An Economic History and Analysis of Canadian-produced Television Programming Sold to American Networks/Stations

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Abstract

Throughout its history, the Canadian television industry has been intertwined with its American neighbor, a relationship that has had both negative and positive implications for both parties. Traditionally, US production companies have enjoyed competitive advantages over their Canadian counterparts since they can recover most of their production costs in a market approximately ten times the size of Canada's. In addition, a number of American companies have vertically integrated to produce, distribute and promote their exports globally. Conversely, Canadian production companies must cope with a domestic television market split between two official languages (English and French). To make matters worse, a large segment of Canada's populace can also easily receive broadcast signals from US stations and/or view significant amounts of American programming aired on Canadian television stations.

Despite the above-mentioned drawbacks, the Canadian television production industry has been able to grow and prosper to the point where Canada now ranks only second to the United States in exports of television productions to the international market. Indeed, Canada's success has been partially attributable to its cultural and geographical proximity to the United States. This study traces the history and growth of the Canadian television production export sector and also identifies the major economic and financial factors that have influenced this growth, with a special emphasis placed upon exports primarily produced for the US market.

An Economic History and Analysis of Canadian-produced Television Programming Sold to American Networks/Stations

Throughout its history, the Canadian television industry has been closely intertwined with its American neighbor, a relationship that has had both negative and positive implications for both parties. Traditionally, US production companies have enjoyed competitive advantages over their Canadian counterparts since they most of their production costs can be covered in the domestic marketplace. In addition, a number of American companies have vertically integrated to produce, distribute and promote their exports globally.

On the other hand, Canadian production companies must cope with a domestic television market split between two official languages (English and French). To make matters worse, a large segment of Canada's populace can also easily receive broadcast signals from US stations and/or view significant amounts of American programming aired on Canadian television stations.

Despite the above-mentioned drawbacks, the Canadian television production industry has been able to grow and prosper to the point where Canada now ranks only second to the United States in exports of television productions to the international market (Ingrassia, 1997). Indeed, Canada's success has been partially attributable to its cultural and geographical proximity to the United States. This study traces the history and growth of the Canadian television production export sector and also identifies the major economic and financial factors that have influenced this growth, with a special emphasis placed upon exports primarily produced for the US market.

This paper traces the evolution of the Canadian television production export sector from its inception to the present day. It also identifies and analyzes the major economic, financial, and other factors in Canada and the US that have influenced this sector's growth. Finally, the paper examines current as well as possible future implications of the Canadian/US "market synergies" upon both countries. Specifically, the paper addresses the following questions[1]:

1) Where and when did Canadian programming first appear on American television networks/stations? What genre(s) did the programming represent?

2) What changes have occurred regarding Canadian programming aired on American networks/stations in the years since its first appearance and what prompted these changes?

3) Why do Canadian television production companies primarily target the American and other foreign markets in lieu of the Canadian domestic market?

4) What are "industrial dramas" and what role did they play in helping increase the amounts of drama programming exported from Canada to the US and elsewhere?

5) What financial and other advantages do American television networks and stations derive from purchasing programming from Canadian production companies?

6) What are the disadvantages of such arrangements for Canadian companies? for the US television broadcasting and production industries?

7) What roles do cultural, economic, and other policies of both countries play in this arena?

8) What are some possible future scenarios for the sector?

Canada: A Demographic, Economic, and Geographic Overview

Geographically speaking, Canada is a 3,851,800 square mile colossus, albeit with a relatively small population of approximately 35 million inhabitants living within its borders. Canada's only contiguous neighbor and largest trading partner--the United States, boasts a population and market ten times the size of Canada's. In 1998, Canada exported 84% of its goods and services to the United States while American goods and services represented 77% of Canadian imports, making Canada also its largest trading partner (*CIA: The World Factbook 2000)*.

Economic Value of Canada's Cultural Industries

The cultural industries are a vital component of the Canadian economy, representing 2.44 percent or nearly $15 billion (CDN)[2] of Canada's GDP in 1991. Canada's film and television production industries are the fastest growing and strongest sectors of the Canadian economy, continuing a trend that began in the mid-1990's. Employing 119,000[3] Canadians in 1999/00, the country's three largest production centers--British Columbia, Ontario, and Quebec generated revenues of $1.1 billion (CDN), $1.01 billion (CDN) and $850 million (CDN) respectively during the period (*Playback,* March 14, 2001).

