



Nordicity Group Ltd.
Le Groupe Nordicité Itée

Canadian Television: Why the Subsidy?

Nordicity Group Ltd.

Prepared for
Canadian Broadcasting Corporation /
La Société Radio-Canada

January 2008

About Nordicity Group Ltd.

Nordicity Group Ltd. (www.nordicity.com), founded in 1979, is one Canada's leading strategy consulting firms for clients in the media/entertainment, culture/content, and telecommunications sectors: broadcasting, print, music, television/film production, new media, art/museums, cable, satellite and terrestrial wireless/wire-line telecommunications.

Our consultants work with clients in both the private and public sectors to make business and policy decisions, and to understand the impacts of policy and regulatory developments.

Nordicity helps businesses make strategic decisions; we also address regulatory and government policy issues for firms, consortia, and industry associations.

Nordicity helps governments and other organizations develop and evaluate policy and regulation.

Our consultants provide clients with strategic planning, business case analysis, market assessment and forecasting, economic analysis, financial modelling, evaluation frameworks, and other tools for strategic and operational decision making.

Nordicity has offices in Ottawa, Toronto, and London (U.K.). We also offer global delivery of our expertise through affiliations with international professional services firms, notably PricewaterhouseCoopers and IBM Business Consulting Services.

Table of Contents	Page
Executive Summary	1
1 Introduction	1
1.1 Outline of Report.....	1
2 Estimates of Costs of Canadian Television Production	2
2.1 In-House Production.....	3
2.2 Independent Production.....	4
2.3 Variety Programming.....	5
2.4 Documentary and General Programming.....	6
2.5 Total Production Costs.....	7
2.6 Comparative Analysis of Per-Hour Costs of Drama Programming.....	8
3 Revenues of Canadian Television Production	10
3.1 Advertising Revenues.....	10
3.2 Subscription Revenues.....	13
3.3 Export Value.....	16
3.4 After-Market Export Sales.....	17
4 The Economics of Canadian Television Production	19
4.1 English-Language Market.....	19
4.2 French-Language Market.....	20
5 Summary of Findings	21
6 Conclusion	23
References and Data Sources	25
Appendix A: Analysis and Calculation of Real Production Costs	26
Appendix B: Calculation of Advertising Revenues	31
Appendix C: Calculation of Subscription Revenues	38
Appendix D: Export Value	43
Appendix E: Calculation of After-Market Export Sales	44

List of Tables	Page
Table 1 Estimates of Total Production Costs for In-House Television Programming.....	3
Table 2 Estimates of Total Production Costs for Independent Production in 2005-06.....	4
Table 3 Estimates of Total Production Costs for Variety Programming in 2005-06	5
Table 4 Estimates of Total Production Costs for Documentary and General Entertainment Programming in 2005-06.....	6
Table 5 Estimates of Total Production Costs, All Genres of Television Programming.....	7
Table 6 Allocation of Advertising Revenues for Canadian Programming	11
Table 7 Net Advertising Revenues for Canadian Programming.....	13
Table 8 Allocation of Specialty-Television Subscription Revenues by Genre	14
Table 9 Allocation of Specialty-Television Subscription Revenues to Canadian Programming.....	15
Table 10 Net Subscription Revenues Attributed to Canadian Television Programming	15
Table 11 Estimates of Export Value for Television Production.....	16
Table 12 Equity Investment Recovery and Recoupment Rates	17
Table 13 Estimates of After-Market Export Sales.....	18
Table 14 Economic Surplus/Shortfall, English-Language Television Production	19
Table 15 Economic Surplus/Shortfall, English-Language Television Production	20
Table 16 Calculation of Estimates of Total Production Costs for In-House Television Programming.....	26
Table 17 Tabulation of In-House Production Expenditures on Variety Programming	27
Table 18 Calculation of In-House Production Expenditures for Other Information and Magazine/General Entertainment / Human Interest / Reality Programming.....	27
Table 19 Average Production Costs, Canadian Drama	28
Table 20 Average Production Costs, Service Production in Canada	28
Table 21 Average Production Costs, Drama, Australia	28
Table 22 Average Production Costs, Drama, France	29
Table 23 Average Production Costs, Drama, United Kingdom.....	29
Table 24 Average Production Costs, Drama, United States.....	30
Table 25 Total Advertising Revenues in the Canadian Television Market, 2006 Broadcasting Year	31
Table 26 Viewing to Canadian Programming in the English-Language Market, September 2005 to August 2006	31
Table 27 Share of Total Viewing to Canadian Programming and Allocation Advertising Revenues in the English-Language Market, September 2005 to August 2006	32
Table 28 Total Advertising Revenues Allocated to the Documentary and General Genre in the English-Language Market.....	33
Table 29 Estimates of Advertising Revenue by Genre, English-Language Market.....	34
Table 30 Estimates of Advertising Revenue by Genre, English-Language Market.....	34
Table 31 Viewing to Canadian Programming in the French-Language Market, September 2005 to August 2006	35
Table 32 Share of Total Viewing to Canadian Programming and Allocation Advertising Revenues in the French-Language Market, September 2005 to August 2006	36
Table 33 Total Advertising Revenues Allocated to the Documentary and General Genre in the French-Language Market.....	37
Table 34 Estimates of Advertising Revenue by Genre, French-Language Market	37
Table 35 Allocation of Programming by Genre for English-Language Specialty-Television Services	38
Table 36 Allocation of Subscription Revenues for English-Language Specialty-Television Services.....	40
Table 37 Allocation of Programming by Genre for French-Language Specialty-Television Services	42
Table 38 Allocation of Subscription Revenues by Genre for French-Language Specialty-Television Services	42
Table 39 Calculation of Export Value for Television Production.....	43
Table 40 Telefilm Canada Equity Recoupment – Probability of Investment Recovery (based on projects between 1996/97 to 2000/01).....	44

Table 41 Telefilm Canada Equity Recoupment as a Percentage of Equity Investments (based on projects between 1996/97 to 2000/01).....	44
Table 42 Estimate of the Average Investment Recovery Rate for CTF Projects, Drama Genre.....	45
Table 43 Estimate of the Average Investment Recovery Rate for CTF Projects - Children’s, Documentary and VAPA Genres	45

List of Figures

Page

Figure 1 Comparison of Average Production Costs for Drama Programming (Real 2006 C\$ 000s per hour)	8
---	---

Executive Summary

Introduction

Television production around the world is a high-risk business. To be successful, firms in this industry must be willing to finance the development and testing of potentially a large number of unsuccessful productions before arriving at a “hit.” For example, over the last ten years, the top four TV networks in America (i.e. NBC, CBS, ABC and FOX) have on average cancelled 62% of their new shows within the first 11 episodes.¹ The same risky business model applies to other countries, including Canada.

In Canada, like in the United Kingdom (U.K.), France, Australia and in most other countries, regulation and government financial support – i.e., government subsidy – currently plays a large role in supporting the creation, production and exhibition of original domestic television programs. For example, the Canadian Radio-television and Telecommunications Commission’s (CRTC’s) Canadian-content rules provide substantial demand-side stimulus for Canadian television programming. Parliament’s financial support for the CBC/Radio-Canada helps to fund Canada’s national public broadcaster – a large commissioner of Canadian television content.

On the supply side, the federal government has established several subsidy programs that support television production. The Canadian Television Fund (CTF) has grown to over \$270 million (forecasted 2007-08 revenues)², and has become the single-largest source of financing support for Canadian television production. The federal tax credit initiative provides an additional \$189 million to Canadian television productions.³ Provincial governments also provide subsidies to Canadian television production; in 2005-06, provincial tax credits for Canadian television production totalled \$266 million.⁴ Simultaneous substitution rules generate over \$300 million annually for Canadian private broadcasters.

All of these subsidy programs are intended to provide economic support for Canadian television production.

In order to gather more information on the economics of television production in Canada, CBC/Radio-Canada commissioned Nordicity Group Ltd. (“Nordicity”) to investigate whether financial subsidy is necessary to stimulate the creation of all types of Canadian television programming in both official-language markets in Canada.

In other words, could significant parts of the Canadian television production industry operate on a more market-oriented basis – with content regulation intact, but without the various forms of subsidy that underwrite production expenditures? Could Canadian producers still economically produce Canadian television programs – that viewers will want to watch – without significant subsidy?

While the history of this industry has shown that individual Canadian programs can become “hits,” this study looks at the broader question of whether companies in this industry could make a financial go of it, on a permanent basis, without government support. In this regard, Nordicity’s analysis examines the overall system-wide cost of producing Canadian television content in each language market and genre. Nordicity then compares this cost to the overall revenue potential of each type of production.

¹ SNL Kagan, “Economics of TV Programming and Syndication 2007,” July 2007, p. 33.

² Canadian Television Fund, *Stakeholders Report 2007*, p. 13.

³ CFTPA, p. 40.

⁴ *Ibid.*

The Costs of Television Production

Nordicity utilized data from the CRTC, the Canadian Audio-Visual Certification Office (CAVCO) and the Canadian Film and Television Production Association (CFTPA) to estimate the annualized cost of producing the level of television content commissioned by Canadian broadcasters – both in-house and independent production. Nordicity prepared estimates in each language market for six categories or genres of production – news, sports, drama, children’s programming, variety programming, and documentary and general programming.

In total, Nordicity found that the production of English-language television programming cost approximately \$2.2 billion in 2005-06. Production of French-language programming for Canadian television cost an estimated \$762 million in that same year.

Nordicity benchmarked these Canadian results against TV production costs from a number of countries. The costs of Canadian television production in English-Canada appear to be very much in line with the costs of television production in France and the U.K., and far below the levels in the U.S. The costs of Canadian television production in French-Canada appear to be far lower than the English-Canadian costs, and are very close to TV production costs in Australia.

Revenues of Canadian Television Production

Nordicity utilized data from CBC/Radio-Canada Research, Nielsen Media Research, and the CRTC to estimate the annualized advertising revenue of Canadian television production, as well as the amount of specialty-television subscription revenue that could be attributed to Canadian television programming. Nordicity supplemented these estimates of domestic revenues, by preparing estimates of the export value and after-market export sales potential of each genre.

Nordicity found that English-language television production accounted for net advertising revenues of \$846.1 million in 2006, plus net subscription revenues of \$357.0 million. In terms of international revenue potential, Nordicity found that the 2006 levels of production corresponded with export-value earnings of \$185.1 million and after-market export sales potential of \$82.3 million. In total, English-language television programming produced in 2006 had a revenue potential of just under \$1.5 billion.

For the French-language market, Nordicity found that Canadian television production accounted for net advertising revenues of \$244.7 million and net subscription revenues of \$109.9 million in 2006. Nordicity found that the 2006 levels of French-language production corresponded with international-revenue potential of \$3.3 million. This relatively low level of international sales potential compared to the English-language market reflects the fact that Canada’s French-language programming has traditionally had limited international sales potential.

In total, French-language television programming produced in 2006 had a revenue potential of \$357.9 million.

The Results

When Nordicity compared the production costs for Canadian English-language television production in each genre to the revenue potential of that genre, it found that all genres except variety displayed an economic shortfall.

Overall, Canadian English-language television production displayed an economic shortfall of \$689.9 million in 2006. About one-half of this shortfall, or \$352.2 million, occurred in the drama genre. News, sports, children’s programming, and documentary and general programming also displayed

economic shortfall's ranging from \$42.3 million (documentary and general programming) to \$123.6 million (news). Only the variety genre displayed a small economic surplus of \$7.1 million.

The French-language market displayed an overall economic shortfall of \$403.9 million. This shortfall was distributed across all of the major genres. Documentary and general programming as well as drama programming exhibited the largest shortfalls – both in excess of \$100 million. Sports, children's and variety programming also displayed shortfalls.

Conclusion

While it may be the case that individual television programs in Canada have been or can be profitable, the results of this study show that Canadian firms in this industry cannot, in general, be successful, on an on-going and permanent basis, without significant financial support from government. In some cases, such as drama and children's programming, the industry's economic shortfall is more than 50% of the total costs of the productions.

Why is it so difficult to make Canadian television programming profitably?

While this study does not investigate the causes of the industry's poor economics, Nordicity believes there may be a number of factors at play, the most important relating to the presence of high-levels of foreign programming (primarily from the U.S.) in the Canadian market.

While American programs are available at low cost to broadcasters in countries around the world, Canada is unique in terms of its geographic proximity and historical access to U.S. TV broadcasts. Canadians have traditionally had easy access to American programming via U.S. border stations, cable and DTH, and Canadian broadcasters who have purchased the Canadian rights for this programming at a relatively low license fee compared to their actual cost. While the cost of foreign programming has risen sharply as Canadian commercial broadcasters bid up the top product, the license fees are still far below the original costs of the program – as little as 10% of the original U.S. production costs, and far below the costs of producing equivalent Canadian product. The high amount of U.S. content available has also resulted in high levels of viewership, particularly by English-language viewers, throughout the day and in prime-time. As well, the U.S. publicity machine strongly promotes the US shows, through print and other media available in Canada. This combination leads to higher profitability and lower production risks – relative to the profitability and production risks of creating a new untested Canadian program.

The implications of the popularity of US programming in English Canada are that, first, on the revenue side, Canadian advertising dollars are in general more heavily focused on the US shows than Canadian shows. In fact, viewing to American programming in Canada now makes up approximately three-quarters of all prime-time viewing in English Canada, and one-third of all prime-time viewing in French Canada. Canadian advertising dollars follow Canadian viewers; as a result of this large draw of Canadian audiences and advertising dollars to foreign programming. There are fewer advertising dollars left to support Canadian television programming. In English-language market, the revenues available for Canadian programming are approximately 75% lower than they would otherwise be.

