



**SHAW ROCKET REPORT**  
ON YOUTH AND MEDIA, 2009

*SHAW*)  
**rocket**  
Fund  
Supporting quality television for kids

# SHAW ROCKET REPORT 2009



Canadian children are living in a multi-platform, on-demand world and have access to worldwide content. They expect to be able to choose how they watch their entertainment and they want a variety of choices and viewing experiences that involve both interactivity and innovation. It is no longer just a matter of getting the most eye balls to the screen for kids today, it is a matter of giving these viewers a variety of choice on multiple platforms.

Research says Canadian children want to embrace Canada's uniqueness and hold onto their Canadian values and individuality. Canadian culture and values in programming help instil pride and recognition in today's youth. The new world of multi-platform access to content provides a tremendous opportunity to build on this sense of pride—a pride that can stay with the children into adulthood. And so, Canadian content has to be there with the kids on these platforms, in order to build and sustain this sense of Canadianness. Our children access worldwide content with ease. We need to ensure that Canadian content is a strong option for them.

We are not far off the mark. Canadian kids programs already draw the largest Canadian viewership amongst all funded genres in Canada. Additionally, Canadian independent producers of kids programs have historically produced programs that have an excellent reputation internationally. They are the most exported of any genre of television. These producers continue to be applauded for their innovation within Canada's borders and abroad. They constantly aim to deliver the "total viewing experience" that kids demand even during this very difficult transition period within the Canadian broadcasting system.

Despite this, the broadcasting system as it currently stands does not protect the interests of Canadian children.

- Historically, programming for Canadian children and youth has received comparatively limited funding.
- The responsibility of airing children's programming has been left primarily to specialty channels that are now part of a few large broadcast groups. This limits the diversity of programming available.
- The CBC, our public broadcaster, tends to only air Canadian programs for preschoolers and spends minimal dollars on programming for this audience.
- And the new platform rights are being taken by broadcasters as part of traditional license fees, and in many cases this limits the digital content available to kids as the broadcasters control the rights but do not necessarily have the will or ability use the rights.

What can be done to ensure that there is enough relevant content for kids on various platforms when there continues to be a struggle to have enough content for kids on traditional television? We need champions.

The regulated environment of Private Funds limits the financial support that the Fund can offer for new platform content, but the Fund continues to look at ways to support the children's production industry within its constraints. As the only dedicated funder of children's and youth programming in the country, we see many opportunities to support content providers to help Canada lead in this new world.

In order to keep pace with the Canadian youth's requirement for cross-platform content, the Fund is requesting that the CRTC ensure a realignment of funding and flexibility.

- We request regulatory change that will:
- Make Canadian children a priority in the broadcasting system
  - Allow our Fund to go with the times to financially support multi-platform content
  - Add resources for children's content

**AGNES AUGUSTIN, President**



## OUR MISSION

The Shaw Rocket Fund is dedicated to investing in the Canadian children's independent production industry as funder and as a champion of the best in children's programming.

## OUR COMMITMENT

**To Children:** The Fund will work from the premise that success comes from delivering to our audience the highest quality, the most innovative efforts from Canadian children's producers.

**To Producers:** The Fund will continue to focus on our core business, financing children's production, as we create opportunities for innovation, to explore new approaches, to build leadership in programming for children.

**To Regulators:** The Fund will be a lead champion of the Canadian children's programming industry to its key stakeholders.

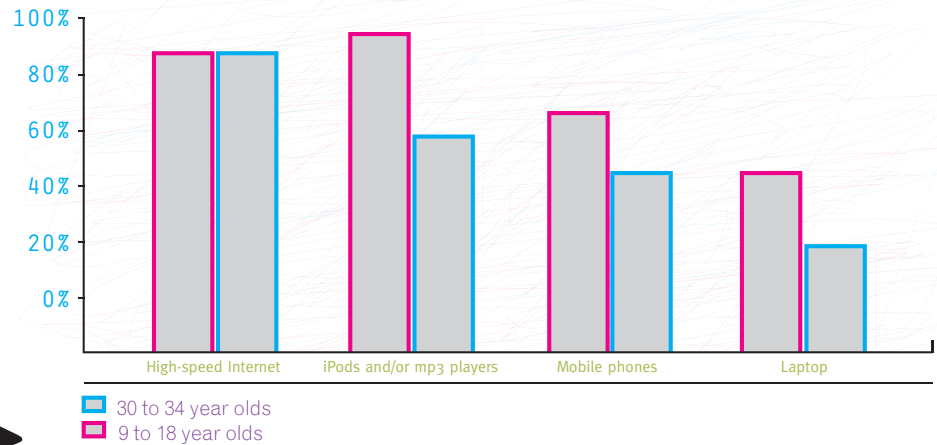
**To the Industry:** The Fund will celebrate and promote Canadian children's programming within and beyond our borders.

