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—
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Ms. Marlene Catterall

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• (1405)

[English]

The Chair (Ms. Marlene Catterall (Ottawa West—Nepean, Lib.)): I call to order this continuation of a meeting of the Standing Committee on Canadian Heritage and our study on feature film in Canada.

I know we have a couple of our other members who are just on their way in, trying to squeeze in those last few minutes on the phone, but if you would like to start....

You are going to be first, Gary. Thank you very much.

Mr. Gary Maavara (Vice-President and General Counsel, Corus Entertainment Inc.): Thank you, Madam Chair, members of the standing committee.

My name is Gary Maavara, and on behalf of Corus Entertainment Inc., we would like to thank you for the opportunity to appear before you today. I'm proud to introduce my Corus colleagues with me today—Scott Dyer, who is executive vice-president, production and development, at Nelvana Limited, which is a wholly owned subsidiary of Corus; Elaine Partridge, who is vice-president, business affairs, at Nelvana; and Andrew Eddy, who is vice-president and general manager of Movie Central and Encore, which are Corus pay television operations. Andrew's office is in Calgary and the rest of us are from here in Toronto. I am vice-president and general counsel of Corus.

Madam Chair, members of the committee, you have a written brief. We are also delighted that you and some of your colleagues were able to visit the Nelvana production facilities in Toronto to see first-hand how we craft our animation programming. Our team was flattered by your visit, and we can tell you it was a big morale booster for everyone.

In this context our comments will be brief. We will quickly review Corus and its importance in the feature film world. We will discuss some of the challenges we face and our proposals for the direction that we believe the policy should take.

These views can be summarized as follows. One, the policies that founded funds such as Telefilm and the Canadian Television Fund are basically sound. Two, the media world that we often thought of as the future is already upon us and we must quickly adapt. Three, Canada needs an industrial strategy to foster the infrastructure that will deliver on our collective cultural goals. This strategy must encourage the emergence of strong Canadian-based media players that have the clout to survive and prosper as content players in both the Canadian and foreign markets. We should all take great pride in

the system we have created to date, but we should also be very aware that this system faces threats that will challenge us in almost unimaginable ways.

In our brief we describe Corus as a creator of copyright works and also as a creator of value in these works and those of others. We are proud to say that many of the new performers we all saw at the Juno Awards last Sunday probably got their first big airplay through Corus radio stations such as The Edge, 102.1 in Toronto. Our radio promotion of films is no less passionate than our promotion of Canadian music. Our stations across Canada raise the awareness about films in both languages. For example, a morning drive-time movie reviewer on our highly popular radio stations, such as CKNW in Vancouver or CHMP in Montreal, can help sell movie tickets or DVD rentals that night. Radio interviews with Canadian actors can help to make them stars that Canadians want to see.

• (1410)

Mr. Andrew Eddy (Vice-President and General Manager, Movie Central, Corus Entertainment Inc.): In television, our pay television operations, Movie Central and Encore, make Corus one of the largest purchasers of feature film rights in Canada. It has taken a decade to achieve this success with pay television, but we now provide Canadians with a powerful mix of the best of Hollywood and the best in original Canadian movies and series.

Our commitment to feature films from script and concept development through pre-licensing and equity investment means many features get made that would otherwise have no chance. Movie Central dedicates 31% of its revenue to Canadian programming and 30% of its prime-time programming schedule to Canadian feature films or made-for-pay series. During the current CRTC licence term, Movie Central and Encore will spend over \$160 million on Canadian programming. Our Made With Pay Development Fund offers \$1.5 million to screenwriters each year.

Movie Central has committed development funding to more than 50 new projects this fiscal year. In addition, we have continued development support to some 25 other projects that may have been started last year or earlier. Development is a long process, especially in features, and often that development support, both our creative advice and our dollars, may be stretched over a number of years before actual production.

A project we are particularly proud of developing from inception and pre-licensing is *St. Ralph*, now in theatres. This is the first film for writer-director and former marathon runner Michael McGowan and for producers Mike Souther and Teza Lawrence of Amaze Films. Not only was *St. Ralph* critically praised in this country, but it was also picked up by Samuel Goldwyn for U.S. release.

Another upcoming project we're excited about is *Fido*, a \$10 million horror-comedy from Vancouver producer Anagram and director Andrew Currie. Movie Central helped launch Andrew Currie with Anagram in their very first feature, the \$1.3 million feature *Mile Zero*, only a few years back. *Fido* has the enviable status of gaining a U.S. pre-sale with Lions Gate in advance of its production commencement in June.

Flower & Garnet was another proud first feature, this time for Vancouver director-writer Keith Behrman, that was made with the support of Movie Central in both development and licensing. Keith was awarded the coveted Claude Jutra Award at the Genies in 2002.

Corus also supports the development of films and filmmakers by supporting the Canadian Film Centre, the Banff Television Festival, and, among others, the Reel World Film Festival, which takes place next week here in Toronto.

In addition to our investments in programming, we were the first to launch subscription video on demand, commonly called SVOD in Canada, with Movie Central Express in 2002. We are also leading the industry in the launch of dedicated high-definition television channels.

The Documentary Channel, which we operate in partnership with the CBC, provides an important and popular venue for a film type Canadians pioneered. Our other specialty channels, such as W and SCREAM, are also prolific schedulers of Canadian feature films.

Mr. Scott Dyer (Executive Vice-President, Production and Development, Nelvana Limited, Corus Entertainment Inc.): Corus makes content in all of its divisions. We are proud of the work we do at Kids Can Press and at YTV and Treehouse, but it is Nelvana where the Corus commitment to content creation is most significant.

Some of you saw the infrastructure we support to make these programs. We also have offices in London, Paris, and Los Angeles to distribute our works to 180 countries worldwide.

We are increasingly helpful to other producers to market their works as well. Our reach around the world enables us to help other producers secure financing and sales of their works to levels they could not do on their own.

We are also proud of the technology innovations we have made to enhance our ability to make better programs. Although Nelvana is not in the long-form film feature industry as a part of our core business, we do make some features in addition to our prolific series production.

We also help to develop the first-class writers, performers, and technical people that our industry needs. In so doing, we access the various funding and tax mechanisms that exist at the federal and provincial levels.

However, a vertically integrated company such as Corus is barred from taking advantage of some of these supports. This must end. The goal must be to facilitate the creation of great programming, not the inhibition of the growth of companies.

Why do we need large, integrated companies? First of all, because the future is upon us. We used to think of the Canadian media market as highly protected from incursion by the Broadcasting Act and other mechanisms. We still struggled with creating a steady stream of great Canadian feature films and other programming for the small Canadian market, but at least we had some protection from the rest of the world. This has ended.

One can look in any direction and at any medium and see that Canadians have access to more services than anywhere on the planet. In television we have digital services with dozens of foreign channels in English and the other major languages of the world. New foreign channels launch here each week. Meanwhile, a million Canadian households bypass the Canadian system entirely by using black market satellite receivers.

In radio we see an increasing number of border stations broadcasting to Canada, and satellite radio is about to launch here. Every Canadian listener will have access to hundreds of new radio services through these devices.

The new player devices, such as the new Sony Playstation, mean that Canadians can access DVDs, games, the Internet, and almost any other content on a device that has a TV-quality screen and fits into a small purse or the side pocket of a backpack that every student seems to have today.

• (1415)

Ms. Elaine Partridge (Vice-President, Business Affairs, Nelvana, Corus Entertainment Inc.): Why do we need an industrial strategy to support our cultural goals? Why do we need big, integrated companies?

We should start by defining "big". Canadian big is not big on a world scale. If we took the entire Canadian media industry, our total revenues would not rank us in the top five companies in the United States. For example, last year—2004—the Disney studio entertainment division's profit of U.S. \$662 million was more than Corus had in revenue, which was \$667 million Canadian. The content division of Time Warner had \$11.4 billion in revenue in 2004, which is five times the size of the entire Canadian television advertising market.

Why do size and integration matter in the content world? They matter for all the reasons stated by the Nordicity Group Ltd. study prepared for the Department of Canadian Heritage last year. The first need of all producers of programming is access to capital. To be clear, Corus does not subsidize Nelvana; Nelvana must survive on its own. What it does get from the corporate parent is access to finance capital and non-cash resources, such as management skill and promotion by our other media. This is the risk capital that facilitates script development, technology acquisition, and development of people—crucial to telling great Canadian stories.

To give the committee a sense of the scale of financing required to do this, you should know that Corus has invested over \$750 million in Nelvana alone over the last five years. This is in addition to all the other content we make in our television operations. Small enterprises would never be able to raise this type of capital.

Creating content is also about human resources, and intellectual property industries have to find a way to train and otherwise take care of the intellectuals. We have a strong infrastructure of schools and universities in Canada, but these only take us to a certain point. Our company established Corus University in recognition of the need to train all our people on an ongoing basis, on a full spectrum of subjects, to ensure our people stay current. We have the premises; our training team does this almost every day. This commitment to knowledge and training is a key reason people love working at Corus. A small company could never do this.

An important aspect of this is management training. Canada needs a strong core of managers to operate its cultural industries. Almost all sectors of the Canadian cultural community are facing this. Formal training is only one part of the management training. Experience in a variety of roles is the best way to foster the development of cultural managers to operate the complex mechanisms of the IP world. Only large entities have the ability to develop managers by offering them a variety of experiences to improve their skills.

A crucial aspect of the skills required arises from the complexity of the exploitation of work. In the good old days, a film needed to get into a theatre to be successful. Canadian films face challenges getting this screen time. Today revenue from the home entertainment market is three times the size of theatrical ticket sales, so we have a great new financing window. Merchandising, new broadcasting technologies such as VOD, hand-held devices, and other ancillary rights provide other new windows of opportunity for financing and exploitation.

However, the result of this is complexity. Financing a production requires a skill set unheard of in the past. This requires highly talented managers and complex infrastructures to protect, track, and capitalize on all rights.

You have heard from producers about the paperwork, the agencies, the banks, the lawyers, the accountants, the bonders... how do I find time to produce? A large organization can assemble this team, train it, and create the systems needed.

Probably the most important reason for having strong players is having the ability and resilience to have a project fail. Creating great Canadian films is like oil and gas exploration; it requires an enormous amount of trial and error development activity to hit upon a great story that resonates with Canadian audiences—and, hopefully, with foreign ones.

●(1420)

There is a great deal of craft that must be done just right before the art shines through. This means we need entities that can survive the misses. Unfortunately, the history of the Canadian system is laced with stories of entities and people who did not have the strength to survive.

Mr. Gary Maavara: Corus and Nelvana have become one of the largest content creation companies in Canada because we have an integrated company built upon a comprehensive strategy. Most of the large content producers have fallen because they could not attract the capital to invest in development of projects and people. They could not withstand the pitfalls of the content creation business and they did not have the strength to battle in foreign markets.

The Corus vision is to be globally recognized as Canada's most influential entertainment company. One way we will achieve this is by being a superlative storyteller in a variety of media. But we need your help to do this. Public funding is essential to the creation of superlative Canadian content; however, this policy should be structured to encourage vertically integrated and independent production companies, without distinction.

Because of the difficult economic circumstances we face in film financing and production, we should not rely solely on independent producers. Despite their passion and creative vision and the continued support of governments, it may not be enough. Strong, vertically integrated media companies may have the overall financial strength to survive the borderless new media world.

Thank you. We look forward to your questions.

The Chair: Thank you. As we've been doing, we're going to continue with our next two witnesses and then have a free and open questioning from members of the committee.

Next we have Cineplex Galaxy LP. Who is going to be speaking?

Ms. Pat Marshall (Vice-President, Communications and Investor Relations, Cineplex Galaxy LP): I will, as well as my colleague Dan McGrath.

Madam Chair, members of the committee, bonjour et bon après-midi. Good afternoon. Thank you for the opportunity to present this afternoon.

Cineplex Galaxy LP owns and operates 86 theatres, with a total of 775 screens, under the Cineplex Odeon Cinema and Galaxy Cinema brands. Proudly Canadian, Cineplex Galaxy is a public company that is traded on the Toronto Stock Exchange. Cineplex Galaxy was created in November of 2003 with the merger of Galaxy Entertainment Inc. and the Canadian assets of Cineplex Odeon Corporation. The Cineplex Odeon brand has enjoyed an established urban market presence in Canada for more than twenty years. The Galaxy brand has been the mid-size market leader since its inception in 1999.

Today, Cineplex Galaxy LP is the only exhibition company in Canada that is actively building new projects across the country. Our plans for 2005 and 2006 include building new theatres, re-branding and refurbishing several older theatres, and adding new screens to existing complexes. In all, we plan to invest an estimated \$40 million in building and upgrading these theatres across the country.

In the motion picture business today, we the exhibitor bear the risk of our investment. The major studios, along with some independent filmmakers, produce and generally distribute the film. We as exhibitors have no control or impact on the quality of the films produced or the subsequent box office revenues. If the films produced are good, we have the potential to do well. If the films are not successful and do not draw people to the box office, we still have to pay the distributor and we still have to cover all of our costs and overheads.

Competitive pressures increase daily, with the hard-hitting impact of low-cost retail-priced DVDs, increasing video and DVD rentals, the prevalence of home theatre systems, pay-per-view, and satellite, in addition to a prolific number of new cable channels and out-of-home entertainment options such as sporting events, concerts, and clubs.

Piracy is also a significant issue in the business currently, and both exhibition and distribution communities are focused on doing whatever possible to protect ourselves. Changes need to be made to the Copyright Act and the Criminal Code of Canada to protect the rights of owners of intellectual property. If studios continue to lose money because of piracy, there will be less money available to produce great films. If there is a reduction in the number of films available for exhibition, there will be a direct negative impact on our revenues, producing effects on every aspect of our business, including the closure of theatres. Exhibitors who are out of business are not in a position to make any contribution to the Canadian film industry.

Every day we face increased challenges and costs. In order for exhibitors to persuade or attract people to leave the comfort of their homes and choose our theatres as their entertainment activity of choice, we need to be constantly upgrading our facilities and re-inventing ourselves to offer the latest and greatest entertainment experience.

The movie business is unique. When an exhibition company attempts to raise ticket or concession prices, consumers are incensed. They don't care or consider that exhibitors face increased pressures through added competition from a growing multitude of sources. They believe that ticket prices should be perpetually kept at a low level. Somehow it is okay for consumers to spend \$150 or as much as \$400 to go to a basketball game, but it is not okay to spend \$13 on a movie ticket. This attitude imposes great pressure on exhibitors to improve the services we provide without increasing costs to our guests.

The onus still remains on exhibitors to market our theatres and create interesting promotions to attract guests to our theatres. Advertising costs are not subsidized by the studios. Again the exhibitor bears the risk and is on the hook for all costs associated with drawing the public to its own theatre chain versus the competitors' sites.

Cineplex Galaxy takes great pride in being a tremendous supporter of the Canadian film industry. Our contributions are extensive and come in the form of financial support, screen access, marketing and promotional support, membership on various Canadian film boards, community investment, and in many other forms. These I will now very briefly outline for you.

●(1425)

I would also ask that you refer to the written presentation we have submitted for more specific details.

Cineplex Odeon contributed in excess of \$875,000 in three equal payments, each year from 2000 to 2002 inclusive, in support of the Canadian Film Centre. We contribute \$60,000 annually at present in support of the Toronto International Film Festival.

Cineplex Odeon provided approximately \$100,000 to outfit the University of Toronto's Innis College with a screening facility in support of the university's film program.

In addition to this monetary support, Cineplex Galaxy supports a number of film industry festivals, events, and organizations. We have provided theatre access, screen time, and marketing support to the Toronto International Film Festival, the Canadian Film Circuit groups, and Sprockets, the children's program associated with the festival.

Other film festivals we support include the Montreal World Film Festival, the Montreal Jewish Film Festival, the Toronto Jewish Film Festival, the Vancouver International Film Festival, and the Calgary International Film Festival.

Several Cineplex Galaxy executives also voluntarily hold board positions with the Motion Picture Theatre Associations of Canada. Allen Karp, chairman of Cineplex Odeon Corporation, has been an active member of numerous associations and committees, including the Toronto International Film Festival, the Canadian Film Centre, the U.S. Motion Picture Pioneers, and the Canadian Motion Picture Academy of Arts and Sciences.

Ellis Jacob, our president and chief executive officer, is a member of the board of directors and audit committee of Alliance Atlantis Communications and of the Toronto International Film Festival.

Cineplex Galaxy works continuously with the Canadian film distributors to create exciting film promotions and gala premiers and to identify other ways to showcase Canadian films on our screens wherever and whenever possible in both English Canada and Quebec.

