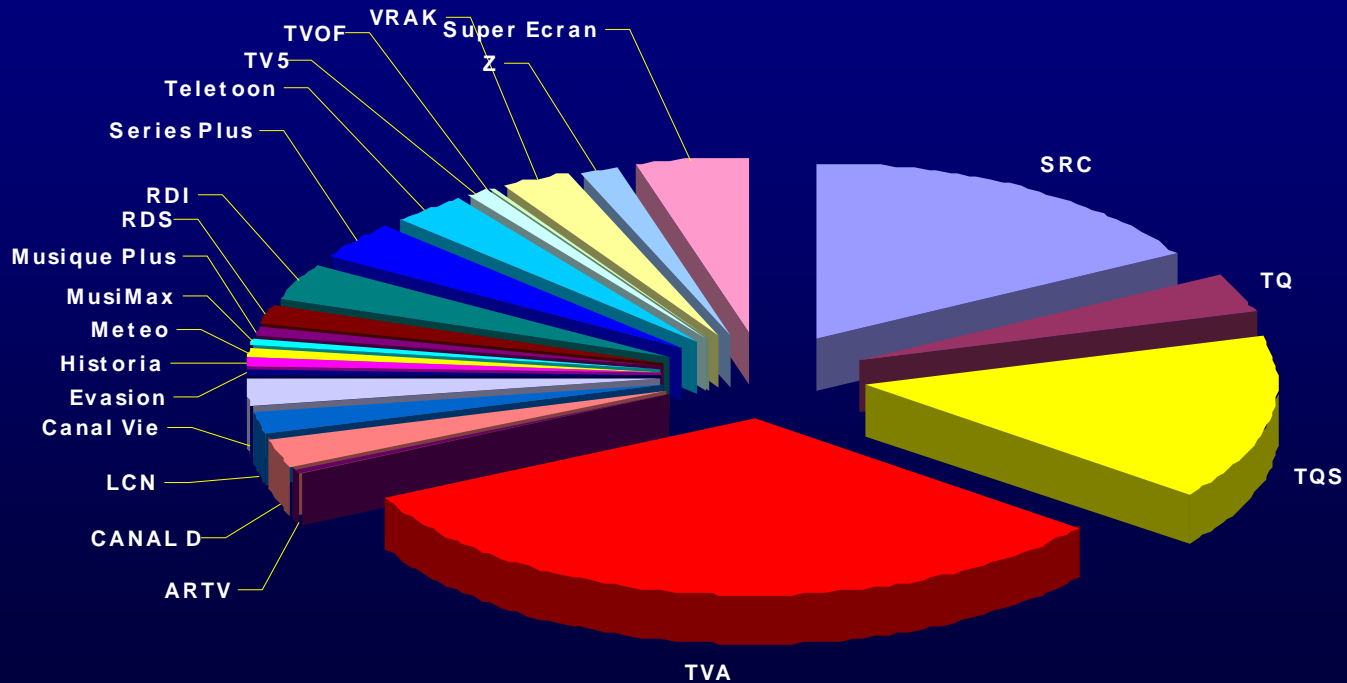
# The French Language View – Then

## Viewing to French Services 1990



# The French Language View – Now

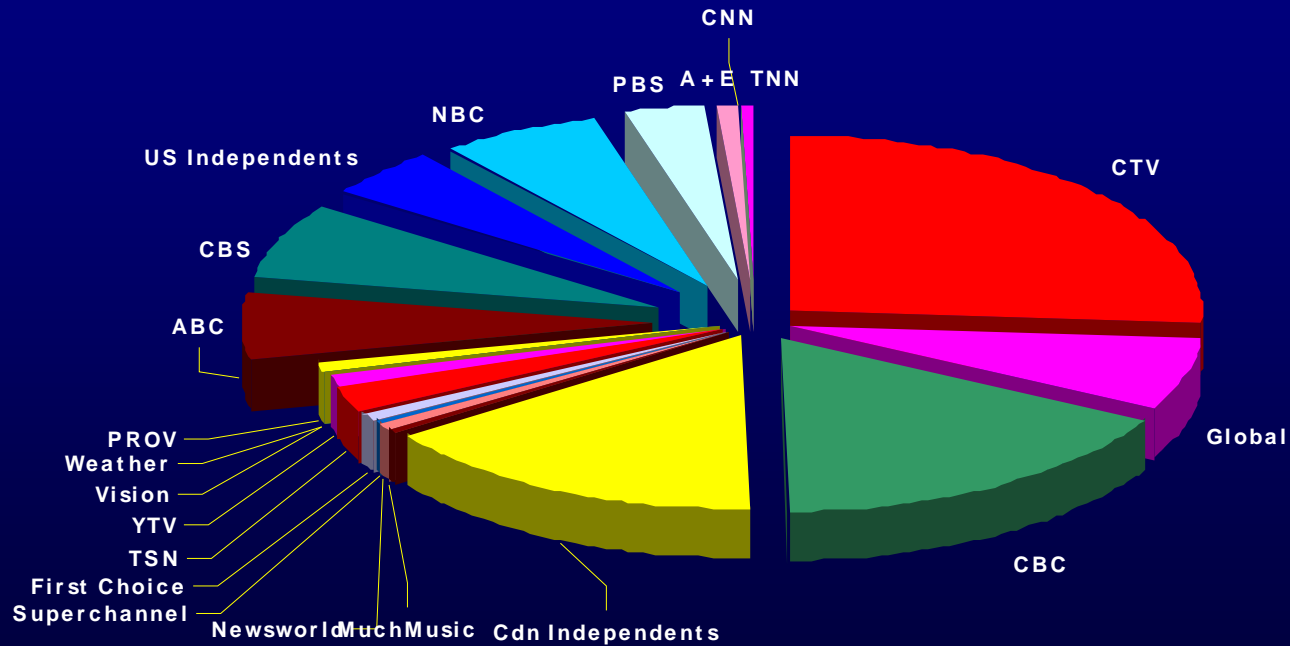
## Viewing to French Services 2004-5





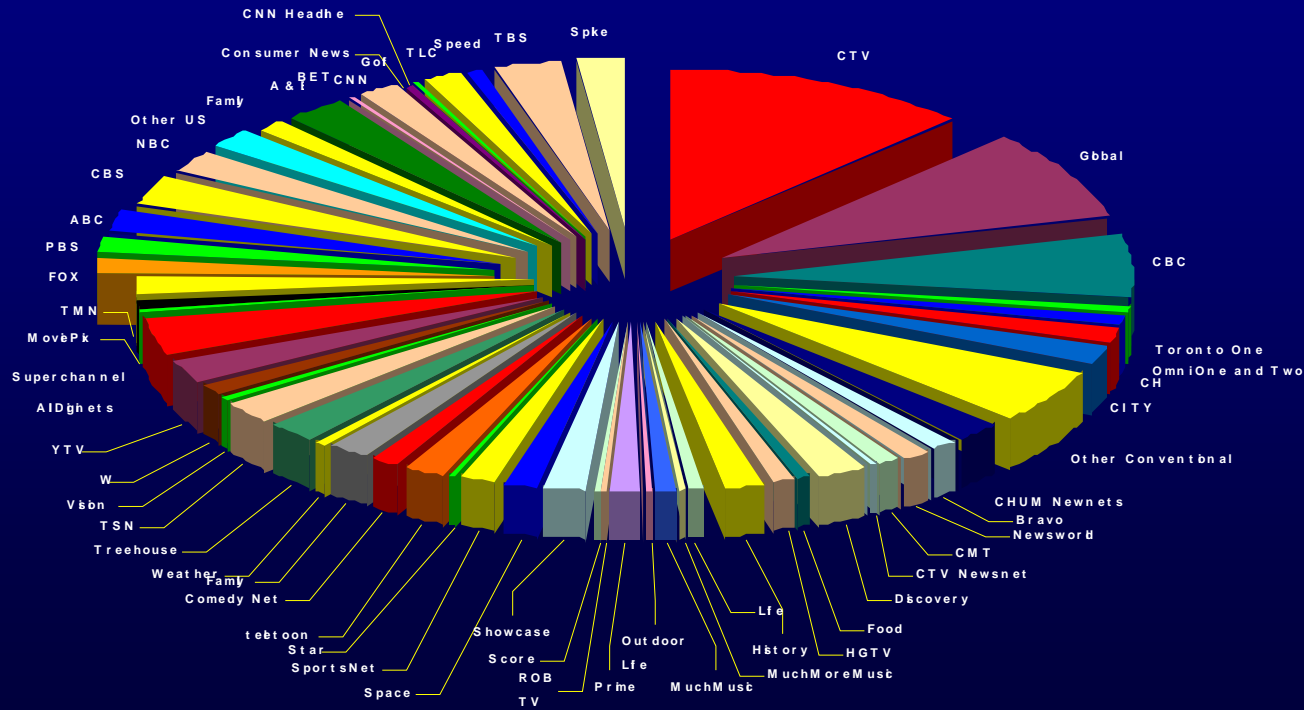
# The English Language View – Then

## Viewing to English Services 1990



# The English Language View – Now

## Viewing to English Services 2004-5



- Smaller audiences to each Canadian channel make it increasingly difficult to support high-budget Canadian programming like drama
- For the most part, it is simply uneconomical for private Canadian broadcasters to invest millions of dollars in a program that will reach a limited amount of viewers

# Drama Funding Gap

- For example, it costs approximately \$1.1 million to produce an hour-long Canadian English-language drama. Without CTF funding a broadcaster would lose, on average, \$450,000 on that hour.