**To Contributors:** The Fund will invest the funds its Contributors have entrusted to us wisely, to deliver results that meet their commitment to Canadian children's programming.



# Youth Today and Their Future with Media

## GENERAL FACTS ON YOUTH, TECHNOLOGY AND MEDIA



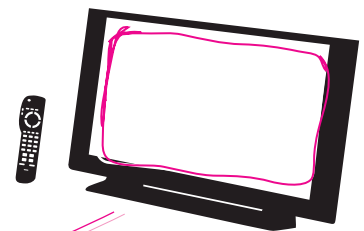
[Source: Youthography PING 23, 2009]

There is a cultural and control shift occurring in Canada and younger generations are driving this vehicle of change.

No longer do we see corporations producing a culture and delivering it down for the youth to absorb. Young people are either directly creating the culture or they are setting the trends that the corporate world then emulates.

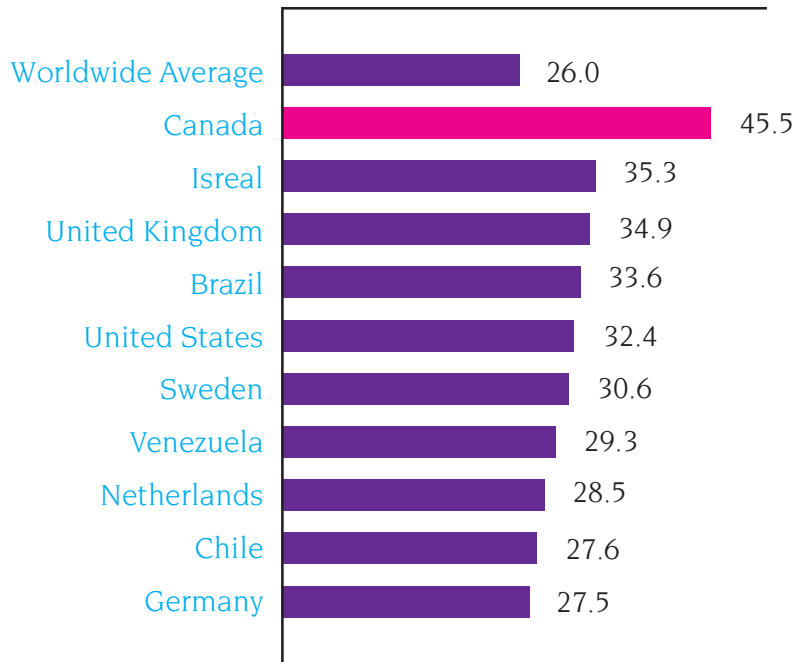
The largest trend that has transpired is the evaporation of the mandate that youth must adhere to someone else's dictated schedule. Media material has become increasingly available to children and youth at an on-demand basis – the concept of appointment television doesn't exist for this generation – they can access what they want, when they want, where they want, with whatever format they want. And the research shows that they definitely want it – they are viewing more programming than previous generations and consuming a far wider range of material options which are fostered from many more vehicles. The results of a Youthography study completed in January 2009 identified that 89% of youth age 9-18 now have high-speed internet in their home, 58% have laptops, 91% have iPods and/or mp3 players, and 72% now have mobile phones.

9-18 year olds have far greater ownership in all categories, save for high-speed internet, than their older counterparts aged 30-34. This speaks to the generational differences occurring in terms of acceptance and adoption of developing technologies. The younger demographic has access to mobility and they are taking full advantage of it. The viewing of television programming is now transpiring across four different screens simultaneously – conventional television, computer monitors, mobile phones and iPods/MP3s. This provides a range of viewing options, all of which are very much accessible to this young audience.





## COUNTRY COMPARISON (TIME ONLINE, JANUARY 2008)



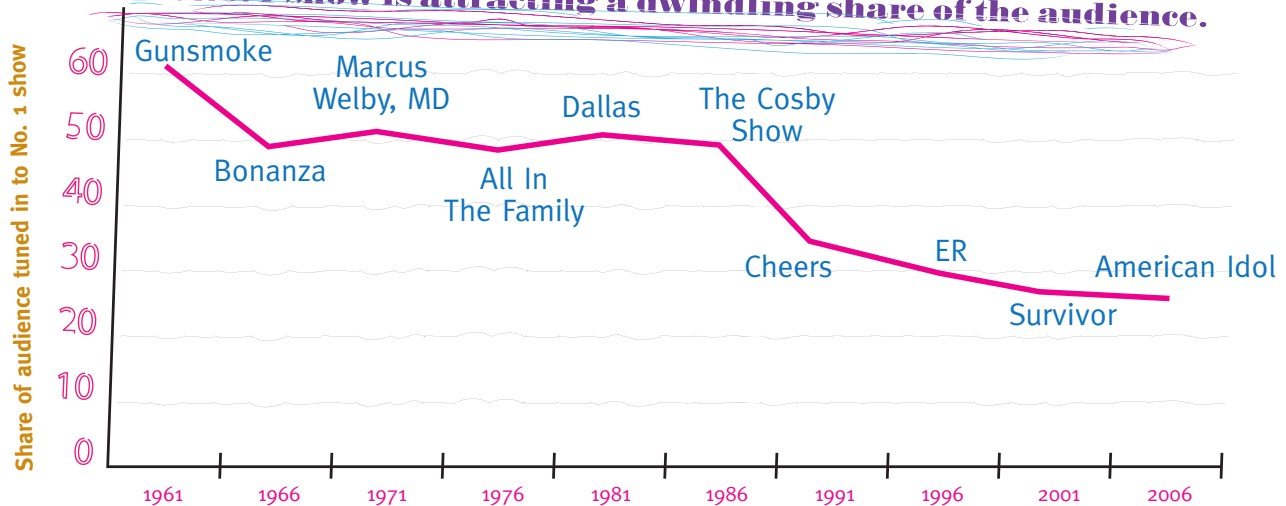
In regards to Internet usage, Canadians, and more specifically Canadian kids, are displaying the greatest amount of time devoted to being online. January 2008 witnessed Canadians being online for 75% more hours than the world average and 40% longer than the United States.

