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Mr. James Rajotte

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● (0905)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): This is the 11th meeting of the Standing Committee on Industry, Science and Technology. The orders of the day are to continue our study of the review of Canada's service sector, and we have four witnesses with us here today.

First of all, from the Alliance of Canadian Cinema, Television and Radio Artists, we have the national president, Mr. Richard Hardacre.

Is that correct?

Mr. Richard Hardacre (National President, Alliance of Canadian Cinema, Television and Radio Artists (ACTRA)): That's correct.

The Chair: Second, from the Canadian Booksellers Association, we have the executive director, Susan Dayus.

Mrs. Susan Dayus (Executive Director, Canadian Booksellers Association): That's right.

The Chair: Welcome, Ms. Dayus.

Third, from Campus Stores Canada, we have the board representative, Mr. Chris Tabor. Welcome.

Last, from Design Exchange, we have the president and CEO, Samantha Sannella.

We will go in that order in terms of presentations.

You do technically have up to 10 minutes, but if you can limit it, that would be helpful in terms of allowing more time for members to interact with you as a panel.

We'll start with Mr. Hardacre's presentation.

Mr. Richard Hardacre: Thank you, Mr. Chair.

[Translation]

Good morning, members of the committee. I'm very pleased to be with you today.

[English]

My name is Richard Hardacre. As your chair said, I'm an actor—that's what I do professionally—so it's my job to make sure you hear me.

I'm a Canadian. I'm the elected president of ACTRA, which is the union representing the interests of performers in film, television, sound recordings, radio, and new media. We have 21,000 members who live and work in every corner of this country. We are English-

speaking artists whose performances entertain, educate, and inform the Canadian public and global audiences through the most powerful and effective media that currently exist.

I'll give you a couple of background remarks, if I may, Mr. Chair.

Art in Canada is a serious business. According to Statistics Canada, in 2002 the cultural industries contributed \$40 billion to Canada's GDP, employing more than half a million people. The contribution of the culture sector to the Canadian economy amounted to approximately 3.8% of the Canadian GDP in 2002.

The film industry is the third largest within the cultural sector in terms of the GDP; it's worth 9% of culture's contribution to the economy. According to *Profile 2007*, the film and television production sector was a \$4.8 billion business in 2006 in this country, employing more than 125,000 people.

With average earnings of \$23,500, artists are in the lowest quarter of average earnings of all occupation groups. This is from the 2001 federal census. Of the 500-plus occupations that are tracked by Stats Can, three-quarters have average earnings that are higher than artists.

Other things to note about artists are that many of us are highly educated; we're largely self-employed, which means we fall outside of government support such as employment insurance; and in the cultural sector, there is a predominance of women.

If I may, I'll talk about the film industry. Film and television production has three main centres in this country: Toronto, Vancouver, and Montreal. But film and television activity takes place across the country. In fact ACTRA has nine branches, from Newfoundland and Labrador all the way to British Columbia. More than half of ACTRA's membership is based in the Toronto area, which reflects that centre's level of activity, and more than 25% of our members are based in the Vancouver area. We are very mobile. All of us tend to work across the country, when we're fortunate to work. That gives you a sense of the clusters of our population, as far as membership goes.

The film and television business is supported by the federal government in a number of ways, and I'm sure you're aware of them. There are tax credits that encourage production, both domestic productions such as a series like *Corner Gas*, and the projects that are shot in Canada and mostly originate from Hollywood; we call them "service production" or "foreign production". That's one of the ways the federal government supports our industry.

Funding of cultural institutions such as Telefilm and the CBC is very important as well. Finally, there is government contribution to the Canadian Television Fund, which is absolutely key to the seed money for production of Canadian television programming.

Government support for the film and television industry is crucial. We live right next to the most pervasive and insistent culture in the world, the United States, so government support is not just an investment in high-quality jobs or high-end industry, it is an investment in our cultural sovereignty, our identity as a nation.

There are four main challenges that face our industry: the crisis in Canadian television drama, the threat of increased foreign ownership of our broadcasters, the impact of the high value of the Canadian dollar, and we have some concerns with HRDC's immigration practices that affect the film and television industry.

• (0910)

I'll start with the crisis in Canadian drama. There's an urgent need to do more for Canadian-content production. Since 1999 we have lived through a precipitous drop in the number of Canadian productions. Being able to tell Canadian stories in the most powerful medium, television, is essential for cultural and economic reasons. We need the federal government to use its authority under the Broadcasting Act to direct the CRTC to impose content and spending requirements on Canadian broadcasters who, after all, are using public airwaves to make substantial private profits. In our opinion they need to pull up their socks and make more drama available on television in prime time when Canadians are watching.

The second point that is a challenge is foreign ownership. That phrase in our industry alone raises the hair on the back of the necks of many Canadians. ACTRA is aware that in the past this committee has come out in favour of relaxing rules around foreign ownership of our media companies. Mr. Chair and committee members, please have no doubt that ACTRA is a strong and vocal opponent to relaxing these foreign content and foreign ownership rules.

We were before the CRTC in November arguing vigorously that the commission must deny the takeover of Alliance Atlantis Communications by CanWest Global because the transaction is financed 64% by the U.S. investment bank, Goldman Sachs. ACTRA and others argued before the commission that this deal goes against the laws in this country, giving an American bank the control of a Canadian broadcaster.

ACTRA held an event in Calgary just last week with our colleagues, a couple of other unions, including the Communications, Energy and Paperworkers Union, and also the Friends of Canadian Broadcasting. We launched a campaign called "Our Media is OUR Message: Keep it CANADIAN". We commissioned an Ipsos Reid poll that showed last week that 82% of respondents, 82% of Canadians, feel it's important for the government to work to maintain and build a culture and identity distinct from that of the United States.

In a few months we will be participating in the competition policy review that is being launched by Red Wilson. You can read more about our position when we file that submission next month.

The third challenge to our industry is the Canadian dollar. The current value of the dollar is a serious threat to this sector of film,

television, new media, and commercial production. Making Canadian productions is about half of our industry's work, and the other half is service production, programs, movies, television, commercials, mainly originating from the United States. The effect of the dollar on our industry is quite obvious. In fact, a 2004 industry report pointed out seven factors that affect Canada's competitiveness as a filming location, and of these the most important factor is the value of the Canadian dollar relative to the U.S. greenback. The lower the dollar, obviously the more work is created; the higher the dollar, the less work there is.

Things are adjusting. We're aware that the dollar is getting out of the stratosphere that it was forced into by traders perhaps, but the full impact of the overvalued Canadian dollar will not be felt for us until the middle or the end of 2008. We know that major studios intend to let projects already on the books proceed; that's happening. But they're not planning any new productions due to the dollar value. I'm told that the 800 phone lines to our offices across the country have stopped ringing.