The Landscape of Canadian Television

On September 6, 1952, the Canadian Broadcasting Corporation (CBC) initiated domestic broadcast from its Montreal station (Rutherford, 1990) although Canadian households near the US border were able to receive regular broadcasting from American stations up to four years earlier, and by 1952, 146,000 of them already owned television sets (Lehmann, Spring 1997, p.193; CCTA, 2001).

The Canadian government deemed that the newly created television broadcasting system would be used to counter American cultural influences, and therefore, while satisfying Canadians' craving for television, it would also bear cultural and political mandates, namely that "... Canadian television must safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada". To meet these goals, the CBC began constructing and operating television stations in major cities as well as networking facilities to link its stations and transmit content. Costs for the system were to be covered by a parliamentary grant combined with advertising revenue. In addition, the CBC was to produce its own programming (Attallah, 1996, p. 163).

In 1953, the first private television stations were licensed in Canada, and by 1961 two private networks, the English language CTV and the Quebec-based, French language TVA were launched. Approximately 20 years later, in 1974, the Ontario-based English language Global network was formed while in 1986, the Quebec-based French language Television Quartre-Saisons network was formed. During the 1970s, provincial educational networks were also established in Ontario, Alberta, and British Columbia. More recently, informal networks created by large station groups also began appearing throughout the country (Attallah, 1996, 163-164) while independent stations lacking a network affiliation were also commonplace in large Canadian cities.

Cable Television

Canada has been a leader in the development of a nationwide cable television system since its introduction in the early 1950s. By 1998, 263.8 Canadians per 1000 were cable subscribers compared to 244.3 per 1000 in the United States (International Bank for Reconstruction and Development, 2000). In 1982, the Canadian government authorized cable operators "... to distribute 'discretionary' or pay services" that could be of Canadian or other origin (Attallah, 1996, 164). Since that time, Canadian pay and specialty channels have proliferated with new additions appearing on a regular basis.

<u>The Canadian Television Production Marketplace: An Overview</u>

The relatively small size and linguistic fragmentation of the Canadian television market coupled with easy transborder reception of US stations by much of Canada's population have traditionally been impediments to the growth of the country's indigenous television production sector. Consequently, programming costs, especially for drama can not be recovered domestically (Attallah, 1996, p. 165).

A 1996 CRTC-sponsored study estimated the cost of one hour of "high quality US television drama was $1 million (CDN)" while a comparable hour of Canadian drama was $750,000 (CDN). Moreover, Canadian broadcasters could acquire the US product for $50,000 (CDN). Consequently, even given a maximum Telefilm subsidy (discussed below), Canadian broadcasters lost $325,000 (CDN) if they defrayed the remaining costs only in the Canadian market. Jeffrey, citing unpublished CRTC data also noted that according to CTV 1991 estimates, a low-rated US series provided $1.94 (CDN) in revenues for every $1 (CDN) whereas an hour of Canadian entertainment programming returned 62 cents on the dollar. CTV executives declared that broadcasting three hours of Canadian programming per week in prime time lost it more than $15 million (CDN) a year (Jeffrey, 1996, p. 245). The Canadian Association of Broadcasters (CAB) argued likewise, stating "Right now, broadcasters lose on average, 40 cents for every dollar spent on Canadian programming" (CAB, 9/23/98). In addition, the widespread availability and appeal of American television established its production values as "... the *de facto* standard for Canada" (Attallah 1996, p. 165)

Given these market conditions, in addition to purchasing programming from other countries, Canadian broadcasters have traditionally followed one or more of the following approaches to meet their programming needs: (a) securing production financing through federal and provincial government subsidies, (b) producing less costly programming, or alternately (c) entering into partnerships with production companies in other countries (Attallah, 1996, p. 165).

The Canadian government has played a prominent role in other areas of Canadian television broadcasting and production over the years. Beyond ownership of the CBC and funding assorted subsidy programs, other types of government intervention have included: (a) restriction; (e.g., tariffs, censorship bureaus, foreign ownership restrictions); (b) promotion; (c) ownership of the National Film Board; (d) direction (e.g., establishment of the Board of Broadcast Governors--later the Canadian Radio-television and Telecommunications Commission (CRTC); and finally, (e) license control (Rutherford, 1998, p. 189).

