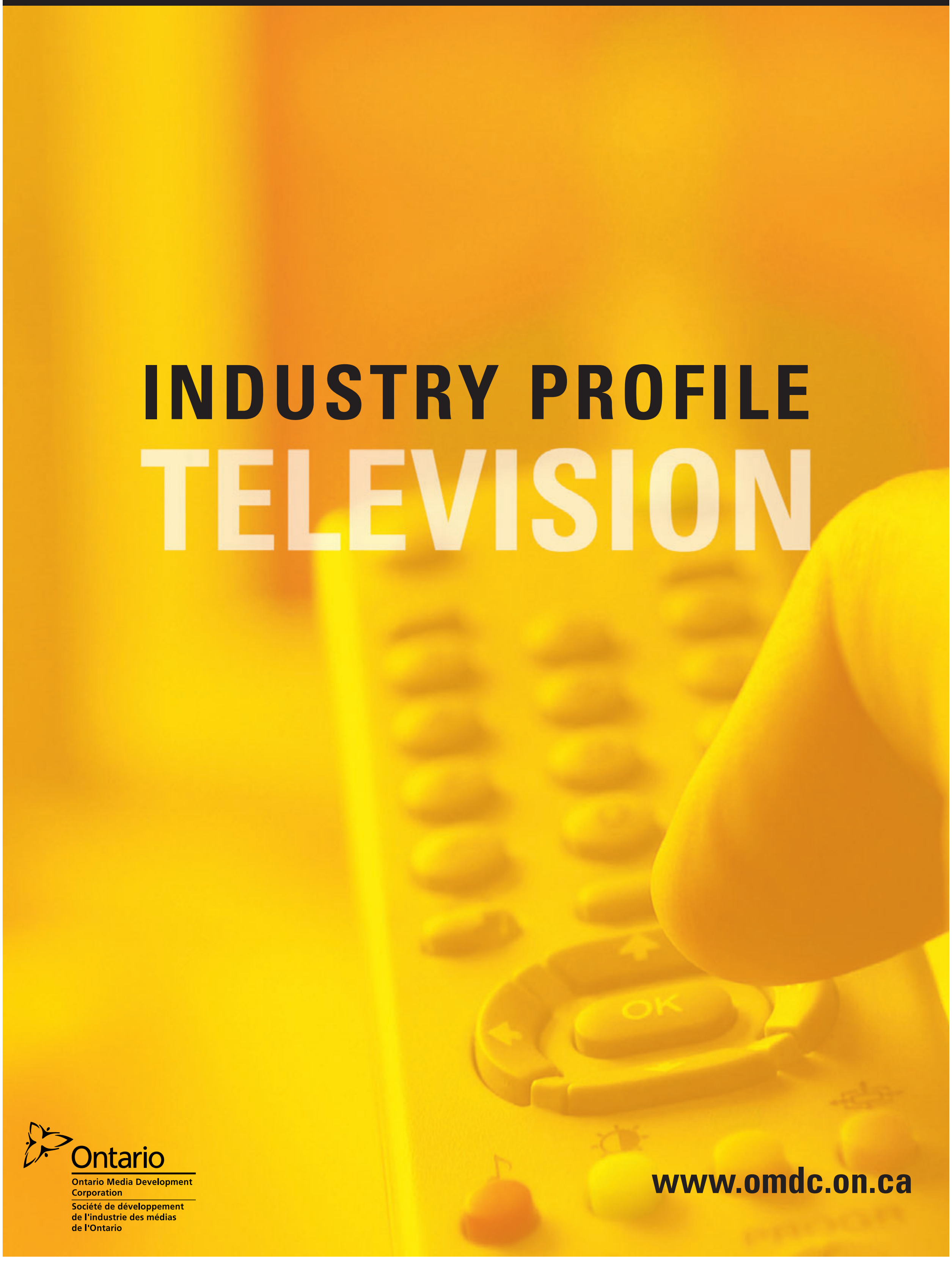
ONTARIO MEDIA DEVELOPMENT CORPORATION



INDUSTRY PROFILE
TELEVISION

Ontario
Ontario Media Development Corporation
Société de développement de l'industrie des médias de l'Ontario

www.omdc.on.ca

Introduction

Ontario's television production sector is mainly comprised of small to medium-sized production companies, producing a combination of their own proprietary productions and foreign service productions for international producers. A large concentration of Canada's TV production companies and labour force is located in Ontario (specifically in the Greater Toronto Area).[1] Ontario's television production sector is the largest in Canada.

