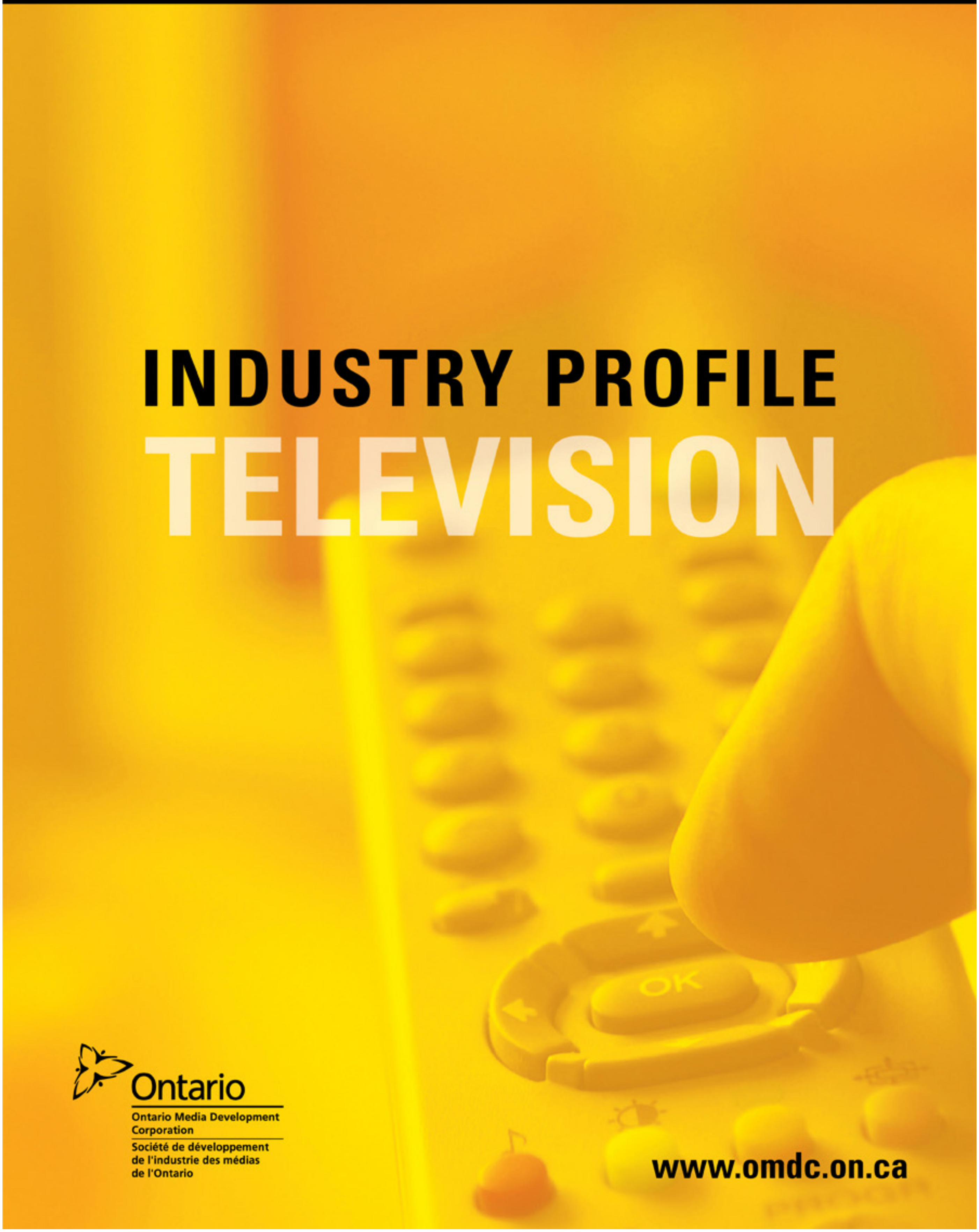
ONTARIO MEDIA DEVELOPMENT CORPORATION

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 mainly comprises small- to medium-sized production companies, producing a combination of their own proprietary productions and foreign service productions with international partners. 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. The province is also home to world-class animation and visual effects studios, such as Arc Productions (formally known as Starz Animation Toronto) and Mr. X.