Internet Penetration Levels	
Age	Users
12-17	96%
18-29	90%
30-44	88%
45-59	78%
60+	51%

[Source: Canadian Internet Project, 2007]

Within Canada, the level of Internet usage amongst teenagers 12-17 years of age is almost 20% greater than adults ages 45-59. This demonstrates that Canadian youth are not only leading technology and internet usage within our borders, but beyond our borders as well.

## TV's No. 1 show is attracting a dwindling share of the audience.



Through the advances of digital technology, the seemingly infinite number of choices in shows and platforms has displayed its effect on the North American market for popularity in TV shows. As seen by the diminishing share that top shows are attracting, it is ever more difficult to draw an audience towards one specific program on one specific vehicle.

This effect transfers to children's programming as well. Viewing options have gone from strictly being offered on one channel on one platform to a channel proliferation. No longer can broadcasters set appointments with viewers for when and what they are to watch – the consumer will go about it at their convenience.

## TEEN TV VIEWERSHIP



- Watched a TV program by way of cable, non-cable, a digital box or satellite in the past week.

[Source: Youthography PING 23, 18, 12]

Although we are presently experiencing the rise of a 'pull' rather than 'push' modernization, it is not to say that there will be the demise of the traditional television platform altogether.

89% of teens 14-18 now report that, in a last week, they have watched a TV program by way of cable, non-cable, a digital box, or satellite. Though high, this is nearly a 10% decline in viewership amongst this group over the last few years. Although they are still digesting content in a traditional manner, fragmentation is occurring – teens are steadily supplementing conventional television viewing with other broadband mediums.

## WHERE YOUTH VIEWING IS HEADING

Content is king in the land of youth programming. In a recent Youthography study (January 2009) 55% of youth aged 14-18 agreed with the statement 'It doesn't matter whether I watch it on TV, at the movie theatre, on my computer or on my mobile phone it just matters that I like the content'. For 19-34 year olds, this same statement is rated only 45% and helps us to identify what should well be considered a generationally growing trend. This is to say it's not so much about how younger generations are watching, it's about whether they enjoy watching it.

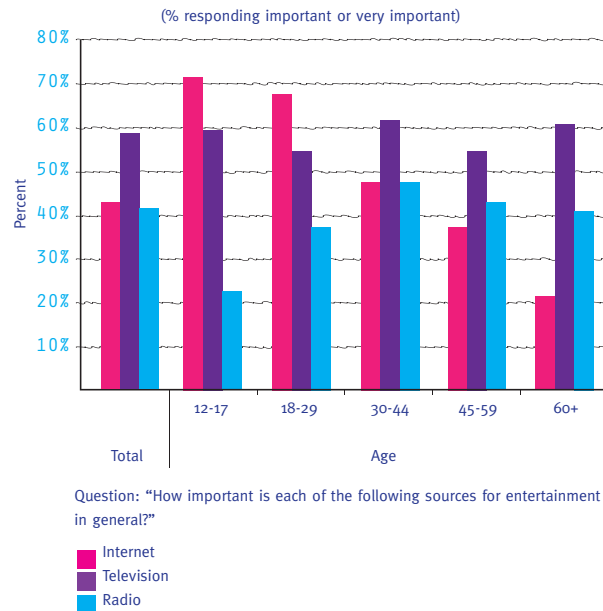
**"People don't know what the future holds and at the end of the day, it's all about content. It's about telling a good story with good characters and that's it. It doesn't matter where it is. Doesn't matter what it is. Doesn't matter what platform it's going on – where it's being delivered. It's still about content."**

**FINN ARNESEN** Senior Vice President and General Manager for Original Series and International Development, Turner Broadcasting

If the content is relevant, young people will watch it, but they look to find the most convenient way to watch it. The focus, for youth, is being drawn away from the delivery method since they've grown up having access to so many platforms, and instead, their attention is being directed towards the material that is made available. This material needs to be accessible to the audience through the delivery method of their choice – whichever one of the four screens that may be. Without cross-platform access, program viewership becomes jeopardized.

