



House of Commons  
CANADA

## Standing Committee on Canadian Heritage

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CHPC • NUMBER 046 • 1st SESSION • 38th PARLIAMENT

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EVIDENCE

**Thursday, June 9, 2005**

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**Chair**

**Ms. Marlene Catterall**

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## Standing Committee on Canadian Heritage

Thursday, June 9, 2005

• (1315)

[English]

**The Chair (Ms. Marlene Catterall (Ottawa West—Nepean, Lib.)):** I'm calling to order this meeting of the Standing Committee on Canadian Heritage's study of the Canadian feature film industry.

First, my apologies. We never quite leave ourselves enough time for lunch and to get our phone calls back to wherever. It's done. So apologies for keeping you waiting. Apologies for the cancellation we had to impose on you a few weeks ago. But we're very glad that things worked out, that we could be back here and meeting with you this afternoon. Thank you for your patience. Thank you for your time.

Who is beginning? I have first Peter Leitch, chair of the Motion Picture Production Industry Association of British Columbia. We'll start with you, Peter.

**Mr. Peter Leitch (Chair, Motion Picture Production Industry Association of British Columbia):** Great, thank you.

The Motion Picture Production Industry Association of British Columbia—

**The Chair:** Peter, I'm sorry. Out of respect to my committee members I have to put in a proviso. You have to assume we've read your brief. Please keep it very brief. We have found that the most productive and helpful is the opportunity for a dialogue, and for questions and answers with you. At the request of committee members, I'm saying please try to keep your presentation to five minutes and focus on what it is you'd like us to do or recommend. I know that's frustrating when you've spent the time thinking about every word in your brief, but please trust us, they are read.

Thank you.

**Mr. Peter Leitch:** I'm not sure you have a copy of our brief, but it doesn't matter, I'll make it short.

Anyway, the Motion Picture Production Industry Association is made up of a diversified group of filmmakers, labourers, and suppliers, and we're fairly representative of the British Columbia industry. We like to speak with one voice, although in these particular issues certainly there are diversified opinions even among our group.

As stated, the initial intent of the Canadian Feature Film Fund was:

In effect since April 1, 2001, the overall goal of the Canada Feature Film Fund is to increase Canadian audiences in theatres for Canadian feature films, aiming to capture 5% of the domestic box office by 2006.

Our point in this is we're now seeing that much less than 50% of the revenues generated from feature films is from box office, as a result of all the other opportunities to market films. So we don't think that the box office is necessarily the best criterion in terms of measuring the success of a film.

The cornerstone of the feature film industry is development. Not enough time and resources are spent on development. Creators should be able to have multiple projects in development at the same time. Projects mature at different times during the development process. Some are rushed to production before they mature simply because they must begin the production phase in order to continue to receive funding. There must also be a mechanism by which a project in development can be shelved for a future time, or abandoned altogether, without penalty to the creator.

The Department of Canadian Heritage should concentrate more resources on development and marketing. It is essential that marketing and promotional support continue to provide for Canadian feature films so they may find their audiences in a market where there's a plethora of foreign films available.

The other factor is that you cannot recover the cost of productions with a sale in Canada. In order to recover these costs and turn a profit for production companies and the investors, we must build markets for Canadian production in the international marketplace. This can be accomplished only through greater resources dedicated to the establishment of strong production companies that can devote time and resources to project development. Project development is the very backbone of a successful production industry. Having said that, all project development goes for naught if the producer cannot market the project. In the final analysis, it's sales that are the most important.

Additional funds should be made available so that Canadian production companies can establish international business relationships. One of the most controversial issues facing the industry today is the definition of what makes a project "Canadian". Every special interest group has its own interpretation, whether it be ten out of ten, nine out of ten, etc. The present CAVCO regulation of six out of ten is the one that we support, especially in British Columbia, where the indigenous industry is still really getting established. We witnessed last year where we had a drop in terms of total spending in B.C. in the film industry from \$1.4 billion down to \$800 million. Of course, most of that was service industry. It is problematic to be reliant on the service industry as much as British Columbia is, so we're very interested in developing indigenous industries in B.C., a made-at-home industry. That will be difficult if the structure demands, for instance, ten out of ten.

The other issue we want to bring up is to work together—and we haven't really decided on the exact method of doing this—to come up with additional financing options. The 2004 federal budget includes a series of measures aimed at stimulating productivity by providing Canadian business and workers with the tools they need to build the 21st century economy, including providing more funds to support venture capital financing, which would trigger additional private sector investment. So we're very interested in trying to attract private sector investment, as well as what we get from Heritage Canada. I think we've seen that private equity funds have become a more prevalent mechanism for film financing throughout the world. Such venture capital financing triggers additional private sector investment and is essential for stimulating productivity.

I think those are the main focuses our industry association has.

Thank you very much.

• (1320)

**The Chair:** Thank you very much for some very concrete suggestions in a very short period of time.

Ms. Keatley, you're here with Keatley Films—

**Mrs. Julia Keatley (Keatley Film Ltd, Canadian Film and Television Production Association):** I'm here on behalf, really, of the CFTPA. I'm chair of the B.C. producers branch here, and past chair of the national association, and obviously I sit on that board.

I apologize for the various moves. Steve Hegyes and Christine Haebler, who were supposed to appear with me, are both away on business in Los Angeles; but Trish Dolman, from Screen Siren Pictures, is here, and she'll be joining me. She's on our local branch council and she's just joined the national board.

As you know, the CFTPA has been making presentations across the country to you, and what we've decided to do is focus in this submission specifically on the role that distributors and broadcasters play specifically in the financing of feature films. So that is the area in which we are going to focus in terms of their support. With a couple of exceptions, we do not believe that broadcasters and distributors on the whole are doing enough to support Canadian film.

From that, I'll pass it off to Trish at this point.

**Ms. Trish Dolman (Producer, Canadian Film and Television Production Association):** Specifically, as a producer, I've noticed a

distinct trend in the market. Take, for example, the case of meetings in the last month in Toronto for broadcasters who traditionally had been involved in the financing of feature films. They are now saying they're getting out of that business and are going to focus more on television series. I think the impact of that is significant, because in Canada, unlike in other countries, broadcasters play a significant role in the financing of feature films.

One example we really wanted to highlight was CBC. This comes from Heritage Canada's coming up with a policy to create a feature film program—which we of course support—and looking in a coherent and cohesive fashion at where various organizations that fall under the Heritage Canada remit also participate in such a policy.

One example of that would be CBC television. If you look at their licence renewal in 2000, they made a commitment to invest \$30 million in feature film in English language for CBC. SRC simultaneously made a commitment to invest \$20 million in feature film. If you look, SRC has fulfilled that commitment. I think they spent about \$15 million on productions and about \$5 million on promotion and marketing. CBC, in English Canada, has failed to fulfil that commitment because it's not required by the CRTC. It's not a condition of licence; it was a commitment they made.

I know as a producer, having had a film that CBC supported in a very small way, the significance of that \$30 million injection into the Canadian English-language feature film industry would be significant.

So we really believe there is more that broadcasters could be doing to support feature film. And I think looking ahead we'll see non-Heritage-associated broadcasters such as Showcase or the pay networks, who were more traditionally involved in supporting feature films. That's going to fall off and that will have an impact on producers' ability to finance productions.

One example, particularly with CBC, was during the NHL lockout, when they had a hole in their programming schedule. Instead of filling that with Canadian feature films or what was a slot called Cinema Canada previously, it was actually filled with Hollywood films.

So my question to your group is why do we have a public broadcaster that is not showing Canadian films or promoting Canadian culture, and instead is choosing to show Hollywood films?

•(1325)

**Mrs. Julia Keatley:** As well, I think one of the areas we also feel has really had an effect is international distribution. International sources of financing unfortunately are on the downturn, with changes in the U.K. tax market, with the sale and leaseback and various focuses and changes that have happened to our co-production treaties, as well as with money in Germany. There also have been downturns, in fact, out of the U.S.

One of the things we really want to look at are ways in which both our co-production treaties and various incentives that we can have in our system work to attract that international financing to our projects, because in the area of feature films, most of these projects are put together with many partners. And it's not just about the Canadian box office; it's also very much about the international success of these films, as anybody who witnesses things like the Cannes Film Festival or the Toronto Film Festival or Sundance would know.

So we're also looking for ways to attract private finance to our industry. Our national feature film committee is actually specifically looking at a number of options in this area, including such things as doing studies on the flow-through shares here in British Columbia, which has been something that's been specifically for the mining industry. There are other elements in terms of looking at equity funds. I think we need to look at various ways we can attract private financing, and not just government financing, to move forward.

There are also issues—and you're probably aware of those within our submission—about the Canadian distribution sector and allowing foreign distributors into this market specifically. In general, the official CFTPA position has been to support the Canadian distribution industry in the domestic market. That doesn't mean that we don't actually partner internationally with our foreign sales agents and foreign partners in the U.S. and abroad. But within the Canadian industry we believe that the rights should continue to be held by Canadian distributors and that that's the only way we can continue to have some success there so that the foreign distributors don't come in and cherry-pick the best and the highest-profile projects.

I think it's an interesting thing from the point of view of the television sector. I think it's with a breadth of content out there and creation of a large number of projects where you'll get Canadian audiences actually going to see Canadian film. I think that's important. Volume is an important aspect of that, and if they don't get access to it, it gets really tricky.

Now to Trish.

**Ms. Trish Dolman:** As I mentioned earlier, we would like to encourage Heritage Canada to consider success in the English Canadian sector by asking all of the organizations involved in feature film funding under the Canadian Heritage agreement to work in concert. It doesn't make a lot of sense if one institution is undermining another by not supporting a specific policy. To that effect, we would actually ask that the feature film advisory group be re-created. It was recently abolished, and we think it's very important, if you're going to have a federal feature film policy, that there actually be an advisory group for government.

Secondly, there's often a lot of comparison that goes on between the industry in Quebec and the industry in English Canada. They're very different, for obvious cultural and linguistic reasons, and due to the fact that the English Canadian marketplace is in direct competition with the American marketplace. We would like to encourage that the number of quality films in English Canada supported by Telefilm Canada be increased to a per capita level that is more comparable to our French-language counterparts, which currently is not the case. If this happens, you'll see a feature film industry in English Canada that will continue to grow and to succeed, as it has in meeting the 5% cap that was established when the feature film policy was put in place.

As a producer, when I go out into the international marketplace, I really see a burgeoning English Canadian industry. I was just at the Cannes Film Festival and watched Atom Egoyan, David Cronenberg, and another Canadian director receive a lot of attention for their films that will undoubtedly have success in the marketplace, both domestically and internationally. I think we're on the cusp of something, so I would really like to see continued support in English Canada. I would like to see us really look at ways to support the English Canadian industry so that it can actually compete, putting out films that will be seen by Canadians.

•(1330)

**Mrs. Julia Keatley:** It's interesting that one of the people following us is an exhibitor from Landmark Cinemas.

One of the things, also, in terms of increasing support from both broadcasters and exhibitors, and our distributor friends as well, is to look at ways specifically to increase audiences for these films.

I know that at ShowCanada a year and a half ago, one of the ideas that came out was actually mandating that theatres play the film trailers of Canadian films. That's one of the ways. Rather than mandating the films themselves, look at mandating the trailers for the exposure. People have the choice, in the marketplace, of what they want to watch, but if they're not aware of it, they're not going to make that choice.

I'd also like you to look at an interesting thing that's happened in the television industry with something called the POP fund, which came into being when WIC was purchased by Global Television. It's the "Promotion of Programing" fund. It was set up and at one point was actually administered by the CTF. It's now administered by Global Television.

What it does, specifically, is to put money into marketing campaigns for television series in English Canada. It's been very successful in terms of basically putting forward things like billboard campaigns, cross-country tours with your cast, various things like that, which are really much more difficult to do in English Canada. That's one of our challenges yet again in comparison to Quebec, where essentially you're focusing on a Montreal marketplace. We have to focus on cross-platform release strategies across the country, and this costs money of a different kind. So that's very important to us.

**Ms. Trish Dolman:** We'll wrap up quickly.

I wanted to make one point on marketing just from my own personal experience. I think the producers are a major factor in the marketing of their movies because they care the most about their films.

I think it's great when you have a good relationship with a distributor, when they get behind it. But I had a film that came out and was released in Vancouver, Toronto, and Montreal. It ran in theatres for eleven weeks in Vancouver, three weeks in Toronto, and two weeks in Montreal. I know that this was largely due to the fact that we were very involved in the publicity campaign. We stood outside of theatres and handed out flyers. We had an extensive marketing campaign by e-mail. The film actually didn't leave the theatres because it wasn't reaching the box office targets; it left because other films had been booked in, and it had never been expected to stay that long.

So I think it's really something to look at, to create some kind of marketing fund, because currently, out of our budgets, Telefilm Canada doesn't allow us to spend money subsequent to production on promotion and marketing. You have a publicity and marketing section of the budget, but it has to be spent during production in the hiring of a publicist and generating materials. As a producer, there is nothing to spend, actually, once the film is completed. That's viewed as a distribution expense. So festivals, etc., are not supposed to come out of the producer's budget.

**Mrs. Julia Keatley:** Lastly, although not strictly limited to the feature film sector, we feel that specific actions are needed to increase the competitiveness of the Canadian production sector and to foster an environment of sustainable growth and innovation, while still championing a diversity of expressions.

We think the federal government strategy in this regard should focus on three key areas: strengthening the independent production sector, facilitating the flow of financing to production companies that create the product and the content, and streamlining all of the cultural agencies and reviewing their practices.

We'd like to thank you for letting us appear today, and we welcome any questions.

**The Chair:** Thank you for some fairly dense comments on issues and possible solutions.

Mr. Schellenberger.

**Mr. Gary Schellenberger (Perth—Wellington, CPC):** I'm going to pass to Mr. Lemay. I'm going to give him the first round here.

**The Chair:** Aren't you nice.

[Translation]

**Mr. Marc Lemay (Abitibi—Témiscamingue, BQ):** Thank you.

Thank you very much for being here. I find your presentations and your briefs to be very interesting. Personally, I read them with great care, and my first reaction is that you should not expect too much from Heritage Canada. If Quebec had waited for Heritage Canada, we would not have the film industry we have today. That is my little message.

You can count on Telefilm Canada, you can argue with the people there, who have some openness of spirit, but do not expect anything. We will have to fight and so will you. I see that you have already

begun, as you have gotten together. I want to ask you a few questions on that subject.

Mr. Leitch, you talked about goals and objectives. You want to work with partners, etc. I would like you to tell me about a project that you have turned into a reality over the last 12 months. That is my first question.

I address myself now to the female producers. It is funny, because there are many. Denise Robert is one. Many women are involved in this field. You told us about the British Columbia producers section of the Canadian Film and Television Producers Association, which was created in 1994 and which currently has more than 75 affiliated businesses. I find that most interesting.

I come from northern Quebec, a region that has benefited from flow-through shares. You touched lightly on the subject earlier, but I would like to know more about the flow-through share system in British Columbia. Has this gotten underway, or is the issue still being studied with the promise to keep talking about it later on? Is it moving in the right direction?

I know you have a lot of problems with films and with distribution. I do not need to tell you that we have heard that right across the country, from Halifax to here. What do you think about feature documentaries? Are they popular these days? I saw *The Corporation*, obviously, and I read the comments about it with great attention. *The Corporation* is a wonderful example. If I had been told that it was American, I would have believed it, but in truth it is a typically Canadian product. Are there any other films like *The Corporation* in the works? What is your position regarding documentary films?

Those are my questions. You may answer them in any particular order.

I would like Mr. Leitch to give me an answer.

●(1335)

[English]

**Mr. Peter Leitch:** As for our industry association's accomplishments in the last year, it's interesting in B.C. Our focus as an industry association has been on the overall film market. We have probably had more emphasis on issues. When Ontario increased their tax credit in December, we worked closely with government. Our industry association was the group that met with government immediately and had the finance minister match Ontario in the middle of January. At that point, from November to February, we were undergoing our worst quarter in my 17 years in the industry. So that became a priority with us.

I was exploring with government two different issues. One was provincial sales, which was on the front burner at the time. The other thing was developing private equity pools. That was something we wanted to do, but the government said "You've got your choice. You can have this, this, or this." So we picked the tax credits.

I think there's a much larger focus on the indigenous industry. With the intense global competition and the introduction of tax credits in U.S. states, we recognized how fragile the service business was. A lot of our infrastructure has been built on that service industry. But going forward, we see that if we don't start focusing on a grown-in-B.C. business, or a Canadian business, then we're not going to be in control of our own destiny. So we're at the beginning when it comes to our industry association working on these issues.

• (1340)

[Translation]

**Mr. Marc Lemay:** Thank you.

[English]

**Mrs. Julia Keatley:** Thank you for the comment about women. There actually are a lot of women in this industry who take prominent roles. It is true that a lot of us run our own businesses, and we stick with it. Thank you for the compliment.

The B.C. branch started in 1994 as an offshoot. We have 75 member companies out here. It is quite a diverse group, representing small, single-person companies, up to large animation companies and various things.

**Mr. Marc Lemay:** Can you go slower?

[Translation]

If not, you're going to kill my interpreter.

[English]

**Mrs. Julia Keatley:** In terms of the comments about not relying on Heritage Canada, I think that by virtue of the way the British Columbia industry has grown, we haven't actually relied on Heritage Canada perhaps to the same extent. But whether we like it or not, the policies that are put forward by our government, successive governments, be they Conservative or Liberal or whatever, have actually had a very dramatic effect on our businesses. And the policies that have been in place federally for the last thirty years are the policies that the various provinces end up following.

We live in a province that tends to choose to mirror Ontario and see Ontario rather than Quebec as its primary competitor. We've often tried to nudge them towards looking at some of the Quebec models as being some of the most innovative. And because of the kind of access we have to things like the Los Angeles market, there's been, as Peter has said, a much greater focus and emphasis on the Los Angeles and U.S.-based industry.

But the future for us really is within the domestic or indigenous industry. That's where the growth is. In terms of Heritage Canada and the Department of Finance—the tax credits—the policies that come forward dramatically affect all aspects of our business. We aren't waiting, but we believe in working in concert with government to have those policies continue. It's very important for us that various support systems continue in this country.

It's funny, I've been developing a co-production, a feature film that's a U.K.-Canada-South Africa co-production, and South Africa has been modelling itself on our Canadian system over the last couple of years. We're seen as the model for the world. In fact, when you look at Australia and New Zealand, all those sorts of things... That's across all sectors of the industry. Because of our tax credits,

which have obviously proven to be a huge success—they're being copied in the United States and various states—they compete for our business.

We work in a very competitive environment, both within our country and internationally. It's been a very vibrant industry. As a content creator, which is what I am, I'm always looking two to five years down the road and what's going to be there, because I'm looking to my future projects—who I want to partner with, what I want to create, what's actually going to get watched.

We need to find ways within that of being more competitive. The flow-through share was actually just at a study stage. It was a study that we did specifically at the B.C. branch looking at the mining industries and the oil and gas industries. We conducted a study with Price Waterhouse Coopers. They actually officially did this in the last six months. As I said, our national feature film committee is also looking at this.

There are various things around investor rules that need to be cleaned up, which we're attempting to do with CAVCO. Basically, the fact that you might have private financing in your project throws things offside. I don't think any of us wants that. That seems to be a large negative.

