Follow the Money

Who Paid for Canadian Television, 1990-2000?

FRIENDS OF CANADIAN BROADCASTING

August 2001

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This report was prepared for Friends of Canadian Broadcasting with guidance from members of Friends' Steering Committee. It primarily uses sources in the public domain, however some data were obtained from CBC Research on a commercial basis.

Friends is a Canada-wide voluntary organization supported by 55,000 households whose mission is to defend and enhance the quality and quantity of Canadian programming in the Canadian audio-visual system.

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Introduction

Funding is at the heart of the Canadian broadcasting system, determining what programming gets made, by whom, and, indirectly, where and when it will reach Canadian viewers.

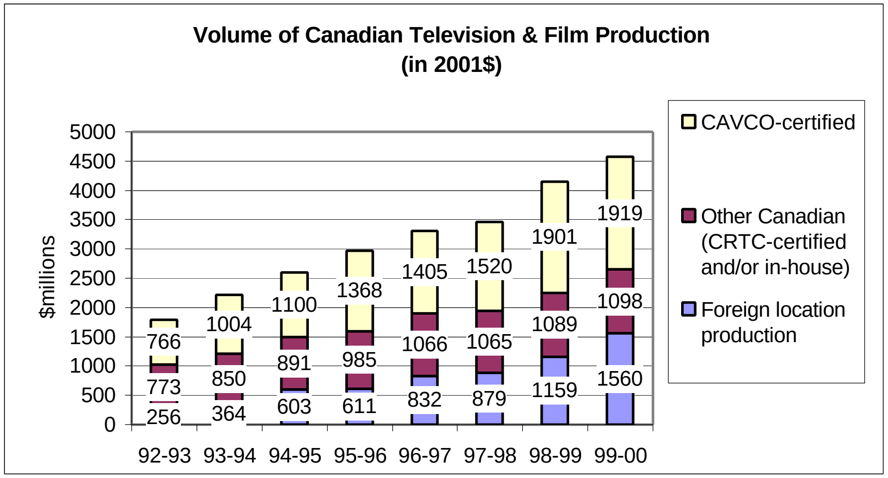
This report highlights how the Canadian broadcasting industry has changed over the last decade. Key findings include:

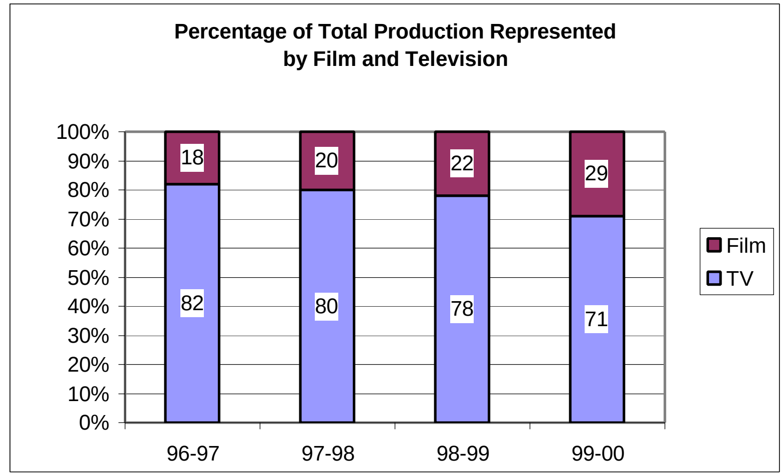
- after a decline in the first half of the decade, total government funding of Canadian television production has increased, though federal funding of CBC has decreased;
- overall investment in Canadian programming by private conventional broadcasters has declined, but investment by specialty/pay broadcasters has increased, reflecting a shift in audience; and
- increased investment has resulted in more projects and more hours of Canadian production, but no evidence of an increase in the viewing of Canadian content in prime time.

The report concentrates on English-language programming on English television, but where a data breakdown was unavailable, conclusions were drawn based on general data.

All dollar figures in this report have been adjusted for inflation, and are expressed in terms of what they would have been worth in the year 2001.

The 1990s: A Boom in Canadian Television Production





Sources: Canadian Film & Television Production Association Profile 2001, using PricewaterhouseCoopers estimates based on data collected from CRTC, CBC/SRC, Canadian Audio-Visual Certification Office and the Department of Canadian Heritage. Years reflect the Government of Canada fiscal year ending March 31. Data were reported on a 12-month basis for each fiscal year, but were subject to overlap where data sources relied on different fiscal years. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001). "CAVCO" represents programming certified as Canadian by the Canadian Audio-Visual Certification Office for the purpose of utilizing the Canadian Film or Video Production Tax Credit (CPTC), but does not include foreign productions certified for the purpose of the Film or Video Production Services Tax Credit (PSTC). "Other" represents in-house production by Canadian public, private, pay and specialty broadcasters and/or production certified as Canadian by the CRTC but not by CAVCO, which may occur when sources of funding are used that do not require CAVCO certification. "Foreign location" production refers to U.S.-copyright programming made in Canada by U.S. studios or independent producers.

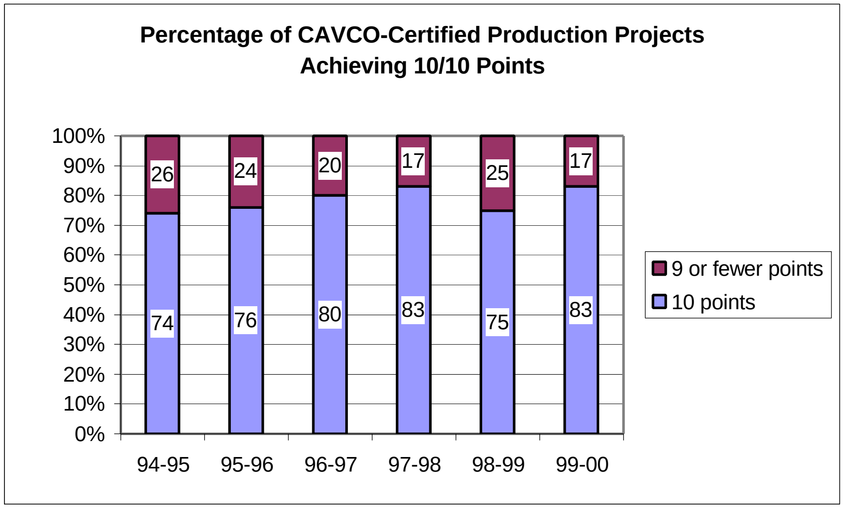
The total volume of television production in Canada, including foreign programming produced here, more than doubled during the 1990s. Production of Canadian programming, in inflation-adjusted dollars, more than doubled over this period, reflecting an increase in the total investment in Canadian production by both public and private sources.

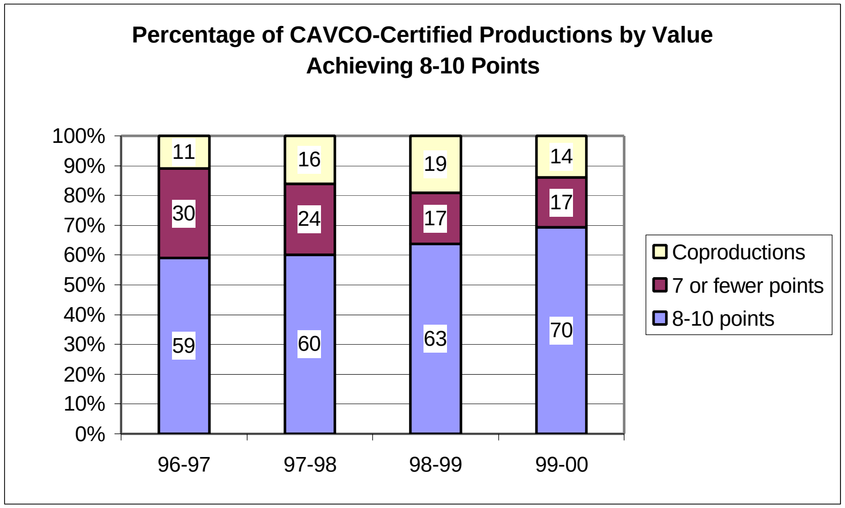
Measuring "Canadian" Programming

What constitutes Canadian programming is officially determined by two federal agencies working independently: the Canadian Audio-Visual Certification Office (CAVCO); and the Canadian Program Certification Office of the Canadian Radio-Television and Telecommunications Commission (CRTC).

CAVCO certification determines a production's eligibility for tax credits and financial assistance from federal production funds, and employs a detailed points system based on the nationality of creative personnel and production costs. The number of CAVCO points refers to points awarded out of a total of 10. To receive certification for federal tax credit purposes, a production must achieve at least 6 out of 10 points. Eight points are required to be eligible for funding from Telefilm Canada or to qualify for the Ontario Film and Television Tax Credit. In 1999/00, the Canadian Television Fund increased its threshold for eligibility from 8 CAVCO points to 10 CAVCO points.

The CAVCO certification process is designed to ensure that production incentives are used to assist Canadians. In comparison, the CRTC process responds to a much broader range of policy objectives contained in the *Broadcasting Act*, and evaluates whether a production is sufficiently Canadian to satisfy exhibition requirements specified in broadcasters' conditions of licence. The points system used by the CRTC therefore varies slightly from that used by CAVCO. For example, the CRTC may certify types of programming, such as talk shows, game shows and sports events, that are ineligible for CAVCO certification. Productions that receive CAVCO certification are considered to have met CRTC certification requirements also.





