



The Shaw Television Broadcast Fund & Canadian Children's Production 1999 – 2003 Report

- ✓ The STBF is the largest private funder of Canadian children's television for independent producers.
- ✓ It is the only single purpose Fund in support of children's programming.
- ✓ Since its inception in 1998 the STBF's contribution of \$27 million to children's programming has levered \$476 million in production, 985 hours of children's programming.
- ✓ The STBF is strongly endorsed by its producer clients.

Our Request

The STBF champions Canadian children's television production. We are looking to government to champion the STBF in our efforts.

Annabel Slaight, Chair, is pleased to share with you this report on our assessment of the market, the needs of the children's industry and STBF results over the past five years. We request a meeting with you to discuss the next five years.



Shaw Communications and Canadian Children’s Television

Shaw Communications is committed to quality Canadian children’s television and the development of a strong Canadian independent production industry. Since 1994, this company has established three funds which have contributed over \$54 million dollars in financing to Canadian children’s programming. Shaw is the country’s largest private funder of independent children’s television production.

Shaw’s contribution to children’s programming began with J. R. Shaw, who strongly believes that our children should see good Canadian programming. In 1992, Shaw recommended that a benefits package be directed towards Canadian children’s television production. His initiative was approved. Subsequently, he argued the value of focused private funds. Again, his initiative was approved.

“Shaw’s commitment to invest \$10M in new Canadian children’s programming...is exactly the type of initiative we need...It’s unusual and we congratulate the shareholders and management of Shaw for showing this important leadership.”

**Keith Spicer, Chair, CRTC
December 23, 1992**

The results are compelling. Between 1994 and 1999, the Shaw Children’s Programming Initiative (SCPI) spent \$10M in support of programming for children 7-12 years of age. From 1996 to 2002, the Dr. Geoffrey R. Conway Fund invested over \$17M in pre-school programming. Since 1998, the Shaw Television Broadcast Fund (STBF) has funded \$27M in programming for Canadian children and youth.

SHAW COMMUNICATIONS & CHILDREN’S PROGRAMMING

SCPI	\$10 million
CONWAY	\$17 million
STBF to date	<u>\$27 million</u>
	\$54 million

The Shaw Television Broadcast Fund, an independent regulated Fund supported by Shaw Communications, Star Choice and EastLink, continues a decade-long commitment to children’s programming. The equity top-up provided by STBF has levered \$27M into \$476M in Canadian children’s television production seen around the world.

Over the next five years, the STBF intends to apply its experience, its expertise and its commitment to Canadian children’s television production in an expanded capacity. The following provides a summary assessment of the market and the industry, a report on the Fund’s first five years of operation and an indication of our plans for the future.



The Market

The independent Canadian production market is a huge, \$2B (CAVCO 2001/02), knowledge based, environmentally sound industry and a provider of high value jobs. Canadian children's production accounts for over \$.3B of this market. It has a number of additional and noteworthy characteristics.

- ✓ First and most importantly, Canadian television introduces Canadian children to Canadian values. As one producer notes, "This is the stuff of citizenship."
- ✓ Second, We are good at what we do. Children's television is the major export segment of the Canadian television production industry. This provides economic value and speaks well for Canada in countries around the world.
- ✓ Third, the audience watches. More than most genres, it reaches its target group in Canadian homes.
- ✓ Fourth, children's television is a leader in innovation and in the application of integrated technology with new media.

The segment has matured as an industry. Although public support remains critical to success, children's production has been successful with less reliance on public funding than other genres. CAVCO data for 2001/2002 indicates that public funds account for 28% of children's production versus 33% for all genres and 37% for drama.

This confirms the success of public policy in support of the industry. However, children's production faces difficult challenges: on-going issues within the Canadian market and threats from changing markets abroad

Challenges

Canadian Market: The continuing reality is that the small size of the domestic market and modest licensing fees means that continued public funding support is critical to success.

"The Canadian industry is tops in the world. It is the best leading source...for children's for both live action series and animation...it is the best export in Canadian entertainment."

**Jim Marrinan, Board Member
International Academy of Television
Arts & Science, Los Angeles**

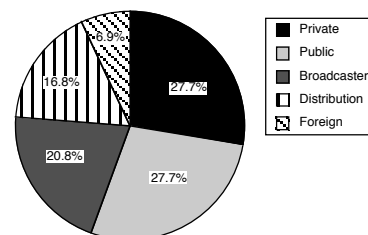
Teletoon 2003 Top 10 Shows

Top 10 English - 6 Canadian

Top 10 French - 5 Canadian

(further data to come)

CANADIAN INDEPENDENT PRODUCERS
CHILDREN'S TELEVISION
Source of Funds
CAVCO 2001/2002 - \$317M





To clarify: 21% of funding for children's production is sourced from broadcasters by means of licensing fees (CAVCO). License fees are based on a complex combination of funding requirements and expected advertising revenues. Advertising revenues are limited first, by regulations that properly restrict the amount of advertising on children's programming and second, by the limited appeal of children's programs to advertisers. Children's license fees have consistently and significantly lagged adult genres.