Finally, the other challenging area the government has influence in that affects our industry is immigration. When U.S. productions come to Canada to shoot, we obviously want them to make use of our home-grown talent, our professional performers, as much as they possibly can. Often U.S. producers insist on bringing in American actors even for the smallest roles in their productions. Human Resources Development Canada used to work very closely with our senior staff across the country, with ACTRA and with other unions, to make sure that productions had thoroughly investigated the availability of Canadian performers for these and larger roles. Unfortunately, today HRDC has stopped consulting ACTRA on immigration permits. In the recent past and now, this has had a direct and immediate impact, a loss of jobs for Canadians here at home.

Those are some of the challenges we face in our sector, the film and television industry. But it's not all doom and gloom. It's good to start a day in Ottawa looking at some positive things.

And yes, I'm wrapping up, sir.

We have had some significant successes in recent years. Sarah Polley's film *Away from Her*—you've perhaps heard of it—starring our own Gordon Pinsent, has been a very big hit at the box office here at home and in the U.S. Other Canadian successes in television are *Bon Cop*, *Bad Cop* and *Trailer Park Boys*, and we're proud of a hit show, *Corner Gas*. There are many success stories.

• (0915)

What can the government do, and what would we like to tell this committee? Well, there are five things—simple sentences.

First, help Canadian production and Canadian culture. Direct the CRTC to impose spending and exhibition requirements on broadcasters so that they start investing again in Canadian content and putting that content in prime time, when audiences are watching.

Second, introduce income averaging for artists. Artists are taxed unfairly compared with others in our economy because our income fluctuates. We're taxed at an inequitably high rate compared with our average earnings. Whenever we earn money that's greater than poverty wage, the taxes can be quite high. Allow artists to spread this income over a number of years so that they're taxed more fairly.

Third, extend film and television tax credits to cover post-production, and eliminate something that is called, in our industry, the "grind", where the federal tax credit is assessed after provincial tax credits have been accounted for. It effectively reduces the overall tax credit.

Four, on foreign ownership, the government can do the very best by doing nothing. Please, keep the current limits to foreign ownership of our media companies.

The Chair: Okay, thank you, Mr. Hardacre.

We'll go now to Ms. Dayus, please.

Mrs. Susan Dayus: Thank you.

Good morning. My name is Susan Dayus and I'm the executive director of the Canadian Booksellers Association, CBA. Thank you very much for inviting CBA to attend your committee meeting this morning.

CBA is the national trade association of booksellers. We represent independents, chains, specialty stores, campus booksellers, and used and antiquarian booksellers across the provinces and territories, in communities large and small, from Victoria and Yellowknife to St. John's and Montreal.

Today I hope to offer you a snapshot of the current status of the bookselling industry. Specifically I will be discussing the major issues that our industry now faces, especially in light of the rising Canadian dollar. I will also take the opportunity to outline suggestions for the government that CBA believes this fragile and important cultural industry could greatly benefit from.

It is important to understand that the bookselling industry is mostly comprised of small businesses. According to a profitability survey conducted by CBA and published this year, over 70% of the respondents reported annual sales that were less than a million dollars. Furthermore, close to a quarter of the total respondents reported annual sales of less than \$200,000. Small business bookstores are advantageous for the communities in which they operate, as they are able to carry more local and regional titles and more Canadian titles as a percentage of total offerings. The availability of such unique inventory, CBA believes, is key to promoting culture, heritage, and innovation in our country. However, small businesses are usually hit hardest when economic circumstances change, such as when big industry players merge or when our currency rises rapidly.

According to our 2007 financial profitability survey, the median net income of bookstores with less than \$200,000 annual sales showed a net profit of just over 1%. So this group, which contributes

to our heritage in an important way, is especially vulnerable. Sadly, from 1998 to 2006, more than 365 independent bookstores in our country closed, and recently, because of the rapid rise in the Canadian dollar, many members have reported a substantial reduction in sales at a time, the Christmas shopping season, when sales should be at their highest. In fact, many stores report that 30% of their sales come from the Christmas selling season of November and December.

Of course, booksellers are just one of the many retail sectors that have faced ongoing criticism from consumers, as they continue to be asked why book prices fail to be adjusted to reflect the rising Canadian dollar. However, unlike other sectors, the book industry must also deal with the fact that the prices are printed right on the books, directly in front of the consumer, making the disparity in pricing even more apparent.

CBA has been working hard over the past few months to get publishers to lower their prices, since it is they, not the booksellers, who determine the book cover price. Consumers should also understand that prices are often set six months or more in advance and therefore rarely reflect the current exchange rate. Because of our efforts, prices have come down and will continue to gradually come down. However, with many of the factors unique to the Canadian marketplace, Canadian cover prices will most likely never be at par with the U.S. cover prices.

● (0920)

As a result of the strong dollar, we are seeing that more and more Canadians are opting not to shop in Canada for their books, but rather, are crossing the border or ordering online to stock up. Not only is this a serious loss for Canadian booksellers and the economy in general, but it is also a loss for the government in terms of tax revenue.

Although Canadian booksellers are not afraid of healthy competition, we feel that it is not in the Canadian economy's interest for the enforcement of cross-border spending limits to be lax. In an effort to keep our dollars in Canada, CBA recommends that rules pertaining to taxes on purchases that went over the allowable cross-border spending limit should be more strictly enforced.

It is important to note that CBA has been working with the government to find a way to solve the issues created by the parity of the Canadian dollar. Last month CBA met with a number of MPs from all four parties, including a productive meeting with Minister Flaherty, to discuss the current status of the industry.

It is paramount that CBA continue to work with key decision-makers such as members of your committee in an effort to find a healthy solution to this issue, a solution that will satisfy Canadian customers while not making it difficult for Canada's small businesses to survive. In the meantime, some booksellers are having a hard time staying afloat, and some have even chosen to sell at the U.S. cover price, even though the merchandise was often purchased when the dollar wasn't as strong, and even though it means their margins will be very slim.

Another challenge facing our industry is the existence of non-licensed booksellers in Canada, such as Amazon.com. Amazon.com is a great concern for booksellers across the country. As committee members, you need to be aware that U.S. Internet retailer Amazon.com has been operating in Canada since the summer of 2002. The entry of this American retail giant into the Canadian market flies in the face of the Investment Canada Act and Canadian book policy that prohibits a non-Canadian from acquiring control of a Canadian book distribution business. Amazon is allowed to circumvent the intention of these rules because the rules were designed before the introduction of the Internet.

The basic rules define a bookseller under the act as meeting two key criteria: one, physical store location; and two, employees. Since Amazon operates with contract services and no physical Canadian presence, they dance around these rules. Indeed, the Department of Canadian Heritage concluded—wrongly, in our opinion—that Amazon's Canadian site is exempt from provisions of the Investment Canada Act that would have required Amazon to seek permission before selling books in the country.