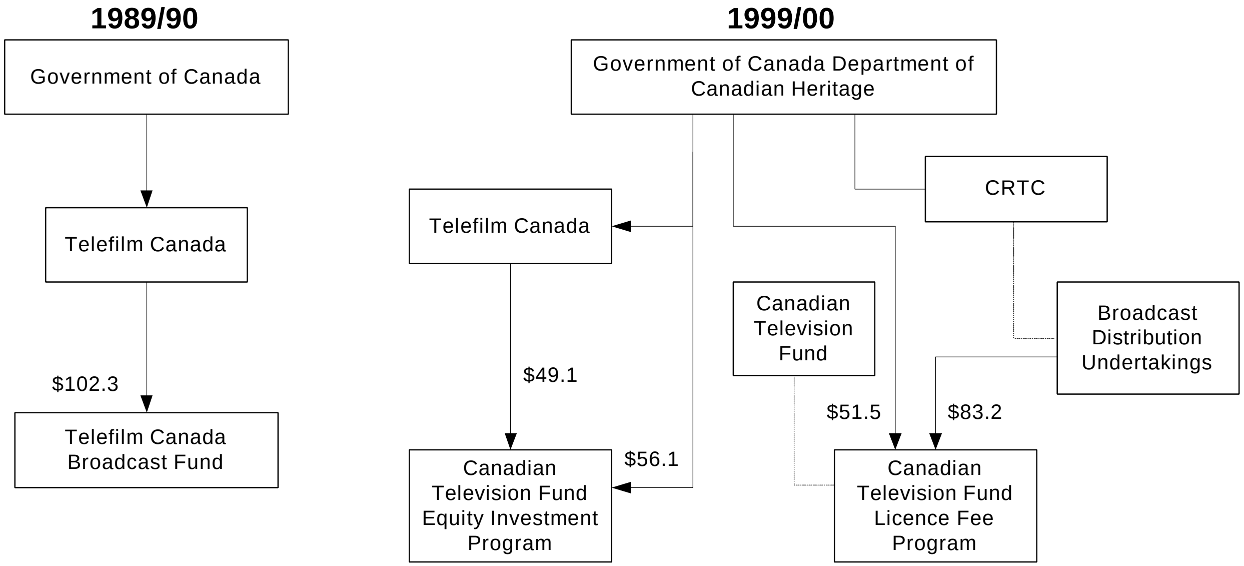
Source: Report of the Review of the Canadian Television Fund (KPMG/Wall/Fleming/D'Amours, March 2000); CAVCO Activity Reports. Years reflect the Government of Canada fiscal year ending March 31.

Programming that is considered "Canadian" under the CAVCO and CRTC points systems can vary widely in the extent to which it is openly and recognizably Canadian to the average viewer. The CAVCO points system, in particular, primarily rewards the industrial or economic value of programming, rather than the indigenous or cultural value of that programming as a reflection of Canada. CAVCO evaluates programming for tax credit purposes based on criteria such as the nationality of key creative personnel and the allocation of production budgets.

Yet, for much of the 1990s, between 74% and 83% of CAVCO-certified productions were awarded the maximum number of CAVCO points. Even though CAVCO certification is a quantitative rather than qualitative measure of Canadian content, a higher number of CAVCO points may indicate programming that is more distinctively Canadian. A more reliable measure of the growth of distinctively Canadian programming is the funding provided through federal production funds, which as a matter of policy often use qualitative assessments of the Canadian distinctiveness of a production as a basis for granting funding assistance.

Funding Canadian Television: The Public Sector

1. Production Funds



Sources: Telefilm Canada Annual Report, 1989/90; Canadian Television Fund 1999-2000 Activity Report. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001). Years reflect the Government of Canada fiscal year ending March 31.

In 1990, the Telefilm Canada Broadcast Fund (BF) (at left) was the only source of direct federal production funding for Canadian television programming. Following its 1993 review of the structure of the Canadian broadcasting system, the CRTC initiated significant changes by announcing the creation of a new Canadian production fund which would be supported principally by contributions from cable companies and other broadcasting distribution undertakings (BDUs). To encourage BDU contributions to the fund, the CRTC proposed changes to the *Cable Television Regulations* that allowed Class 1 cable undertakings[1] to avoid a five-year "sunset" provision on capital expenditure increases in basic monthly subscriber fees.[2] The specific amendment, introduced in February 1994, provided that licensees that contributed 50% of the amount by which their basic monthly fee would otherwise be reduced would be entitled to keep the other half in perpetuity. From the beginning, therefore, the contribution to the new production fund by Class 1 cable undertakings was funded entirely by cable subscribers.[3]

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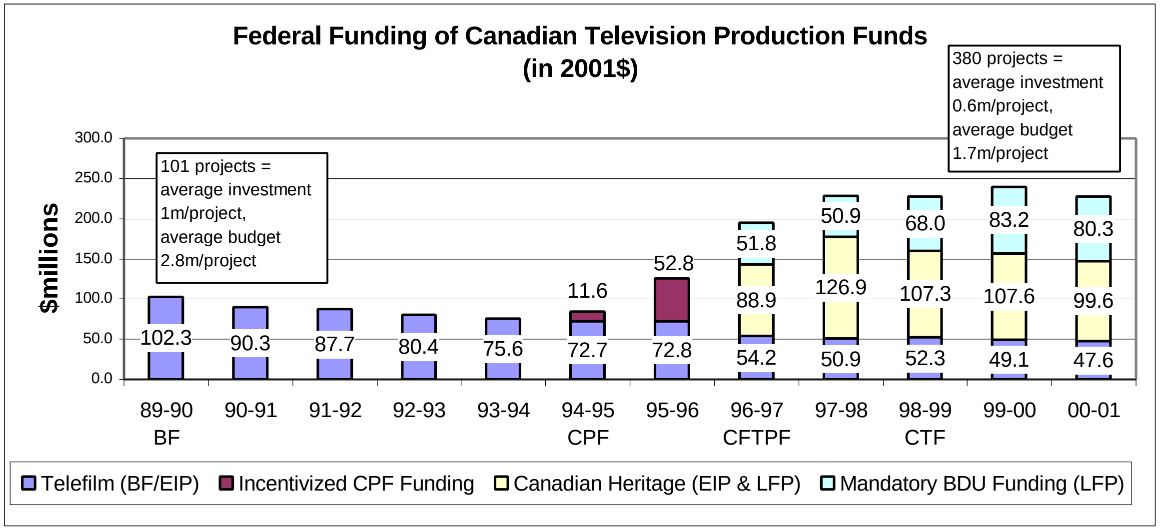
[1] In general, Class 1 refers to undertakings with 6,000 or more subscribers, Class 2 to undertakings with 2,000 to 5,999 subscribers, and Class 3 to undertakings with fewer than 2,000 subscribers.
[2] Subsection 18(6) of the then-applicable *Cable Television Regulations* allowed a Class 1 cable licensee to increase its basic monthly fee by an amount based on the level of eligible capital expenditures incurred during the previous year.
[3] In December 1997, changes took effect that made capital expenditures incurred after August 31, 1996, no longer recoverable through increases in basic monthly fees. However, earlier increases made on the basis of capital expenditures were embedded in the basic monthly fee on a going-forward basis.

BDUs began contributing to the Cable Production Fund on January 1, 1995. In 1996, the CRTC made this contribution mandatory and adopted a new formula that requires both Class 1 and Class 2 cable undertakings to contribute a total of 5% of their gross annual revenues derived from broadcasting activities to the funding of Canadian programming, with between 3% and 3.5% of gross revenues allocated to independently-administered production funds.[4] Direct-to-home satellite undertakings must contribute 5% of their gross annual revenues derived from broadcasting activities directly to independently-administered Canadian production funds.

Other changes to the public funding model followed. In 1996, the BF was replaced by a hybrid system consisting of two distinct funds and two funding bodies known collectively as the Canadian Television and Cable Production Fund (CTCPF) until 1998, and after 1998 as the Canadian Television Fund (CTF).

The CTF Equity Investment Program (EIP) replaced the BF, and continued to be administered by Telefilm Canada and funded directly by the Government of Canada. A second program, the CTF Licence Fee Program (LFP), was introduced to "top up" broadcasters' licence fees. The LFP was administered separately from the EIP and funded through a combination of grants from the Department of Canadian Heritage and the mandatory BDU contributions described above.

[4] The balance of the 5% must be allocated to direct expenditures associated with community channel programming.

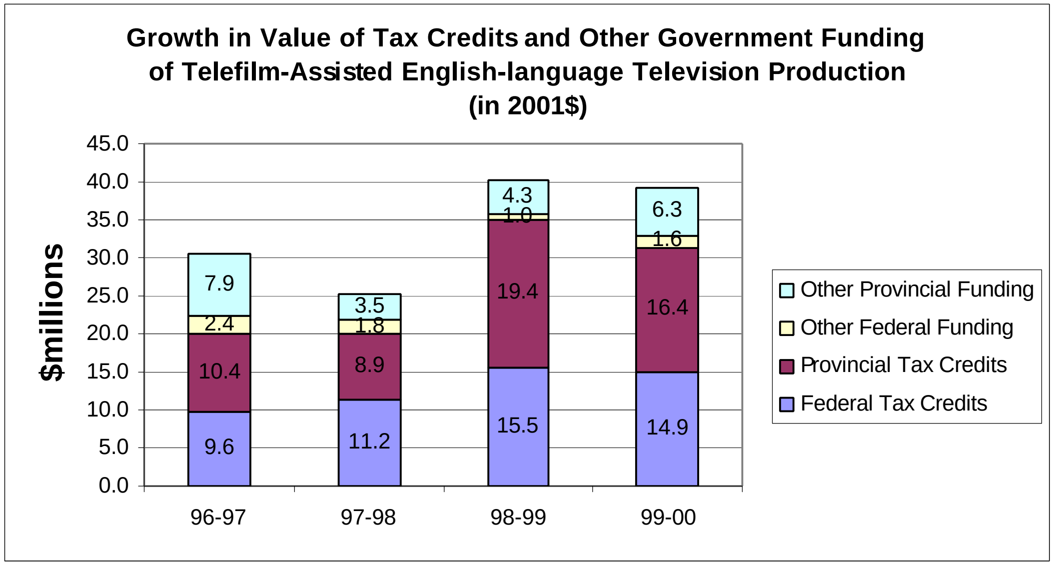


Sources: Telefilm Canada annual reports; Canadian Television Fund Activity Reports; Treasury Board Main Estimates; CRTC Statistical and Financial Summaries for Cable Television (1989-1994) and Broadcast Distribution (1996-2000); CRTC Broadcasting Policy Monitoring Report. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001). Figures for 2000/01 are Treasury Board estimates; other data reflect Government of Canada fiscal years ending March 31. CPF contributions began on January 1, 1995. The figure shown for the 1994/95 year is Friends' estimate based CRTC figures showing contributions of $31.2-million (in 2001$) over the last 8 months of the 1994/95 CRTC Broadcast Year, from January 1 to August 31, 1995, which substantially overlaps the April-March Government of Canada fiscal year on which the above data are based. Telefilm and Canadian Heritage figures indicate parliamentary appropriation only and do not include investment income or other income. In 1999/00, the EIP received a $1-million transfer from the LFP. Mandatory BDU funding of 'independent' production funds is not shown here due to data incompatibilities. According to CRTC data, BDUs contributed a total of $22.7-million (in 2001$) to such funds in the three-year period from September 1997 to August 2000. "Incentivized CPF Funding" refers to the sunset clause exemption for capital expenditure increases prior to the point that BDU contributions to the CPF were made mandatory.

