

TELEFILM  
C A N A D A

# Canadian Documentaries

## Selected Economic Indicators

Prepared for the Documentary Policy Advisory Group



April 19, 2005

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# 1. INTRODUCTION

The following report expands on the information on economic indicators contained in the report, *Getting Real 2, Volume 2, 2004*. This information should be viewed as the first step in developing a more comprehensive overview on the economic performance of Canadian documentaries. The analysis relied on documentary programming financially supported by the National Film Board (NFB) and Telefilm Canada, which is not representative of the larger population of documentary programming. In order to provide a comprehensive portrait of the economic health of Canadian documentaries, information from broadcasters, distributors, sales agents and other financiers would need to be included.

The analysis provided in this report is part of a larger review being undertaken by the Canadian Television Fund (CTF), Telefilm Canada and the National Film Board of Canada (NFB) on the state of documentary production in Canada.

## 1.1. Background on the Study

In April 2004, the National Film Board and Telefilm Canada held a Documentary Policy Summit to discuss issues regarding the financing and funding, and policy framework for documentary production in Canada. A study commissioned for the Documentary Organization of Canada (DOC) entitled *Getting Real 2* was used to inform the discussion. There was consensus that there were knowledge gaps and more research was necessary.

In June 2004, Telefilm Canada, the NFB and the Canadian Television Fund convened a follow-up meeting in Banff, inviting representatives of producer organizations (APFTQ, CFTPA, DOC, Observatoire du documentaire), broadcasters (CBC, CAB- represented by Astral), and other organizations involved in documentaries (Canada Council for the Arts, Association of Provincial Funders, CRTC, CIFVI, Canadian Heritage, SODEC) to follow up on the Doc Policy Summit discussion. These representatives make up the Documentary Policy Advisory Group, who agreed to fund and oversee a large part of the studies underway.

## 1.2. Limitations of the Research

The goal of this study is to expand on the information provided in the Report, *Getting Real 2, Volume 2, 2004*. In arriving at the economic indicators in this report, research was done to identify what information was available on the economic performance of Canadian documentaries. In our estimation, no study has been done in the last five years on sales of Canadian documentaries. Also, there is no one single complete data source on documentary sales. What is available is data from Telefilm Canada and the National Film Board.

Within the context of limited data, our approach was to focus on recoupment trends for Telefilm Canada-supported documentaries for which data is available; sales of NFB and Telefilm -supported documentaries based on a targeted analysis of a sample of documentaries, primarily television and non-theatrical productions; and updating existing methodologies from the study *Getting Real 2, Volume 2, 2004* to measure the number of jobs created by Canadian documentary production activity. We also commissioned research to examine whether it was possible to measure the “attractiveness” of Canadian documentaries from a broadcaster market perspective using advertising revenues.

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These indicators collectively provide a small snapshot of the economic state of Canadian documentary production. The analysis undertaken relied on different data sources and methodologies as follows:

1. In order to provide meaningful analysis, recoupment of projects examined in this report cover a period of seven years (from 1995-1996 to 2001-2002) as it takes some years to recoup on an initial equity investment. The data is based on distributor reports filed with Telefilm. These trends provide a proxy, although limited, of the market performance of Canadian documentaries.

2. The analysis conducted on sales of Canadian documentaries **does not** provide as we had originally intended, an understanding of “typical” revenues for different types of documentaries. The sample is limited to NFB and Telefilm-supported documentaries. A complete picture would require access to sales information beyond NFB- and Telefilm-supported documentaries. The sample is also limited to a small percentage of titles that account for most of the revenues. The approach taken was to focus on the documentary projects supported by these two organizations that generated significant sales after financing. Therefore, our analysis on sales targets 35 projects supported in 1998-1999 either by the NFB or Telefilm. This sample includes English-language and French-language documentaries, one-offs, mini-series and series. These projects enjoyed the most significant sales after financing, thus, the results are representative of the most “profitable” Canadian documentaries in terms of sales.

For the purposes of this study, it should be noted that generally a one-off documentary is one episode and ranges in length from half-hour (broadcast) to feature-length. Mini-series are typically less than six to seven episodes, and series are more than seven episodes and intended to be on-going in nature.

3. In order to measure the market attractiveness of documentaries compared to other genres, we commissioned research<sup>1</sup> to arrive at an understanding of how broadcasters price Canadian documentaries compared to other genres. This research included the following:

- Seventeen broadcasters (composed of English-language and French-language conventional and specialty services) were asked to submit a summary of inventory that was available for sale with a cost and an audience estimate by program for the period of April 9 to June 30, 2005. This allowed us to reach some summary conclusions on the current market potential of Canadian documentaries by type of broadcaster and the range of rates assigned to documentaries.
- An analysis was undertaken using CRTC Statistical Financial Summaries of the advertising and subscription revenues of specialty services. We focused on services that have category 2b (documentary programming) conditions of licence or that air documentaries as part of a thematic presentation. In light of the fact that the valuation tool used for the industry when setting advertising rates for programming is audience delivery, the revenue estimate for each specialty and conventional service was considered. These revenues allowed us to draw conclusions about the relative success and potential of the documentary genre within specialty service and conventional delivery.