Ontario's domestic television sector continues to perform well and Ontario producers are receiving success and international recognition:

- Television production rose significantly in 2011, with the biggest increase seen in domestic television series spending which rose to $626.7 million in 2011 compared to $467.9 million in 2010—a 34% increase. This growth reflects the continuing success of domestic producers partnering with U.S. and international broadcasters.[2]
- The high profile television series *Flashpoint* completed a U.S. syndication deal which saw episodes air through the summer of 2011 on CBS. U.S. cable channel ION is airing original episodes through 2012, and has joined the list of producers for the show's fifth season, which will also air on CTV in Canada.[3] *Flashpoint* also received 17 nominations for the 2011 Gemini Awards and won three, including Best Writing in a Dramatic Series. It has also been announced that CBC's *Being Erica* has been picked up for adaptation in the U.S. by ABC and for Britain by the BBC. To date the show has been sold to nearly 160 countries worldwide.[4]
- Canadian co-produced dramas are currently attracting impressive audiences on U.S. cable television channels and selling widely internationally. For example Ontario-based Take 5 Productions had a strong debut of the co-produced series *The Borgias* on Showtime—the episode drew 1.06 million viewers.[5] International distributor CBS Studios also announced during MIP-TV that it had sold *The Borgias* into territories around the world including Europe, Asia, Latin America, Africa and the Middle East.[6]
- Starz Animation Toronto, one of Canada's largest animation studios, was acquired in 2011 by a local consortium and was rebranded as Arc Productions.[7] The studio continues to win international recognition, most recently for its animation work on the feature film *Gnomeo & Juliet* which has earned more than $190 million in worldwide box office since it was released in February 2011.[8]

Industry Size and Economic Impact

Employment and wages

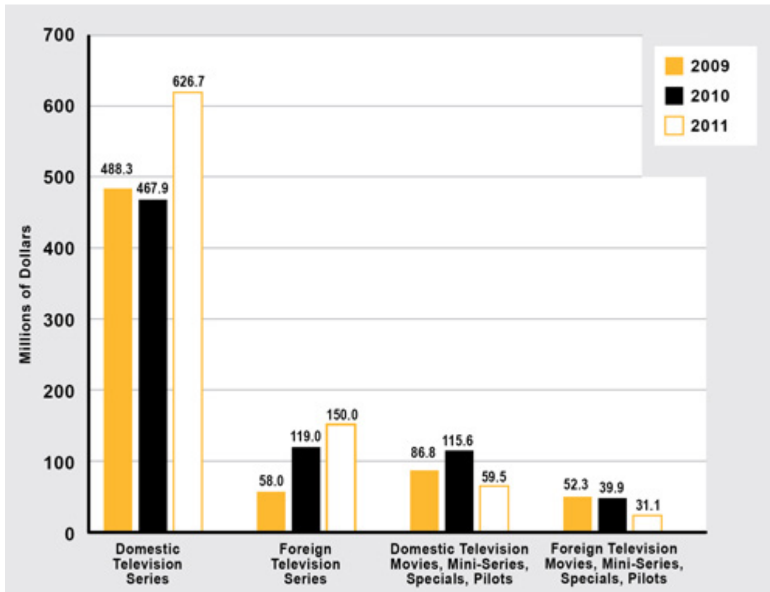
- Ontario's film and television industry contributed $1.26 billion to the provincial economy in calendar 2011—an increase of $300 million over 2010, and the strongest performance in the province since OMDC started keeping records in 1986. This production activity accounted for almost 30,000 full-time direct and spin-off jobs.[9]
- Statistics Canada figures show that Canadian film, television and video production companies provided $643.6 million in salaries, wages and benefits to workers in the sector in 2009. Ontario accounted for well over a third of those payments, disbursing $252.9 million in salaries—more than any other province.[10]