We continue to provide screen time and access to Canadian films. In many cases we make special consideration by providing screen time to a film simply because it is a Canadian film, not because of its potential financial success. The same quality film would not be given any screen time if it were produced in another country. Examples of these include *Men With Brooms*, *Being Julia*, *Mambo Italiano*, *La grande séduction*, and numerous others that were given more screens and longer runs simply because they were Canadian films.

It must be noted that funding for many initiatives in support of the Canadian film industry was curtailed when Cineplex Odeon Corp. when into CCAA protection in 2002. It was not until 2004, as part of the newly created company, Cineplex Galaxy Limited Partnership, that once again funds were available to support various initiatives.

We believe in the Canadian film industry and are one of the biggest supporters. We support the efforts of the Government of Canada's Canadian feature film policies and echo their objectives of building audiences, improving upon the quality of Canadian films, further developing the talents of the creators, and disseminating and preserving Canadian films. We are particularly supportive of all initiatives that result in building audiences for these films.

The film industry in Quebec has done an exceptional job of maximizing the impact of Canadian film in their province. Filmmakers, studios, and exhibitors have come together to create, market, and distribute films targeted specifically to their audience. We are very proud of the role we play in Quebec in supporting production, marketing, and exhibition of Quebec film in each of our 16 theatres across the province, and we will continue to do our part in supporting the Quebec film industry moving forward.

We believe that Canadian audiences want to see good films regardless of their country of origin and we think that should be the criteria for filmmakers moving forward: focus on making great films.

Audiences are attracted to films based on the story and quality of the film, most importantly. They want to be entertained. Films are intended to provide escapism and enjoyment for moviegoers. To our audiences it doesn't matter if the film was made here, in Rwanda, or in the United States.

● (1430)

We think that element is sometimes missed by filmmakers who are too focused on getting their product on screen for the sake of getting it on screen because it was made in Canada, and they believe it is their right, versus making a great film that audiences are interested in seeing. With more than 775 screens in our circuit currently, we continually make screens available to Canadian films that we feel have both a compelling story and are supported by a good marketing and promotion campaign. We wholeheartedly welcome good Canadian films with marketing campaigns targeted to sell tickets to Canadian audiences. In fact, because a film is made in Canada, we probably overlook some of the lesser qualities of the film just to try to give it some additional support.

Over the years, the desire has been expressed by some to impose a quota system on Canadian exhibitors similar to that which is in place through the music industry. We are not aware of the committee's perspective on this. However, we would not be supportive of such an initiative. Cineplex Galaxy already voluntarily supports the industry in a multitude of ways, as previously indicated, and will continue to do so without government-mandated quotas.

The Canadian film industry is unlike other industries, especially the music industry. The reason for the difference is that Hollywood is the big draw. In order for Canadian talent to earn the big money and gain world-wide recognition, they go to Hollywood. If they stay in Canada they aren't able to make the same kind of money or have access to the volume of productions that are available in the U.S. We cannot compete with Hollywood, nor should we try. Quotas will not change this reality or stop the exodus. Instead we should continue to support a Canadian industry whereby talented individuals can successfully launch their careers and create successful products that tell compelling stories.

Quotas do not support genuine talent. They merely impose restrictions to delivering high-quality entertainment to the consumer. A quota system will not necessarily improve Canadian filmmaking or the industry in general. Film exhibition is a "pull" medium, whereby our customers intentionally choose the film they come to our theatre to see. The films we show must pull in the audience. By forcing Canadian content onto our screens without concern for film quality, a quota system could negatively impact audience numbers, box office sales, and the subsequent revenue streams.

Cineplex Galaxy is not supportive of additional taxes to the business either. Canadian consumers are already heavily taxed at the box office. Moviegoers have made it very clear: they want no new taxes and are not willing to accept increased ticket prices.

We believe that exhibition plays an important role in our society. Movie experiences are often some of the most cherished memories for children and adults. We feel a responsibility to our moviegoers.

In conclusion, we support a strong Canadian film industry, but it must be an industry that produces quality product that meets the needs of Canadian audiences. We encourage production, development, and marketing of films that people want to see. If the film policy supports these results without imposing quotas, then we will achieve a Canadian film industry that we can be proud of and look to as another Canadian success story.

Thank you very much.

● (1435)

The Chair: Thank you.

And now Famous Players.

Ms. Nuria Bronfman (Vice-President, Corporate Affairs, Famous Players): Thank you.

I'm Nuria Bronfman, vice-president of corporate affairs, and this is my colleague, Michael Kennedy, executive vice-president and head film buyer. I'll be making the remarks today, and then of course will open the floor to Michael to answer any questions.

Thank you for allowing us this time to speak to you about Famous Players. Founded in 1920, Famous Players is Canada's oldest and top-grossing theatrical exhibitor. Internationally recognized for its superior technology and innovation in theatre design and guest services, the company currently operates in a total of 84 locations with 794 screens, representing 211,115 seats across the country, and it employs over 7,000 Canadians a year.

The Canadian feature film industry business system consists of manufacturers, called producers; wholesalers, called film distributors; retailers, called theatrical exhibitors, home video retailers, and broadcasters of all types; and consumers. As retailers in the first window of release for every feature film that has a theatrical release, Famous Players is the leader in an industry sector that is closest to the consumer. We are intimately familiar with the market realities of theatrical release and hope that our knowledge and insights are of value to this committee.

We support a number of the initiatives of the Government of Canada's Canadian feature film policy and applaud the objectives of building audiences, improving the quality of Canadian features, developing and retaining talent, and disseminating and preserving Canadian feature films. We particularly support initiatives that result in building a public for Canadian movies. We believe our industry will grow and audiences will be built if films are developed, produced, and marketed with those audiences in mind.

Films don't need to be Hollywood blockbusters to be successful. They need to appeal to the moviegoer in one way or another. We have seen many examples of such films from Canada and other countries—films such as *Mambo Italiano*, *Bollywood/Hollywood*, *Bend It Like Beckham*, and *Whale Rider*, to name just a few. These are quality films that don't necessarily have large commercial appeal in the traditional sense of the word, but nevertheless found an audience and were successful at the box office.

We are not supportive of the concept of screen quotas as a way of buoying the industry. In our opinion, quotas do not address the issue of building audiences or creating a healthy industry that is self-sustaining. Movie-going is not a passive activity. The patron has to actively choose one movie over another, which requires recognition of the specific film and enticement to choose it over another film playing in the multiplex. This would not be addressed by simply forcing exhibitors to show a certain percentage of indigenous product on their screen. You cannot mandate people to see specific films and you cannot make them go to a film they know nothing about. You can put the film on the screen, but it needs to draw an audience.

As a private company that is reliant on attendance for its financial well-being, we are open to exhibiting any and all films that satisfy an audience and bring in box office. Unlike the broadcast sector, we do not employ a public asset—the Canadian airwaves—for revenue and therefore must rely upon the success of the motion pictures that are exhibited in our theatres to continue to operate and to be able to support the industry.

Famous Players is a proud supporter of Canadian film and recognizes that it has a role to play in helping to build audiences for our indigenous product. Famous Players has been integral to the increase in audiences for Canadian film over the past few years by (1) screening Canadian films on an ongoing basis—in the past few years, over 100 Canadian productions have been shown on our screens; (2) promoting and assisting with the marketing of Canadian films—in recent years Famous Players has given over \$3 million in cash and in-kind contributions to specific marketing efforts for Canadian film; (3) contributing to the production of film and the development of Canadian talent through sponsorship of Canadian film institutions—since 2001, Famous Players has sponsored the

Canadian Film Centre's feature film project with cash support of over \$350,000; and (4) sponsoring major film festivals across the country that showcase Canadian film—since 2001 Famous Players has given over \$2 million in funds and has provided screens for festivals across the country.

Famous Players is encouraged by the fact that the film industry in Canada is beginning to produce quality films that have effective marketing campaigns developed to build strong awareness and generate audiences. This success can only continue to grow with new ideas and initiatives in the industry. However, the idea of screen quotas or box office levies will only stall this growth and potentially reverse it, as they do not alleviate the problem of lack of awareness for the films we produce.

• (1440)

Our 794 screens are available for any film regardless of origin. The film must have marketing and distribution plans as well as known audience potential and sufficient funds dedicated to promotion, advertising, and marketing. Our screens are ready to show any film that has these considerations in place.

Famous Players works with distributors to provide in-theatre marketing support for Canadian films on an ongoing basis. We provide premium poster placement, screening, trailer placement, lobby monitor placement, and other opportunities for visibility through our in-theatre magazine and digital pre-show. Through these efforts, we are able to help build awareness and excitement for upcoming releases.

Over the past few years we have provided marketing support totalling more than \$3 million for such films as *Men With Brooms*, *Duct Tape Forever*, which is the *Red Green* movie, *Bollywood/Hollywood*, *The Barbarian Invasions*, *Foolproof*, and *Camping sauvage*, to name a few.

One of the most effective elements of film marketing is the movie trailer. It builds awareness, interest, and excitement for an upcoming film, and it plays to an attentive audience. Famous Players provides trailer placement for any Canadian film with a predetermined release date and the marketing campaign that goes beyond just getting the trailer on screen.

Recent examples of this include the Touch of Pink trailer, which played on prints of *The Terminal*, *Fahrenheit 9/11*, *The Stepford Wives*, and *13 Going On 30*. The Daniel and the Superdogstrailer played on prints of *Shark Tale*, *The SpongeBob SquarePants Movie*, and *Polar Express*. The Being Juliatrailer played on prints of *The Manchurian Candidate*, *De-Lovely*, *The Clearing*, *Little Black Book*, *Vanity Fair*, and *Wimbledon*. The C'est pas moi, c'est l'autre trailer played on French prints of *Bridget Jones: The Edge of Reason*, *National Treasure*, *Closer*, *Blade: Trinity*, and *Ocean's Twelve*. And the Alien trailer played on prints of *Sideways*, *Boogeyman*, and *Ong-Bak: The Thai Warrior*.

Trailer placement has become an increasingly popular marketing tool, and as a result, there is much demand for the space allotted to trailers before feature films begin. Because of this demand, trailer placement is negotiated with distributors well in advance of the trailer's release in theatres. There needs to be a greater understanding within the Canadian industry that trailers need to be handled with plenty of lead time, and there cannot be an expectation that a trailer will be placed without previous discussion well in advance.

We are extremely pleased to support the industry in a variety of areas apart from marketing and audience development. As mentioned before, there were cash sponsorships of \$75,000 per year to the Canadian Film Centre's feature film projects. Famous Players directly supports the development of new and up and coming talent in the Canadian film industry. Famous Players is also involved as a high-level sponsor in many Canadian film festivals and institutions that are integral to promoting Canadian filmmakers to audiences in this country and around the world.

Since 2001 we have sponsored the following organizations to the tune of \$2 million in cash and in-kind contributions: the Toronto International Film Festival, Sprockets: the Toronto International Film Festival for Children, the film circuits, the Montreal World Film Festival, the Vancouver International Film Festival, the Atlantic Film Festival, Cinéfest Sudbury International Film Festival, Victoria Independent Film and Video Festival, ReelWorld Film Festival, Inside Out Toronto Lesbian and Gay Film and Video Festival, image&nation—the Montreal international gay and lesbian film festival—Images Festival, Hot Docs, the Academy of Canadian Cinema and Television, and the Cinémathèque québécoise.

Support of the industry is also given through industry volunteerism. Senior executives from Famous Players sit on a number of boards of Canadian film institutions.

In conclusion, I will reiterate that Famous Players has a rich history of investing in the cultural landscape of Canada through its support of the feature film industry and its important institutions. Since 2001 we have given more than \$6 million in cash and in-kind contributions to the Canadian industry in support of marketing initiatives, talent development, and cultural institutions. We believe that a strong, indigenous feature film industry is beneficial to the exhibition sector. Famous Players will continue to enthusiastically promote activities that build awareness and audiences for our films.

Thank you.

• (1445)

The Chair: Thank you very much.

We now have about 45 minutes for discussion with the committee members, and I'm going to start with Mr. Schellenberger.

Mr. Gary Schellenberger (Perth—Wellington, CPC): I'll try to be brief.

I'm very pleased to hear these presentations today, and I'm learning as we go along. I know the industry is very complicated, and thanks to the visit last evening, that helped to.... When I see something and how it works, it makes things a little more clear.

Again, as we talk, big is not always bad. So many times people say the big guys beat on the little guys, but I was in business for 40 years and I know you either go big, or you stay very small, or you disappear. That's why I ran for politics. I disappeared from the business I was in. There is an economics of bigness that can be spread over a large business. You can use one lawyer. You can use one accountant or one accounting room. I know money should be allotted not on size, not on particulars, but on merit. I think any project should receive funding—if it is federal funding—on merit, not on who you are or what you are. That's a statement.

I know there was mention about copyright and piracy. Last year we brought in a copyright report in the House, and we haven't got everything back on that yet, but it was to put things in place in the electronic media, to help ratify the WIPO treaty. I don't know if there can be comment.... If the WIPO treaty were ratified, would this satisfy those concerns? Then I think we would have a handle on some of that piracy.

Again, it was said here that "...screens are available for any film, regardless of origin. The film must have marketing and distribution plans as well as known audience potential, and sufficient funds dedicated to promotion, advertising and marketing". This I can understand. If I were a distributor and I thought this film was really good and this is the audience I feel it would capture...what happens if it doesn't capture that audience, if I, as a distributor, wasn't quite right on my guess?

Those are some of my questions and statements.

Again, I use as a for instance that some of the people have been very successful. When Wal-Mart came into town, some people got very upset and they tried to fight Wal-Mart. Other people used them as an asset and asked how they could gain something through the number of people who might be coming to that store. That's the way I look at those things.

• (1450)

Mr. Michael Kennedy (Executive Vice-President, Film, Famous Players): To answer the question about a movie's success or lack of success, the first thing is a distributor comes to our company and tells us they have a film they'd like to release in our theatres on x number of screens. They say they think it's going to be successful because they think they know this is their target audience. A perfect example of it is *Men With Brooms*. They come in and tell us they've got a pretty good script here, they think it's a funny movie, and they've got a big Canadian star in Paul Gross. They are going to spend money the same way the studios spend money—i.e., a couple of million dollars to launch this picture. They've got the Olympics going on, with curling and everything else happening, and they think there's going to be a lot of national pride surrounding that. They're going to bang their spots through the Olympics, but particularly on curling and hockey.

When you get pitched that kind of thing—they're putting their money where their mouth is, they have a good plan going in, and it's a pretty good movie—it's an easy response for us: absolutely; we're in.

When we get the Canadian distributor who says they've got this picture that isn't really much, but they'd like us to do them a favour because it's Canadian, I ask them what they're going to do to support it. Well, they're going to put a 200-line ad in the newspaper, and people really liked it at the Toronto Film Festival. That does not get me very excited. No matter how many trailers I play, or how many posters I put up in my theatres, it's really not going to help.

First of all, you have to know your audiences and you have to identify that audience. Then you have to put the money behind it, because awareness isn't created by talking to people. Awareness is created by buying television ads and spending money to promote and sponsor that film. You have to know who your audience is so you can buy towards them, and then you have to spend the adequate moneys to support it. At the end of the day, the only way you're going to do that is if you think the product you're selling is worthy of that support. In terms of English Canadian movies, that's where we need to concentrate.

And hard it is; it's not easy to make a good movie. You have to start with a good script. You have to start with knowing who your audience is going to be. It can't be just somebody's personal dream—I sat on a porch one day and thought of this movie, and now I want to make it, because I'm a Canadian. It has to be....

Being Julia has a very specific audience. Bollywood/Hollywood has a very specific audience. When they came to me with Bollywood/Hollywood, they told us about their audience—here's where they live; here's why they're going to want to see this movie; here's what we're willing to do. We jumped on board. We told them we wanted to be in. We told them we'd give them some money to help them out, so they could put up some billboards and things like that. We wanted to play this movie.

It's good for us. If this industry gets strong, it's really good for Famous Players; we need film all the time. The thing that seems to be missing right now is the idea of who your audience is, and then being able to support it, but the movie's got to be there. It's very competitive; it's not a passive. As we've talked about, you just don't

sit around and flip your TV channel or change your radio station to come across a Canadian movie. You've got to get out of your house, into your car, drive to the theatre, pay for the babysitter—you're putting two hours of your life aside. It had better deliver as a movie, as a product, to satisfy the expectations of that audience.

The Chair: Ms. Bronfman, you wanted to comment on copyright?