<sup>1</sup> This research was undertaken by Debra McLaughlin of Strategic Inc.

The results of this analysis helps provide a picture of the potential market demand for Canadian documentaries compared to other genres.

Collectively, the economic indicators examined in this report provide a first step towards developing a more comprehensive examination of the general economic health of Canadian documentaries.

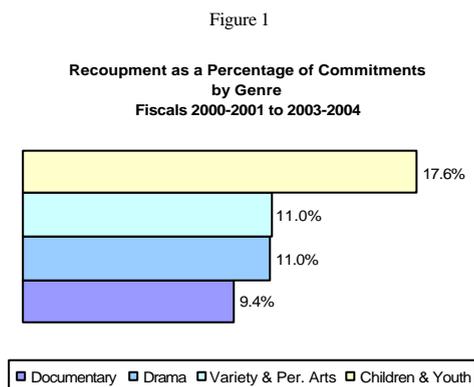
## 2. ECONOMIC INDICATORS

### 2.1. Recoupment Revenues: A Proxy for Market Performance

The analysis that follows uses recoupment revenues of Telefilm Canada supported documentaries spanning a seven-year period from 1995-1996 to 2001-2002 as a proxy for estimating the relative market performance for documentaries.<sup>2</sup>

#### 2.1.1. Recoupment Revenues by Genre

An analysis of recoupment as a percentage of Telefilm Canada's commitments over a four-year period shows that of all the genres, documentaries have returned the least revenue compared to drama, variety and performing arts and children and youth programming. (see Figure 1)



<sup>2</sup> In interpreting the information that follows, it is important to understand the difference between Telefilm's recoupment and gross sales. Telefilm shares in the revenues generated by a production only after the following deductions:

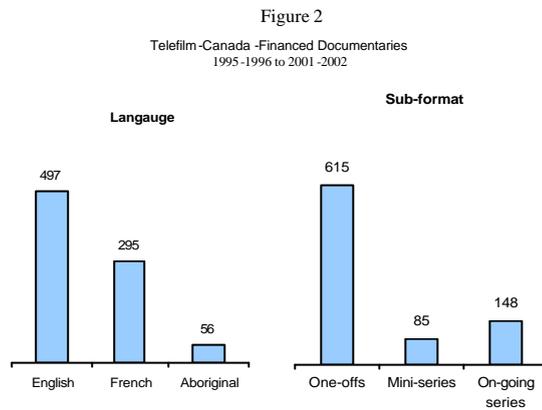
- Distribution commissions (ranging from 25% for television sales to 50% for non-theatrical);
- Distribution expenses (typically less than 10% of gross sales);
- Distribution minimum guarantee (typically less than 10% of the production budget); and
- Administration fee of a production company (5%).

The following analysis reflects Telefilm's share of revenues after the above- noted deductions. Furthermore, Telefilm's recoupment in each fiscal year is the sum total of recoupment for all projects, regardless of the year in which they were produced. The typical revenue life-cycle of a project is between 3-5 years, although there are exceptions that include projects continuing to provide revenues after 10 years.

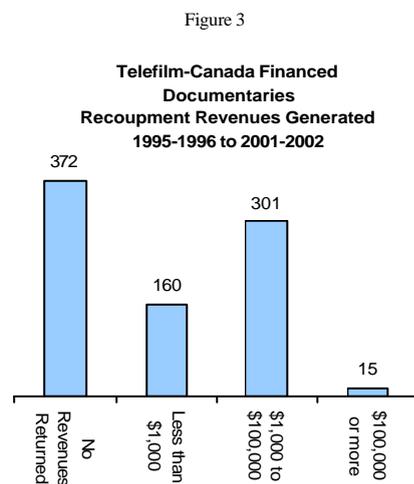
Telefilm has a unique recoupment structure for the English-language and French-language markets. Telefilm's share of the net revenues is typically between 25 and 75 per cent depending on the language market and the level of the Corporation's financial participation as a percentage of the production budget.

## 2.1.2 Recoument Revenues Generated by Canadian Documentaries

When we examine Canadian documentaries supported by Telefilm between 1995-1996 to 2001-2002, we note in Figure 2 that it has supported 848 projects representing over 2,000 hours of production. In terms of linguistic markets: 497 are English- language projects; 295 are French- language projects; and 56 are Aboriginal-language projects. Broken down further by format, 615 are one -offs; 85 are mini-series and 148 are series.