The second implication, on the cost side, relates to the very high production values that are contained within these American programs. As shown in this study, the costs of U.S. programming far exceed those of any other country in the world. Since so much of this very expensive programming is broadcast and viewed on Canadian television, the acceptable production values for home-grown Canadian television are higher than they would otherwise be, and certainly higher than what would be the case in a more isolated market of Canada's size. Canadians have been spoiled by the availability of a large amount of high-quality popular American TV, and as a result, generally speaking, require Canadian programming to be expensive as well; more expensive than a market the size of Canada would on its own produce. This is particularly evident in the English-language market, whereas significant language and cultural differences

permit lower-cost French-language programs to compete against big-budget, U.S. imports for many genres.

While there may be other factors at play in the Canadian industry, Nordicity believes that these two effects – significantly depressed revenues and abnormally high production costs – create the poor economic environment for television programming in Canada.

As a result, Canadian programming cannot in general be profitable in an ongoing and permanent sense, without government intervention.

1 Introduction

In order to gather more information on the economics of television production in Canada, CBC/Radio-Canada has commissioned Nordicity Group Ltd. (“Nordicity”) to investigate whether financial subsidy is necessary to stimulate the creation of all types of Canadian television programming in both official-language markets in Canada.

Specifically, CBC/Radio-Canada has asked Nordicity to determine whether the economics of the Canadian television production permit firms within the industry to operate on a more market-oriented basis – with content regulation intact, but without the various forms of subsidy that underwrite production expenditures. Could Canadian producers economically produce Canadian television programs – that viewers will want to watch – without significant subsidy?

1.1 Outline of Report

In the following report, Nordicity addresses the above mandate. Nordicity examines aggregate production economics in both the English- and French-language television markets. For the analysis in each language market, Nordicity looked at the economic differences between the major television genres and program categories, including news, sports, drama, documentaries, children’s programming, variety programming, magazine programming, informational/educational programming, and general entertainment and human interest programming.

Because of the limitations in the type of data available for the analysis, Nordicity combined documentaries, magazine programming, informational/educational programming, and general entertainment and human interest programming into a single program category: documentary and general programming.

While individual Canadian programs have been and can be profitable, Nordicity’s approach considers production on an aggregate basis. In this regard, Nordicity’s analysis examines the overall system-wide cost of producing Canadian television content in each language market and genre. Nordicity then compares this cost to the overall revenue potential of each type of production.

In Section 2 of the report, Nordicity provides an estimate of the real costs of producing Canadian television programming. In addition, as a way of benchmarking and confirming these results, Nordicity provides a comparison of average drama production costs in Canada with those for four peer countries – Australia, France, United Kingdom (U.K.), and the United States (U.S.). As well, Nordicity used foreign-location TV production in Canada, primarily U.S. shows, as another comparative measure.

In Section 3, Nordicity estimates the various sources of domestic and foreign revenues for Canadian television production. Nordicity uses audience statistics to allocate Canadian broadcasters’ advertising revenues to Canadian programming in each genre. Nordicity also estimates the revenues earned by each genre from specialty-television subscription revenues, foreign pre-sales, and after-market export sales.

In Section 4, Nordicity compares the costs of production to the revenues that this production can be expected to earn to provide an overall picture of the economics of Canadian television production. Based on this comparison, Nordicity is able to assess the need for public subsidy for each genre within both language markets. In Section 5, Nordicity summarizes the key findings from this analysis.

In the appendices to the report, Nordicity includes the data and detailed calculations that it used to prepare its analysis.

2 Estimates of Costs of Canadian Television Production

Nordicity utilized data from the Canadian Radio-television and Telecommunications Commission (CRTC), the Canadian Audio-Visual Certification Office (CAVCO) and the Canadian Film and Television Production Association (CFTPA) to estimate the annualized cost of producing the level of television content commissioned by Canadian broadcasters – both in-house and independent production. Estimates in each language market were prepared for the following categories of production:

1. In-House production for news and sports,
2. Independent production for drama and children’s programming,
3. Variety programming, split between in-house and independent production, and
4. Documentary and general programming, also split between in-house and independent production.

The **in-house production** category includes the two program genres – news and sports – for which the vast majority of television production is done by broadcasters on an in-house basis.

The **independent production** category includes the two genres – drama and children’s programming – for which the vast majority of television programming is made by independent producers and then licensed to Canadian broadcasters and broadcasters in other countries.

The **variety programming** category corresponds with the television programming made for the variety genre. Nordicity has isolated the variety genre into its own category because it is characterized by a combination of in-house and independent production. As such, it requires an approach to the calculation of the production costs that is somewhat different from the in-house and independent production categories.

The final category of production, **documentary and general programming** is a *remainder* category that includes a collection of genres with both significant in-house production and independent production. This category includes documentary production, magazine programming, human-interest programming, general entertainment programming, and game shows as well as television programming that falls within the CRTC’s *other information* category.

Having determined the costs of each of the various categories of production, Nordicity then aggregated these for each language group.

In the final part of this section, as a way of benchmarking and confirming these results, Nordicity provides a comparison of average drama productions costs in Canada with those for four peer countries – Australia, France, the United Kingdom (U.K.), and the U.S. As well, Nordicity used foreign location TV production in Canada, primarily U.S. shows as another comparative measure.

In Appendix A, Nordicity provides additional detail on the calculations of production costs.

2.1 In-House Production

The in-house production category includes the two program genres – news and sports – for which the vast majority of television production is done by broadcasters on an in-house basis.

For both news and sports, Nordicity prepared estimates of the annual amount of program expenditures in each language market during the 2005-06 broadcasting year. Nordicity's estimates were based on program-expenditure statistics published by the CRTC in the *Broadcasting Policy Monitoring Report 2007*; estimates were required because the CRTC did not publish program-expenditure statistics on a language-market basis. The estimation approach is detailed in Table 16 (Appendix A).

Canadian television broadcasters – including CBC/Radio-Canada, private conventional broadcasters, and pay and specialty-television services – incurred costs of close to \$600 million to produce Canadian news programming in 2005-06. Canadian broadcasters incurred costs of just under \$400 million to produce Canadian sports programming in 2005-06.

- News-production costs in the English-language market totalled \$461.5 million in 2005-06. Conventional broadcasters bore most of these expenditures, \$356.9 million; specialty-television news services accounted for \$104.6 million.
- The production of news in the French-language market cost a total of \$130.3 million in 2005-06, with \$87.8 million in the conventional broadcasting segment and \$42.5 million in the specialty-television segment.
- Production of sports programming in the English-language market cost \$317.1 million. Of this amount, conventional broadcasters spent \$136.3 million; specialty-television services spent \$180.8 million.
- Production of sports programming in the French-language market cost broadcasters \$54.6 million. Most of this expenditure, \$40.0 million, was incurred by specialty-television services; conventional broadcasters accounted for \$14.6 million.

Table 1 Estimates of Total Production Costs for In-House Television Programming

(\$ millions)	News	Sports
English-language market		
Conventional broadcasters	356.9	136.3
Pay and specialty services	104.6	180.8
Total	461.5	317.1
French-language market		
Conventional broadcasters	87.8	14.6
Pay and specialty services	42.5	40.0
Total	130.3	54.6
Total – All languages	591.8	371.7

Source: Nordicity estimates based on data from CRTC

2.2 Independent Production

The independent-production category includes the two genres – drama and children’s programming – for which the vast majority of television programming is made by independent producers and then licensed to Canadian broadcasters and broadcasters in other countries.

To estimate the cost of producing television programming in those two genres, Nordicity obtained production-expenditure statistics published by the CFTPA in *Profile 2007: An Economic Report on the Canadian Film and Television Production Industry* and derived from CAVCO data. The CAVCO data detail the total expenditures made by Canadian production companies to produce a single year’s worth of original Canadian television programming. While production expenditures within each genre do vary from year-to-year, a single year of data provides a reasonable estimate for the cost of producing the amount of original television programming required to fulfil Canadian audiences’ demand and Canadian broadcaster’s exhibition requirements.

Table 2 presents the estimates of the cost of production in 2005-06 for each of the independent-production genres in both language markets.

- In 2005-06, the production of English-language **drama** programming for television cost an estimated \$668 million; drama production for the French-language market cost \$193 million.
- The production of English-language **children’s** programming cost \$234 million; while French-language programming in this genre cost \$49 million.

Table 2 Estimates of Total Production Costs for Independent Production in 2005-06

(\$ millions)	Drama	Children’s
English-language production	668	234
French-language production	193	49
Total - All languages	861	283

Source: Nordicity estimates based on data from CAVCO

Note: Bilingual production has been allocated to each language group on a 50/50 basis.

2.3 Variety Programming

The variety programming category corresponds with television programming made for the variety genre. Nordicity has isolated the variety genre as a separate category because it is characterized by a combination of in-house and independent production. Production in the variety genre is eligible for the Canadian Film or Video Production Tax Credit (CPTC) and funding from the Canadian Television Fund (CTF); so, much of the programming is made by independent producers. At the same time, a good deal of the programming on music-video services on the specialty-television tier falls within the variety genre; yet it largely consists of in-house studio production of programming accompanying the music videos. Primarily for this reason, to fully capture the real cost of Canadian variety programming, Nordicity has prepared estimates of both the independent production and in-house production within this genre.

To estimate the total annual cost of variety production in Canada, Nordicity obtained statistics for in-house production published by the CRTC in the *Broadcasting Policy Monitoring Report 2007*. Estimates were required because the CRTC did not publish program-expenditure statistics on a language-market basis. Nordicity used the production-expenditure statistics for Quebec-based broadcasters as a proxy for production in the French-language market; Nordicity used the production-expenditure amount for the rest of Canada as a proxy for the English-language market.

To estimate the independent-production component for the variety genre, Nordicity obtained production-expenditure statistics published by the CFTPA in *Profile 2007: An Economic Report on the Canadian Film and Television Production Industry* and derived from CAVCO data.

Nordicity estimates that the production of variety programming in 2005-06 cost a total of \$120.6 million.

- Variety programming in the English-language market cost a total of \$56.6 million, with \$27.6 million in in-house production and \$29.0 million in independent production.
- Variety programming in the French-language market cost a total of \$64.0 million, with \$3.0 million in in-house production and \$61.0 million in independent production.

Table 3 Estimates of Total Production Costs for Variety Programming in 2005-06

(\$ millions)	Variety
English-language production	
In-house production	27.6
Independent production	29.0
Total	56.6
French-language production	
In-house production	3.0
Independent production	61.0
Total	64.0
Total - All languages	120.6

Source: Nordicity estimates based on data from CRTC and CAVCO

Note: Independent production in bilingual formats has been allocated to each language group on a 50/50 basis.

2.4 Documentary and General Programming

The **documentary and general programming** category includes production from the genres of documentary, magazine programming, general entertainment and human-interest programming, and game shows. It also includes television programs – other than documentaries – that fall within the CRTC’s *other information* category. Nordicity has combined all of these genres into a single program category, in order to accommodate the type of audience and production-expenditure data available for the analysis.

The documentary and general programming category includes certain types of television programming that have experienced significant growth in recent years. For example, the general entertainment and human-interest genre includes reality-TV programs as well as magazine programs. Many of the lifestyle and “how-to” programs that have proliferated in recent years are classified under the CRTC’s *other information* category.

This category includes significant amounts of both in-house production and independent production. Nordicity prepared estimates of the costs of production for each segment, by obtaining data published in the CRTC’s *Broadcasting Policy Monitoring Report 2007* and the CFTPA’s *Profile 2007: An Economic Report on the Canadian Film and Television Production Industry* and derived from CAVCO data.

Nordicity estimates that production in the documentary and general programming category in 2005-06 cost a total of \$694 million.

- Documentary and general programming in the English-language market cost a total of \$423.2 million, with \$146.3 million in in-house production and \$277.0 million in independent production.
- Documentary and general programming in the French-language market cost a total of \$270.8 million, with \$40.8 million in in-house production and \$230.0 million in independent production.

Table 4 Estimates of Total Production Costs for Documentary and General Entertainment Programming in 2005-06

(\$ millions)	Documen- tary	Maga- zine	General Entertain- ment / Human Interest	Games/ Other	Other Infor- mation (excl. Documen- tary)	Total
English-language						
In-house production	--	--	41.9	32.9	71.5	146.3
Independent prod.	253.0	24.0	--	--	--	277.0
Total	253.0	24.0	41.9	32.9	71.5	423.2
French-language						
In-house production	--	--	10.5	12.2	18.1	40.8
Independent prod.	121.0	109.0	--	--	--	230.0
Total	121.0	109.0	10.5	12.2	18.1	270.8
All languages	374.0	133.0	52.4	45.1	89.6	694.0

Source: Nordicity estimates based on data from CRTC, and CAVCO

Note: Independent production in bilingual formats has been allocated to each language group on a 50/50 basis. Some totals may not sum due to rounding

2.5 Total Production Costs

The combination of the production costs from each of the four categories of production – in-house production, independent production, variety programming, and documentary and general programming – provides an estimate of the total annual cost of producing a single-year’s worth of original Canadian television programming.

Nordicity estimates that the production of English-language television programming cost approximately \$2.2 billion in 2005-06. Production of French-language programming for Canadian television cost an estimated \$762 million.

Table 5 Estimates of Total Production Costs, All Genres of Television Programming

(\$ millions)	News	Sports	Drama	Children’s	Variety	Documen- tary and General	Total
English-language market							
In-house prod.	461.5	317.1	--	--	27.6	146.2	952.4
Independent prod.	--	--	668.0	234.0	29.0	277.0	1,208.0
Total	461.5	317.1	668.0	234.0	56.6	423.2	2,160.4
French-language market							
In-house prod.	130.3	54.6	--	--	3.0	40.8	228.8
Independent prod.	--	--	193.0	49.0	61.0	230.0	533.0
Total	130.3	54.6	193.0	49.0	64.0	270.8	761.8
Total – All languages	591.8	371.7	861.0	283.0	120.6	694.1	2,922.2

Source: Nordicity estimates based on data from CRTC and CAVCO

Note: Some totals may not sum due to rounding

Altogether, the production of Canadian television programming during 2005-06 cost an estimated \$2.9 billion.