Ms. Nuria Bronfman: Yes, on the piracy. Cineplex Galaxy and Famous Players, as part of the Motion Picture Theatre Association of Canada, are working toward actually getting legislation passed, as they have in the States, that will make the actual filming of the movie in a private theatre illegal. At the moment, it's a copyright issue. What we'd like to see happen is the actual act of copying the image on the screen made illegal, so this is actually a different issue.

• (1455)

Mr. Gary Schellenberger: That's the issue you're mentioning here, more so. I've had that explained—how one person gets on each side, and the guy in front—

Ms. Nuria Bronfman: That's right, because it's an issue for us in terms of...at the theatre level, when we ask the law enforcement to react, they don't know what they are reacting to. They don't know what law to.... And they have been successful in the States; it's been passed in several states.

The Chair: Do you have any comments on Mr. Schellenberger's question?

Hon. Sarmite Bulte (Parkdale—High Park, Lib.): Are you asking for it to be a criminal offence?

Ms. Nuria Bronfman: Yes. I don't think this committee deals with that, but we will be going forward to the federal government and asking for that. And we understand it will be long process. We know that, but we do feel strongly about getting it in motion.

Mr. Gary Maavara: Madam Chair, if I could comment with respect to Mr. Schellenberger's comments on WIPO, we certainly appreciate the work the committee has done in moving along the WIPO agenda, and we think the proposals for reform are being brought at the right time. But some of my colleagues in the broadcasting industry would certainly be upset with me if I didn't use this opportunity to suggest that we would also hope a transfer-of-medium exemption will be part of that package.

Thank you.

The Chair: Were you coached by anyone on that answer?

Mr. Gary Maavara: I don't need any coaching on that one.

The Chair: I didn't think so.

Monsieur Lemay.

[Translation]

Mr. Marc Lemay (Abitibi—Témiscamingue, BQ): As my late father used to say, we are starting to deal with the real issues, we are talking business. It is not necessarily within our mandate as we are supposed to study the Canadian film industry.

I must admit that I am mostly interested in the situation in Quebec. So I will focus more on Quebec. However, we are now talking about reality.

The three of you are appearing before us. I read your presentations carefully. Let me get through all my questions first. Piracy is a highly profitable industry in Montreal. You own movie theatres in Montreal. As there is an English and a French version, we know that it is happening there.

Have you taken any measures in your theatres to control, or at least try, to fight piracy? It is one of my questions. I agree that piracy could be included in the Criminal Code, it might be a possibility.

What my friends from Corus Entertainment are saying worries me a little. I would like you to explain what you mean by « integrated management ». In Quebec, we call that « convergence ». I don't know if we are talking about the same thing. The Peladeau empire whose representatives will probably appear before us in the next two weeks, controls radio stations, television and newspapers. It produces television programs and establishes a star system. Newspapers are the only thing that Corus Entertainment does not have. I wonder how pay TV could help film production in Canada. What will be the issues for the film industry?

You are so much advanced. By the way, I thank you for your invitation yesterday. We went to visit your organization. What are you projecting for the next ten years? What will be the future of the film industry in Canada? How do you see that industry? My question is also for you, ladies and gentlemen from the exhibition sector. How do you see your theatres in ten years?

Digital TV is coming. I shall be able to see at home, from a satellite, a film shown at the Berlinale in Berlin or the Venice Mostra as soon as it is released. How do you see the future you who are key players in that industry? You are distributing most of those films. I am very much interested in that issue.

I must say that quotas have never solved any problems. You know my personal opinion on the subject. However, there is the province of Quebec. We have a film industry that is growing. The occupancy rate in theatres is about 4 per cent, maybe 3.6 per cent, but going towards 5 per cent.

I have a question for movie theatre owners.

Who decides that a movie should be withdrawn after one week? It may be because it is not profitable enough. However, if it wins a Jutra, a Juno or another award, or even an Oscar or a César, it is brought back. Who takes that decision? Are there any criteria? Do you have a percentage threshold? For instance, if it doesn't bring in 10 per cent revenues, the film is withdrawn. I would like an answer to that question.

• (1500)

I also wish to talk about trailers. Here is where I am coming from. In the last weeks, we had before us producers, creators who are financing their films over a 12 or 18 months' period. How much time do you need to put a trailer on your screens? I understand that you need to know the exact date when the film will be released. Has it to be April 15, spring 2005 or summer 2005? What makes a trailer interesting and on what criteria will it be chosen to promote a film in your theatres?

I have a last question. As I got through all of them at once, I won't have any other, Madam Chair.

I am worried by the satellite black market that Corus... What steps do you intend to take to put an end to that black market? Do you have recommendations to make to our Committee and probably to Industry Canada? Excuse me for having put all my questions at once. I shall now listen to you.

The Chair: This was a seven-minute question.

Mr. Marc Lemay: Let us say that I wish to get a five-minute answer.

[English]

Mr. Dan McGrath (Executive Vice-President, Cineplex Galaxy LP): I can deal with the piracy question first. The question was what we are doing as theatre owners to combat piracy. There are really two issues. I'll tell you a funny story, speaking about films being pirated in Quebec. We were notified by a distributor a couple of weeks ago that there was a film, discovered at a video store, that had been pirated from the Latin Quarter Cinema in Montreal and was being sold at a video store in Santa Monica, California. Now, why a pirated version of a film that was shown in French was being sold in Santa Monica, California, who knows? But it's very prevalent in the industry.

Yet it's a very difficult thing to control. As Nuria mentioned before, one of the things that happens—the main and easiest way for people to pirate a film—is in an auditorium with a camera. Because cameras are very small these days, they are very difficult to detect. There are really two things the industry is doing. One is staff training and the other is public awareness. In terms of staff training, we have policies in place whereby our staff and our managers are constantly in the auditoriums during a film. They are constantly watching for it.

In the past, people would go in and take a look to make sure people didn't have their feet on the seats or were talking. Now they're looking very closely for cameras. They're in the auditoriums at least every 15 to 30 minutes and they're keeping a very close eye on whether or not there is somebody who is filming.

There is also a reward system that is in place with the CMPDA, along with the Motion Picture Theatre Association of Canada, whereby staff are given a reward if they find somebody who is pirating a film and it eventually leads to a report to the police. The CMPDA have set up a hotline so that staff and other people can call in, and an investigation is launched immediately.

The other approach to piracy and trying to combat piracy is public awareness. A lot of people don't realize, and any of us who have young children sometimes don't realize, when they're downloading music or downloading a film, that it actually is against the law. They don't realize they're breaking the law.

What we try to do in all of our theatres—not just us, but an entire association across Canada—is have posters that we put up in the theatres. We have trailers that go on—sometimes our own trailers, sometimes supported by the studios—that talk about piracy as a crime. We have decals that are on the front doors. We have hand-outs that go out to people, etc. It's really about public awareness and letting people know that it is a crime. If you see somebody who is filming in an auditorium, please let us know, and we will try to get the police involved.

But the real challenge for us is what to do once we've actually found somebody. As Nuria mentioned, a lot of times we'll find somebody, we'll call the police, and they'll show up and really won't know what to do. In the future, to really combat this and support it, we need the support of the law behind us and to make it a criminal offence.

• (1505)

Mr. Michael Kennedy: Secondly, we can ask the person to leave the auditorium, we can ask them to confiscate their camera, ask them to hang around for an hour and a half while the police come, but technically they can say no to all of those things, which is a big problem.

Ms. Nuria Bronfman: That's right.

Now that we have some systems in place in the theatre, we need to tackle it on the legislative level to get the support of law enforcement behind us.

Mr. Gary Maavara: I could speak, Madam Chair, to the second question, which was a reference to management and convergence. There's been a lot said about convergence, but I wanted to outline the Corus approach to how we deal with the variety of media we own. I'll use Quebec as an illustration.

First of all, we divide our management by the medium, because we intensely believe that each kind of thing the manager is dealing with is very different. Radio is very different from television and very different from the Internet. What Scott and Elaine do is very different on the creation side from what Andrew is doing.

But in Quebec, for example, we divide our radio up regionally, because it's an intensely local medium. Pierre Arcand is the president of Corus Radio in Quebec, but the radio stations each have their own general manager and program director. They are very much focused on the communities they serve. In a larger market like Montreal, where we have a number of different kinds of stations, the general manager of each of those stations is in fact just focused on what their audience is looking for. Although it may seem that we're a large company, we're really a large company of smaller parts, and the general managers are very much focused on the local audience.

So in a sense the management team is not really converged; it's more a sharing of back office resources and that sort of thing that helps us. In a sense, by converging the back office operations we can do a lot better on what's more important, which is storytelling, better coverage of the news, better creation of programming for television or the Internet, that sort of thing.

We're very proud of what we've accomplished in radio. For example, in Montreal, CHMP was changed into a French language news talk station and very quickly vaulted into the lead in that category in the Montreal market.

As for the future of film and the impact pay television will have on it, what I'd like to do is ask Andrew to speak to that first, from the pay television operator's or acquirer's side; then perhaps Scott and Elaine can come in with their perspective on the content creation side.

• (1510)

Mr. Scott Dyer: Thanks, Gary.

I have a few brief comments.

First and foremost, as a pay television service that is in one in four homes in western Canada—and that number would be comparable in eastern Canada for the Movie Network and for Super Écran—it would not be an exaggeration to say that most Canadians see Canadian feature films through pay TV and then the subsequent specialty and conventional broadcast windows. We are a major exhibitor of Canadian films and a major financial contributor to Canadian film.

We cannot afford to look at Canadian film as an obligation. It has to be—because of its dominance in our schedule, because of the spending, and because of all the competitive platforms—a plank in our competitive strategy. We have to find Canadian content that can be unique, definitive, exciting, and captivating if we hope to compete with multinational television channels like a Showtime or an HBO. It's important to us to have a Canadian stream of content that we as a broadcaster can deliver to our subscribers, because they choose to subscribe to us every month.

The last thing I would say is.... Your question talked about the ten-year view of the film industry. Because of the uncertainty of the long view, there's all the more reason why we feel it's so important to invest in the script and concept development—that ultimately is the development of Canadian talent—and we do so through our development funding of about \$1.5 million a year. Many of those projects are by first-time feature film producers and writers, and creating that Canadian talent will be essential if we are to compete in ten years.

The Chair: Thank you, Monsieur Lemay.

Mr. Silva.

Mr. Mario Silva (Davenport, Lib.): Thank you, Madam Chair.

First of all, I want to say it's great to see so many familiar faces, and I thank them as well for being here. It's good they are here, because we've been able to hear different points of view. It's good we've broken it up from morning until afternoon session, or there might be a verbal fight with some of our speakers this morning.

Some of the repeating themes of arguments I have listened to for the last little while are really on the issues of scriptwriting, marketing, and distribution. That's where you come in, but I also think that in many ways you're at the tail end of that equation. If you don't have a good script, if you don't spend a lot of money on marketing, it's just not going to happen. You can put it in the theatres, too, but just not know about it. If they don't like the story, they're not going to see it.

And you have come forward and raised your issues and what you're doing, and I know many of you are great supporters of the film festivals in the city. There is a lot of talent out there from Sprockets and so forth, so there have been great supporters. You also have a shareholder you have to listen to—if it doesn't make economic sense, it's just not going to happen—but you also contribute financially, so you also have a legitimate point of concern.

From your end at the tail end of the equation, from what I'm gathering, your concern is quotas. If quotas are going to be your solution to the committee, it's going to present a problem. If you're not going to be financially successful, then the screens are going to be closed, and then we're not going to be able to market further Canadian film.

The bigger issue from your end, first of all, is really the piracy, the Internet, the low cost of DVDs, and so forth. That, I think, is really also a very important part of the equation. We've been dealing with some of the issues around the importance of finding a Canadian voice, a Canadian identity, in the film industry; I think that is very important and very valid, and I'm a strong advocate for it. But we have to look at the film policy in the very complete sense of how to make sure this is viable in this country.

So I think your piracy issues are very valid, and we also have to factor that into the equation. It's a comment, but I also wanted to let you know that many of your concerns I also share. I don't know if you want to add anything further; it is not so much a question as it is a comment.

● (1515)

The Chair: Yes, Ms. Oda.

Ms. Bev Oda (Durham, CPC): Thank you very much, and welcome. It's good to see you here today.

I was going to be facetious and say what do you really think about quotas, but I won't go there. I do want to get to a couple of more specific areas, so I can understand this. Again, I'm going to ask two or three questions and then allow you to answer.

My first question will be for Corus. It's about vertical integration. We've heard about the need to be able to cross-promote, etc., but when I look at your properties as a corporate entity, you have Nelvana, but you don't have any other vehicle by which to cross-promote your product. You have Teletoon and YTV, but do you cross-promote those products on your radio stations?

The same thing applies to the movies you invest in, in western Canada. This shouldn't just be for western Canadians, but do the Corus radio stations pay particular attention to featuring or talking about Canadian movies in support of your investment in those movies? I know that in the past, with the original licensing of pay-TV, it was a little enthusiastic and we were told those birds wouldn't fly, but we don't now have the pay-TV markets split between east and west. There used to be some joint investment in feature films. Has that continued so that TMN and the western pay-TV operation invest, so that we get enough critical mass there to invest in these?

Just for the record, I also want to clarify whether the 30% requirement you're asked to spend by regulation includes the licence fee, plus equity investment, plus any marketing? How can you fulfill that requirement?

Those are clarifications that I want from Corus.

For Cineplex Galaxy, my question will look a little into the future. Could you update us on industry progress or thinking on satellite and digital distribution to your theatres or outlets and where that would happen?

The other area we've been talking about here is what is called e-theatres or e-cinemas. These are especially brought forward to us as a possible way for the smaller centres, where the theatres have to close down, which is happening in many little towns in my riding. They're sitting there empty. The community would refurbish them for community purposes, and this e-cinema aspect would be another use for them.

We've also had suggestions that the e-cinema approach would be beneficial in getting Canadian features into the smaller regions and enabling.... I live close to Port Perry, so I have to wait essentially, or go to Cobourg, or wherever. If Canadian enterprises such as e-cinemas were to be set up across Canada, would the Cineplexes and Famous Players of the world stand back and allow these things to flourish? If I have a choice to go down the block to the centre of my four-block small town, I'm not taking the 20-minute drive to get to Oshawa to go to the cinema.

● (1520)

Essentially, what I want to say is, what's your position and would you stand back, as major exhibitors, to allow these things to happen in the small towns?

Mr. Michael Kennedy: First of all, I'm embarrassed to say I don't know about e-cinemas, so I'd like to know about it. It's very interesting.

Ms. Bev Oda: I'm trying to get you to put on the record that you'll stand back and let these things happen, you see.

Mr. Michael Kennedy: I'd like to know about them, honestly I would, and I would like to know if there's an opportunity for Famous Players to perhaps be involved in such a venture, if it's viable and exciting. We love the idea of getting all movies out to smaller territories. We face the situation of having to build mortar and bricks that cost a lot of money. My brother lives in Port Perry, so I know exactly what you're talking about. You can't afford to build a theatre in Port Perry because it's just as expensive to build there as it is to build at the corner of Yonge and Bloor.

If there is an alternative to get movies out to smaller communities, we would absolutely, in fact, be interested ourselves in finding out how to do that. Would we block people from doing that? No, we can't. We don't have the capability to do it if we wanted to. But we wouldn't anyway. In terms of the industry as a whole—exhibition—we want it to be viable. The more people who can see movies, the more people can invest in future movies. So we would absolutely support such an idea.

Ms. Bev Oda: The thing is that we're trying to find the shelf space for the Canadian product.

Mr. Michael Kennedy: It exists right now with Cam Haynes, who works with the Toronto film circuit and takes those movies out to smaller communities, where they actually have 35-millimetre theatres.

Ms. Bev Oda: But we're looking for using technology to make the shelves bigger and wider and covering the country. Maybe I'm going to regret bringing up e-cinemas with you because you didn't even know about it, but if e-cinema is going to go the same way as your multiplexes have, then we have the same struggle of getting Canadian product in the schedule to be shown, if you're going to run it the same way.

The end of the movies was forecast when television came along, it was forecast when satellite came along, and the industry has been able to adapt, etc. What we're trying to do is to see if there's a way of using this technology to find some bigger shelf space. Again, if we're going to have e-cinemas now in Port Perry that are going to show the same thing as the Cineplex in Oshawa, certainly as a country, for our Canadian product, we haven't made any steps forward.