Of the 848 documentaries financed: 372 did not return any revenues, 160 returned less than \$1000 and 15 returned \$100,000 or more. (see Figure 3)

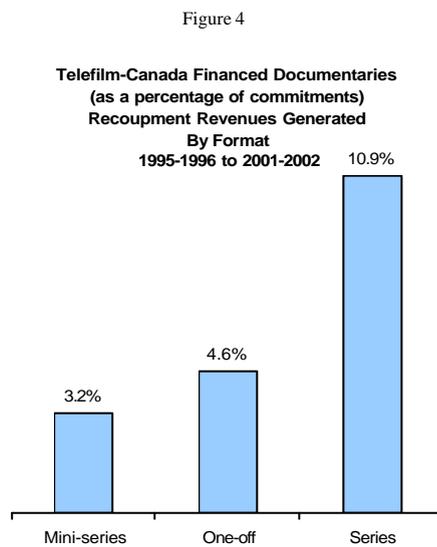


A closer examination reveals that 15 projects (1.8 per cent of all projects) account for 45.4 per cent of all the revenues recouped between 1995-1996 and 2001-2002. (see Figure 3) Eighty per cent of all revenues recouped comes from less than 9 per cent of documentaries financed by Telefilm Canada

Revenues recouped on projects come from the television market, which are more likely to be foreign revenues since most television sales made in Canada are generally included in the financial structures of projects.

### 2.1.3 Recoupment Revenues by Format

When we examine recoupment revenues generated for documentaries by format, we observe in Figure 4 that series have a far higher recoupment rate than do one-offs or mini-series.



## 2.2. Sales of Canadian Documentaries<sup>3</sup>

### 2.2.1. Approach

The results that follow are not “typical” of Canadian documentary production, but instead are representative of the most “profitable” Canadian documentaries. The approach taken was to focus on the documentary projects, supported by the NFB and Telefilm which generated significant sales after financing. Therefore, our analysis on sales targets 35 projects supported in 1998-1999 either by the NFB or Telefilm. Two main sources of information have been used: documentaries financed by Telefilm Canada, which are primarily intended for the television market, and documentaries produced by the NFB (excluding coproductions), which benefit from a wide distribution in the institutional markets.

As was explained in section 1 of this report, the sample used for this analysis was limited in both the source (only Telefilm- and NFB-supported documentaries) and the number selected for examination. Specifically of the 35 projects, 23 are Telefilm-financed and 12 are NFB-supported documentaries. In terms of format, there are 20 one-off documentaries (including 4 feature films), 7 mini-series (2 to 5 units) and 8 series (6 units and more):<sup>4</sup>

This analysis did allow us to examine the following:

- Domestic and foreign sales;
- Sales by different market segments (television, institutional, home video, theatres) in Canada; and
- Sales by documentary formats.

In light of the fact that the time period between making the sales and reporting them is long, it was decided to use the cumulative sales performance after at least five full years of operation. Therefore, the findings of the analysis are not necessarily a representative reflection of the current market for Canadian documentaries.

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<sup>3</sup> “Sales” denote the receipts generated outside the financial structure or after the production has been entirely financed. The “receipts” taken into account are the gross distribution revenues before any deductions (commission and distribution costs) and irrespective of advances (or minimum guarantee) agreed to by the distributors and exporters that are included in the financial structure. These receipts are for the markets for which the Canadian producer is responsible. In the case of international co productions, the receipts considered come from the budget share for which the Canadian producer is responsible (Canadian share of budget).

<sup>4</sup> Telefilm’s share: 10 one-off documentaries, 5 mini-series and 8 series. NFB’s share: 10 one-off documentaries (including 4 feature films) and 2 mini-series.

## 2.2.2 Domestic and Foreign Sales

Our analysis shows in Figure 5 that total sales after financing were almost \$5 million. This is almost the same amount as the television pre-sales that were included in the financial structures, which total \$5.2 million. The average sales after financing amounted to \$140,000 per project, compared to \$148,000 per project for the television pre-sales.

Thirty percent of the sales after financing took place in the Canadian market and 70% in international markets, which demonstrates that the most profitable Canadian documentaries have export capacity.

Figure 5

**Total Sales of 35 Canadian Documentaries**

Number of Projects	Budget	TV Pre-Sales	Sales			Pre-sales + Sales
			CND Sales	FOR Sales	TOTAL	
35	28,007,948	5,166,083	1,471,180	3,444,910	4,916,090	10,082,173
% of Sales			29.93%	70.07%	100%	
Inside/outside		51.24%		48.76%	100%	
% of Budget		18.45%		17.55%	36.00%	
Average per Project	800,227	147,602		140,460	288,062	

Unlike the television pre-sales that are integrated in the financial structure, the sales correspond to the gross distribution revenues -- before deducting the commission and the distributor or exporter costs, and before repaying the advances or minimum guaranteed paid by the latter that are included in the financial structure<sup>5</sup>.

An analysis of foreign sales showed that Canadian documentaries are being exported to South Africa, Germany, Australia, Brazil, China, Denmark, Spain, the United States, Finland, France, Ireland, Israel, Italy, Japan, Hong Kong, Lebanon, Mexico, Norway, Czech Republic, the United Kingdom, Sweden and Taiwan. Our analysis also found that the American market does not generate the majority of the export revenues for Canadian documentaries.

<sup>5</sup> The distributor and exporter advances included in the financial structures of the 35 projects total \$898,083. Once the commissions and costs are deducted from the gross distribution revenues of \$4.9 million these advances must be deducted from the balance to establish the producer share of the net distribution revenues that would then be received after financing, on a collective basis.