Trending in the last year alone is indicative of an accepted adoption of the on-demand method of delivery. The amount of youth who are streaming content through their desktops or laptop devices has more than doubled from 13% to 27% in this time span. They are also downloading and watching programming at a fairly steady rate: 23% will download a show for later viewing, up from 20% in the year prior. As more choice is offered online, we anticipate that this percentage will continue to rise.

## INTERNET, TELEVISION AND RADIO AS AN IMPORTANT SOURCE OF ENTERTAINMENT



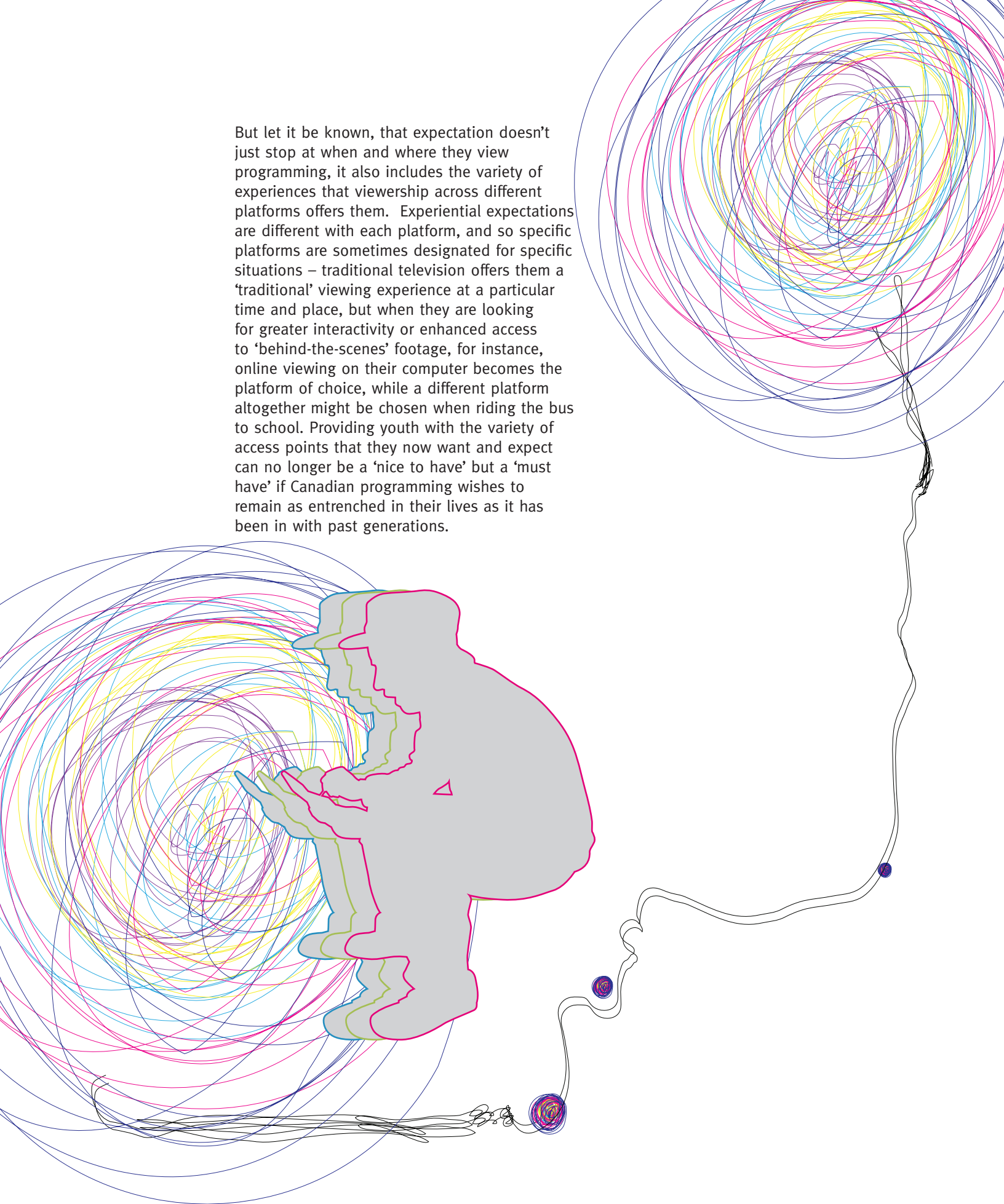
[Source: Canadian Internet Project, 2007]

In the eyes of Canadian teenagers, the direction that television programming is currently travelling could see television and internet consolidating into one important source of entertainment. Youth 12-17 are already placing a larger degree of importance on the internet than either television or radio. Convergence is forecasted to become all the more apparent in the coming years.