Mr. Michael Kennedy: Right. I guess it always comes back to that same argument about the films themselves and what we've always talked about—I hope you've talked about—which is the quality of the Canadian product. Just because it's Canadian doesn't mean people want to come and see it. It has to be compelling. People wanted to see *Being Julia*. People wanted to see *The Corporation*. People did not want to see *Decoys*. They didn't want to see *Ginger Snaps*. They might want to watch it on video, but they sure don't want to go out to a theatre and see it.

You look at a guy like Paul Haggis, who wrote *Million Dollar Baby* and who wrote and directed *Crash*, an absolute masterpiece. He's a Canadian. There has to be a way for us to exploit Paul Haggis in Canada. He shouldn't have to go to Los Angeles to make movies or write movies. I think if we improved the quality of the movies, we would solve all the problems of getting them on the screen.

Mr. Dan McGrath: To answer your question in a little bit more detail, what Michael is saying in terms of e-cinema is exactly correct. It doesn't really matter whether it's a Canadian film or not a Canadian film. E-cinema is a way to get films out in a format that can be much more cost-effective. If you have a small film that's been made and it's a Canadian film, it might have been shot digitally originally. So if it's original digital format, there's a big cost to get it into a whole film transfer process, creating those prints, getting them out. When you look at what Cam Haynes and his group are doing right now, it's a great process, but it's very cumbersome because there might only be one or two prints of a particular film and they have to be moved from city to city to city.

E-cinema will allow you to have a distribution network to get those out to places. But as Michael said, it still has to be a good enough film. It still has to be shown somewhere. The e-cinema technology on its own doesn't do enough because it still has to be in an environment that gets it into a location where people actually want to get out of the house and see it. So to set up an e-cinema setup in a small town, which is a town hall, where it's uncomfortable seating and not a big screen, you're not going to get people out of their houses no matter where the film was made or how good it is. It still has to be in the right environment, which is what our industry has tried to do by building big auditoriums with great sound and comfortable seating and big screens, so that the quality films, and even the films that are not quality films, can be shown at least in an environment that people enjoy.

E-cinema is a way to allow the distribution of films that might otherwise be cost-prohibitive for them to get out, but they still have to be good films, as Michael said, and they still have to be shown in an environment where people will want to come and see them. It's one aspect, but it isn't enough.

• (1525)

The Chair: Ms. Bulte.

Mr. Andrew Eddy: My apologies, but I think there was a question off the top—well, really three questions for Corus. You began with the comment, the recollection really, that at the licensing of pay television there was a sense that these birds wouldn't fly. It certainly reflected the challenging environment that we did launch into, the resolution of which, as you described it, was the regionality of the two licences....

The Chair: Mr. Simms.

Ms. Bev Oda: Madam Chair, I don't think Mr. Eddy had completed his answer. He was just waiting for you to complete the conversation.

Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windsor, Lib.): That was my fault, actually. Sorry, go ahead.

Mr. Andrew Eddy: You had two questions really. Does Corus and Astral support films east and west? Yes, we do. We're partners on many of the films, although the evaluation processes and the contributions we make are separate pieces of the puzzle, along with many other players in Canada. We all have to come together to make a film these days. So there is a high degree of synchronicity with our efforts.

In terms of the specific detail on the 31% of our revenue that we expend on Canadian programming, you're quite correct in identifying that there are components to that, which include the script and concept development, our licence fees, whether those are pre-licences or acquisitions, our equity investment, as well as those moneys we expend to promote Canadian film. Collectively that's how we promote it.

Then finally, what do we do to promote film on our cross-Corus platform? We have a weekly show called *Inside Movies* that emphasizes all of our content. We do a show with Corus Radio across the network using our *Deep Sky* radio group, again with an *Inside Movies* entertainment experience. We are able to do that, not only to promote the Canadian content, but to use that Canadian content as an incentive for people to subscribe to our service as a pay-TV channel. You'll see some of that regularly.

Thank you.

The Chair: Thank you.

Mr. Simms.

Mr. Scott Simms: Thank you, Madam Chair. I, too, was going to focus on the e-cinema issue, but I think it's been addressed, and I appreciate that.

I guess the other issue—I have two separate issues and I'll start over here. Again, I want to get into the movie trailers. You may have addressed this already, but I think it bears repeating, because to me it's an essential part of the promotion of our Canadian features. Explain to me—and I think it was *Famous Players*; you mentioned in your brief that it has to be a pre-determined date and that there are other stipulations involved. Could you break that down for me? I have a film. I'm not getting a lot of money, but I sure would like to get it in your cinema, and I may not meet a lot of the parameters, but by the time I do, maybe things have gone past and the opportunity has slipped by. I'm just asking, as a small player in the game, what are the parameters to get my film in your cinemas?

•(1530)

Mr. Michael Kennedy: The process of trailers is pretty specific in the sense that for each new feature we bring out each week, we have five slots available for trailers. Two of those slots immediately go to the distributor of the film itself. So if you're the guy who owns that movie that's playing at my theatres, you get the first two slots. For the next three slots we have to figure out which trailer we're going to play of the 100 movies that are coming, and we get requests from movie studios. For example, War of the Worlds is coming out on June 30. We have five slots available. Paramount will get the first two slots. There will be three left. We will probably get something like 25 requests for trailers on that film. They're already coming in. Then we have to decide which trailers we think match up with War of the Worlds and where we'll get the best bang for our buck, because it's great advertising for whatever film we put on to that.

Mr. Scott Simms: Is it the same situation basically?

Mr. Dan McGrath: Oh, yes, absolutely. It's a similar situation

Mr. Michael Kennedy: I can tell you that Canadian distributors, for whatever reason, have a tendency—or had, they are getting better at it—of calling you the week before their movie is opening and asking you to put their trailer on screen, which is not the way it works. It's like anything else. You have to act like a professional.

You call up and say, “I have this movie. I think I'm going to open it around this date. I've identified some films that I think match up to my trailer, the type of film that I'm trying to sell, and I'm asking you to help me by playing that trailer.” Then it's a negotiation. Then it comes down to, “Well, okay, what theatres will I be opening your movie in, and how many of them are there going to be? What is the potential? How much are you really planning on spending on marketing and advertising?” I can't afford to put a trailer on screen that's not going to help my theatres if that distributor himself is not bringing forward marketing money to actually support that movie. It can't just be a trailer. There has to be a television buy, a newspaper buy. There have to be press screenings. There has to be a marketing person attached to it getting the word out. It's a complete package of marketing of which the trailer is only one part. What a lot of guys like to say is, “Famous Players doesn't support us because they didn't play our trailer”. But that's all they did. They didn't do anything themselves. They just wanted to lay it back on me and blame me for it not succeeding.

Mr. Scott Simms: Well it's safe to say, after that explanation, I'll never look at a trailer in the same way again.

Mr. Michael Kennedy: In terms of that negotiation—and this goes back to Quebec—I had lunch last week with Denise Robert, who is a prolific Canadian film producer. In my opinion, she is the most talented filmmaker in Canada today. We sat down and talked about her movie that's coming out in July. Every screen in Quebec has committed to play her trailer for a two- to three-week period to support it for the opening in July. That's because she's a professional, she makes good movies, and she's attached to Alliance Atlantis Viva Film in Quebec, which knows how to market and is probably going to put \$800,000 of their own money behind it.

So it's all part of the engine that drives getting people into the theatres. It's not about some producer saying, “I've got this movie and I think I want to play it in my theatres. I don't really know what

I'm doing, but I'll call Famous and ask them to stick my trailer up because they're nice guys.” It doesn't work that way.

A witness: We're not nice.

Mr. Michael Kennedy: For the record, we are nice guys.

Mr. Gary Schellenberger: Your film isn't going in there.

Mr. Scott Simms: You'll be the last on my list to call, no offence.

You talked about screen quotas, and the message was quite clear that you disapprove of that. What about mandated quotas for trailers? How do you feel about that?

Mr. Michael Kennedy: It's the same thing. It's not about the trailer in isolation; it's about it being part of an entire package. The package starts with asking, “Who's your audience?” That's the number one question that should always be asked before you put one cent into anything, even making the film. Who are you making this for? Who's going to see this movie? That's number one.

Number two is marketing the movie so people know it exists. That's about spending money and being creative, and that's where the trailer portion of it comes in. Simply putting the trailer on a screen is not going to make people come to see that movie. It has to be part of a bigger plan.

Number three, once we've spent the money, made the movie, played the trailer, and somebody has actually shown up to see it, it had better be darn good. They'd better like the experience, or they won't come back again and we'll be back to what we had in the seventies, when Canadian movies were like the plague because they were so awful. They literally got the reputation: do not go to see Canadian movies, they are horrible. Canadian movies now are good, but let's support the good ones. We don't need to be putting decoys on our screens and turning audiences off.

•(1535)

Mr. Scott Simms: It's probably more the stigma of trailers, where you see the best parts of the movie in that one five-minute clip.

I knew where the question was going and that the answer was coming, but I just wanted to be on the record, because I wasn't quite sure when you talked about quotas if you were including trailers as well. If the government moved toward saying you had to have a certain quota for trailers in your theatre to fulfil a certain requirement, how would you feel? So I guess that's on the record.

Mr. Michael Kennedy: We have made commitments to Canadian producers to specifically play their trailers when we believe the film deserves it. The film has to deserve the support. It has to be part of a whole package.

Mr. Scott Simms: But you're judging the quality of the film then. Is that correct?

Mr. Michael Kennedy: No, you're judging the potential of the film.

Mr. Scott Simms: The potential for what?

Mr. Michael Kennedy: I mean the potential that somebody might actually come to see it. That's why you put movies in theatres. Simply putting the movie on the screen does not make people come to see it.

Mr. Scott Simms: So if it's on the screen, it does not make people come to see it.

Ms. Pat Marshall: That's for every film. You connected to a stigma of Canadian film, but that's pretty much everything.

Mr. Michael Kennedy: No, not at all.

Mr. Gary Maavara: I just want to add, in listening to this conversation, that part of our core business is not placing theatrical feature films, but what we're really hearing here is a description of risk capital. Making feature films is not just about incenting the screenwriters to write great scripts and then getting the capacity together to actually make the film. There's a whole bunch more that goes with that. A producer has to find the risk capital to put together a plan that's going to be acceptable to the theatre or to the pay television service to promote that film and get it out there so that Canadians, who have a gazillion other things on their minds, actually find out about the film.

That's really the essence of our point. We need some players in this country who can assemble that capital and give those terrific scriptwriters and producers the opportunity to get that attention from the consumers, so they want to go down to the Galaxy Cinema and buy that \$7 ticket.

Mr. Scott Simms: I may be a little off topic here, but I want to address one issue. Now that you've brought up copyright and WIPO, many educational institutions have approached me about particular exemptions. I know it's a contentious issue, but I have yet to address your side of the argument. My only experience in dealing with the cable industry.... Are you involved with cable in the classroom?

Mr. Gary Maavara: Certainly, our Shaw Communications and the other cable companies that we deal with are very much involved, yes.

Mr. Scott Simms: Okay. That's right. So how do you feel about the copyright intentions for educational institutions, post-secondary and secondary?

Mr. Gary Maavara: The important thing about copyright, generally, is that we first have to get the rules right and make sure that when creative works come into being they are properly protected. Once that's done, then we can move on to the question of exemptions.

I think people across all industries have always been prepared to step up and provide educational institutions with the opportunity to use works in a manner that wouldn't necessarily be acceptable if they were a commercial user. There are a lot of examples of that. There is Cable in the Classroom. CanWest, for example, and the other newspapers all provide schools with copies of their papers. For example, when you cancel your newspaper for a vacation period, that subscription is actually sent to a school, so the kids there can read the paper. Pretty much every newspaper does that, resulting in newspapers going into schools at no cost.

We do things in radio and music and in Max Trax and other divisions of the company, where notwithstanding the fact that we

own the copyright, we give the schools the opportunity to use those works.

The Chair: I'm afraid we're already 15 minutes over. I'm really quite frustrated, because I really wanted to ask Mr. Kennedy a question, and maybe we can have a private conversation afterwards.

It sounds to me like distributors invest in a production and then don't market it; they don't give you a product to sell. Is it that they are naive? Is it that they are stupid? Is it that they don't understand marketing? Is it the distributors, or is it the producers?

• (1540)

Mr. Michael Kennedy: Well, I believe it's about windows. Films are produced and then you have to sit down and say, "How are we going to get our investment back?" There is no....

You are pretty certain what your pay television money is going to be, you are fairly certain what your free television is going to be, and you have an amount of certainty as to what your DVD sales and your video rental sales will be, etc. The one that's always the big question mark—and it's not so much a question mark most of the time—is what is the theatrical going to be for this?

The distributor has to sit down and say, "If I'm going to go out and spend \$800,000 or \$1.5 million to launch this money theatrically across Canada, what is my potential to get that money back?" Based on the type of film it is and the quality of the film, etc., at the end of the day you say, "Okay, I'm going to do \$250,000 in box office, of which I'm only going to get half back, and I will have just lost \$1.2 million". It's really not a good idea to do that as a business. So they basically write off the theatrical window.

Sometimes they play it in one or two markets just to see.... They'll call me up and say, "Look, I've got this movie. Can you put it into a theatre?" We'll spend a little bit to support it. Usually that happens in Toronto at a place like the Carlton or the Canada Square or the Cumberland, or one of those kinds of theatres. In fact, it happened with The Corporation, where we said, "Let's give it a chance and see what happens". We played it at Canada Square, and I think the Bloor, except the Bloor's roof caved in the night it opened and we ended up moving it down to the Cumberland. But it took off.

So then you add theatres and you keep taking it out and they spend their marketing money judiciously. They say, "Hey, you know what? It worked to this degree in the Canada Square, and that means I can get the ByTowne in Ottawa and I can get the Globe in Calgary, and I can probably get the Fifth Avenue in Vancouver. I'll now spend this much on advertising, and I'll get this much back."

It's about return on investment in the theatrical world. If you don't need those windows and you don't think you're ever going to get your money back, it's just not prudent to put it into theatres. As I said, just putting it into theatres doesn't make people come.

The Chair: Thank you very much.

I very much appreciate your time in preparing for today. Keep an eye on what we're doing and feel free to make any additional input at any time, if you'd like.

Thank you again, Mr. Maavara, and Corus, for a very informative evening.

Mr. Gary Maavara: It was our pleasure. Thank you.

The Chair: We'll have a five-minute break, everybody.

• (1542)

(Pause)

• (1557)

The Chair: I hope our witnesses take it as a compliment that the conversations are so stimulating we don't want them to end, so they just carry on through the breaks. However, I am going to call this meeting back to order since we've kept our witnesses waiting for quite long enough. Our other members of the committee will be coming in, unless you would like to wait for a few minutes. We're missing Mr. Simms, Ms. Oda, and Mr. Brown. Mr. Lemay has had to leave. Ms. Bulte, I think, is just out in the hall wrapping up a phone call.

If you don't mind, I think we will carry on with the Canadian Film and Television Production Association.

Mr. Robin Cass (Triptych Media Inc., Canadian Film and Television Production Association): Thank you.

My name is Robin Cass. I am on the board of the CFTPA and past chair of the feature film committee at the association. I'm delighted to begin our association's remarks to this hearing.

First of all, from everybody at the CFTPA, which is hundreds of member companies across the country, we applaud the initiative and thank you very much for the enormous amount of time and thought that obviously goes into looking at an industry and an activity as complex as feature filmmaking in Canada. So thank you.

I'm joined by my colleagues. Alex Raffé is from Savi Media here in Toronto. Alex was the producer of one of the more legendary landmark Canadian independent feature films, I've Heard the Mermaids Singing, which was a very big hit at Cannes a number of years ago and was very instrumental in helping to relaunch a wave of filmmaking activity in English Canada, and she was also a proud executive producer of *Love a Man in Uniform*, and more recently, *Flower & Garnet*.

Danny Iron, formerly of Rhombus Media and now of Foundry Films here in Toronto, was instrumental in the creation and financing of the Oscar winning film, *The Red Violin*, and is also known for films such as *Thirty Two Short Films About Glenn Gould* and *Last Night*.

My company is also a Toronto-based company called Triptych Media, most widely known for the most popular film at the Toronto Film Festival in 1996, *The Hanging Garden*, more recently *The Republic of Love*, from the Carol Shields novel, and *Falling Angels* from the Barbara Gowdy novel.

Among us we collectively can take some amount of credit for a number of the more well-known and successful films that have come out of English Canada, I would say, in the last 12 to 15 years. And we're delighted to be here today to speak to you.

Primarily we're going to talk about the nature of producing as a craft, as a profession, why we believe it's necessary, and what we believe it contributes to that very delicate intersect of disciplines that must all be brought to bear to make a film get from idea to script to screen.