As can be seen in Figure 6, the documentaries produced by the NFB draw a larger share of the international sales revenues from the American market (44%) than the documentaries financed by TelefilmCanada (32%). This can possibly be explained by the fact that the NFB's distribution network, particularly in the institutional market, has been established and nurtured over years.

Figure 6

**International Sales by Territory  
Based on Source**

	United States			World minus US			Total		
	TV Pre-sales	Sales	Total	TV Pre-sales	Sales	Total	TV Pre-sales	Sales	Total
NFB	-	389,744	389,744	-	488,884	-	-	878,628	878,628
% Sales		44.36%			55.64%			100%	
% Budget		5.59%			7.01%			12.60%	
TFC	-	819,904	819,904	566,200	1,746,378	2,312,578	-	2,566,282	3,132,482
% Sales		31.95%			68.05%			100%	
% Budget		3.90%			8.30%			12.20%	
All	-	1,209,648	1,209,648	566,200	2,235,262	2,801,462	566,200	3,444,910	4,011,110
% Sales		35.11%			64.89%			100%	
% Budget		4.32%			7.98%			12.30%	

Figure 7

**Total Sales By Original Production Language**

Number of Projects	Budget	TV Pre-Sales	Sales			Pre-sales + Sales
			CND Sales	FOR Sales	TOTAL	
ENG (25)	20,690,341	4,437,383	1,118,458	2,821,138	3,939,596	8,376,979
% of Sales			28.39%	71.61%	100%	
Inside/Outside		52.97%			47.03%	100%
% of Budget		21.45%			19.04%	40.49%
Average per Project	827,614	177,495			157,584	
FR (10)	7,317,607	728,700	352,722	623,772	976,494	1,705,194
% of Sales			36.12%	63.88%	100%	
Inside/Outside		42.73%			57.27%	100%
% of Budget		9.96%			13.34%	23.30%
Average per Project	731,761	72,870			97,649	
Total	28,007,948	5,166,083	1,471,180	3,444,910	4,916,090	10,082,173

The original English-language projects enjoyed greater sales than the original French-language projects in absolute terms (\$158,000 versus \$98,000 per project) as well as in budget percentage (19 per cent versus 13 per cent. (see Figure 7) The television pre-sales included in the financial structure are also more significant in absolute terms (\$178,000 versus \$73,000) as well as in budget percentage (21 per cent versus 10 per cent. The higher number of English-language Canadian broadcasters and their ability to pay more may account for this result.

Meanwhile, the original French-language projects have more significant sales after financing than the pre-sales (57 per cent/ 43 per cent) while the opposite is true for the original English-language projects (47 per cent/ 53 per cent). The “sales after financing” share coming from the Canadian market is greater on the French side (36 per cent) than the English (28 per cent, and it is obviously the opposite for the international sales (64 per cent versus 72 per cent).

As can be seen in Figure 8, institutional markets constitute a significant source of gross distribution revenues for the NFB’s documentaries internationally.

Figure 8

**Total NFB Sales By Market Segment**

	TV Pre-sales	Sales					Sales + Pre-sales
		TV	Institution	Home Video	Theatres	Total	
CDN	48,500	331,983	515,753	102,389	4,203	954,334	1,002,834
% Sales		34.79%	54.04%	10.73%	0.44%	100%	
WORLD	-	569,092	289,836	14,368	5,332	878,628	878,628
% Sales		64.77%	32.99%	1.64%	0.61%	100%	
TOTAL	48,500	901,081	805,589	116,757	9,535	1,832,962	1,881,462
% Sales		49.16%	43.95%	6.37%	0.52%	100%	

### 2.2.2.1. A Comparative Analysis of NFB- and -Telefilm – Financed Documentaries

A comparative analysis of the sales and pre-sales generated by NFB- and Telefilm Canada-supported documentaries reveals the highly different production and marketing contexts of these two organizations. (see Figure 9, following page)

The documentaries financed by Telefilm Canada are produced by a diversity of independent producers and they must fit in with the programming strategy or policy of a wide range of broadcasters (for example, Canadian, public and private, general, educational and specialized) who are “triggers” for the production. All these documentaries must include in their financial structure pre-sales to the Canadian broadcasters that must reach a minimum level (as a percentage of Canadian share of budget) established by the policies in effect.

The documentaries produced entirely by the NFB reflect a different context. The NFB is a public producer-distributor that determines its own production program, produces documentaries that fit in with this policy. Very few documentaries produced by the NFB benefit from television pre-sales that are part of the financial structure. The sales after financing which the NFB carries out directly as a distributor are the primary source of the NFB’s production receipts.

Figure 9

Total Sales by Source					
Source	No. of Projects	Budget	CDN Pre-sales	CDN Sales	TOTAL Sales
NFB	12	\$6,973,919	\$48,500	\$954,334	\$1,002,834
Inside/Outside			4.84%	95.16%	100%
% of budget			0.70%	13.68%	14.38%
Average revenue			\$4,042	\$79,528	\$83,570
TFC	23	\$21,034,029	\$4,551,383	\$516,846	\$5,068,229
Inside/Outside			89.80%	10.20%	100%
% of budget			21.64%	2.46%	24.10%
Average revenue			\$197,886	\$22,472	\$230,538
TOTAL	35	\$28,007,948	\$4,599,883	\$1,471,180	\$6,071,063
Inside/Outside			75.77%	24.23%	100%
% of budget			16.42%	5.25%	21.68%
Average revenue			\$131,425	\$42,034	\$173,459

As figure 9 indicates, the sales after financing of the NFB's productions are more significant than for the productions financed by Telefilm Canada in both absolute terms (\$153,000 per project versus \$134,000) and budget percentage (26 per cent versus 15 per cent).