As the preceding chart shows, direct federal funding of Canadian television production through the Telefilm Canada Broadcast Fund, once adjusted for inflation, declined steadily during the first half of the decade. In each of the last four years, however, CTF has received more than double the funding that was available to the BF in 1990.

2. Tax Credits

In the 1990s, tax credits and development agency funding at both the federal and provincial levels have supplemented the direct public funding of Canadian programming through production funds.



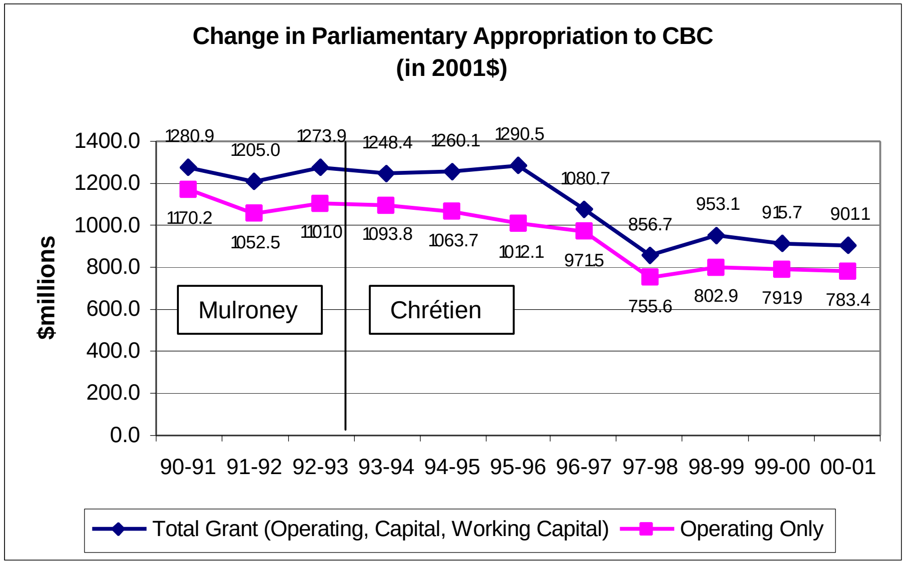
Sources: CAVCO Activity Reports. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001). Years reflect the Government of Canada fiscal year ending March 31. "Other Provincial Funding" includes provincial production development agencies that contribute to English-language television production. "Other Federal Funding" includes the National Film Board and national production development agencies that contribute to English-language television production.

In the mid-1990s, the Canadian Film or Video Production Tax Credit program (CPTC) replaced the general purpose Capital Cost Allowance Program, which since 1974 had provided a federal income tax deduction for equipment and other capital costs of production. The CPTC provides a refundable credit for up to 25% of labour costs, totalling up to 12% of total production costs, net of other government assistance. Provincial tax credit programs have been established in British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, and Newfoundland. All ten provinces plus Yukon have introduced direct funding programs.

The value of tax credits and other government funding, in inflation-adjusted dollars, has increased since the middle of the decade. Provincial and federal tax credits have shown particular growth.

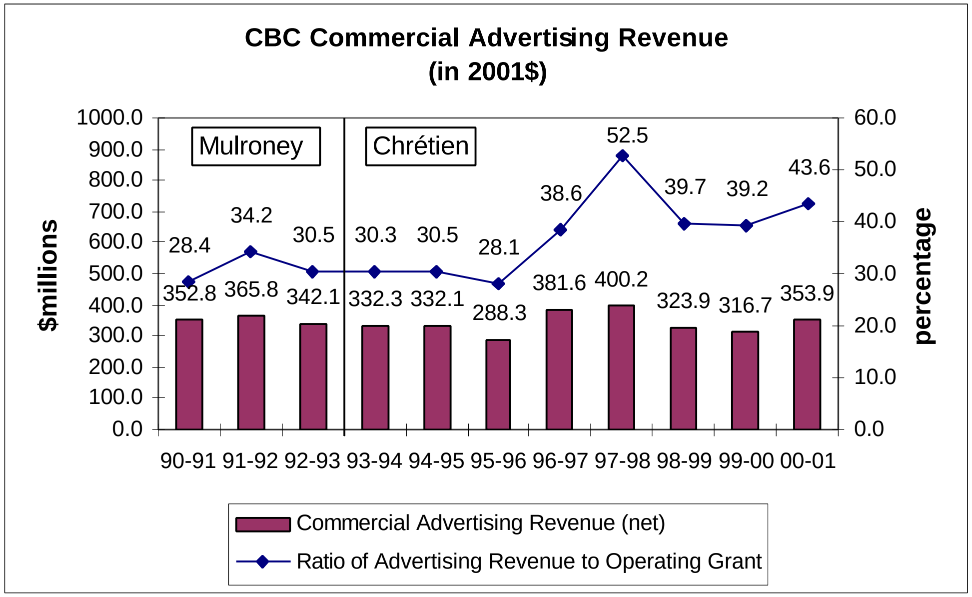
3. The National Public Broadcaster

With a prime time English-language television schedule devoted almost 100% to Canadian programming, the CBC is an important part of the television funding equation.



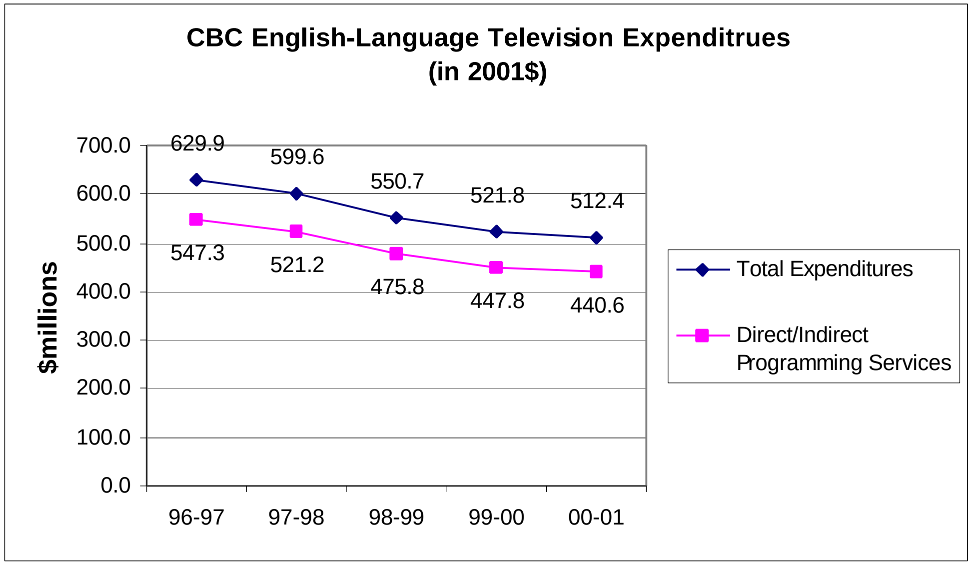
Sources: CBC Annual Reports, CBC Corporate Plan 2001-2005, Treasury Board Estimates and Annual Reports to Parliament, Mandate Review Committee Report, Auditor General's Special Examination Report, CBC 1999 Licence Renewal Financial Information. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001). Years reflect the Government of Canada fiscal year ending March 31. 2000/01 appropriation figures are estimates; all other figures are actual. Appropriation figures do not reflect production fund or tax credit contributions to CBC productions. The 1995/96 appropriation included $106-million for downsizing, $50-million of which was granted as a repayable advance. The 1996/97 appropriation included a further $42-million for downsizing. The 1997/98 grant figure includes a frozen $56.7-million allotment to offset capital plus imputed interest on the repayable advance granted in 1995/96.

During the 1990s, CBC sustained major cuts to its total grant, which declined by almost 30% between 1990/91 and 1999/00. The operating grant alone declined by a full one third during this period.