Telefilm Canada

The Canadian Film Development Corporation (CFDC), formed in 1967 and later renamed Telefilm Canada is one of the federal government's primary funding mechanisms for film and television production. "Dedicated to the development and promotion of the Canadian television, film and new media industry," Telefilm's stated mission is:

> ... to provide financial assistance and strategic leverage to the industry in producing high-quality works that reflect Canadian society, including its linguistic duality and cultural diversity, while ensuring their widest possible distribution in Canada and abroad (Telefilm Canada, [2000]).

With an annual budget of nearly $200 million (CDN), Telefilm administers 17 funds and programs that contribute to the development and production of a wide array of feature films, television programs, and other multimedia products. Telefilm's financial support comes in various forms including investments, advances, loans, loan guarantees and grants[3]. In addition to financing, Telefilm is also involved in "distribution, export, versioning, marketing, and promotion at Canadian and foreign festivals and markets." (Telefilm Canada, [2000]).

Canadian Content (CanCon) Quotas

Canadian content quotas (CanCon) represent a second major form of governmental intervention in Canada's television industry. Introduced by the Board of Broadcast Governors in 1959, CanCon quotas[5] serve as a primary regulatory mechanism to ensure Canadian programming appears on Canada's television sets. The quotas stipulate that overall, all private and public Canadian stations must devote 60% of their airtime to "Canadian programming" with quotas based upon whether the station is public or private. Private broadcasters must devote 60% of their daily schedule and 50% of prime time (i.e., defined by the CRTC as 6 - 12 p.m.) to Canadian programming (Jeffery, 1996; Stanbury, 1999).

The CRTC frequently supplement CanCon quotas by placing conditions on networks and individual stations licenses "over and above minimum regulatory requirements," to further stimulate improvements in Canadian television programming (Public Notice CRTC 1985-82). The attachment of conditions to licenses provides the CRTC with additional means to induce commercial broadcasters' to focus upon Canadian drama and other "underdeveloped program genres" including children's programming (Feldthusen, 1993, p. 42).

Competitive Advantages Enjoyed by the Canadian Television Production Sector

Although the Canadian television production sector faces a number of disadvantages, it also boasts an equal or greater number of advantages over its American counterpart including: (a) lower labor and production costs owed to the historically lower valuation of the Canadian dollar (at times, up to 40% less), (b) geographic proximity to the United States, (c) linguistic and cultural similarities (at least in English Canada), (d) scenery that easily passes for the “United States”, (e) skilled professional actors and crews "... intimately acquainted with the nuances of American television," and finally (f) availability of state-of-the-art post-production facilities (Attallah, 1996; Barrington & McKegney, 2000; Shaw, 1999).

Canadian Television Production Exports: The Early Years

In the so-called "Pre-Telefilm" era (1952-1982) of the Canadian television industry, programming was primarily produced in-house by the CBC or other networks for domestic consumption in order to meet content quotas. However, much of the programming produced held little appeal to international buyers because of its "specificity" (e.g., sports, news, public affairs programming that had only limited foreign appeal") or lack of production values, that as Paul Attallah notes, "Canadians themselves described as slow, awkward, and earnest" (p. 167).

During this period, very little drama was produced in Canada due to its high production costs compared with news and sports programming although drama offered the most international sales potential. Nonetheless, the less expensive Canadian programming normally did not directly compete with its American counterpart and, moreover, offered "... a guaranteed domestic market". Consequently, Canadian television producers gained greater expertise in the news and documentary rather than the drama or entertainment genres (Attallah, 1996, p. 167-168).

Even without a concerted effort to do so, sales of Canadian series (including dramas) to American and other foreign markets did occur as early as the mid to late 1950's. Early exports included the CBC drama, *Flight into Danger* (1957) and the science series, *The Nature of Things* (1956) also produced by the network.

Eventually, Canadian television producers discovered a television export niche--nature/adventure dramas. These programs were relatively easy to produce and cost less to make than other dramas since they usually involved use contemporary clothing, inexpensive location shooting, and "... about six basic plot lines" (Erickson, 1988, p. 17). Nonetheless, the exotic locations and animals, child actors, and lack of violence appealed to international audiences. Moreover, the programs "... production values [were] acceptable to the usually tolerant child audience" (Attallah, 1996, p. 169).

