ONTARIO MEDIA DEVELOPMENT CORPORATION

INDUSTRY PROFILE

FILM

Ontario

Ontario Media Development Corporation

Société de développement de l'industrie des médias de l'Ontario

www.omdc.on.ca

Introduction

The feature film sector includes a variety of players who perform a range of functions in the feature film supply chain. The film production community creates the content; distributors negotiate release patterns and promote the films; and theatrical exhibitors and DVD vendors make the content available to audiences. The Ontario film sector includes players operating in all three of these areas. A high concentration of Canada's film production companies, distribution firms and labour force is located in Ontario, specifically in the Greater Toronto Area.[1] Ontario's film production sector is mainly comprised of small to medium-sized production companies, producing a combination of proprietary productions and service productions for international producers.

Ontario feature films continue to receive attention at home and abroad for their excellence:

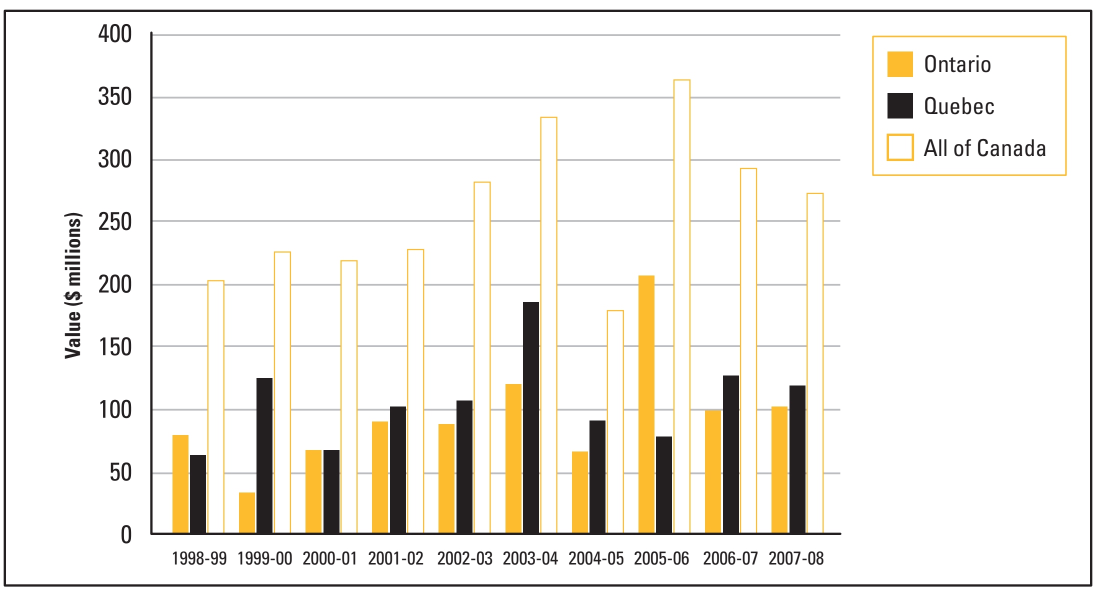
- OMDC Film Fund recipient *Cairo Time*, directed by Ruba Nadda and produced by Foundry Films, won Best Canadian Feature Film at the 2009 Toronto International Film Festival.
- The documentary *Invisible City*, directed by OMDC Al Waxman Calling Card alumnus Hubert Davis and produced by Industry Pictures Inc. and Shine Films in partnership with the National Film Board, picked up a Hot Docs 2009 Award for Best Canadian Feature Documentary.
- *Blindness*, directed by Fernando Meirelles and produced by Rhombus Media Inc. won a Screenwriting award at the 2009 Directors' Guild of Canada awards.
- *Victoria Day*, directed by David Bezmozgis and produced by Markham Street Films, was selected to screen at Sundance in 2009.
- *High Life*, directed by Gary Yates and produced by Triptych Media Inc., was featured as an opening Saturday night screening for the Panorama program at the 2009 Berlin Film Festival.