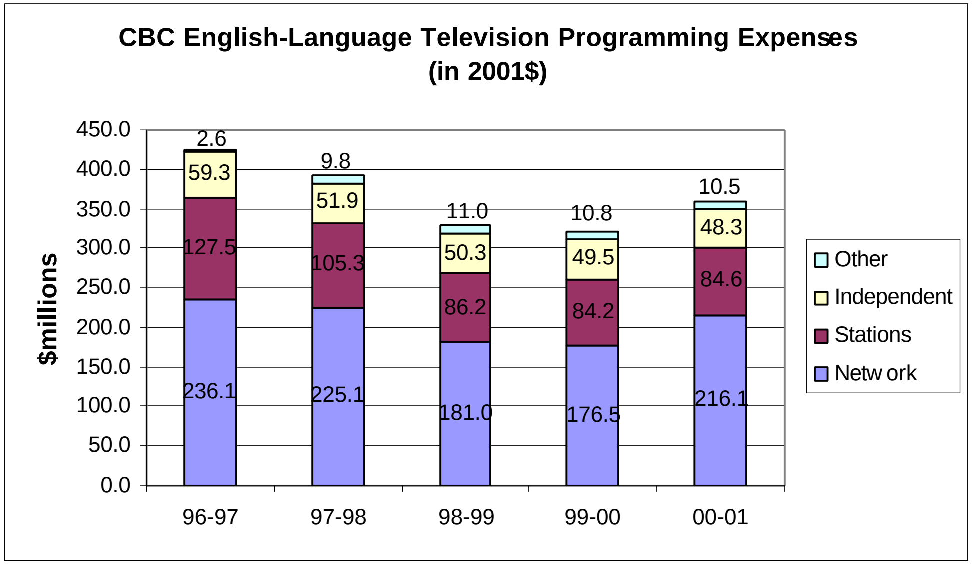
Sources: CBC Annual Reports, CBC Corporate Plan 2001-2005, Treasury Board Estimates and Annual Reports to Parliament, Mandate Review Committee Report, Auditor General's Special Examination Report, CBC 1999 Licence Renewal Financial Information. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001). Years reflect the Government of Canada fiscal year ending March 31. 1999/00 and 2000/01 advertising revenue figures are estimates; all other figures are actual. Advertising revenue is subject to fluctuations resulting from special events such as the Olympic Games.

CBC relied heavily on commercial advertising revenues throughout the decade. Measured as a percentage ratio of federal operating funds, these revenues made up an increasing proportion of total funding. Since 1996/97, commercial advertising revenue has been on average at least 40% as large, in inflation-adjusted dollars, as the entire federal operating grant.



Source: CBC 1999 Licence Renewal Financial Information. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001). Figures for 1999/00 and 2000/01 are estimates; all other figures are actual. Years reflect the Government of Canada fiscal year ending March 31.Total expenditures include direct/indirect programming expenses, rent, transmission, distribution, and payments to private stations and are presented on an allocated responsibility basis, excluding Olympic Games and non-cash items such as amortization of capital assets.

The impact of cuts to the public funding of CBC is demonstrated by total expenditures and programming expenses for the English-language television service, which declined by about 19%, in inflation-adjusted dollars, between 1996/97 and 1999/00.



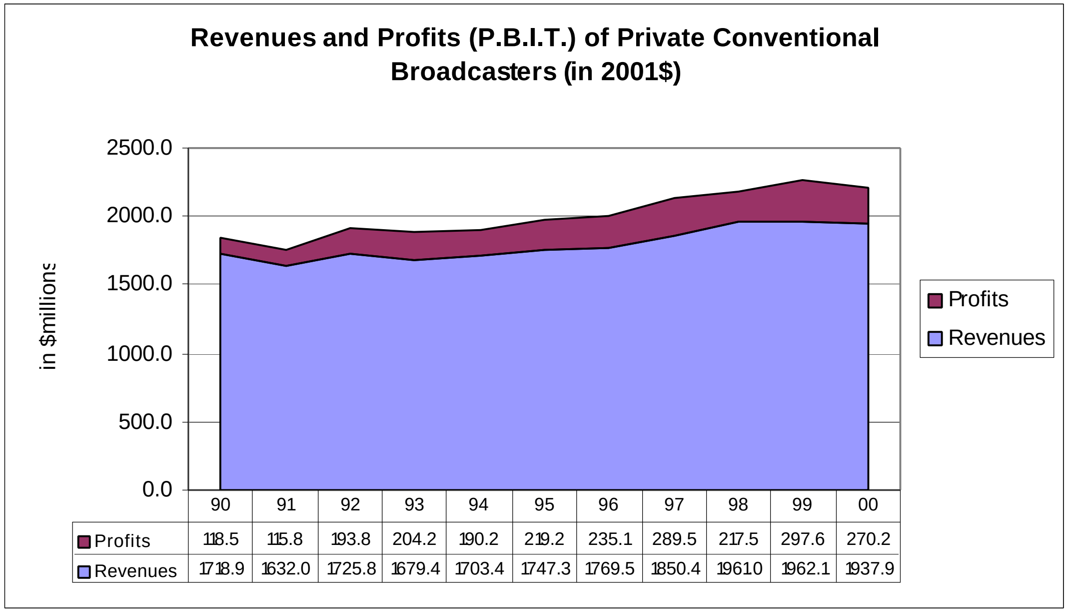
Source: CBC 1999 Licence Renewal Financial Information. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001). Figures for 1999/00 and 2000/01 are estimates; all other figures are actual. Years reflect the Government of Canada fiscal year ending March 31. Direct programming expenses include closed captioning, dubbing, and program development costs, but exclude indirect programming costs such as inventory write-downs, script and concept development costs, equity investment losses, network support services, occupancy and program promotion. Programming expenses are subject to fluctuations resulting from special events such as the Olympic Games. "Other" reflects direct program costs incurred other than through independent producers or CBC in-house station or network production. "Independent" means cost of production sourced from independent producers. "Stations" refers to production by CBC-owned stations in local markets. "Network" refers to production by the CBC network for distribution nationally.

Programming produced in-house in local CBC stations for either station or network use has been most affected, declining by 35% between 1996/97 and 1999/00, though a smaller decline was anticipated by the 2000/01 estimates. In inflation-adjusted dollars, in-house network production declined by 26% in the 1996/97 to 1999/00 period.

Funding Canadian Television: The Private Sector

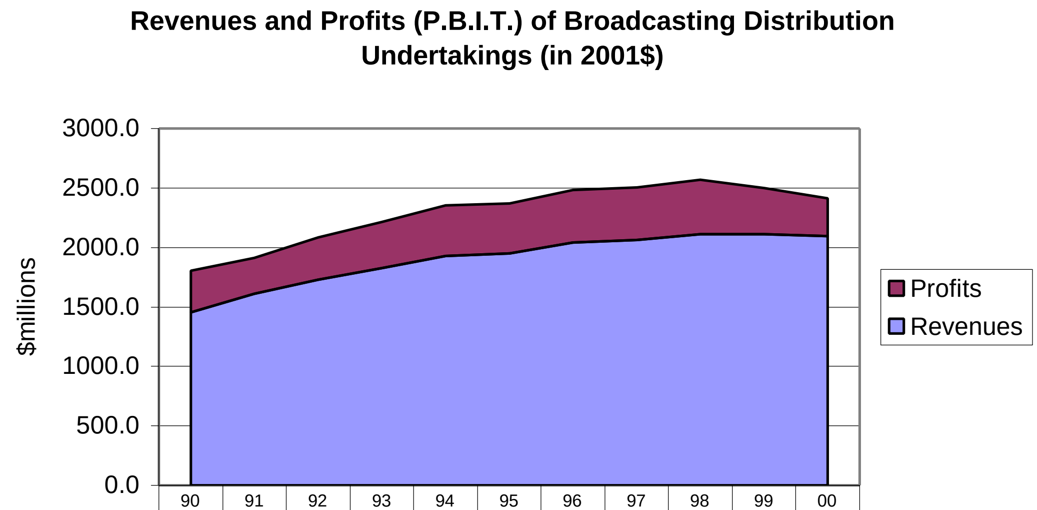
1. A Prosperous Private Sector

A healthy broadcasting and distribution industry is well placed to complement public efforts in support of Canadian television. Following solid growth in the 1990s, the health of the private sector broadcasting industry in Canada remains strong.



	90	91	92	93	94	95	96	97	98	99	00
Profits	118.5	115.8	193.8	204.2	190.2	219.2	235.1	289.5	217.5	297.6	270.2
Revenues	1718.9	1632.0	1725.8	1679.4	1703.4	1747.3	1769.5	1850.4	1961.0	1962.1	1937.9

Sources: CRTC Statistical and Financial Summaries for Television, 1989-1994 through 1996-2000. Years reflect the CRTC Broadcast Year ending August 31. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001). "Profits" refers to the CRTC measure of Profit Before Interest and Taxes (P.B.I.T.), which reflects operating profit plus non-programming allocation but less depreciation.

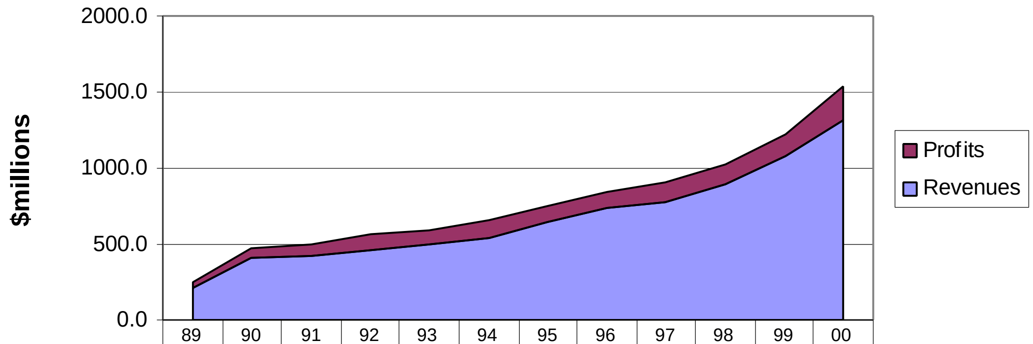


	90	91	92	93	94	95	96	97	98	99	00
Profits	353.0	302.6	356.1	388.3	425.1	419.5	440.7	444.3	459.5	384.4	317.5
Revenues	1452.2	1610.9	1727.2	1825.0	1928.7	1952.3	2039.8	2062.4	2111.5	2113.0	2092.8

Sources: CRTC Statistical and Financial Summaries for Cable Television (1989-1994) and Broadcast Distribution (1996-2000); Canadian Television Fund Activity Reports; CRTC Broadcasting Policy Monitoring Report. Years reflect the CRTC Broadcast Year ending August 31. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001). "Profits" refers to the CRTC measure of Profit Before Interest and Taxes (P.B.I.T.), which reflects operating profit plus non-programming allocation but less depreciation.

During the 1990s, the revenues of Canadian BDUs increased by more than 25% in inflation-adjusted dollars, while profits were maintained at or above 1990 levels.