Already, given the choice between streaming and traditional television, 24% of 14-18 year olds surveyed in Youthography's 23rd edition of Ping, 2009, confirmed that 'Assuming they are both of the same quality, I would rather watch a television program streamed on the computer than on my television set'.

Increased convenience and continued improvements to broadband are generating the forecasts that computers may soon become the device of choice on which to view programming. In fact, when asked whether or not they feel 'The future of television and video content is through broadband / internet networks', 39% of 14-18 year olds confirmed that this is the direction content is heading. Youth are expecting change and broadband is catching up to their expectations.

But let it be known, that expectation doesn't just stop at when and where they view programming, it also includes the variety of experiences that viewership across different platforms offers them. Experiential expectations are different with each platform, and so specific platforms are sometimes designated for specific situations – traditional television offers them a 'traditional' viewing experience at a particular time and place, but when they are looking for greater interactivity or enhanced access to 'behind-the-scenes' footage, for instance, online viewing on their computer becomes the platform of choice, while a different platform altogether might be chosen when riding the bus to school. Providing youth with the variety of access points that they now want and expect can no longer be a 'nice to have' but a 'must have' if Canadian programming wishes to remain as entrenched in their lives as it has been in with past generations.





## WHY CANADIAN PROGRAMMING IS IMPORTANT FOR YOUTH

“Far from economic integration leading to the Americanization of Canada, in fact, Canada’s values have recently become more distinct from our southern neighbour. A Canadian way of living and thinking, therefore, will endure well into the future.”

**MICHAEL ADAMS**, Leading Sociologist and author of *Fire and Ice: The United States, Canada and the Myth of Converging Values*.

Youthography tracks the values and attitudes of the younger generations of Canadians. The results are showing a shift from them wanting to define themselves as different from Americans and starting to move towards a self-defined identity. This distinctive identity can and should be continuously cultivated within the programs which young Canadians are absorbing.

Considering the variety of platforms that content is being consumed on and the level of accessibility that programming has never before had, it is progressively more important that there is an availability of more Canadian-driven content across these various platforms. This is ever more essential for younger audiences in particular, in order to facilitate a sense of pride in their culture. Creating characters, locations, and scenarios that they are able

to recognize and identify with, personally, helps our young people embrace their Canadian identity early in life and begins to nurture an ongoing appreciation of Canadian content, and Canada at large.

Not only will the younger audiences be exposed to characters and role models with whom they can relate to, but there is also a double-exposure effect occurring with parents as well. Many parents are experiencing the diversity in these programs with their children – watching and enjoying the programs together. The double-exposure transfers across platforms as well – 52% of youth aged 9-13 say that ‘My parents monitor my use of the Internet’. Children’s and youth programming is demanding greater attention as it is additionally capturing an older audience with its content, and even more so across multiple platforms.

With young people having the ability through the internet, to seek content beyond geographic boundaries, it must be asked, does Canadian content have the ability to be discovered beyond both television and geographical boundaries? If that is the goal, the power of the internet must be utilized more effectively. There should be the same high level of commitment to Canadian culture regardless of the platform a child decides on.



## CANADIAN CHILDREN'S PROGRAMMING SELLS

### HISTORICALLY, YOUTH ARE THE MOST LOYAL VIEWERS: CANADIAN KIDS ARE WATCHING CANADIAN TV

Although younger viewers are steadily complementing TV with their streaming and downloading online habits, they are still the most loyal of all audiences to conventional Canadian youth programming. Among all Canadian Television Fund (CTF)-funded production genres in English Canada, hours of viewership amongst children's and youth programming has been the greatest. Canadian programs were being watched by 42% of Canadian children as reported by the CTF in 2006/07. Total hours watched was more than double that of drama.

In French Canada, children's and youth programming was being viewed by 78% of kids, which was again more viewership than any other CTF-funded genre.

Canadian programming is undeniably important and popular with the young Canadian population. As younger audiences transfer their viewing habits towards the streaming of their favourite content, a revisit to the situation in Canada is necessitated.



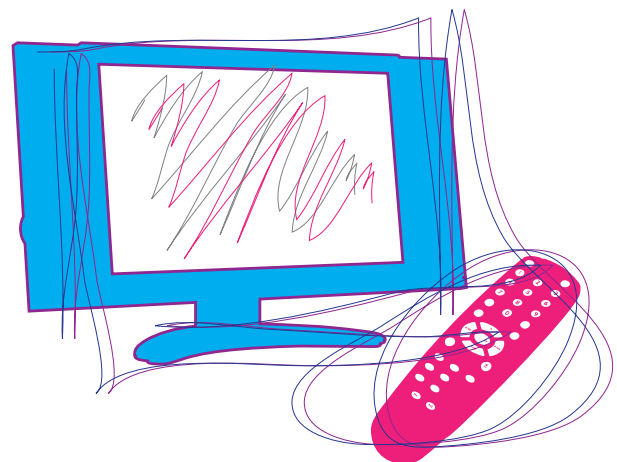
### HISTORICALLY, CANADIAN YOUTH PROGRAMMING EXPORTS AND SELLS WELL INTERNATIONALLY

Canadian producers of children's television don't just make excellent programs, they also export more shows than any other segment of the industry. According to The Case for Kids' Programming – Children's and Youth Audio-Visual Programming in Canada, a 2007 study prepared by Nordicity Group Ltd. for the Canadian Film and Television Producers Association, "children's and youth television projects have the best rates of recoupment – a good indicator of after-market sales performance.