Estimated Profitability of Canadian Dramas (without CTF funding)				
	Production Cost per Hour	Licence Cost per Hour	Advertising Revenues per Hour	Loss per Hour
English	\$1,100,000	\$550,000	\$100,000	(\$450,000)

- When CTF Funding is included, a broadcaster will pay (on average) a licence-fee of \$325,000 for that program and, assuming a maximum advertising revenue of \$100,000, **will lose \$225,000 for each hour of English-language drama aired**

Estimated Profitability of Dramas on Canadian TV (after public funding)								
	Production Cost per Hour		Licence Cost per Hour		Advertising Revenues per Hour		Profit per Hour	
	Canadian	U.S.	Canadian	U.S.	Canadian	U.S.	Canadian	U.S.
English	\$1,100,000	\$3,500,000	\$325,000	\$125,000	\$100,000	\$400,000	(\$225,000)	\$275,000

# Drama Funding Gap

- Similarly, although French-language Canadian drama at times generate well over one million viewers per episode, and therefore realize a modest profit, **these programs would create a loss of \$180,000 per hour without the support of the CTF**

Estimated Profitability of Canadian Dramas (without CTF funding)				
	Production Cost per Hour	Licence Cost per Hour	Advertising Revenues per Hour	Loss per Hour
<b>French</b>	\$500,000	\$360,000	\$180,000	(\$180,000)

Estimated Profitability of Dramas on Canadian TV (after public funding)								
	Production Cost per Hour		Licence Cost per Hour		Advertising Revenues per Hour		Profit per Hour	
	Canadian	U.S.	Canadian	U.S.	Canadian	U.S.	Canadian	U.S.
<b>French</b>	\$500,000	\$3,500,000	\$140,000	\$20,000	\$180,000	\$30,000	\$40,000	\$10,000



# Health of Private Conventional TV

1998	Television PBIT * (99 units reporting)	11.09%
2004	Television PBIT (95 units reporting)	11.07%
1998	Specialty and Pay PBIT (47 units reporting)	15%
2004	Specialty and Pay PBIT (115 units reporting)	20.39%