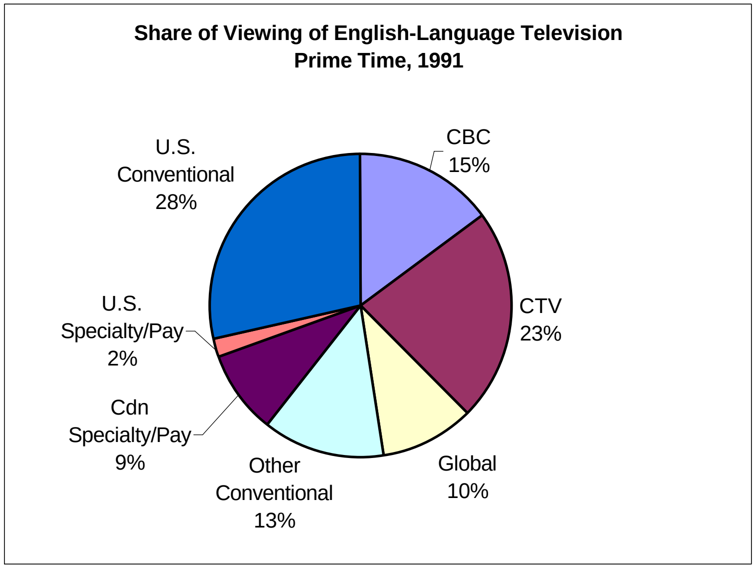
Aggregate Revenues and Profits of Canadian Specialty and Pay Television Channels (in 2001$)

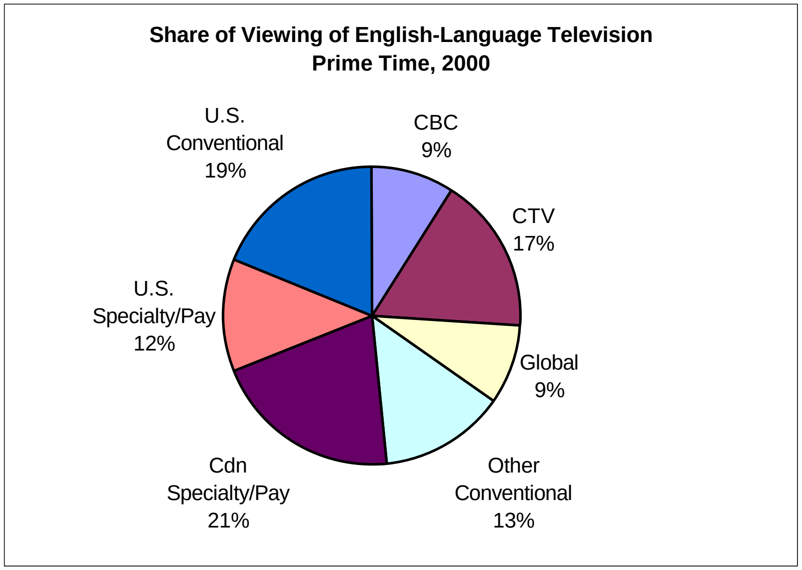


	89	90	91	92	93	94	95	96	97	98	99	00
Profits	36.7	73.4	81.3	99.4	90.5	111.0	110.0	108.6	134.6	133.5	154.9	229.8
Revenues	215.8	406.6	422.4	461.9	503.5	540.6	644.5	732.5	770.5	890.2	1074.2	1315.4

Sources: CRTC Statistical and Financial Summaries for Pay and Specialty Services, 1989-1994 through 1996-2000. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001). Years reflect the CRTC Broadcast Year ending August 31. "Profits" refers to the CRTC measure of Profit Before Interest and Taxes (P.B.I.T.), which reflects operating profit plus non-programming allocation but less depreciation.

Since 1989, the revenues of Canadian specialty and pay television channels have increased more than fivefold, in inflation-adjusted dollars. Year 2000 profits were more than six times what they were in 1989.

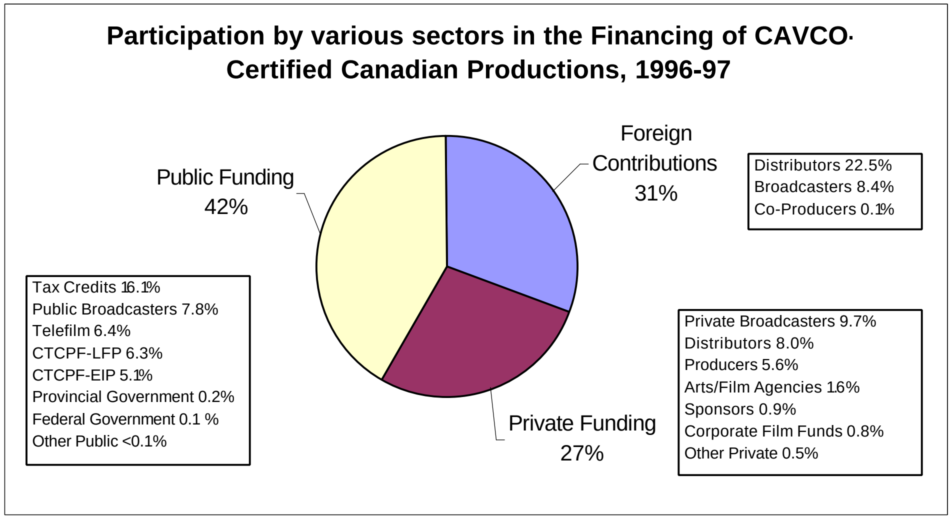




Sources: Nielsen Media Research, CBC Research. Years reflect the CRTC Broadcast Year ending August 31. Figures reflect viewing share for all persons 2+ between 7 and 11 p.m. "CBC" excludes affiliates in their own time. "Other conventional" includes private broadcasters other than those indicated; educational broadcasters; and CBC affiliates in their own time.

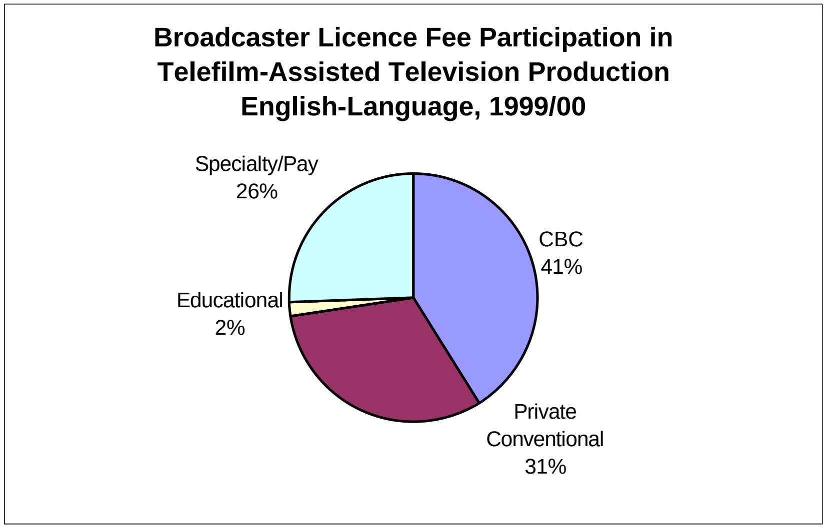
The growth in specialty/pay television has both encouraged and evidenced a profound audience shift. At the same time, conventional television continues to draw the most viewers, still attracting more than double the audience of specialty/pay channels in 2000 as in 1991, despite the significant growth of the latter during the decade.

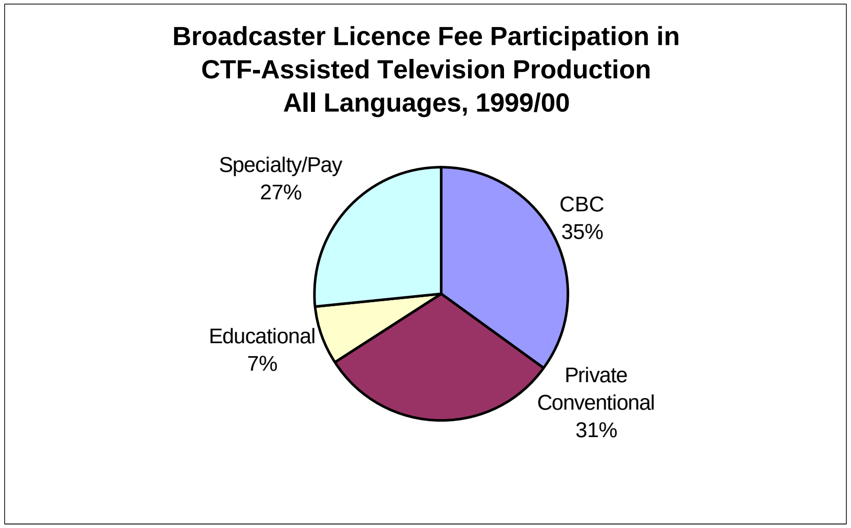
2. Industry Participation in Public Funding



Source: Canadian Film & Television Production Association submission to Canadian Television Policy Review hearings (CRTC 1998-44) using data supplied by CAVCO. Years reflect the Government of Canada fiscal year ending March 31. Figures do not add to 100 due to rounding.

Public funding of Canadian production does not occur in a vacuum. Canadian productions receive funding from many sources, some more prominent than others. Considering the above chart, which shows just CAVCO-certified productions during 1996/97 – the only year for which published data were available – private broadcasters were responsible for less than 10% of total production budgets. Foreign broadcasters invested almost as much as Canadian private broadcasters. Foreign sources in total accounted for almost one-third of the funding of productions certified as Canadian for tax purposes. Private sources, including private broadcasters, distributors, and producers, contributed the smallest share.