• (1600)

The Chair: Before you start, Mr. Cass, could I just say that you've seen how keen the members of the committee are to ask questions and get into a discussion. I don't want to stifle anybody's ability to say whatever they want, but the more we can leave time for a discussion with you the better, if you can maybe focus on some highlights.

Mr. Robin Cass: We each have a couple of very brief things we wanted to say. That, actually, is the end of my remarks.

I'll turn it over to Alex Raffé.

Ms. Alexandra Raffé (Savi Media Inc., Canadian Film and Television Production Association): Basically, we thought it might be useful to explain what a producer does. I've been doing this for twenty years and my mother still doesn't understand what I do for a living.

The central role played by producers is not a new concept. It's enshrined in all the collective agreements with all the labour unions and the writers guild and the directors guild and everybody else. Only a producer can apply for funding. The producer is responsible both for the creative side and for the financial side of all the elements of feature film production.

The Canadian film or video production tax credit guidelines describe the producer as the person "who controls and is the central decision-maker in respect to the production, and who is directly responsible for the acquisition of the production story or screenplay and the development, creative and financial control and the exploitation of the production"—which, as you can see, is kind of the soup-to-nuts oversight of the whole process.

Basically, we find the story, we hire the writers, we hire the directors, we hire the actors, we hire the crew, we are very often deeply involved in the creative development—most of us are—and we then find the location for the story. We raise the insurances. We then negotiate and secure the financing, or fail to do so, which is very often two or three years into a development process. We raise financing using both private and public sources in Canada and private and public sources around the world. English language feature film tends to be very dependent on its international reach, so that, for almost all of us, means securing market interest in territories other than our own. We sign all the contracts. We're legally responsible for fulfilling the terms, whether it's Telefilm money or distributor money or money from anyone else.

And we essentially wrangle every problem and everything that goes wrong from inception to completion and beyond. I will point out that this is mostly unpaid work. As producers, we can option a book or develop a story. We raise money. Everybody else is paid. We pay the writers to write the screenplay. We pay the actors to act. We pay the directors to direct. We pay the crew to work. Everybody on a production is paid. In fact, with the writers guild, we don't have legal title to the material unless we pay them fully on the first day of production.

The only person who may or may not get paid is the producer, so we do the front-end risk. Much of it in the small companies is sweat equity. We raise what money we can from the system to pay these third parties. Very little of it sticks to the producers' companies, the small companies. And, realistically, you develop several projects for every project that actually does proceed to production financing.

So the point I'm trying to emphasize is simply that the risk capital, both sweat and financial, is the producer's, who then may or may not get paid for the actual production. When a film is completed, the producer owns the copyright and is fully responsible for its commercial exploitation through licensing it through distributors in Canada and other territories, through the hiring of sales agents who will sell overseas, and we're responsible for years thereafter for the financial accounting and reporting and disbursement of funds to all of the investors. It's a big job.

Mr. Danny Iron (Foundry Films, Canadian Film and Television Production Association): I would add that when producers do get paid, it can be up to a year after the film is finished. Because of the vicissitudes of interim financing, certain moneys are held back. We often have to cover a portion of the tax credits out of our fees, so the producer is usually the last person to be paid.

Once a film goes to market, the success of the film also does not necessarily result in any financial gain for the producer. So a film like *The Red Violin*, for example, I think in any realm was a box office success, but none of that money sticks to the producer. Half of it goes to the exhibitor. After that the distributors take their fees, recoup their expenses, recoup any minimum guarantee they may have put up. Out of the remaining money that goes to the producer, some then has to be given back to Telefilm to repay its investment and to repay any other equity investment. So a movie that could gross \$4 million or \$5 million in Canada may not result in any back-end return for the producer. We put up a lot of the risk, but we get very little of the gain in the end.

I think what this has resulted in is that independent feature producers in this country are not a rich lot. People may give you the impression that we are wealthy and have stable, ongoing businesses, but we don't. We live pretty much project to project. None of our companies—I'd say any feature film company—is particularly capitalized, and it's a very precarious business existence, which makes it very difficult to develop and buy properties on an ongoing basis.

• (1605)

Mr. Robin Cass: That's the essence of the groundwork we wanted to lay for you in terms of a starting point for your questions, which I'm gathering will be many. So I think we'll maybe hold our final comments until the very end.

The Chair: Thank you very much.

We'll start on this side of the table.

Ms. Bev Oda: Thank you.

Welcome, and thank you very much for coming.

I just wanted to get some clarification, because we've been trying to build on some ideas as we proceed through these meetings. Specific to my clarification earlier today, Mr. Iron, we heard that

you're one of the best producers in Canada, yet you describe being one of the best producers in Canada meaning that you go from project to project. You don't have the capital investment to be working or having things developing and moving along.

I know there's a need for small, emerging, and medium-sized, etc., but we also have to make sure there is the next step. How do we get there? What's really holding us back from getting to the next level, so we don't have just one? We'll never have the size or the number as in the United States, but hopefully we're capable of having more than just one or two going forward.

I have a specific question to start off with on Telefilm's investment, their equity. What position does Telefilm claim on recoupment?

Mr. Robin Cass: First.

Ms. Bev Oda: So even before a private investment, the government agency is saying they want to be paid back first?

Mr. Danny Iron: Oh, I believe they recoup with private investment. I mean, with the little private investment that exists in this country, there are very few examples to point to.

Ms. Bev Oda: So they are the same?

Mr. Danny Iron: Yes.

Ms. Bev Oda: And they would be the same as any other private fund, like the Harold Greenberg fund, etc.?

Mr. Danny Iron: Yes.

Ms. Bev Oda: Can I have your comment on this? I know the thing is whether the government is in there to support or whether it's there to make money.

Ms. Alexandra Raffé: There's quite an issue about this because of Telefilm's traditional position about the recoupable position of tax credits. I was running the Ontario Film Development Corporation when we created the Ontario tax credits.

• (1610)

Ms. Bev Oda: That's why I saved this question for you.

Ms. Alexandra Raffé: Yes. We had a debate. All the provincial funding was shut down. We were able to successfully argue to the Harris government that there needed to be some infrastructure support. Tax credits were deemed to be acceptable, and we went to talk to Telefilm. We'd been partners with Telefilm, obviously, on a number of projects over the years.

Our position was the same position that FIDEC took in Quebec, which was that these are tax credits paid for by the provinces that are really designed to try to deal with a number of things, including infrastructure support, corporate capitalization, the ability to develop projects so you don't have to go cap in hand on a project-by-project basis, and the ability to hire staff and generally ramp up and grow.

Telefilm, however, chose.... In fairness, there's not enough money in the system everywhere, and it instantly became a reality that the Ontario Film Development Corporation did not at that time have anything like the clout that FIDEC has. FIDEC was able to secure a preferential position for recoupment of the tax credits in Quebec, which has been a fabulous thing for the Quebec producers, and good for them. We were unable to secure that in Ontario or in any of the other English language provinces.

Over the last several years, as Telefilm's resources have been stretched further and further, there's definitely been a belief that the producing community is competing with Telefilm for recoupment, and that essentially we don't have much in the way of negotiating position because if they don't give us the money we have a hole in the show. So we will find that our tax credits recoup at many tiers down, and our deferrals and investments don't necessarily recoup on an equal footing with external private money or Telefilm money.

So you have to have a huge hit before you start to see those dollars back.

Ms. Bev Oda: I understand the recoupment for Telefilm for all the equity they've invested is minimal.

Ms. Alexandra Raffé: It depends on the projects. I'm still sending revenue to Telefilm on one project and not on any of the—

Ms. Bev Oda: But if you look at the millions of dollars that Telefilm has invested through its equity fund and you look at the return—

Ms. Alexandra Raffé: Yes, it's not huge, but Telefilm has not always been operated as an investment. I think it's very hard to put some sort of return on investment assessment on that because that has not always been, by any means, the basis on which Telefilm invested.

Ms. Bev Oda: But essentially, Telefilm, in its equity fund, is playing the same role as any other private investor.

Ms. Alexandra Raffé: Yes, and we believe Telefilm should allow preferential recoupment for producers' tax credits, and we believe it would probably be worthwhile for Telefilm, and certainly for the producers, if Telefilm were to release back to the producers, after the useful life of a production—say five years for a theatrical feature—its equity position.

The trickle of money that might still come through is of infinite use to the producers and probably costs as much to administer by Telefilm, and it's a pain in the neck for our reporting. I'm reporting on films I made 17 years ago.

Ms. Bev Oda: Now, when Telefilm does recoup, does that go back to Telefilm to reinvest in new projects?

Ms. Alexandra Raffé: Yes.

Ms. Bev Oda: Therefore, for whatever recoupment, Telefilm's pot increases by that much?

Ms. Alexandra Raffé: Yes, and it comes back into the system.

Ms. Bev Oda: And we know that, as an industry? You've been able to track that?

Ms. Alexandra Raffé: We can't quite track that individually. We do know there has been some \$5 million or \$6 million a year that comes back in terms of revenues to Telefilm that is then, in turn, reallocated back into the various funds. I don't know whether it's 100% reallocation or not. I don't know.

Ms. Bev Oda: So unless the government has actually cut Telefilm's allocation, there should be a \$5 million increase in the following year for what it can—

Ms. Alexandra Raffé: I think they tend to spend it as they get it.

Ms. Bev Oda: Okay, but theoretically that should be what happens so that it's not going into whatever.

Ms. Alexandra Raffé: That's my understanding, yes.

Ms. Bev Oda: I'm wondering, when we say that government supports it through Telefilm by x dollars, but it's being treated as a private investment, is it true that government is supporting? I mean, we're using government money to invest and we're taking no less of a risk position than any other private investor.

Ms. Alexandra Raffé: You're not. There is no question that government is supporting projects—absolutely, explicitly, writing very serious cheques.

Ms. Bev Oda: I'm specifically talking about the equity investment and the recoupment position.

Ms. Alexandra Raffé: It enables projects to get made, as an investor.

Ms. Bev Oda: And I'm not saying they shouldn't be, but I want to make sure that we believe that Telefilm's investment as an equity partner should be the same as any other private investor.

Ms. Alexandra Raffé: We don't, of course.

Ms. Bev Oda: Of course, and that's where I want to give you the chance to put into place—

Mr. Danny Iron: Yes, and their recoupment policies are getting increasingly aggressive as well.

Ms. Alexandra Raffé: And increasingly rigid. They're increasingly less negotiable.

One of the difficulties we have, particularly with the position Telefilm takes on international co-productions, or on productions where a significant amount of market money has come from overseas, where the normal assumptions in a completely open market would be that the market money... If somebody puts up \$1 million against a U.S. distribution deal, they can expect that \$1 million back first, no questions, no nothing, absolutely, and it's incomprehensible...

I know you've had deals that have fallen through—European partners—who just find it incomprehensible that there would be anything other, that this is the rule of thumb that operates everywhere.

So the rigidity of that and the thrust behind Telefilm's need for recoupment, which it needs for its own and other reasons, does sometimes conflict with the optimal financing of a production.

• (1615)

Ms. Bev Oda: I know this is getting very technical, but I wanted to make sure we understood the true nature of Telefilm's support and that it is not only providing the dollars where they're needed, but that all the little intricacies are consistent with the cultural support the government says it's giving to this industry.

We can make fine statements and say that Telefilm is great—which I agree it is—but I am increasingly becoming aware that when you get into the negotiations, that spirit is being less and less supported.

Ms. Alexandra Raffé: There is a conflict between the concept of cultural investor—

Ms. Bev Oda: Exactly. That's the bottom line.

Ms. Alexandra Raffé: It varies, because then decisions will be made on a cultural basis and not on an investment basis, but the negotiations of the producers are done on an investment basis. It's a slightly muddled thought.

Ms. Bev Oda: It's what distresses—

The Chair: Sorry, we don't have a lot of time left.

Ms. Sarmite.

Hon. Sarmite Bulte: I'm going to continue on the tax credits. We had Telefilm in front of us. They told us the reason they are required to include the Ontario tax credit as part of the funding, rather than putting the savings back into the project, has to do with the Treasury Board guidelines. Correct me, Alexandra, but you just said that Quebec has a different deal. So it wouldn't necessarily be Treasury Board guidelines, unless there's an exception.

Ms. Alexandra Raffé: I don't understand how Treasury Board could have guidelines that affected the disposition and use of Ontario government money.

Hon. Sarmite Bulte: It didn't specifically deal with the Ontario government; it dealt with the fact that any kind of government money had to be taken into account. When the financing was put into place, instead of allowing you to retain the tax credit, it was clawed back. These were Treasury Board guidelines and had nothing to do with the provinces.

Ms. Alexandra Raffé: First, it is true about Quebec for the tax credit.

Second, in all our years of bitching at Telefilm about this issue, nobody has ever said that Treasury Board made them do it.

Mr. Danny Iron: We cannot include tax credits for the financing of the film, but we are allowed to recoup those tax credits from film revenues.

Hon. Sarmite Bulte: I'm talking about the financing.

Mr. Danny Iron: For the federal tax credits, that may be true. For provincial credits, it is not the case.

Ms. Alexandra Raffé: It may be true for the federal, yes, but certainly not for the provincial.

Hon. Sarmite Bulte: We're talking about the federal.

Ms. Bev Oda: It's when your tax credit is based on the cost of the production—

Ms. Alexandra Raffé: The grind.

Hon. Sarmite Bulte: Yes, but it's the same thing in Quebec. The grind, as I understood it, was administered not by Telefilm, but was subject to Treasury Board guidelines. So if we're looking to make a change, then it has to be a change with respect to the Treasury Board guidelines in this area.

Ms. Alexandra Raffé: That's an issue that relates to how much tax credit one gets. That's separate from Telefilm policies about whether those tax credits should be included in the financing.

Hon. Sarmite Bulte: When I met with the Ontario deputy minister, the big argument for not increasing the tax credits was that the feds clawed it back. What was the point?

Ms. Alexandra Raffé: That argument is basically that every time there's an increase in the tax credit at the provincial level, there

mysteriously seems to be slightly less on the table at the federal level in the subjective financing.

I'm asking you for \$100 and I was going to get \$20 in tax credits from Ontario. Now you find out I'm going to get \$30, so you don't have \$70 to give me any more, but you could give me \$60. It's a game.

Hon. Sarmite Bulte: With respect to decision-making, who makes the decisions for Telefilm and who decides which projects are a go? Would you like to comment on that? The claim was that Telefilm's decisions are made by bureaucrats, rather than experienced people in the industry.

• (1620)

Ms. Alexandra Raffé: There have always been some people inside Telefilm that come from industry. We've had a lot of issues as a producers association with the nature of the decision-making at Telefilm over the last little while. We have been trying to understand better what the ramifications are. We have a lot of problems with it. We believe there are changes taking place at Telefilm. Wayne Clarkson used to run the Ontario Film Development Corporation. He's been involved in film for a long time and many of us have known him for 20 years. We're hopeful that we will work with colleagues in distribution and production and see if some changes can be made.

One of the difficulties we've talked about amongst ourselves has to do with the degree of subsidies operating out of Telefilm, or through all the structures we have in support of Canadian film. We have a subsidized form of assistance because we believe in culture and in having Canadian voices. We believe there should be Canadian cinema. It could be gone in a nanosecond, given our American neighbours, unless we work especially hard at all levels of industry and government to sustain it.

The problem is that at the end of the day we have a completely unsubsidized consumer sitting at home on a Friday opening their Globe and Mail and looking at what movie they're going to see. If ours aren't in the line-up, with something interesting in them, nobody is going to buy the ticket.

Mr. Robin Cass: You get the chart you saw yesterday.

Ms. Alexandra Raffé: Yes, you get the chart you saw yesterday from the actresses' union.

Given that the end transaction that makes a box office success is a consumer transaction we can't affect, subsidize, cauterize, or do anything with, as it's an entirely voluntary transaction, it is very important that this goal be present in the decision-making, even back in the subsidy area of what gets funded and what doesn't.

Having said that, I'm not sure we believe that's a factor. There are all these cultural grids and overlays and all of these things that try to define culture by a series of points, but I'm not sure they necessarily facilitate a film at the end of the day with the best elements in it and allow, thereby, the distributors who talked yesterday and the exhibitors who talked today to say, "Okay, you've put your risk capital into it and you've spent four years sweating to make this movie, and you've managed to convince enough people—Telefilm, or whoever else—to make a movie, so now let's look at it and see if we're prepared to risk money marketing it or to risk money putting it out there". They're pure industry. There's no subsidy. They don't get any thanks for chucking a dollar at a Canadian movie and having it go nowhere. They will always do that if this is a business decision that looks like it makes sense.