The agency said it determined that the law does not apply to Amazon because the e-tailer is neither establishing a new Canada-based business nor buying an existing one. The act seeks to monitor foreign impact on businesses thought to influence cultural heritage, including the publishing industry.

Last, CBA, along with 16 other like-minded organizations, strongly believes that the government should remove the GST on books. Books all became a little bit more affordable with the one-point GST reduction announced in the 2006 budget, and we look forward to the second one-point reduction in January. CBA asks that the GST be removed from books entirely. GST adds to the cost of books, making them less accessible to Canadians. The fewer books purchased, the fewer people are exposed to the benefits of reading. This is important to fix, especially when more than 40% of Canadian adults don't possess the literacy skills needed for everyday life.

• (0925)

Reading is integral to our economy and our culture. That is why books should not be treated as objects of consumption. Eliminating the GST will bring attention, focus, and support for the independent bookstores in our communities.

On behalf of the Canadian booksellers that we represent, I thank you for your time today.

The Chair: Thank you, Ms. Dayus.

We'll now go to Mr. Tabor.

Mr. Chris Tabor (Board Representative, Campus Stores Canada): Good morning. My name is Chris Tabor. I'm here as a representative of Campus Stores Canada. I am also the manager of the Queen's University campus bookstore. I'd like to thank the industry committee for giving me the chance to speak today.

Campus Stores Canada is the national trade association dedicated to providing a unified voice for Canadian post-secondary institutionally owned and operated campus stores and, by doing so, enabling them to serve their institutions in the most effective manner.

Campus Stores Canada has more than 100 member stores nationwide, meaning that if you are one of Canada's million post-secondary students, you are likely served by one of our members.

Campus bookstores are an integral part of university life. They are as diverse in size as ordinary bookstores, yet they also serve as a cultural centrepiece to which all current and returning students and faculty gravitate.

Mr. Chairman, your committee has convened these hearings to conduct a review of the issues facing the Canadian service sector. No issue is more prominent than the effect of the high dollar on the cost of consumer goods. However, there are examples of where government regulations are adversely affecting the availability of lower-cost reading materials.

As you are no doubt aware, our industry has been assailed in the media for an inexplicable difference between the price of a book in America and the price of that same book in Canada. I'm sure many of you have had similar questions raised in your respective readings. However, what most people don't know is that 10% to 15% of book prices is a regulated royalty paid to multinational publishers. A book that costs \$50 could cost \$5 to \$7 less if the government were to eliminate a regulatory protection that does nothing for authors or consumers. We could see book prices drop by 10% or 15% overnight. Let me explain how.

The Copyright Act is a very broad statute that governs the protection and distribution of intellectual property. In the case of printed materials, the act allows for publishers to establish import monopolies on the works of artists from around the world. Minister Flaherty has recently used the example of the Harry Potter books authored by J.K. Rowling, noting that these books have different costs in America.

Let me explain a very significant element of that cost differential and how campus stores, other booksellers, students, and customers are beholden to foreign-owned publishers, also known as exclusive distributors.

Section 27.1 of the act makes it an offence to import new books from any source other than an exclusive distributor of those books, provided that those distributors adhere to the regulations promulgated under the act. These regulations stipulate that an importer can charge a bookseller the price of the book in the country of origin—in this case the U.S. or U.K.—and the difference in exchange rates between the two countries, and add either 10% or 15%, depending on the country of origin. That means that non-Canadian publishers can tack on an additional 10% or 15% of pure profit to their products before they risk losing the sale to parallel importers.

Mr. Chair, that pure profit comes directly out of the pockets of Canadian students, with no appreciable benefit going to them or accruing to the artists or the authors who created the work in question. This regulation was promulgated in 1999, and as you can imagine, the world of cross-border shipping and shopping has changed significantly since then.

Ironically, since the advent of the Internet, Canadian customers can get some books cheaper abroad than a Canadian reseller can. These booksellers and campus stores, the same ones that operate in your communities, have their hands tied by the act, while larger, non-Canadian entities use the act as a sword to carve out additional profits. With a wave of its wand, the Governor in Council can remedy this situation by removing the tariff. Removing the levy does not have an adverse impact to Canadians. In fact, it will provide Canadians with more options through which they can obtain their books.

The section 27.1 protections are outdated in a universe with the dollar at par or higher. The tariff protections actually compound the direct pocketbook impact the levy has on individual booksellers and purchasers. Eliminating the levy will not affect the primary function of the Copyright Act—to provide creators with the ability to protect their art and earn a royalty from producing it. Further, nothing in our proposal would impinge on a publisher's exclusive rights to distribute in Canada, provided they do not charge more for the work in question than they would at home.

● (0930)

Why should Canadian students have to pay more than their peers in the United Kingdom and the United States? It doesn't take a wizard to understand that it isn't fair.

The 1999 amendments to the Copyright Act and the related Book Importation Regulations were flawed public policy at the time. They make even less sense now. These changes were treated as cultural protection steps, when they actually constituted commercial regulation.

We respectfully request that this committee and others with influence move to amend item 5(1)(a)(iii)(A) of the Book Importation Regulations by deleting the “plus 10% after conversion”, and item 5(1)(a)(iii)(B) by deleting “plus 15% after the price conversion”.

With that, thank you for your time and your attention.

The Chair: Thank you very much, Mr. Tabor.

We'll now go, finally, to Ms. Sannella, please.

Mrs. Samantha S. Sannella (President and Chief Executive Officer, Design Exchange): Good morning. I am Samantha Sannella, the president and CEO of the Design Exchange.

The Design Exchange is Canada's national centre for the promotion and advancement of design across all design disciplines. We run over 50 programs each year—workshops, lectures, exhibitions, and other such programs—to teach people about the importance of design and its contribution to the economy, the environment, and our quality of life.

Most people think that design is a stylistic add-on, and design is not. Design is at its best when it's used strategically right at the moment of creation of a product, an environment, or an idea. Design is a creative problem-solving process, and it can influence the marketplace by creating new ideas.

Designers have a critical role to play in developing products and the environment, which includes minimizing environmental impact;

increasing the quality of life of groups or individuals; and contributing to the economy by driving downstream industries, increasing the productivity of workers, attracting tourists, and retaining businesses and the workforce.

Design, of course, is both a noun and a verb. It can be a design object or it can be a design process.

Although specialized design services are growing in areas such as environmental design, aboriginal design, and green design, the DX formally recognizes eight design disciplines: architecture, which includes commercial and residential; fashion design, which includes clothing, jewellery, shoes, and accessories; graphic design and visual communications, which includes software interface, signage, 3D graphics, branding, video games and interactive media, and brochure, website, newspaper, and magazine design; industrial design, which includes furniture, fixtures, and equipment, both consumer and manufacturing; interior design, which includes residential and commercial building, exhibits, and set design; landscape design, which includes residential and commercial, including amusement parks; textile design, which includes fabrics, composition, and technology; and urban design, which includes towns, cities, transportation, and public use of space.