Ontario's domestic television sector continues to perform well and Ontario producers continue to receive international recognition:

- In 2008 Ontario domestic television series figures showed impressive growth, up 39.1% from the previous year.[2]
- High profile television series *Flashpoint, The Bridge and Copper* were picked up by U.S. networks, with U.S. network CBS having ordered a third season of Flashpoint.[3]
- *Flashpoint* also received nineteen nominations for the 2009 Gemini Awards, including one for best dramatic series.
- Ontario producer Mark Bishop, partner in marblemedia, was recently honoured at MIPCOM by *The Hollywood Reporter* as one of twenty television producers under the age of thirty-five who are redefining the world of international television.[4]

Industry Size and Economic Impact

Production volume and budgets

- The total volume of film and television production in Canada reached an all-time high of $5.2 billion in 2007-08. The Canadian television sector accounted for 39% of total production during the fiscal year.[5]
- Canadian television production decreased by 7% to just over $2 billion in 2007-08. While the variety and performing arts and magazine genres both experienced gains during the time period, these gains were not enough to offset the lower volumes of production in the children's and youth, documentary and fiction genres.[6]
- The decrease in Canadian television production was largely due to a drop in English-language production of approximately 10%. However, average production budgets in all genres in both English and French increased in 2007-08. The average budget for English-language fiction production for television rose to over $1.5 million per hour, an all-time high.[7]
- Since 1996-97, the majority of television productions made in Canada have been television series. Movies of the week (MOWs), short films for TV and mini-series have accounted for the smaller share of television production activity. In 2007-08, television series accounted for $1.4 billion of the activity in the sector.[8]
- Contrary to the national trend, Ontario experienced a 9% increase in domestic television production in 2007-08, raising production volume for Canadian television in the province to $776 million or 38% of the national total. This enabled Ontario to regain its position as the province with the highest volume of Canadian television production, after falling behind Quebec in 2006-07. These levels of production came close to matching the $779 million in volume of Canadian television production during Ontario's high point, the 1999-2000 fiscal year.[9]
- Fiction was the largest genre of Ontario television production in 2007-08, with $331 million in volume or 34% of Ontario's total volume of television production. Fiction was followed by documentary, at $170 million and children's and youth, with $164 million for 2007-08. Ontario's fiction production volume rose by 37% over the last year, while over a ten-year period, documentary production experienced a growth rate in production of 111%.[10]
- There were a total of 110 television production companies operating in Ontario in 2009. Ontario television production companies made 293 television projects in fiscal 2007-08, which was well below levels in previous years.[11]
- Television producers spent $565.6 million filming in Ontario in calendar 2008. Domestic television series production accounted for the majority of production activity in the province, for $453.5 million of the total expenditures. This spurt in activity led to a 39.1% rise in domestic TV series expenditures year over year. Growth in foreign TV series production remained flat, while both foreign and domestic TV movies, pilots, specials and mini-series showed declines.[12]

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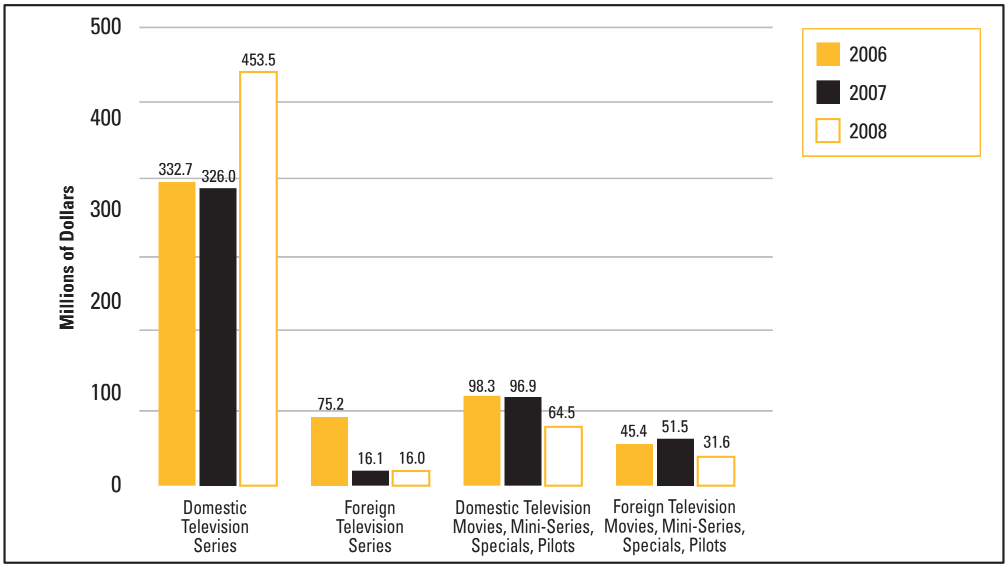
Television Production in Ontario by Format, Domestic and Foreign, 2006-2008