- The production of drama programming accounted for the largest share of production expenditures from a single genre. In 2005-06, the production of drama programming cost \$861.0 million, with \$668.0 million of this amount devoted to English-language drama programming and \$193.0 million devoted to French-language drama programming.

For the other genres, the total costs were:

- news programming - \$591.8 million.
- sports programming - \$371.7 million.
- children’s programming - \$283.0 million.
- variety programming - \$120.6 million.
- documentary and general programming category - \$694.1 million.

2.6 Comparative Analysis of Per-Hour Costs of Drama Programming

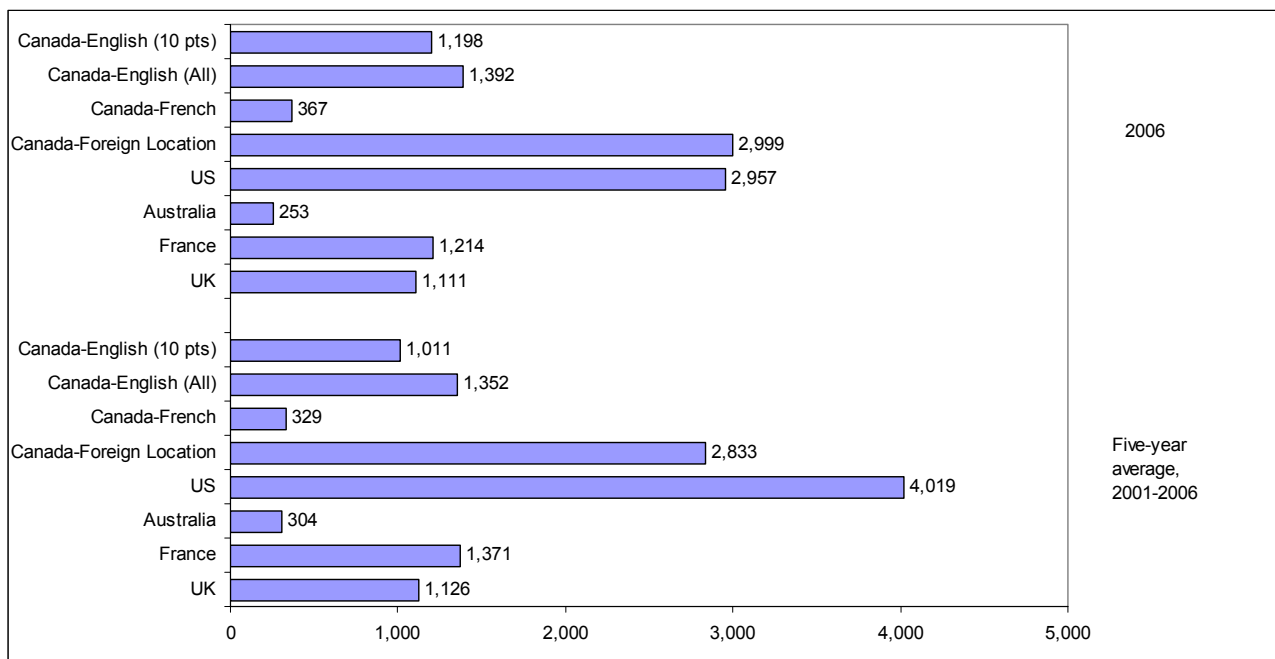
In order to provide a benchmarking comparison of the results in the previous sections, Nordicity undertook a comparison of average drama productions costs in Canada with those for four peer countries – Australia, France, the U.K., and the U.S. As well, Nordicity used foreign location TV production in Canada, primarily U.S. shows, as another comparative measure.⁵

Figure 1 provides a comparison of the average per-hour budgets for drama programming in Canada, Australia, France, the U.S., and the U.K. It also shows four different Canadian production budget averages:

- Separation of English- and French-language budgets,
- The average budgets of ten-point Canadian television programs,
- The average budgets of all Canadian television programs (all Cancon point levels), and
- The average costs of foreign location television production shot in Canada.

The series at the top of the chart compares average per-hour budgets in 2006 (or during the 2005-06 fiscal year); the bottom series compares the five-year averages in Canada and the four peer countries.

Figure 1 Comparison of Average Production Costs for Drama Programming (Real 2006 C\$ 000s per hour)



Source: Nordicity estimates based on data from CAVCO, SNL Kagan, Australian Film Commission, Centre National de Cinématographie, Ofcom, Statistics Canada, Bank of Canada, Reserve Bank of Australia, US Bureau of Labor Statistics, and European Central Bank.

Notes: Nordicity converted all of the annual amounts to real (inflation-adjusted) 2006 currency amounts (in each country's domestic currency) and then converted these inflation-adjusted currency amounts to Canadian dollars based on the average market exchange rate that prevailed in each of the five years. See Appendix A for additional data and explanations.

⁵ Underlying this comparison approach is an assumption that different quality levels balance out when one examines national production output and uses national averages. This comparison forms the test as to whether a typical hour of television programming in Canada could be produced at a cost different than it currently is being produced by reference to other countries.

2.6.1 Cost Comparisons of Canadian Drama with Peers

From the data in Figure 1, one can see that English-language Canadian drama programs with ten points had an average per-hour cost of \$1.2 million in 2006. When one expands the sample of projects to include all English-language Canadian drama production, the average production cost rises to just under \$1.4 million per hour. These costs are comparable to the costs of producing an hour of drama programming in the U.K. and France, but are significantly lower than the costs of producing an hour of drama programming in the U.S. In the U.S., it costs about \$3 million to produce one hour of drama, or between two and three times what it costs in Canada.⁶ The higher cost of U.S. drama production reflects the higher production values built into the programming. The average per-hour cost for TV service production – at \$3.0 million in 2006 is still almost three times as expensive as the cost to make a Canadian drama.

The average cost for French-language Canadian drama programming, at \$367,000 per hour in 2006, is considerably lower than that of English-language Canadian programming as well as the cost of making a drama program in France. Over the years, the French-language production community has adapted to the smaller market through various production economies, e.g., limited minutes of exterior shots. It is likely, too, that the mix of drama programming contains a higher share of soap-opera-type programming, which features smaller casts and crews and therefore a lower cost structure than other types of prime-time drama programming.⁷ What is more, this soap-opera programming found in Canada's French-language market is typically made exclusively for the domestic market.

The same can also be said of Australia's drama programming. In Australia, two long-running soap operas, *Neighbours* and *Home and Away* account for about one-quarter of the total annual hours of drama production. According to the Australian Film Commission, these two series accounted for approximately 100 hours out of the total of 403 hours of drama production produced in 2005-06.⁸ This emphasis on the production of soap operas may explain the lower average per-hour production costs observed in Australia, as well. The average per-hour cost for Australian drama programming was \$253,000 in 2006; the five-year average was \$304,000.

⁶ The difference between the \$4 million 5-year average cost of producing a U.S. drama and the \$3 million average cost in 2006 is due primarily to significant shifts in the currency exchange rates between Canada and the U.S.

⁷ CFTPA, p. 36.

⁸ Australian Film Commission, *National survey of feature film and TV drama production 2005/06*, 2006, p. 7.

3 Revenues of Canadian Television Production

In this section, Nordicity estimates the various sources of domestic and foreign revenues for Canadian television production. Nordicity uses audience statistics to allocate Canadian broadcasters' advertising revenues to Canadian programming in each genre. Nordicity also estimates the revenues earned by each genre from specialty-television subscription revenues, foreign pre-sales, and after-market export sales.

3.1 Advertising Revenues

The primary economic rationale for producing television programming is to attract audiences that can be used to sell advertising airtime. As such, the analysis of the revenue potential for Canadian television production begins with an analysis of advertising revenues within the Canadian market.

An examination of the **annualized advertising revenue potential** of Canadian programming attempts to present the true *lifetime* economic potential of Canadian television programming within the Canadian market without having to separately calculate the advertising revenue attributed to additional exhibition windows; it also avoids the distortions that may arise due to cross-subsidy within the Canadian broadcasting system. The annualized advertising revenues earned by all Canadian television programming aired by Canadian broadcasters reflects not only the advertising potential of original airings, but also the repeat airings of the programming. During the broadcasting year, Canadian broadcasters air a combination of original and repeat programming; so a single-year snapshot can capture the overall revenue potential of a single year of programming across all exhibition windows.

Nordicity's approach uses advertising revenue statistics from the CRTC and audience-share information from CBC/Radio-Canada Research's analysis of raw audience data supplied by Nielsen Media Research. With these data, Nordicity is able to estimate the portion of Canadian broadcasters' total advertising revenue that can be attributed to Canadian television programming – both original and repeat programming.

Table 6 presents the formulated allocation, by genre, of total advertising revenue in the English-language market. Nordicity estimates that English-language Canadian television programming televised on CBC, private conventional broadcasters, and specialty-television services accounted for a total of over \$1.1 billion in advertising revenues during the 2006 broadcasting year. This amount represented 42% of the \$2.6 billion in total advertising revenues earned by Canadian English-language broadcasters during the 2006 broadcasting year.

- English-language news programming accounted for an estimated \$351.6 million in advertising revenues, or 31% of total advertising revenues earned by Canadian television programming in the English-language market.
- The news genre was followed by Canadian sports programming; it earned an estimated \$193.1 million in advertising revenues in 2006, or 17% of the total.
- Canadian drama programming accounted for \$158.3 million in advertising revenues in the English-language market.
- Children's programming in the English-language market earned \$39.6 million in advertising revenue on specialty-television services; no data were available for the audiences to children's programming on conventional broadcasters.
- English-language variety programming accounted for \$74.2 million in advertising revenues.
- The documentary and general programming category earned \$323.4 million in advertising revenues in the English-language market. This accounted for 28% of total advertising revenues attributed to Canadian programming in the English-language market.

Table 6 Allocation of Advertising Revenues for Canadian Programming

(\$ millions)	News	Sports	Drama	Children's	Variety	Documen- tary and General	Total
English-language market							
CBC	17.7	111.9	24.6	n/d	2.1	24.0	180.3
Private conventional	291.4	1.9	56.8	n/d	14.6	183.0	547.7
Specialty TV	42.6	79.2	76.9	39.6	57.4	116.5	412.2
Total	351.6	193.1	158.3	39.6	74.2	323.4	1,140.2
French-language market							
SRC	15.2	6.4	24.4	--*	3.2	45.6	94.8
Private conventional	63.3	2.9	36.5	--*	11.9	111.1	225.8
Specialty TV	16.0	17.4	17.1	--*	4.4	22.3	77.2
Total	94.5	26.7	78.0	--*	19.5	179.0	397.8
Total – All languages	446.1	219.8	236.3	39.6	93.7	502.5	1,538.0

Source: Nordicity estimates based on data from CRTC, Nielsen Media Research and CBC/Radio-Canada Research

Note: Some totals may not sum due to rounding

n/d – no audience data available

* The sale of advertising for children's programming is prohibited in the French-language market.

Canadian programming in the French-language market accounted for just under \$400 million in advertising revenues in 2006, or 70% of the total of \$568 million in television advertising revenues in the French-language market.

- French-language news programming accounted for an estimated \$94.5 million in advertising revenues.
- Canadian sports programming in the French-language market earned an estimated \$26.7 million in advertising revenues in 2006.
- Canadian drama programming accounted for \$78.0 million in advertising revenues in the English-language market.
- French-language children's programming is not permitted to include advertising; so advertising revenues for this genre were nil.
- French-language variety programming accounted for \$19.5 million in advertising revenues.
- The documentary and general programming category earned \$179.0 million in advertising revenues in the French-language market. This accounted for 45% of total advertising revenues attributed to Canadian programming in the French-language market.

The above calculations reflect Canadian broadcasters' *gross* revenues. Before attributing advertising revenues to programming of any type, one must take into account that broadcasters must acquire and maintain an infrastructure for selling advertising airtime. This includes the cost of an advertising sales force, as well as the technical and administrative costs associated with exhibiting the product – television programming – that attracts the advertising revenues. As a result, the analysis should consider *net advertising revenues* that take into these operating costs.

Nordicity converted the gross advertising revenues to net advertising revenues by accounting for the technical, sales, and administrative expenses faced by Canadian broadcasters to raise advertising revenues.

- Financial data contained in the *Financial Summaries* published by the CRTC indicate that in the English-language market, for each dollar of advertising revenue, private conventional broadcasters spent 26 cents on technical, sales and administrative expenses during the 2006 broadcasting year. The CRTC data indicate that broadcasters based in Quebec (a proxy for the French-language market) incurred expenses of 39 cents for each dollar of revenue. Nordicity used these two rates to convert gross advertising revenues into net advertising revenues in the respective language markets.
- Since similar data were not available for CBC/Radio-Canada's television broadcasting operations, Nordicity applied the rate for private conventional broadcasters to CBC/Radio-Canada's advertising revenues. Nordicity also applied these rates to the advertising revenues of specialty-television services.

Table 7 presents the overall net advertising revenues attributed to each genre of programming in both language markets. The amounts include the net advertising revenues earned in the conventional television segment as well as the specialty-television segment.

Table 7 Net Advertising Revenues for Canadian Programming

(\$ millions)	News	Sports	Drama	Children's	Variety	Documen- tary and General	Total
English-language market	261.3	143.5	117.6	28.1	55.1	240.4	846.1
French-language market	58.1	16.4	48.0	--*	12.0	110.1	244.7
Total – All languages	319.4	159.9	165.6	28.1	67.1	350.5	1,090.8

Source: Nordicity estimates based on data from CRTC, Nielsen Media Research and CBC/Radio-Canada Research

* The sale of advertising for children's programming is prohibited in the French-language market.

Note: Some totals may not sum due to rounding

3.2 Subscription Revenues

Canadian television programs also contribute to Canadian specialty and pay television services' ability to earn subscription revenues. Canadian viewers pay monthly fees to broadcasting distribution undertakings (BDUs) to access Canadian news programming on CBC Newsworld, for example, or Canadian sports programming on TSN. Canadian specialty and pay television services, in turn, collect part of these monthly subscriber fees by charging BDUs for carriage of their service.