At present the design community is composed as follows: graphic designers comprise about 51% of all designers; interior designers are at about 14%; architects are at about 13%; industrial designers comprise 11%; and other designers, including fashion—and maybe also including environmental, set design, and theatre designers—are at about 9%.

Architects are the best paid, with an average salary of \$61,000. Landscape architects earn about \$47,000. Industrial designers earn about \$48,000. A graphic designer's average salary is \$35,000. Interior designers earn about \$33,000, and other designers earn about \$32,000.

Designers are also some of the best educated people in Canada. The average education is above the national average in Canada.

It's worth noting that due to the current tight labour market, salaries have risen in the overall design industry, and we expect to see higher salaries reflected in new studies from Statistics Canada.

The current marketplace for design has surged due to the popularity of design in the media—I'm sure you have all watched design shows in the last few years—and the growing sophistication of our diverse populations from around the world.

According to a 2004 Statistics Canada survey of specialized design firms, designers generated \$2.4 billion in operating revenues in 2004, up 11% from 2003 and almost double what it was in 1998.

Ontario, of course, has the largest share of revenues as well as the largest population of designers, followed by Quebec, B.C., and Alberta. Of course, Alberta has hit a surge and is growing wildly. It is expected that the new studies that come out will show the significant increase in Alberta, as they're having a hard time finding enough architects and designers to build all the buildings there.

According to Statistics Canada, architecture has increased its operating revenues from \$1.54 billion in 2001 to almost double that—\$2.1 billion—in 2005. Additionally, growth in firms was significant, adding 344 new architecture firms from 2001 to 2005.

The workforce in the last 10 years has grown by 4.6% a year, more than four times the rate of the overall workforce. So you can see that design is a rapidly growing field.

Design is visible, persistent culture. And when I speak about design to our groups and audiences, I can easily say that design has visual presence, and long-term visual presence, which adds to the country's image. It's a key driver of the economy and a contributor to our quality of life, which I will talk about.

It's the ultimate source of differentiation for the 21st century, and those of you who read magazines such as *Business Week* and *Newsweek* can see that design now has its own issues about how design is so important to the economy.

• (0935)

At present, Canada does have a strong, growing design culture. We worked on a study a couple of years ago that shows that Toronto is third in North America for designers per capita, Montreal sixth, and Vancouver seventeenth. This is no small accomplishment, to have such a great mass of designers working in Canada, considering that our population is so much less than the United States.

Canadian designers have the benefit of working in a dynamic, multicultural community, which gives them an extra benefit in the outside world. And due to Canada's political climate, Canadian design services are exportable to almost anywhere in the world. Canadians are also viewed as experts in sustainable design, socially responsible design, aboriginal design, universal design, as well as for their "cool" factor, and they have seen increased demand for these services overseas.

The Canadian design timeline begins back in 1675 near Quebec. Today we count over 200 design association schools dedicated to design at local, provincial, and national levels. These organizations represent over 100,000 designers in Canada. Education programs are responding to market demands and growing. Several have added post-graduate degree programs and new programs, such as environmental design. We will see the number of students and practitioners rise in the population of Canada, and hopefully we can expect to raise wages and expectations, hence growing the quality of design services to meet market demand, as universities change their programs from diploma-granting programs to degree-granting programs and add their masters and PhD programs in design.

Design, I always say, affects three things, and I of course call it the triple bottom line: the environment, the economy, and our quality of life.

With regards to the economy, design of course plays an important role. Newly designed products and environments create demand in the marketplace. Designers are innovative and they create new ideas that create value. Those benefits include being the link between research and commercialization, which is overlooked in this country; creating changes that support innovation; speeding time to market; making products more marketable; demanding innovative materials and technologies; and feeding the downstream economy. Designers work in every sector of the economy, with the highest proportion of designers working in professional, science, and technical services—at 52%.

Design is the driver of the economy and affects virtually every sector. I've included a chart in your notes that shows examples of the sectors on which we have an impact. That includes machinery, mill work, glass, textiles, stone, wood, fixtures, furniture, equipment, paper, printing, drywall, flooring, energy, ceiling systems, wood products, mechanical, technology, engineering, etc. Design is in every single industry.

All design services attract international sales. Many of our most successful design firms first draw a large portion of their revenue from overseas clients. I always say that it's the Canadians who are building Dubai and it's the Canadians who are building Shanghai.

As an example, one of our most award-winning design firms, Yabu Pushelberg, which is an interior design firm, is headquartered in Toronto and practises all over the world, including the U.S., Asia, and the U.A.E. This renowned firm is famous for its design of the W Hotels, the Four Seasons Hotels, and the affluent Park Lane department stores in Hong Kong, which, if any of you have been to, you cannot afford to shop in, I'm sure, as I was not.

Similarly, each design sector has its own success stories. One of our greatest challenges is to provide incentives to keep our design talent in Canada, as we're seeing a drain from our Canadian talent going to the U.S. to practise. It is important to attract buyers, manufacturers, developers, and entrepreneurs to design services. Countries with design strategies and strong design reputations are natural hot spots for economic and cultural development.

Recent studies indicate that the investment in design services is most desirable. The British Design Council has recently published the results of a 10-year study on design-led companies in the United Kingdom. It analyzed stock market performance for these companies relative to other publicly traded companies for a period of 10 years. The key finding of the research was that a group of 63 companies identified to be effective design users outperformed the FTSE 100 Index over the full period by 200% in both bear and bull markets.

Korea established a program with the Korean Institute for Design Promotion, which is the equivalent of the Design Exchange in Korea, to add a value of product development and improve competitiveness. The program was developed as a growth engine for Korean SMEs. It provides financial support for product design, product development, branding, packaging, and visual communications. The incentive program was structured to encourage an integration of design through the innovation process. From 1994 to 2002, 7,932 projects were completed with a commercialization rate of 70%, which is twice what the average commercialization rate is. The benefits included raising the standard of excellence for Korean design, new technology development, and enhancing the international reputation of Korea. We have LG and we have Hyundai, which of course are two success stories from that study.

• (0940)

The DX is currently engaged in a product design and development research study with Industry Canada. We're proud to be a part of that study, which builds upon ground-breaking research developed by the Design Council in the U.K. For the first time, Canadian companies will be able to compare their performance to local and international competitors.