Source: OMDC Production Statistics

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.[13] Within the wider screen-based industry, the computer animation and visual effects sector employed a total of 1,600-1,900 people in 2007.[14]
- Television production in Canada created an estimated 51,200 full-time equivalent jobs (FTEs) in Canada in 2007-08. Twenty thousand one hundred of these positions were direct jobs in television production, while 31,100 were indirect jobs created elsewhere in the Canadian economy.[15]
- Canadian film, television and video production companies provided $620.5 million in salaries, wages and benefits to workers in the sector in 2006. Ontario accounted for over a third of those payments, disbursing $217.2 million in salaries—more than any other province.[16]

Revenues and related figures

- In 2006, Canadian film, television and video production businesses reported $3.3 billion in operating revenues and generated a 2.3% profit margin. The majority of Canadian production revenues—56%—were generated by television production. Feature film production accounted for 15%, and commercial production for 22% of production revenues during the year.[17]
- 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%.[18] The computer animation and visual effects industry in Ontario alone earns estimated revenues between $170 million and $200 million on an annual basis.[19]

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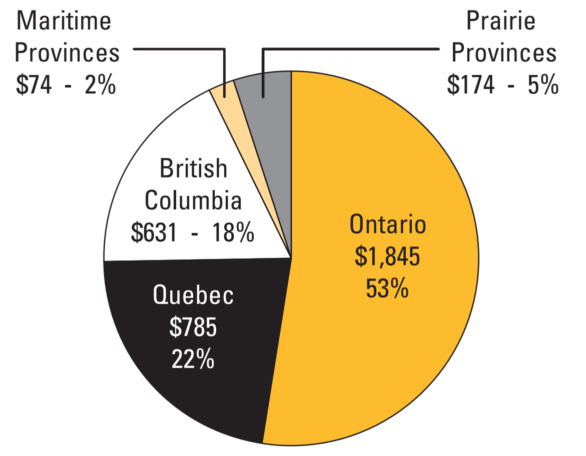
Film, Television and Video Production, Operating Revenues, 2007

(expressed in chart in 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.[20]

Trends and Issues

Global and domestic issues

- As with other cultural sectors, the television sector has been hit by the global economic downturn. Canwest Global Communications, affected by a shrinking advertising market as well as the costs of carrying substantial debt, filed for bankruptcy protection in October 2009.[21] CTV, facing similar losses in advertising revenue, has announced the closing of its A-channel stations in Windsor and Wingham,[22] as well as its affiliate in Brandon Manitoba, CKX-TV.[23] Instability in world markets suggests this trend will continue in Ontario and internationally.
- The past few years have proven tumultuous for the Canadian television production sector due to a number of factors, including broadcaster consolidation and uncertainty about the future of the Canadian Television Fund (CTF). The increased market concentration in the broadcasting industry reduces the leverage that the independent production sector has when negotiating license fees and rights retention. A terms of trade agreement to govern this relationship is a priority for the independent production sector.[24] These factors, combined with labour disputes in Canada and the U.S. in 2007-08 and the global economic recession, have contributed to the uncertainty in the sector.
- Companies operating in the independent Canadian television production sector find attracting investment capital a challenge. Canadian producers consistently struggle to raise sufficient capital to create productions. In doing so, they are forced to sell most if not all of the potentially lucrative intellectual property rights, 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 and decreases total production value. All of 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 television industry in Canada are markedly different. In Quebec, protection for French-language television 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]

- Changes are underway to the licensing structure of Canadian television. In July 2009, the CRTC announced a hearing on the creation of a group-based approach to licensing broadcasters. The Commission is proposing the implementation of group-based licences, which would result in a single licence for a corporate group that would apply to all of the television services under its purview. The decisions in this hearing could also affect Canadian programming expenditure levels, the definition of priority programming and required levels of independent production. Public hearings for this proceeding began on November 16, 2009.[28]