This situation worsened with the CRTC's 1999 Television Policy. Private broadcasters are not required to commit to airing children's programming. As a result, broadcasters have been able to transfer more hours to more profitable adult fare reducing the hours allotted for children's programming. The result is a shrinking domestic market for children's television.

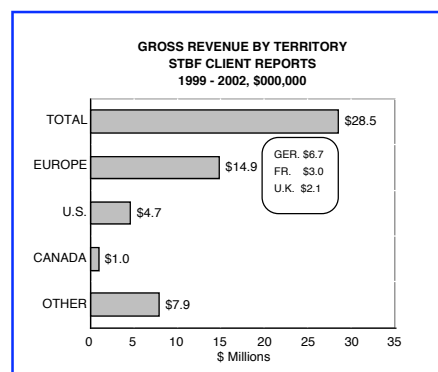
Adding to a weakened domestic market are concerns regarding public funding. As reported by producers, the domestic funding market is seen to be at risk, insufficient to the need, inconsistent and difficult to manage.

With a weak domestic market, international co-productions and foreign sales are even more vital to the industry.

International Markets: Of great current concern for Canadian children's television producers is that there is now an international oversupply. The world marketplace is shrinking and just a few companies are in control. The fallout from changing or collapsing media conglomerates in Europe and the U.S. has led to more in-house productions by broadcasters and a weakened market for imports.

The impact on STBF clients is enormous. Between 1999 and 2002, the majority of gross revenues as reported by STBF clients, came from Europe (52%) and the U.S. (17%) with only 3% from the Canadian market. This international market is now at risk. To take Germany as an example, over the past two years, the Kirch Group declared bankruptcy and the government changed tax credits rules with the result that Germany, previously a major source of revenue, is now a threatened market for Canadian production.

This is the environment that the STBF and its producer clients are dealing with and will continue to face over the next several years. The market is shrinking, the structure of the international industry is in flux, exports are at risk, and funding is scarce.



"These past two years are the toughest I have ever seen in my 25 plus years in children's entertainment".

Peter Moss, EVP Corus, 10.03



The Canadian children’s television production industry has proven its value both to Canadian children and to the Canadian economy and deserves all possible support.

The Shaw Television Broadcast Fund 1999 - 2003

Over the past five years the STBF has focused on three areas:

1. Responsible and responsive management of administered funds
2. Encouragement of quality and innovation
3. Help in building an industry

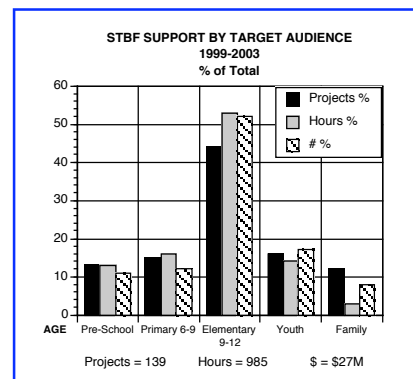
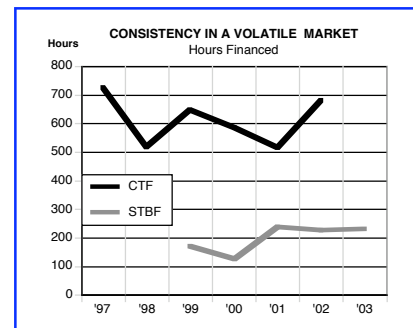
1. Responsible and responsive management of administered funds:

As mentioned earlier, the STBF is the only single purpose fund in support of independent Canadian children’s television production. As such it provides stability in a difficult funding environment.

The STBF provides a unique financing niche: top-up funding for children’s production. This critical source of financing is unduplicated by any other established funding source. STBF top-up funding often makes the difference between doing or losing the deal. A recent analysis showed that half of all production applications that were declined by the STBF did not proceed. By comparison, the productions the Fund did support levered its \$27 million into \$476 million in production.

In selecting the productions it supports, the STBF focuses primarily on quality, the creative idea and producers who will deliver the idea. The STBF does not set out to allocate by genre but allows broadcasters and the market to determine the most appropriate target audience. This approach has been successful. Over the five-year period, the STBF has supported all ages, all genres.

The Shaw Television Broadcast Fund is responsive to its clients. In 2002, the Board commissioned a survey to measure client satisfaction and to seek input on how the Fund might better serve the production community. Results were encouraging. Producers recognized the STBF for its helpful, timely response. The STBF’s knowledge of the children’s market and its ability to respond quickly often made the difference between success and failure of a deal. Overall, producers gave very high ratings to the Fund and its operation.



"I am an extremely big fan of the Fund...frank and practical ...prompt ...efficient"

"The quality of children’s programming in Canada is at a very high level and that can be attributed in part to the Shaw."