*\* Profit Before Interest and Taxes.*



# Challenges

- **Non-Canadian services** – further audience fragmentation with no contribution to the Canadian broadcasting system
- **Technology** – PVRs, VOD, Internet, mobile video/multimedia, ability to deliver content
- **Signal Signal Theft** = \$400M - \$1B direct loss to industry
- **Fragmentation** – more choice for Canadians means fragmented audiences for broadcasters

1999 Policy intended to adapt to new reality



# 1999 TV Policy

- CRTC recognized need for new approach for conventional TV
- The CRTC's goal in implementing the 1999 TV Policy was to ensure a range of diverse programming that **attracts viewers** particularly in prime time
- Rather than requiring broadcasters to satisfy Canadian program expenditure requirements, the CRTC offered broadcasters the opportunity to focus on the development, production and exhibition of programming in under-represented, (“priority programming”) categories – drama, documentaries, music/dance, variety, entertainment magazine programs, and regional productions
  - All of these genres are important – not just drama



# 1999 TV Policy

- The CRTC adopted this progressive approach recognizing the need for Canadian broadcasters to distinguish themselves in the new 500 channel fragmented universe
- This approach has provided broadcasters with the flexibility to pursue more focused programming strategies in order to remain relevant and keep pace with changing habits, tastes and opportunities afforded by new technologies



- CTV's hit *Corner Gas* is not only the Number 1 Canadian program in any genre, but is also the Number 1 comedy in Canada, averaging 1.5 million viewers an episode



- CTV's *Canadian Idol* is the Number 1 English-language Variety program in Canada, averaging 2.2 million viewers an episode



# 1999 TV Policy/ Conventional Television Success Stories



- Global produced 277 episodes of its innovative *Train 48* series last year. CanWest Mediaworks has also invested heavily in documentaries, airing over 100 hours of documentary programming on its stations between September 2004 and May 2005



- CHUM has distinguished itself by focusing on the production of feature films, airing a minimum of 100 hours of Canadian feature films annually on its Citytv stations

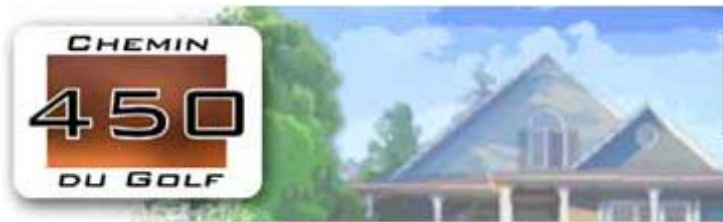


- TVA continues to be the most heavily watched television network in Quebec on the strength of its smash hit variety programming such as *Star Académie*, and popular dramas such as *Les poupées russes*, *Lance et Compte* and *Annie et ses hommes*





- TQS has likewise achieved critical and audience acclaim for its comedy and drama programs *Dominic et Martin*, *450 Chemin du Golf*, and *3 Fois Rien*





# Spending on Priority Programming 1998-2004

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- Since 1999, Canada's private conventional broadcasters have increased spending on priority programming by 35% and have increased average spending on independent production by 3.6%



# Spending on Priority Programming 1998-2004

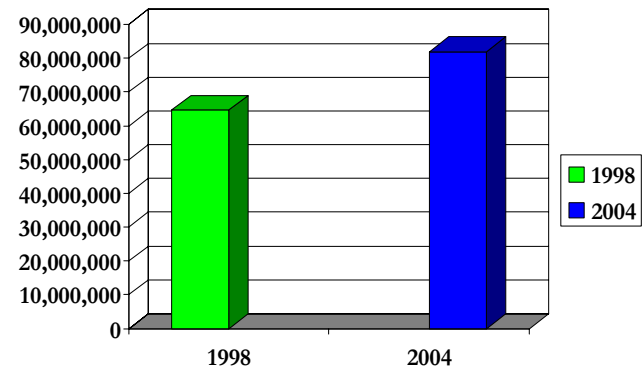
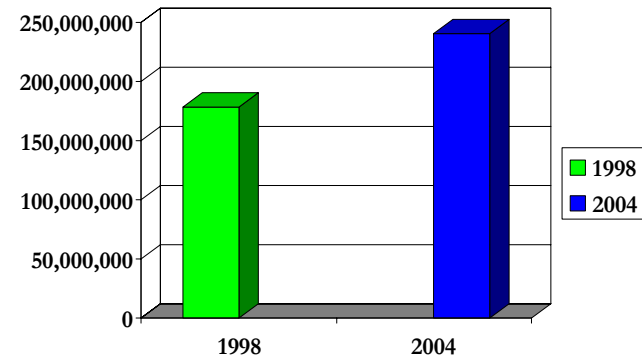
- **Moreover, spending on Canadian drama has increased 27% since 1999**
- In 1998, private conventional broadcasters spent \$64.6 million on Canadian drama
- In 2004, that number had grown to \$81.9 million