Industry Size and Economic Impact

Production volume and budgets

- Canadian theatrical film production totaled $273 million in 2007-08. This represented a 7% decrease from the previous year. The number of Canadian films produced for theatrical release during that period also fell to 82, down from 105 in 2006-07.[2] Most of this decline was in English-language films, which dropped to 45 films (from 66 the previous year) valued at $181 million (down from $188 million).[3]
- The average budget of a Canadian feature film in the fiction genre rose slightly from $3.2 million in 2006-07 to $3.4 million in 2007-08. This increase was entirely in English-language films, as averages actually decreased for French-language films.[4]
- Film and television production in Ontario spent $671.2 million in the province in 2008. This represented a 15.1% drop, year over year. Both foreign and Ontario feature film spending fell by 64.9% from 2007, for a total foreign feature film spend of $79.0 million and an Ontario feature film spend of $26.6 million.[5]
- With $102 million in theatrical film production volume—11% of the province's total production—Ontario accounted for 56% of English-language Canadian theatrical film production volume in 2007-08.[6] While $102 million is still significantly lower than the 10-year high of $207 million in production volume achieved in 2005-06, it represents a slight increase over 2006-07. Quebec, on the other hand, saw a slight decline in its volume of theatrical film production in 2007-08 to $119 million, but it still retained its position as Canada's leading jurisdiction for this activity, with 43% of total Canadian theatrical production.[7]

Feature Film Production in Canada, 1998/99 - 2007/08



Source: (CFTPA, Profile 2009 - An Economic Report on the Canadian Film and Television Industry, p. 67)

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- The number of Canadian treaty co-production projects in theatrical film dropped by almost half in 2008, from 27 to 14, while the value of these projects dropped even more substantially, by 82%, from $321 million in 2007 to $57 million in 2008. This marks a 10-year low in Canadian theatrical film treaty co-production activity, though it should be noted that the significant decreases in 2008 came after the 10-year high set in 2007. Ontario producers were involved in about 50 inter-provincial co-productions in both 2007 and 2008, with an average annual Ontario production spend of $90 million.[8] France continued to be Canada's largest treaty co-producing partner in 2008 with 5 feature films totaling $21.9 million in production volume.[9]

Employment and wages

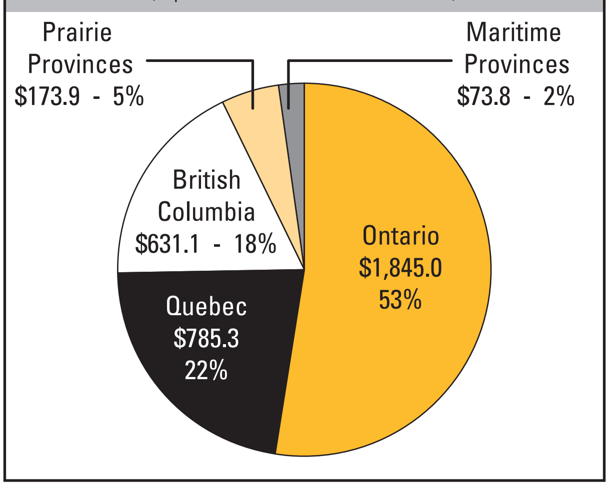
- The screen-based industry in Ontario (comprising film, television and interactive digital media production) led to the creation of 6,500 full-time equivalent jobs in 2007-08.[10] Within the wider screen-based industry, the computer animation and visual effects sector employed a total of 1,600-1,900 people in 2007.[11]
- The production of Canadian theatrical films generated an estimated 6,900 jobs in Canada during the 2007-08 fiscal year. Two thousand seven hundred of these positions were direct jobs in feature film production, while 4,200 were indirect jobs created elsewhere in the Canadian economy. These figures represented a 9% decline from 2006-07.[12]
- Canadian film, television and video production companies provided $775.7 million in salaries, wages and benefits to workers in the sector in 2007. Ontario accounted for over half of those payments, disbursing $402.2 million in salaries—more than any other province.[13]

Revenues and related figures

- In 2007, Canadian film, television and video production businesses reported $3.51 billion in operating revenues, up 5.6% from the previous year. Operating expenses increased as well to $3.52 billion, resulting in operating losses of 0.4%.[14] In 2006, the majority of Canadian production revenues—56%—were generated by television production. Feature film production accounted for 15% and TV commercial production for 22% of production revenues during the year.[15]
- Ontario is central to the Canadian film and television production sector. In 2007, Ontario film, television and video production companies accounted for 53% of Canada's overall film and video production operating revenues, surpassing Quebec (22%) and B.C. (18%). Furthermore, Ontario film, television and video production companies earned $1.85 billion in operating revenue in 2007. However, a rise in operating expenses resulted in a negative profit margin of 3.1%.[16] The computer animation and visual effects industry in Ontario alone earns estimated revenues between $170 million and $200 million on an annual basis.[17]

Film, Television and Video Production, Operating Revenues, 2007

(expressed in chart as millions of dollars)



Source: Statistics Canada, Film, Television and Video Production , 2007, Table 1.