My belief is there is a disconnect between the decision-making, the package of ingredients that we take to the decision-makers, and the relevance of that back end. Telefilm, as always, gets credit in saying, "Bring a distributor to the table with you and bring a marketing plan to the table with you", which tends to standardize what can't really be standardized. Who the hell knows what a marketing plan is when what you're really pitching is a script with three names attached to it? We'll define the marketing plan when we can sit there and look at the movie and go, "Ooh, that wasn't what we thought it was", or "Er, that wasn't quite what we had in mind!"

Hon. Sarmite Bulte: We've heard there's a problem with the distribution or the exhibiting, and that people don't know where to see these movies. What can we do to promote them? What role can government play or what role can governments have in facilitating the promotion of your movies, the marketing of your movies, to ensure that...? When I ask the grade 11 kids at Humberside, "Name a Canadian movie", the answer is, "Where do I find one? Where do I see it?"

Mr. Danny Iron: I think a lot of the policies we have in place now are discrete. People are looking for a policy for exhibition, a policy at Telefilm to decide what movies to make, and a separate policy for distribution. But there are three aspects to the industry: there's production, distribution, and exhibition. I think that maybe policies have to be looked at in light of all three as an organic whole.

• (1625)

Hon. Sarmite Bulte: One of the things that Cineplex Galaxy said was that in Quebec, "Filmmakers, studios, and exhibitors have come together to create, market, and distribute films targeted specifically to their audience".

Is that something you do?

Mr. Robin Cass: I'd like to speak to that.

Hon. Sarmite Bulte: Okay, good.

Mr. Robin Cass: I have long been of the opinion that in this industry collectively, from radio stations to all media and all producers and everybody involved in the creation of storytelling, we don't have a coherent plan. Danny is entirely correct that things are far too discrete; there's not nearly enough dovetailing of financing mechanisms, not nearly enough dovetailing of the media, and, first and foremost, not enough dovetailing of the industry with kids.

We keep hearkening to Quebec. I have long had very strong ties to the province and I'm very familiar culturally with Quebec and why I

believe it works. A friend of mine once explained it to me by saying, "We are a society because we have gossip magazines, and you are not a culture because you don't have any gossip magazines". I was horrified that he would say that to me, but I thought about it and I think he's right, because in Quebec, people grow up within a culture. They love the high arts and they love the low trash and everything else in between, and it's all part of a large whole. Because of our geography and our proximity to the States, we don't have the benefit of that, and we've never built the benefit of that.

I think if we really looked at writing a plan for the next two generations of young Canadians, so that we raise young people up and get them while they're young and make sure they understand who our storytellers are and what the material is and who the talent are, they will grow up knowing there are choices, aside from some of the broader mass market things they're inundated with. I think that's one really significant way to start. I think it would be a wonderful thing if Heritage could take that on, because I think it's a very large national identity issue that can be addressed in a very practical way.

Ms. Alexandra Raffé: I want to speak to the issue without in any way taking away from the success of some of the Quebec films that we all watch, which are magnificent. We've been doing a fair amount of work. I think the next presenters will speak a little more to this, and they're very qualified to do so.

We've been working on market analysis and trying to deal with the issues you have with familiarity and a local star system, but the ability to reach the market in Quebec for a given amount of money is infinitely more possible. We found stats that support the fact that there is less competition, there are fewer American movies, and there are fewer foreign films in Quebec. They have a linguistic barrier. They are able to access their market in a very focused and targeted way.

On the other hand, we are strung across the whole damned thing and fighting for space on the talk shows that we all watch. You turn on the television, you buy magazines, and you know the competition is American competition. The cost of putting up a comparable marketing campaign in terms of reaching the end-user in English Canada and Quebec bears recognition.

Another one of the CFTPA's very strong recommendations is that we celebrate the success that Quebec has had with its filmmaking and hope that it continues exactly as it has done and continues to boom and grow, but we should completely delink all the policies, the practices, and the assumptions of federal support between Quebec and English Canada. We need to look at borrowing from the best of the Quebec practices that we can where there is a reputable ability to do so. They have some fabulous distributors and some extraordinarily fabulous filmmakers.

The reality of the English marketplace is so different. We need to be able to sit down with Telefilm Canada and everybody who has a voice in this. We need to try to develop a completely different approach. It may be appropriate for us to have targeted marketing supports out of Telefilm in English Canada. It would simply be giving money to people who are going to do it anyway.

In Quebec, we never sat down and said let the Québécois work with Telefilm, which they do very well, to develop the policies and the practices that work for that environment and that market. Let's sit down and not worry that if we give that to you, the Québécois is going to have.... Let's just say forget it. There are two different families in the same house.

Mr. Danny Iron: If you're managing a national campaign for an English language film, you have to take out newspaper ads in five to ten different cities, as opposed to maybe one or two newspapers in Quebec. The cost is immensely high for a commensurate relief.

Hon. Sarmite Bulte: Let me ask you a specific question that came up during the hearings in Winnipeg. It has to do with the Canadian feature film policy guidelines with respect to Canadian content. One of the recommendations was to try to make some changes to the star.... We were told that the CFTPA was working on an entire revision of the Canadian content guidelines. Can you update us on that?

• (1630)

Mr. Robin Cass: We're working on it. CAVCO is working on it, not us. There is a lot of work being done to try to look again at Canadian content and define Canadian content.

Our response to the initial paper that came out, which tried to be very tight and precise, was that it actually needs to be more flexible. For example, films now will include massive components to CGI even if they're not substantially animated in any way, but you don't get any Canadian points for the people who are dreaming up the software and working with the old-fashioned camera.

Either leave it alone because we are all used to it, or, if you're really going to update it, update it to deal with the reality of how films are made these days.

I don't know where it is at the moment, but it's sitting with CAVCO.

Mr. Danny Iron: Our response, I think, is that the rules they come up with now are a little overly broad. In their zeal to protect Canadian control and ownership, they've stepped into the realm of the marketplace where they're forbidding things that happen as a matter of course, such as foreign executive producer credits or certain 25-year terms for distribution agreements. There are things that are market norms under these rules that would put a true Canadian film offside with CAVCO.

Mr. Robin Cass: The market changes very quickly. Every couple of years it seems like a new landscape. It's extremely important to be as nimble as possible. I think we need to look at ways of evolving Telefilm and the other agencies so decision-making can be nimble in that way and work in step with reality.

For example, I had one situation when I had a point to negotiate on the last film, but it didn't get on the docket that week at Telefilm. It was a recruitment issue, and I couldn't wait another week or another two weeks. I simply had to take a certain hit on something and do something I didn't want to do that I would have preferred to negotiate. I couldn't afford the negative impact if it hadn't been dealt with for two weeks. You just have to jump and go for things like that.

Mr. Danny Iron: Right now I'm working on a movie, a television film, but the distribution deal we have is with a foreign distributor because there aren't really any Canadian foreign sales agents. This distributor's agreement is such that a number of the clauses will put me offside of CAVCO, and their recruitment provisions will never match Telefilm, so in the end we'll have to not go with that distributor and try to find an alternative. I think eventually we may be able to make it work, but it's not worth the effort; it would take longer than it would take to make the film.

Hon. Sarmite Bulte: Under the Canadian feature film fund, you have the production component and the performance component. Is that still as relevant today as it was five years ago? Does it need to be changed?

Ms. Alexandra Raffé: We think it's an extremely relevant concept. But I think we believe absolutely—and this goes back to my comments about having completely different sets of rules for the English language side and the French language side—that a film that has a superior performance in the English language market should be rewarded with a meaningful envelope, which will free the producer to then hopefully repeat that success. There are a lot of methodology problems and issues. I'm not sure it works particularly well in English Canada at the moment, but I think we are firmly in support of the concept; we all need to sit down and figure out how it should be done and how one can retool the process to make it work better.

Hon. Sarmite Bulte: If you can think of how to retool it and make it better, can you let us know, and provide us with the details in writing?

Ms. Alexandra Raffé: Yes.

The Chair: Thank you.

Ms. Oda, you'll get a few minutes, and then we'll come back over here and give both Mr. Simms and Mr. Silva a bit more time.

Ms. Bev Oda: As you know, we could go on for hours here, but there's one specific thing I'd like to ask about. I know that in producing a show, a feature film, etc., there are key elements. One of the things we learned today was from the screenwriters. I know the way the system works it's looking at the key creative people, etc., but for me it's also a team, and you bring together the team that you want to put together. For people who are producers, there's comfort in an experienced screenwriter. However, sometimes you may choose, for whatever reason, to go with an inexperienced writer.

I guess what I'm trying to struggle with is...you need the funding, you need the support, absolutely, but then when there are these pigeonholes, and you've got to fill in this one, and you've got to make sure you add up to a certain number of points, and then you've got to do all these other things, it takes all the creativity out of it. It takes the team thing out. It's almost as if you're putting together your team—sometimes to satisfy a requirement of an agency that's going to give you money—but the requirements from the agencies can even affect the process to the extent where your idea and your creative vision is also being pressured to change in order to get the funding you need.

Sometimes in broadcasting—I've seen it sometimes in television—we've seen historically that you produce to regulation; you don't produce to good ideas or good visions.

•(1635)

Mr. Robin Cass: That's sometimes true. There's a term, "Euro-pudding", that's very common in the international feature film market for those movies that are the by-product of three or four different European countries pooling small resources to make something; sometimes you get a Euro-pudding, which is neither fish nor fowl. You've got actors who are very clearly not of a certain language struggling through because their involvement validated the contribution of country A. So it gets its favourite actor in the film and it becomes a bit of a mash.

Ms. Bev Oda: But, Mr. Cass, I'm talking about even here in Canada—

Mr. Robin Cass: Yes, that also happens here.

Ms. Bev Oda: —when you're told to move your location from one province to another province because we haven't met the quota for the prairie provinces.

Mr. Robin Cass: Yes. We call it "producing by postal code".

Ms. Bev Oda: Exactly. It's those kinds of things.

Mr. Danny Iron: Or it's a problem called money too. I mean, sometimes it's harder to produce a film in Ontario than in another province.

Mr. Robin Cass: The last movie I made is based on a novel by Barbara Gowdy set in Don Mills. It should have been shot in Don Mills, but because Saskatchewan was able to provide us with almost \$700,000 in tax credits, compared to a possible \$230,000 or \$240,000 from Ontario, it wasn't hard to see where we were going to go, because I had a half-a-million-dollar shortfall in my budget as a result of other things that had happened.

In terms of the creative considerations, we got very lucky in that one case. There were certain things out there that actually made the movie, which we could never have found here. So good things can also happen as a result of that.

You have to be—there's that word again—nimble. You have to know how to move quickly and jump quickly, based on some notion of faith, when and where and how you can. Most feature films tend to have a moment where they're possible, and you have to seize the moment. If you don't seize the moment—and it's never going to be perfect—it may never happen.

Ms. Bev Oda: Can I make an observation? I guess what we would like to accomplish after these weeks of review and meetings is to make those moments come more frequently and with more surety. So how can we do that? If you have a good idea, you put a good team together, then you have to go with all this paper, this application form, and you have someone sitting across the table saying, "What about if you move this to there or if you do this to that?" You see your creative vision, your team, being chipped away in order to meet a point system. What we're trying to say is that this is an opportunity to try to make more of those moments.

Ms. Alexandra Raffé: There was a time when there was less pressure on funds, and I'm talking about a very long time ago, when I got into the business 17 or 18 years ago, when there was a very deliberate sort of patchwork across Canada. Telefilm had some funds. There was a tax shelter. The provinces had funds. It was a smaller and a much more instant world, but there was a very

deliberate effort to stitch all those bits and pieces together. We all worked very closely together to try to deliver a whole, and somewhere in the nineties the money got pressured and there was great jeopardy, and funds popped up all over the place with their own little specific mandate. They were either provincially beholden—we are going to bring more production here—or they were funds that were created as a result of mergers and acquisitions—well, we're going to put money into Canadian film or Canadian television. All of a sudden we have umpteen discrete tiny pockets of money, all of which have slightly different mandates.

If anything could come out of this that would result in all the federal agencies...and there are a number of different federal players involved in the feature game, and it does overlap with television in a number of ways. If all of the feature players, all of the federal players, could start to try to work together with a unified approach and expectation, that's from the delivery of the mechanisms of the tax credits...so that there are not conflicts between union rules and tax credits and what the tax credits will allow and what Telefilm will allow, and CAVCO doesn't like the way this is counted, and improvements in the processing... Then that unified voice could explicitly sit down and work with the provinces to try to recreate a patchwork that actually covers coast to coast, rather than being a little here and a little there—if I take a bit of that and give you a bit of my equity and divide it by the money you first brought up and get an actor from Saskatchewan, I think I can get them both.

I've watched my profession turn from being one that was such a creative profession, where you had to deal with a limited number of players in order to try to raise production financing...and you worked with them all the way through the development process, and you knew if you had a hope in hell or not long before you put together the market financing.

The world is more complicated. I'm not going to be naive or Pollyannaish about this. It is more complicated now, period, but the fact that we seem to be stitching together or attempting to stitch together elements that actually have opposing mandates...and somehow I'm on the line to deliver that fiscally and creatively. I've never pushed more paper in my life.

We murder forests in this industry. It's appalling for movies, because there are so many different bodies, all with a slightly different remit, a slightly different mandate that's valid. If there could be some coming together and saying, let's merge our mandates, let Telefilm give up a little of this thing that's theirs, and if we give up a little of this thing, and, CBC, could you step up to the plate...if everybody tried, everybody you have control over at the federal level, and you said, we will have one feature film policy and all of the practices and mandates of all these competing organizations will line up behind that, you may find that the delivery of the dollars, which we hope very much will be renewed, could be made without necessarily hugely... We would like more money as well, so I'm not going to be naive about that. But the effectiveness of those dollars could be magnified multiple times by going straight to a directed and a unified purpose—no fuss, no muss, fewer lawyers, fewer accountants, fewer banking fees, fewer interests.

•(1640)

Mr. Danny Iron: This is a topical issue among the various funders as well. If you go to Telefilm with a strong distribution advance in Canada, a strong commitment from the Harold Greenberg fund, a strong equity investment from TMN, it doesn't necessarily help you in getting a positive decision from Telefilm. So there's a disconnect between certain industry financing sources and Telefilm. It's very unpredictable.

Ms. Alexandra Raffé: It's very unpredictable.

The Chair: Thank you.

I know Mr. Simms has a couple of questions, and then we'll have to move on to our next witnesses.

I think you have just articulated very well, Ms. Raffé, what my feeling was—and still is—shortly after we started our hearings on this subject, which is that there are too many pieces here. Are they all fitting together as well as they should?

Thank you.

Hon. Sarmite Bulte: Madam Chair, just before Mr. Simms, I'd like to say, Ms. Raffé, in terms of how you put a project together and finance it, we've asked the department to put together what a financing would look like, just to show....

If you could just give us an example and send it to the clerk, we could get some idea of the different pieces you have to put together. You can be totally fictional; we're not asking that you give away your trade. But just tell us the different hoops you have to go through.

Ms. Alexandra Raffé: We'll send two or three different scenarios in with a little bit of an annotation about the kinds of conflicts with the requirements.

Hon. Sarmite Bulte: Perfect.

The Chair: Thank you. That would be very helpful.

Mr. Simms.

Mr. Scott Simms: Thank you, Madam Chair.

That was a great presentation, very informative, Robin. It's nice to see you again.

I want to ask about recouping costs. Paint a picture of how large the cost is to get your money back on the recoupment. You mentioned the lawyers and the accountants and this sort of thing.

•(1645)

Mr. Robin Cass: I think in the States, and I don't know whether it absolutely applies here or not, the very crude rule of thumb is that a movie needs to recoup about four to five times the cost of the negative, i.e. the cost of making the movie, in order for a film to go into profit. Now, obviously the degree to which the P and A, the prints and advertising, commitment is brought to bear might also affect this.

By the time the first dollar at the box office is cut in half, and the exhibitor takes their half, and then from that next half the distributor and/or the sales agent take...they're first in line for their fees, for their commissions and expenses—and this is in front of investors and producers and everybody else. It then takes a long time to actually

get to a dollar that's available to begin to repay the actual stakeholders in the film, let alone the—

Mr. Scott Simms: What are your government sources?

Mr. Robin Cass: The stakeholders are the government sources. They are, in fact, way behind exhibitors, distributors, and sales agents.

Mr. Scott Simms: It sounds like you're spending more to recoup what it is you want, if that makes any sense.