We are using a definition of PD and D—product design and development—as the design of all goods and services that compose the process through which goods or services are created. It incorporates not only the use of the product itself, but also the design of new technologies used in the manufacturing processes. It includes the traditional design sectors that provide design services to firms, but also the activity of PD and D that is done by firms in-house. This research benchmarks Canada's PD and D activities across sectors against American businesses and compares the use of design between best-in-class enterprises and laggards. Included in the research, to be released in March 2008, are 86 subsectors, ranging from electronics to aerospace, transportation, plastics, apparel, and furniture.

• (0945)

The Chair: Ms. Sannella, I'm sorry—

Mrs. Samantha S. Sannella: Are we over time already?

The Chair: Yes, we are. I have to say, the only one who was on time was Mr. Tabor.

Mrs. Samantha S. Sannella: Oh, really? Okay.

Obviously design affects the economy, and you can see that from the information I have presented. Design also affects the environment and can impact the environment positively or negatively, because it's designers who choose the materials, finishes, and furnishings, and the manufacturers who make their products.

Design also affects the quality of life. Can you imagine the design of a school, a hospital...universal design and design for the disabled? That's a very important part of design that is often overlooked and that we need to embrace.

We have recommended 12 steps that are in your speaking notes, but in short, design is not embraced by the federal government at all. We receive no funding from the federal government. We are a self-sustaining organization. We receive some program funding to run the Design Exchange, but more importantly, across Canada design has to

be included in the R and D process. It is the missing link between research and development and commercialization, which is why we're not seeing a great rate of commercialization across the country. Design is the key component in marketing, and until we embrace that, until our policies embrace that, we will not be the country we could be.

The Chair: Thank you.

Thank you very much to all of you for your very interesting presentations this morning.

Before we go into questions, I want to highlight that members will have either five or six minutes, so it's a very short period of time, for questions and comments. They may direct a question to one or more of you. If it's not directed to you but you would like to add a comment, please just indicate to me and I will ensure that you have an opportunity to respond, but we will try to keep the questions and comments very brief.

We're going to start with someone who needs a fashion designer, Mr. McTeague, the vice-chair.

Mr. McTeague, you have six minutes.

Hon. Dan McTeague (Pickering—Scarborough East, Lib.): How do you come back from that one?

Ms. Sannella, thank you very much for that. You'll be happy to know that the committee will be looking at the issue of R and D and science in the not-too-distant future. Perhaps there will be an opportunity to continue your comments, and perhaps throughout the exchange of questions with members of Parliament you might be able to get more in there. I read ahead some of what you had suggested, and it's very interesting.

Mr. Hardacre, you set out four priorities for ACTRA. This is the industry committee and we're dealing with the services sector, but one thing I expected to hear but didn't hear is the extent to which copyright infringement, the pirated movies and the unlawful use of camcorders, is having an impact on your association.

I've heard from several members of ACTRA individually. Some of the movies are being produced even in my riding, thankfully, although recently with the run-up in the Canadian dollar those numbers are certainly shrinking or dwindling in places like Toronto. Could you provide us with any comment or insight as to the extent to which you believe counterfeit and piracy in your industry is having an impact on employability and prospects for members of your association?

Mr. Richard Hardacre: I certainly could comment. Thank you for the question.

As a preamble, you mentioned that a lot of the crisis in our industry was caused by the run-up in the Canadian dollar, and that's true; however, it would not be such a crisis if we had a Canadian industry, so let me put that as the foundation: the reason I come to Ottawa, for every single committee and every single appearance in front of the CRTC, is to build the Canadian industry. We would not be in such a jeopardized situation if we had a Canadian industry.

Yes, illegal recording is increasingly a problem. We were very encouraged last winter, I believe it was, when former Minister of Industry Bernier and Minister of Canadian Heritage Bev Oda announced new legislation in the Criminal Code for illegal copying, camcording, and distribution of motion pictures. There is a definite effect to distributors of these films, certainly, and a loss of earnings to distributors, but when recordings can be illegally made, there is obviously no remuneration downstream in the royalty structure for any of the creators, the writers, the directors, or the actors. That is a tremendous loss of revenue through the royalty structures we have in place as a union, so ACTRA has been very much in favour of that legislation.

We actually work very closely with the motion picture distributors in Canada, and the Honourable Doug Frith, a former minister, is a good colleague of ours on this battle. There's certainly an impact there in earnings, and it's tremendous. The writers are on strike in the United States right now over the earning of potentially billions of dollars for new media production, for which they currently receive nothing. That's just an example of how stopping the flow of earnings through any kind of royalty structure has a tremendous downstream effect, so performers are affected.

• (0950)

Hon. Dan McTeague: When you mention new media commercial production, bells went off in my head, but I didn't see any of that really covered in terms of protecting the Canadian content that you're looking at if there are no provisions. This committee has spent a considerable amount of time on this, as has the public safety committee.

I'm wondering if, in your deliberations with members on the heritage committee, you've also been able to stress this point. It's not in your top four, which is a bit surprising for us here on the industry side of things, but nevertheless I'm wondering if I could task you to talk to some of our colleagues in the House of Commons who sit on the heritage committee in particular, and who may not see this in quite the same way you or I might see it in terms of its threat to jobs here in Canada and to the survivability of your association.

Mr. Richard Hardacre: Yes, I certainly am prepared to talk to members of Parliament on the heritage committee, but I'm sorry, Mr. McTeague, I didn't quite get.... Were you referring to commercial production, television commercial production—

Hon. Dan McTeague: Yes.

Mr. Richard Hardacre: —and the lack of protection for Canadian content of that?

Hon. Dan McTeague: Well, I mean content with respect to protection of camcording, protection with respect to new digital forms of technologies involved with creating this product. We don't have that. I have not spoken to people who make commercials, particularly.

I'm referring to some of the innovative technology used in this process of commercial production in sites established throughout Toronto, south and east of my riding. Some of these technologies are being unwittingly copied.

Is there a response? Is your association aware of this?

Mr. Richard Hardacre: We're aware of it, yes.

We're actually in negotiations with the Association of Canadian Advertisers for our new collective agreement. They're obviously very concerned about it. What you're talking about is pirate advertising, basically, and advertising that's done through new media or through the Internet. We're very aware of it, and at the next opportunity I have to speak with the heritage committee or with Minister Verner, I will be very happy to bring this up.

Hon. Dan McTeague: A point worth mentioning is that I think there is a misconception that there is a bit of foot-dragging with respect to new legislation to protect and enhance copyright and to combat counterfeit products and film piracy in Canada. There's a perception that the heritage committee or those on the heritage committee may not be quite familiar with all the ins and outs of the problems, and it's easy to see why they may have that misconception, given that your four top priorities enunciated here to this committee don't include anything along the lines of piracy.

That's just a note.

Mr. Richard Hardacre: Thank you.

The Chair: Thank you, Mr. McTeague.

We'll go to Monsieur Vincent.

[*Translation*]

Mr. Robert Vincent (Shefford, BQ): Thank you.