Trish.

• (1345)

**Ms. Trish Dolman:** Thank you for your question.

There are a couple of things. First and foremost, I think people like Julie and me are business people. To be in our business, you have to be incredibly passionate about either television or filmmaking. In the end, it comes down to being in business, so in no way do we look to government for handouts or dependency.

I choose to be on a wide variety of boards because government policy in this country has a direct impact on my business. So I choose to come to speak to you because I think it's worth my time.

As a business person, I'm also looking at a variety of models to grow my business and produce successful films and television. That's in my interest, and I'm really passionate about what I do. I want to make great films or great television that people see in Canada and around the world.

There are a couple of mechanisms. On your point about Quebec, in British Columbia in particular we have a real opportunity, in that we have a pool of talent. We have a growing industry that really began in the late seventies and eighties. We had an explosion of service production in the nineties. That has dropped off in recent years, although I think we'll see it resurface with some of the death of the German tax fund of late. I think Canada is now offering some of the best incentives in the world to shoot here.

This has galvanized our industry, brought us together, and made people realize that we need to build a domestic industry. That industry will not go away if it's successful. In my 12 years in business here, I have watched companies grow—like my company. They initially made projects just for Canada, and then started to sell them to the United States or Europe. Then they produced them for the United States, Europe, and Canada. All of a sudden you have a company that's exporting very successful programs around the world.

I think you're going to see that with feature film. We have a lot of talent here. More so, we can be on a trajectory similar to Quebec in our success, although I think we have the potential, producing in the English language, to have big successes in the States and other English-speaking countries, with the talent we have here.

To address your question about documentaries, in my company one of the ways I try to practise sound business is by having a diversified portfolio. So I produce feature films, television dramas, documentary series, and one-off documentaries. I actually worked on *The Corporation*, and am now discussing a new project with Mark.

So we have several documentaries. One of the things our company did over the past couple of years was look to international partnerships, because that allows you to trigger funding or finance to have larger scale budgets. Particularly with documentaries, if you make them domestically in Canada they're often very low budget. So we set about identifying a number of partners, particularly in the U.K., to work with. We're now co-producing three different documentaries with the U.K., with very marquee, high-level directors.

Given the appetite in the marketplace for theatrical documentaries, I think there's plenty of opportunity there. I know there's been discussion at Telefilm about the formation of a theatrical documentary fund. I have thoughts on that if you are interested. In the industry, Canada has been known for documentaries historically. If we remain diversified and provide opportunities for documentaries in the theatrical marketplace, I think we will see continued success.

Again, the success of *The Corporation* really came down to one person and a filmmaker. Although a wide variety of people worked on it, one person's single, undeterred passion over seven years made that film happen and made it the success it was. He completely focused on that project for seven years, which I think was a huge component of making it so successful.

**The Chair:** Thank you, Monsieur Lemay. I've let you go well over your time, so I'm coming back to Mr. Schellenberger.

**Mr. Gary Schellenberger:** Thank you.

You just said something very interesting there at the end. What are your thoughts on Telefilm's documentary fund?

• (1350)

**Ms. Trish Dolman:** Well, I was at Hot Docs, and there was a day during the festival for a discussion on policy on documentary films. A variety of people made presentations, the Canadian Television Fund and Telefilm, and there was much discussion about it.

My personal opinion is that there are probably about five filmmakers in the country right now who could make a theatrical

documentary that would have the success of *The Corporation*. My suggestion would be to create a production envelope that would go to experienced or higher-level filmmakers but fund them at the production level. Fund them going in, knowing they're making something for the theatrical market.

Then second, I would have another pot of money that would—and we're not talking about a lot, as documentaries require far less money than movies or a television series—analyze documentaries on completion as to their effectiveness in the theatrical marketplace. Get industry feedback, if they come with the distributor attached, and then provide them with promotional and marketing assistance to help get those programs out there in the marketplace. That would be my suggestion.

I think it's something that needs to happen very quickly, because the marketplace is fickle and it could change. This documentary thing started a couple of years ago and we're a little behind the eight ball already. It's something we need to move very quickly on.

**Mr. Gary Schellenberger:** Mr. Leitch, you said earlier there's not enough money for development or more resources should be there for development. Where would this come from? Would it come from some place, or would you just add money?

**Mr. Peter Leitch:** That's always the hundred-dollar question: where does it come from?

It's a question of trying to reflect the realities of where the funds are needed. I think it is difficult, because if you ask anybody who's been funded if they had enough, the answer is going to be no. That's where we have to look at some of the other alternatives in terms of developing these private pools of capital. If we have those, then we can maybe use some of this other money for those other areas, but I know there's a limit to what the taxpayers can subsidize.

**Ms. Trish Dolman:** One example you may or may not be aware of is British Columbia Film, our provincial funding agency. Their budget was cut back with the latest government we have here provincially to about \$2 million, which was their operating budget.

What they decided to do was an analysis of how they could most effectively benefit the British Columbia domestic industry. They went around the world and talked to different agencies and found some models in Australia where they provide slate funding for development for companies. Rather than doing a project-by-project analysis, they took the lion's share of that \$2 million and said okay, we're going to open our doors to companies to apply, and we'll give you a pool of development money you can invest in development on a variety of projects.

Last year was the first year it came out. I think we will see significant growth from that kind of policy. It was only \$2 million, but I think we'll see that \$2 million each year have a huge impact on this province in terms of what you can develop.

Personally, I think we don't utilize things like Canadian literature as much as we could. *The English Patient* was made by Americans, not Canadians. We have wonderful cultural capital we're not capitalizing on. It's because it's expensive; sometimes you're competing with studios, with Miramax or whatever, and I can't be in that ball game.

I think that's a cost-effective way of looking at capitalizing development for production companies, as one example.

**Mr. Gary Schellenberger:** You say production companies get this. In order to get that money they put forward a list of what they think they're going to do, but government then stays back out of the business and lets business carry on and do its work, right?

**Ms. Trish Dolman:** That's correct.

Actually, the application process is quite rigorous. The deadline for this year is tomorrow, and my company is doing it right now. They require quite an extensive business plan, which I encourage, because I think that is potentially a weakness of our industry, that it's more creatively driven and less business planning-driven. The document we're going to submit is probably a hundred pages long.

**The Chair:** Thank you.

Mr. Silva.

**Mr. Mario Silva (Davenport, Lib.):** No, it would actually be Ms. Bulte.

• (1355)

**Hon. Sarmite Bulte (Parkdale—High Park, Lib.):** Thank you.

Ms. Dolman, could you tell me what the name of your production company is and what the film was you had showing across Canada?

**Ms. Trish Dolman:** My company is called Screen Siren Pictures.

Are you talking about the feature film I was working on?

**Hon. Sarmite Bulte:** Yes.

**Ms. Trish Dolman:** It was called *Flower and Garnet*. It came out two years ago.

**Hon. Sarmite Bulte:** Thank you. I'll make sure we go and get it at the video store.

I want to focus on two things, the international and also the financing.

Mr. Leitch, you said producers cannot recover moneys without international sales, yet what I've been hearing from some of my friends who are producers is that it's getting harder and harder to get those international sales. Other countries are tending to become very protective in the sense that they're buying more indigenous product as opposed to international product. I wonder if you could comment on that. Is that just an anomaly or is that what you're finding in the industry?

Secondly, and it's related to that, I believe you talked about the international financing, or maybe it was Ms. Keatley who talked about that, the need for getting financing. Again, I was recently at a law society conference in Toronto where we talked about the problem with the copyright. Who owns it? Is there a bare copyright or is there...? Perhaps you could comment on that.

Then, what role if any does the Export Development Corporation play to help your industry, and if none, why not? With respect to venture capital, BDC has money set aside for venture capital. In fact, in the 2003 budget they set aside \$25 million for women entrepreneurs to be able to access venture capital. Again, what is BDC doing, and if nothing, why not, and what role can we play towards ensuring we can work in these areas?

**Mr. Peter Leitch:** My esteemed colleagues here are certainly more expert in this area, but in terms of international sales, we're a little bit unique in that in British Columbia we sometimes look at our commerce as being north-south instead of east-west. I think that's just a reality of our geography and in some ways a little bit of our culture.

If you look at the B.C. audience and what they're watching, you'll see they're generally watching international shows, mainly ones produced in the U.S. That's really, I think, who we're competing against for the audience, and we need to be able to play in that big a marketplace.

**Mrs. Julia Keatley:** In terms of the international marketplace, I was referring specifically to the changes that are happening in tax laws in other countries, like with the German tax funds that used to be available. There are various changes that are happening there. Obviously, the U.K. was our largest co-production partner in both television and feature film. We all know there have been changes made by their government, because they felt there were a number of abuses in there. Who they specifically targeted as a country was actually Canada, which you're probably aware of, and they raised the expenditure requirement in the U.K. to 40% in the feature film area.

Television was also excluded from the sale and leaseback because of abuses that had happened, things like old programming in the broadcasting areas getting put through and coming.... I don't know if you're aware of that end of things, things like the *EastEnders* that ended up getting shoved through and getting a sale and leaseback long after they'd been made. It's fairly complicated.

In terms of creating content that can travel, I'll speak from my own experience. I'm producing a new television series called *Godiva's*, which is on CHUM. I very specifically chose not to go with a Canadian distributor. I went to the U.K. market. In fact, it was very interesting, and I've ended up with a large international distributor called FremantleMedia, who took the project.

One of the comments they made to me was to get out of the Canadian ghetto, which is an interesting thing. They just found it a commercially viable project that would sell around the world. They too have concerns about various markets around the world turning towards their own domestic product.

My competition this year is *Desperate Housewives* and *Lost*, just like anybody else's. As a business person I have to proceed with that. That is my international competition.

In any way, when we create programming, be it for theatrical programming or television programming, we're looking to the international market for success. I think the majority of the feature films that are done in this country have some kind of international component in their financing. That's just a reality of how we make our things. Usually those things make them also potentially internationally appealing.

That's been one of the challenges with the goal of the feature film fund, being so focused only on the Canadian box office. I don't think the international success of things is often taken into account. Often there were people who'd basically had great international success, and that wasn't even recognized within the marketplace. For English Canada in particular that's a huge issue, because we have to succeed beyond our borders in everything we do. That's just by its nature.

• (1400)

**Ms. Trish Dolman:** I think your friends are correct when they say it's increasingly difficult to sell outside of Canada. We have statistics. We were just reviewing them before we came here, looking at U.S. broadcasts and theatrical involvement in Canadian feature films. Internationally, it's a curve. As Canadians get out there in the international marketplace, you may not be able to make pre-sales as easily in the feature film marketplace as you once could. People joke that you used to be able to sell a film in the late 1980s, early 1990s, on one sentence. People would go, "Yeah, I'll pre-buy that". That is not the reality of the marketplace any more. It was in a real low after the dot-com bubble burst, but it is coming back. The markets in Canada, this year and last year, were much more positive, as was AFM in Los Angeles.

Once you complete something and you sell it to a territory, you are fifty times as likely to do business with that territory on your next project on a pre-buy basis. So the more Canadians get out there and make projects that not only appeal to Canadians but sell internationally, the more business opportunities we will have.

**Hon. Sarmite Bulte:** Do our consulates help? Does the Department of Foreign Affairs help? International Trade? I'd also like you to address the BDC and the EDC question.

**Mrs. Julia Keatley:** One of our major emphases is exports. We are now the world's second-largest exporter in television, after the United States. People tell me that when they turn on television around the world they're always seeing Canadian programming. It's one of those quiet amazing things. I know with my own previous show, *Cold Squad*, people have said, "I've seen it in South America, I've seen it in France". It's just one of those things. We're great at doing that.

As for the actual support mechanisms within the country, DFAIT has been fairly supportive. There have been programs like Trade Routes. We've done joint missions to other countries, specifically English-language countries.

On the export side, it's hard to compare our business. We're not making widgets; we're making creative content. Actually, I sat on a committee set up by the Department of Foreign Affairs, through the trade missions. I was asked to sit on it by DFAIT. It was a cross-industry panel. It was the export awards, and it honoured the top exporters. There were eight of us business people looking cross-sectorally at all these different companies.

It was interesting. It was difficult to get film and television companies to even put themselves forward. There was one company we managed to get to come forward—DECODE Entertainment, an animation company out of Toronto. It's partly the way we get compared with other industries and how they think of us as an export industry. I think we need to increase that dialogue.

We hadn't heard about this BDC thing before. It isn't easily measurable, what we do. It isn't necessarily a dollar for a dollar, or that kind of market. So it's difficult sometimes to understand how much our businesses are dependent on exporting our product.

**Hon. Sarmite Bulte:** I find there's a problem with regard to being able to classify services within industry. We as a government can't define who's exporting and who's not.

I have to concur with you that most of our programs are still based on the bricks-and-mortar thing or manufacturing, not on services or intellectual properties. At the same time, our agenda is for innovation and creativity. Our policies tend to lag behind the reality of the bricks and mortar and the manufacturing of widgets. I'm glad you pointed that out.

Ms. Dolman, on the documentaries, I think they have been omitted for an awfully long time, notwithstanding when the "priority programming" definition was changed. Under the CRTC, documentaries were put in. There has been no envelope for documentaries in Telefilm. When you talked about these funds, almost like a performance fund for the Peter Raymonds of the world, were you recommending that this be within Telefilm? One of the criticisms we got about Telefilm is that projects are judged by bureaucrats, not by your industry peers. Could you elaborate on that?

• (1405)

**Ms. Trish Dolman:** That's a lot in that one question.

I guess it's going to depend on the announcements about the Canadian television fund. Documentaries are primarily financed through television. My suggestion or thought, and what the discussion has been about involving Telefilm on the feature film side, because it involves theatrical distribution, is to look at carving out a small amount of cash for documentaries for theatrical distribution. I'm not suggesting a performance envelope for documentaries, but a production stream for films that are intended to be released theatrically, so that films can be analyzed at the beginning for their marketability in the theatrical marketplace and funded accordingly. Because they often need to be shot quite differently. You may want to shoot on a higher-end format. There's a blow-up. There are a lot of different things that need to go into the budget.

So that was the first thing about documentaries. What was your other question?

**Hon. Sarmite Bulte:** It was about Telefilm versus the bureaucrats reviewing.

**Ms. Trish Dolman:** That's a hard one.

Personally, I really like the people Telefilm employs. I think they are really intelligent people. They're smart, and they're committed to the business. I think what's challenging is the implementation of policy in all these things. You look at the CTF, and as a producer... almost every year the policy and the guidelines change, because we're trying to find a way to make something work. I think that's the ongoing challenge, and there's no perfect solution.

So the problem with peer group analysis or juries is it's a very time-consuming and lengthy process. Conversely, I do think that... I make an analysis, and I hope nobody's offended, but working with Telefilm is like making films with Canada Post—in a way. It's like you get in one line here to get stamps, and you go to mail the letter in another lineup. That's what you're dealing with. So I find I end up having some inane conversations about policy. On the other hand, I accept that I'm very fortunate. Other countries do not have a government commitment to cultural policy, and I don't know that there's a way around it, frankly. I'm not sure peer group analysis is the right model. Maybe it's that the employees within an organization such as Telefilm need to be more industry savvy. There are a lot of distributors on the street right now because a lot of them have gone bankrupt. Maybe there should be a distributor hired to work within Telefilm to do market analysis. I'm not sure about that.

**Mrs. Julia Keatley:** Just to add to that, I think that if you put back in place the feature film policy advisory group, you'd get some industry expertise—

**Hon. Sarmite Bulte:** Why was it cancelled?

**Mrs. Julia Keatley:** We don't know. And if it had some teeth in the way that the board of the CTF actually has some teeth, in terms of setting policy.... I think there are ways of keeping organizations healthy with having some turnover of staff and bringing in industry expertise on a more regular basis, rather than these being.... One of the things that happened, for instance, in the U.K. is that people who are in these positions have just five-year contracts, and they come from the industry. So there's a turnover, and it's not a guaranteed job for life. I know that sometimes makes it difficult, but I think it can kind of get expertise in there about policy.

One of the things I find with Telefilm personally is that a lot of that expertise is almost now...it's going away. So Trish is absolutely right in that policy can be happening up here, but it's not trickling down and there's not an understanding of the businesses that we actually talk about.

• (1410)

**Hon. Sarmite Bulte:** Just as a point of clarification—

**The Chair:** I'm overindulging you. You're usually last on the list.

**Hon. Sarmite Bulte:** I know.

As a point of clarification, Ms. Dolman, currently is there any funding for documentaries under the CTF?

**Ms. Trish Dolman:** Yes. It's an envelope system for broadcasters, and it's children's performing arts and variety and documentary.

**Hon. Sarmite Bulte:** So it's an envelope. What was the term you used?

**Ms. Trish Dolman:** It's an envelope. The system changed a couple of years ago and broadcasters have an envelope based on past performance where they can allocate. You still have to put in an application, but they can choose to allocate a certain amount of their CTF envelope to programming. Dramatic television series, like what Julia does—and it's been divided currently, where Telefilm administers the dramatic programming, both feature film and television—has to go through a different decision-making process. Whereas documentary is funded by the CTF—very much—it's the broadcaster that decides if it wants to put in a portion of its CTF envelope into the financing structure.

**Mrs. Julia Keatley:** This isn't documentary features. This is documentary series and various things like this, for television.

**Ms. Trish Dolman:** It's separate from documentary features.

**Hon. Sarmite Bulte:** Right, okay. Thank you.

**The Chair:** Mr. Schellenberger has one quick question.

**Mr. Gary Schellenberger:** I hope it's quick.

It was said earlier that CBC had promised \$30 million for film. Am I correct? And they have not met that \$30-million commitment?

Are the rules not being followed, whether it be by CRTC, Telefilm, CBC, or by other private broadcasters? Do we have rules? It's great to make laws, bylaws, and rules and regulations, but if no one goes by them, you get a thick book. Sometimes all you need is one page and everybody goes by that page.

Are the rules and regulations that these various corporations are running under right now being followed?

**Ms. Trish Dolman:** With CBC, the issue was in their 2000 CRTC licence renewal. It wasn't a condition of licence. When it's a condition of licence, the CRTC says "Okay, we'll renew your licence if you do the following."

The CBC put it forward as a promise. They said they would do it, but they didn't do it. So the challenge is this. Because it wasn't a condition of licence, there is no mechanism for us to demand it. The CBC decided there were other priorities and put the money elsewhere and not into feature film.

I believe there have been two feature films that have been supported in production by CBC in the last five years. And I had one in the year before this happened. They gave me \$75,000 five years ago.

**Mr. Gary Schellenberger:** Okay, that's the first part of my question. How about the second part?

**The Chair:** Is that the first short part of a short question?

**Mr. Gary Schellenberger:** Yes, and I'll have no more subquestions after this.

**Mrs. Julia Keatley:** Do you want the rest of that answered?

**Mr. Gary Schellenberger:** Yes, please.

**Mrs. Julia Keatley:** Other broadcasters don't have any conditions of licence specifically about feature films other than the pay channels, and even they have been moving away from them. There are various things, and they've participated in a number of feature films.

There are broadcasters like CHUM that have participated in a lot of feature films. I don't think it's specifically in any of their CRTC commitments—don't quote me on that one—but I think in the private sector it's a little more tricky.