- The Ontario film, television and cross-platform interactive media industries generated over $696 million in provincial GDP in 2008. This total economic impact is comprised of $379 million directly from production activity and $318 million in spin-off economic impact.[18]

Box-office and DVD market

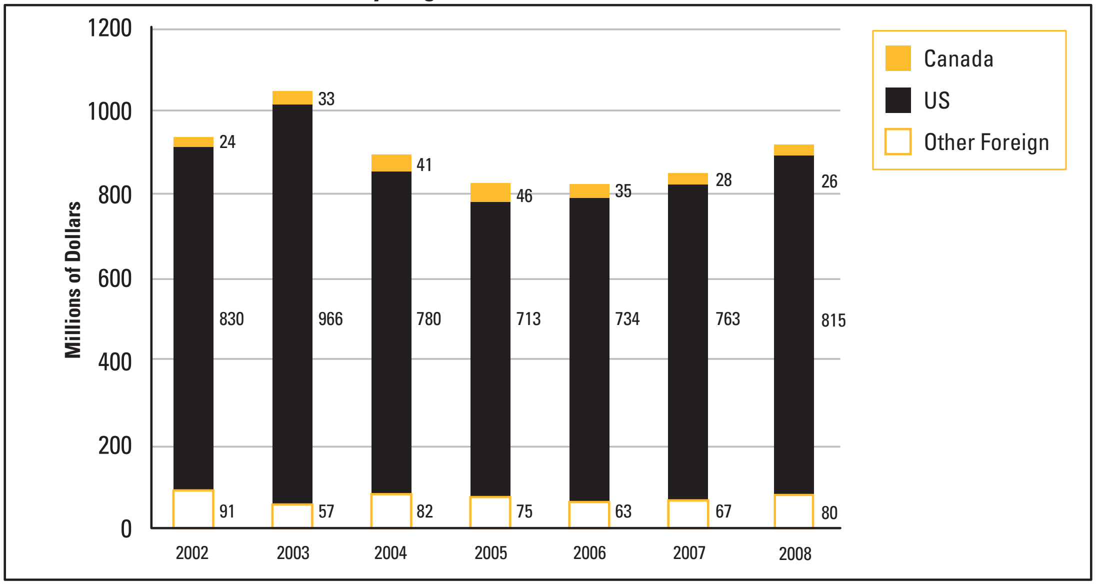
- The global filmed entertainment market, which includes theatrical box-office take for feature film and consumer spending on home video, was estimated to be valued at US $84.8 billion in 2009, up 1.1% from 2008. The Canadian portion of the market was valued at US $3.5 billion, up 1.0% from 2008.[19]
- Canadian theatres collected $920 million in box-office revenues in 2008, an increase of 7% over 2007. Canadian films earned $26 million of those revenues, for a 2.8% share of the national box-office. This represented a drop from the 3.2% market share reported in 2007. American films accounted for 88.5% of the box-office during the same period. One hundred and twenty-two Canadian films screened in Canadian theatres in 2008, up from 112 in 2007.[20]
- The export value of Canadian theatrical film production, which takes into account foreign investment in the Canadian industry including foreign sales of Canadian productions, increased by 55% in 2007-08 from the previous fiscal year, to $31 million.[21]