STBF Client Survey 2002



2. Encouragement of quality and innovation:

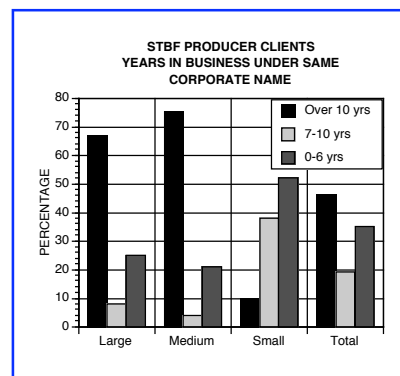
One measure of quality is the recognition the productions receive. Projects the Fund has financed are not only increasingly recognized with nominations for major national and international awards, they have won major prizes in every year since the Fund began. These include Gemini's, Emmy's and other Canadian, American and international awards.



3. Help in building an industry:

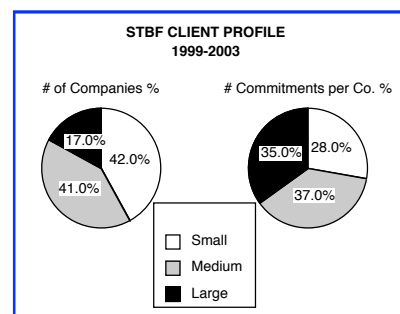
Factors frequently used in determining the maturity and strength of an industry are stability, renewal and export driven competitiveness.

Stability: Among 69 STBF-supported companies, two thirds of large companies and three quarters of medium sized companies have been in business under the same name for over ten years. **Renewal:** There appears to be no significant barriers to entry. Of the 29 small companies supported by STBF, 52% have entered the business within the last six years.



Again, although driven primarily by quality, the STBF has allocated its funds to support the range of companies. The Fund supports established strength, new companies and innovative projects.

Competitiveness: Exports of children's programming have been and continue to be the major success story of the Canadian cultural/entertainment industry. They are a major building block of the children's television production industry. But as outlined earlier, for reasons that are beyond the capability of producers to manage, exports are at risk.



The ongoing support provided by the STBF, a stable, single purpose fund, providing critical niche financing is crucial to the industry.

The Impact of the Shaw Television Broadcast Fund

If the STBF were not available to Canadian children's producers, the impact would be significant. If, for example, Shaw's BDU contributions in 2003 were directed instead to the Canadian Television Fund (CTF) and allocated accordingly, the children's production industry would experience the following.



\$5.4M loss in funding for children's television

In 2003, STBF contributed \$6.8M to children's television. If that \$6.8M BDU contribution were not in a private, single purpose fund but were part of the CTF, only 20% or \$1.4M would have been allocated to children's.

\$1.4M loss to children's producers who do not rely on CTF funding

In 2003, 20% of STBF clients did not use the CTF. If all \$6.8M were part of the CTF, \$1.4M would be unavailable to those producers.

\$6.8M loss in equity top-up needed to close financing

STBF provides producers with a unique instrument in the equity top-up that closes financing for children's programming. This is unduplicated by any other established funding source. If the STBF was not available, \$6.8 of this last-in financing would be lost to children's producers. Our experience indicates that half of those who do not receive STBF support do not proceed to production.

"(Our) programming would not be possible without the STBF Fund"

STBF Client Survey 2002

Perhaps as important, the operation of the STBF provides responsive, timely turnaround, crucial to closing financing.

Shaw Television Broadcast Fund 2004 - 2009

As it moves into the next five years, the Board of the STBF has refined its objectives in response to the needs of the market. Over the next five years, the STBF will:

- ✓ Become a more active champion of Canadian television for Canadian children
- ✓ Celebrate and support quality and innovation in children's programming
- ✓ Participate in building the industry
- ✓ Continue as a responsible and responsive manager of administered funds.

The plans to deliver these objectives are currently under development. The Board of the STBF invites you to join us in a dialogue as to how we can best meet the needs of this industry.

The Board

The strength of the Board and its Executive Director, Gail Yakemchuk, is evident in the Fund's business model, its experience and its service delivery.

Annabel Slaight, Chair, President of Owl Children's Trust Inc. is the founder of Owl Magazines, Books and Television and a recipient of many awards including the Order of Ontario, Canadian Film and Television's Lifetime Achievement Award, and the Royal Canadian Institute's Sir Sanford Fleming Award.



Agnes Augustin brings fifteen years of experience gained at Telefilm, as Head of Production at Corus and as an independent producer. She brings particular strengths in project finance and risk assessment

Gigi Boyd, a former Manager of Business Affairs and Director of Telefilm's Western Broadcast Unit is a partner, producer and the head of Business Affairs for Tricycle Films Inc. A respected independent producer and consultant to the industry, she is also a member of the National Broadcast Committee of the CFTPA.

Ken Stein, Senior Vice President Corporate and Regulatory Affairs for Shaw Communications Inc. has broad public and private experience. He has worked for two Prime Ministers with extensive involvement in policy issues including broadcasting and priorities and planning for the Federal Cabinet. He is past president of the Canadian Cable Association, Chair of CPAC and Chair of SAGIT to the Minister of International Trade.

Our Request

The STBF champions quality Canadian children's television, in support of our children and the industry. The Board is looking to government to champion us in our efforts and share in a dialogue of how best to add value to the industry.

Contact

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Data used in this document, is sourced from STBF, STBF clients, CAVCO, CTF, CFTPA, StatsCan, Telefilm, and the International Academy of Television Arts & Science