- The CRTC, in response to an Order-in-Council from the federal government, is also preparing a report on the implications and advisability of implementing a compensation regime for local TV signals. Broadcasters are arguing that unless they receive monetary compensation for the cable and satellite companies' use of over-the-air television signals, local television will be in jeopardy and broadcasters will need to see a reduction in their Canadian programming obligations. Cable and satellite companies contend that the charges are not justified, and if they are imposed, they are indicating that they will pass the costs along to consumers. Public hearings took place in December 2009 on this issue.[29]

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 simultaneously preparing themselves to work with 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.[30]

- On a global scale, multi-channel advertising (advertising on networks accessible through cable, satellite and other similar services) is the fastest growing area in the TV advertising market, buoyed by large increases in digital households and viewing share gains for cable, satellite channels and digital terrestrial television channels. However, as a result of negative growth in the terrestrial advertising market, the global TV advertising market is anticipated to stagnate, with a compound annual growth rate of 0.0% through 2013, for an international market value of US $168.4 billion. Forecasts show Canada's TV advertising growth rate faring better than that of the U.S. in terms of growth; it is anticipated to grow at a compound annual growth rate of 0.3% through 2013, to a projected market value of US $3.0 billion.[31]

Government assistance [32]

- At the federal level, television producers currently have access to government funding through tax credits and the aforementioned Canadian Television Fund (CTF). In 2007-08, CTF funding accounted for $242 million, or 12% of the financing, for Canadian television production.[33]

- In March 2009, the federal government announced major changes to the CTF. Beginning in the 2010-11 fiscal year, the CTF will be amalgamated with the Canada New Media Fund to create a new fund called the Canada Media Fund (CMF). Consultation was undertaken to determine the exact structure of CMF guidelines, but certain policy issues were decided in advance. The new Fund will have two streams: a conventional stream, that will require that projects are available across a minimum of two distribution platforms (one of which is television), and an experimental stream, which will be geared toward projects that would have formerly applied to the Canada New Media Fund.

- Ontario television producers 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. 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.[34]
- Ontario's Entertainment and Creative Cluster Partnerships Fund, co-administered by OMDC and the Ministry of Culture, has enabled technological development and education in the field of film and television production. Recent recipients Seneca College and Fast Motion Media Group were able to launch a fully outfitted motion-capture studio, Animating Motion-Capture Capacity and Training (AMCaT) in Toronto.

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] OMDC, Production Statistics, 2008.

[3] "CBS orders another season of Flashpoint episodes", *Globe & Mail*, October 8, 2009.

[4] "Next Gen Int'l TV First Class" www.hollywoodreporter.com, September 29, 2009.

[5] Canadian Film and Television Production Association (CFTPA), *Profile 2009 - An Economic Report on the Canadian Film and Television Production Industry*, pp. 10-11.

[6] ibid, p. 34.

[7] ibid.

[8] ibid, p. 37.

[9] ibid, p. 45.

[10] CFTPA, *Ontario Profile 2009: An Economic Profile of Domestic Film, Television and Interactive Media Production in Ontario*, pp. 15-16.

[11] ibid, pp. 4 and 10.

[12] OMDC, Production Statistics, 2008.

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

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

[15] CFTPA, *Profile 2009*, p. 36.

[16] Statistics Canada, "Film, Television and Video Production, 2006," Catalogue #11001XIE, Table 1.

[17] ibid, p. 1.

[18] Statistics Canada, "Film, Television and Video Production , 2007," Catalogue #87010X, Table 1.

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[21] "Canwest seeks quick restructuring," *www.cbc.ca*, October 14, 2009.

[22] "Update: Windsor/Wingham A Channel to be shuttered," *cartt.ca*, February 26, 2009.

[23] Susan Krashinsky, "Lights dim for last time at small Manitoba station," *Globe and Mail*, October 2, 2009.

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[25] PricewaterhouseCoopers (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. 21 and i.

[28] CRTC Broadcasting Notice of Consultation 2009-411: *Policy proceeding on a group-based approach to the licensing of television services and on certain issues relating to conventional television*, July 9, 2009; CRTC, Broadcasting Notice of Consultation 2009-411-3: *Clarification on the scope of the proceeding – negotiated fair value for local conventional television signals and Change of date of the public hearing and extension of the deadline for comments*, August 11, 2009.

[29] CRTC Broadcasting Notice of Consultation 2009-614: *Call for comments following a request by the Governor in Council to prepare a report on the implications and advisability of implementing a compensation regime for the value of local television signals*, October 2, 2009.

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

[31] PwC, *Global Entertainment and Media Outlook 2008-2013*, pp. 39 and 244.

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

[33] CFTPA, *Profile 2009*, p. 46.

[34] OMDC, 2007-08 Internal Results.