The gap is especially considerable in the case of sales in the Canadian market. The NFB's Canadian documentary sales represent 14 per cent of their production costs versus 3 per cent for the documentaries financed by Telefilm Canada. Meanwhile, international sales represent a similar documentary production cost percentage for the NFB (13%) and Telefilm Canada (12 per cent)

This means that the NFB's documentary sales are broken down quite evenly between Canadian sales (52 percent) and international sales (48 per cent) while the sales of Telefilm - financed documentaries occur predominantly in the international markets (83 per cent). This, of course, is explained by the fact that the projects financed by Telefilm Canada already comprise significant television pre-sales in the Canadian market, which are included in the financial structure.

### 2.2.3 Canadian Sales by Different Market Segments

Total Canadian sales come from television, institutional, home video and theatres. The most important market segment is television representing 51 per cent of all sales, followed by 41 per cent for the institutional market and home video (direct sales to consumers or rentals) accounting for the balance (7 per cent). The receipts coming from the theatre market are marginal. (see Figure 10)

If sales and television pre-sales are combined, they account for over 88 per cent of the total Canadian sales and pre-sales, which confirms that, in the Canadian market, television widely constitutes the primary source of Canadian documentary receipts. In terms of sales after financing, the institutional market is an important one.

Figure 10

**Canadian Sales by Market Segment**

	CDN TV Pre-sales	Canadian Sales					Sales + Pre-sales
		TV	Institution	Home Video	Theatre	Total	
English	\$3,871,183	\$548,781	\$492,841	\$73,001	\$3,837	\$1,118,460	\$4,989,643
% of Sales		49.07%	44.06%	6.53%	0.34%	100%	
Inside/Outside	77.58%					22.42%	100%
French	\$728,700	\$207,902	\$115,064	\$29,388	\$366	\$352,720	\$1,081,420
% of Sales		58.95%	32.62%	8.33%	0.10%	100%	
Inside/Outside	67.38%					32.62%	100%
<b>TOTAL</b>	<b>\$4,599,883</b>	<b>\$756,683</b>	<b>\$607,905</b>	<b>\$102,389</b>	<b>\$4,203</b>	<b>\$1,471,180</b>	<b>\$6,071,063</b>
% of Sales		51.43%	41.32%	6.96%	0.29%	100%	
Inside/Outside	75.77%					24.23%	100%
% Budget	16.42%	2.70%	2.17%	0.37%	0.01%	5.25%	21.68%

\* In the case of productions financed by Telefilm Canada, sales in the institutional markets and from the home video sector are grouped together. According to Telefilm, the vast majority (95%+) of these grouped-together sales involve institutional markets, which is why we have presented them under this heading.

As can be seen in Figure 11, the Canadian sales -after-financing of the NFB productions are distributed as follows: 54 per cent for the institutional markets, 35 per cent for the television markets and 11 per cent for the home video market. This reflects the fact that the NFB has its own distribution department that is involved in these three markets and has extensive experience and practice in dealing with the international markets in particular. It should be noted that all 12 titles were destined for television broadcast as well, but were not made only for television broadcast.

It is a very different story for the Canadian sales -after-financing of productions financed by Telefilm Canada that for the vast majority (82 per cent) take place in the television market. The institutional markets (which include some sales on the home video market) only account for 18 per cent of the sales after financing.

Yet, the most telling phenomenon is that if the Canadian sales and pre-sales are combined, the television market represents 98 per cent of the Canadian receipts of the documentaries financed by Telefilm Canada at the end of 5 years. All the other market segments share the remaining 2 per cent. This can be explained by the fact that these productions are primarily made for television broadcast.

Figure 11

**Canadian Sales by Market Segment  
Based on Source**

	CDN TV Pre-sales	Canadian Sales					Sales + Pre-sales
		TV	Institution	Home Video	Theatres	Total	
<b>NFB</b>							
Amount	\$48,500	\$331,989	\$515,753	\$102,389	\$4,203	\$954,334	\$1,002,834
% Sales		34.79%	54.04%	10.73%	0.44%	100%	
% Budget	0.70%					13.68%	14.38%
<b>TFC</b>							
Amount	\$4,551,383	\$424,694	\$92,152	*	-	\$516,846	\$5,068,229
% Sales		82.17%	17.83%	-	-	100%	
% Budget	21.64%					2.46%	24.10%
<b>TOTAL</b>							
Amount	\$4,599,883	\$756,683	\$607,905	\$102,389	\$4,203	\$1,471,180	\$6,071,063
% Sales		51.43%	41.32%	6.96%	0.29%	100%	
% Budget	16.42%	2.70%	2.17%	0.37%	0.01%	5.25%	21.68%

By comparison, the television sales and pre-sales represent 38% of the Canadian receipts of the NFB's documentaries, versus 51 per cent for the institutional markets and 10 per cent for the home video market. This is consistent with the NFB's mandate to reach audiences across a greater variety of market segments.