Obviously, our primary concern has been this specific promise made by the CBC that hasn't been met, particularly when you compare it to the SRC actually meeting their commitment. And we talk about the successes of the Quebec industry versus the English Canadian industry, and we think they should be.... And they had a perfect opportunity to air Canadian films this year, with the NHL lockout.

So that's how we think.

**Mr. Gary Schellenberger:** Thank you.

[Translation]

**The Chair:** I will give you two minutes because I also have some questions to ask.

**Mr. Marc Lemay:** As I only have two minutes, I will make a brief observation.

I have some advice to give you: the time has come to intervene with the CBC, because the SRC has invested \$16 million to help feature film production in Quebec, in French Canada, over the last three years. That has allowed in *Le Survenant* to take the place of other films in the major cinemas. That is where it was shown, whereas *Star Wars* was relegated to secondary screens. And watch out for *Idole instantanée*, which is coming out on July 5th, because it will also be on the main screens. I assure you that the time has come to act.

You say you have statistics, or perhaps it was Ms. Dolman, who was comparing the numbers of American films to Canadian films in theatres. Did I understand correctly? If that is the case, I would greatly appreciate your sending us the statistics.

Thank you.

•(1415)

**The Chair:** I would simply like to support what Mr. Lemay has told you. Last week, the French television services of the CBC appeared before the committee, and we were able to see that their feature film assistance program was very impressive.

[English]

Frankly, we have English-language CBC in front of us next week, and I certainly want to ask, so I'm glad you raised that specific question about the \$30-million commitment, because I was quite impressed. Now, maybe I'll hear differently from companies in Quebec, but I was quite impressed with the way they have approached it. I think it provides a bit of a model for how public policy needs to bring all the elements of the industry together to work together.

I had a couple of specific things. I don't necessarily need an answer now, but I encourage you to follow up. First, I have to put on the record, again—as I've done before with you, Julia—that I'm devastated since I can no longer watch *Cold Squad*. I get angry every time I see that insipid knock-off from the United States, and I'm doubly incensed that every once in a while *Cold Squad* is on, but I never know exactly when it's going to be on. Anyway, that's my temper tantrum for today.

I have one question. When you talk about English Canada in terms of film production, does that include the English community in

Quebec? I've been asking the same question in terms of French film production in Canada. Does it mean only Quebec, or does it mean the million francophones who live outside Quebec in Saskatchewan, Alberta, B.C., southwestern Ontario, eastern Ontario, New Brunswick, etc., etc.? I ask you the question—when you talk about English theatre, do you mean outside Quebec, or do you mean English theatre?

**Mrs. Julia Keatley:** When we've been talking about the market, one of the challenges, as you probably are aware, is there are a lot of highly successful French-language filmmakers who have started to produce in English as well. There's been great pressure on that. I would have to say that I think we're talking about the entire country, including Quebec. I think that English-language films are part of it in terms of how they would perform there. If you are producing Canadian English-language cinema, it's for that to be seen across the entire country, which obviously includes Quebec. That's my opinion.

When we talk about the marketplaces, we often talk about outside of Quebec when we talk about asymmetrical markets, because of the release patterns and the rules of releasing U.S. features. I'm not sure if this is still true. I remember there was a time when there was a delay of U.S. features into the Quebec market. That didn't exist, and it was because of the dubbing requirements and things like that. It just meant that in terms of a juggernaut of U.S. feature films coming into Canada, there tended to be a delay in the heavy promotional stuff that happens.

Does that...?

**The Chair:** My concern, frankly, is if we're going to talk about the future of film in this country, I want to be sure that the anglophone minority in Quebec has its voice in film, and that the francophone minority outside of Quebec has its voice in film. Right now, I think that's not happening.

•(1420)

**Mrs. Julia Keatley:** That's not happening. Certainly at the CFTPA national board, on which I've sat for many years, we have three English-language producers. Some of them produce feature films, so we talk about representing the entire industry. We just had our board meeting, in fact, in Montreal, about two months ago. I mean, I'm not—

**The Chair:** That invites the comment of “Talk is cheap.”

I want to spend a little bit of time with Peter. Maybe we won't get all the answers, but I think it's significant that the issue of more private investment in film production has come up this morning and this afternoon. I think it's something that we have to look at—not to replace public investment, but to enhance the public investment. I'm not quite sure where the venture capital initiative in the Speech from the Throne and the budget is right now, but I suspect nobody responsible for implementing that is looking at venture capital and stimulating private-sector investment in film production. I'm sure they're looking at aerospace and all kinds of other things, but not that, so any recommendations you have on how any proposals this committee might make could help stimulate more private investment would be very helpful.

I was very interested in what you said, as well, about the limits on development and marketing, and how they're so tightly constrained, so could you give us a bit more clarity on that—on what's wrong and what needs to be fixed? Obviously, you can't spend all your marketing and publicity money while the film is in production. It's logical.

**Mr. Peter Leitch:** Yes. Again, I'm not necessarily the best person to speak to this, but I look at Lions Gate as an example in terms of the shows that we put out. Certainly, for two of our biggest shows, *Saw* and *Monster's Ball*, we spent much more on marketing the shows than we did on making the shows. We're talking international shows here. That's just the way it's going now.

Certainly outlets like the Internet are huge for us in getting the buzz going a lot earlier, and the process in terms of marketing these shows is big, especially, I think, with the younger generation.

I shouldn't speak any further than that, because there are people who understand that a little bit better than I do.

In terms of sources of flow-through shares, we're just getting into that process. I know Colleen Nystedt with New City has done a lot of work in looking into that. We, as in our industry association, have hired a government lobbyist. We're going to get them involved in that. I think it might be a little premature now just to say yes, we have something concrete we want to send you.

I think there is now a focus in on it. Even just attending this morning briefly, I heard the same input. I think there's momentum now. I think we'll have something in the next few months in terms of our position which we could submit to you.

**The Chair:** Okay.

I think a couple of our next witnesses are here. I think members of the committee need a bit of a break. Maybe we'll take about a 45-minute break right now for phone calls and so on. The next witnesses are scheduled to be here at 3:30. A couple of them are here. One or two of them aren't. That allows those of us who must to deal with some things back east.

Thank you very much. Your timing on the additional input on private investment might be perfect, because what the committee is attempting to do before Parliament recesses is table an interim report. It won't come to any conclusions, so please don't be worried that we're finished yet. We'll lay out the issues as we've heard them and seek further input from our witnesses on specific questions over the summer, so that we can come back in the fall and produce a final report. So your timing on that might be perfect.

Thank you very much.

• (1425) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1526)

**The Chair:** We are resuming the meeting of the Standing Committee on Canadian Heritage.

Somebody who was not invited as a witness but has been here for most of our hearing this morning and the early part this afternoon is Sauching Ng, who runs a company called Moving Pictures. It's essentially a mobile festival of Canadian films that tours small and large communities in British Columbia, with totally Canadian films.

She has produced a book on their 2005 tour called *Moving Pictures*, which I think is very clever. She has left me a copy for everybody. With the permission of the committee, in contravention of our policy of only distributing documents in both official languages, if everybody agrees I will distribute a copy of her report.

She's also left a one-hour documentary of interviews with various Canadian directors, which looks very interesting. I'm going to leave it with our analysts to look through, and we might play parts of it at one of our meetings. It's called *Weird Sex & Snowshoes* and says:

Warning: Canadian cinema is often mistaken as merely world-class imaginative, no holds barred, rip-roaring, good storytelling. Do not be fooled. When watching these films beware of the following: strange and perverse images, warped humour, weird sex, risky ideas, unique points of view, breathtakingly bold imagination, and heartbreaking beauty. For a full list of dangers here see *Weird Sex and Snowshoes*, a 60-minute documentary featuring the best in cinematic talent.

I'll leave this with Jacques to distribute to all of you, and I'll leave this with Joe and Sam to review for us. We may want to have a look at it at some time. I know I want to borrow it back.

Now I'm happy to welcome back our 3:30 to 5 o'clock witnesses. We may not take quite that long.

From Landmark Cinemas of Canada we have Neil Campbell. Brian McIntosh is not joining him today.

I see that Wendy has not yet arrived.

We also have Andrew Ooi, president of Echelon Talent Management.

Andrew, we'll start with you. We're encouraging all our witnesses to please take five minutes. Trust that we've read whatever you've submitted to us, but we find the most valuable thing is back and forth discussion with you. So if you can just highlight any recommendations you have for us, that would be very helpful.

• (1530)

**Mr. Andrew Ooi (President, Echelon Talent Management):** Let me see what I can do about that.

Good afternoon. Thank you for having me here today. I'm very glad to be able to address the committee. I have some concerns and some issues I'd like to bring up. In particular, I'm mostly concerned with the cultural diversity in Canadian feature films and in the television shows they're showing today.

I think it's a travesty. The minorities in Canada, mostly being the Chinese and the Indians—East Indians, as you would call them in Canada, but in actual fact they're just known as Indians—make up a very large portion of the community in Canada. They make up about 13% to 14% of Canada as a whole in terms of population, yet I don't find that this is properly represented in film and television today—on Canadian television shows.

It has improved in the last two years, with shows like *Godiva's*, where they have ethnic casting, but then at the same time you have shows like *Corner Gas*, where out of fourteen main cast members only two are from the minorities. You have a new one that's coming out called *Alice, I Think*. Again one out of ten whom I counted will be from a minority, and I think that's very sad. It does not really reflect the true face of what Canada is today. It's such a multicultural society. I think that needs to be addressed.

One of the things that also needs to be addressed, I think, is the star system in Canada. There is a talent drain down south and toward other countries, toward India, toward China, toward Hong Kong, and that needs to be addressed too, because we should keep those actors here with us. They're so talented.

Johnny To was one of the directors who was in Cannes this year and he had a film in the competition. He's Canadian, and no one really knew that he was Canadian except for those who were in the film.

Ching Siu-Tung, or Tony Ching, as he's known, is a very famous action choreographer and director from Hong Kong. He has directed films like *Naked Weapon*. He's an action choreographer for *Hero* and *House of Flying Daggers*. He's Canadian. He lives in Vancouver on Granville Street—the nicer part of Granville Street.

There are a lot of Canadians who have moved away because they have to make a living. I'm talking from the actors' point of view. There's a lot that has been done for directors, for producers, and for screenwriters, but really very little has been done for actors, and I think something needs to be done, because the actors are the ones who are in front of the camera. They're the ones who people recognize when they go and see a film.

I know a lot of people will go to watch a movie because it's great screenwriting, but the majority of the times they will go to watch a movie because of who's in it. If you're a fan of Julia Roberts, you'll go to watch a Julia Roberts film. If you're a fan of George Clooney, you'll go to watch a George Clooney film.

In our Canadian films, good as they may be, we don't have the advantage of having these well-known actors. There are some very well-known actors down south, in Los Angeles, in Hollywood, and also in China and in India who we can make use of for Canadian feature films. One of the things that I want to address is how we can make use of them and bring the audience back to Canadian feature films.

For example, Echelon Talent was set up in 1994. We've been around for 10 years and we're a specialized talent agency representing mostly well-known Asian actors from India, from China, or from Hong Kong, and we represent them for all of North America, Europe, etc.

These include actors like Christy Chung, who was in *The Medallion*, and *Samsara*, which Miramax bought. It did really well in foreign...and it has won numerous awards. She's Canadian. Lisa Ray is a very big Bollywood actress who was in *Bollywood/Hollywood*, and she's starring in Deepa Mehta's new film *Water*. There is Edison Chen. All these actors are very well known. I have some photos here that I may want to pass around for you to take a look at. They are faces that you would probably not recognize.

They're very famous around the world, but they are not recognized in Canada.

There is an audience for them. How do we bring that back? How do we bring that audience back here?

• (1535)

One of the suggestions I had was to set up a kind of fund like FACTOR. In the music industry there's an association called FACTOR, which is the Foundation to Assist Canadian Talent on Records. They have a fund to help publicize and market these recording artists. I believe Avril Lavigne and Michael Buble have benefited from this fund.

I'm suggesting we have a fund specifically for Canadian actors. Put some money into publicizing them, but at the same time have them sort of bonded to the government to do Canadian films at a lower price later on. So if they become famous—let's say they make \$20 million a year—they're bonded to the government to do maybe five Canadian features at say \$100,000 or \$250,000 a year—something along those lines at a lower budget level.

If that were the case you would get the audience share, not just locally in Canada but globally as well. I think that is very important, because the global marketplace for film is quickly getting smaller. It's a global market right now, and something needs to be done so we can secure a place for Canadian film in the film community around the world. I think there's a lot that can be done.

I also feel that in Canada there's a lot of focus on co-productions with European countries, and that has to change. China and India are two of the fastest growing economies in the world right now, and more focus needs to be on doing co-productions with them as well—with Asia. Something needs to be done about having a language policy for film in Canada, instead of just having English and French. If films are not in English, French, or English and French, their priority on the ladder for financing just drops. I think something needs to be done to address that.

That's all I have to say. Thank you.

**The Chair:** Thank you very much.

Mr. Campbell.

**Mr. Neil Campbell (Chief Operating Officer, Landmark Cinemas of Canada):** You've seen my face all morning and I've heard the speech to make it short, so I've put a bunch of Xs on my brief here.

I want to make sure everybody is aware that Landmark Cinemas is a western-based exhibition company. It's our 40th anniversary and we're quite proud of that. We have 41 theatres with 140 screens. We also own a company called Theatre Agencies, and we buy and book film for approximately another 160 independent theatres.

Over the course of a year we buy and book for well over 300 screens in western Canada. We look at a lot of movies. We buy the movies we think are going to make our theatres money. It's as simple as that. It's not where they came from or who made them. It's, "Will they make money? Is there an audience for this film?" That's our number one priority.

I'll skip over competition. You've heard it a hundred times. Where we sit in the chain, we're at the top of the eating habits and everybody follows after us. The better we do, the better they do. But in 2005, they're predicting between \$4 billion and \$5 billion will be stolen out of the business by illegal downloads and illegal sales of DVDs. This is something we face every day. We have reward programs, we have trailers, we have clings. We have everything for as much public awareness as we can bring to this topic. We're no longer calling it "piracy", because that has a romantic ring to it. It is now "film theft", and that's really what it is.

I heard comments that the only Canadian film playing in all of Calgary or all of Alberta this week is *Hank Williams First Nation*. About a year ago, Aaron phoned me and started talking to me about this film. After several meetings, several phone calls, several visits, several festivals, he came up with no distributor. I sat down and I watched the film. I liked it, so I said, "Okay, I'll help you out". We helped in the launch of the film. We launched it in the communities where it was made, so naturally it's going to be a huge hit because it's a home movie.

Since then, it's moved out. It's done Edmonton, Calgary, a lot of the Vancouver market, Victoria. Aaron is now off and running with the film, and I wish him all the luck in the world. But it was a simple matter of him making a film that was entertaining. Now, I saw it from a different perspective because I'm western-Canada-based, not eastern-Canada-based, and the movie is a western Canada movie. There is stuff in that movie that I understood and enjoyed that easterners probably wouldn't connect with. That's not wrong; that just is. That's the difference in culture.

So Landmark, and exhibition in general, has taken a high road on a lot of things Canadian. We take great pride in playing Canadian product, but it's product that at the end of the day puts bums in seats, because that's what we've got to do. That's what pays for the theatres, and Canada has the best theatres in the world. We really do.

As for the festivals, our company as well as other companies are huge supporters of the film festival circuits—the Toronto Film Festival, the Calgary Film Festival, the NSI in Winnipeg. Let me correct a few things. You heard this morning that Canadian films don't get into the small towns. The Toronto Film Festival film circuit, with which we are an active partner, and which we have in over two dozen of our locations, are big members. Even in the small town I grew up in, in Manitoba, it has become a big part of their social calendar every year. They know when the film circuit is coming, what films are coming. The local people get to choose from the menu provided by the circuit. It's about getting back into going to movies and seeing films. Now, they're not all Canadian, but a big majority are.

*Treed Murray* played Virden, Manitoba. That would never have happened without the film circuit. You are growing people who are getting a better awareness of film, the art films, and you're building an audience for them. So to say that you have to live in a major metropolitan centre to see Canadian film is wrong.

There was another comment concerning Canadian films and the time of year. If I was a Canadian distributor with a Canadian film, I don't think I'd be coming out into the marketplace against *Batman Begins* right now. I think that would be absolute folly.

● (1540)

A good distributor is going to look at the release patterns. He's going to find those openings where his film is going to fit, and he's going to concentrate on that. He is not going to try to go head to head with all the big Hollywood pictures, or he's got such a niche player that he's going to go in there as counter-booking for those theatres. It's an art form, but it's a business, and at the end of the day everybody's trying to make money off the business because that's what keeps it going.

So to be a smart distributor you've got to find that place in the release schedule where your feature fits the best.

*The Barbarian Invasions*—I have a passion because I saw the first one. I was in distribution for sixteen years, and we handle a lot of Canadian films, so when *The Barbarian Invasions* came along, I saw it. I was over the top, because it's a wonderful movie. It's like going home again, seeing all those familiar faces again.

Odeon had the film. Odeon wanted to do a Christmas release, hoping for the Academy Award nominations. We agreed with them. We gave them theatres in Winnipeg, Calgary, and Victoria. We held a screen to open their film at Christmastime, and we played it right through the nominations. It was a win-win for everybody. It was a great film. It got the recognition and it got the box office, and we all felt proud because we were part of it.

So when there are films like that, you will not have a problem getting everybody on the team to do the best they can, to put everything they can into those films and make them great.

Marketing, trailers, promotions—I'm going to read what I wrote here. Frankly, I can't believe we're returning to the same problems that have been issues for years. Experienced Canadian producers, but not all, know the value of not just producing a good film but also producing the sales aids needed to market their films. Where are the trailers? Where are the one-sheets? When are they being delivered? I've been at festivals where the feature that's playing in the theatre doesn't even have a one-sheet hanging at the front door. I've sat with producers and actors saying they can't believe what's happened to my film, because in their minds every film they've made is *Gone with the Wind*. They're standing at a theatre with a full house during the festival and there's not even a poster at the front door.

It's wrong. It's broken. I'm not sure what the fix is, but it needs to be fixed. There has to be better follow-through, and it starts in production. They have to be able to produce the materials you need to produce the advertising aids that everybody needs. If you don't have a good one-sheet, all you're doing is hurting yourself.

Somebody said this morning we can't make trailers. I'm not going to get into whether we can or can't, but I know physically we can produce a trailer. It's got to be produced. It's got to be given to exhibition in a timely manner to get on screen. You've heard from lots of groups saying that trailer time is valuable time, and it absolutely is. We get asked every week by everybody, "Please put my trailer on ahead of this film", or this film or this film, and it's our job as exhibitors to try to match the best trailers to the features. We're going to try to sell the next feature to a target audience. That's our job, and we're going to do the best we can at doing that job.