I don't necessarily have a question, but I have a comment about something you said earlier, which I wholeheartedly agree with. We've discussed it here several times. It is about the star system that we've been discussing when it comes to Quebec and the rest, and I can use my own example to push the point even further.

In my former life I was a TV weatherman, somewhat of a celebrity, I suppose—

Ms. Bev Oda: He was a star.

Mr. Scott Simms: Thank you. Well, not quite, but I'm getting to that.

We were in Montreal, and we had the two networks there. We had French MétéoMedia and we had the Weather Network. There was a friend of mine who was an afternoon weathercaster, but en français, and here I was doing the same shift in English. We would go out, and he would be constantly recognized, approached, and talked about. I was the tagalong.

I got used to that, and I'm okay with that, but what it brought home to roost was.... My first impression was, "You know what? Most people in this city speak French; ergo, they watch him instead of me, and that's fine." However, as time went on, I realized there was more to it than that, because when someone wanted their weather information at any time during the day, he was the guy to go to. But for me, at any time during the afternoon I was competing with CNN; I was competing with all the major networks—three all-news networks—in the United States, in addition to the Canadian ones. So I was in a pond of about seven players.

That's one example.

The other one was when we decided to go to a morning show, which is information programming; therefore, you get most of your ratings in the morning. We realized that being local was key. Well, the Quebec market had a local show from Montreal. Now, to duplicate that success we had to spend, I think, ten times that amount just to double our revenue, because we're strung out across this country.

I wholeheartedly agree we have to delink our methods in the star system, so I do hear that. And I wish Mr. Lemay were here, because he has alluded to the fact that we should use the example of Quebec and put it to the rest of Canada. But it doesn't work that way, because the cost outlay for the star is much greater than it would be in one focused market.

I think that's a point we should take note of.

Ms. Alexandra Raffé: The corollary to that is that for English language content—actors, writers, and directors—one of the most valuable websites is the Canadians in Los Angeles one, when you're trying to market your films. If you're looking for people who have actually made it, they've gone south. I try to figure out who I can cast in my movie who's going to keep me onside with Canadian content points, but who anybody has heard of outside Canada. A lot of the flowers of our talented writers, directors, and actors move to LA. The Québécois don't.

Mr. Scott Simms: I understand the concept of crossing over between media here—between television and radio, and then on to movies—but it's far more complex outside of the Quebec market. I appreciate your comments on that. Thank you.

The Chair: Thank you, Mr. Simms. I think we'd better move on to our next witnesses.

Thank you very much. I agree with Mr. Simms that it's been a very helpful and informative presentation.

Mr. Lantos from Serendipity Point Films is up next, and Sandra Cunningham from Strada Film.

• (1650) _____ (Pause) _____

• (1654)

The Chair: I think in all fairness we are going to start and not keep our witnesses waiting. You can see how frustrating it is for us that we don't have enough time with anybody to explore all the issues we'd like to. I appreciate that you're here. Thank you for the time you've taken to be with us.

Which of you is going to start?

Ms. Sandra Cunningham (Strada Film, Canadian Film and Television Production Association): I think I'll start, and then Robert will close.

Thank you for inviting us to join you. We're happy to be here representing the CFTPA. You have heard outlined, and will continue to hear across the country, various aspects of what producers do. Hopefully that will give us all more time to understand. What we'd like to particularly address in this session are the challenges facing English language film producers as they go out into the English language market. We want to address both the market challenges and the policy perspectives of that.

I'm going to talk just a bit about how we put a perspective on the fundamental differences between what we face here in English Canada versus what the French language market is facing. This was brought up by Alex briefly, and we just want to reinforce that. Robert will go on to talk more about the films we make and the policy issues.

I want to briefly raise again the asymmetrical nature of the two language markets, because we feel it's so important that if we as producers come to you and continue to encourage and support the federal government to put money into investing in our cultural stories and our films, we all have to care about how we get those to audiences and how we grow those audiences.

I'm sure you've read the statistics in our submission, but what is so incredibly clear is that the competition we face in the English

language market is exponentially greater than what we face in the French language market, for a couple of reasons.

One, as we've heard before, is that the proliferation of American films in the market in 2001-2003 was actually 55% greater in English. So with an English Canadian film going out to the theatres—the same theatre space you've heard we fight for—there were 55% more American films than in Quebec, earning four to five times the box office. So in how we define our success and how we try to get out and compete for those films, it's apples and oranges. We are extremely proud of the success of our French colleagues. We laud them and aspire to achieve the same kind of success, working with our distribution partners.

At the moment, however, we have to stress the differences we face doing the exact same things. One aspect of the statistics is the performance at the box office and the competition; the other is the actual annual output of films. Eight French films have gone out per year, supported by Telefilm, over the last ten years, per million francophones. In English Canada, that is four films per million francophones. So just on a pure numbers game, obviously if we were able to put a thousand films out in the market, our ability to reach Canadians would be that much greater. So that speaks to the issue of volume and annual output.

We're saying we can all look to Quebec to see how we can learn from what they do, but we really have to separate the policies and have a completely different approach for what faces us in English Canada, compared to what French producers face in the French market. We can't stress that enough. We'd be very happy to have more questions about that or talk about that. But we feel it is absolutely essential, in order to make the federal government Canadian feature film policy effective, to recognize the distinction and the differences. It would show that, if anything, we in English-speaking Canada actually need more resources to be able to compete at the same level that French language films compete in Quebec.

That's my introduction on that, reinforcing what I believe you've all received in the submission.

Over to you, Robert.

• (1655)

Mr. Robert Lantos (Serendipity Point Films, Canadian Film and Television Production Association): I am actually going to address something else, but I just want to add a word on the subject Sandra has raised.

The most fundamental difference between English and French that is essential for anybody looking at the Canadian film industry to fully grasp is this—and I can speak to this with some authority because I have produced films in English and in French. For a long time I was the chief executive of a company that, under my watch, distributed most of the important films in English and French in Canada and worldwide.

The difference is so obvious that it is almost too obvious to actually see. It's language. In Quebec the language is French, which is a different language than the language in which the films that dominate at the box office are made. Those films are made in America, in Hollywood, and they are in English.

That separation of language is the foundation upon which the success of Québécois films is built, because they have something to offer to Quebec audiences that American films don't, and that is that these films are made in the language that the people actually speak.

American films come to Quebec dubbed. They underperform. The performance of Hollywood movies in Quebec is substantially below the performance of Hollywood movies in English Canada. The overwhelming reason for this is that in Quebec they are dubbed; they are not played in the native language.

That fundamental difference is also the foundation upon which the success of Québécois domestic television is built. That's the reason why the top 10 shows in Quebec tend to be Québécois shows. The top 10 shows in English Canada tend to be American shows.

So the task at hand for those who choose to make films in the English language in Canada is that they are in a head-on competition with the most dominant film production country in the world, which is the United States. It not only produces in the same language, but American films are released in Canada simultaneously with their U. S. releases.

And the American marketing campaign washes into Canada like a tidal wave, in English, whether it's the ads on television that come across the border, or whether it's reviews and features in *People* magazine and *Time* magazine, or whether it's the myriad of other things, such as the appearance of the stars on the late night talk shows.

None of these has much of an impact in Quebec. The American marketing campaign has a relatively marginal presence in Quebec and an absolutely overwhelming presence in English Canada. So those who produce in English have to overcome obstacles that simply don't exist in French. Hence the fundamental difference.

That's not really what I'm here to address. What I do want to talk to you about is the central issue that you are reviewing, which is the feature film industry and the Feature Film Fund itself.

The Feature Film Fund was created some years ago for a specific purpose, after many years of discussion and study and lobbying and encounters such as this one between government and the film production and distribution sector. It was created specifically to attempt to introduce an element of success and performance in Canadian films. Performance and success, up until that point, had not been a major criterion in how government funding organizations such as Telefilm Canada decided to fund films or to reject the funding of films. Success was something that didn't really enter the picture.

As a result, the track record of English Canadian films, in particular, was so abysmal in terms of attracting audiences anywhere in the world, but specifically in Canada—there was very little awareness among the English Canadian public, the very people who, through their taxes, financed this government agency that in turn financed these films—that a decision was made that something had to be done to actually bring people into the movie theatres to watch Canadian films. Otherwise, these films didn't really matter very much if nobody ever saw them.

● (1700)

So the Feature Film Fund was created, and correctly so, with a performance and success mandate. In attempting to implement that mandate, Telefilm has come in for a lot of criticism. Under the previous direction of Richard Stursberg, this attempt caused a great deal of controversy. Trying to introduce success and market considerations into the selection process, in deciding which films would be produced, caused a lot of controversy. You've probably been hearing from a number of people and organizations who think this was misguided and that the best thing would be to go back to the way it used to be, which was that the financing of Canadian films by government agencies was completely unrelated to whether an audience existed for those films.

I'd like to read segments of a letter I wrote. I read a submission you received from the OMDC some time back that brought into perspective this dilemma—the deluge of representations you are being presented with and how you're going to evaluate them. I will read some parts of this letter because I think it goes to the heart of what you're going to have to examine when you're making your recommendations.

The OMDC stated that the diversity of Canadian films has suffered because the policy is box office driven and commercial goals may trump cultural policy goals. In fact, the reverse is true. For about 20 years now, Telefilm Canada's investment policy was strictly and exclusively culturally driven with no regard for audience appeal. This resulted in countless English Canadian films made for no discernable audience anywhere in the world, other than the filmmakers' immediate family and friends. This strategy had devastating consequences, most notably the massive alienation of English Canadian audiences from Canadian films. It is only in the past couple of years that marketplace considerations have been introduced as criteria for determining the funding of English Canadian films.

Here's what I think you need to consider seriously. Telefilm invests in about 20 to 25 English language films each year. Less than half of these receive a genuine theatrical release in Canada. "Genuine theatrical release" means films are actually marketed and play in a large number of theatres, not in one or two theatres with no advertising campaign behind them. Less than half of the films funded by Telefilm received this in Canada, and way fewer than half in other countries. In other words, they don't even get released, never mind whether they're successful or not. Yet in the past, filmmakers whose work had failed abysmally continued to receive support and funding from public agencies just as if their films had succeeded. This perverse rewarding of failure sacrifices excellence at the altar of mediocrity and has rendered English Canadian films, with the occasional exception, utterly irrelevant to distributors all over the world.

There are those who would like to return to this success-be-damned approach. For a few, it was a very nice, cozy little arrangement. English Canada was, to my knowledge, the only place in the world where one could secure funding for films made by filmmakers who had demonstrated without any question that they had no aptitude whatsoever for telling a story that might have some kind of appeal for theatrical audiences.

Other countries—not hard-nosed Hollywood but other countries that subsidize film production—have criteria for determining commercial success and apply these criteria to the selection process that has to occur in determining which films get funded when public money is involved.

●(1705)

We don't have to go very far, because when allocating funds right here in Quebec, the potential audience appeal of a project is the single most important criteria. It's only in English Canada that historically it was not.

The popularity of Québécois films with Quebec audiences has in no way detracted from their cultural significance. I think that is the central issue here. The claim is made that if success and audience and commercial considerations play heavily in the mix, then culture will be sacrificed at the altar of that. But the exact opposite is true. All we have to do is, again, just look at Quebec.

On the other hand, films that alienate audiences can only be found in museums and cinemathèques and have questionable, if any, cultural significance simply because no one ever sees them. Something that is not seen by anyone cannot possibly claim to have a cultural role. Film, in particular, is a mass medium. It isn't like an artist who sits in front of a painting and the only investment made is the cost of the brushes and his own time. Each film cost millions of dollars to produce.

The fact is that from Federico Fellini, François Truffaut, Louis Malle, Stanley Kubrick, to more contemporaries like Steven Soderbergh, Pedro Almodóvar, Quentin Tarantino, and our own Denys Arcand, the great auteur-directors—I'm not talking about Guns for Hire commercial directors, but the great auteur-directors—have all, without exception, been populists. Their films are of major cultural significance and at the same time attract large audiences. There is no conflict between being brilliant and attracting audiences. Cinema magic, in fact, only happens when these two meet.

I put to you that to continue to pour public funds into a so-called cultural product that is of no interest to anyone is a travesty that must not be repeated over and over again. The attempt by individuals and organizations, such as the OMDC, which has appeared in front of you, to turn back the clock to a stunningly unsuccessful policy that was implemented for 20 years is an absolute impediment to the artistic health and financial stability of any future English Canadian industry.

I could go on, but in fact this letter is on the file, and you're welcome to read all of it.

There's one more point that I think is also important to raise. There is the debate as to how much money each film should receive in public investment and what films ought to cost. The reality is that we are in an extremely competitive marketplace. Don't get me wrong, I don't think English Canadian films are competing with the \$100 million and \$200 million Hollywood blockbusters. That's not our competition. Our competition is independent films made in Europe, America, and elsewhere in the world. Those independent films that we do compete with tend to be made on budgets of \$10 million, \$15 million, \$20 million, \$25 million each. That would be typical today,

a typical budget for a high-quality English movie or independent American film that's going to be released by a company like Focus.

To attempt to contain the budgets of Canadian films at levels way below that, and they are way below that, is simply putting those who make Canadian films into an impossible situation. You can't go to the Olympic Games and hope to win a medal if you have to compete with both arms tied behind your back and you have to hobble on one leg only when everybody else is running at full speed. It doesn't really work. It's impossible to expect to win.

The argument is being made that in fact there should be more lower-budget films being made, as opposed to films costing more, so they can be more competitive. Films are more competitive when they cost more, not because they cost more but because the increased resources allow the filmmaker to provide a quality of product that audiences that pay \$12 or \$14 to go to the movies have come to expect and the level of stars that actually attract those audiences.

●(1710)

On the other hand, there is equally a need for and room for low-budget films. But low-budget films—especially in a country like ours where a big-budget film might cost \$7 million or \$8 million—cost and ought to cost \$300,000 or \$400,000 all in.

Reference was made to the great successes of the past 20 years that have come out of English Canada—and there are very few of them—from directors such as Atom Egoyan and Patricia Rozema. What is always forgotten in everything I hear or read is the fact that these filmmakers—and there are not too many more—began with films that cost \$100,000 to make. Atom Egoyan's first four films cost less than \$1 million each. It wasn't until *The Sweet Hereafter*, which received an Oscar nomination, that the budget went up to \$4 million. His first film, *Next of Kin*, cost \$50,000 to make. The same goes for Patricia Rozema, whose first film cost \$200,000 to make

So yes, there is a need for low-budget filmmaking because that is the way for new talent to break in. But the way it has worked lately is that there's virtually no difference between low budget and big budget. Filmmakers are getting funded and making films that cost \$2 million or \$3 million or \$4 million without any track record of any sort in attracting audiences.

I will finish by saying that in addition to the need for success in performance, there's also a need for available funding for new talent. But there has to be a very substantive difference between what low budget is and the kinds of budgets required for films that are really going to compete in the marketplace.

Thank you.

●(1715)

The Chair: Thank you.

Mr. Schellenberger, you look like you're ready to enter the discussion.

Mr. Gary Schellenberger: I am. I find it very interesting. In fact, a couple of my thoughts were substantiated in your presentation. One is the separation of French and English films. It has always been in my mind a totally different market. In Quebec it's quite a closed market because of the language, and I understand that. That is the main foundation of Quebec. I know, as was said earlier today, that their biggest competitors are France and Switzerland.

When English Canada has to compete with the giant to our south, it's quite noticeable, and we are head on with the American films.

Every Monday, along with Nascar, our TV stations show the top five revenue-producing movies for the weekend. They're always from the United States. It's millions and millions of dollars. They're rated, and I'm not sure if it even goes to number 10. So what our people are hearing all the time is that American movies are doing well. Again, a lot of promotion had to be done on them to make that happen. So I understand some of those.

I do feel—and you've hit the nail on the head—performance and success have to be something. I feel that should be part of a mandate to receive funding.

Those are just a couple of things I've observed from that. I don't know if you can expand on anything I've said. If I've said anything wrong, please correct me.

Ms. Sandra Cunningham: In terms of the measures of success—and I know you've heard a lot about Telefilm's envelope system—certainly as an association comprised of a majority, I would say, of the feature film producers, there is support for some form of envelope system that rewards performance by allowing this automatic funding, so producers can plan for the future and go through that creative process.

We've also heard, though, that there was a time when the performance was exclusively based on the theatrical box office. I'm sure you've heard at several points about the challenges we face to actually attain that box office. We are interested in looking at other ways we can demonstrate performance. For instance, the DVD market in Canada reaches Canadians. The whole idea is to reach as many Canadians as possible. This is a very important market worldwide, not just in Canada, and it's just one example of something we would recommend looking at.