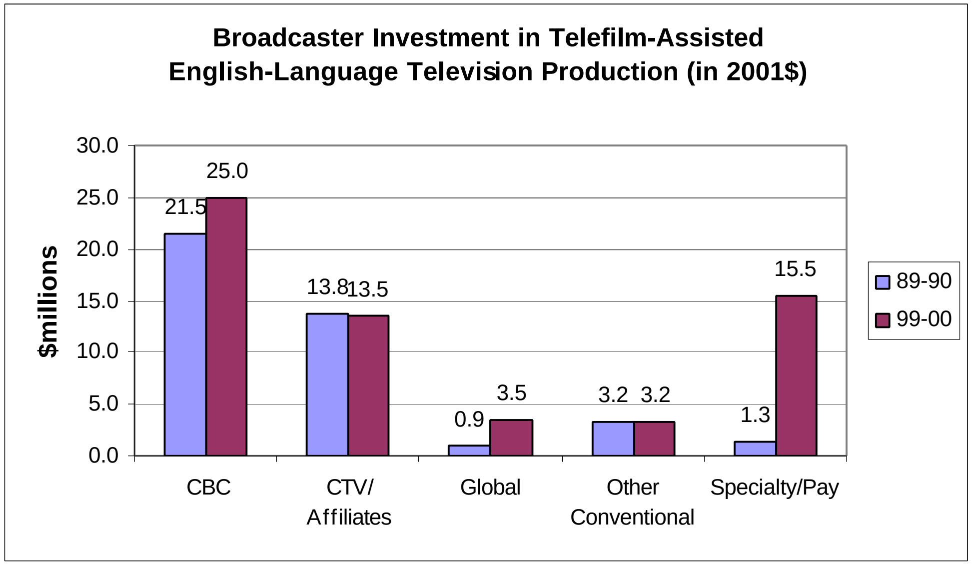




Sources: Telefilm Canada annual reports, Canadian Television Fund Activity Reports. Years reflect the Government of Canada fiscal year ending March 31. Figures in the first chart reflect the percentage of total broadcaster licence fees paid for productions assisted by Telefilm Canada through the EIP. Figures in the second chart reflect the percentage of total broadcaster licence fees paid for productions assisted through the Canadian Television Fund (EIP and/or LFP). "Educational" includes TVOntario and the Knowledge Network in British Columbia. CBC includes the specialty broadcasters CBC Newsworld and RDI, its French-language equivalent. "All languages" includes French, Aboriginal languages, and other languages, in addition to English.

The EIP and LFP each require applicants to secure a licence fee investment by a broadcaster in order to "trigger" federal assistance. Federally-supported production funds therefore serve as both a source of direct public support for Canadian production, and as an incentive for investment by broadcasters, as well as by other industry participants.

In 1999/00, CBC was responsible for the largest broadcaster licence fee contribution: 41% of English-language productions assisted by the EIP, and 35% of all federally-assisted productions in all languages. Specialty/pay broadcasters represented over one quarter of total broadcaster investment in both categories. The combined investment by all private conventional broadcasters, including CTV, Global, WIC, CHUM, Craig and others, was less than one-third of the total.



Sources: Telefilm Canada annual reports. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001). Years reflect the Government of Canada fiscal year ending March 31. CBC data include the specialty broadcaster CBC Newsworld.

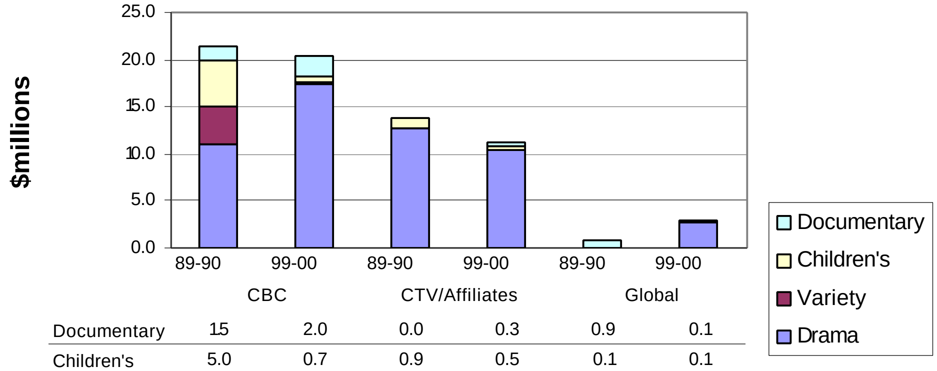
The breakdown of broadcaster licence fee contributions to Telefilm BF/EIP-assisted English-language production shows significant differences between broadcasters, and in some cases significant change over time.

In inflation-adjusted dollars, the licence fees paid by CTV Affiliates in 1989/90 were almost 15 times greater than those by Global; ten years later, the CTV contribution was still almost four times as large. Despite significant cutbacks in its budget, CBC increased its licence fee investment by almost 16% and remained the dominant broadcaster of federally-assisted television production.

Licence fees paid by specialty/pay broadcasters increased more than tenfold over the decade – and in 1999/00, almost equalled those paid by the conventional television services of CTV and Global combined.[5]

[5] Many conventional broadcasters also have specialty television interests and therefore have contributed to this growth. For example, as of December 2000, CTV owned 100% of CTV Newsnet and TalkTV; 80% of TSN, Discovery and Reseau des sports; 65% of The Comedy Network; 60% of a sports/specials pay-per-view channel; 40% of CTV SportsNet (originally to be divested by March 2001, now extended to August 30, 2001); 33% of Outdoor Life; 24.95% of Viewers' Choice; and 12.5% of the History Channel. CanWest owned 100% of PrimeTV and 25% of ROBtv. CHUM owned 100% of Bravo, MuchMusic, MuchMoreMusic, Space and Star-TV; 70.1% of CP24; 60% of LearningTV; and 50% of MusiMax and MusiquePlus.

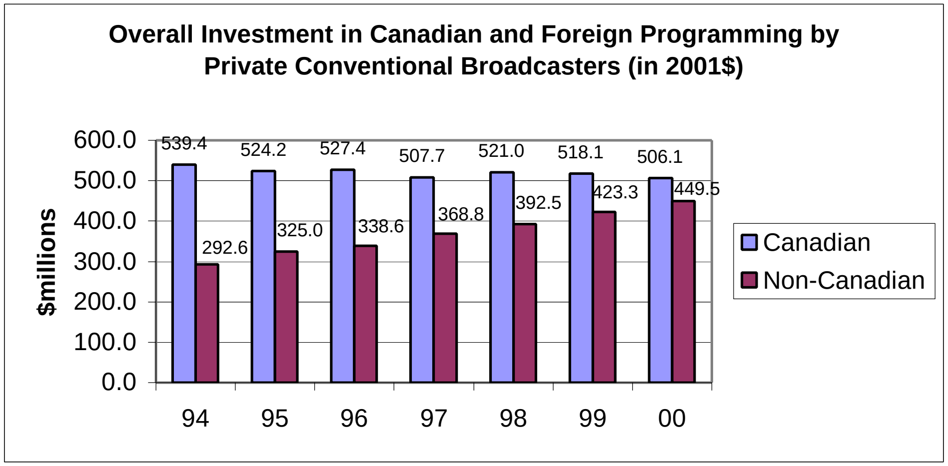
Broadcaster Investment in Telefilm-Assisted English-Language Programming, by Program Type (in 2001$)



	CBC 89-90	CBC 99-00	CTV/Affiliates 89-90	CTV/Affiliates 99-00	Global 89-90	Global 99-00
Documentary	1.5	2.0	0.0	0.3	0.9	0.1
Children's	5.0	0.7	0.9	0.5	0.1	0.1
Variety	4.0	0.2	0.0	0.0	0.0	0.0
Drama	11.0	17.4	12.8	10.4	0.0	2.8

Sources: Telefilm Canada annual reports. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001). Years reflect the Government of Canada fiscal year ending March 31. CBC includes the specialty broadcaster CBC Newsworld. These statistics do not include CTF Licence Fee Program statistics. In these charts, "drama" includes series, movies, action-adventure, soap operas, and sitcoms; "variety" includes game shows, talk shows, and music.

Virtually all CTV investment at both the start and the end of the decade was drama. The CBC approximately doubled the proportion of its licence fees paid for each of drama and documentary, mostly at the expense of children's and variety programming.



Sources: CRTC Statistical and Financial Summaries for Television, 1989-1994 through 1996-2000. Years reflect the CRTC Broadcast Year ending August 31. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001). Compatible figures prior to the year ending August 31, 1994, were not available.

It is useful to compare broadcaster licence fee participation within the federal television production funding structure with overall investment in Canadian programming production and acquisition – the cost of putting Canadian programming on television screens.

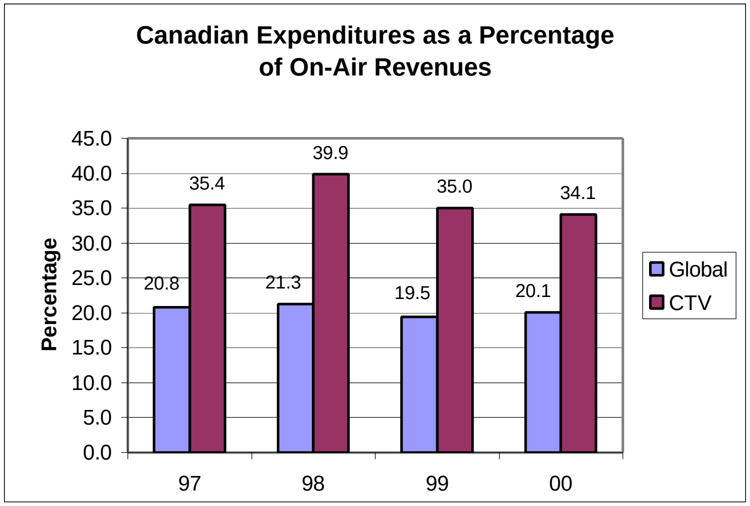
Between the 1993/94 and 1999/00 broadcast years, private conventional broadcasters such as CTV, Global, WIC, CHUM, Craig and others increased their total expenditures on non-Canadian programming by over 50%, in inflation-adjusted dollars, at the same time as reducing their total expenditures on Canadian programming by over 6%. During the same period, their revenues, in year 2001 dollars, increased by almost 14%, and their profits rose by 42%.