Good morning everyone. Thank you for travelling to see us this morning.

I'm going to continue in the same vein as Mr. McTeague, who was asking what possible impact piracy may have. Since the advent of pirated goods, fewer people are going to the movies, which translates into a significant decline in box-office sales. This must surely have an impact on film producers and artists working in this area.

Have you recorded any loss in earnings because of the number of films being pirated in this country?

[*English*]

Mr. Richard Hardacre: *Merci, Monsieur Vincent.*

I will not attempt to speak for the distributors of feature films in Canada. I believe they have a very efficient lobby organization that will be talking to you.

We do not have statistics that show there was a drop in viewership. That's not something my union tracks. We listen to the motion picture distributors about that, and they have statistics that show there has been a loss of earnings for motion picture exhibitors. I don't have those statistics, monsieur. I wish I could help you with that.

But a concern to us is the lack of downstream earnings from viewership of films being distributed, and the very small percentage that performers share in that revenue—it's 3.6% of downstream revenue from those productions. There's also a disincentive for filmmakers who are our members, like Sarah Polley, to produce when their films can be pirated and they will earn nothing from them. But I encourage this committee to seek more information from the Canadian Motion Picture Distributors Association to answer specifically Monsieur Vincent's question.

• (0955)

[Translation]

Mr. Robert Vincent: If producers are producing fewer films because more people are copying them, this must be having direct repercussions on the artists who make these films. They have less incentive to make films, because once released, they are copied and viewed elsewhere. You tell me the figure is 3.6%. Your association must have some power to attempt to put an end to piracy. Otherwise, you will also be forced to cut jobs within your own field.

Earlier you said that the relative value of the Canadian dollar has an impact on this phenomenon, but so does immigration. When an American production is being filmed in Canada, there is no requirement to have a certain percentage of Canadians hired on the film. People from all over, be it the United States or elsewhere, can be asked to come here and play minor roles. There is nothing that says that when any film is produced in our country, a percentage of Canadian workers must be hired.

[English]

Mr. Richard Hardacre: The member is absolutely correct on both points. First of all, attention is being paid to pirating. It's a very deep concern of our members, and we have been quite supportive since the announcement was made about legislation. I was in the Centre Block for that and answered media questions. I was invited to be there by Minister Oda, and I've already spoken with Ms. Verner about the piracy problem and the fact that we are encouraging law enforcement to crack down on this. As I said before, I don't have any statistics.

Thank you for raising the question of foreign workers. This has traditionally been something that we've been able to handle, because the HRDC did consult... I've been an actor for 30 years, and in my lengthy career I have been involved with ACTRA. I've been able to audition and get work in foreign productions that came to this country, and many of my colleagues did as well.

That is something that our union was able to enforce, because HRDC consulted with the union as far as work permits go for every role, not just the lead roles. For some strange reason that has not been explained to us, in 2007 HRDC stopped consulting with all unions on the issuing of work permits. It has become a serious challenge, because now we see non-Canadians being imported to play not only two- or three-day roles but single-day roles. This is a tremendous job loss to Canadians and the treasury of this country.

Thank you for that question, sir.

The Chair: Mr. Vincent, for 30 seconds.

[Translation]

Mr. Robert Vincent: Thank you, but I will forego my 30 seconds, Mr. Chairman.

[English]

The Chair: Mr. Carrie, please.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Mr. Chair.

Madam Sannella, I was really interested in what you had to say. I actually have a personal connection via a friend of mine, Douglas Cardinal, a fairly famous Canadian whom you may have heard

about. I was speaking to him recently, and it seems that he is finding more opportunities in the United States and China than here at home.

I'm actually surprised at some of the things you said, because it does make sense to me that your industry, for environmental concerns, the economy, and quality of life, is key to innovation and improvements in productivity and efficiency. I was curious and wanted to hear you talk a little bit more about this, because the government has come up with an S and T strategy. From your recommendations here, is it correct that your industry is not able to work with the government in the S and T strategy? Can you comment on that?

• (1000)

Mrs. Samantha S. Sannella: Well, they haven't asked us to. We would be happy to.

I find no reference to design in any of the government strategies regarding science and technology or innovation, which I think is a mistake and a huge oversight, considering that design is the key link between research and commercialization. So I'm surprised it's not in there. In every other country, with the exception of the U.S., they have design strategies. Even India is developing a design strategy; Singapore has a really good design strategy; and so do Taiwan, Hong Kong, Finland, and the U.K. I'm not sure why Canada has not embraced design.

Mr. Colin Carrie: I do think the intention is there. As far as the specifics are concerned, I am really pleased with your recommendations, because this is something we do need to look at.

You mentioned in recommendation 7 the need to increase investment in design services for export development. What are the opportunities for Canada as far as opportunities for export are concerned in your field?

Mrs. Samantha S. Sannella: Currently, I think about 7% of all design revenue goes to export markets. A large portion goes to the U.S., but increasingly we've seen a shift as the dollar has risen, with design services being exported to China; Hong Kong; Asia; India, which is a huge market; South America; and the Arab countries. And this has been across all design disciplines. As I said, it's easy to say that Canadians are building Dubai with projects worth \$40 million to \$50 million in fees, which are significant for a Canadian company.

Currently we have very few government programs to help designers launch their careers in foreign countries. Right now we have trade groups, which I'm sure you're all familiar with. We've seen decreased spending in government programs over the last five years. Last year I think we were eligible for maybe \$20,000 to help launch emerging designers overseas—which, as you know, will barely pay for a booth wall at a trade show, it seems.

We obviously know it's because of the political climate that funding has been decreased, but it's really hurting us in promoting emerging designers and in helping foreign offices understand that design is more than just the production of beautiful glass, but that it's about design services. So we have no funding to educate foreign offices that design services are an important marketable part of Canada; we don't. We try to do it on our own, but it's really hard. If we use airline points to go and meet with all of these people and try to tell them what design services are, most foreign trade offices don't even understand.

Mr. Colin Carrie: One of the things you mentioned was funding decreases, yet in the last budget we actually increased funding for science and technology and research and development by \$1.3 billion, I think it was. So I think the perception is how to access that and how to become part of it.

Are there specific impediments to your industry from taxation or policy issues with the Canadian government?

Mrs. Samantha S. Sannella: Well, there aren't really impediments, because there are no policies in place. There is no design policy, which we should have.

With taxation, of course, a tax credit or tax incentive for the industrial design community and the visual communications design community would, I believe, help boost commercialization for manufacturing companies. I think it's key that we look at manufacturing companies, and also at the commercialization rate of new products. The development of new products provides greater profitability. We show that in many different studies. New products are tied to design services, so if we can provide incentives to manufacturers to invest in design services, they will see more profitability. That's as easy as algebra 101—but we don't do it. Other countries do it, but we don't do it. We should do that.