The American Television Syndication Marketplace

The vast majority of Canadian programming historically aired on American television stations has arrived via the syndication market. Syndication is "the process or business of distributing a newspaper column, radio or TV program, or other material. *First-run syndication* refers to programs produced for initial release to individual stations; *off-network syndication* is broadcast first on a network and then offered to individual stations" (Weiner, 1996, 602). Syndication dates back to the 1930's when local radio program directors "... purchased programming on a market-exclusive basis" (Blumenthal & Goodenough, 1998, p. 30).

The number of hours of network television programming supplied to affiliates has varied greatly over time and by network, on average, the larger commercial networks such as CBS and NBC supply 20-25 half hours per day of programming to their affiliates while newer networks such as WB and UPN supply less. This leaves an appreciable amount of the affiliate's daily schedules left to be filled with non-network programming--much of it purchased from syndicators. In the case of unaffiliated television stations, all programming may be purchased from syndication sources (Blumenthal & Goodenough, 1998, p. 30).

Although syndicated programming has traditionally been regarded by critics and others as "... television's 'poor relation,' lacking the production polish of series financed by the networks and big sponsors" (Erickson, 1988, p. 10), it often has appealed to television audiences. The 1950's referred to as the "Golden Age of syndication," featured a diverse array of syndicated material including comedies, dramas, adventure, and variety programs. The mid-1960's saw a new burst of syndication activity largely owed to the 1964 US law requiring new television sets to include the UHF band on the channel selectors coupled with the 1965-66 "color boom" ignited by the unanimous decision of all three US networks to commence full-time colorcasting (Erickson, 1988, p. 12).

However, by the late 1960's, first-run syndicated dramas, comedies and adventure shows all but vanished" since adequate supplies of ex-network color programming was already in syndication, discouraging syndicated producers "... from going beyond such proven commodities as games, talk and travelogue" (Erickson, 1988, p. 12). Imported programming from Canada and elsewhere were the only exceptions to this trend since American companies needed to continue producing programming to meet Canadian, British, and Australian content quota guidelines in order to remain in these markets.

The Federal Communication Commission's (FCC) 1971 prime-time Access Rule (PTAR) limiting network affiliates in the top 50 US markets to three hours of network prime-time programming from Monday through Saturday night ushered in a new wave of syndicated activity. In lieu of producing programs locally, stations instead looked to syndicators to supply the necessary programming. However, according to Erickson, "... by the late '70's, with notable exceptions like Norman Lear's *Mary Hartman -- Mary Hartman*, syndicated television had settled back into a syndrome of gameshows, talk, music-variety and kidstuff" (Erickson, 1988, p. 13).

Co-productions

During the late 1950's, co-productions emerged as one method for American and Canadian production companies to pool financial resources while also meeting Canadian content guidelines. A typical American/Canadian co-production in this era featured casts and production facilities imported from Hollywood while filming took place at Canadian locales. This resulting programming could pass as American yet also satisfy Canada's content requirements (Erickson, 1988, p. 11).

The financial advantages of co-productions for US firms included lower production costs and "... utilization of "frozen funds" -- profits which those studios had built up in foreign countries and which by law could be spent only *in* those countries" (Erickson, 1988, p. 11). For Canadian producers, co-productions offered profits exceeding those made on series produced exclusively for the Canadian domestic market and also allowed financing of productions that could not be financed by domestic sources alone. Examples of early co-productions included *Radisson* (1957), a fictionalized portrayal of the real-life Canadian frontiersman, Pierre Radisson. Intended to be Canada's answer to Disney's popular *Davy Crockett* television films, the series was distributed under the title *Tomahawk* in the US in order to make it appear more like a "Western". Another 1957 series, *Hawkeye and the Last of the Mohicans* was a coproduction for Television Programs of America (TPA) that featured John Hart as an 18th-century frontiersman, Hawkeye and his Indian companion, Chingachcook (played by Lon Chaney, Jr.). The series became TPA's most successful 1957 properties, its 26 episodes drawing fans from all viewer age groups. A third popular early co-production--*Cannonball* (1958), was an International Television Corporation (ITC) weekly syndicated series about two long-haul truck drivers that was filmed in both the U.S. and Canada. Overall, 39 episodes of *Cannonball* were produced and "... thrived in syndication" (Erickson, 1988).