But broadcasters do not invest equally. Data compiled on a one-time basis by the Canadian Association of Broadcasters at the CRTC's request[6] in 1997 showed that 57% of CTV's total program expenditures went to Canadian programming, compared to 41% for Global:

(millions, in 2001$)	**Baton/CTV**	**Global**
Total Canadian	159.3	72.6
Foreign	119.3	105.3

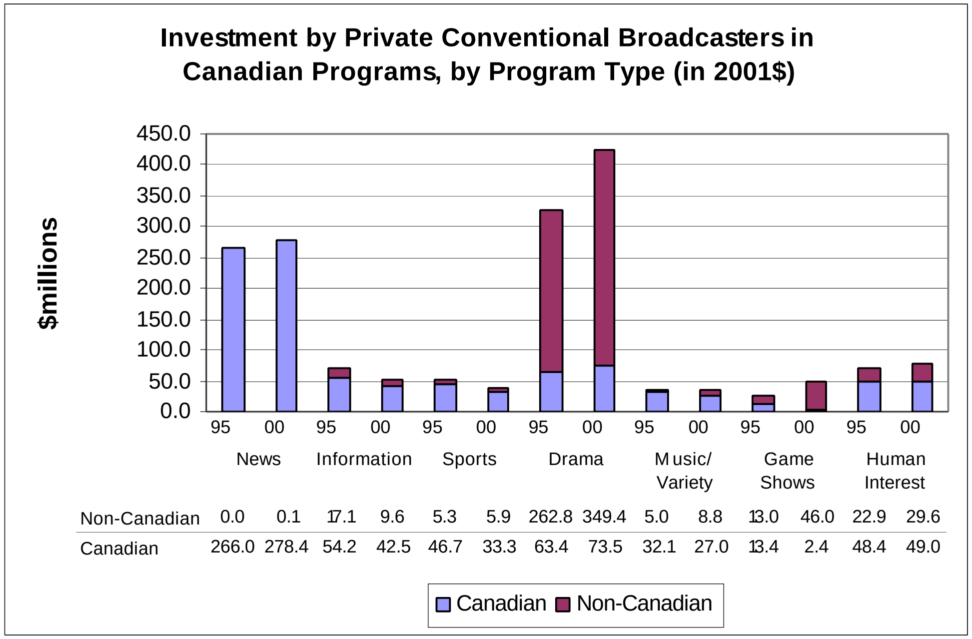
[6] Total Canadian data were released August 5, 1998, in advance of the Canadian Television Policy Review hearings (CRTC 1998-44). Foreign figures are estimates from non-CRTC sources or derived by FCB from verifiable data. All figures pertain to the CRTC Broadcast Year ending August 31, 1997, are in C$millions, and have been adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001).

Data publicly released by the CRTC on February 21, 2001,[7] show a consistent pattern of low performance by Global as compared to CTV across the 1996/97 to 1999/00 broadcast years:



		97	98	99	00
Global	Total On-Air Revenue (millions in 2001$)	378.9	438.5	442.5	623.7
	Canadian Expenditure (millions in 2001$)	72.7	87.6	81.3	121.0
	Canadian Expenditure (% of on-air)	20.8	21.3	19.5	20.1
CTV & Affiliates	Total On-Air Revenue (millions in 2001$)	465.9	542.7	526.4	514.9
	Canadian Expenditure (millions in 2001$)	152.5	201.5	174.0	169.2
	Canadian Expenditure (% of on-air)	35.4	39.9	35.0	34.1

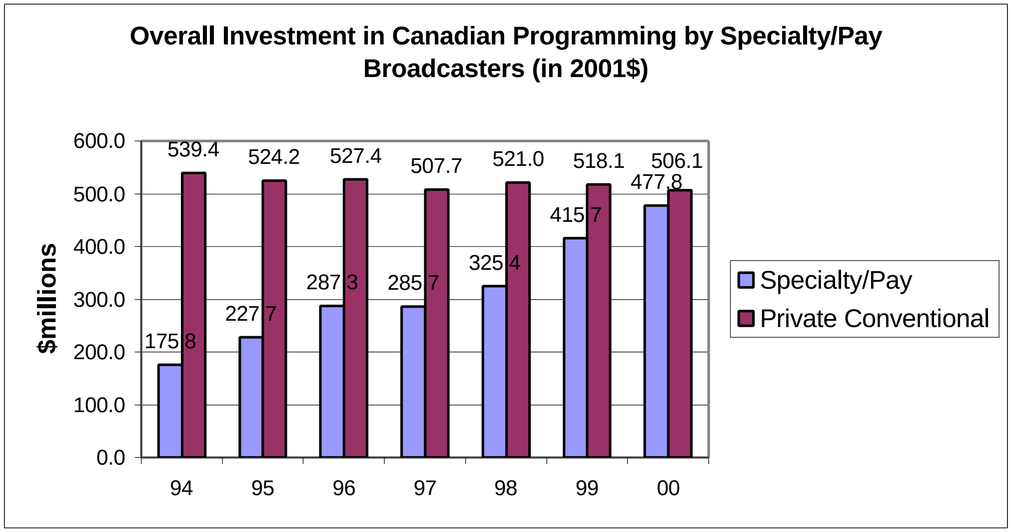
[7] All figures pertain to the CRTC Broadcast Year ending August 31. Revenues and expenditures are in C$millions, and have been adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001).



	News 95	News 00	Information 95	Information 00	Sports 95	Sports 00	Drama 95	Drama 00	Music/ Variety 95	Music/ Variety 00	Game Shows 95	Game Shows 00	Human Interest 95	Human Interest 00
Non-Canadian	0.0	0.1	17.1	9.6	5.3	5.9	262.8	349.4	5.0	8.8	13.0	46.0	22.9	29.6
Canadian	266.0	278.4	54.2	42.5	46.7	33.3	63.4	73.5	32.1	27.0	13.4	2.4	48.4	49.0

Sources: CRTC Statistical and Financial Summaries for Television, 1989-1994 through 1996-2000. Years reflect the CRTC Broadcast Year ending August 31. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001).

Drama programming was responsible for much of the increase in expenditures on foreign programming, although spending on foreign music/variety and human interest programming also increased over the period.



Sources: CRTC Statistical and Financial Summaries for Pay and Specialty Services, 1990-1995 and 1996-2000. Years reflect the CRTC Broadcast Year ending August 31. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001).

In contrast to the trend for private conventional broadcasters, the total investment in Canadian programming by specialty and pay broadcasters more than doubled between 1993/94 and 1999/00.[8]

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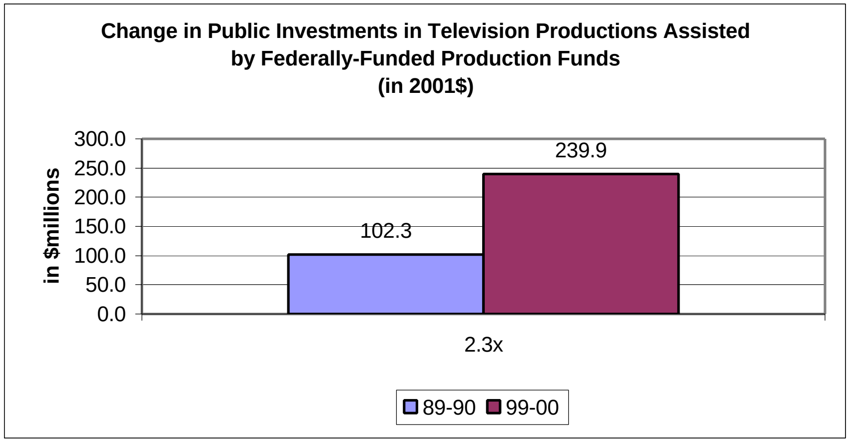
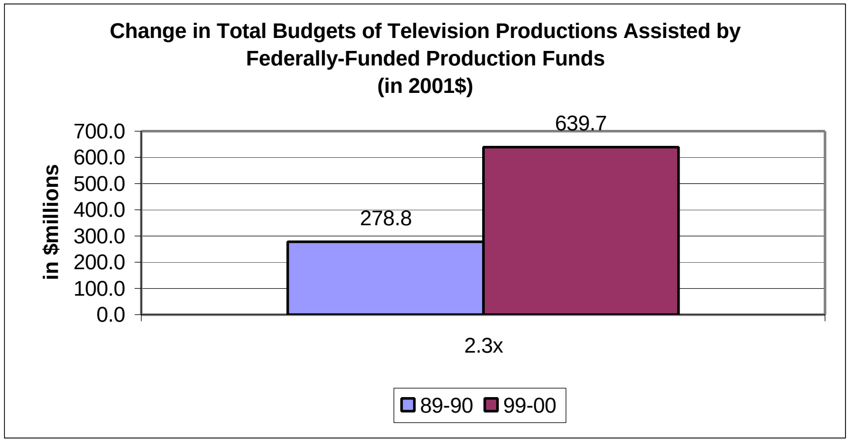
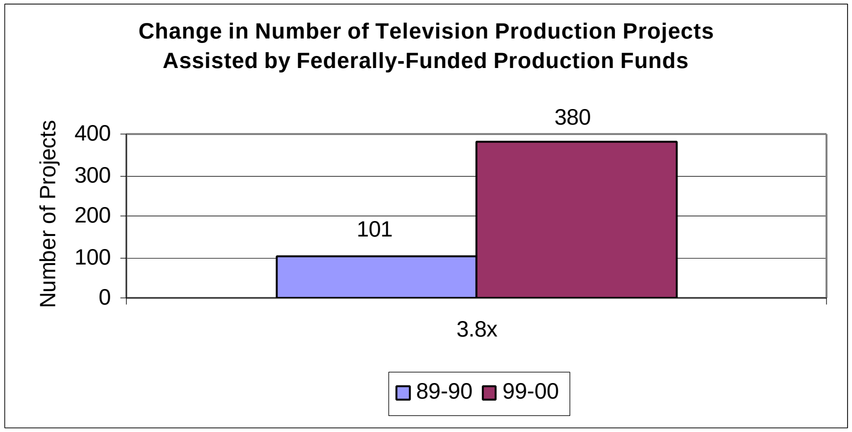
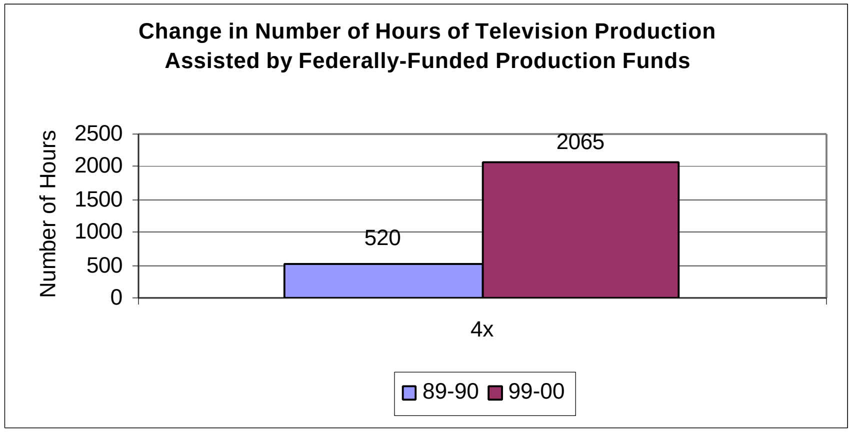
[8] As a condition of licence many specialty services are subject to higher Canadian content requirements than conventional broadcasters. Minimum requirements applicable in the 2000/01 broadcast year include 90% for CBC Newsworld; 100% for Showcase between 7 and 10 p.m. (60% between 6 p.m. and midnight); and 82.5% for Life Network. Some specialty services, particularly those in their infancy, have lower requirements. For example, History Television is required to air two hours of Canadian programming between 6 p.m. and midnight.