Quebec actually has a design tax credit for industrial design services—not visual communications but industrial design services—and they've been better able than other provinces to maintain their manufacturing community. They are very small, and I think a lot of their funding has been cut over the years, but at least they have some idea about getting it right.

• (1005)

Mr. Colin Carrie: Thank you very much.

To the booksellers group, I'm wondering if you could expand a little bit on the sites and the Internet commerce. You mentioned that Amazon.ca is actually unauthorized in Canada...? Perhaps you could elaborate a little more on that comment.

Mrs. Susan Dayus: No, it's not that it isn't authorized. When Amazon came to Canada there were no policies in place—there still aren't—regarding Internet companies doing business in Canada.

Barnes and Noble, for example, can't just come into Canada and take over the company, or an American publisher can't just come in and take over a Canadian publishing company, because of the regulations in place. But Amazon was able to come into Canada, set up Amazon.ca, and employ no people, with no physical building here. They're doing it all from Seattle, in partnership with Canada Post through Assured Logistics. They distribute the books and handle all of the logistics of moving the books through Canada.

We're saying that this gave them an unfair advantage in Canada because they were able to go around the regulations that everyone else has to abide by.

It's already been done, so we're not saying that we think it should be drawn back now. You can't pull things back. But we think the government needs to look at a strategy to stop that from happening again.

The Chair: Thank you.

We'll go to Ms. Nash, please.

Ms. Peggy Nash (Parkdale—High Park, NDP): Thank you very much.

Welcome to all the witnesses this morning.

I want to pick up on the Amazon issue, Ms. Dayus. With the rise of the Canadian dollar, I'm sure the issue of people purchasing books online with an American supplier has increased.

Do you have any sense of what proportion of book sales are now done online to an American company?

Mrs. Susan Dayus: No, unfortunately I don't have any statistics on that. We also don't have statistics on how many people are actually getting in their car, crossing the border, and loading up on books because they're wanting to buy it at the U.S. price.

All I can say is that the booksellers I've been talking to from across the country—not all of them, but many of them—are showing a decrease in sales. Some of that could be because their prices have dropped. And that's a good thing; publishers have been working for over a year to bring the printed price on the book down. That is being passed on to the consumer.

Ms. Peggy Nash: I know it's been a public irritation for people—it's been in the media—that they see two prices on the book cover. In the bookselling industry probably more than in other sectors, that maybe has driven people to find alternate supplies.

Mrs. Susan Dayus: That's right. As Mr. Tabor said, the climate has changed. Students and general consumers are now looking to the Internet to compare prices. When we have policies in place that help keep our prices high, that's not good for the government, that's not good for Canadians.

Ms. Peggy Nash: What do you specifically recommend with respect to a company like Amazon, which is operating legally but seems to be flaunting the Canadian content rules here?

Mrs. Susan Dayus: One thing we have to be sure about—and this just has to do with cross-border shopping, however that is happening—is that taxes are being collected on the goods that are coming into Canada. Not only are we faced with consumers looking at two prices, but in many cases they're also looking at not being charged that additional GST. It's not the reason for it, but it goes back to what we would like to see happen, that the GST be removed from all books.

Ms. Peggy Nash: But specifically about the Amazon situation, if the government were to remove all the GST on books, are you saying that there's nothing that...?

You're not recommending that anything be done with respect to purchasing books online by an American company—or it's not an issue that you think there's a solution to?

• (1010)

Mrs. Susan Dayus: I think it's already happened. You can't pull something as big as that back. We do need to ensure that, for example, the books they are purchasing are being purchased through the Canadian distributors, not purchased through the American distributors, and that they're playing by exactly the same rules as govern the rest of the booksellers—campus, trade, specialty—in Canada.

Ms. Peggy Nash: Thank you for that.

Mr. Hardacre, on the issue of Canadian production, you've said that about half the work that Canadian actors do is Canadian production and the other half is the service agreements, and that it's the service agreements that have been particularly hard hit by the rise in the Canadian dollar. Would it make sense to then, especially in this current context, strengthen our Canadian production base as a way of dealing with the rise of the Canadian dollar? Is that something you would recommend?

Mr. Richard Hardacre: Well, you have a new fan in me, because that's exactly what we're trying to do. First of all, we're Canadian performers, we're Canadian artists, and we care about Canadian culture and Canadian stories and Canadian identity. We like to work on that material. So absolutely, yes.

ACTRA, I know, and the other unions will always encourage foreign production. Production that shoots here brings in a huge amount of economic activity across the country. We will never discourage it. But we realize there's a jeopardy in counting on it only. When Hollywood production decides to shoot only in Romania and Mexico, which they say they will do if we don't.... In fact, in ACTRA's negotiations last year, the Disney executive vice-president said to us across the bargaining table that if we wouldn't reduce our rates by 25% and give them Internet use for free, they would just take all of their work to Romania and Mexico and starve us. Those are the kinds of words that are exchanged across the bargaining table when you're dealing with Hollywood lawyers, unfortunately. But we didn't listen to it, and we prevailed.

Thank you, Ms. Nash, for the question. It is absolutely essential that we build the Canadian industry. We need to do it in every way we can, because we cannot be reliant on the vagaries of a currency exchange and the speculation that goes on, which pushes the Canadian dollar up or down. And Hollywood retreats as it goes up.

We absolutely must build it, and that's what our leading members are working to do.

Ms. Peggy Nash: Thank you.

The Chair: We'll go to Mr. Simard, please.

Hon. Raymond Simard (Saint Boniface, Lib.): Thank you very much, Mr. Chair, and welcome to our witnesses.

Mr. Hardacre, I'd like to begin with a couple of quick questions to you.

I have the privilege of having in my riding the oldest uninterrupted theatre group in Canada, *Le Cercle Molière* in St. Boniface. I think they're celebrating 90 years, somewhere around there. I just can't imagine the riding without these people. I know all the actors there, and they're all part-time. They can't sustain themselves full-time with acting careers.

I like the idea of the income averaging. I wonder if you could maybe talk to us a little bit more about that. How do you do that when you can't basically make a living acting and you have to do something else on the side? Maybe you could talk to us about that.

Secondly, we all realize that Quebec has a very vibrant film and television industry. They're getting international recognition, and they're winning awards, almost on a yearly basis. Is there anything

specifically that the Province of Quebec is doing to encourage that, that maybe we should be looking at on a federal level?

Mr. Richard Hardacre: Excellent. Thank you. I'm happy to answer both these, in reverse order if I could.