Quotas and levies—you automatically know what my position is on them. It's no. And I'll give you an example of why I say that, and that is the case of Quebec. Quebec is experiencing a terrific growth in their film industry, and the only reason for that that our whole exhibition community can come up with is that the producers in Quebec have tapped into the pulse of their audience. They're making movies that Quebecers want to go see and are enjoying when they go see them. That's what they're doing. They're doing a great job of marketing them. They have the luxury of having their stars stay there and being able to build a star program, but the bottom line is they're making great films. Winnipeg has a huge francophone population, and we have a theatre in Winnipeg. Because they're making great films, we're now bringing films from Quebec into Winnipeg for that population. We now have a French film festival going at the Globe Theatre in Winnipeg because of the French population there.

When I first phoned my friends in distribution in Montreal and told them what I wanted to do, they said "What?", and I said "You've got 70,000 to 90,000 francophones in Winnipeg, and nobody has ever played a film for them. Let's try it and see what happens." They first thought it was a shot in the dark and nobody was ever going to show up. Well, they did, and it's working fine. Now we have a festival. Now I'll play a trailer in Winnipeg that's not even dubbed; it's just in straight French. And I get phone calls saying, "Did you know you put a trailer on your screen in that theatre in Winnipeg, and it's not dubbed? We can't understand it." I say, "Well, I guess you don't speak French, because that's who the movie is for."

● (1545)

There's a population large enough there to make me willing to take the risk of bringing in the best of Quebec's films. Right now we're watching the crazy grosses coming out of Quebec. They're huge. That's part of my booking staff's job. On Mondays we go crazy trying to figure out what's going to go on screen Friday, while the rest of the week is to figure out what's going to go on screen the next Friday and the next Friday and the next Friday. We're doing all our research. We're studying North America, not just Canada, but part of our study is Quebec, because there are so many good films there that if we can transport them outside, we want to.

As for funding, I'm not a producer, so I'm not going to go down that road, but when I look back at where we've come from as an industry, I think there's absolutely every reason in the world to be looking again at a method of bringing in private equity, private funding, as well as the government funding right now. To me, that's where the real industry is going to take off from—when you have private investors who are willing to put money into it.

We do have some great producers. I've known Wendy since she was just a little kid with her first film, but she now has a library. You'll hear this word over and over again when it comes to studios—a studio's value is based on its library. When you have a chance to invest in somebody who has a library, who has a proven track record, you're going to have real investors wanting to put money behind those types of people.

Thank you very much.

**The Chair:** Thank you.

Wendy, welcome. It's your turn now.

**Ms. Wendy Hill-Tout (President, Voice Pictures Inc.):** Sorry, I haven't been to one of these before. I actually wrote a paper and thought I was going to be reading. Obviously, I'm not; I'll be speaking. I'll probably refer to my notes a little more than the other people, but I'll try not to look down.

**The Chair:** You don't need to read your brief for us. We all learned how to read. What we're really most interested in is a discussion with you. Could you highlight those things that are really most important, especially any recommendations you have for us?

**Ms. Wendy Hill-Tout:** Okay. I'll just give you a tiny, brief bit about me, just because it's related to what I'm about to say.

Actually, I knew Neil from years ago when I made a film, a Canadian feature in 1991 or something like that, and he helped me with it.

Then I took off about eight years when my kids were younger and did just documentaries, which was my background originally—social issue documentaries, especially National Film Board, a lot of National Film Board stuff—and performing arts.

I went back into drama three years ago. So in a way, I guess I've only been really heavily in drama for the last three years, a very short time. We've probably, as a company, done between \$50 million and \$60 million worth of films this year and last year as well. We've gone from doing a couple of films a year to doing a volume of seven or eight feature or television movies a year.

What I've very quickly learned is that the system that exists right now doesn't really work for where we want to go as a company. There are things that work, I think, and work well, but I think there's a lot that needs to be done to change the system. I probably have 10 features in development right now, and I would say that only one has some Canadian funding, other than, say, tax credits or something like that.

We work mostly internationally. We've done a number of U.K. co-productions. We've used German money on our films. We just finished an ITV film, which was for television, with ApolloMedia, German film financing. For most of the co-productions we're looking at—sometimes they're four-country co-productions—almost all my financing is international and comes from elsewhere. I think it's because our companies are particularly interested in doing commercial genre pictures. The system hasn't really been set up to fund those kinds of films in this country.

We're working with really wonderful star casts and a wide variety of genres, of pictures. I have a true belief that we can get films on our screens in this country. I think it's very dysfunctional not to want to do so. I've heard so many times from so many people that it's not even possible for us to do that. I don't believe it. I just believe we have to make films that people want to see.

That doesn't mean I don't support really wonderful art films. We're making them already in this country. I just came back from Cannes where two Canadian directors were featured. We're already succeeding at a certain level with some of our art films, winning awards and international attention. I think we are reaching a certain audience with those art films, but we are not reaching a mass audience in our country.

I have some recommendations that I know would help us do that. The biggest one, I have to say—I agree with Neil—is that we need a private system of financing. We need to attract private investment to this country. I know there has been a reluctance to do it because of what happened in the past, but I can only say that when it happened in the past, I don't believe the industry was developed in the way it is now, with the sophistication it has now. Maybe we just did it too soon, so we didn't make successful films and people lost money and it didn't work. I think we've come a long way as an industry and now we are ready for it.

Other countries are doing this. When you look at the U.K., which we work with a lot, they have the U.K. Film Council, which is a cultural organization that probably puts something like €78 million a year into film. So they have a cultural organization. But in the U.K. they have a private system set up in which they have section 48 and section 42, which are tax-driven and financed funds.

• (1550)

We just made a Canadian feature—well, we use them all the time; you can get 30% of your budget from those funds.

In Germany they have the same thing. They have cultural funding, but as well as cultural funding they have all kinds of private funds that are a kind of tax deferral. It's a tax-deferment private mechanism there. One fund alone—we worked with Equity Pictures in Germany—has \$100 million a year to spend on films. It's like the budget of Telefilm. I don't know exactly what the budget is, but that's one private fund.

I was at the Paris immersion that Telefilm sponsored a couple of years ago. It was interesting. I was meeting with a young French producer. He must have been 26. He had a longer résumé than most Canadian producers or filmmakers have in their lifetimes. In fact, once I was at a seminar at which one of the Canadian producers joked—well, maybe he wasn't joking—that in our country we can only make a feature film every three or five years. He said that if you can only do it every five years, he figured he had three more films left before he died.

One of the problems is we're not doing enough volume. This is across the country. I see so many great directors—I've heard this in Quebec—who can only direct a feature every three years, or something like that. Why? It's because there's not enough funding to keep them doing a feature every year. In order to develop our talent, you actually have to work. You have to do your craft.

I also think that to be successful you have to produce a volume of work. There's a reason France is getting—I can't even remember the statistic, but it's amazing how many films they're getting on their screens. Of course, it's partly a language thing, but they were very dominated by American films as well. That number is huge now. It's far past Quebec. Quebec will look pathetic when you see the number of screens in France that they're getting for French-made films.

There's a reason this is happening. The year I was sitting there with that young man who had a mile-long résumé of features he had already done—France makes 500 feature films a year.

When Canada starts making 500 feature films a year, or even 150 feature films a year, you will have films on screens. It's simply

because you need volume, a critical mass, to get those hits, those successes, that are going to work commercially.

Our goal as a company is to be a mini-DreamWorks. We'll never be a DreamWorks, but we'd like to be a mini-DreamWorks in this country. We don't have that possibility here. We don't have that possibility here because we can't get the financing to do the kind of volume we'd need to do to be able to do it. That's why our financing is coming from other countries.

I have a sort of hedge fund, an equity fund, being set up by a capital investment company right now in England, where you can actually attract private investment to films. I'm on the board of a German fund right now. Ironically, one of the other things I think we have to do in Canada is stop fearing domination. We're so afraid of domination that we're not opening ourselves up to the world; we're not opening up our films to the world. I can list so many examples of that, because I've encountered it.

One of the problems is, not only can I not get the financing for my films in my own country.... I don't want to say I get none; I've had wonderful support from groups like Telefilm Canada, but Telefilm can't give me 10 films a year, because they wouldn't be able to fund anybody else—well, maybe one.

In Germany, for the tax money that exists, you have to have the copyright. The Germans have to have the copyright. It's free money. It's sitting out there, just sitting there, for people to use. The Americans have been using it for years, just taking this free money.

We did one film project that could not be a co-production because the rules are that we have to share the copyright, and we can't have it. The Germans can even give it back to us after seven years, but because of Canadian copyright rules, you can't access this German private money. Every other country in the world can get it.

I'm currently on the board of a German fund. We're just doing a small raise this year of €58 million. I can't fund any Canadian films with it—and I'm on the board as the Canadian partner—because of the copyright regulations.

There are other things. We went to do one of the productions, a Canadian-content U.K.-Canada co-production. We had an investment partner from France who wanted to put in 40% of the budget of the film. There was a lot of soft money that wasn't equity money in the film as well, such as tax credits and leaseback money. They wanted to put 40% of the budget of the film in, which amounted to about 80% of the equity of the film, and the rules were that they could have only 25% of the profits. Now, why would they invest in my film when those are the conditions? They just wouldn't do it. It didn't make sense.

You know what? I'm competing against every other country in the world. All the producers from Australia, New Zealand, and everywhere else were coming and saying, "Finance my film". Why would they do mine, because I just negotiated myself out of getting their deal?

• (1555)

I have two concerns. One is that there's not enough money in Canada to finance the films, really wonderful projects, that I am doing currently, and that I want to do.

The second thing is I'm being prevented from getting free money in other countries because of our regulations and our rules, and we have far too many of them. Again, we're so afraid of domination that I think we're preventing ourselves from...it's kind of like free trade. There was so much fear of the whole free trade thing. And Canada hasn't gone down; it hasn't disappeared as a country. I would really like to see us open up the rules to allow more films to be made that are partnerships, that are sharing visions, or just allow us to not only have the access to financing but have access to making films without all of the rules. I can think of an example like Deepa Mehta's films. For years she was making them in Europe, because she didn't film in Canada.

I was at Cannes, and I went to the screening of Wim Wenders' film. He's a German art director, really, and he made a film written by Sam Shepard. I sat there in the fifth row watching this film, and I felt very sad about it, because I thought if he had come to me to be involved in that film, to co-produce with me, I could never have made that film in this country. I couldn't have made the film because we have a rule about American writers, and I couldn't have made the film because they filmed it in the States. But it was by a German director with a view on America. It was very German. It was very clearly a German film. I couldn't have made that with him as a Canadian partner.

I hope we will start to lose the fear of domination that we have and open up the borders, because it's truly an international world now.

Take the French cinema, for example. If you look at the French cinema makers, they're making films all over the world. They're making films in Iran. French directors are going to Iran to make a film about Iran, or they're going to India, or they're going elsewhere. We're not doing that as a country. I'd like to see the borders opened and see that possibility for our country and not to be so protectionist with our films.

It's very important also to build those relationships, because film is global. If we just hide and protect ourselves, we're also not going to get our own films out internationally, into the world. To me it's not just about reaching Canadian audiences; it's about getting our films into the marketplace around the globe.

I want to speak about some of the really successful things that I think we do. We do actually have the most number of co-production treaties in this country, and our co-production office is very helpful in assisting producers in working with other countries.

I think it's great that there's a lot of attention at festivals, and I think what's been a real benefit in this country is to see that our cultural agencies have regional offices. I think this is so important because I don't think we can have a voice as a country out of just central Canada, though I think central Canada has a voice too. So I want to encourage that kind of regionalism.

I agree about the importance of the diversity of other cultures and other voices and not having everything on screen being Caucasian. I think that needs to be encouraged at any level it can. Partly it is that we are a multicultural society. Again it goes back to that global society. I think our films will actually move further into the world if we have that on our screens, because when it leaves Canada and North America, and maybe Britain, it's screening in China and Japan

and Yugoslavia and other places. So I think those things are very important.

• (1600)

One thing Neil talked about was the marketing end of it. We've been working on a P and A fund, a prints and ad fund, out of England—again, out of England; this distresses me no end.

You can't just make good films. You have to put the marketing clout and the marketing dollars behind them. If we had a private mechanism.... And that's something Britain is looking at for the same reason. They feel they're not getting enough of their films theatrically on screen. They're looking at some P and A alternatives as well, and that could be done through a private system, where investors could invest in the marketing side, the prints and ads of films.

We need to increase the marketing side of our films. We're facing the American giants, who are putting out marketing budgets of \$180 million. We just did a DreamWorks project, *Into the West*, for which you've probably seen commercials already on television. It's been everywhere. It's in *Vanity Fair*. Even in L.A. It's all over Hollywood.

The budget for the series we did with TNT and DreamWorks was \$50 million U.S., and they put \$50 million into marketing, and that was a television film on the history of the American west. I don't know if anybody's going to watch them, but imagine.... Well, they will watch them, because they were marketed to; normally, they might not have watched them. They're very important films that show, as Spielberg does in his things—he often goes against “what is”—a very different point of view of American history that is very interesting. One of them showed equally a native and a white point of view of the settlement of the west. It's probably not been done often.

The marketing side is important, but that's what you're looking at. When you look at those numbers—\$50 million to make it, \$50 million to market it—how do you get there? Perhaps there could be a private mechanism where we could raise money for the marketing of films, and not just make them and put them out with nothing behind them.

I'm just going to give you a few statistics about what kind of money.... I know the U.K. has a lot of people, too, but they put £74 million, I guess it was, under the UK Film Council, which is a cultural body. But on top of that, section 42 and section 48 tax incentives had film production spending in the U.K. reaching an all-time record high of £1.17 billion in 2003 and the number of people working in the film industry rising 77% over the past decade. If you look at Germany and France and some other countries in Europe, too, there's just such a high level of support on both a cultural level and a private level for films. That has certainly helped those countries and helped their films go out to the world.

I think we need a really good screenwriting school in this country. I have to say that the Canadian feature film scripts I get, and we get hundreds of them, are in general really bad—the English Canadian ones; I can't speak for French Canada. Actually, in French Canada you probably have developed a lot of talent that has maybe stayed in that province. Part of it is that the good people have left, because we don't have the volume of films to keep them here working, but it's also that we don't have the institutions, with industry professionals teaching them good screenwriting. I can say that the quality of the scripts I'm getting from England is just so much better than what we're getting out of this country. Unfortunately, it all starts with a script.

• (1605)

We've had to start getting scripts from writers who are Canadians in L.A. because we're just not finding them in Canada. I know it's a long-term area, because you need a four-year film school, or something like that, or a two-year film school, where you're just writing screenplays, but I can honestly say that I've gotten screenplays in Canada where I've said to my development person, "Call that person and ask him if he's ever read a screenplay", and they've said no. I find that really sad.

I wish I could do more with the scripts I'm seeing out of Canada, but I can't; they're just not good. Again, I'm speaking of English Canada. I think it's an area that needs to be addressed in some ways, and maybe that's at an institutional level. I don't know.

I think we have many successes. People complain, but I think Telefilm has done a lot with really not enough money, with everyone wanting everything from it, and trying to be everything to all people and not even being able to be very much to many people because there's just not a lot of funding. It's in the impossible position of having to be everything. I think it would be good if it remained a very strong cultural institution and we set up side by side a private mechanism of some kind in this country to attract investment. We're not attracting investment here. It's going to oil and gas and mining and other things, but not to the film industry.

What's interesting in Britain is—and I have heard this when I've been over to London lately—for years it has had a kind of tax writeoff system in which investors invest in films. They've cut back in the last two years and just sort of slammed the doors on some of the things and changed the rules. It's actually in kind of a mess. But one of the interesting things that has developed—because last year it was pretty dead there—is that a number of private funds have started up now. Someone from a capital investment company told me that what happened was the investors got an appetite for investing in films, so when they started taking these incentives away they still wanted to do it, and they had to find another way. A lot of them are starting to be like the hedge funds in the States; they're starting to invest a portion of their money in film, and then the rest is going to real estate and things like that too.

I think that's a very interesting phenomenon to show that it doesn't necessarily have to be forever, or you can maybe lower the investment rate, or whatever, after a certain number of years. We have a lot of rich oil and gas people in Calgary, and what I'm finding is that going out and talking to people about private investment is almost impossible. It's very, very difficult. But there's a kind of

interest. They're thinking there's something interesting about this industry, but they're terrified of it. If we could create something where they would get their feet wet and get into it, I think, provided we made some successful films, they would stay in there in the long run.

I think the private element is so important to Canada too because we need to develop this whole culture of getting Canadians to go and see Canadian films, and we can't do this in an isolated way. If we brought in that investment it would help to bring more awareness to Canadian film as well. You'd have lots of people investing in it and caring about it.

• (1610)

**The Chair:** Excuse me, but I'm getting signals from my committee members that they're anxious to get involved in the discussion.

**Ms. Wendy Hill-Tout:** I guess I've really covered all of the points I wanted to make.

Let me say one last thing. When I saw that you were having meetings, my fear was...because I know a number of years ago there was a thing where, I think the agencies were told that if they didn't get more Canadian screens, they were going to get cut and all of this. They were told to get 5% of the screens, which really is pretty pathetic, actually; we had one at that time. We've risen slightly since then.

My hope is that you don't come away from this thinking, well, let's just maintain the status quo, or, well, they're still not successful; we told them to be successful—but we didn't give them any more resources to do it.

If you want it to be successful, you have to somehow put more resources into it. That doesn't mean the government necessarily has to, because what I've suggested here is that side by side with the existing system we need a private system.

But I hope you will go back and be inspired to see what we can actually do in this country, what we can create. I truly believe we can get our films on screens. We can make successful films.

Maybe not everyone believes that, but I actually do. I believe that truly, from my heart. I think it's so important for us as a country, because I believe if we're going to be a nation, we have to get our own stories on the screen. If we don't have our own stories, then why exist as a country? I feel that very strongly.

I encourage you. I hope you will go back inspired by seeing that we are somewhere now, but there's so much further we can go if you allow us the chance to do that.

• (1615)

**The Chair:** Thank you.

I think in fairness I'm going to start with Libby, since she hasn't been here. I'll give her a chance and then continue around the table that way.

**Ms. Libby Davies (Vancouver East, NDP):** Thank you very much.

First of all, thank you very much for coming. The three of you have been a great wealth of information. I'm not usually on this committee, so I'm catching up fast here, but I feel you've done a really good job of laying the picture out there, so to speak.

I did notice, Wendy, when you were speaking and you talked about private investors and the need for that, all three of you—actually, no, it was when Neil was speaking—were nodding your heads, so that was obviously a point of great commonality.

The question I want to throw out there is, in terms of the role of the federal government.... You've spoken about private investors, how important they are, and just moving up the volume. It sounds like you're saying that if we did that, if that happened, other things would flow; there would be greater audience development and there would be better marketing.

The question is, what role should the federal government be playing in order to facilitate that? I know there has been some criticism that this sort of emphasis on audience development maybe is not working. I've been reading some of the briefs of other witnesses, saying that for creating a strong indigenous production industry, the expertise, the know-how, is really important. You're saying it's actually the investment.

So there are really two things. What will cause that investment? If investors are going elsewhere, what is it that will cause them to want to see a Canadian production as a place they want to be, and what role can the government then play to actually facilitate that, either by directly being involved or through other measures? I think that would be one interesting question to address, if each of you would like to take a crack at it.