The 1980's: A Decade of Economic & Political Changes

The 1980's ushered in unprecedented economic, political, and technological changes for Canada, the US, and throughout the world. The election of Ronald Reagan in the US and Brian Mulroney in Canada represented a growing conservative political trend in both countries that emphasized deregulation and free market mechanisms. Canadian and American trade and economic integration also increased dramatically with the signing of the 1989 US-Canada Free Trade Agreement (FTA) and the 1994 North American Free Trade Agreement (NAFTA) although cultural industries were exempted from both pacts (*CIA: The World Factbook 2000).*

The relaxation of several FCC regulations in the US also had far-reaching implications for the television production sectors in both countries. The easing of a regulation governing the amount of advertising allowed on children's shows prompted syndicators to begin offering a number of new cartoon shows created primarily to market products based upon the characters. In addition, owners of television station groups were no longer limited to the number of channels they were allowed to own, nor did they have to promise to operate primarily 'in the public interest'. This resulted in the birth of approximately 300 new independent TV channels between 1980 and 1985 in the US.

On the technological front, increasingly sophisticated satellite and cable networks, able to carry greater amounts of information at declining costs also became commonplace. Not surprisingly, these advances touched off an explosion of cable networks that has continued to this day. Of course, these new venues needed programming to fill their schedules and this demand led to "... the biggest syndication boom in television history" and prompted exponential growth of the Canadian television production sector (Erickson, 1988, p. 16).

<u>Canadian Cultural Industries & the Canadian Economy: The 1990's-Present</u>

Since the 1980's, economic imperatives have played a more ever-expanding role in Canada's cultural policies by emphasizing the private sector and subsidy rather than the public sector and regulation (Collins, 1990; Stanbury, 1999). This transition is evident in the goals set forth by the CRTC for its 1998 Canadian television policy review that, among other things, included to "further the development of a strong and viable programming industry". In addition, the CRTC specifically intended to:

> explore how all participants in the system can work effectively to strengthen the Canadian presence on our television screens, and to support a healthy broadcasting and production

industry capable of competing successfully at home and abroad. The Commission recognizes that a strong and competitive private sector is essential to fulfilling the goals of the Act, as is the public broadcasting sector and an effective regulatory framework (CRTC. 1998 Canadian Television Policy Review).

During the same period, the CRTC began placing additional Canadian content requirements on CTV and other Canadian broadcasters in conjunction with their licensing renewals in an effort to foster the production of more Canadian programming, especially drama, by the private sector. However, since the CRTC regulations prohibited Canadian broadcasters from producing original programming for the television stations they owned (Adilman, 4/21/99), they purchased it from independent production companies. Nonetheless, given the ever-present domestic market inadequacies, co-production and other agreements with broadcasters and production companies in other countries were necessary to help defray production costs.

Out of necessity, television exports became an integral part of the Canadian broadcasting system with programming "... self-consciously designed as part of an export strategy" (Attallah, 1996, p. 161). The experience Canadian producers gleaned from participating in US productions through the years afforded them "... opportunities and experience they might not otherwise have acquired and to create an appetite for their work in the world's richest market, the USA" (Attallah, 1996, p. 166). Canadian producers became especially skilled in the production of so-called "industrial dramas," that attempt to minimize or completely eradicate identifiably Canadian elements in an effort to make them almost indistinguishable from American productions in order to gain favor in the international television marketplace.

Alliance Atlantis Communications: The Emergence of a Canadian Media Conglomerate

Undoubtedly, Alliance Atlantis Communications has been the most successful Canadian production company at exploiting both the domestic and international marketplace. Alliance Atlantis is a major producer, distributor, and broadcaster of television programming including drama, children's live-action and animated series, mini-series and movies of the week for the domestic Canadian and international marketplace. During fiscal year 2000, the company produced and distributed 277 television hours of programming of the above types (Global Company Database Full Report: Alliance Atlantis Communications, 2001).

Following the US model of conglomeration and vertical integration, Canada's largest production company was created in 1998 by the merger of former rivals Alliance Communications and Atlantis Communications. Prior to its merger with Atlantis, the *Vancouver Sun* described Alliance as "... a sophisticated labyrinth of production, distribution, financing, and sales divisions that form the closest thing in Canada to a major studio" (*Vancouver Sun*, December 30, 1994).