Trends and Issues

Growth rate and related trends

- The Canadian filmed entertainment market is anticipated to grow at a compound annual growth rate of 4.2% through 2013. This pace is slower than its Asian and Latin American counterparts. However, the Canadian growth rate outpaces predictions for the U.S. and Europe, the Middle East and Africa. This growth would result in a US $4.2 billion Canadian market by 2013. Overall, the global filmed entertainment market is anticipated to increase at a compound annual rate of 4.0% through 2013, for a total projected value of US $102 billion.[22]
- The past few years have proven tumultuous for the Canadian feature film sector due to a number of factors. Toward the end of 2007, the sharp rise in the value of the Canadian dollar vis-à-vis the U.S. dollar had a negative effect on foreign service production in Canada. These levels bounced back in 2007-08, with an increase in foreign location and service production volume of 23% to $1.8 billion in 2007-08. This was mainly driven by higher levels of feature film production in British Columbia, which accounted for 67% of this production in the time period.[23]
- Lack of access to screens has also been a long-term problem for the feature film industry in Canada. As stated above, U.S. films have consistently dominated Canadian screens, with an 88.5% share of box office revenue in 2008. This problem is particularly pronounced in English Canada. English-language Canadian features accounted for 1.1% of Canadian market share in 2008. French language Canadian films consistently perform better at the box-office.[24]

Box-Office Revenues in Canada by Origin of Production, 2002-2008



Source: CFTPA, Profile 2009 - An Economic Report on the Canadian Film and Television Industry, p. 72

- Companies operating in the Canadian feature film sector find attracting investment capital a challenge. Canadian producers consistently struggle to raise sufficient capital to create feature films. In doing so, they are forced to sell most if not all of the potentially lucrative intellectual property rights to the productions, and often their producer fees are tied up in tax credits that take time to access. In the interim, these credits are financed through bank loans with interest fees that further reduce producers' profits.[25] Project or hit-based revenues make it difficult to leverage loans and attract private investors.[26] This keeps production budgets small, thereby decreasing production value. All these factors diminish Canadian producers' ability to generate capital, which hampers growth and innovation in the sector.

- The French and English language markets in the feature film industry in Canada are markedly different. In Quebec, protection for French-language film is built into cultural policy, thereby protecting the industry from the dominance of U.S. entertainment. Quebec also has an internal, well established star system for its cultural industries. Other hurdles for the Ontario industry include corporate consolidation, the rising Canadian dollar and competition from other provinces and jurisdictions. These issues have challenged the industry to undertake the transition to a rights management-based business model.[27]

- In Ontario, the key issue for ensuring growth of the film, television and interactive digital media production industry in the near future will be a focus on developing, investing in and exploiting intellectual property (IP) rights, rather than on continuing to operate on a project-by-project basis.

Technological development

- While online video distribution is growing, particularly among younger age groups, the traditional platforms of televisions, movie theatres and DVDs are still the dominant revenue-generating media for audio-visual content. Therefore producers must continue to work with these distribution systems while also preparing themselves to work with the online distribution platforms, such as YouTube, MySpace and Apple's iTunes, which are beginning to carve out their own distinct niche in the audio-visual landscape.[28]

- In recent years, growth in the global feature film theatrical and DVD market has been driven by box-office returns. This pattern did not extend to Canada, where box-office has been relatively flat. However, in coming years, Canadian box-office numbers are projected to grow at a compounded rate of 4.1% through 2013, which is slightly slower than the global rate of 5.9%. It is anticipated that internationally, box-office growth will be spurred by the conversion to digital cinemas and upgrades to 3-D screening technologies.[29]
- After several years of a relatively flat global home video market, a 3.0 % compound annual growth is anticipated through 2013. This will be primarily driven by increases in online rental subscriptions and digital downloads, which will counter small losses in in-store rentals. The Canadian market is anticipated to show similar growth, though it is worth noting that digital downloads (a newly emerging market in Canada) will outpace the rest of the world, growing an estimated 109.1% compounded through 2013. Canadian online rental subscriptions will also show higher than average growth, increasing 49.8% over the same period. High definition DVDs will enhance DVD sales and rentals, though piracy will continue to hold down spending, particularly in Asia Pacific and Latin America.[30]

Government assistance [31]