Anyone who says there has been a reduction in spending on drama production in Canada as a result of the 1999 TV policy is ignoring the facts



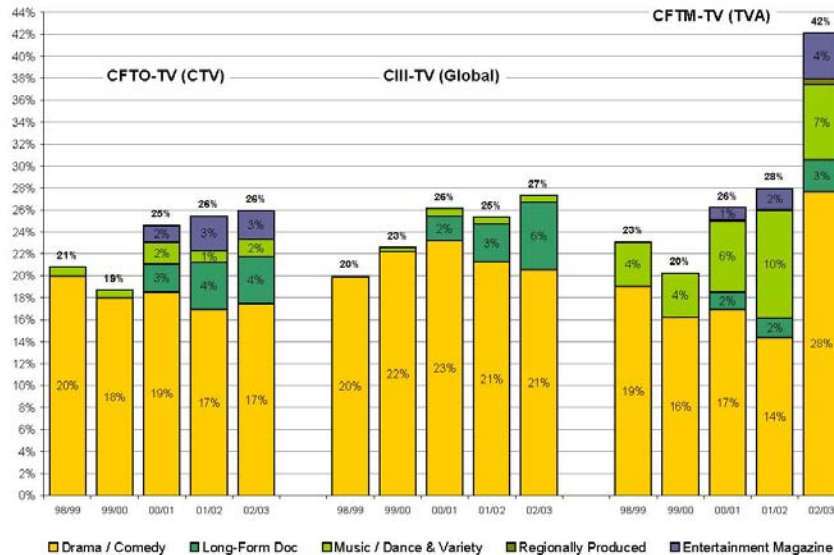
# Spending on Priority Programming 1998-2004

- **1998** – all priority programming:  
\$178,386,880
- **2004** – all priority programming:  
\$239,997,259
  
- **1998** – Drama: \$64,633,098
- **2004** – Drama: \$81,907,982



# Impact of 1999 Policy

- Also, between 1999 and 2004, over 6,000 hours of high-quality documentary programming by independent producers has resulted in over \$1 billion in new independent production activity. Most of the financing for English-language documentaries comes from broadcasters
- Exposure of drama has not decreased
- Other priority programming has increased





## 1999 TV Policy – A Success

- 1999 TV Policy is a cultural and audience strategy not an industrial and employment strategy
- The employment challenges identified by the unions will continue as long as export and service production markets remain soft
- Broadcasters' spending on drama has increased without the regulatory requirement:
  - Re-imposing requirements would undermine the 1999 Policy without providing benefits



# Review of the 1999 TV Policy Premature

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- In a fragmented world, a one-size-fits-all approach to building audiences does not work
- We need to maintain different programming strategies to drive audience to Canadian shows
- All indicators show that this policy has been successful to date



# Conclusion – Audiences Key to Success

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- Within these numbers lies the margin of the Government’s policy success in fostering the production and exhibition of quality Canadian programming in a range of genres
- The CAB applauds the Government of Canada for its progressive, effective and forward-looking Feature Film Policy, which focuses its lens on building audiences. It’s working
- The 1999 TV Policy is about increasing audiences to a wide range of Canadian programming – and **it’s** working