Although Alliance Atlantis includes a motion picture group, like its earlier separate incarnations, it remains most active in television production since, as a 1995 newspaper profiling Alliance explained, "it is considered less financially risky, because the cost of producing television programs is usually entirely financed before production begins” (Dalglish, February 13, 1995). Foreign sources represent a significant portion of Alliance Atlantis's total revenues while its Canadian revenues are largely derived from government grants and refundable tax credits (Acheson & Maule, 1997).

Alliance Atlantis is also well known for working with foreign counterparts in coproduction agreements. However, these arrangements are not without their drawbacks, as former Alliance head Robert Lantos explains:

> … most of Alliance's productions are done with partners who have a say in everything from the choice of director and stars to the script. 'Virtually all decisions are made collectively,' he said. 'This is not a world where there is a single inspired artist who goes away and comes back with his finished art. The costs and the risks are far too big for that' (Dalglish, February 13, 1995).

Beginning in the mid-1980's, Alliance Communications actively began pursuing a foothold in the lucrative U.S. television marketplace. Its efforts resulted in the production and sales of telemovies and series such as *Night Heat* (aired in late night slots) to CBS and other US networks. Despite this modicum of success, Alliance's ultimate goal--to sell a Canadian produced series to a major American network for airing during the coveted prime time period remained out of reach.

A Dream Fulfilled: Canadian Programming Reaches American Primetime[6]

Alliance's dream of producing a prime time series for a big three US network would remain unfulfilled until 1993 when Jeff Saganasky, then CBS Entertainment President began discussions with Alliance head Robert Lantos about possibly producing a series for CBS's prime time schedule with CTV also later joining in on the talks. This marked the first time an independent Canadian production company would collaborate with both a Canadian and US network to produce a television series intended to meet their diverse cultural and economic needs but also garner audiences in both nations (Quill, April 22, 1994). *Due South*, the product of their collaborative efforts[7], became one of the most successful -- and most expensive -- TV series ever produced in Canada and the first Canadian television show to air on a major American network during prime time (McKay, 1/29/97, p. B7). *Due South's* quirky premise featured Benton Fraser, a Royal Canadian Mounted Police (RCMP) constable from the Yukon transferred along with Diefenbaker, his deaf, lip-reading wolf, to the Canadian Consulate in Chicago. The series debuted as a telemovie simulcast in April 1994 on CTV in Canada and CBS in the US. It was subsequently developed into an hour-long weekly series for broadcast on those same two networks as part of their 1994/95 television season.

In an article the appeared in *Time* magazine, Richard Zoglin observed that although Canada often serves as a location for filming American shows and that the US has a significant number of Canadian born stars, Canadian programming had not previously aired on US prime time because of "... the xenophobic networks have always resisted Canadian programs; the few that travel south have mostly been consigned to cable, syndication and the late-night crime-time-after-prime-time ghetto" (Zoglin, 11/7/94).

Due South proved to be the highest-rated new CBS program during the fall 1994/95 season, finishing tied for 58th (with *Lois & Clark: The New Adventures of Superman*) out of 142 series in Nielsen's 1994-95 prime-time rankings (Grahnke, 12/14/95). In Canada, the series drew audiences of as high as 2.1 million viewers, consistently ranking it in the top ten shows in Canada's Nielsen ratings, making it "...the highest-rated television series ever made in Canada," (McKay, 1/29/97, p. B7; Dalglish, February 13, 1995).

Nonetheless, *Due South*'s popular success came at a considerable cost for a Canadian production. The budget for the pilot movie alone was approximately $5 million (CDN) (Gefen, 8/3/93) with a $1.5 million (CDN) production cost for each subsequent episode. According to Robert Lantos *Due South*'s first season production costs were "covered in advance by North American sales and a tax-shelter deal" with an "additional $500,000 (CDN) per episode in international sales -- before the show was a hit" (*Vancouver Sun*, December 30, 1994). The show also received funding from Telefilm Canada (Jeffery, 1996, p. 209).

Despite critical acclaim and respectable ratings on CBS, *Due South*'s fortunes were short-lived. Soon after its debut, Jeff Sagansky, the show's primary supporter at CBS departed the network and after a series of pre-emptions, schedule shuffles and episodes aired out of sequence, the show was canceled following the 1994/95 season. Since CBS's investment was critical for defraying the production costs of the program, CTV was unable to cover the costs on its own and was subsequently forced to cancel the show as well. However, *Due South* would later be resurrected for another season as a first-run syndicated series in the United and 148 other territories as of January 1999 ("World Travelers," 1999) with funding supplied by British, Canadian, French, and German broadcasters.