- At the federal level, feature film producers have access to government funding through tax credits and the Canada Feature Film Fund (CFFF). In 2007-08, CFFF funding accounted for $68 million, or 25% of the financing, for Canadian feature films.[32]
- Ontario feature film producers currently have access to provincial government funding through tax credits including the Ontario Feature Film and Television Tax Credit, the Ontario Computer Animation and Special Effects tax credit and the Ontario Production Services Tax Credit as well as the OMDC Film Fund, the OMDC Export Fund and the Entertainment and Creative Cluster Partnerships Fund. The Intellectual Property Development Fund, announced by the provincial government in the March 2009 budget, launched in December 2009. OMDC also provides funding to trade and event organizations in the production sector through the Industry Development Program for events and activities that stimulate the growth of the industry.
- OMDC, in partnership with the City of Toronto and FilmOntario, maintains a full time marketing presence in Los Angeles, providing on-the-ground marketing to attract production to Ontario and support to Ontario screen-based content creators. The L.A. Office continues to make a significant contribution to Ontario's foreign production activity, building on 2007-08 results, when a total of 16 productions were assisted through the office, representing $124 million in economic activity.[33]
- Eight OMDC Film Fund recipients—*Cairo Time, Suck, Cooking with Stella, Leslie, My Name is Evil, Year of the Carnivore, Defendor, High Life* and *Hugh Hefner Playboy, Activist and Rebel*—screened at the 2009 Toronto International Film Festival.
- OMDC Film Fund recipient Breakfast with Scot was recognized as Best Family Feature Film at the 2008 Directors' Guild of Canada Awards.

Profiles current as of December 23, 2009.

(Endnotes)

[1] Women in Film and Television – Toronto (WIFT-T), *Frame Work: Employment in Canadian Screen-Based Media – A National Profile*, June 2004, p. 13.

[2] Canadian Film and Television Production Association (CFTPA), *Profile 2009 - An Economic Report on the Canadian Film and Television Production Industry*, p. 60.

[3] ibid, p. 63.

[4] ibid, p. 65.

[5] OMDC, Production Statistics, 2008.

[6] CFTPA, *Ontario Profile 2009: An Economic Profile of Domestic Film, Television and Interactive Media Production in Ontario*, p. 18.

[7] CFTPA, *Profile 2009*, p. 67.

[8] CFTPA, *Ontario Profile 2009*, p. 36.

[9] CFTPA, *Profile 2009*, p. 71.

[10] CFTPA, *Ontario Profile 2009*, p. 7.

[11] Computer Animation Studios of Ontario (CASO), *Economic Profile of the Ontario Computer Animation and Visual Effects Industry, 2008*, p. 7.

[12] CFTPA, *Profile 2009*, p. 62.

[13] Statistics Canada, *Film, Television and Video Production, 2007*, Catalogue no. 87-010-X, Table 1.

[14] Statistics Canada, *Film, Television and Video Production , 2007*, p. 1.

[15] Statistics Canada, *The Daily: Film Television and Video Production 2006*, October 16, 2008.

[16] Statistics Canada, *Film, Television and Video Production , 2007*, Table 1.

[17] CASO, *Economic Profile of the Ontario Computer Animation and Visual Effects Industry, 2008*, p. 7.

[18] CFTPA, *Ontario Profile 2009*, v.

[19] PricewaterhouseCoopers, (PwC), *Global Entertainment and Media Outlook 2009-2013*, pp. 43 and 308.

[20] CFTPA, *Profile 2009*, pp. 72-3.

[21] ibid, p. 13.

[22] PwC, *Global Entertainment and Media Outlook 2009-2013*, pp. 43 and 308. PwC groups Europe, the Middle East and Africa into a single group for statistical purposes.

[23] CFTPA, *Profile 2009*, p. 76.

[24] ibid, pp. 72-74.

[25] PwC, *Economic Study for the Film, Television and Digital Media Sector in Ontario*, October 4, 2006, p. 5.

[26] SECOR Consulting Ltd., *Ontario Media Development Corporation: Towards a Strategic Plan*, September 2008, pp. 9-11.

[27] CFTPA, *Ontario Profile 2009*, pp. iii and 22.

[28] CFTPA, *Profile 2009*, p. 5.

[29] PwC, *Global Entertainment and Media Outlook 2009-2013*, pp. 42 and 311.

[30] PwC, *Global Entertainment and Media Outlook 2009-2013*, pp. 43 and 311-314.

[31] The information included in this section is an overview of some of the government assistance to the film industry. This is not intended to be a comprehensive list of government assistance available.

[32] CFTPA, *Profile 2009*, p. 68.

[33] OMDC, 2007-08 Internal Results.