**2.2.4. Sales by Format (one-off, mini-series, series)**

From Figure 12 (results broken down according to format), we note that one-off documentaries enjoy the most significant sales after financing in production cost percentage. The 20 one-off documentaries of the sample enjoyed sales of approximately \$2.2 million, which represents 23 per cent of their production costs. The sales after financing from the seven mini-series represents 16 per cent of their production costs, and the sales from the eight series represents 14 per cent of their production costs.

The one-off documentaries are also those that enjoy the most significant sales in the Canadian market.

The series is the documentary format for which the broadcasters are prepared to pay, from the outset, the most significant license fees in terms of budget percentage: 27%: series, 16%: mini-series; 8%: and 8% for one-off documentaries. Even if their sales-after-financing potential is weaker, as seen earlier in the percentage of the budget and in the combined television pre-sales and sales total, it is the series that leads the way with \$5.5 million in receipts representing 41 per cent of their production costs, compared to 33 per cent for mini-series and 31 per cent for the one-off documentaries.

The series is also the format that enjoys the greatest proportion of sales after financing on the international markets: 81 per cent versus 67 per cent for mini-series; and 61 per cent for one-off documentaries.

Figure 12

**Total Sales By Format  
(One-off, Mini-Series, Series)**

Sub-Format	Budget	TV Pre-Sales	Sales			Pre-sales + Sales
			CND Sales	FOR Sales	TOTAL	
<b>ONE-OFF</b>	\$9,322,197	\$730,233	\$842,524	\$1,339,068	\$2,181,592	\$2,911,825
% of Sales			38.62%	61.38%	100%	
Inside/Outside		25.08%			74.92%	100%
% of Budget		7.83%			23.40%	31.24%
Average per Project		\$36,512			\$109,080	\$145,591
<b>MINI-SERIES</b>	\$5,150,840	\$837,600	\$273,361	\$566,075	\$839,436	\$1,677,036
% of Sales			32.56%	67.44%	100%	
Inside/Outside		49.95%			50.05%	100%
% of Budget		16.26%			16.30%	32.56%
Average per Project		\$119,657			\$119,919	\$239,577
<b>SERIES</b>	\$13,534,911	\$3,598,250	\$355,295	\$1,539,766	\$1,895,061	\$5,493,311
% of Sales			18.75%	81.25%	100%	
Inside/Outside		65.50%			34.50%	100%
% of Budget		26.58%			14.00%	40.59%
Average per Project		\$449,781			\$236,883	\$686,664
<b>TOTAL</b>	\$28,007,948	\$5,166,083	\$1,471,180	\$3,444,909	\$4,916,089	\$10,082,172

## **2.3. The Market “Attractiveness“ of Canadian Documentaries**

### **2.3.1 Broadcaster Pricing as a Proxy for Revenue Potential**

In order to measure the market attractiveness of documentaries compared to other genres, research was commissioned<sup>6</sup> to arrive at an understanding of how broadcasters price Canadian documentaries compared to other genres through an analysis of current advertising rates.

The first step in determining revenue potential was to solicit quotes from broadcasters on the programs they have for sale. Sales representatives were called from the organizations identified in Appendix 1, and were asked to provide a written summary of inventory that is available for sale (sale of air time) with a cost and an audience estimate by program (avails) for the period of April 9 through to June 30, 2005.

This time period encompasses the pre-finale season, which generally consists of new episodes as well as the May sweeps (US) and post- sweeps periods. These weeks represent both high- and low -demand periods. The collection of rates during high- and low- demand periods is important because the rates charged per program are a function of several factors. The cost of acquiring the program is the basis for the pricing but market conditions, like the season of purchase, the overall demand for the service and the size of the audience all contribute to the revenues that can be achieved. Crossing over between two periods allows us to develop a better picture of what is being charged.

Sales executives were asked to quote on new business (which is defined as a client not “on the air” in the past two years) in order to consider the purchase of a demographic audience made of adults in the age group of 25-54, which is considered a more consistent viewers of documentaries. They were also asked to give special emphasis to providing quotes on information and documentary programming.

#### **Key Findings**

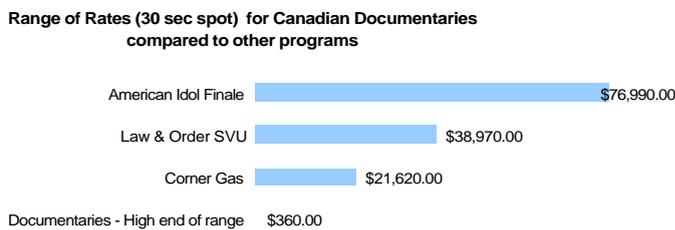
Of the 17 broadcasters contacted, only the CBC and Tele- Quebec identified a documentary in their pitch for new business. New business pitches in particular are fairly thorough in their presentation and priced attractively, as there is no history to guide a sales executive in terms of what a buyer has a preference for and no anticipation of what the buyer might choose on a given schedule. That no documentaries were provided suggests that they are either not on the schedule or are priced inefficiently and, therefore, will not be of interest to the client. It must be remembered that specific interest was expressed in this, so it is likely that this genre is likely not available.