Power Play, the second Canadian-produced series to be aired on a US network (UPN) during prime time was canceled following airing of only two episodes. However, during the 2000/2001 television season, Alliance-Atlantis achieved its greatest success to date in prime time with its forensic science drama series *CSI: Crime Scene Investigation* which airs during CBS's Thursday prime time hours. Nonetheless, *CSI* is somewhat of an anomaly for several reasons. First, the series was a castoff from another production company--Disney who dropped the show during its mid-level stages of development and only later picked up by Alliance Atlantis. In addition, Alliance Atlantis shoots *CSI* entirely in the United States rather than its customary shooting location of Canada (Scheter, April 9, 2001).

Challenges & Opportunities for the Canadian Television Production Export Sector

The continued dependence upon the United States and other foreign sources for television production funding leaves Canadian producers extremely vulnerable as *Due South* demonstrated. Moreover, although substantial financial benefits can be derived from co-production agreements, they also involve compromises in terms of creative flexibility. The case of *Due South*, moreover, indicates that despite domestic popularity, production costs associated with Canadian drama programming in particular, remain unlikely to be recoverable from the Canadian market alone regardless of government financial support. On a more positive note, *Due South* also illustrates that Canadian production companies such as Alliance Atlantis can compete internationally, provided they have the financial support of like-minded counterparts in other countries.

Given Canada's inherent market characteristics, in order to remain economically viable, Canadian television production companies will need to continue focusing upon export sales and government subsidies for the foreseeable future. Unfortunately, both funding sources are liable to change at almost any moment (Kelly, January 24, 2000). Canadian director/producer/writer Janis Cole in a recent discussion about funding (personal communication, March 8, 2001), explained that given the limited sources of funds available for projects, Canada's producers face an "A list or no list" or dilemma. In other words, if a proposed project fails to qualify for the limited amount of government subsidies, it is almost certainly doomed since virtually no other major funding sources are available in the country.

Nevertheless, even the federal government's funding guidelines themselves pose problems for producers seeking export sales of their programming since. This is due to the fact that government programs only cover production of 13 episodes of any given series per year, far fewer than the 20+ episodes often needed to achieve sales to the US and many other markets worldwide.

In addition, government funding programs have been wracked by corruption scandals and charges of favoritism since their inception. Canada's film and television industries during the 1980's merely served as tax shelters for doctors, dentists, and other professionals. Meanwhile, the vast majority of the *films* that they invested in never materialized. More recently, the television production sector has been rocked by a scandal involving the executives of Cinar[11], one of Canada's largest exporters of children's programming. The scandal is being followed closely by producers and executives in both Canada and the US who rely Canada's federal tax credit programs for funding since the majority of funds misappropriated by the Cinar executives were derived from these programs. This revelation has led to fears within the television production sector that the scandal will adversely impact all future government-funded programs (Kelly, October 25, 1999).

Beyond the scandal, a growing number of Canadians are questioning the large amounts of government subsidies that flow to large multinational conglomerates such as Walt Disney corporation in support of their productions. Critics argue that the subsidies improve the company's bottom line at the expense of the Canadian taxpayers (Harris, October 10, 1997).

Programming demands also continue to change along with changes in audience tastes, increased competition among stations, and economic conditions inside and outside the television industry. For example, CBS, NBC, and ABC recently announced that they are eliminating movies-of-the-week, once staples of their programming mix, from their programming schedules. In addition, network programming has been undergoing a transition away from dramas to reality programming during the past several years. As a reflection of these trends, Alliance Atlantis announced in fall 2000 that it planned to cut down the amount of drama programming it would produce in the future as a cost saving measure.

The decline in demand for movies-of-the-week and other programming by American broadcast networks has been more than offset by the programming needs of the burgeoning numbers of cable networks cropping up around the world. For example, many US-based cable channels including TNT, Lifetime, PAX, and USA offer an expanding array of made-for-TV movies and original series produced in partnership with Canadian production companies.