Detailed data on the subscriber revenues earned by Canadian specialty and pay television services are available from the CRTC. To incorporate these data into this analysis, Nordicity had to develop methods to determine how to allocate these revenues across the eight different genres of television programming, and furthermore, how to determine what portion of subscriber revenues could be attributed to Canadian programming.

To allocate subscriber revenues to each genre, Nordicity examined the nature of each Canadian specialty-television service. For some specialty-television services, the genre allocation was simple: for example, Nordicity allocated 100% of TSN's subscriber revenues to the sports genre.

Some specialty-television services, however, televise programming from different genres. For such television services, Nordicity reviewed the service's licence conditions and its current television-program line-up. The genre allocation for each English-language specialty-television service can be found in Table 35 (Appendix C); the allocation for each French-language service can be found in Table 37 (Appendix C).

Based on this information, Nordicity allocated each service's subscription revenues across the various genres. For CBC Newsworld, for example, Nordicity allocated 70% of revenues to the news genre, and 30% to the documentary genre. This allocation reflected the fact that Newsworld televises both types of programming, but that news programming is likely the primary audience draw for this service. The revenue allocation for each English-language service can be found in Table 36 (Appendix C); the revenue allocation for each French-language service can be found in Table 38 (Appendix C).

Table 8 presents the results of the allocation exercise for specialty-television subscription revenues. Appendix C contains details of the calculations for the allocation exercise.

Table 8 Allocation of Specialty-Television Subscription Revenues by Genre

(\$ millions)	News	Sports	Drama	Children's	Variety	Documen- tary and General	Total
English-language market	101.4	243.8	151.4	123.0	33.8	245.7	899.1
French-language market	49.0	50.8	30.0	25.6	13.7	60.9	230.0
Total – All languages	150.4	294.6	181.4	148.6	47.5	306.6	1,129.1

Source: Nordicity estimates based on data from CRTC

Note: Excludes the revenues of pay-television (except Family Channel), video-on-demand, and pay-per-view services.

In total, Canadian television programming accounted for over \$1.1 billion in subscription revenues.

- The documentary and general programming category accounted for the largest share of subscription revenues – \$306.6 million.
- It was followed by sports programming, with total subscription revenues of \$294.6 million.
- Drama programming accounted for an estimated \$181.4 million in subscription revenues to specialty-television services.
- News services earned \$150.4 million in subscription revenues.
- Children's services earned \$148.6 million in subscription revenues.
- Variety programming on Canadian specialty-television services – particularly music-video services – accounted for \$47.5 million in subscription revenues.

Subscription Revenues Attributed to Canadian Programming

The above amounts reflect all programming – domestic and foreign – within each genre on Canadian specialty-television services. Nordicity used the domestic audience share statistics for the specialty-television segment to determine the proportion of subscription revenue within each genre that could be allocated to Canadian programming within each genre.

There was one exception to this approach: For the variety genre in the English-language market, Nordicity used an audience share of 30% rather than the reported share of 96%. The music-video services, such as Muchmusic, comprise the vast majority of the revenues in this segment. Nordicity suspects that the audience statistics reflect viewing to scheduled programming, rather than the actual music videos. Muchmusic's licence requires it to ensure that at least 30% of its music videos are Canadian. Nordicity considers this content-requirement level as a better indicator of audience share than the reported audience statistics.

Table 9 Allocation of Specialty-Television Subscription Revenues to Canadian Programming

(\$ millions, unless otherwise specified)	News	Sports	Drama	Children's	Variety	Documentary and General	Total
English-language market							
Gross subscription revenues	101.4	243.8	151.4	123.0	33.8	245.7	899.1
Audience share to Canadian programs	98%	59%	30%	39%	30%	--*	--
Revenues attributed to Canadian programming	99.4	143.9	45.4	48.0	10.1	116.9	463.6
French-language market							
Gross subscription revenues	49.0	50.8	30.0	25.6	13.7	60.9	230.0
Audience share to Canadian programs	97%	75%	39%	39%	80%	--	--
Revenues attributed to Canadian programming	47.5	38.1	11.7	10.0	11.0	24.5	142.8
Total – All languages	146.9	182.0	57.1	58.0	21.1	141.4	606.4

Source: Nordicity estimates based on data from CRTC, Nielsen Media Research and CBC/Radio-Canada Research

* Weighted average of viewing shares for documentary (55%) and general entertainment / human interest / magazine (43%)

** Weighted average of viewing shares for documentary (46%) and general entertainment / human interest / magazine (34%)

Note: Some totals may not sum due to rounding

Nordicity used the same approach for the French-language market. One exception was the children's genre. Because there were no audience share data for the French-language children's genre, Nordicity imposed the rate of 39% from the English-language market.

Nordicity excluded pay television services (except Family Channel), video-on-demand, and third-language/ethnic services from the analysis. While these services do televise Canadian programming, Nordicity assumed that foreign programming comprised the main audience draw for these services.

Nordicity converted the gross subscription revenues to net subscription revenues by accounting for the technical, sales, and administrative expenses faced by Canadian specialty-television services. On a national basis, for each dollar of revenue (advertising + subscription) Canadian specialty-television services spend 23 cents on technical, sales and administrative expenses. Nordicity used this rate to convert gross subscription revenues into net subscription revenues.

Table 10 Net Subscription Revenues Attributed to Canadian Television Programming

(\$ millions)	News	Sports	Drama	Children's	Variety	Documentary and General	Total
English-language production	76.5	110.8	35.0	36.9	7.8	90.0	357.0
French-language production	36.6	29.4	9.0	7.7	8.4	18.9	109.9
Total	113.1	140.1	44.0	44.6	16.2	108.8	466.9

Source: Nordicity estimates based on data from CRTC

Note: Some totals may not sum due to rounding

Based on this approach, the estimated amount of net subscription revenues attributed to Canadian programming was \$466.9 million in 2006, attributed among genres as follows:

- Sports - \$140.1 million
- News - \$113.1 million.
- Documentary and general programming - \$108.8 million.
- Children’s - \$44.6 million.
- Drama - \$44.0 million.
- Variety - \$16.2 million.

3.3 Export Value

Many Canadian television programs also earn revenues from pre-sales to broadcasters outside of Canada; these foreign pre-sales contribute to covering the cost of production, when domestic audience potential – i.e., broadcaster demand – is not sufficient to cover the cost of production. The CFTPA measures the value of pre-sales of Canadian television and film production using its export value measure. Export value is equal to the sum of financing from foreign broadcasters and distributors as well as advances from Canadian distributors that are related to the foreign distribution of Canadian programming.

To estimate the export value of Canadian television programming, Nordicity obtained aggregate financing statistics from CAVCO. By using the same methodology as that used in the CFTPA’s *Profile 2007*, Nordicity arrived at the following estimates for the export value of Canadian television programs produced in 2005-06. Nordicity assumed that news and sports programming had no export value.

In total, Canadian television programming produced in 2005-06 had an export value of \$188.4 million. All but \$3.3 million of this amount was attributed to programming originally made for the English-language market.

- In the genres of drama, children’s and documentary and general programming, English-language production accounted for virtually all of the export value.
- Variety programming posted a small export value in 2005-06; all of the export value was attributable to French-language production.

Table 11 Estimates of Export Value for Television Production

(\$ millions)	News	Sports	Drama	Children’s	Variety	Documen- tary and General	Total
English-language production	0.0	0.0	122.4	27.3	0.0	35.3	185.1
French-language production	0.0	0.0	0.4	0.2	0.3	2.4	3.3
Total	0.0	0.0	122.9	27.5	0.3	37.7	188.4

Source: Nordicity estimates based on data from CFTPA and CAVCO

3.4 After-Market Export Sales

Canadian television programs can also earn revenues from after-market export sales. Many Canadian television programs, particularly in the English-language market, are able to earn export sales through foreign pre-sales. Some successful Canadian television programs also earn foreign revenues from after-market export sales – that is, sales outside of the pre-financing structure of the television project.

Nordicity developed a model for estimating the after-market export sales for the CTF-supported genres. The model is based on published data for the after-market sales performance of programming that received equity investments from Telefilm Canada through the CTF.

The Telefilm Canada data indicate the average probability of recovery (recovery rate) and recoupment rate for Equity Investment Program (EIP) projects produced between 1996-97 and 2000-01. The data indicate that across all genres, 63% of EIP projects recorded some recovery or recoupment of Telefilm Canada's equity investment. The data also indicate that among the projects that did record some recoupment, the average rate of recoupment was 7.4%, or 7.4 cents for every dollar of equity investment.

Table 12 presents the different recovery rates and recoupment rates for each genre of EIP-supported projects.

Table 12 Equity Investment Recovery and Recoupment Rates

Genre	Recovery rate	Recoupment as a percentage of equity investment
Children's	79%	15.3%
Drama	70%	6.9%
Documentary	63%	8.4%
Variety	55%	4.7%
Feature film	30%	3.3%
Total	63%	7.4%

Source: Nordicity Group tabulations based on data from Telefilm Canada, see Nordicity Group Ltd., *Analysis of Canadian Television Fund Equity Financing Recoupment*, 2006.

Note: Figures include only recoupment from equity investments; figures exclude Telefilm recoupment from projects contracted prior to 1996/97. Figures only include revenues for projects contracted between 1996/97 and 2000/01.

Nordicity used Telefilm Canada's recoupment statistics and average financing structures in each genre to derive the following rates of return that can be applied to overall budgets. The calculations of the rates of return are detailed in Appendix E. Nordicity assumed that the in-house genres and all genres of French-language production had no after-market export sales.

Table 13 Estimates of After-Market Export Sales

(\$ millions)	News	Sports	Drama	Children's	Variety	Documentary and General	Total
Rate of return	--	--	6.1%	10.9%	2.8%	5.5%	--
Total budgets English-language, independent production only)	0.0	0.0	668.0	234.0	29.0	277	1,208.0
Estimate of after-market export sales	--	--	40.7	25.5	0.8	15.2	82.3

Source: Nordicity estimates based on data from CFTPA , CAVCO and Telefilm Canada
Note: some totals may not sum due to rounding

Nordicity estimates that a single year of Canadian television production has the potential to generate \$82.3 million after-market export sales, whose estimated genre breakdown is as follows:

- Drama - \$40.7 million.
- Children's - \$25.5 million.
- Variety - \$0.8 million.
- Documentary and general programming - \$15.2 million.

4 The Economics of Canadian Television Production

In this section, Nordicity combines the estimates from Sections 2 and 3 to determine if there is a need for subsidy of Canadian television production.

4.1 English-Language Market

In the English-language market, only one genre posted an economic surplus; all other genres of television production posted economic shortfalls. Even the news and sports genres – long considered profitable genres for Canadian programming – posted economic shortfalls on an aggregate basis.

- Production of news programming in 2006 totalled \$461.5 million, but earned only \$337.8 million in revenues, resulting in an economic shortfall of \$123.6 million.
- Expenditures on the production of Canadian sports programming in 2006 totalled \$317.1 million; however, Canadian sports programming earned revenues of only \$254.3 million. Thus, sports programming posted an economic shortfall of \$62.8 million.
- Drama production posted the largest economic shortfall. It earned revenues of \$315.8 million compared to total production expenditures of \$668.0 million. Thus, there was an economic shortfall of \$352.2 million.
- The children’s genre also posted an economic deficit of over \$100.0 million. Production expenditures of \$234.0 million earned only \$117.9 million from domestic advertising, subscriber revenues, and foreign sales. This resulted in an economic shortfall of \$116.1 million.
- Production of variety programming totalled \$56.6 million in 2006, and generated revenues of \$63.7 million, yielding an economic surplus of \$7.1 million.
- The documentary and general programming category posted an economic shortfall of \$42.3 million, with costs of \$423.2 million and total revenues of \$380.9.

Table 14 Economic Surplus/Shortfall, English-Language Television Production

(\$ millions)	News	Sports	Drama	Children’s	Variety	Documen- tary and General	Total
Cost of production	461.5	317.1	668.0	234.0	56.6	423.2	2,160.4
Net advertising revenue	261.3	143.5	117.6	28.1	55.1	240.4	846.1
Net subscriber revenue	76.5	110.8	35.0	36.9	7.8	90.0	357.0
Export value	0	0	122.4	27.3	0.0	35.3	185.1
After-market export sales	0	0	40.7	25.5	0.8	15.2	82.3
Total revenues	337.8	254.3	315.8	117.9	63.7	380.9	1,470.5
Economic surplus/ (shortfall)	(123.6)	(62.8)	(352.2)	(116.1)	7.1	(42.3)	(689.9)

Source: Nordicity estimates based on data from CAVCO, CRTC, CFTPA, Nielsen Media Research, CBC/Radio-Canada Research and Telefilm Canada

Note: Some totals may not sum due to rounding

On an overall basis, Nordicity estimates that there was an economic shortfall of \$689.9 million associated with the production of Canadian television programming in the English-language market. In other words, while the revenue potential of English-language Canadian television production was \$1,470.5 million, the cost of producing the television content to generate this revenue was actually \$2,160.4 million.

4.2 French-Language Market

In the French-language market, none of the major television-programming genres in this analysis posted an economic surplus.

- Production of news programming in 2006 totalled \$130.3 million; it earned revenues of \$94.7 million, resulting in an economic shortfall of \$35.6 million.
- Expenditures on the production of Canadian sports programming in the French-language market in 2006 totalled \$54.6 million; and earned revenues of \$45.8 million. Thus, sports programming posted an economic shortfall of \$8.8 million.
- Drama production earned revenues of \$57.4 million compared to total production expenditures of \$193.0 million. Thus, there was an economic shortfall of \$135.6 million in this genre.
- The children's genre posted the largest economic shortfall, on a percentage basis, in the French-language market. It posted an economic shortfall of \$41.1 million, which was equal to 84% of production expenditures of \$49.0 million.
- Production of variety programming totalled \$64.0 million in 2006, but generated revenues of only \$20.7 million, resulting in an economic shortfall of \$43.3 million.
- The documentary and general programming category posted an economic shortfall of \$139.4 million, with costs of \$270.8 million and total revenues of \$131.4 million.