The Big Picture



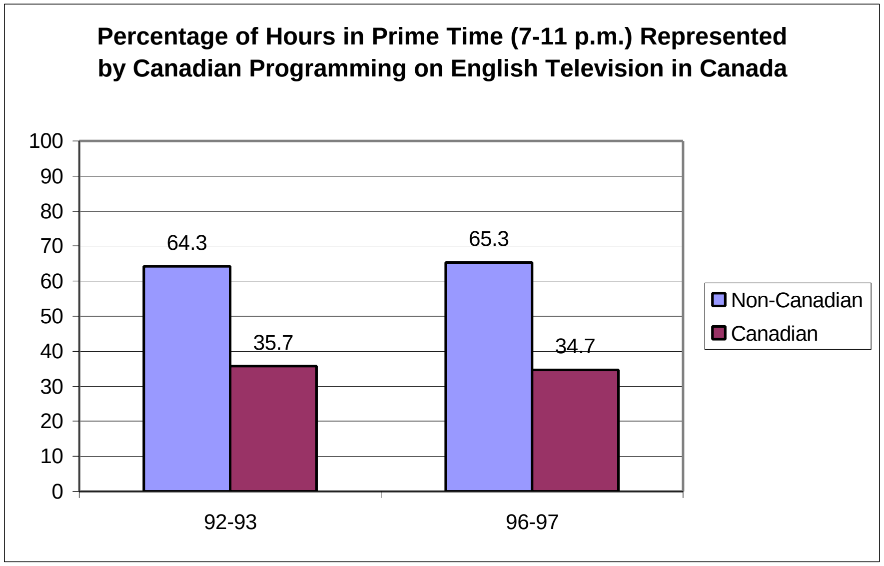






Sources: Telefilm Canada annual reports; Canadian Television Fund Activity Reports. Years for production statistics reflect Government of Canada fiscal years ending March 31. Figures are in C$millions adjusted to year 2001 dollars using 1914-2001 Statistics Canada Consumer Price Index data (P100000 series, June 2001). "Public Investments" means funding to Telefilm/CTF by government and through mandatory contributions by BDUs. "Total Budgets" means overall budgets of projects supported. "Production Projects" refers to the number of distinct productions funded. "Hours" refers to the number of program hours produced.

Federal production funds played a discernible role in the overall growth of Canadian television production during the 1990s. Between 1989/90 and 1999/00, using inflation-adjusted figures, an approximately twofold increase in the public investment in production funds correlated with an equivalent increase in the aggregate size of the production budgets assisted, and an approximately fourfold increase in both the number of production projects and the number of hours of programming produced.



Sources: Nielsen Media Research supplied by CBC Research. Years for scheduling statistics reflect the CRTC Broadcast Year ending August 31. "English Television" includes both conventional and specialty/pay broadcasters.

However, it is not clear that these investments paid off through greater exhibition of Canadian programming during prime time, when most Canadian viewers are watching. Using available aggregate national data, which provide a picture only for the 1992/93 and 1996/97 years,[9] the percentage of hours of English-language Canadian programming available on conventional television was slightly in decline.[10]

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[9] CBC Research has created these data sets by coding Nielsen Media Research data according to program origin. Friends was unable to obtain, from any source, comparable full-year national data coded and sorted by program origin for earlier or later years.

[10] These results may appear inconsistent with CRTC minimum requirements (50% Canadian between 6 p.m. and midnight, which can be met by showing just 25% Canadian content during 7-11 p.m. prime time) for a variety of reasons, including that requirements are averaged across the full broadcast year, allowing broadcasters to 'load up' with Canadian content at certain times and present less Canadian content in others.

Even more striking are the viewing data themselves, especially in prime time. Disaggregated data released by the CRTC in advance of Global and CTV's 2001 licence renewal hearings show a decline in audience for Canadian programming on both networks between 1997 and 1999.[11] Moreover, while 86% of CBC's prime time audience watched Canadian programming in 1998, only 18% of CTV's (12% a year later) and just 5% of Global's did.

	Day-long (6 a.m. to 2 a.m.)		Prime Time (7 p.m. to 11 p.m.)	
	% Audience to Canadian	**% Audience to Foreign**	**% Audience to Canadian**	**% Audience to Foreign**
Global				
1997	21	79	7	93
1998	19	81	5	95
1999	20	80	5	95
CTV & Affiliates				
1997	45	55	17	83
1998	44	56	18	82
1999	39	61	12	88
CBC				
1997	75	25	88	12
1998	82	18	86	14

[11] Figures for Global and CTV released by the CRTC February 21, 2001; those for CBC are from Nielsen Media Research. Years reflect the CRTC Broadcast Year ending August 31.

Conclusions

This report highlights a number of revealing trends in the funding of Canadian television production. More money is being invested in the production of Canadian programming now than 10 years ago. A larger share of this investment is contributed by government. Mandated contributions to federal production funds by BDUs have had a positive impact, but are in fact simply the proceeds of rate increases borne by subscribers.

Federal funding of the CBC has declined, resulting in increases in the proportion of operating funds derived from commercial advertising, as well as a decline in programming expenditures. However, CBC continues to contribute the largest share of licence fees that trigger assistance by federal production funds, supporting the production of distinctive Canadian programming.[12]

The overall investment in the production of Canadian programming by private conventional broadcasters has declined over the decade, even though conventional broadcasters continue to attract the most Canadian viewers. This decline is only partly explained by the marked increase in the overall investment by specialty/pay broadcasters, some of which are owned by conventional broadcasters.

Over the decade, the budgets/investment, number of productions, and number of hours of Canadian programming produced, have all increased. But the best available data raise doubts about whether these increases are resulting in either increased Canadian programming on the screen or increased viewing when most Canadian viewers are watching television: 7-11 p.m. prime time.[13]

As Friends concluded in its October 2000 report *It's Good and We Like It*, Canadian producers are creating programming of high quality, whether measured by industry recognition through the Gemini Awards, viewer opinion surveys, or audience ratings to specific shows. But high quality, combined with greater investment, should be a spur to increased exhibition, increased promotion and increased viewing, not a justification for the continued marginalization of Canadian programming in prime time. The CRTC's priority programming initiative is one step towards ensuring that the results of increased investment are visible on the prime time television screen, but it remains to be seen whether it will be enough.

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[12] Not coincidentally, despite the decline in operating funds, CBC has been able to increase the quantity of Canadian programming in its prime time schedule.
[13] Except for children's shows, programming funded by the EIP or LFP must air during 7-11 p.m. prime time as a condition of funding.

Data Deficiencies

Friends undertook this report to inform a wide-reaching discussion on matters of public interest. However, deficiencies in the data that were available to us made a definitive report impossible. On many of the topics above, data were incompatible, incomplete or missing entirely from the public realm. For instance, several of the charts in the report cover a period less than a full decade because data for the full decade could not be obtained.

Often, too, public data were available, but simply too difficult for the public to extract in a useful form. CBC commercial advertising revenues, for example, are represented in different ways in various CBC annual reports released during the 1990s: aggregated with program revenues in some years and not in others; reported as a gross figure in some years and a net figure in others (ostensibly reflecting a change in CBC accounting practice, but rendering impossible any comparison using those data alone). Many data sources – both public and private – also failed to define terms, specify inclusions or exclusions, identify a specific date range, or in general provide sufficient detail to make comparative study possible.

This report has identified several areas in which reliable data are particularly needed to increase transparency and inform public debate. Priority improvements in the availability and format of data would include:

- assigning a common ID code to Canadian productions to enable program-level data comparisons;
- integrating data to show the relationship between public funding and audience for publicly-funded programming; and,
- adopting consistent and compatible industry-wide data collection norms to enable comprehensive reporting of how public and private investment dollars are distributed in the industry – to which producers, and through which broadcasters and BDUs.

These data needs point to the need for joint efforts among a wide range of groups: the CRTC, CAVCO, the CTF, Telefilm, Statistics Canada, and the CBC; as well as industry participants such as broadcasters, distributors and producers themselves.

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