**Mr. Andrew Ooi:** One of the most important things is, as Wendy said, the German system, where investors can actually invest in funds that are tax-driven. One of the funds over there, the academy film fund, is actually inheritance tax-based. It takes seven years; you put your money in there, they take a portion out to invest in film, and the rest they leave in the fund. Over time, through interest rates and wise investments by the banks that are running it, it goes back up to 100%. Meanwhile, they have a portion of that money they can use to invest in feature films. The investor is secure in knowing that what you may have put in, let's say \$1 million today, will still be \$1 million seven years down the line. You can give it to your son or your daughter free and clear of all inheritance and capital gains taxes, but what you've done is you've left a portion of that money available for filmmakers to use. That has been very helpful in the German system.

I also happen to know a number of individuals who want to finance films in Canada, but they don't because they would rather finance American films. If you have an American film, to them there's a bigger likelihood of it getting seen. There's this thing about Canadian films being boring. I find a lot of Canadian investors tell me Canadian films are boring: "Why do we want to invest in Canadian films? Why don't you give me something that's more hip and that audiences want to watch today?"

• (1620)

**Ms. Libby Davies:** We've heard, though, that there are great success stories.

**Mr. Andrew Ooi:** There are great success stories, yes, but they're few and far between. To me they're few and far between, again, because there's no critical mass.

**Ms. Wendy Hill-Tout:** Since you speak of the German funds, which I'm familiar with, they're a tax deferral scheme, as you mentioned. I don't think they're all the same, but for the ones I've accessed, basically it's that people are almost deferring paying their tax for seven years until they retire and are going to be working at less of an income level. That's the basic concept of it, when their taxes won't be so high on that income and they get to basically defer that taxation for seven years. That's why they have to have the copyright for seven years, because there are all kinds of tax rules around it.

The German system is very good. I want to say one thing about the German system, one caveat. They made one critical mistake, and this was that they didn't say you had to spend any money on German elements, and there's been an uproar. I think they're changing that, and I'm not sure what will be the fallout of it, but they ended up financing a lot of American films. They're basically paying for Hollywood films in many cases. They certainly finance some German films as well, but it didn't have the benefit that they really wanted to the German film community.

It's very easy to do that because you just put a spend-allocation to it; you have to spend 50% of your budget here, or 30%, or whatever it is. You give a percentage, like the U.K. does. The U.K. also has a tax.

To answer your question, very clearly I think to attract investors you have to mitigate the risk. There's only one way to do that at the moment, and that's to give them some kind of tax writeoff or whatever it is so that they're not risking their shirts every time they go into a film. You have to set up something where they get some benefit, just like they do in oil and gas and mining, where they have a flow-through shares thing that I'm familiar with in Alberta. I know I've heard some people suggest the flow-through share arrangement in terms of films would be interesting, and I don't know enough about it to say so, but I know that's been studied and looked at.

In the U.K. they have what's called a sale and leaseback, which is like leasing a car. They're co-leasing a film for a whole bunch of years—just to explain how that works. I think that's very successful, and they've found it to be very successful. A lot of investors have invested in it, and they're continuing that program. They're changing one of their other ones, but I think that program could really work here.

What's neat is that it would really help the cultural films too, the art films, the Denys Arcand movies, the Atom Egoyan movies, and all the rest, because they could maybe access cultural money, but it's so hard to find 100% of the budget of the film. You could get maybe another 20% in private investment—possibly.

I think it should go hand in hand with not just allowing an investment in film but in allowing an investment in the marketing of the films, because that's where you want to get to that fifty-fifty ratio. In this country it would be nice to have a ratio of ten to one on marketing, but you want to attract that marketing money too, because if you want a film to get out there, you have to market it. People have to hear about it.

I remember my first film playing in a Cineplex in Toronto. There must have been 16 theatres, and there was this little, tiny Canadian film that I think I made for about \$500,000, that nobody had ever heard of, believe me. I went to the marquee. It had 15 films made by Spielberg and others, and me. I can tell you that there was not a big audience there, and there was a reason. You have to put marketing in.

I think if you set up a system where you just put it into the making of the films, it'll help, but you're not going to get the results you want. I think you have to also allow some kind of investment in marketing, even if it's a reduced investment. I think that's how you have to do it. You have to do it as some kind of tax something, and they'll do it.

As I say, the interesting thing in the U.K. is that they're cutting some of those now and they're still coming back, investing in film. I think it's because they did get an appetite for it, and it's like they have their things they invest in and they want to put a little bit into film over here still. So it doesn't have to necessarily be forever.

•(1625)

**Mr. Neil Campbell:** If Wendy doesn't know much about it, I know even less, because in exhibition we don't have funds to go to for financing. But everybody I've talked to on this topic agrees that is where we have to be going. Wendy's right that we have to get enough money, and it's not going to be government money. You can't keep doubling and tripling. You have to go out and find the money in the marketplace to grow the critical mass, because the statistics are that out of ten films, seven lose money, two break even, and one makes money. I've been in the business for three decades, and those numbers have never changed. So unless you have a critical mass out there, you can be sitting in that zero to seven pile a long time before you hit eight and nine—and then you pray for a ten.

As a distributor, we used to pray for tens all the time, because the one that made money paid for all the other films we handled. You need to have a cash cow every now and then, but you need to have a critical mass large enough that you're going to hit them. As Wendy says, when you're doing one film every three to five years, you can be waiting a long time until it's your turn to win.

I want to make some corrections here. From this morning, Gary Burns' films have always found theatres across the whole country. I used to handle Gary's films. They played in every major centre across Canada, and they have been in the film circuit.

Second, the exhibition chains in Canada are all Canadian, except for Famous Players, which is up for sale. I'm guessing in a month or so we'll know who will own them, and it may be Canadian.

On empty theatres, we hate them as much as anybody else, but when you have a licence agreement, whatever the film is, and you've guaranteed that you're going to play it for this long, if the picture falls down we get into heated negotiations to break the licence to get the film off to move on to the next film. But the last thing we're going to do is pick up a film on a Monday to throw it in cold for Friday. That's committing suicide. You cannot do that, and we won't.

The last thing I want to clarify this morning is on *Saint Ralph*. Everybody liked to talk about *Saint Ralph* this morning. I made a couple of calls, because we played *Saint Ralph* and it was handled by Odeon Films, which is a well-known, well-respected distribution

company in this country. They played that film for exhibition over a year ago here in Vancouver at ShowCanada to all the exhibitors who were at the convention. The movie came out this past April.

They did a terrific job marketing it, because we did two word-of-mouth screenings, plus two promotional screenings in our theatre in Calgary just to make sure...we knew the film was there, and everybody liked the film. We opened the film and squeaked three weeks out of Calgary and three weeks out of Winnipeg. We got two in Kelowna, one in Abbotsford, and one in Kamloops. You people all loved the film.

I'm not going to say the film should have been on TV, but that's where you all saw it, wasn't it? You didn't see it in a theatre. I'm just saying that even when you do everything right, there are no guarantees.

**The Chair:** Thank you.

Mr. Silva.

**Mr. Mario Silva:** Thank you for the presentation.

We've all heard similar concerns and themes. But before I actually ask a question, I want to clarify one point Wendy made. She mentioned that in France there were 500 feature films in one year, yet one of our witnesses earlier this week mentioned that in the U.S. there are 400 feature films a year. Does that mean France actually makes more feature films than the U.S.? Was the information correct that we received this week?

**Ms. Wendy Hill-Tout:** Is the question whether France makes more films than the U.S.?

**Mr. Mario Silva:** Yes.

**Ms. Wendy Hill-Tout:** I don't know the statistics in the U.S. The surprising thing to me was when I heard that the majors only make 150 films a year, which isn't very many.

**Mr. Neil Campbell:** In the United States there are approximately 400 films made a year. The majors make usually less than 200. About 200 out of the 400 actually get played. India produces way more than that.

**Mr. Mario Silva:** I realize that.

I was really surprised to hear that statistic, so I just wanted to get it clarified before I asked my question.

We've all heard similar things about the need for scriptwriting, the need to invest more in marketing, because it's not just about investing, but where do you put those investment dollars? It seems to me that to put all of it into production, zero into marketing, zero into a trailer, and no sort of incubator or network set up for scriptwriting presents major challenges. We recognize those problems because they've been raised before.

I want to engage Andrew in this discussion about minorities. I like to call them the cultural communities of this country, which I am from as well, not having been born in this country. Toronto is a perfect example of a city where 50% of the people were born outside this country. I think that is the trend of Canada, the new faces of Canada, people from all over the world. It's what makes it so great and so diverse and so beautiful.

You're right. These individuals from all over the world are not also being shown in our movies and in the films that are being distributed. There's a very good talent pool out there, and how to get those communities is so important, to engage them.

We in Toronto have done a great job in promoting a lot of different film festivals, from the Jewish Film Festival to the Italian Film Festival, to the Inside Out Lesbian and Gay Film and Video Festival. There are all these niche markets that we're targeting that have had great success. So I think that's one way of approaching it, but I think there's a lot more that needs to be done.

You're right. It's not just the films. It's things like the CBC as well. It's all the institutions that we fund as well. We look at the bureaucracy in Ottawa, and I can tell you that the bureaucracy in Ottawa does not reflect even a small image of what Canada is all about. It's a pretty homogenous crowd out there in Ottawa, and they're the ones making the decisions about the cultural institutions of this country.

• (1630)

**Mr. Andrew Ooi:** I agree with you. There's definitely a lot more that can be done about diversity. I remember when I sat at a CRTC hearing, when I was testifying on behalf of CHUM as it was trying to get a licence for Vancouver, I looked at the members of the committee, and they were all middle-aged white WASPS. No offence, but sitting here, it's the same thing. That's what I see.

I also think the ethnic communities need to stand up and speak out. That's why I'm here today, in hopes that what I say can be representative of what they want. There are so many talented people out there. The film festivals are great, but the film festivals are only there for such a short period of time.

At the gay and lesbian film festival in Vancouver or in Toronto, it's the same thing. It's always crowded. You go there and you can never get a ticket, because everybody wants to watch these films but there are never enough seats, and these films are not regularly programmed for the audience they're after.

It's the same thing if you go to the film festival in Vancouver. The Dragons & Tigers series is one of the most popular in the film festival. It's all about Asian film, whether it's from India, China, Japan, Korea, Thailand, or Singapore. It's just amazing to see the people who line up to watch these films, because they know or they feel that if they don't watch it now, they'll never get to watch it again. Some of these films are beautiful, and some of these films are made by Canadian directors who are naturalized citizens, but you don't know about them, that they're Canadians.

It really bothered me that when Donnie Yen, who directed *SPL*, was in Cannes, everyone said, "Oh yes, he's a Hong Kong director." Wait a minute. He's also Canadian, but nobody knows that.

**Mr. Mario Silva:** Was the actor, Chang Tang, in the movie *Water*?

**Mr. Andrew Ooi:** *Water* is a film that Deepa Mehta just made. Hopefully, it will screen later this year and will open in Toronto. That's what I'm hoping for. Our client Lisa Ray is in it. It took five years to make. I think it's going to be a beautiful film about India, about the problems that India has faced. It's a story that needs to be told, and I'm glad a Canadian director is directing this project. The thing is that Lisa is so well-known in India—she's among the top 10

most popular Indian actresses, it's my understanding, and India has 1.08 billion people, I think—but Canadians hardly know about her.

Christy Chung, a very famous Hong Kong actress who moved to Beijing, is considered the sexiest woman in Asia by FHM readers—if that's any measure. Her film *Samsara* has won numerous awards. She's Canadian. She's the first North American actress to star in a TV series in China. It's called *The Beauties of Jiang Hu*, which will open now in September on CCTV Channel 8 on prime time in China. Expected viewership is about 770 million people.

*Corner Gas*, based on the figures that I have, pales in comparison, given that China has a much larger population. In Canada, you have *Corner Gas*, you have *Train 48*. The share of the Canadian audience aged 2 plus from January 3 to June 7 for *Train 48* was 189,000, averaging many episodes. *My Fabulous Gay Wedding* had 363,000, based on the premiere episode—I think it was just last week—which is amazing; *Corner Gas*, 1.232 million, based on many episodes; *Canadian Idol*, 2.1 million, based on four episodes.

You have an actress here who's so well-known overseas. Can you imagine what would happen if she was in a Canadian feature film and you put the marketing dollars behind her? You already have a built-in audience over there. If you can build an audience in North America and Canada for her, no offence, but it's a cash cow.

• (1635)

**Mr. Mario Silva:** All right. Thank you.

**The Chair:** Thank you.

Mr. Schellenberger.

**Mr. Gary Schellenberger:** I know it takes a great script to have a great film. I also know, sitting around the table...I was in the decorating business for 40 years, and what used to get me was to be asked to go someplace and the people would proceed to tell me how they wanted the place decorated. Of course, that was great, but then when I came back and told them what was wrong and how it should be done, they told me I didn't know what I was talking about. I've taken to heart today the various things that have been said.

I know there's one great thing that keeps coming back and coming back, and that's the idea that you've got to have a business plan. A film should not be started without knowing who your audience is going to be and how you're going to promote it. I think promotion is a great thing. I've said this over and over again, and I hear it; you can produce the greatest film with the greatest actors and actresses and the greatest production, and if it doesn't get promoted, it goes into the archives, and no one ever sees that great film.

I know the situation the theatres have. It must be a daunting task to try to pick out those right movies to bring those people in. I know that when we talk about trailers, it's got to be devastating if you see something that's a good movie, and then when they come to promote that movie, there's not a trailer, or there's not a sign to go up on the window, to go along with it. You're defeated before you ever start.

One thing I heard today—and I don't know, again, whether this is right or whatever—but someone said that in Calgary, and I forget which theatre it was, when *Star Wars* opened or first came in it was on 12 screens. Did I not hear that today?

**Mr. Neil Campbell:** You heard it, and it was wrong.

**Mr. Gary Schellenberger:** Okay. Because I was thinking that if it was on 12 screens and everything was full that first day or that first time right after release, and within a week it was down to 10% per thing, couldn't you then gradually cut screens back and maybe promote something else?

Would part of your strategy be that it would get cut back—even if it were on two screens or three screens—as time went on to let something else happen on some of those other ones?

**Mr. Neil Campbell:** You're absolutely right.

The Paramount in Calgary—which is the biggest theatre in Calgary—I'm guessing would have probably started off with six prints of *Star Wars*. Depending on the success, week two could have been five, then four. It would probably get down to no less than two, which would run them about eight weeks. They would make that decision on Monday based on the weekend gross.

We opened three prints in Brandon, fully expecting only two prints would be there by week three. The picture has received such strong legs in Brandon that in week three the third print was still holding, which caused us to get into a fight with another distributor, who said to me, “In your nine-screen complex, I'm your tenth choice”, and I said “Yes, you are.”

Call it poor planning. Who would have thought that in Brandon it would have the lowest drop of any theatre in all of Canada?

Yes, that is part of the marketing. We're going to go out with more than one print of *Batman* in locations where we can, but that second print doesn't get the same run as the first print, and you stagger your screens to make sure you're maximizing the capacity every week.

• (1640)

**Mr. Gary Schellenberger:** We are a multicultural society, and dubbing has been one thing that has been talked about.

I know last week when we talked to the representative from the CBC French network she said she doesn't like dubbing. She likes scripting across the bottom. I like dubbing because even if I'm starting to fall asleep through it, I can listen for a while until I do fall asleep.

I do know it has to be an art. I know it's a very specialized art to get the lip sync working. We've met with some people that are dubbers, and sometimes dubbing is taken from this country and maybe done in France or in some other place.

Would that not help in some of our multicultural things, to dub some of those, or dub more films? But I guess if they're not produced there's nothing to do, is there?

**Mr. Andrew Ooi:** I think in the first place, dubbing is one of the solutions of many. For me, personally, I cannot watch a film that's dubbed. I need it subtitled.

A case in point is *Crouching Tiger, Hidden Dragon*. I was appalled when I watched it. I saw it in cinemas. I saw it in Toronto when it premiered, when it opened at the festival, but then I also watched it on the plane one day flying somewhere—I cannot remember where—and it was dubbed. Every person in that scene where Zhang Zi Yi was fighting in the tea house had a different accent.

There was one dark guy and he had a black voice and there was another guy with a big beard and he had a German voice and a German accent. It just totally threw me off.

I grew up reading subtitles. I came from Singapore, where you have programming that's in English, and at the bottom you have subtitles in Chinese, or you watch a program in Malay and it's subtitled in English, or Tamil and it's subtitled in English. I grew up reading subtitles, and maybe that's just me.

I have also spoken with some people and they like it dubbed for the exact same reasons. I think it's one way of getting it seen by a bigger audience.

The other way of doing it is one thing I'm experimenting with on a possible film we're producing. I produce film as well. It's probably doing two versions. For a film that we want to shoot in English and Chinese, in Mandarin and English, where 40% of the dialogue is in Mandarin and 60% is in English, what we would do is—because you have very well-known Hong Kong stars, you might dub that 60%—because the actors are bilingual, have them do two takes, one in English and one in Chinese, so that it can be released in both territories.

I don't know. It's an experiment we're going to try. We'll see if it works.

**Mr. Gary Schellenberger:** On flow-through shares, I guess there's no one who really understands it there, because the first I heard about it was today. I don't understand it, but I am very keen. I think what this committee has to do, and I would hope we can do, is fulfill what you hoped was not going to happen—that we would sit here and listen and then tell you how it's supposed to be done, or do nothing. So I hope, as we put our whole paper together, we can be successful.

As we've met across the country there have been a lot of things that I've learned, and I'm hoping.... You can't just keep throwing money at it. We're bad for that, and I think that's the thing that can be the worst. If there's a problem, the problem should be fixed. And I think that can be done.

Again, when you're talking about some of the financing, there's.... As you said, in Germany even, they made a mistake; they missed one thing. They forgot that it should be for German films, or the bulk of it.

So those are the ways we have to put things together here to make sure it helps the industry, that we don't hamper it. We should make legislation work with the stakeholders, not against, and that's what I'm trying to do on this.

I think those are all the questions I have right now, Madam Chair.

• (1645)

**The Chair:** Monsieur Lemay.

[Translation]

**Mr. Marc Lemay:** Hello. Let me begin by thanking you. For the sake of expediency, I will ask all of my questions now. My first one is for Mr. Ooi.

I would like you to explain the following sentence, which is in the second paragraph of page 2 of your brief, and reads as follows:

My suggestion and argument is simple. Set aside a sum of money, and put it into marketing a specially selected group of actors, of diverse ethnicities, for all markets.

Perhaps this is a poor translation, or maybe I didn't quite understand it. Whatever the case, I would you like you to explain what you mean by "marketing a specially selected group for all markets".

As to my second question, I would like to know if your actors, who are well known in Asia, are just as popular in their respective cultural communities here in Canada. You showed me photos of some of them, but I must admit that I am not familiar with a single one. I have not heard of Ms. Ray, but I would like to see her appear more often in Canada. Do these people ever travel to this country? Do their respective communities organize autograph sessions, for example?

Mr. Campbell, you share my opposition to quotas, and I hope that you will shout it from the rooftops. I agree when you say that having quotas that would force theatres to run only Canadian films at certain times would create a ghetto effect. I am against quotas, so we are of the same mind on that score.