Table 15 Economic Surplus/Shortfall, French-Language Television Production

(\$ millions)	News	Sports	Drama	Children's	Variety	Documen- tary and General	Total
Cost of production	130.3	54.6	193.0	49.0	64.0	270.8	761.8
Net advertising revenue	58.1	16.4	48.0	0.0	12.0	110.1	244.7
Net subscriber revenue	36.6	29.4	9.0	7.7	8.4	18.9	109.9
Export value	0	0	0.4	0.2	0.3	2.4	3.3
After-market export sales	0	0	0	0	0	0	0
Total revenues	94.7	45.8	57.4	7.9	20.7	131.4	357.9
Economic surplus/ shortfall	(35.6)	(8.8)	(135.6)	(41.1)	(43.3)	(139.4)	(403.9)

Source: Nordicity estimates based on data from CFTPA, CAVCO, CRTC, Nielsen Media Research, CBC/Radio-Canada Research and Telefilm Canada

Note: Some totals may not sum due to rounding

On an overall basis, Nordicity estimates that there was an economic shortfall of \$403.9 million associated with the production of Canadian television programming in the French-language market. In other words, while the revenue potential of French-language Canadian television production was \$357.9 million, the cost of producing the television content to earn this revenue was actually \$761.8 million.

5 Summary of Findings

The preceding analysis has found that the vast majority of Canadian television production would likely not occur without the various subsidy programs in place to support it. The results show that all the major genres of Canadian television programming – with the exception of English-language variety programming – earn revenues that fall well short of its real cost. These results are based on an analysis of 2006 production and television viewing data. However, Nordicity does not believe that 2006 was in any way an unusual year for Canadian television, or that its conclusions would vary significantly with the use of data from different years.

The Costs of Television Production

Nordicity utilized data from CAVCO, CRTC, and CFTPA to estimate the annualized cost of producing the level of television content commissioned by Canadian broadcasters – both in-house and independent production. Nordicity prepared estimates in each language market for six categories or genres of production – news, sports, drama, children’s programming, variety programming, and documentary and general programming.

In total, Nordicity found that the production of English-language television programming cost approximately \$2.2 billion in 2005-06. Production of French-language programming for Canadian television cost an estimated \$762 million in that same year.

Nordicity benchmarked these Canadian results against TV production costs from four other countries. The costs of Canadian television production in English-Canada appear to be very much in line with the costs of television production in France and the U.K., and far below the levels in the U.S. The costs of Canadian television production in French-Canada appear to be far lower than the English-Canadian costs, and are very close to TV production costs in Australia.

Revenues of Canadian Television Production

Nordicity utilized data from CBC/Radio-Canada Research, Nielsen Media Research, and the CRTC to estimate the annualized advertising revenue of Canadian television production, as well as the amount of specialty-television subscription revenue that could be attributed to Canadian television programming. Nordicity supplemented these estimates of domestic revenues, by preparing estimates of the export value and after-market export sales potential of each genre.

Nordicity found that English-language television production accounted for net advertising revenues of \$846.1 million in 2006, plus net subscription revenues of \$357.0 million. In terms of international revenue potential, Nordicity found that the 2006 levels of production corresponded with export value earnings of \$185.1 million and after-market export sales potential of \$82.3 million. In total, English-language television programming produced in 2006 had a revenue potential of just under \$1.5 billion.

For the French-language market, Nordicity found that Canadian television production accounted for net advertising revenues of \$244.7 million and net subscription revenues of \$109.9 million in 2006. Nordicity found that the 2006 levels of French-language production corresponded with international-revenue potential of \$3.3 million. This relatively low level of international sales potential compared to the English-language market reflected the fact that Canada’s French-language programming has traditionally had limited international sales potential.

In total, French-language television programming produced in 2006 had a revenue potential of \$357.9 million.

The Results

When Nordicity compared the production costs for Canadian English-language television production in each genre to the revenue potential of that genre, it found that all genres except variety displayed an economic shortfall.

Overall, Canadian English-language television production displayed an economic shortfall of \$689.9 million in 2006. About one-half of this shortfall, or \$352.2 million, was concentrated in the drama genre. News, sports, children's programming, and documentary and general programming also displayed economic shortfalls ranging from \$42.3 million (documentary and general programming) to \$123.6 million (news). Only the variety genre displayed a small economic surplus of \$7.1 million.

The French-language market displayed an overall economic shortfall of \$403.9 million. This shortfall was distributed across all of the major genres. Documentary and general programming as well as drama programming displayed the largest shortfalls – both in excess of \$100 million. Sports, children's and variety programming also displayed shortfalls.

6 Conclusion

While it may be the case that individual television programs in Canada have been or can be profitable, the results of this study show that Canadian firms in this industry cannot, in general, be successful, on an ongoing and permanent basis, without significant financial support from government. In some cases, such as drama and children's programming, the industry's economic shortfall is more than 50% of the total costs of the productions.

Why is it so difficult to make Canadian television programming profitably?

While this study does not investigate the causes of the industry's poor economics, Nordicity believes there may be a number of factors at play, the most important relating to the presence of high-levels of foreign programming (primarily from the U.S.) in the Canadian market.

While American programs are available at low cost to broadcasters in countries around the world, Canada is unique in terms of its geographic proximity and historical access to U.S. TV broadcasts. Canadians have traditionally had easy access to American programming via U.S. border stations, cable and DTH, and Canadian broadcasters who have purchased the Canadian rights for this programming at a relatively low license fee compared to their actual cost. While the cost of foreign programming has risen sharply as Canadian commercial broadcasters bid up the top product, the license fees are still far below the original costs of the program – as little as 10% of the original U.S. production costs, and far below the costs of producing equivalent Canadian product. The high amount of U.S. content available has also resulted in high levels of viewership, particularly by English-language viewers, throughout the day and in prime-time. As well, the U.S. publicity machine strongly promotes the US shows, through print and other media available in Canada. This combination leads to higher profitability and lower production risks – relative to the profitability and production risks of creating a new untested Canadian program.

The implications of the popularity of US programming in English Canada are that, first, on the revenue side, Canadian advertising dollars are in general more heavily focused on the US shows than Canadian shows. In fact, viewing to American programming in Canada now makes up approximately three-quarters of all prime-time viewing in English Canada, and one-third of all prime-time viewing in French Canada. Canadian advertising dollars follow Canadian viewers; as a result of this large draw of Canadian audiences and advertising dollars to foreign programming. There are fewer advertising dollars left to support Canadian television programming. In English-language market, the revenues available for Canadian programming are approximately 75% lower than they would otherwise be.

The second implication, on the cost side, relates to the very high production values that are contained within these American programs. As shown in this study, the costs of U.S. programming far exceed those of any other country in the world. Since so much of this very expensive programming is broadcast and viewed on Canadian television, the acceptable production values for home-grown Canadian television are higher than they would otherwise be, and certainly higher than what would be the case in a more isolated market of Canada's size. Canadians have been spoiled by the availability of a large amount of high-quality popular American TV, and as a result, generally speaking, require Canadian programming to be expensive as well; more expensive than a market the size of Canada would on its own produce. This is particularly evident in the English-language market, whereas significant language and cultural differences permit lower-cost French-language programs to compete against big-budget, U.S. imports for many genres.

While there may be other factors at play in the Canadian industry, Nordicity believes that these two effects – significantly depressed revenues and abnormally high production costs – create the poor economic environment for television programming in Canada.

As a result, Canadian programming cannot in general be profitable in an ongoing and permanent sense, without government intervention.



Nordicity Group Ltd.
Le Groupe Nordicité Itée

References and Data Sources

Australian Film Commission, *National survey of feature film and TV drama production 2005/06*, 2006.

Canadian Audio-Visual Certification Office, Special tabulations for Canadian Film or Video Production Tax Credit Projects, 2007.

Canadian Audio-Visual Certification Office, Special tabulations for Film or Video Production Services Tax Credit Projects, 2007.

Canadian Television Fund, *Canadian Television Fund Stakeholders Report 2006*, June 2006.

Canadian Film and Television Production Association, *Profile 2007: An Economic Report on the Canadian Film and Television Production Industry*, February 2007.

Canadian Radio-television and Telecommunications Commission, *Broadcasting Policy Monitoring Report 2007*, July 2007.

Canadian Radio-television and Telecommunications Commission, *Individual Pay, PPV, VOD and Specialty Services: Statistical and Financial Summaries, 2002 - 2006*.

Canadian Radio-television and Telecommunications Commission, *Pay, PPV, VOD and Specialty Services: Statistical and Financial Summaries (with amortization), 2002 - 2006*.

Canadian Radio-television and Telecommunications Commission, *Television: Statistical and Financial Summaries, 2002-2006*.

Centre National de la Cinématographie (CNC), Statistiques par secteurs – production audiovisuelle aidée – cout horaire selon les diffuseurs, downloaded at <<<http://www.cnc.fr/Site/Template/T3.aspx?SELECTID=1599&ID=958&t=3>>>, January 16, 2008.

Nordicity Group Ltd., *The Case for Kids Programming: Children's and Youth Audio-Visual Production in Canada*, prepared for the Canadian Film and Television Production Association, February 2007.

Nordicity Group Ltd., *Analysis of Canadian Television Fund Equity Financing Recoupment*, prepared for Canadian Television Fund, Telefilm Canada, and Department of Canadian Heritage, 2005.

Ofcom, *The future of children's television programming*, October 3, 2007.

Ofcom, Special tabulations for Public Service Broadcasters' first-run drama production (in-house and external commissions), December 2007.

SNL Kagan, "Economics of TV Programming and Syndication 2007," July 2007.

SNL Kagan, "TV Program Investor," Number 273, December 27, 2005.

Appendix A: Analysis and Calculation of Real Production Costs

Table 16 Calculation of Estimates of Total Production Costs for In-House Television Programming

Row	Item	Source / Calculation	News (\$ millions unless specified otherwise)	Sports (\$ millions unless specified otherwise)
	Expenditures by conventional broadcasters			
	<u>2004 Data (\$M)</u>			
1	Private conventional English	CRTC	267.3	8.4
2	CBC English	CRTC	129.8	161.4
3	Total English	1+2	397.1	169.8
4	Total conventional French (private + SRC)	CRTC	97.7	18.2
5	Total conventional	3 + 4	494.8	188
	<u>2004 shares</u>			
6	English	3 ÷ 5	80%	90%
7	French	4 ÷ 5	20%	10%
8	Total	6 + 7	100%	100%
	<u>2006 Data (\$M)</u>			
9	CBC/SRC OTA	CRTC	116.6	141.5
10	Private conventional	CRTC	328.1	9.4
11	Total conventional	9 +10	444.7	150.9
	<u>Estimates of program costs for 2006 (\$M)</u>			
12	English conventional	6 × 11	356.9	136.3
13	French conventional	7 × 11	87.8	14.6
14	Pay and specialty - English	CRTC	104.6	180.8
15	Pay and specialty - French	CRTC	42.5	40.0
16	Total English	12 + 14	461.5	317.1
17	Total French	13 + 15	130.3	54.6
18	Total - All languages	16 + 17	591.8	371.7

Source: CRTC and Nordicity calculations

Table 17 Tabulation of In-House Production Expenditures on Variety Programming

Specialty-Television Music Service	Expenditures on In-House (\$)
English-language market	
MuchMusic	21,256,114
MuchLoud	6,884
MuchMore	5,682,487
MuchRetro	14,812
MuchVibe	26,634
CMT	609,110
Total	27,596,041
French-language market	
MusiMax	613,628
MusiquePlus	2,392,837
Total	3,006,465

Source: CRTC

Table 18 Calculation of In-House Production Expenditures for Other Information/General Entertainment / Human Interest / Reality Programming

	Other Information (Lifestyle, how-to shows) (\$ millions)	Gen. Ent. / Human Interest – Reality (\$ millions)
Estimates of program costs for 2006 (\$M)		
English conventional	29.9	17.0
French conventional	7.9	7.2
Pay and specialty - English	41.6	24.9
Pay and specialty - French	10.2	3.3
Total English	71.5	41.9
Total French	18.1	10.5
Total - All languages	89.6	52.4

Source: Nordicity calculations based on data from CRTC

Comparative Analysis of Per-Hour Costs of Drama Programming

- Nordicity calculated average per-hour production costs for Canadian programming using data from CAVCO. All amounts were converted to inflation-adjusted dollars using Statistics Canada's Consumer Price Index.

Table 19 Average Production Costs, Canadian Drama

	2001/02	2002/03	2003/04	2004/05	2005/06	Five-year average
Real 2006 dollars (C\$ 000s) per hour						
English-language - 10-point production	927	1,087	843	770	1,198	1,011
English-language - All point levels	1,540	1,453	1,052	1,031	1,392	1,352
French-language - All point levels	328	317	273	305	367	329

Source: Nordicity calculations based on data from CAVCO and Statistics Canada

Note: Five-year average is a weighted average based on all projects during the five-year period; it is not a simple average of five annual averages.

- Nordicity also calculated average per-hour production costs (based on global budgets) for service production of foreign television series shot in Canada; the data were based on service-production projects that received the Film or Video Production Services Tax Credit (PSTC). All amounts were converted to inflation-adjusted dollars using Statistics Canada's Consumer Price Index.

Table 20 Average Production Costs, Service Production in Canada

	2001/02	2002/03	2003/04	2004/05	2005/06	Five-year average
Real 2006 dollars (C\$ 000s) per hour						
TV series	3,228	3,022	2,655	2,817	2,999	2,833

Source: Nordicity calculations based on data from CAVCO and Statistics Canada

Note: Five-year average is a weighted average based on all projects during the five-year period; it is not a simple average of five annual averages.