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<sup>6</sup> This research was undertaken by Debra McLaughlin of Strategic Inc. While subscription and advertising revenues are available for pay and specialty services through the CRTC statistical summaries, the revenues for individual conventional services are not. Further complicating the calculation of the revenue potential of documentaries is the composite filing of advertising revenues that does not identify by genre or country of origin the programming sources for these monies. The only numbers filed with the Commission reflect the total of all advertising revenues, which includes all genres of programs and sales of both domestic and foreign products. The only possible approach, therefore to estimate revenues from documentary productions is to deduce from these total revenues (through a series of calculations) a range of revenues currently delivered to broadcasters through their sale of documentaries. While absolute dollars cannot be easily determined, it is certainly possible to determine the amount of money on an hourly basis that documentaries deliver to broadcasters and to examine the rates charged for a variety of programs.

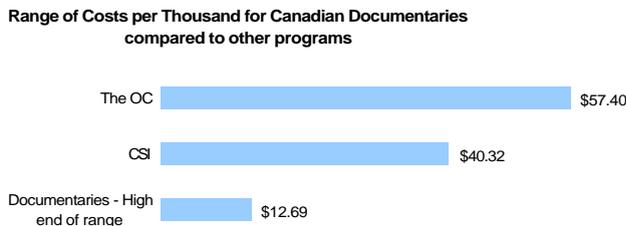
As can be seen in Figure 13, a range of rates on specialty services for specific documentary programming ranged from a low of \$44 per 30-second unit to a high of \$360. When this is compared to the rates in the same time period for the *American Idol* finale, the cost of a 30 second spot on the CTV Network is \$76,990. A Canadian production like *Corner Gas* is quoted at \$21,620 for a 30 second occasion, while a strong US prime-time shows like *Law & Order SVU* is priced at \$38,970. Critical to understanding this pricing is the differential in the audience size. The *American Idol* finale is expected to draw one of the largest audiences of the season, and will reach in one hour more Canadians than an entire week of viewing for some of the specialty services that provided quotes.

Figure 13



If we were to use the indicator of cost per thousand<sup>7</sup> that is charged for these programs which is an efficiency measure that allows for a direct comparison of programs regardless of their audience size or distribution mechanism, we note in Figure 12 that the cost per thousands on documentaries ranged from a low of \$4.69 to a high of \$12.69. Contrasting this again to top programming regardless of genres, we see CPM's for *CSI* of \$40.32 and *The OC* of \$57.40. This suggests that audience alone does not determine the revenue potential.

Figure 14



A case in point is the CPM's (cost per thousands) charged by a couple of the services. It was History Television, and not CBC, that was at the high end in terms of efficiencies when it came to documentaries. One might assume that with its broader reach into the Canadian population and its more widely recognized brand, that CBC would be able to charge more for a documentary in terms of CPM. However, one of the attributes that History Television has developed is that documentaries are part of their brand. Therefore, audiences of History Television are perceived to be dedicated documentary viewers, and a commercial placed in this environment is expected to have a better chance of retention and impact.

<sup>7</sup> If a program costs \$1000 and has an audience of 2000, the cost per thousand would be \$1,000 divided by two or \$500 per thousand. The cost of the program is divided by the audience that it attracts (expressed in thousands).

### 2.3.2 The Role of Documentaries in Generating Revenues

An examination of revenues for services, where documentaries are included either as part of their programming commitment or as part of a thematic presentation of programming overall, allows us to see the role documentaries play in revenue generation. The services selected were those that broadcast documentary programming as part of their conditions of license or services from measurable portions of their total audience come from documentaries.<sup>8</sup>

Revenues have been examined from two perspectives -- specialty and conventional.

Because the valuation tool used for the industry when setting advertising rates for programming is audience delivery, the revenue estimate for each specialty and conventional service has been considered in light of the audience delivery for this genre. If we assume that tuning to all audience is valued equally, that is, 1,000 persons viewing is priced equally across all programs on a given service, we can see the relative contribution of documentary programming to each of the following specialty services.

For each of the services, the average weekly hours of tuning and the average weekly hours of tuning to documentaries have been calculated. The hours of viewing of documentaries is then expressed as a percent of the total and this amount is applied to the total revenue for the service as provided by the CRTC.