*"Whenever I see the Shaw Rocket Fund logo on a program that I am screening, I know that I can expect it to be a high quality Canadian children's program."*

**DEIRDRE BRENNAN**, Programmer for Nickelodeon Australia.

Canadian producers have built a strong reputation worldwide for quality work that is transferrable across platforms.



## HISTORICALLY, CANADIAN CHILDREN'S AND YOUTH PROGRAMMING RECEIVES A LIMITED AMOUNT OF SUPPORT

In 1999 Canadian children's programming was no longer considered priority programming: Public Notice CRTC 1999-97, Building on Success – A Policy Framework for Canadian Television stated that "The recognition of the excellence of Canadian children's programs, and its exportability ensure its availability without a regulatory requirement."

Since this policy was implemented there has been a continuous challenge to place priority for funding on children's programming and the results speak clearly. 1999 was the children's sector's greatest year for production numbers in Canada. Since that point in time, the industry has experience a steady decline – production went from a high of \$388 million in 1999/00 down to the most recent low of \$250 million in 2007/08.

Nordicity forecasted that there was no guarantee that this one-time increase to Canadian children's production would be sustainable. The reported 34% decrease in 2007/08 to a low \$250 million shows this to be true.

## NUMBER OF CHILDREN'S AND YOUTH PROJECTS IN THE NON-CTF CATEGORY, BY SIZE OF PROJECT BUDGET

	2005/06	2006/07	Change
Above \$10M	0	2	2
\$7.5M to \$10M	0	3	3
\$5M to \$7.5M	3	4	1
\$2.5M to \$5M	4	9	5
\$1.0 M to 2.5M	7	5	(2)
Under \$1M	13	7	(6)

[Source: Nordicity Analysis of the Increase in Children's and Youth Television and Film Production, 2008]

## VOLUME OF CHILDREN'S AND YOUTH PRODUCTION (\$ MILLIONS)

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Television	388	370	358	300	290	280	276	379	250

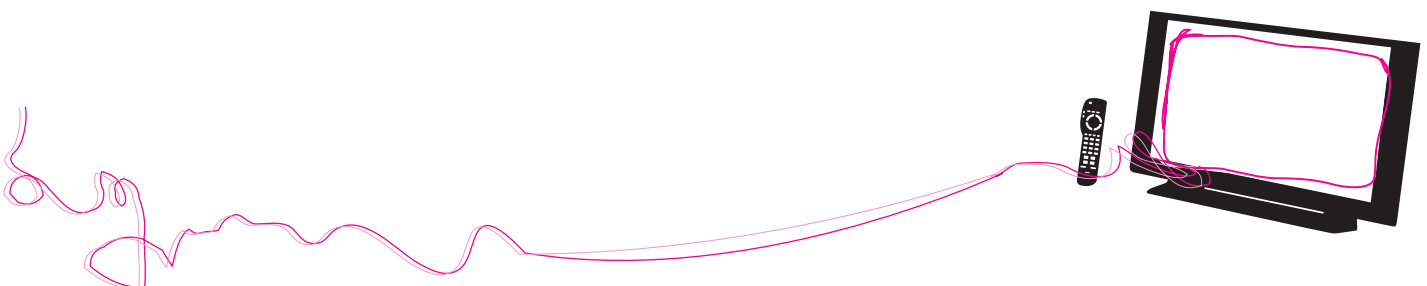
[Source: Nordicity Analysis of the Increase in Children's and Youth Television and Film Production, 2008]

Although, 2006/07 production levels experienced a sharp contrast to the trending preceding this year, The Nordicity Group Ltd. reports that this 23% increase was a result of two large budget productions (above \$10M) initiated that year and three additional productions which amassed budgets in the \$7.5M to \$10M range. Investigation of the year prior shows that there were no budgets exceeding the \$7.5M mark. Combined, these five \$7.5M+ programs accounted for 71% of the \$86M increase in production dollars.