- Nordicity used data for the annual number of hours of original production and total annual spending on original production to calculate the average per-hour cost of adult drama and documentary programming in Australia. All amounts were converted to inflation-adjusted dollars using Australia's inflation rate.

Table 21 Average Production Costs, Drama, Australia

	2001/02	2002/03	2003/04	2004/05	2005/06	Five-year average
Hours of production	628	547	476	527	433	--
Total budgets (Current A\$ millions)	246.0	155.0	141.0	168.0	129.0	--
Average per-hour budget (Current A\$ 000s)	392	283	296	319	298	--
Price level adjustment (2006 = 1.000)	1.128	1.097	1.067	1.035	1.000	--
Average per-hour budget (Real 2006 A\$ 000s)	442	311	316	330	298	--
Exchange rate (C\$/A\$)	0.85	0.91	0.96	0.92	0.85	--
Average per-hour budget (Real 2006 C\$ 000s)	375	283	303	304	253	304

Source: Nordicity calculations based on data from Australian Film Commission, Reserve Bank of Australia, and Bank of Canada

- Nordicity used data for television programming that received financial support from the Centre National de Cinématographie, to calculate average production costs in France. Nordicity's calculations are based on statistics for the annual number of hours of original production and total annual spending on original production.

Table 22 Average Production Costs, Drama, France

	2001/02	2002/03	2003/04	2004/05	2005/06	Five-year average
Average per-hour budget (Current € 000s)	915	896	867	773	855	--
Price level adjustment (2006 = 1.000)	1.089	1.067	1.044	1.022	1.000	--
Average per-hour budget (Real 2006 € 000s)	996	955	906	790	855	--
Exchange rate (C\$/A\$)	1.48	1.58	1.62	1.51	1.42	--
Average per-hour budget (Real 2006 C\$ 000s)	1,474	1,509	1,467	1,192	1,213	1,371

Source: Nordicity estimates based on data from Centre National de Cinématographie, European Central Bank, and Bank of Canada. Note: Statistics only include productions that received financial support from Centre National de Cinématographie.

- Nordicity's calculation of average budgets for production in the U.K. are based on data for the licensing costs of public service broadcasters (BBC, ITV1, Channel 4, 5, S4C) in the U.K.
- Drama costs include in-house production by broadcasters as well as broadcaster-commissioned original programming produced by production companies. To calculate average per-hour budgets, broadcasters' per-hour costs have been inflated to account for the fact that broadcasters typically cover 85% of the total budgets of external commissioned programming; production companies cover the balance of production budgets largely through sales of international rights and secondary-window rights. Statistics published by Ofcom in Ofcom, *The future of children's television programming*, October 3, 2007 support this assumption. Ofcom reports that broadcaster payments for first-run commissions account for 86% of the total cost of production of UK live-action children's drama programming (see Ofcom, *The future of children's television programming*, Figure 55, p. 67).

Table 23 Average Production Costs, Drama, United Kingdom

	2001/02	2002/03	2003/04	2004/05	2005/06	Five-year average
Average broadcaster costs per hour (Real 2006 £ 000s)	381	398	437	448	452	--
Average per-hour budget (Real 2006 £ 000s) (See note 1)	448	468	514	527	532	--
Exchange rate (C\$/£)	2.36	2.29	2.38	2.21	2.09	--
Average per-hour budget (Real 2006 C\$ 000s)	1,058	1,072	1,224	1,165	1,111	1,126

Source: Nordicity estimates based on data from Ofcom, Bank of Canada.

- To estimate the average per-hour production costs for American television programming, Nordicity obtained data for average licence fees for productions aired by U.S. broadcast TV networks (CBS, NBC, ABC, FOX, CW, WB, and UPN). Nordicity used the assumption that U.S. network broadcast licence fees account for 63% of total production costs, to gross-up the licence-fee data to produce estimates of average per-hour production costs. Nordicity used U.S. inflation rates and exchange rates to convert all amounts to real 2006 Canadian dollars.

Table 24 Average Production Costs, Drama, United States

	2001/02	2002/03	2003/04	2004/05	2005/06	Five-year average
Average per-hour license fee (Current \$ 000s)	1,821	1,746	1,894	1,832	1,648	--
Average per-hour production cost*	2,890	2,771	3,006	2,908	2,616	--
Price level adjustment (2006 = 1.000)	1.121	1.096	1.067	1.032	1.000	--
Average per-hour cost (Real 2006 \$ 000s)	3,239	3,036	3,209	3,002	2,616	--
Exchange rate (US\$/C\$)	1.57	1.40	1.30	1.21	1.13	--
Average per-hour budget (Real 2006 C\$ 000s)	5,085	4,250	4,171	3,633	2,957	4,019

Source: Nordicity estimates based on SNL Kagan, Bureau of Labor Statistics and Bank of Canada

* Conservatively assuming the TV network license fees represent the top end of a range between 57% and 63% of the total production cost (Kagan, *TV Program Investor*, Dec. 27, 2005).

Appendix B: Calculation of Advertising Revenues

- Based on CRTC data, Nordicity tabulated the total advertising revenues earned by Canadian broadcasters during the 2006 broadcasting year (September 2005 to August 2006).

Table 25 Total Advertising Revenues in the Canadian Television Market, 2006 Broadcasting Year

(\$ millions)	English-Language Market	French-Language Market	Total
Conventional TV			
Private conventional ad revenues	1,693	327	2,020
CBC/SRC ad revenues	224	115	339
Total conventional ad revenues	1,917	442	2,359
Specialty TV ad revenues	724	126	850
Grand total ad revenues of Canadian services	2,641	568	3,209

Source: CRTC

- Using raw data from Nielsen Media Research, CBC/Radio-Canada Research tabulated the total hours of television viewing to programming in each genre and in each major sector (CBC/Radio-Canada, private conventional, and specialty-television) of the Canadian television market. CBC/Radio-Canada Research also calculated the share of total viewing that was to Canadian programming and the total hours represented by this share.

Table 26 Viewing to Canadian Programming in the English-Language Market, September 2005 to August 2006

	Total Viewing Hours (Adults 25 to 54)	Share of Total Viewing to Canadian Programming	Canadian Viewing
News			
CBC	61,024,753	100%	61,024,753
Private conventional broadcasters	648,207,201	100%	648,207,201
Specialty TV services	218,760,613	98%	215,414,897
Other Information (excluding Documentary)			
CBC	49,131,625	100%	48,982,698
Private conventional broadcasters	186,866,252	79%	148,268,166
Specialty TV services	502,231,750	56%	278,929,390
Sports			
CBC	386,946,451	100%	386,893,178
Private conventional broadcasters	88,637,694	5%	4,248,353
Specialty TV services	683,350,495	59%	400,734,345
Variety			
CBC	8,457,983	87%	7,380,630
Private conventional broadcasters	127,933,246	25%	32,574,377
Specialty TV services	302,082,851	96%	290,267,508
Game Shows			
CBC	--	--	--
Private conventional broadcasters	58,545,819	0%	23,980
Specialty TV services	13,016,768	17%	2,276,356
General Entertainment / Human Interest			
CBC	12,378,923	91%	11,255,991
Private conventional broadcasters	921,108,128	24%	220,475,558

Specialty TV services	267,163,957	43%	113,802,933
Documentary			
CBC	26,076,177	87%	22,708,751
Private conventional broadcasters	53,082,259	72%	38,282,741
Specialty TV services	352,738,061	55%	194,016,142
Drama			
CBC	230,408,422	37%	85,112,208
Private conventional broadcasters	1,681,024,017	8%	126,342,841
Specialty TV services	1,316,906,844	30%	388,748,577
Other Genres			
CBC	--	--	--
Private conventional broadcasters	1,090,592	1%	15,596
Specialty TV services	4,816,766	0%	652
Kids			
YTV & Teletoon E	222,996	39%	86,429
Total – All Genres			
Total CBC	774,424,334	80%	623,358,209
Total private conventional broadcasters	3,766,495,209	32%	1,218,438,812
Specialty TV services	3,661,068,105	51%	1,884,190,799
Total	8,201,987,648	45%	3,725,987,820

Source: CBC Research and Nielsen Media

- Nordicity used the data in Table 25 and Table 26 to calculate the share of total viewing accounted for by each genre and sector. For example, the viewing of Canadian drama on CBC accounted for 11.0% of total viewing of programming on CBC. In other words, 11.0% of the \$224 million in ad revenues earned by the CBC can be attributed to Canadian drama programming on the CBC; this amounts to \$24.6 million.

Table 27 Share of Total Viewing to Canadian Programming and Allocation Advertising Revenues in the English-Language Market, September 2005 to August 2006

Genre and Sector	Share of total viewing that is to Canadian programming	Share of total advertising revenues (\$ millions)
Drama		
CBC	11.0%	24.6
Private conventional broadcasters	3.4%	56.8
Specialty TV services	10.6%	76.9
Total	7.3%	158.3
Documentary		
CBC	2.9%	6.6
Private conventional broadcasters	1.0%	17.2
Specialty TV services	5.3%	38.4
Total	3.1%	62.1
Variety		
CBC	1.0%	2.1
Private conventional broadcasters	0.9%	14.6
Specialty TV services	7.9%	57.4
Total	4.0%	74.2

News		
CBC	7.9%	17.7
Private conventional broadcasters	17.2%	291.4
Specialty TV services	5.9%	42.6
Total	11.3%	351.6
Sports		
CBC	50.0%	111.9
Private conventional broadcasters	0.1%	1.9
Specialty TV services	10.9%	79.2
Total	9.7%	193.1
General Entertainment / Human Interest		
CBC	1.5%	3.3
Private conventional broadcasters	5.9%	99.1
Specialty TV services	3.1%	22.5
Total	4.2%	124.9
Game Shows / Other		
CBC	0.0%	0.0
Private conventional broadcasters	0.0%	0.0
Specialty TV services	0.1%	0.5
Total	3.1%	0.5
Other Info		
CBC	6.3%	14.2
Private conventional broadcasters	3.9%	66.6
Specialty TV services	7.6%	55.2
Total	5.8%	136.0
Total		
CBC	80.5%	180.3
Private conventional broadcasters	32.3%	547.7
Specialty TV services	51.5%	372.6
Total	48.5%	1,100.6

Source: Nordicity calculations based on data from CBC/Radio-Canada Research and Nielsen Media Research

- So that the advertising-revenue data correspond with the production-cost data, Nordicity constructed a genre called documentary and general, by summing the advertising revenues earned in the genres of documentary, general entertainment and human interest, game shows and other, and other information. Table 28 details the advertising-revenue amounts in the documentary and general category

Table 28 Total Advertising Revenues Allocated to the Documentary and General Genre in the English-Language Market

Sector	Total advertising revenues
CBC	24.0
Private conventional broadcasters	183.0
Specialty television advertising	116.5
Total	323.4

Source: Nordicity calculations based on data from CBC/Radio-Canada Research and Nielsen Media Research

- Nordicity then summed the advertising-revenue estimates in each genre and broadcaster category to arrive at the overall estimates of advertising revenue in the English-language market detailed in Table 29.

Table 29 Estimates of Advertising Revenue by Genre, English-Language Market

Genre	Advertising revenues (\$ millions)
News	351.6
Sports	193.1
Drama	158.3
Children's	--*
Variety	74.2
Documentary and general	323.4
Total	1,100.6

Source: Nordicity calculations based on data from CBC/Radio-Canada Research and Nielsen Media Research

* Advertising revenue for the children's genre was estimated using a different procedure. This procedure is described below.

- For the children's genre, Nordicity used the advertising revenue statistics reported by the specialty-television services that televise children's programming; specialty-television services account for the vast majority of television ad sales for the children's genre. To estimate the portion of advertising attributable to Canadian programming, Nordicity applied the audience share of Canadian children's programming in the specialty-television segment; this share was 39% during the 2006 broadcasting year. This approach yielded an estimate of \$39.6 million for the annual amount advertising revenues generated by children's programming in the English-language market.

Table 30 Estimates of Advertising Revenue by Genre, English-Language Market

Genre	YTV	Teletoon (English)*	Treehouse	BBC kids	Discovery Kids	Total
National ad revenue (\$)	54,581,002	46,274,726	111,034	355,660	244,315	101,566,737
Canadian share	39%	39%	39%	39%	39%	39%
Estimate of ad revenue attributable to Canadian programming (\$M)	21.3	18.0	0.0	0.1	0.1	39.6

Source: Nordicity calculations based on data from CBC/Radio-Canada Research and Nielsen Media Research

* 75% of Teletoon's advertising revenue was allocated to the English-language market.

- The overall result of the allocation of advertising revenues in the English-language market to Canadian programming can be found in Table 6 (Section 3.1)

- Nordicity conducted a similar advertising-revenue-allocation exercise for the French-language market. The viewing levels for the French-language market are detailed in Table 31.