- Figures from the Canadian Media Production Association's (CMPA) *Profile 2011* show that television production in Canada created an estimated 48,500 full-time equivalent jobs (FTEs) in Canada in 2010-11. Nineteen thousand, one hundred of these positions were direct jobs in television production, while 29,400 were indirect jobs created elsewhere in the Canadian economy.[11]

Production volume and budgets

- Ontario Media Development Corporation (OMDC) figures show that television producers spent $867.5 million filming in Ontario in calendar 2011 on television series, movies, mini-series, specials and pilots. Domestic television series production accounted for the majority of production activity in the province, for $626.7 million of the total expenditures. Foreign series also showed a strong increase from $119 million in 2010 to $150.2 million in 2011.[12]

Television Production in Ontario by Format, Domestic and Foreign, 2009-2011



Source: OMDC Production Statistics

- The CMPA's *Profile 2011* reports that Canadian television production remained the largest segment of the film and television production industry in 2010-11, accounting for 38% of the total volume of production and just over $2 billion. The increase of 8% for series production over the previous year is largely due to the resurgence of prime time Canadian drama. The increases in drama, as well as in lifestyle and factual programming, offset decreases in TV movies, mini-series and single-episode programming.[13]

- As indicated by OMDC's figures, Ontario experienced solid growth in television production in calendar 2011. CMPA's figures for fiscal 2010-11 show a 6.7% increase in domestic television production by Ontario-based producers, raising production volume for Canadian television in the province to $970 million or 47% of the national total. This enabled Ontario to maintain its position as the province with the highest volume of Canadian television production.[14]

Revenues and related figures

- In 2009, Canadian film, television and video production businesses reported $3.0 billion in operating revenues, reflecting a decline of 9.3% from 2008, and generated a 2.2% profit margin, according to Statistics Canada. The majority of Canadian production revenues, 60.1%, were generated by television production, including both independent and broadcaster in-house production.[15]

- Statistics Canada figures also confirm that Ontario is central to the Canadian film and television production sector. In 2009, Ontario film, television and video production companies accounted for 45.3% of Canada's overall film and video production operating revenues, followed by Quebec at 30.2% and B.C. at 14.3%. Ontario film, television and video production companies earned a similar $1.36 billion in operating revenues in 2009 as compared to 2008, but their profit margin decreased significantly from 9.3% in 2008 to 1.8% in 2009.[16]

- Figures from the Computer Animation Studios of Ontario (CASO) show that the computer animation and visual effects industry in Ontario alone earns estimated revenues between $170 million and $200 million on an annual basis.[17]

Trends and Issues

Growth rate and industry trends

- According to figures from PricewaterhouseCoopers' *Global Entertainment and Media Outlook 2011-2015*, on a global scale, multi-channel advertising (advertising on networks accessible through cable, satellite and other similar services) is a fast 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. The online TV advertising market, which is projected to increase at a 22.6% compound annual rate to 2015 will experience even more growth, while mobile TV advertising will rise by 33%. Forecasts show Canada's TV advertising growth rate faring slightly worse than that of the U.S.; it is anticipated to grow at a compound annual growth rate of 4.7% through 2015 to a projected market value of US $4.5 billion.[18]

- New modes of broadcast distribution have allowed new entrants, such as telephone companies, access to the television market and the increased competition has prompted existing cable broadcast distributors to change how they package and market their offerings in order to better compete. These newer digital television offerings include Internet protocol television (IPTV) and wireless cable or MDS. In November and December 2010, cable services had a 62% share of the Canadian market, while direct-to-home (satellite) services had 31%. IPTV captured 6% of the market share, and wireless cable was less than 1%. Digital television providers continue to seek new forms of revenue through service offerings such as high definition television (HDTV), interactive program guides, interactive television, video-on-demand (VOD) and digital video recorders (DVRs)—consumers now have greater control than ever before over their programming choices. In November and December 2010, an estimated 4.2 million households in Canada had HDTV and DVR boxes, while 6.3 million had access to VOD.[19]