You represent Landmark Cinemas of Canada. I would like to know if it is possible to run more previews for Canadian films in your cinemas. For example, there is the film called *Saint Ralph*, which we have seen, *Les Invasions barbares* and *Le Survenant*. I am not asking you to increase the number of screens, which would really be dreaming in technicolor; I would like to see you run the trailers more often. As was the case for *Star Wars*, episode III, the public would be made aware of upcoming films and advertising could begin.

Ms. Hill-Tout, you will have to meet Ms. Robert. The two of you could have a serious chat about funding. I know that we don't have enough time now, and it would be too involved, but I would like to know if it might be possible to provide us with documents or studies. You seem to be well-versed in the matter of co-production agreements between Canada and Germany. A question came to mind when I was listening to you.

• (1650)

You mentioned the assignment of lease in the United Kingdom. I would like to know how that works.

I would be happy to tell you all about flow-through shares. I come from a mining region where flow-through shares were very important for exploration. I think we should try to see if the same thing could apply to film-making. I am very familiar with this.

I would like to hear what you have to say about that. I don't want to go into too much detail about the way things operate in Germany, and the mistakes that have been made. However, if you have studies or legal texts, I would appreciate it if you could send them along to us to complete your report. I believe you mentioned section 43 or 48. I may be mistaken, though.

I know that you have done a great deal of work in this area. You are doing the same type of thing as Ms. Denise Robert, whom I know well. You are geniuses when it comes to understanding how to work with the Germans, the Irish and the French. If you have

something to provide us with, I would very much like to have it in writing.

I would like to hear what you have to say about assignment of lease, so that I can better understand how it works.

Those are all of my questions. I'm not sure who will go first.

[English]

**Mr. Andrew Ooi:** Mr. Lemay, thank you so much for your question.

The first question is about setting aside a sum of money to market a specially selected group of actors of diverse ethnicities. I'm suggesting the creation of either a marketing fund or a scholarship focusing on well-established and experienced actors who are known throughout Canada as having talent, putting some money aside, say \$50,000 or \$100,000 per actor, and using that money to hire a publicist and a marketing team to sell them in the films they're in. That's what I meant.

By diversity, I don't just mean ethnic actors like Christy Chung, Lisa Ray, or Harbhajan Mann, who's considered the king of Punjabi pop. I'm talking about French actors, or Czechoslovakian actors who are very well-known in Czechoslovakia, who can translate and cross over the cultural boundaries and work in Canadian feature films. There's nothing to say that the lead role in a Canadian film cannot go to an Asian actress, unless it was so specific that it had something to do with the background. But let's say it's a film set in Toronto, where the lead is a doctor in peril trying to save her boyfriend—I'm just coming up with a story I did. There's nothing to say she cannot be Asian, Indian, or half Indian.

I'm saying you put a fund together and have a certain amount of marketing dollars set aside to help market these actors—let's say part of the marketing fund from Telefilm, or something like that. In return, the actors would sign an agreement saying they've accepted the \$50,000 or \$100,000 for marketing their name—call it "the Actor's Name Incorporated". You'd put it into that company, and they'd have to fulfill the requirements of that \$100,000, if and when they became big.

It's competitive, but at the same time it's also a gamble. There's a higher chance that this gamble would pay off because they would already be known in their own communities, and people would want to watch the films they were in. They would sign an agreement saying they agreed that if you put \$50,000 or \$100,000 into marketing them, they would do three or five Canadian feature films down the line, within five years. Even though their fee for an American production might be \$1 million or \$2 million per film, the actor would have to work for a pre-negotiated rate, say \$100,000 or \$200,000—something more reasonable for a Canadian film's budget. That's what I was thinking of.

Does that answer your question?

• (1655)

**Mr. Marc Lemay:** Yes.

**Mr. Andrew Ooi:** Great.

Also, in answer to the second question about these actors, yes, they're well known in Asia, and yes, they are also very well known in their own communities here, very well known.

Chang Tseng, for example, who was in *Long Life, Happiness & Prosperity*, has 60 years of experience in Asia and China and Hong Kong. He's a well-known actor over there. He comes here, he's known. You walk down the street with him in Richmond or you go to Toronto, and people recognize him. People stop him in airports to get his autograph or to take photos with him. It's the same thing with Christy Chung. If Edison Chen from Hong Kong were to come to Vancouver, the same thing would happen.

SUCCESS, the organization that helps new immigrants come to Canada, has a fundraiser every year near Chinese New Year, and they fly in well-known Asian stars to perform. They raise millions of dollars each year. Edison's name would add value to it because people recognize him. People clamour for him. People will chase after him down the street. He has to wear dark sunglasses wherever he goes, for that simple reason.

Yes, they're all very known in their own communities here within Canada, and not just in Canada, but in the U.K. and in the U.S. as well.

I hope that answers your question.

**Mr. Neil Campbell:** Well, Marc, you've asked a fun question again. Would I give up more screen time for trailers? The more successful a film is going to be, the more I want to ensure that the trailers are onscreen, but I've got a limited amount of time before every movie to program those trailers. So the trick is to figure out the right trailers on the head of the films.

For *The Barbarian Invasions* we played the trailer in almost every one of our theatres, because we felt that film had a chance of moving outside the major centres and going out wide, which it ended up doing. We played it everywhere.

The trailers for *Saint Ralph*—I'm not sure exactly what the availability was, but we would have only programmed them in the major centres to get the initial run because it wasn't going out wide. It wasn't going out in Canada with 400 or 500 prints. It would probably have gone out with 20 or 30 prints.

You're going to work on print availability after the movie opens. So you've got the luxury and the time to make sure the trailers are going to be where you want them to be, where the film is going to follow. There's no point having trailers playing in Whitehorse if the film is never going to play in Whitehorse.

**Ms. Wendy Hill-Tout:** I can speak to the questions about the section 42 and section 48 lease-back and private financing schemes in the U.K. It might be best to get an auditor from the U.K. to explain it in simple language and send in a page or two that explains exactly how it works.

On the lease-back itself, usually what you get net to your budget is between 12% and 15%. It's like leasing a car, only they're leasing a film for 15 years. The producer has to keep the account open in the U.K. for 15 years and file financials. It's like they're renting your film, using a rental system. But I know they could explain it much better than I can.

There were two separate things. One was called a sale and lease-back. The other one, section 48, is like a private tax incentive. In the U.K., you used to be able to put the two together and you could come up with up to 42% of a budget of a film, which is a sizeable amount. They've cut what they call double-dipping. They clamped down on that last year, so now you can only do one or the other. They felt they were spending too much or giving too many tax incentives. So they cut it back. Now you can do one or the other, and they're both set up differently. But I would be happy to get someone in the U.K. to write it up and submit it.

Concerning the flow-through shares, I sit on the Film Commission Advisory Council in Alberta, which meets in the legislature every couple of months. The producers there have been pushing for something private, and they were looking at a number of alternatives. Someone looked at the whole flow-through thing, and it was presented to the Alberta government. Then we discovered it was actually a federal thing—the whole oil and gas flow-through system. You can imagine why Alberta came up with this, because that's what we have in Alberta, and it's worked very well. So I think it's an interesting model. I don't know enough. You know far more than I do about it.

There were a couple of other private things we were discussing. There was one thing I forgot to mention, a new thing coming out in the U.S. It's interesting about the 400. It is shocking that they only make 400 films a year in the U.S. You know why? I was shocked that the studios were making about 150. It's not very many for all those studios. But there's not a huge independent industry, and part of the reason is that they don't have any incentives.

There is one coming out next year where you have to spend 75% of your filming or your shooting money in the U.S., but there's a private incentive. They've been trying to keep more films in the States. One of the solutions is the tax incentives, locally. They've also come up with this bill where they're having a private incentive. I think it's going to be huge. It's been very European-driven in the past, with some of the tax funds. That's all about to change.

We were talking today about Canadians going down to the U.S. to film. I'll tell you why. It's because of the new private incentives coming in, in the U.S., which require you to do the bulk of your filming there. But it's going to change the face of U.S. independent filmmaking, because they're going to be able to access private financing on their films and not just go to the studios. I don't know enough about this, because it's brand new. But I will get a document on that as well. It's another private incentive that should be looked at. Just let me know where to send the stuff.

• (1700)

**Hon. Sarmite Bulte:** Thank you all for coming.

Mr. Campbell, congratulations on your success in promoting films in western Canada.

I've been a big supporter of the Toronto international film circuit and I'm delighted. I knew there was a partner around here, but I didn't realize it was you. So congratulations on that.

I find it refreshing. I keep saying to the researchers this is the first time I'm hearing about the sale and lease-back. You said section 42 and section 48 of what U.K. legislation? What's the name of the legislation? Is it a tax act?

**Ms. Wendy Hill-Tout:** It's a tax act. It's all done by Inland Revenue, which is the same as Revenue Canada there.

**Hon. Sarmite Bulte:** All right, so that's the tax act. The flow-through shares, it's the first time we're hearing that. It's not the first time I'm hearing about the German financing, though.

Actually, I was at a law society seminar presented by the entertainment lawyers in Ontario, where they talked about the German model. The question was whether or not.... The lawyers are trying to find a way to be able to assign your bare copyright and then still keep the right to control and the right to produce. I know that was being a bit contentious, but they were looking at ways to go around that loophole.

My understanding, however, is that you are still not precluded from getting money from Germany. It just means that you don't qualify if you assign your copyright to the Germans, and you don't have the right to apply for Canadian funding. Is that correct?

**Ms. Wendy Hill-Tout:** You get tax credits if you do films here. We actually did a film that was a precedent case in a way, in that we were able to get it through the CRTC. It took eight months. I had to show control, that we had control on every issue. I had to send them e-mails of the things like where they approved the casting. They really were just a financier. It was great. They had the money in the bank two months before we filmed. This never happens in Canada. We had to take it through and build a legal case, and it cost us money to do that. We actually got it through the CRTC.

I don't know if one has been done since, but we did succeed in getting.... We had to use the FSTC, the foreign services tax credit, but we got Canadian content because we had licences in this country, so we were very concerned about losing those, or about the financing that we'd already gotten from Canadian broadcasters in it.

That did succeed, but at a co-production level, they're not allowing.... I've had conference calls with Robert Soucy from CAVCO because co-productions are under CAVCO, and with Revenue Canada with the person who rules on all of this. What we decided—I was on the phone with Michael Prupas from Montreal with Muse Entertainment Enterprises, who used to be an entertainment lawyer—was that the only way for us to do it would be to take it forward and build a legal case, which would maybe cost us about \$35,000, or more, and it would take at least three months. I'd almost be willing to do it, but the problem is financing is so hard to get. When you're putting \$20 million together, it all comes together and you can't wait three months, because when you do that all your tax money has deadlines—you have to spend it by this time, shoot it by this time, deliver it by this time—so you're out. I'm not sure if I'll

take a case forward, but they said the best thing to do would be to do that.

It has to do with the fact that in Canada, Revenue Canada sees control in terms of who owns the copyright, even though copyright actually means nothing, because it's really who owns the back end that actually means something. What's curious is that the U.K. defines it so that with the sale and leaseback they have to have the master negative, and what happens is we get a dupe negative that comes to Canada. They define control by who owns the master negative. Actually, in effect, none of those things mean anything. It's really not about control at all.

In a legal argument, I have talked to some of the lawyers in Toronto as well, and I know the co-production office even wants to change this and open it up, but I think it will be a while in coming.

● (1705)

**Hon. Sarmite Bulte:** But I think there's an opportunity to even study it, to have a study done, by the finance department at this point. Because what they talked about is if you assign the bare copyright and you keep the copyright that has the right to compensation and the right to control your production, and it's dividing that up. So I think there is a possibility that we're moving into a new area of law, and while maybe it's not worth you testing it, the department itself could study something like that.

I want to reiterate Mr. Lemay's request not just to speak to Madam Robert about all these things but to get the sale and leaseback so we can look at these alternative ways, and also how the funds are set up and what is required from Revenue Canada, as in the federal government, to establish those sorts of venture funds, and whether this is something we should even consider doing through a vehicle such as BDC, which is set up for venture capital purposes.

Very quickly, I want to touch on two other things. You said, Ms. Tout—or maybe it was Mr. Campbell—when you talked about how do we bring in private financing, that maybe when we brought in the tax shelters, the industry wasn't as mature. The problem with the tax shelters not working was because the middlemen were there, and that was.... So it wasn't a perfect system. I think we should admit that and move forward, because I don't think there's any hope of ever getting those tax shelters back.

**Mr. Neil Campbell:** Exactly. The original model, we all agreed, didn't work; however, there is a model out there that should be and could be reintroduced to bring back that financing, because it cannot sit on government's back.

**Hon. Sarmite Bulte:** I agree.

Mr. Campbell, I also was quite interested when you said one of the things you do is find out whether there's an audience. How do you determine that? Based on your expertise, what makes you decide if there's an audience?

You also talked about release patterns and when a movie should be released. What is quite interesting too is when books should be released. They should be released before the Giller Prize and then before Christmas, because there's a plan in place.

It was interesting that you noted you've released *Les Invasions Barbares*. I thought, well it's a movie too; I saw it at the film festival, just before the Academy nominations. Now again, that's an interesting decision: why before the Academy nominations? Did you even consider putting it before the Genie nominations, or does it automatically fall within that envelope? I'm talking about the collective you, when you talk to all the players. Or what about the British Academy? They have their awards. Does the international—

**Mr. Neil Campbell:** Nothing is bigger than the Academy Awards. The Golden Globes are number two, but it's the Academy Awards that are the money-maker. When you put on your advertising that you are nominated for four or ten or eleven or twelve awards, suddenly you become a household word. That's the trick; that's what you have to do.

• (1710)

**Hon. Sarmite Bulte:** That's reality.

**Mr. Neil Campbell:** That's reality, yes.

I have a question. As Mr. Lemay said, is there anybody here who's not sure of my stance on quotas and levies and why we have that stance?

**Hon. Sarmite Bulte:** No, we're not even going there.

**Mr. Neil Campbell:** Okay, good. Thank you.

**Hon. Sarmite Bulte:** Thank you.

**The Vice-Chair (Mr. Gary Schellenberger):** I guess this is going to wrap up this part of the session.

I thank our witnesses very much for being here today. I appreciated everything I heard here today. Thank you very much.

We'll take a five-minute break. Then we'll prepare for our next witnesses.

• (1711) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1724)

**The Chair:** Order, please.

First of all, I have an announcement to make.

Committee members and others have now met Sam Banks' parents. I have decided we are formally dismissing her for the evening so she can go and enjoy a nice dinner and evening with her mom and dad. So bye-bye, Sam.

Our final witnesses for the day, as individuals, are Mr. Thomas and Mr. Wry. Welcome.

You're Maple and Palm Productions?

**Mr. Dave Thomas (President and Owner, Maple and Palm Productions, As an Individual):** I am, although—

**The Chair:** However, Mr. Wry's first on the agenda.

What we have been encouraging everybody to do, if you've given us a brief, is please not repeat it. We all know how to read, and most of us have read. We really would like more opportunity and more time for a back-and-forth discussion with you. So just highlight what's really important, especially any recommendations you have.

• (1725)

**Mr. Nic Wry (As an Individual):** David and I are here as a team.

**Mr. Dave Thomas:** Why don't we just start the discussion. Then, in view of the fact that it is late and you've been here a long time and are looking forward to your dinner, I'm sure, and nobody wants to be here till eight o'clock listening to us pontificate about the Canadian film industry....

**The Chair:** You open up the discussion, then.

**Mr. Dave Thomas:** Very good.

Nic and I did a movie a couple of years ago, funded by Telefilm in part to, I believe, their maximum contribution. It was about a \$5-million comedy called *Intern Academy*. The movie is a good test case, I think, for the kind of stuff you're looking at here today, because it's not an art film and it's not a documentary.

Everybody knows Canada knows how to make good movies. The Academy Awards have acknowledged that with their awards for National Film Board movies. That's not a question. The question is, how do you sell these movies to Canadians and get them to come out?

I don't think quality is even an issue, if we take the American movies as a model. The Americans have learned how to sell any crap they have at the highest level, with maximum marketing support, and be effective and have people come out to see their movies. Even though they're bad movies, are reviewed as bad movies, acknowledged by the audience as bad movies, they go anyway. Why can't we do that? Why can't we have people come to see our bad movies? It really boils down to marketing, and you've heard that ad nauseum.

Ironically, you have in my opinion two links of a three-link chain in place. Through Telefilm, you give money to the producers to make their movies; through Telefilm you give some money back to the distributors to reimburse them for their distribution costs; and then you give no money to the exhibitors who actually show the movies, so the movies get kicked out after two weeks. That's where the whole thing falls apart. Why even bother with one and two if you're not going to follow through with three?

That's where the problem is for Canadian movies: theatrically, at the exhibitor level. How do you keep the movies in the theatres?

I want to urge you that quality is not an issue; the Americans have proved that. They can sell any movie and have the people come out in droves. The real question is, then, how you can effectively market it. I'm not proposing to have all the answers, but at least in assessing the problem correctly.... And just to allow you to catch up, two links of a three-link chain are in place: Telefilm gives money to producers to make their movies; they give some money to distributors to reimburse them for their distribution costs; they give no money to the exhibitors who actually show the movies, and that's where the whole thing falls apart. Canadian movies are kicked out after two weeks.

By the way, all of this needs to be prefaced, as you've heard from everyone else who has presented, "except for Quebec". Quebec isn't part of what I'm talking about. They support their own.

**Mr. Marc Lemay:** Quebec is different.

**Mr. Dave Thomas:** They appear to support their own movies.

We produced a movie, a \$5 million comedy. We had sufficient names for the public to be interested enough. We had Dan Aykroyd from *Saturday Night Live*, Dave Foley from *The Kids in the Hall*, Matt Frewer, and so on. The movie we did was a teen movie, and if you take *American Pie* as an example, which only had Eugene Levy and then a bunch of unknown kids, there should have been a way to sell this movie to the Canadian public.

But TVA, who are our distributors, spent \$250,000 in television. I don't know what their total media commitment was, but their marketing commitment was somewhere around \$750,000; that's what they tell us. Now, \$250,000 in television, I found out, is nothing, because one 30-second spot in Canada for *The Simpsons* is \$12,000 or \$14,000. Do the math. You do 20 spots and you've blown your whole budget.

The way the Americans market their movies is they absolutely bombard the market they're going for with massive advertising. We can't match that, so we have to figure out a way somehow to make this effective, where we can sell our movies to Canadians and get them to at least know they're in the theatres.

Neil from Landmark Cinemas said my movie was a non-event, meaning nobody knew it was in the theatres. If your audience statistics are that after the first weekend the actual box office statistics drop off, then people didn't like your movie, but if nobody comes the first weekend, if your first weekend is a non-event, then nobody heard about it, and that's what happened with our movie.

So \$250,000 for a television campaign for a broad-based commercial movie is nothing. You might as well save the money. You might as well put it in bonds and give it to your children. It is a waste of money.

How do you effectively market this kind of movie in Canada, a commercial movie? How do you reach the public? How do you let them know? Wendy Hill-Tout says maybe private investors, maybe giving them tax breaks. Neil doesn't want quota systems, but there has to be some incentive for the exhibitors to keep the movies in the theatres.