Table 31 Viewing to Canadian Programming in the French-Language Market, September 2005 to August 2006

	Total Viewing Hours (Adults 25 to 54)	Share of Total Viewing to Canadian Programming	Canadian Viewing
News			
SRC	78,546,177	100%	78,546,177
Private conventional broadcasters	336,308,655	100%	336,308,655
Specialty TV services	131,759,636	97%	127,385,319
Other Information (excluding Documentary)			
SRC	82,807,938	99%	81,973,175
Private conventional broadcasters	290,852,191	98%	286,316,978
Specialty TV services	102,933,125	92%	95,041,245
Sports			
SRC	33,368,491	100%	33,226,965
Private conventional broadcasters	16,315,747	96%	15,642,801
Specialty TV services	184,134,192	75%	138,606,698
Variety			
SRC	16,389,187	100%	16,331,587
Private conventional broadcasters	63,379,520	100%	63,236,608
Specialty TV services	43,973,385	80%	35,316,239
Game Shows			
SRC	18,364,208	100%	18,364,208
Private conventional broadcasters	51,865,207	100%	51,865,207
Specialty TV services	4,050,876	2%	66,735
General Entertainment / Human Interest			
SRC	142,946,314	88%	125,195,228
Private conventional broadcasters	272,427,986	77%	208,579,672
Specialty TV services	41,977,765	34%	14,318,675
Documentary			
SRC	10,012,680	97%	9,729,910
Private conventional broadcasters	49,079,640	70%	34,515,207
Specialty TV services	148,798,819	46%	68,468,519
Drama			
SRC	210,307,424	60%	125,583,701
Private conventional broadcasters	642,725,289	30%	194,140,459
Specialty TV services	348,465,145	39%	136,785,115
Other Genres			
SRC	--	--	--
Private conventional broadcasters	14,846,308	62%	9,170,501
Specialty TV services	201,390	89%	178,558
Total – All Genres			
Total SRC	592,742,418	82%	488,950,950
Total private conventional broadcasters	1,737,800,543	69%	1,199,776,087
Specialty TV services	1,006,294,332	61%	616,167,102
Total	3,336,837,292	69%	2,304,894,138

Source: CBC/Radio-Canada Research and Nielsen Media Research

- The allocation of advertising revenues to Canadian programming in the French-language market is detailed in Table 32.

Table 32 Share of Total Viewing to Canadian Programming and Allocation Advertising Revenues in the French-Language Market, September 2005 to August 2006

Genre and Sector	Share of total viewing that is to Canadian programming	Share of total advertising revenues (\$M)
Drama		
SRC	21.2%	24.4
Private conventional broadcasters	11.2%	36.5
Specialty adv.	13.6%	17.1
Total	13.7%	78.0
Documentary		
SRC	1.6%	1.9
Private conventional broadcasters	2.0%	6.5
Specialty adv.	6.8%	8.6
Total	3.4%	17.0
Variety		
SRC	2.8%	3.2
Private conventional broadcasters	3.6%	11.9
Specialty adv.	3.5%	4.4
Total	3.4%	19.5
News		
SRC	13.3%	15.2
Private conventional broadcasters	19.4%	63.3
Specialty adv.	12.7%	16.0
Total	16.3%	94.5
Sports		
SRC	5.6%	6.4
Private conventional broadcasters	0.9%	2.9
Specialty adv.	13.8%	17.4
Total	5.6%	26.7
General Entertainment / Human Interest		
SRC	21.1%	24.3
Private conventional broadcasters	12.0%	39.2
Specialty adv.	1.4%	1.8
Total	10.4%	65.3
Game Shows / Other		
SRC	3.1%	3.6
Private conventional broadcasters	3.5%	11.5
Specialty adv.	0.0%	0.0
Total	2.4%	15.1
Other Info		
SRC	13.8%	15.9
Private conventional broadcasters	16.5%	53.9

Specialty adv.	9.4%	11.9
Total	10.0%	81.7
Total		
SRC	82%	94.9
Private conventional broadcasters	69%	225.8
Specialty adv.	61%	77.2
Total	69%	397.8

Source: Nordicity calculations based on data from CBC/Radio-Canada Research and Nielsen Media

- Nordicity also constructed a documentary and general category for the analysis of the French-language market (Table 33).

Table 33 Total Advertising Revenues Allocated to the Documentary and General Genre in the French-Language Market

Genre and Sector	Total advertising revenues
CBC	45.6
Private conventional broadcasters	111.1
Specialty adv.	22.3
Total	179.0

- Nordicity then summed the advertising-revenue estimates in each genre and broadcaster category to arrive at the overall estimates of advertising revenue in the French-language market detailed in Table 34.

Table 34 Estimates of Advertising Revenue by Genre, French-Language Market

Genre	Advertising revenues (\$ millions)
News	94.5
Sports	26.7
Drama	78.0
Children's	--*
Variety	19.5
Documentary and general	179.0
Total	397.8

Source: Nordicity calculations based on data from CBC/Radio-Canada Research and Nielsen Media Research

* The sale of advertising for children's programming is prohibited in the French-language market.

Appendix C: Calculation of Subscription Revenues

Table 35 Allocation of Programming by Genre for English-Language Specialty-Television Services

Service	News	Sports	Drama	Documentary	VAPA	Children's	General Ent. / Human Interest / Magazine	Total
AnimalPlanet	0%	0%	0%	70%	0%	10%	20%	100%
BBCCanada	0%	0%	40%	10%	10%	0%	40%	100%
BBCKids	0%	0%	0%	0%	0%	100%	0%	100%
Biography	0%	0%	0%	100%	0%	0%	0%	100%
BITE TV	0%	0%	33%	33%	0%	0%	34%	100%
Book TV	0%	0%	30%	50%	0%	0%	20%	100%
BPM: TV	0%	0%	0%	0%	100%	0%	0%	100%
Bravo	0%	0%	33%	33%	34%	0%	0%	100%
Christian	0%	0%	20%	0%	0%	0%	80%	100%
CLT	0%	0%	33%	33%	0%	0%	34%	100%
CMT	0%	0%	0%	0%	70%	0%	30%	100%
Cool TV	0%	0%	0%	0%	100%	0%	0%	100%
CountryCan	0%	20%	30%	20%	10%	0%	20%	100%
CourtTV	0%	0%	20%	20%	0%	0%	60%	100%
CTV Newsne	100%	0%	0%	0%	0%	0%	0%	100%
Deja View	0%	0%	80%	0%	0%	0%	20%	100%
DischHealth	0%	0%	0%	50%	0%	0%	50%	100%
Discov HD	0%	0%	0%	50%	0%	0%	50%	100%
DiscovCiv	0%	0%	0%	50%	0%	0%	50%	100%
Discovery	0%	0%	0%	50%	0%	0%	50%	100%
DiscovKid	0%	0%	0%	0%	0%	100%	0%	100%
Documentar	0%	0%	0%	100%	0%	0%	0%	100%
Drive-In	0%	0%	100%	0%	0%	0%	0%	100%
ESPN Class	0%	100%	0%	0%	0%	0%	0%	100%
FashionTV	0%	0%	0%	0%	0%	0%	100%	100%
Fight Net	0%	100%	0%	0%	0%	0%	0%	100%
FineLiving	0%	0%	0%	0%	0%	0%	100%	100%
Food Net.	0%	0%	0%	0%	0%	0%	100%	100%
FoxSports	0%	100%	0%	0%	0%	0%	0%	100%
G4TechTV	0%	0%	0%	0%	0%	0%	100%	100%
HGTV	0%	0%	0%	0%	0%	0%	100%	100%
History TV	0%	0%	30%	60%	0%	0%	10%	100%
HPItv	0%	100%	0%	0%	0%	0%	0%	100%
ichannel	0%	0%	30%	70%	0%	0%	0%	100%
IFCC	0%	0%	90%	10%	0%	0%	0%	100%
Leafs TV	0%	100%	0%	0%	0%	0%	0%	100%
Lonestar	0%	0%	80%	0%	0%	0%	20%	100%
MenTV	0%	0%	30%	0%	0%	0%	70%	100%
Moviola	0%	0%	90%	10%	0%	0%	0%	100%
MSNBC Can.	100%	0%	0%	0%	0%	0%	0%	100%
MTV Canada	0%	0%	0%	0%	0%	0%	100%	100%
Much Music	0%	0%	0%	0%	60%	0%	40%	100%
MuchLoud	0%	0%	0%	0%	60%	0%	40%	100%
MuchMore	0%	0%	0%	0%	60%	0%	40%	100%

Service	News	Sports	Drama	Documentary	VAPA	Children's	General Ent. / Human Interest / Magazine	Total
MuchRetro	0%	0%	0%	0%	60%	0%	40%	100%
MuchVibe	0%	0%	0%	0%	60%	0%	40%	100%
Mystery	0%	0%	100%	0%	0%	0%	0%	100%
Natl Geo	0%	0%	0%	100%	0%	0%	0%	100%
NatlHockey	0%	100%	0%	0%	0%	0%	0%	100%
NewsWorld	70%	0%	0%	30%	0%	0%	0%	100%
NHL Netwrk	0%	100%	0%	0%	0%	0%	0%	100%
One: MBS - Not found	0%	0%	0%	0%	0%	0%	100%	100%
Outdoor Life Network	0%	10%	0%	0%	0%	0%	90%	100%
Pet Net	0%	0%	0%	0%	0%	0%	100%	100%
Pulse 24	100%	0%	0%	0%	0%	0%	0%	100%
PunchMuch	0%	0%	0%	0%	100%	0%	0%	100%
RaptorsNBA	0%	100%	0%	0%	0%	0%	0%	100%
Razer	0%	0%	60%	0%	0%	0%	40%	100%
Business News Network	100%	0%	0%	0%	0%	0%	0%	100%
SC Action	0%	0%	100%	0%	0%	0%	0%	100%
SC Diva	0%	0%	100%	0%	0%	0%	0%	100%
Scream	0%	0%	100%	0%	0%	0%	0%	100%
SexTV	0%	0%	33%	33%	0%	0%	34%	100%
Showcase	0%	0%	100%	0%	0%	0%	0%	100%
SilverScre	0%	0%	100%	0%	0%	0%	0%	100%
Slice	0%	0%	0%	0%	0%	0%	100%	100%
Space	0%	0%	90%	10%	0%	0%	0%	100%
Sports PPV	0%	100%	0%	0%	0%	0%	0%	100%
SportsNet	0%	100%	0%	0%	0%	0%	0%	100%
Star!	0%	0%	0%	0%	0%	0%	100%	100%
TCN	0%	0%	50%	0%	50%	0%	0%	100%
The Score	0%	100%	0%	0%	0%	0%	0%	100%
Travel+	0%	0%	0%	0%	0%	0%	100%	100%
TreasureHD	0%	0%	0%	50%	0%	0%	50%	100%
TreeHouse	0%	0%	0%	0%	0%	100%	0%	100%
TSN	0%	100%	0%	0%	0%	0%	0%	100%
TV Land	0%	0%	100%	0%	0%	0%	0%	100%
TVtropolis	0%	0%	100%	0%	0%	0%	0%	100%
Vision TV	0%	0%	30%	20%	0%	0%	50%	100%
Weather	100%	0%	0%	0%	0%	0%	0%	100%
Wild TV	0%	100%	0%	0%	0%	0%	0%	100%
WNetwork	0%	0%	50%	0%	0%	0%	50%	100%
WTSN	0%	100%	0%	0%	0%	0%	0%	100%
Xtreme	0%	100%	0%	0%	0%	0%	0%	100%
YTV	0%	0%	0%	0%	0%	100%	0%	100%
Teletoon	0%	0%	10%	0%	0%	90%	0%	100%
Family Channel	0%	0%	0%	0%	0%	100%	0%	100%

Source: Nordicity analysis based on data from CRTc

Table 36 Allocation of Subscription Revenues for English-Language Specialty-Television Services

Service	News	Sports	Drama	Documentary	VAPA	Children's	General Ent. / Human Interest / Magazine	Total
AnimalPlanet	0	0	0	2,066,747	0	295,250	590,499	2,952,496
BBCCanada	0	0	1,677,990	419,497	419,497	0	1,677,990	4,194,974
BBCKids	0	0	0	0	0	4,235,786	0	4,235,786
Biography	0	0	0	4,364,606	0	0	0	4,364,606
BITE TV	0	0	115,015	115,015	0	0	118,500	348,530
Book TV	0	0	951,346	1,585,577	0	0	634,231	3,171,153
BPM: TV	0	0	0	0	720,923	0	0	720,923
Bravo	0	0	6,871,828	6,871,828	7,080,065	0	0	20,823,721
CLT	0	0	4,462,420	4,462,420	0	0	4,597,645	13,522,485
CMT	0	0	0	0	3,012,665	0	1,291,142	4,303,807
Cool TV	0	0	0	0	612,494	0	0	612,494
CountryCan	0	618,852	928,277	618,852	309,426	0	618,852	3,094,258
CourtTV	0	0	940,956	940,956	0	0	2,822,868	4,704,780
CTV Newsne	12,739,318	0	0	0	0	0	0	12,739,318
Deja View	0	0	2,532,158	0	0	0	633,040	3,165,198
DiscHealth	0	0	0	2,592,282	0	0	2,592,282	5,184,564
Discov HD	0	0	0	70,000	0	0	70,000	140,000
DiscovCiv	0	0	0	1,176,554	0	0	1,176,554	2,353,108
Discovery	0	0	0	20,631,489	0	0	20,631,489	41,262,978
DiscovKid	0	0	0	0	0	2,858,868	0	2,858,868
Documentar	0	0	0	3,912,386	0	0	0	3,912,386
Drive-In	0	0	2,907,890	0	0	0	0	2,907,890
ESPN Class	0	2,002,630	0	0	0	0	0	2,002,630
FashionTV	0	0	0	0	0	0	3,590,892	3,590,892
Fight Net	0	209,168	0	0	0	0	0	209,168
FineLiving	0	0	0	0	0	0	2,506,709	2,506,709
Food Net.	0	0	0	0	0	0	8,014,911	8,014,911
FoxSports	0	3,352,183	0	0	0	0	0	3,352,183
G4TechTV	0	0	0	0	0	0	4,697,403	4,697,403
HGTV	0	0	0	0	0	0	11,148,596	11,148,596
History TV	0	0	6,260,072	12,520,145	0	0	2,086,691	20,866,908
HPItv	0	1,414,014	0	0	0	0	0	1,414,014
ichannel	0	0	837,698	1,954,630	0	0	0	2,792,328
IFCC	0	0	4,801,273	533,475	0	0	0	5,334,748
Leafs TV	0	1,784,736	0	0	0	0	0	1,784,736
Lonestar	0	0	2,774,178	0	0	0	693,545	3,467,723
MenTV	0	0	1,221,826	0	0	0	2,850,927	4,072,753
Moviola	0	0	2,725,695	302,855	0	0	0	3,028,550
MTV Canada	0	0	0	0	0	0	5,171,457	5,171,457
Much Music	0	0	0	0	7,394,446	0	4,929,631	12,324,077
MuchLoud	0	0	0	0	234,875	0	156,584	391,459
MuchMore	0	0	0	0	2,765,759	0	1,843,840	4,609,599
MuchRetro	0	0	0	0	296,120	0	197,414	493,534
MuchVibe	0	0	0	0	415,883	0	277,255	693,138
Mystery	0	0	5,452,480	0	0	0	0	5,452,480
Natl Geo	0	0	0	4,851,249	0	0	0	4,851,249