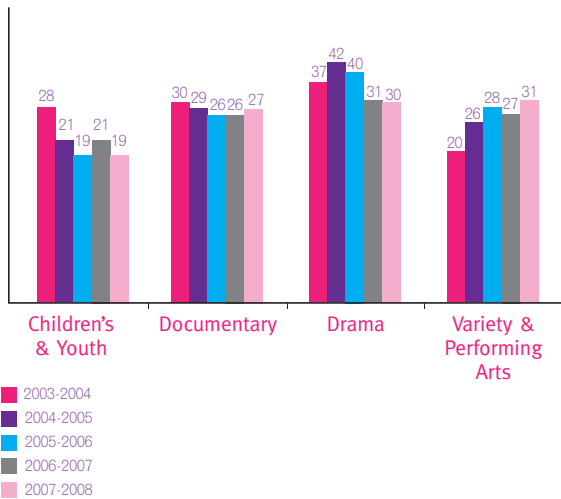
It should be noted that none of the large scale productions in 2006/07 were CTF-supported.

Historically, the Canadian Television Fund's support of children's programming is low.

The funding provided by the Canadian Television Fund (CTF) is not aligned with the amount of viewership by Canadian youth. Since the CTF adopted a system of broadcaster envelopes, broadcaster focus has been directed more towards adult programming, namely drama, than to the youth market. Each year, less than 20% of the available funds are committed to children and youth programming. The market that offers the most devotion is receiving lesser support.



## PERCENTAGE OF TOTAL BUDGETS BY GENRE



[Source: Canadian Television Fund Stakeholders' Report, 2008]

Another consequence of not being designated priority programming is that expectations for over-the-air (OTA) broadcasters to show Canadian kids programming are minimal. As a condition of licence CTV is only required to air 2.5 hours of kids' shows per week; CBC is only expected to air 15 hours a week for children, and 5 for youth and Global has none. It is questionable if any of these targets are even being met. Evidence of this is shown by our public broadcaster who only allocated 9.6% of its entire CTF envelope to kids' programming – even though CBC is guaranteed 37% of all CTF funds.

The responsibility of offering children's programming cannot be left to specialty channels alone. The CFTPA 2009 Profile states that in 2007 10% of Canadian homes did not subscribe to multi-channel television programming services. This means that potentially millions of Canadian children and youth have little or no access to Canadian children's shows.

And then there is the question of diversity amongst the consolidation of broadcasters. Corus owns YTV, Treehouse, Discovery Kids and a portion of Teletoon. Astral Media has ownership in The Family Channel, Disney Playhouse and also a portion of Teletoon. Canadian children deserve to have access to a diversity of Canadian programming.

## LIMITS OF REGULATION AND CURRENT CHALLENGES

In order to receive financing from the various production funds, producers must obtain a television broadcast license which guarantees that the program will air on traditional television. Funding of other platform content is very limited, especially for children's content.

In addition to this limitation, the following is also happening:

- Broadcasters are pushing for control over all rights to content in exchange for the issuance of the same licenses.
- Independent producers are increasingly producing content for both conventional and multi-platform use. Often, they do not receive revenue from these promising streams.
- A very small amount of funding is available for straight-to-the-net productions, although 12% of youth regularly watch programs that air strictly over the internet.
- Traditional advertising dollars are consistently being transferred online as many more viewers migrate.

As children spread their viewing habits across the various platforms, the current model of funding of Canadian content must acknowledge this shift. Viewing habits are changing and the support of Canadian programming must change with it.

Funding for multi-platform enabled youth content would benefit not only young viewers hungry for the multi-accessible content and the producers who create it, but also for broadcasters who might regain portions of the advertising revenue lost from the shift in spend from TV to online.

Without proper assurance that Canadian youth programming is made available through broadband, especially in an environment where support of children's programming is always on the low end, the younger generation may not receive the culturally relevant programs which they have become so loyal to.

It is the responsibility of all those involved in the creation of Canadian media to ensure that Canadian children will always have access to Canadian made programming. Ensuring that Canadian children's programming is available on all platforms is much more than a genre allocation, it is a responsibility that we, as Canadians, have to our children.



## SHAW ROCKET FUND KEY FACTS

- The Shaw Rocket Fund, a regulated private fund, was created in 1998 to support Canadian children's production programming. Contributors are Shaw Communications, Star Choice, Delta Cable, and Eastlink Cablesystems
- The Shaw Rocket Fund is Canada's largest private investor in children's programming
- In 2008, the Shaw Rocket Fund contributed a record \$12 million to industry, +14% versus 2006
- Since 1994, the Shaw family of funds has contributed \$102 million to children's programming
- The Fund is a stable, consistent, independent investor with a non-stakeholder Board focused solely on the audience
- The Fund applies best-practices: keeping abreast of the children's media market; investing in quality not quotas; working with producer clients; constantly accessing results; refining the Fund's approach; and planning for the future
- The Fund is strongly endorsed by its producer clients and its Contributors
- In 2005, the first \$50 000 Shaw Rocket Prize was awarded. The Prize was created to celebrate the industry, to provide insight into what Canadian children want to see and what international buyers want to buy. The Prize also provides a means to present the best work of all Canadian producers to those buyers.
- In 2004, the Shaw Rocket Report was introduced as a commitment to the industry to share knowledge gained as informed investors.