Figure 15

#### Specialty Services

	2003 Nat Ad Rev	% Audience Doc	Revenue from Docs
Discovery	23,974,800	52.42	\$12,567,590
Bravo	14,641,915	3.94	\$576,891
Showcase	16,924,999	3.47	\$587,297
Life	14,203,199	38.87	\$5,520,783
Canal D	6,882,220	44.8	\$3,083,235
Canal Z	4,252,973	16.85	\$716,626
Historia	1,604,021	28.71	\$460,514
Canal Vie	8,884,730	18.91	\$1,680,102
W	17,949,026	3.99	\$716,166
Vision	1,146,233	5.19	\$59,489
Star	2,961,941	30.43	\$901,319
Space	22,747,181	1.51	\$343,482
History	10,116,912	41.74	\$4,222,799
<b>Total</b>	<b>146,290,150</b>		<b>\$31,436,296</b>
<b>% of Total</b>	<b>21.49%</b>		

Source: CRTC Financial Summaries  
BBM Meter Data Fall 2004

Figure 15, 21.49 per cent of the total revenues of these services is generated from documentary programming, demonstrating the success and revenue potential of the genre within the confines of specialty service delivery.

<sup>8</sup> There are other channels that purchase and air documentaries. However, they either form a very small portion of their audience base or their programming has not been coded as part of the CTF genre/country of origin coding project, such as The Documentary Channel. This makes it impossible to separate out the amount of hours of viewing specific to documentaries and to err on the side of caution, they have been omitted from this analysis.

Examining conventional networks is more difficult because, while all of their programming is coded in the audience database created by the Canadian Television Fund, their revenues are not publicly available. By taking all hours of tuned to conventional services, and calculating an average revenue generated per hour of reported viewing based on all programming across all conventional services, we can project the contribution of documentaries to revenues. If we apply this same general rate to the average weekly hours of tuning reported in the Fall of 2004, we can determine both total revenues as well as project the contribution of documentaries to revenues as is shown in Figure 16.

Figure 16

Conventional Services

	Avg Weekly Hours Viewed	Estimated Network Revenues	% of viewed hours that are Documentaries	Estimate Revenues
CTV	75,432,000	\$708,306,480	3.41	\$24,153,251
Global	51,542,000	\$483,979,380	0.63	\$3,049,070
TVA	52,550,000	\$493,444,500	4.85	\$23,932,058
TQS	29,081,000	\$273,070,590	0.46	\$1,256,125
<b>% of total</b>			<b>3%</b>	

Source: CRTC Financial Summaries  
BBM Meter Data Fall 2003-04, CTF coding

These calculations, assuming tuning to all programming is valued equally, suggest that documentaries contribute as high as 3% of total revenues. However, conventional services are typically sold on a “per program” basis, unlike specialty, which sells the majority of its inventory through rotations. The top programs on conventional stations account for the vast majority of revenues. In the case of all conventional stations that were examined, documentaries did not consistently make the top ten/twenty programs. As such, the estimation of 3% of total revenues suggested by these calculations is probably at best an overstatement of the relative revenue potential.

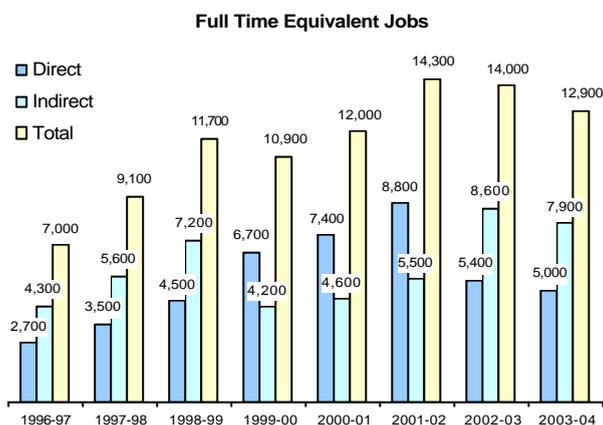
The degree to which this is true is not determinable with available data. What this calculation does serve to demonstrate, however, is the importance of other genres of programming to the relative financial health of conventional broadcasters and current environment in which documentaries compete for ‘shelf space.’

## 2.4. Jobs Created by Canadian Documentary Production<sup>9</sup>

The production of Canadian documentaries generated approximately 12,300 full-time equivalent jobs in 2003-2004. Of these, about 7,300 were full-time equivalent jobs. These direct jobs included persons employed in the production of documentaries. An additional 5,000 jobs were created in other industries in the economy as a result of documentary production activity.

The figures for 2003-2004 show a decrease from the previous year in terms of indirect jobs, but the general trend since 1996-1997 shows that documentary production in Canada continues to be an important engine for the creation of Canadian jobs.

Figure 16



<sup>9</sup> The data above has been extracted from the *Getting Real, Volume 2, 2004* under section 3.1.4, Job Estimates, page 63. The source for these estimates is the Nordicity Group. For the purposes of this report, we have extrapolated the year 2003-2004 using the change in the volume of production of documentaries as reported in the [Profile 2005: An Economic Report on the Canadian Film and Television Industry](#).

## **APPENDIX 1**

### List of Stations Supplying Quotes and Avails

- CTV
- CBC
- CHUM Television
- Global TV
- History Television
- OLN (Outdoor Life Network)
- Life Network:
- Vision TV
- TVA
- TQS
- Tele-Quebec
- Showcase
- Space: The Imagination Station
- Star!
- W Network
- Discovery Channel Canada
- Bravo