If you're going to fund the producers and the distributors and not the exhibitors, that seems to be a very specific flaw in the thinking of how you're going to be marketing and how you're going to be ensuring the Canadian movies stay in the theatres long enough for the people to find them. The pictures have to stay in the theatres long enough for them to find them. There has to be some way to make that work.

• (1730)

**Mr. Nic Wry:** We did one thing that ties into that. Decima did a survey for us of a thousand Canadians in digital homes, and when asked, have you heard of or seen *Intern Academy*, over 90% of Canadians said they'd never heard of it. They hadn't even seen a reference to it, let alone been bombarded enough that they wanted to go, and that was Decima doing a real survey.

**Mr. Dave Thomas:** Please don't misunderstand this as a post-mortem for a failed movie. That's not what this is. This is a good template for you to diagnose the problem of a broad-based commercial comedy in Canada. How do you make that movie, and how do you get people to come out to see that movie?

Take a look at other movies, like *Without a Paddle*, a terrible movie that did great business, with \$60 million North American theatrically, over \$65 million in home video, and then the foreign will be extra gravy on top of that...TV sales, HBO, and free TV in the States.

I did an analysis of the Lorne Michaels-Paramount franchises. You're probably familiar with that. He spun off a lot of the sketches from *Saturday Night Live* into movies, and typically Paramount capped the production budgets at \$15 million. Now, they would spend probably...they would claim to, at least; this is the great myth of studios, how much they really spend and how much they say they spend. They would usually match that with an equal amount of P and A, so that's \$15 million for P and A and you're looking at a \$30 million total expense for these franchises. I'm talking about things like *Wayne's World*, *A Night at the Roxbury*, and *Coneheads*, all the sketches from *Saturday Night Live* that actually came into movies.

Now, Lorne is Canadian. He's working down there. He's doing well. These movies typically, from all revenue streams, made on average \$105 million, so that means for an expenditure of \$30 million they get \$70 million back—on average; some more, some less. *Wayne's World*, as you know, was way higher than some of the others.

So there is a way to make it work. We're just in a situation here in Canada where we're not, with the system we have in place right now, able to make it work effectively for general types of movies. Again, I'm excluding the art films and I'm excluding the documentaries, which we've already proved internationally that we do with a degree of incredible excellence, so let's forget that.

Then there are always movies like—I don't know if you'd call it an art film, but I suppose it is—*The Barbarian Invasions*. There are always movies that do exceptionally well and nobody understands why. There are so many variables out there for why the hordes, the masses, millions of people one weekend will go here and one weekend they won't.

But there's a business going on in California, a day-to-day, week-to-week, show-to-show, picture-to-picture business, where they have enough success that they can build theme parks and multinational corporations and media corporations that dominate the world. The question is, how do we find a way to at least effectively market our movies in Canada? I don't think we're doing it. My very simple and concise overview is that it falls apart at the exhibitor level.

I know you can't give these distribution companies enough money to market the movies properly, and then there's the policing of that, which is another issue. Nothing you do as a government is going to be 100% effective, because the scammers will always find a way to make money for themselves, to fill out their forms to you, get the money back, and make a profit. They'll do that.

Your mandate is to try to find a way to make Canadian movies more self-sufficient and commercially successful. There has to be some way at the exhibitor level to make that happen, whether you allow tax breaks for P and A funds.... If you can't actually put the money up yourself...and I understand that; you have \$100 million or whatever it is around that for Telefilm's entire budget. We've heard the various people commenting on how that doesn't go very far; that doesn't fund all the movies that could be produced in Canada. That doesn't give us enough of a slate to make a business model that's effective.

• (1735)

So how do you do it? I want to throw this open now. Let's ask questions. Ask us questions. We'll tell you what we think. We've been on the front lines getting shot at by the audience, so we know what it's like to get hit with the bullet. We'll tell you anything we know. Ask us whatever you like.

**The Chair:** Okay. We'll show local favouritism and go to Libby for this round.

**Mr. Dave Thomas:** Why?

**Ms. Libby Davies:** Because I'm from Vancouver.

I'm actually not as familiar or expert as the other members on the committee, because I'm just joining the committee today, I'm but trying to catch up fast here.

It struck me, as I listened to the earlier presenters this afternoon, and based on what you are saying as well, that Canadians are going to movies. Right? We're talking about Canadian movies here. They are responding to the massive marketing that goes on in terms of the U.S. market, I presume.

In relation to what Andrew was saying earlier about Canadian actors who are well known elsewhere but barely known here in Canada, I've been trying to think if there is another place that has a set-up similar to ours.

The size of the market is definitely an issue. We just don't have a market like China, India, or France—or the U.S., for that matter. We have a much smaller market.

What about a place like Australia? Our perception is that they have a fantastic film industry. It's very well known. It has its own character. At least, that's how I perceive it, but I don't know how they're perceived in their own country. I wonder if they face the same kinds of problems we do.

Are we better known overseas, especially when it comes to art films and documentaries, even though we're barely known here? Is there another model we can look at? I'm just curious to know if Australia has developed something that's much different in terms of developing their domestic market to the level you'd like to see here, or are they facing a similar thing—we know them here, but Australians don't know them there?

I don't know. I'm a novice at this, so I don't know. I'm asking if you know.

• (1740)

**Mr. Dave Thomas:** I think you've answered your question yourself, actually.

**Ms. Libby Davies:** I did?

**Mr. Dave Thomas:** You said that Canadians are known for their documentaries and their art films.

Everybody saw *Barbarian Invasions* get an Oscar. Over the years the National Film Board has produced more than one excellent film that has received an Oscar, and that's the international forum for awards.

I think we have to assume that our perception of Australia is probably very similar to their perception of us. They would look at us as the guys who did *Barbarian Invasions* and the guys who did... but that doesn't answer the question of how you actually make this into a business. How do you make it a business that makes money, so that the crews here in Canada can continue to work, so that the actors here in Canada actually stay here and don't leave to go to California? How do you actually make it a business that works?

**Ms. Libby Davies:** From your point of view, is it a greater priority to emphasize the marketing and the development in an international sense, rather than in a domestic sense? Where is that emphasis, again coming back to, say, a place like Australia? I don't know if they have a great viewership of their own movies in that country. I have a sense that they do, but I don't know it for a fact. One has the sense that they're doing a lot better.

Is it our job to actually promote Canadian film and make it more of an international thing, instead of focusing on this relatively small market here in Canada? Should we be going big, and from that perhaps seeing the benefits of actually growing the industry here in Canada? I don't know. I'm trying to sort out where you even begin with this.

**Mr. Dave Thomas:** I don't know the answer to your question, to be completely candid. I think that to promote Canada only in the international market wouldn't solve any of the problems domestically, so I don't know if that would be a good plan. I don't think it would provide enough work for Canadian actors and Canadian crews, and I don't think it's necessarily a solution to the problem. We are already established internationally at a certain level, so why would you want to repeat that?

The point is, all sales are linked, and this is all about sales. So if you have a movie that does well in Canada at the box office, sales agents can take that data to other markets and sell it internationally. So the revenue generated locally is a template that becomes known to everybody. It's a sales tool that allows the Canadian producer to sell his stuff everywhere at a higher level than if it opens and is out of the theatres the next week.

What we're talking about is the failure of the Canadian domestic model with the Canadian audiences. Why aren't Canadians going to Canadian movies? I believe it is about marketing. I don't think they know they're there. There's also some prejudice—certainly in English-speaking Canada—against Canadian movies, based on the fact that historically they have been kind of art films. I'm talking about the mass audience—teenagers. Teenagers aren't going to see some small art film. They want to see the big comedies. They want to see the big action movies, *Star Wars* sequels, and things like that.

We can't compete on that level, but we can compete. That's why I brought up this Lorne Michaels model. We can compete on the level of smaller pictures that are effectively marketed, actually reach our audience, and then become tools for Canadian producers to use for foreign sales and turn into a business.

Right now I think the cap on Telefilm financing is \$3.5 million per film. So let's just take that as 50% of the budget of the most expensive film. Let's say \$7 million is the most expensive domestic Canadian film we could make. That's still enough money to make a lot of good dramas, a lot of good limited-level action movies, and certainly plenty of money to make a good comedy. Then the real problem is that you need a matching amount of money to market it to Canadians, or some mechanism that provides you with the equivalent of that. If you can't put in \$5 million, like they did for *Men With Brooms*.... The few Canadian movies that have had a lot of marketing money behind them....

That CHUM movie—what was the title of it?

• (1745)

**Mr. Neil Campbell:** It was a road movie.

**Mr. Dave Thomas:** CHUM had a teen road picture movie that it released a year ago. They are a giant broadcaster and promoted the hell out of that movie. They made about \$1.5 million domestically, which was a good return for the budget of the movie.

**Mr. Nic Wry:** It was called *Going the Distance*.

**Mr. Dave Thomas:** *Going the Distance* is the name of the movie.

There is an absolute and undeniable correlation between marketing dollars spent and box office revenues. Box office revenues translate into home video revenues. They translate also into foreign sales. They are a good tool to take to a U.S. domestic distributor to get a distributing agreement with the U.S. for a Canadian film.

The revenue model starts at home. You can build a business on these films if you can find a way to effectively market them to Canadian audiences.

Now, if you can't put up \$7 million or \$5 million in marketing money, what can you do? Tax breaks, tax shelters, quotas, deals with broadcasters so that they will get tax breaks for the number of commercials they allow for Canadian-produced products: you know you're going to get scammed on all of this anyway, but if you put enough mechanisms in—well, it's true; it will happen. It's the nature of business. They will find a way around it, to take the government and bleed it, to get the most out of it they can for themselves. The Canadian content stuff years ago for Canadian artists in the recording industry, regardless of the fact that it was scammed, used and manipulated, still had a positive effect on the Canadian recording industry. There is a point where if you put enough mechanisms in place, you can be effective.

In a nutshell, the sum of our little speech here today—and as we said, we'll keep it short—is it's falling apart at the exhibitor level. That is the key. If you can have good Canadian box office results for your movies you can key off that to home video, American sales and foreign sales, and you can create a revenue model that makes the Canadian producer an effective money-making entity that can turn his thing into a business so he can then not do one movie every three years, but three movies every year and be effective.

**The Chair:** Ms. Bulte, go ahead, please.

**Hon. Sarmite Bulte:** Thank you.

I must say, I'm a big fan, Mr. Thomas, and I adore Lorne Michaels. I went to law school with his sister, Barb Lipowitz, about twenty years ago.

**Mr. Dave Thomas:** Then you know his real name. He changed his name for showbiz reasons.

**Hon. Sarmite Bulte:** I think one thing that is kind of unique is that Lorne Michaels went to the States and used that opportunity to make Canadian actors famous, made the stars that we know today. I happen to like *American Pie* with Eugene Levy in it.

I listened to what you said about the exhibitors, and that seems to be where the problem is, but when you say to give them some kind of incentive, the first thing that comes to my mind is our trade agreements and what they are going to mean for the American motion pictures. Are we going to have to have national treatment? Are we going to have to give them the same kinds of incentives?

But having said that, I think that part of the problem we have is that we're still too hard on ourselves. Our film industry is still relatively young, and the way you get people to go see Canadian movies is by saying that Atom Egoyan is the director or David Cronenberg, because they've become stars in their own right. Even Robert Lantos now—you see a Lantos film, there's name recognition. It's not just the stars that you necessarily put in, but it's the directors. Denys Arcand also—you're going to want to see a movie by Denys Arcand. You're going to want to see the next potential Academy Award-winning movie that comes into town, because there is that name recognition, and those stars have been built up.

While I agree with you that there seems to be a problem with exhibition, what else can we do? I think we also have to work to make our stars in Canada so that people want to go see those stars like people want to see the directors. In the U.S., if you get a director that everybody loves, you're going to go see it whether it's a bust or not. It draws people to that first weekend to see what it's like.

I guess I'm going to throw it back to you now. What do you think we can do to promote that star system in Canada and not leave it to Lorne to make Canadians famous?

• (1750)

**Mr. Dave Thomas:** First of all, I don't think that the film industry is new in Canada, because Canadians weren't living in caves when film cameras were invented. We had the wherewithal and the right to use them in the same way that a lot of Canadians are pioneers in the computer industry and the Internet industry. The head of Macro-media is a Canadian.

Canadians have been aware of and exposed to film all those years. What you say about the names you're talking about, Denys Arcand and people like that, is true, but Denys Arcand would have been a superstar faster.... He's actually a bad example, because I want to exclude Quebec from this—

**Hon. Sarmite Bulte:** David Cronenberg.

**Mr. Dave Thomas:** Right.

Quebec supports its own talent. It has a thriving film industry. There's something going on in the province of Quebec that isn't going on in the rest of English Canada. So let's just leave Arcand out and talk about Cronenberg.

Cronenberg would have been a bigger superstar, much faster, if he'd had a media machine behind him like Demi Moore had. Let's face it, that's what makes these people known. The first thing everybody asks about any film is "Who's in it?" You know that from your own personal experience. "I saw a great movie." "Oh yeah, who's in it?" That's the first thing everybody asks. In the past, they have been in a number of good movies; therefore, I want to go and see them in this movie.

So how do we do that with Canadians when the Canadian film industry doesn't exist because nobody knows who these people are? There isn't enough of a media machine behind them. Take Ashton Kutcher. Cronenberg has been around ten times as long as he has, but I guarantee you that you can finance an Ashton Kutcher movie faster than you can finance a Cronenberg movie, simply because the media machine behind this kid is bigger and stronger.

I know we can't match what they do in the States. We have an interesting geographical situation here in Canada, especially in English Canada, where 90% of all Canadians live within 100 miles of the U.S. border. Americans will do \$50 million in promoting a movie and that stuff will leak over the border and Canadians will see it. Then Americans on top of that will spend another \$5 million in Canada, specifically targeting the Canadian audience, because they want them to go out to the theatres.

To address the other thing you said about not wanting to get into a trade war with the U.S., we won't get into a trade war. We could put up a wall 100 feet high between here and the U.S. and they would still send their stuff in. Back when Jack Valenti was head of the MPAA, he threatened Canada, "If you put quota systems in your theatres, we will block American product." That would last about half an hour until Universal said "Forget it; we're not doing that. There are 25 million or 30 million people there who will pay to see our movies. Shut up. We're sending it anyway." And they will.

So there is nothing we can do nationally or from a government point of view to stop the American stuff from coming in. We can protect ourselves to the hilt and do whatever we need to do to give Canadian movies an opportunity to stay in the theatres at the exhibitor level.

Again, I don't think it's just one thing. I don't think it's a handy piece of legislation. To be effective, it will have to be two, three, or maybe more things. You need to ensure that the scamming and ineffectiveness of one is fail-safed by the institution of two or three other mechanisms. These could be great tax breaks for private investors, some type of special tax status for P & A funds, tax benefits for exhibitors for keeping Canadian products in their theatres, or tax benefits for broadcasters for devoting commercial time for Canadian-produced movies. If you had all these things in place, you'd have a big flow of money into the Canadian film industry.

• (1755)

**Mr. Nic Wry:** I talked to Dave today about why we don't have a star system. Does everybody go to Los Angeles because they want to make more money? Dave said that it's really because you can't make a living here. If you could make a great living in Canada, people would not necessarily go to L.A.

**Mr. Dave Thomas:** That's true, but it's not only that.

**Mr. Nic Wry:** No.

**Mr. Dave Thomas:** It's in the growth pattern. You do well here, and then you want to go there, and then you want to take on this challenge, and then you want to take on that challenge. From the artist's point of view, to move to the next level is the best thing you can do.

Can you lure them back to Canada to do a Canadian-produced movie here? Can you get Mike Myers to come back here to do a movie? Can you get the stars who have become big in America to come back to do a Canadian movie? It all boils down to money.

**Hon. Sarmite Bulte:** Very quickly, let's talk about comedy in Canada. Some of the most successful shows we see on the CBC, like *Air Farce* or *This Hour Has 22 Minutes*, is great stuff. It has great writing. People identify with it. It's that thing about seeing yourself on the screen, identifying with our stories. We do have great writing. Again, CBC is a vehicle for that, obviously. We have *Train 48*. There's good stuff. People watch it not because it's Canadian, but because they like it. They identify with it. So how do we move that model onto the screens?

**Mr. Dave Thomas:** I don't know. The broadcast model is different from the theatrical model. The stakes are higher. There's more money involved. The actual mechanisms are different.

There are three separate parts. There's production, distribution, and exhibition. All three of those have to be brought together, whereas with the broadcaster, it's just we'll fund it, we'll air it. It's a simpler system. I think it's more difficult to compare them and to take what this does successfully and apply it to that. I don't know how to do that.

**Mr. Nic Wry:** But if you.... Oh, sorry, go ahead.

**Mr. Dave Thomas:** No, you go.

**Mr. Nic Wry:** I was just going to say—I said it here this afternoon—you realize that if the government hadn't established some version of the CBC when it did, that the transmitter locations for the American network radio stations had already been established by the Americans. They had every intention of doing what they did with film and just taking over Canada as part of their market. The Canadian government said no, we want to have our own television. If they hadn't done that, I'm sure we'd be having the same discussion about television, asking why we can't get more of our shows on NBC. So, you know....

**The Chair:** Okay, Monsieur Lemay. I'm just varying it so nobody falls asleep. You get to be the clean-up once in a while.

[Translation]

**Mr. Marc Lemay:** There's something I have to tell you, Mr. Thomas: we are not familiar with you in Quebec. Are you surprised?

• (1800)

[English]

**Mr. Dave Thomas:** No.

**Some hon. members:** Oh, oh!

[Translation]

**Mr. Marc Lemay:** We are starting on a humorous note. That answer puts it all in a nutshell. That is indeed the whole debate. Do we need to know who Dave Thomas is, in Quebec? I would say no. We need to know what Mr. Thomas does. It doesn't matter if he is Canadian or British, if he comes from New Zealand or Australia, all I want to know is what he is doing and how he is contributing to Canada's cultural scene.

You mention films. We are currently undertaking a study of the future of filmmaking, and I have some serious questions. Is there an English-Canadian culture? I heard one satisfactory answer this afternoon. Canada and the United States are different because Canada is multicultural, while the United States is a melting pot:

everyone must blend in. I don't think we take proper advantage of our multicultural growth in Canada. This is a serious problem that we are going to have to deal with.

Are you familiar with the film called *Manners of Dying*? It is the latest film by Roy Dupuis. It is new, and has a promising future.

I have some questions that I will share with you. You say that you don't really know how to go about it, but you want to produce an attractive product. How do you intend to ensure that Canadians will want to see the films that you produce? What is the recipe? Don't talk to me about taxation, I have already heard enough of that. I know how to make a delicious chocolate cake, but what are the ingredients that go into making a good film that Canadians will want to see? Is that too broad a question?

[English]

**Mr. Dave Thomas:** I understand your question very concisely and completely, but I don't think it's about the cake or the quality of the cake. I think it's about finding out that there is a cake, and that's the problem. That's been my whole point tonight. I gave as an example the fact that the Americans will sell all kinds of bad cakes to the public, and they will line up like hungry wolves to eat those cakes because they hear about them and know they're there.

I can't speak to you not knowing me, and the differences between Quebec and English-speaking Canada. I admire what you're doing in Quebec, and I wish I could be part of it, because I would profit immensely from the tremendous ability, mechanism, or whatever it is—dynamic action going on in Quebec that allows Charlebois to become a millionaire because people go out and buy his records. I know it's an ancient reference, but you know what I'm talking about.