Service	News	Sports	Drama	Documentary	VAPA	Children's	General Ent. / Human Interest / Magazine	Total
NatlHockey	0	5,851,054	0	0	0	0	0	5,851,054
Newsworld	43,505,000	0	0	18,645,000	0	0	0	62,150,000
NHL Netwrk	0	5,173,368	0	0	0	0	0	5,173,368
Outdoor Life Network	0	817,660	0	0	0	0	7,358,936	8,176,596
Pet Net	0	0	0	0	0	0	217,141	217,141
Pulse 24	2,247,544	0	0	0	0	0	0	2,247,544
PunchMuch	0	0	0	0	754,245	0	0	754,245
RaptorsNBA	0	2,964,145	0	0	0	0	0	2,964,145
Razer	0	0	2,343,463	0	0	0	1,562,309	3,905,772
Business News Network	14,963,211	0	0	0	0	0	0	14,963,211
SC Action	0	0	5,572,137	0	0	0	0	5,572,137
SC Diva	0	0	5,134,146	0	0	0	0	5,134,146
Scream	0	0	3,795,692	0	0	0	0	3,795,692
SexTV	0	0	708,535	708,535	0	0	730,006	2,147,076
Showcase	0	0	27,721,330	0	0	0	0	27,721,330
SilverScre	0	0	873,339	0	0	0	0	873,339
Slice	0	0	0	0	0	0	17,712,869	17,712,869
Space	0	0	15,417,525	1,713,058	0	0	0	17,130,583
Sports PPV	0	3,352,183	0	0	0	0	0	3,352,183
SportsNet	0	88,660,425	0	0	0	0	0	88,660,425
Star!	0	0	0	0	0	0	12,620,917	12,620,917
TCN	0	0	9,746,704	0	9,746,704	0	0	19,493,408
The Score	0	12,629,316	0	0	0	0	0	12,629,316
Travel+	0	0	0	0	0	0	3,656,122	3,656,122
TreasureHD	0	0	0	103,765	0	0	103,765	207,530
TreeHouse	0	0	0	0	0	9,390,706	0	9,390,706
TSN	0	112,106,498	0	0	0	0	0	112,106,498
TV Land	0	0	3,303,719	0	0	0	0	3,303,719
TVtropolis	0	0	11,731,479	0	0	0	0	11,731,479
Vision TV	0	0	3,329,574	2,219,716	0	0	5,549,290	11,098,580
Weather	27,939,366	0	0	0	0	0	0	27,939,366
Wild TV	0	83,770	0	0	0	0	0	83,770
WNetwork	0	0	13,656,051	0	0	0	13,656,051	27,312,102
Xtreme	0	2,799,810	0	0	0	0	0	2,799,810
YTV	0	0	0	0	0	34,052,614	0	34,052,614
Teletoon	0	0	2,654,186	0	0	23,887,670	0	26,541,855
Family Channel	0	0	0	0	0	48,250,199	0	48,250,199
Total revenues	101,394,439	243,819,811	151,448,983	93,380,636	33,763,103	122,971,092	152,347,810	899,125,875

Source: Nordicity analysis based on data from CRTS

Table 37 Allocation of Programming by Genre for French-Language Specialty-Television Services

Service	News	Sports	Drama	Documentary	VAPA	Children's	General Ent. / Human Interest / Magazine	Total
Argent	100%	0%	0%	0%	0%	0%	0%	100%
ARTV	0%	0%	60%	0%	0%	0%	40%	100%
Canal D	0%	0%	0%	100%	0%	0%	0%	100%
Canal Vie	0%	0%	0%	30%	0%	0%	70%	100%
Évasion	0%	0%	0%	0%	0%	0%	100%	100%
Historia	0%	0%	30%	60%	0%	0%	10%	100%
LCN	100%	0%	0%	0%	0%	0%	0%	100%
MUSIMAX	0%	0%	0%	0%	100%	0%	0%	100%
MusiquePlu	0%	0%	0%	0%	100%	0%	0%	100%
Mystère	0%	0%	100%	0%	0%	0%	0%	100%
RDI	100%	0%	0%	0%	0%	0%	0%	100%
RDS	0%	100%	0%	0%	0%	0%	0%	100%
RIS	0%	100%	0%	0%	0%	0%	0%	100%
Séries+	0%	0%	100%	0%	0%	0%	0%	100%
TV5	20%	20%	30%	10%	0%	0%	20%	100%
VrakTV	0%	0%	0%	0%	0%	100%	0%	100%
Ztélé	0%	0%	80%	0%	0%	0%	20%	100%
Teletoon	0%	0%	10%	0%	0%	90	0%	100%

Source: Nordicity analysis based on data from CRTC

Table 38 Allocation of Subscription Revenues by Genre for French-Language Specialty-Television Services

Service	News	Sports	Drama	Documentary	VAPA	Children's	General Ent. / Human Interest / Magazine	Total
Argent	939,452	0	0	0	0	0	0	939,452
ARTV	0	0	6,992,039	0	0	0	4,661,359	11,653,398
Canal D	0	0	0	18,836,947	0	0	0	18,836,947
Canal Vie	0	0	0	6,155,166	0	0	14,362,053	20,517,219
Évasion	0	0	0	0	0	0	5,786,454	5,786,454
Historia	0	0	2,853,438	5,706,877	0	0	951,146	9,511,461
LCN	10,198,578	0	0	0	0	0	0	10,198,578
MUSIMAX	0	0	0	0	5,967,542	0	0	5,967,542
MusiquePlu	0	0	0	0	7,728,042	0	0	7,728,042
Mystère	0	0	587,766	0	0	0	0	587,766
RDI	36,081,000	0	0	0	0	0	0	36,081,000
RDS	0	45,063,395	0	0	0	0	0	45,063,395
RIS	0	4,011,453	0	0	0	0	0	4,011,453
Séries+	0	0	8,889,820	0	0	0	0	8,889,820
TV5	1,752,123	1,752,123	2,628,185	876,062	0	0	1,752,123	8,760,616
VrakTV	0	0	0	0	0	17,680,967	0	17,680,967
Ztélé	0	0	7,142,569	0	0	0	1,785,642	8,928,211
Teletoon	0	0	884,729	0	0	7,962,557	0	8,847,285
Total	48,971,153	50,826,971	29,978,545	31,575,051	13,695,584	25,643,524	29,298,778	229,989,606

Source: Nordicity analysis based on data from CRTC

Appendix D: Export Value

- To estimate the export value of Canadian television programming, Nordicity obtained aggregate financing statistics from CAVCO. By using the same methodology as that used in the CFTPA's *Profile 2007*, Nordicity prepared estimates of the export value of Canadian television programs (independent production only) produced in 2005-06. Nordicity assumed that news and sports programming had no export value.
- Financing statistics supplied by CAVCO indicate that in 2005-06, foreign sources of financing accounted for the following percentages of financing in the independent production genres in the English-language market:
 - Drama, 18.3%
 - Children's, 11.7%
 - Variety, 0.0%
 - Documentary, 14.0%
- In the French-language market, the percentages of financing from foreign sources were considerably smaller:
 - Drama, 0.2%
 - Children's, 0.4%
 - Variety, 0.4%
 - Documentary, 2.0%
- Nordicity multiplied the foreign-financing percentages by the total cost of independent production in each genre to arrive at estimates of export value for each genre. For the documentary and general genre, the type of available data only permitted Nordicity to estimate the export value of independently produced documentary programming. Nordicity's estimates of export value in each genre are presented in Table 39.

Table 39 Calculation of Export Value for Television Production

(\$ millions)	News	Sports	Drama	Children's	Variety	Documentary and General*
English-language production						
Total cost of independent television production	--	--	668.0	234.0	29.0	277.0
Estimated share of television financing from foreign sources	--	--	18.3%	11.7%	0.0%	14.0%
Export value	--	--	122.4	27.3	0.0	35.3
French-language production						
Total cost of independent television production	--	--	193.0	49.0	61.0	121.0
Estimated share of television financing from foreign sources	--	--	0.2%	0.4%	0.4%	2.0%
Export value	--	--	0.4	0.2	0.3	2.4

Source: Nordicity estimates based on data from CFTPA and CAVCO

* Estimates of export value are based only the total cost of production of independent production in the documentary genre.

Appendix E: Calculation of After-Market Export Sales

- Nordicity developed a model for estimating the after-market export sales for the CTF-supported genres. The model is based on published data for the after-market sales performance of programming that received equity investments from Telefilm Canada through the CTF.
- The Telefilm Canada data indicate the average probability of recovery (recovery rate) and recoupment rate for Equity Investment Program (EIP) projects produced between 1996-97 and 2000-01. The data indicate that across all genres, 63% of EIP projects recorded some recovery or recoupment of Telefilm Canada's equity investment. The data also tell us that among the projects that did record some recoupment, the average rate of recoupment was 7.4%, or 7.4 cents for every dollar of equity investment.

Table 40 Telefilm Canada Equity Recoupment – Probability of Investment Recovery (based on projects between 1996/97 to 2000/01)

	Total number of projects with Telefilm Canada equity investment	Total number of projects with recoupment (as of August 2005) of equity investment	Percentage of equity investment with some investment recovery
Drama	220	154	70%
Children's	95	75	79%
Documentary	554	349	63%
Variety and performing arts	40	22	55%
Feature film	70	21	30%
Total	979	621	63%

Source: Nordicity Group tabulations based on data from Telefilm Canada, see *Analysis of Canadian Television Fund Equity Financing Recoupment*

Note: Figures include only recoupment from equity investments; figures exclude Telefilm recoupment from projects contracted prior to 1996/97. Figures only include revenues for projects contracted between 1996/97 and 2000/01.

Table 41 Telefilm Canada Equity Recoupment as a Percentage of Equity Investments (based on projects between 1996/97 to 2000/01)

	Recoupment (\$ 000s)	Equity investments (\$ 000s)	Recoupment as a percentage of equity investment
Children's	8,314	54,398	15.3%
Drama	20,371	297,076	6.9%
Documentary	6,057	72,354	8.4%
Variety and performing arts	329	6,965	4.7%
Feature film	2,402	73,247	3.3%
Total	37,475	504,040	7.4%

Source: Nordicity Group tabulations based on data from Telefilm Canada, see *Analysis of Canadian Television Fund Equity Financing Recoupment*

Note: Figures include only recoupment from equity investments; figures exclude Telefilm recoupment from projects contracted prior to 1996/97. Figures only include revenues for projects contracted between 1996/97 and 2000/01.

- Nordicity used the Telefilm Canada's recoupment statistics and average financing structures in each genre to derive rates of return that could be applied to overall budgets (the total cost of production). The calculation of the rate of return for the drama genre is detailed below. Nordicity assumed that the in-house genres and all genres of French-language production had no after-market export sales.

- The financing of production is such that only certain financing elements are recoverable. The distributor typically recovers its advance first, before equity investors begin to recover their investments. Nordicity’s model, therefore, assumed that distributors recovered their investment in 70% of projects. The average investment by distributors in CTF drama projects was 6%. This rate of investment recovery translates into an implied recovery rate of 4.2% (70% × 6%) when viewed as a share of total project financing.

Table 42 Estimate of the Average Investment Recovery Rate for CTF Projects, Drama Genre

Type of financing	Average share of financing	Recovery rate for project investors	Implied investment recovery rate as a share of total financing
Broadcaster licence fees	24%	0%	0%
CTF-LFP	17%	0%	0%
Canadian distributor	6%	70.0%	4.2%
Foreign licence fees	6%	0%	0%
Tax credit and other public	20%	0%	0%
Investor equity	27%	6.9%	1.9%
Total	100%	--	6.1%

Source: Nordicity Group calculations based on data from CAVCO, Telefilm Canada, and CTF.

- Using Telefilm Canada’s recovery rate of 6.9% and given that equity financing typically comprises about 27% of total project financing for CTF drama projects, Nordicity calculated that, on a total-financing basis, the implied recovery rate for equity investors was 1.9% (6.9% × 27%).
- Adding the estimates for distributor-advance and equity-investor recoveries yields an overall recovery rate of 6.1% (4.2% + 1.9%) of total project financing. Therefore, Nordicity assumed that CTF-supported projects earned after-market sales revenues equal to 6.1% of total project budgets. While, it is generally true that non-CTF projects have higher exportability than CTF projects, to be conservative, Nordicity applied the rate of 6.1% across all types of Canadian drama production – CTF and non-CTF. These calculations can be found in Table 13.
- Table 43 presents the data underlying the calculation of the equity-investment recovery rates for the children’s, documentary and VAPA genres.

Table 43 Estimate of the Average Investment Recovery Rate for CTF Projects - Children’s, Documentary and VAPA Genres

	Average share of financing	Recovery rate for project investors	Implied investment recovery rate as a share of total financing
Children’s			
Canadian distributor	9%	79.0%	7.1%
Investor equity	25%	15.3%	3.8%
Total recovery rate	--	--	10.9%
Documentary			
Canadian distributor	6%	63.0%	3.8%
Investor equity	20%	8.4%	1.7%
Total recovery rate	--	--	5.5%
VAPA			
Canadian distributor	4%	55.0%	2.2%
Investor equity	13%	4.7%	0.6%
Total recovery rate	--	--	2.8%

Source: Nordicity Group calculations based on data from CAVCO, Telefilm Canada, and CTF.