Future Prospects for the Canadian Television Production Export Sector

The future of the Canadian television production export sector depends upon a complex and ever-changing array of economic, political, and technological factors not only in the US and Canada but also throughout the world. The sector, for example, will assuredly face increasing competition from Australia, New Zealand and a number of emerging eastern European countries who can offer lower labor and other production costs than Canada (Barrington & McKegney, 2001). Moreover, it is uncertain whether Canada's federal, provincial and local governments will be willing or able to continue subsidizing the production sector even at current levels given the ongoing budgetary problems facing the nation. Any further future integration of the North American marketplace will also have a decided impact upon the sector.

Conclusion

Canada's television production export sector is a prime example of the abstruse and somewhat fragile multinational synergies that have become commonplace in the twenty-first century global marketplace. Although Canada's television production sector has some leeway to define its future, many other factors shaping its destiny lie with largely outside its control. Small market size, seeming inability to be self-sustaining without government subsidization (largely due to market size), and reliance upon the US television marketplace for a significant amount revenues are consistent themes running through the sector's history. However, Canada's television production export sector is still in its adolescent stage and has yet reached full maturity. Nonetheless, the emergence of Alliance Atlantis as a global media conglomerate along with the continued expansion of export markets for Canadian programming beyond the

United States are just a few indications that the sector has the potential to become an even more formidable power in the global television production marketplace.

Footnotes

[1] In an attempt to answer the questions posed, searches were conducted on a wide array databases and yielded a wide array of materials including: (a) company reports and press releases, (b) Canadian government documents (e.g., economic and trade statistics), (c) Canadian and US newspaper and magazine articles, and (d) scholarly works (e.g., journal articles, books from academic presses). A number of Web sites maintained by Canadian government agencies such as Canadian Heritage, Industry Canada and Telefilm Canada also provided a substantial amount of background and statistical information. In addition, print and Web-based directories listing Canadian shows aired on American networks were also consulted.

[2]All amounts are given in the denomination quoted in the original source material.

[3]Statistical information about Canada's cultural industries must be approached with caution since methodologies for compiling the data differ across and even within government agencies and industry sources. Additionally, statistics prior to the 1980's on such items such as television exports are even more sporadic and unreliable than present day data.

[4]The guidelines for Telefilm Funding require an independent producer to secure a commitment from a conventional broadcaster to pay a license fee for a show which must be scheduled during prime time (Jeffrey, 1996, p. 209).

[5]Film and radio are covered by separate sets of CanCon guidelines.

[6]Portions of the section are excerpted from Tate, M. A. (2001). *Is Canadian Programming and Success an Oxymoron? A Broadcast History & Analysis of Due South.* (Manuscript in preparation).

[7]*Due South*'s true origins have been in dispute almost since it began airing. In December 1994, a $35 million (CDN) lawsuit was filed by three Toronto writers against Alliance (now

Alliance Atlantis). The writers allege that the original idea for the show was contained in a movie script they submitted to Alliance in 1991. In late 1995, Alliance filed a $20 million (CDN) counterclaim against the writers for ‘intentional interference with the Alliance Companies’ and Robert Lantos’ economic and business relations’ (quoted in Shecter, 8/26/97, p. 7).

[8]In 1997, Paul Haggis filed a breach of contract lawsuit against Alliance Communications claiming he had an oral contract to be a consultant for the third season of *Due South*. The suit was later settled out of court although details of the settlement were not publicly available.

[9] Ironically, many of the stations that picked up *Due South* in syndication were CBS affiliates.

[10]The number of countries that *Due South* has reportedly aired in and/or has been sold to has varied widely depending on the date the information was published and the source. For the purposes of this paper, the number quoted by *Variety* in January 1999 has been used. An attempt was made to verify the number with Alliance/Atlantis but no response was received.

[11]In early 2001, Cinar filed a C$28.6 million ($19 million) civil suit in Quebec Superior Court against Ronald Weinberg and Micheline Charest, the husband-and-wife co-founders of Cinar along with Hasanain Panju, a former executive with the company. Among other things, the suit alleged that the former executives used Cinar funds to renovate their homes, pay salaries of a housekeeper and gardener as well as to send one of their children to a private school in the US. In addition, in fall 1999, the Bloc Quebecois party alleged in a House of Commons session that Cinar submitted falsified documents to the Canadian AudioVisual Certification Office by placing the names of Canadian writers on scripts actually written by Americans in order to obtain Canadian certification and receive federal tax credits (Kelly, February 5 - February 11, 2001; Kelly, October 25, 1999).

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