## SO WHAT DOES THIS MEAN FOR THE SHAW ROCKET FUND?

### AN OPPORTUNITY TO KEEP UP

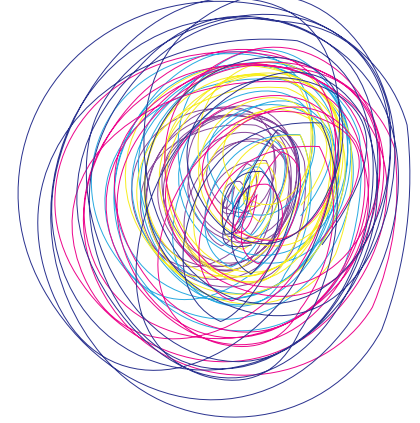
The Shaw Rocket Fund receives approximately \$11 million annually to support Canadian kids programming, which is less than 4% of the total \$299M CTF 2007/08 revenues. Yet, Canadian producers carry high regard for the quality of content the Fund is able to promote.

This esteem is a result of the culture that the Fund has fostered in keeping focus directly on the audience and their needs. The Fund is dedicated to supporting quality programming to the Canadian children's and youth market and has been able to efficiently do so. The Fund constantly audits its work and has a solid assessment process in place when considering production proposals. It strives to be flexible in order to meet the need of its producer clients and the audience that they serve

Change is a constant factor and a framework is required that can adopt this progression. The need to restructure the regulatory limitations which is constricting the growth of Canadian multi-platform production is apparent. Funding must directly support the creation of this content. The Broadcasting Act holds that every aspect of our Canadian broadcasting system must contribute to its broadcasting policy objectives. Without the flexibility of funding it is increasingly difficult to make those contributions.

Enhanced flexibility is essential to providing producers the support needed to extend beyond conventional broadcasting and into multiplatform programming. Although conventional television is still a primary source of entertainment for youth, the ability to 'pull' content rather than have it 'pushed' to them is becoming ubiquitous in their lives. From their perspective, entertainment properties can be found through a growing number of vehicles. They expect to see shows online and expect them to be offered at their convenience. And we have a responsibility to be there to support them.

The regulatory change that the Shaw Rocket Fund is seeking will allow the Fund to manage the needs of the youth market. They require quality Canadian programming which can be made available to them across the spectrum of platforms that has presented itself in recent years. We need to be a part of the plan to ensure Canadian programs are anywhere and everywhere a Canadian child chooses to watch them.

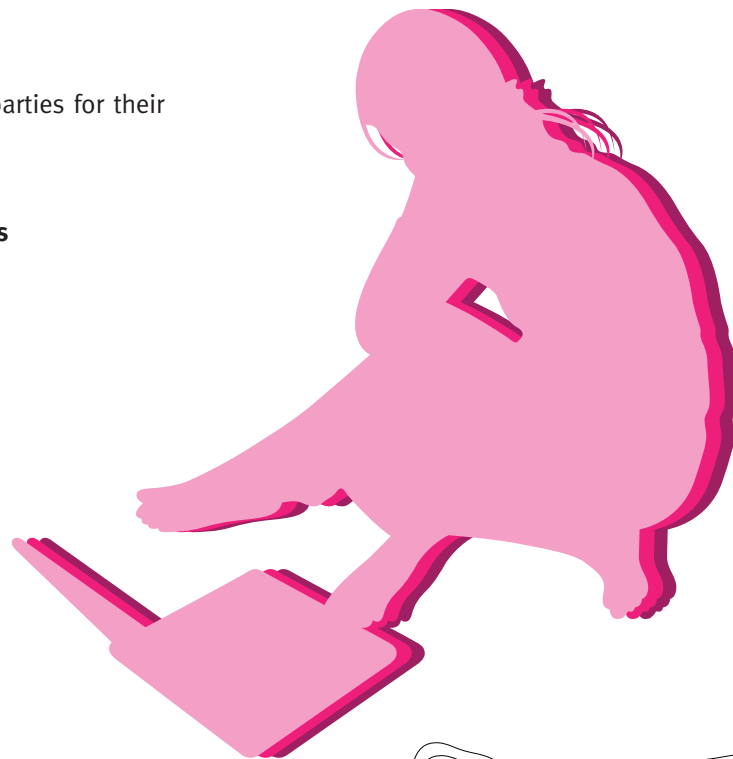


## Resources

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- comScore Media Matrix, comScore Inc., US, 2008
- CTF Stakeholders Report 2008, CTF, Canada Oct 2008
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- Perspectives on Canadian Broadcasting in New Media, CRTC, Canada, May 2008
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- Public Notice 1999-97, CRTC, Canada, May 1998

We wish to thank the following parties for their contribution to the report:

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**Donaleen Saul**



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