- A recent report by the Documentary Organization of Canada (DOC) has found that distribution of documentaries on digital services is only slightly disrupting traditional patterns of consumption. On average, viewership of a popular feature documentary on a television broadcaster web portal is 8,000 views over the course of a year, while the top-viewed episode of a documentary series captures nearly 60,000 views. This is in contrast to the viewership of the most popular documentaries on television, which draw around 900,000 viewers.[20]

Global and domestic issues

- Changes in the way consumers access content could have a negative impact on the financing of Canadian content. Research on over-the-top broadcasting services and online video, both of which operate outside the Canadian regulatory environment, was recently undertaken by the CMPA in order to examine the impact of these services on the Canadian broadcasting system. The research argues that online competition from over-the-top services may have a significant impact on traditional broadcasters, pointing out that the percentage of Canadians using Internet television has more than doubled over the past three years.[21] In particular, this research found that Canadian producers had, at the time of the research, not been able to sell to or receive financing from Netflix Canada for any new product.[22]

- In July 2011 the CRTC renewed the individual licenses of all English-language private television services operated by Rogers Media, as well as the group licenses of the private services operated by Bell Media, Corus and Shaw Media as per the group-based policy the Commission announced in March of 2010.[23] The new group-based policy gathers all television services of a corporate group under a single license. The group-based licensing policy was set out to achieve several principles, including: to provide greater regulatory flexibility for broadcasters, to create expenditures based on gross revenues that replace previous exhibition requirements, to establish appropriate Canadian content requirements and to protect Canadian independent production. According to the renewed licenses, Bell Media, Shaw Media, and Corus Entertainment are required to spend a minimum of 30% of their group's gross revenues on Canadian programming. Rogers Media was not licensed as a corporate group, and is required to spend a minimum of 23% of revenues from its conventional television stations on Canadian programming.[24]

- 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, some of these credits are often 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.

Government assistance[27]

- At the federal level, television producers currently have access to government funding through tax credits and the Canada Media Fund (CMF). In 2010-11, CMF funding accounted for $282 million, or 28% of the financing, for Canadian television production. Other financing contributed an additional $721 million.[28] In June 2011 the federal government announced ongoing funding support for the CMF, enabling the Fund to provide over $370 million to the television and digital media industry in 2011-12.[29]

- In November 2011, an OMDC delegation including ten Ontario screen-based producers led a trade mission to India, in partnership with Telefilm. The mission delegates travelled to Mumbai and Goa, to meet with Indian film industry leaders and encourage the forging of new relationships between Ontario and Indian filmmakers. Business-to-business meetings with Indian producers, executives and financiers were among the activities.[30]

- Ontario television producers have access to provincial government funding through tax credits including the Ontario Film and Television Tax Credit, the Ontario Computer Animation and Special Effects Tax Credit and the Ontario Production Services Tax Credit. 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, and for producers to participate in export activities through the OMDC Export Fund – Film and Television.

- Through its Film Commission, OMDC markets the province as a preferred location for filming and provides complimentary location scouting and facilitation assistance to feature film producers, both domestic and service, who are considering Ontario for their productions. OMDC, through a financial partnership with the City of Toronto and with targeted marketing support provided by industry trade organization FilmOntario, maintains a full time marketing presence in Los Angeles. The office provides on-the-ground marketing to attract production to Ontario as well as support to Ontario screen-based content creators in accessing the L.A. marketplace. The L.A. office continues to make a significant contribution to Ontario's foreign production activity, building on 2010-11 results, when a total of 16 productions that received direct assistance through the office chose to shoot in Ontario, representing $210 million in economic activity.[31]

- Ontario's Entertainment and Creative Cluster Partnerships Fund, co-administered by OMDC and the Ministry of Tourism and Culture, has enabled technological development and education in the field of film and television production. As of the end of the 2010-11 fiscal year, the Fund had invested $2.9 million in 19 projects which will leverage an additional $7.6 million from 108 partners. Since its inception in 2006, the Fund has provided almost $12.7 million in support to 79 projects involving 487 partners with total budgets of $30.6 million.[32]

Profile current as of February 14, 2012

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