That doesn't happen in English-speaking Canada, so when I said at the beginning that I wanted to exclude Quebec from this, it wasn't because I was excluding it in a negative way. I was excluding Quebec because Quebec has already proven that it's successful at making chocolate cakes, telling people they're there, and having them line up and come to eat them.

[Translation]

**Mr. Marc Lemay:** If I understand you, there are also good chocolate cakes in English-speaking Canada, elsewhere in Canada. You have put your finger on the problem; you have to find a way to sell them and get people to eat them. Is that it? Is that where the problem lies?

[English]

**Mr. Dave Thomas:** Yes. Absolutely.

[Translation]

**Mr. Marc Lemay:** I would suggest that you explain that loud and clear to the CBC. Its Quebec counterpart invested \$12 million in Quebec-produced films, and in promoting them. The CBC has not done that, and they have a budget of \$30 million.

I like what I'm hearing. You say that you have to sell, you have to encourage people to come and eat. I like that allegory, it's an interesting one.

• (1805)

[English]

**Mr. Dave Thomas:** I can see that. You're making me hungry.

[Translation]

**Mr. Marc Lemay:** Would it not be possible to create some type of alliance between corporations like CTV and Alliance Vivafilm, for example, in order to market the cake?

[English]

**Mr. Dave Thomas:** Listen, you're talking about corporations here. If you want to try to reason with Ivan Fecan, I welcome you to try, but this is about making money for these people.

In my personal opinion—and I'm sure I'll be very unpopular for saying this—I think Canadian distributors, both theatres and broadcasters, are in the business of selling U.S. product to Canada. They only pay lip service to their Canadian mandate, inasmuch as they need to get their CRTC licences renewed, and inasmuch as they can get the benefits from Telefilm for the pitiful small amount they invest in Canadian films. That's it. They are in the business of selling American product to Canadians. That's how they make their money, and for you to get them to participate in our analogy of the cake is a fool's errand. I don't think I would be successful at that, and I don't think you would either.

The bottom line for them is money. They know they make a tremendous amount of money selling American product to Canadians. When we look at the CBC lineup, it's *Friends*, it's American television shows.

[Translation]

**Mr. Marc Lemay:** There was no NHL hockey this year. Why? You are entitled to ask that question. Why did the CBC not run Canadian films? In Quebec, Canadian films were broadcast on Saturday night during the regular *Hockey Night in Canada* time slot, or thereabouts. In Quebec, they ran Quebec films, or even Canadian ones, because we watched *The Red Violin*.

[English]

**Mr. Nic Wry:** The answer is the English branch of CBC says that we have to make money, and the only way we're going to make the same money we made from hockey is running big American movies. They've actually said this to us at the meetings we've been at, that they're not going to run Canadian films because they don't get the same advertising dollars, that they need the money, so they're going to run three American movies each night in place of hockey—which accomplishes nothing.

You really kind of ask yourself why we have the CBC then. If it's going to run American films, we don't need to put a billion dollars a year into it.

But I have a lot of respect for them...he said carefully.

**Mr. Dave Thomas:** No, no, but this isn't about CBC. Whatever problems you may have with the CBC, and whatever problems I may have—I don't think I've sold anything to them in 25 years—that's not really why we're here. We're here to talk about film specifically, and from our particular experience with the movie that we did, how this film failed at the Canadian box office and then became, I think, a liability to us.

We tried to get a Canadian distributor to delay release in Canada until we made our U.S. deal, and we couldn't do it because they wanted to get it off their books so they could get the money back from Telefilm for this year. That's the business they're in. That tells you all you need to know. The fact that Alliance Atlantis has dropped out of the production business and is only distributing now, I mean, come on. It's not in the business of promoting Canadian product; it's in the business of making a big part of its revenue from distributing American product.

We have to find a way to make the business of this attractive to Canadians, rather than trying to diagnose it at an artistic or some other level. We have to find a way to make a Canadian exhibitor say, "I'll keep this movie in my theatre because the government is going to give me tax breaks or is going to give me money to do that". That's why the Canadian distributors are even doing the small amount of Canadian production that they're doing; it's because they get money from Telefilm. I guarantee you, if they got no money from Telefilm, they would totally bail out of it. If they weren't mandated and forced to do Canadian product, they wouldn't do any Canadian product.

It's the same thing with the broadcasters. They would not broadcast any Canadian shows at all, *Royal Canadian Air Farce* included, all these great shows—*This Hour has 22 Minutes*—none of these shows would have been on the air if there weren't CRTC regulations in effect that told them they are forced to do this.

So we have to find a way to appeal to the system at a business level, at a money level, to make it attractive to them to keep these movies in the theatres long enough for people to find out about them or to give prints and advertising funding some kind of preferential tax status so that people will invest \$5 million in marketing a Canadian movie. It costs \$5 million because they know they're going to get a return on it, and, failing that, at least a tax break, so they'll be able to write it off.

• (1810)

**Mr. Nic Wry:** But the good news is that there are good films. If we took the same advertising budget that the Americans would have spent to release this film, I'm convinced, from the screenings we had and all the feedback we had, that it would have done well. It's not all hopeless. There are some good films, but unless they're promoted, we should just go to video and TV and say okay, we can't make it work in theatres because we just can't spend the marketing dollars that we need to spend, but certainly when you do, it works. I said to somebody that maybe only broadcasters should be allowed to make feature films because they can then promote them on their own airwaves to get an audience.

**Mr. Dave Thomas:** But as I said at the beginning, this isn't about good films. We've already proved Canada can do good films. We do great artistic films. We do great documentaries. This is about business. How do you make show "business" in Canada? How do you add the business part of it? How do you make it a business? How do you make it make sense to the investors, to the money people, so that we can actually, successfully, market our stuff?

**The Chair:** I'm going to come back to this particular aspect, but right now it's Mr. Schellenberger's turn.

**Mr. Gary Schellenberger:** Thank you.

And I do know who you are, Dave.

**Voices:** Oh, oh!

**Mr. Gary Schellenberger:** I might show my age a little wee bit here, but when I grew up one of my favourite shows was *The Red Skelton Show*. I just love comedy. I have never seen a *Star Wars* movie. I just don't watch that kind of stuff. And I think we all need to have a good laugh every now and again, so I applaud you. Stick with comedy, and we'll try to see if we can't do something at this committee to make sure your things get there.

You talked about the three links and one link missing. I've thought of it for a long time. We heard this a long time ago from exhibitors. Again, it's like any business; they have to make money and things that way. My thing has been for exhibitors. Maybe a program would come out.... Again, I keep talking about these bums in seats. Maybe there should be a tax credit for exhibitors of Canadian film for how many people came in tonight and stuff. Again, here's a place where we have to ask people to be very honest in how you fill out the form.

If we had a tax credit for people, and it was for a specific screen in a multi-screen theatre, or it might be once or twice a month that this might happen.... I'm thinking of things just a little outside the box that might happen. It might be a way to help exhibitors. Helping exhibitors in that particular thing helps the film industry. It helps those films get seen.

My understanding is that Telefilm has a maximum amount for promotion. Am I right or am I wrong on that?

**A voice:** The marketing funds can be up to 75%. Typically they don't get so high, but it can be up to 75%, given the cap on the funds.

**Mr. Gary Schellenberger:** Yes, with this \$3 million.

**Mr. Nic Wry:** So in our case, it was \$750,000.

**Mr. Gary Schellenberger:** In your case it could have been \$750,000?

**Mr. Nic Wry:** The total P and A budget was \$750,000. They put \$250,000 in television, and you can tell us how much you subsidized that, right?

**A voice:** I think we probably would have been in for about 75% of that. We would have had enough to get to 75% in the market fund at that time.

**Mr. Gary Schellenberger:** Again, we've heard it continually all across the country as we've talked—promotion, promotion, promotion.

**The Chair:** Excuse me. If we're going to have comments from the other table, we had better invite you to the table so that the translators can deal with you. If you have something to contribute, please do.

•(1815)

**Mr. Gary Schellenberger:** I do believe, as I've said before.... I've heard so many times about promotion. You can't play on the same field. You haven't got a budget of \$15 million or \$30 million or \$100 million to promote a movie. It wouldn't be reasonable to do that here, but to have higher limits and to put more emphasis on the promotion

of the movie...I've heard it. This is the thing. Again, I go back to the idea that maybe there could be some tax credits or something for exhibitors at various times.

Other things have been mentioned that I thought were.... I know there used to always be a \$2 Tuesday, but two bucks doesn't buy you a lot any more. Maybe a \$2 Tuesday and a tax credit, together with a sponsor from a newspaper or somebody, could help to promote that. They might even be able to get something back. The revenues flow, and it's not a freebie. It's just to get those things known or to keep them there that extra week. It's just something....

Does any of that make any sense?

**Mr. Dave Thomas:** What about this? What about telling Canadian newspapers you will give them a discount or some kind of tax credit for the ads they run for Canadian product? In other words, don't just aim it at one market. This would need to be a comprehensive program that would go over the entire marketing area, which would include television, radio, and print—all forms of promotion and media.

Yes, we understand there's nobody in Canada who's going to put up \$100 million to promote a movie. That's insane; we're not even suggesting that remotely. But we're saying is that where you have a movie that costs \$5 million, if you put \$5 million into marketing the movie, that's compatible, at a low end, with what they do with marketing in the United States, and they've proved themselves to be very successful marketers, as we've discussed with the cake analogy: bad cake, good cake, no cake at all, they come anyway.

That's what we need: some mechanism in place. And it will be misused; you can bet on that. That's something you just have to factor into this, because there isn't any kind of government support that in the private sector, in a free enterprise system, is not going to be misused. They will find a way around it. That's why you need a comprehensive program that has more than one mechanism in place, or it won't be effective, I don't think.

And then you have to ask yourself, if it's not going to be effective, then why do it at all?

**Mr. Nic Wry:** The point is, it can be effective, because the films like CHUM's film at \$2 million in promotion, and various others in that kind of range, especially with broadcaster support.... You need that kind of range of cash, but it's not that much, in the big picture. To do Canada takes a couple of million dollars in cash.

Then, in the case of the successful movie, the broadcaster is involved. For *Men With Brooms*, CBC put, according to the people I know and trust, \$2 million in, if you added it up and bought the air time they used to push *Men With Brooms*. They had in fact bought the whole window and bypassed pay, and it was a huge thing for them; they really wanted it to work. And when CHUM had its own movie, it did it again.

So clearly, finding an incentive for those people to do it is what you want to do. The CRTC has the conventional licences come up in two years, and I can tell you, the three majors—CBC, CTV, and Global—have said: “We don’t want theatrical feature films. We’re not going to buy them.” At conferences and things—it’s not as if they’re hiding it—they just say, “We’re not going to buy theatrical films. We’re going to get things that are made directly for us, and we’re not interested in acquiring theatrical films.” At some point, hopefully, the CRTC could encourage them in some way.

**The Chair:** I want to come back to where you started, Mr. Thomas, because as you started talking about the three-part system, it reinforced what’s been impressing me throughout our hearings, and I don’t mean positively. I drew this diagram showing production, then exhibition, and the distributors in the middle, tied to both. And it seems to me that is in fact where the weak link is.

Mr. Campbell’s going to show a film if it’s going to bring people in the door to buy the popcorn, essentially. And it’s going to do that if the publicity has been done, if the distribution has been done, if the trailers are there, if the poster is there, and if the distributors have done their job—and it seems to me the publicity and advertising is their job, their role.

I’m not sure whether we have to give incentives to the exhibitor if the exhibitor is given a product that’s going to sell for him or her. That relates, I think, to the other thing I was going to say. You’re saying we have to create a business model, but then we have to do with all kinds of government incentives or subsidies.

• (1820)

**Mr. Dave Thomas:** But by putting the distributor in the middle, you have altered the food chain in such a way that I think it slightly distorts the picture. I’ll tell you why I think that. Production is the beginning: you can’t start until you have a script; you can’t start until you have a finished movie. Distribution is the next level, and distribution is key to the way these films are funded, because there’s a broadcaster involved, and there are different other funding agencies that are all tied into distribution. And then there’s the exhibitor, to go in a linear way from left to right, if you will.

It’s falling apart at the third place, at the exhibitor level. You’re absolutely right; Mr. Campbell would be happy to put a movie in his theatres if there are posters, if he gets the trailer six months in advance and can run it at the head of a bunch of other movies, and if he see that there’s tremendous marketing support in television and radio and print. However, if he doesn’t see that, which is the case.... And that’s all tied to money. If you can’t afford to put up the money so that this can happen, then you have to give Mr. Campbell something else. Otherwise, he’s going to take that movie and say “Guess what, fellas. We had five people in the theatre last night. You’re outta here.”

**The Chair:** But even if there’s some sort of an incentive for him, if that movie isn’t going to sell, the incentive alone isn’t going to be enough, and if the problem is in that middle link—

**Mr. Dave Thomas:** Wait. How do you know the incentive isn’t going to be enough? We haven’t diagnosed what kind of solution there could be. We haven’t offered him something that he could refuse. Do you know what I mean?

Before you decide that the incentive won’t be enough, what are the possibilities? What are the incentives that could be put in front of him?

**The Chair:** But does it matter how long it’s in his theatre, if nobody knows it’s there?

**Mr. Dave Thomas:** That’s not true, because what will happen is that they will find it, ultimately, the way kids will find some strange Internet site or the way kids will find a television show that’s....

Go ahead.

**The Chair:** Mr. Campbell, I thought you might want to get back in on this as well. We have about seven minutes left.

**Mr. Nic Wry:** Okay, great. Let’s use it wisely.

**Mr. Neil Campbell:** I agree with Madam Chairman. Just because it’s in the theatre....

It’s like throwing a pebble in the water. If you don’t create enough of a wave of public interest and people telling people about the movie—because it’s word of mouth that sells movies, that’s what gives you week two—if you don’t have enough people talking about it, they’re not going to come.

I can give you one example of a movie that defied the odds, *My Big Fat Greek Wedding*. The distributor had a movie, couldn’t find a release anywhere, opened it really slowly and put it in a few theatres, and because of the time of year, the movie got to stay there. Well, the movie did okay. The second week was better than the first week. The third week was better than the second, and it grew, and it grew, and it grew.

But you can’t build a business plan based on *My Big Fat Greek Wedding*, because it broke all the rules. It was a great movie and there was enough time, but there was enough momentum in week one to get to week two, which got you to week three.

**Mr. Nic Wry:** But Dave doesn’t say the exhibitor would keep it in the theatre even if you did no promotion. Right? You have to do both.

**Mr. Neil Campbell:** No, and we’ve talked. This isn’t the first time we’ve had this conversation. My recommendation is from distribution to exhibition, and we do this on a regular basis with a number of studios.

How many of you people in this room know the movie *Racing Stripes*? It’s a movie about a zebra that wants to be a thoroughbred. Boy, that’s getting everybody excited.

• (1825)

**Mr. Dave Thomas:** Remember the visual image of the zebra?

**Mr. Neil Campbell:** That’s a Warner Brothers picture. They had Harry Potter in front of it. We didn’t pick Harry Potter to do a project picture. We approached Warner Brothers and said, “Hey, let’s get together and see what we can do on *Racing Stripes*. It’s a small picture that can use all the help we can put together.”

Warner Brothers stepped up to the plate. They produced colouring contests for us. They got prizes for us. They came up with cash, because we ran it across our whole circuit as an incentive program for our managers. Anybody who went out and did the extra promotion and sent in a kit automatically got something. We gave away \$3,000 or \$4,000 in prize money. We did that with them on *Racing Stripes*.

Everybody loves going out and promoting Harry Potter. The truth of the matter is that all you have to do is unlock your doors and they're going to show up, because Warner Brothers has covered all their bases.

*Racing Stripes* is a small picture and needed help. January is a horrible time of year. I thought they were idiots for putting the film there, but in the end, they won and we won. We all walked away happy.

**Mr. Nic Wry:** But the whole point of that story is that we all know about *Racing Stripes*.

**Mr. Neil Campbell:** That's right.

**Mr. Dave Thomas:** Madam Chairman, we're not saying the only solution—and by the way I laid it out in a linear level, it's at the exhibitor level—is to give some tax credits or breaks to the exhibitor.

Again, I want to emphasize that I said there had to be a number of mechanisms put in place, finding some way of increasing the prints and advertising commitment.

You have to increase awareness, but there are films—and you will acknowledge this—that are sort of borderline. You're not sure whether to keep them in another weekend or not. If you had a tax incentive there, you might say, "All right, I'll give it another week."

I'm just saying it's a number of mechanisms that you put in place here, from some kind of benefit to investors for prints and advertising commitments so that you'll create a cottage industry in Canada of supporting movies and matching money to market the movies.

That does exist outside of Canada. It exists in the United States and in Europe. There are independent groups that do prints and advertising and other things, and there are some benefits for broadcasters, some breaks to allow them to get tax breaks, or something, for running commercials for Canadian product at a higher frequency.

As I said, in all these mechanisms there will be some scamming, of course, but the more of them that you have in place the more likely you have a formula for ensuring that Canadians will know about these Canadian films—again, English-speaking Canada, I'm excluding the success of Quebec—and go there, know about these

films and show up to go, and then tell their friends and create the word of mouth that then can make the thing a success and maybe build a business model that will allow Canadian producers to—

**Ms. Libby Davies:** We should understand the analogy of the chocolate cake, but we should think about how we get elected, because it's no different. You need to have a good product—a script, whatever—and distribution, but you also have to get it out to people. So actually we should understand this very well, because it's what we live or die by, just to use another analogy.

**Mr. Dave Thomas:** Well, I think we've got a blonde bombshell on the Canadian political scene who's going to do very well, because she's got a hell of a lot of money behind her.

**Mr. Nic Wry:** So basically, Madam Chairman, he's saying you were right when you asked him the question.

**Mr. Neil Campbell:** It's a challenge out there that has to be met, and it's got to come from distribution—it's not money. I used to be a Canadian distributor. We got more mileage out of the simplest things. When you have no money you suddenly become quite creative, and if a company wants to do that, they can.

**Mr. Dave Thomas:** It isn't that we don't think you're capable of creating a complicated formula. We've filled out the Telefilm forms. We know when it comes to that you can address all the issues in detail.

**Mr. Nic Wry:** You should stop while you're ahead.

**The Chair:** I think we were kind of hoping you would come up with the complicated plan, and all we would have to do is recommend it. Then you could take the blame for the parts that didn't work, and we could take credit for the parts that did work.

**Mr. Dave Thomas:** In summary, as whacky as it sounds, there should be benefits for the exhibitor in the form of tax breaks of some kind, benefits for the broadcaster for frequency of advertising of some kind, and some kind of tax break for P and A funds, so a marketing industry could be created in Canada. Those three things, for a start, would involve many pages of carefully worded forms that needed to be filled out.

● (1830)

**The Chair:** I think we all feel there are many more questions than answers at the end of this day.

We very much appreciate the time you've taken and the attention you've given to this.

**Mr. Dave Thomas:** Thank you for having us. Now it's time for some cake.

**The Chair:** Thank you.

The meeting is adjourned.







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**Publié en conformité de l'autorité du Président de la Chambre des communes**

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