The other thing I know has come up is something that does concern me. You get to hear a lot of submissions from various groups—writers, directors, actors, producers—and what I keep hearing about is, and I know we've heard about it as an association, that everybody wants a piece of the envelope. Why should producers be the only ones to have access to performance envelopes when in fact the performance of a film is sometimes very much tied to the director or the writer? And that is true. I don't think any producer in this country would deny the importance of working with a talented creative team. That's actually a measure of what we do. We're attracted to work with those people.

The difficulty, though, in carving up the pie and awarding envelopes—this kind of a trading game of people trading government money—is it dilutes the whole creative process. It almost creates the perception that when a producer is awarded the

envelope, the money goes into the producer's pocket. That money goes to pay directors, to pay writers, and to finance films.

So I think it's really important to distinguish this role and to make the point about the producer as the engine. That's really why the envelopes are accorded to production companies, not because the directors and writers and actors aren't essential to the success of the films.

• (1720)

The Chair: We have very little time left. I'll switch back and forth.

We have about five minutes left for each of the three of you. If you want to go on longer than that, that's fine, but we do have another commitment at 6 p.m.

Hon. Sarmite Bulte: Mr. Lantos, in terms of independent films in the United States, you talked about how that's where the Canadian films should compete. Would you say *Sideways* is an independent film from an independent production company? Would it be a good example? I guess I'm looking for an example of what you would classify as an independent film.

Mr. Robert Lantos: Now you're getting into a very murky area because there are people who call *Sideways* an independent film, but it isn't an independent film. It was fully financed by a division of 20th Century Fox called Fox Searchlight Pictures, which is owned by Rupert Murdoch's company. It was fully funded by them and distributed by Fox worldwide. It's called independent because Searchlight is Fox's art house label.

Hon. Sarmite Bulte: I'm just trying to find an example.

Mr. Robert Lantos: Also, *Sideways*, by the way, cost \$20 million—to be exact—\$21 million U.S., which would be, I guess, about \$26 million or \$27 million of our dollars.

It's independent in the sense that it's not a sequel, and it's not designed to be a franchise that can later be turned into lunch boxes and a ride in the studio's theme park. Most studio films are designed for that purpose; this one wasn't. In that sense, I guess, it's independent, but certainly not in its financing.

Hon. Sarmite Bulte: Can you give me an example of a film that is?

Mr. Robert Lantos: *Napoleon Dynamite*—just to stay with Searchlight because that film was also distributed by Searchlight—was in fact made for \$400,000 by a young filmmaker who borrowed, begged, and stole to get that money. Then it was entered at the Sundance Film Festival, where it caused a sensation, and it was picked up for distribution by Searchlight. To date, it's now passed the \$100 million at the box office worldwide. That's a terrific independent success story.

Hon. Sarmite Bulte: You talked about the criteria for commercial success and the Telefilm envelope. And one of the things we did hear, and we have heard out west, was that in Telefilm they've removed the word “cultural”. There was a big concern about that.

As we're doing this study, this also gives us an opportunity to review the work of Telefilm. Are you suggesting that the criteria within Telefilm should be more geared to commercial success and audience? And how do we assess that? I'm hearing your message that we shouldn't be rewarding bad filmmakers who perpetuate the fact that all Canadian films are bad, but what do we need to put into place to ensure the success of Canadian films?

Mr. Robert Lantos: Have you got a few minutes?

Hon. Sarmite Bulte: Yes, that's why you're here.

Mr. Robert Lantos: Okay.

I don't think all Canadian films are bad. That was not my point. But at no point that I know of has Telefilm attempted to remove cultural criteria as determining conditions for the financing of Canadian films. The only thing Telefilm has attempted to do, and only in the past two and a half years, is to actually introduce the notion of there being an audience that might actually go and pay \$12 to see a film as one of the criteria. Is there an audience? Who might that audience be?

Consider that every weekend there are between eight and 10 or 12 new films being released—in the busy periods of the year—and sometimes more. What are the odds of a person who decides to go to the movies on a Friday night choosing to spend \$13 to \$14 on this film that is being proposed for financing, versus all the other films being released at the same time? There needs to be some possibility of that.

And when we're making independent films, which is what we do in Canada, we all know we're not making films for the masses—they're called “popcorn” movies. It would be unrealistic to expect a Canadian film, made for a few million dollars, to attract that kind of an audience.

That's not what I'm referring to. I'm talking about an audience of some sort. It could be a special interest audience, a narrow audience. Who might the audience be for a film? It seems like a natural question to ask. It seems, I think, incredible that it wasn't asked before, for 20 years. But that question—who might the audience be—was introduced into Telefilm's criteria two to three years ago. And that's the question that has caused a great deal of controversy, because that brings in philistine notions of commercialism.

But it's a really simple question. If the answer is that there is no audience, which, unfortunately, usually tends to be the outcome, then what mandate is being served? I say to you that no cultural mandate is being served. None. You could do a hell of a lot better by funding a lot of writers, because it's very cheap to write a book and publish it, rather than make a movie that is only available to be seen in a cinemathèque, where no one ever goes.

There's no cultural mandate being served, so there's no mandate being served. It happens to be fairly convenient and pleasant for the few people involved in making the film who make a living from it, but that's not enough.

Here's an illustration of what I'm talking about. This is only for the last six months because I only have the statistics for the last six months. These are English Canadian films that have Telefilm funding that were released in Canada in the last six months. I'll refrain from reading the titles of the films, but I'll read you the total

Canadian box office. Here's one with \$30,000. Here's one with \$95,000. The big winner is \$144,000. Then there's \$14,000, \$15,000, \$25,000. This is the total Canadian box office.

Think about the fact that tickets cost \$10 to \$12, and that will tell you how many Canadians actually paid. When a film grosses \$25,000—Phil the Alien grossed \$25,000 in Canada—that means that 2,000 people from coast to coast went to see it. Two thousand people. That is a travesty. And the financing of those kinds of films is, I think, sooner or later, going to kill the notion of public funding going into Canadian films, because how can you possibly justify it?

• (1725)

Hon. Sarmite Bulte: But does distribution not play a part in that? Do the exhibitors not play a part in that? I don't know, but I'm asking you.

Mr. Robert Lantos: Sure, everybody plays a part in it, but you know, we have to differentiate between broadcasting and the movie business. Broadcasting is regulated, so when someone obtains a licence from the CRTC to broadcast, they're actually being given a very privileged position in business. They're virtually guaranteed, unless they are completely incompetent, of being profitable, because competition is regulated. You can't just launch a new Toronto television station tomorrow morning because you feel like it and you have the money to do it. So competition is regulated for the purpose of providing the broadcasters with a sufficient platform and resources to contribute to Canadian content.

But in the movie business, there is no regulation. You don't need a government licence to buy a chain of movie theatres or to open one, and you don't need a government licence to be a distributor. As a result, the competition is fierce and wide open; exhibitors and distributors are essentially concerned with only one thing, their own survival. I'm not defending this, as I have my own issues with it, but they tend to take the position that if they're going to lose money on something, then they're going to walk away from it, because they don't have any government protection. It's a free-for-all.

I think it's really easy for filmmakers to point fingers at distributors and exhibitors and say “Well, my film would have been really successful if they had done what they were supposed to do”. Sometimes that's true. I have been doing this for a long time, and when I first started producing films, the notion of actually playing a Canadian film in Canadian theatres was anathema. We've come a long way from that. So I think it's too easy to point fingers. I think the filmmakers themselves have to deliver, and then one can have all sorts of battles with distributors and exhibitors about their role. But the films themselves have to deliver; they have to be able to attract audiences.

There is a cynical attitude that some distributors and exhibitors have about Canadian films, and I've dealt with it plenty of times in my life, but it isn't because these films have not performed.

• (1730)

The Chair: Okay.

Can I ask Ms. Bulte to take about three minutes and Mr. Simms to take about three minutes, and then I think we'd better adjourn. It's been a full day—a very interesting and stimulating one, I've found.

Hon. Sarmite Bulte: [*Inaudible—Editor*]...as an example of a success story.

Mr. Robert Lantos: By who?

Hon. Sarmite Bulte: By one of the exhibitors today.

Mr. Robert Lantos: Of a success story?

Mr. Scott Simms: If I may, Madam Chair, I can defer my time to Ms. Oda. What I had to ask was pretty much answered by him, so thank you, Mr. Lantos.

The Chair: Ms. Oda.

Ms. Bev Oda: Thank you.

Thank you, Mr. Simms.

The Chair: You have five minutes.

Ms. Bev Oda: You just took a minute off me, Madam Chair.

Mr. Lantos and Ms. Cunningham, thank you for coming.

I do note everything you've said in your writing and talking today; however, I just want to talk about one issue, and that would be that you talk about envelopes for successful producers as well as building corporate capacity.

I can just hear the outcry, as you can imagine, as to who gets picked to be supported to grow their corporate capacity and what criteria would be used for successful producers, etc. At the end of the day, we have to make sure we are effective in public policy, but we also have to make sure that everybody feels that whatever it is those public dollars are being used for is going to achieve whatever the ends are.

You know, we have a small country. We have a finite amount of money. We are struggling to find out how we can have a feature film industry business—and we shouldn't compare ourselves to the Americans or anybody else when we say “the industry”.

We have some hard decisions to make here with a finite amount of money. We have some programs, and some are very successful. Some programs could be tweaked and refocused. Maybe there would be some new thinking, some new engineering, because we're not looking backwards. We're not looking just for today. We're looking to go forward from here, and the environment is changing.

If we're to look at performance envelopes just on experience, successes, etc., in order to build corporate capacity, we're going to have to give up something, which is how we keep the mill fed so that the next generation can come along.

Ms. Sandra Cunningham: I think we should be clear that the idea of supporting envelopes is not actually being proposed by this association to be 100% of the funding available by Telefilm, for example, in supporting Canadian feature film.

I think we all recognize that it is much more difficult for people to start out on their first film or first couple of films—producers and directors and writers—and therefore a portion of the funding should always be available to promote new voices, new talent, and programs already exist for that.

In terms of how you deal with the outcry that ensues with measurements of who gets the envelope, Robert, you probably know more about that.

●(1735)

Ms. Bev Oda: Just for clarification on the performance, if we put the performance criteria purely on the producer...because it is a team. Who picks the team? Who puts the team together and who decides who's going to play each of those key roles?

Are you proposing here that it be the experience or the performance of the producer or that it be the production company?

Ms. Sandra Cunningham: I think in terms of the envelopes and who is responsible, if we look at who is responsible for whatever money comes in, from both public and private financing, that ultimate responsibility rests with the producer—not the director, not the writer, not the actors.

In terms of the ability to put together a film that will do what Robert is suggesting needs to happen, which is be culturally distinctive but also successful with audiences, there's no one recipe. But the engine does reside with the production company that is responsible and liable, quite frankly, for the moneys taken in both privately and publicly. That would be the argument for the idea of judging a performance.

Obviously, we can talk about different ways of judging the performance of any given film—theatrical box office, international festivals, other media. Then, of course, there is the track record of a company. I think if you're talking about building corporate capacity, you can't ignore the stability and the business plans, and there are tools for gauging that.

I don't know if that addresses anything.

Mr. Robert Lantos: I'd like to add to that. Do you have time?

Ms. Bev Oda: Sure.

Mr. Robert Lantos: The CFTPA is hosting the drinks at 6 p.m. I promise that—

The Chair: That's all right. At several times during these hearings we've said we should continue this over a glass of wine. Now we have the perfect opportunity.

Mr. Robert Lantos: I think the drinks will flow.

Ms. Bev Oda: I suggest, Madam Chair, that would be off the record. We won't all be able to attend the CFTPA—

The Chair: I'm not suggesting for a moment that we forgo Mr. Lantos' response to your question, Ms. Oda.

Mr. Robert Lantos: I think you've raised a very important issue here: why should producers be the ones who are funded? There are various reasons for this. First and foremost, it's because producers are the ones who have the financial responsibility to finance the production, unless government were to provide 100% of the financing of a production such as the National Film Board does when it does an in-house production. That essentially marginalizes the producer, so there's not much need for a producer at that point.

But that's not the intention of the Feature Film Fund, to provide 100% of the financing. Quite the contrary; it's only there for partial financing. The producer has a responsibility to fully finance the production and to see it through from beginning to end, from the beginning of development of the screenplay until the film is delivered to the distributors.

If the producer is really doing what he or she is supposed to be doing, then his or her job is only halfway through when the film is delivered. The next responsibility the producer has is to ride herd on the marketing and distribution of the film, not only in Canada but around the world, and to fight all the battles to make sure the film has real access to the marketplace, that the advertising campaign makes sense, that the poster looks good, that the trailer works, and that the television spot sells the movie, etc., and the producer follows the film around the world.

Being Julia has been in release now for some seven or eight months. I'm still running around the world, and will be for another few months, following it around and having various battles with various distributors around the world to make sure it's distributed properly. That's the job of a producer.

There are no writers, actors, or directors I have ever met who are actually going to do that, nor is it their job. Their job ends when the film ends. The actor's job ends on the last day of principal photography. He might come back after to revoice, to do some posting for one day, but he's on to the next film, and so is the writer and so is the director.

The producer is not, and the producer has the financial responsibility. So how could anybody else be funded? What will they do with the money? If an actor is funded or a writer is funded and gets from Telefilm Canada 25% of the budget of a film he or she would like to make, what's he going to do with that 25%? Where is the rent going to come from? How is the film going to be marketed and distributed? It makes no sense. We're not inventing this. This is what producers do all over the world.

If you were to ask my opinion—no one has, but I'm going to volunteer it anyway—as to why English Canadian films are in the lamentable state they're in, I'd say the most important single reason has to do with the fact that for over 20 years the power to determine where funds go was handed over to bureaucrats. At organizations like Telefilm Canada, the OFDC, and various other provincial agencies, they decided which films got made and they decided they wanted to be in the so-called auteur film business, which is very nice except that there are very few auteurs in Canada—an auteur being a brilliant filmmaker. There are not that many anywhere in the world, and we only have a few.

So funding organizations marginalized producers. They dealt directly and only with the so-called auteurs, who sometimes were in fact genuine auteurs, but more often than not they were people who could figure out how to type something that was about a hundred pages long, which is the length of a screenplay. They put their names to it and that made them an auteur.

They marginalized producers. Producers became the paper pushers, hired by the so-called auteurs, whose job was to fill in the application forms, get the various pieces of government funding in place, and then hire some of the members of the crew. Then the producer would go home at the end and would really have no

authority over the production, not financially, not creatively, and certainly not in distribution and marketing. And because of 20 years of marginalizing producers, with very few exceptions.... I refuse to be marginalized, so I'm probably one of the exceptions, but that was something perpetrated by government agencies.

Today we find ourselves in a situation where there are very few genuine motion picture producers in Canada who actually know what their business is and how to go about it—very few—and that is what we need the most. People say we don't have enough good writers. Well, maybe we don't, but what we really don't have is enough really good producers who are strong and who know what they're doing, who fight for it tooth and nail and aren't going to take no for an answer from anybody, because that's where the job of producing begins. You don't take no for an answer, not from a distributor, sometimes not from a director, and not from an actor. You fight for your vision, for what you believe in.

• (1740)

Government funding in Canada for 20 years negated that, because the agencies dealt directly with the directors. The consequences are here for us to see—English Canadian films that no one goes to see, with very few exceptions.

So I say to you, the attempt to create performance-driven funding was an attempt to get around that. As opposed to letting bureaucrats decide who got funding...it's not that bureaucrats are evil. The reality is that no one really knows which film is going to work, but probably the ones in the worst position to figure that out are bureaucrats or civil servants who are working for government agencies. Why would they know?

So to take the burden away from them having to decide, the idea was that some of the funds would be segregated for fresh talent—and that will always have to be decided by the bureaucrats because there's no other way to handle deciding which fresh talent gets funded—but the lion's share of the funding would be delegated to producers, based on the track records of their films. It's not who is nice and who is mean or who is whose friend—all of that is irrelevant. It's just how their films perform.

Defining what performance is can be tricky, so after much deliberation the idea that stuck was that performance be measured based on the result of a film at the box office in its own country, Canada. There may be other approaches. Maybe that should be revisited. Maybe the actual thresholds are in the wrong place, but in terms of the notion that performance has to be a key criterion, if one revisits that, this whole thing is doomed.

The Chair: That sounds like an important note on which to end.

Again I thank you very much, and I thank members of the committee for your patience, insight, and good questions throughout the day.

The meeting is adjourned.

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