What Quebec is doing is absolutely what we need to do, to be proud of our unique identity. English Canada has one, and we need to work at building it. The Quebec industry has a committed television audience, a committed film audience, and a committed theatre audience, as has St. Boniface. That has not happened accidentally. It has happened because federally our government and provincially the Quebec government have for decades encouraged production locally, and encouraged viewership, and primarily encouraged what we call our Canadian stories. They don't have to be stories about a house in Cabbagetown in Toronto or a place on Granville Street in Vancouver; they just have to be stories that we care about. They would be written by Canadians and directed and performed by Canadians.

If Canada could take, which we believe we are now beginning to do, the example of the Quebec cultural industries and be proud of our identity and have regulations in place that encourage, and not just encourage but demand, minimum amounts of content and minimum amounts of expenditure on Canadian programming on our big private broadcasters—CTV, CanWest Global—which have doubled their profits annually over the last three years, and which are committing less than 3% of their revenue to Canadian production, then we would do something Quebec has already done.

•(1015)

Hon. Raymond Simard: That is, income averaging?

Mr. Richard Hardacre: Yes, income averaging.

I'm a performer, I'm proud to say, and I've had many part-time jobs not being a performer. Most performers, when they have to work, do other self-employed jobs. Income averaging is also something that's familiar in Quebec; it would be as a self-employed person.

If the actor is not working this week as an actor, she or he is a server or a bartender next week, and over the years the income could be averaged—over perhaps a six-year period or something like that. There have been years as a performer, I'm proud to say, when I earned close to \$100,000, and another year I earned \$4,000 but yet was taxed on the second year as if I were earning \$100,000. My tax deductions were such....

Just on a personal note, I shouldn't put my income into the record; I'd rather not. But I pay taxes on everything. I'm proud to pay taxes.

Hon. Raymond Simard: You don't want too many \$4,000 years.

Mr. Richard Hardacre: No.

Hon. Raymond Simard: Thank you very much.

Ms. Dayus, just quickly, you talked about a lot of small bookstores going out of business. I'm wondering if that's not more as a result of the big boxes coming in, the Chapters and the Indigos, than of the dollar and any other such effects. There has been a restructuring in the industry; I think that's quite obvious. I'm wondering why you would pay, for instance....

You're talking about profits of 1% to 2%. I bought a Ken Follett book for \$40 at Chapters, and my sister-in-law told me she saw it at Costco for \$23 the same week. Is this a loss leader? How can there be that much of a discrepancy in the price of a book?

Mrs. Susan Dayus: You're absolutely right. In many cases, the discounters like to use books as loss leaders, to make a penny or two, or a very small amount, because it's such a visible comparison that they can put front and centre, as if to say, if we sell our books at this price, then everything must be that close to margin.

Hon. Raymond Simard: Is the small bookstore a thing of the past?

Mrs. Susan Dayus: No, I don't believe so at all. The small independent bookstores—

I'll backtrack for just a minute. We also have, as part of our membership, Indigo and Chapters, people who sell books for a living as opposed to people who sell books as a commodity, which is why we feel that books need to be treated separately from nuts and bolts. They're important to Canada. They're important to local communities, to local economies. They bring people together. They're part of literacy and understanding your country. So no, I don't believe they're going away, but they are very vulnerable, very fragile.

That huge loss of bookstores was over a period of time, and a lot of it had to do with big box stores coming in and changing the retail landscape. But we're looking at possibly a fresh number of bookstores.

The Chair: Thank you.

Thank you, Mr. Simard.

We'll go to Mr. Van Kesteren.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Chair, and thank you, witnesses, for coming.

Richard, I'm going to challenge you, and I have a question at the end. I suggest, sir, that there's a disconnect between what you think we should watch and what the public wants to watch. Take a movie like *Wild Hogs*. Culturally it might not be too enriching, but do you know what? The average guy who is working every day wants to go home and be entertained.

I guess I'm asking this question. Do you think we should watch what you want us to watch, or do you want what the public...?

I'm going to give you an example. We've currently produced a film called *Young People...* and the blank, I'll tell you, starts with "f" and ends with "g". We funded that.

Do you think you should have full licence to keep funding films that, in some cases, are I think reprehensible and in other cases might be just plain boring? Or, if the government is going to get involved in building up the film industry, should the government have a say in what we're going to produce?

I want you to comment—but not too long, because I'm going to split my time with my friend Monsieur Arthur.

• (1020)

Mr. Richard Hardacre: It's a good challenge. I won't ramble on. Your points are very good.

First of all, I'm not in favour of censorship and telling the public what they should or shouldn't watch. I believe the public should watch what they want to watch to be entertained. I believe entertainment is escapist, and it should be fun. They should be able to see whatever they choose. It's freedom of choice.

What we are urging is that there be a minimum amount of Canadian content available. Currently there is no requirement on television. If you look at the last week....

This chart is a month outdated, but for instance, here is Global's schedule for the last week of October, from Saturday through Friday. Its prime time hours are from 7 p.m. until 11 p.m. American programming is shown in blue; the red is Canadian. There is a half-hour of red in prime time, and there are twenty-six and a half hours of blue American programming in prime time. CTV shows a similar thing: blue is American, and red is Canadian.

In my home, the television is tuned quite often to entertainment that is non-Canadian-sourced. That's fine, but there needs to be a choice also available that is Canadian. Canadian jobs are dependent on that, and the Canadian economy. It's not just a cultural, airy argument—"Gee, isn't Canadian culture good"—it actually is about bottom line. It's about work.

Mr. Dave Van Kesteren: But will anyone watch it, if we produce this stuff?

I point out that the Americans have no funding, and that's the blue. They're savvy enough to realize that this is what people want to watch. It's crass, but I guess I'm asking the question whether we should interfere and say no, you should be watching this, when the public is saying, I have satellite and I'm going to watch what I want.

Mr. Richard Hardacre: Certainly a program that fails to get an audience shouldn't be on air. There's no requirement to air or to show a film that an audience isn't coming to. But if money is consistently available from advertising revenue both for TV and for feature movie.... ACTRA says 7% of advertising revenue can do it; 7% of advertising revenue from the big broadcasters can create just two hours of prime time work in the 28 hours. If that money is there, then new projects are always in development, Mr. Van Kesteren.

If something fails, we have the successful ones. We have *Corner Gas*; we have *Trailer Park Boys*. I'm not talking about a feature film that has profanity in its title. We're talking about series that actually have over a million viewers in the country watching them every week, in the English language. These shows are available.

But there's only one example: *Corner Gas* is one half hour in Global's schedules during the week.

Mr. Dave Van Kesteren: I'll split my time with Monsieur Arthur.

The Chair: You have less than a minute. The next spot is a five-minute spot, if you want five minutes.

Mr. André Arthur (Portneuf—Jacques-Cartier, Ind.): Could I take those little seconds and add them to my rightful time a few minutes later?

The Chair: Sure.

Mr. André Arthur: Thank you, sir.

The Chair: We'll go to Monsieur Vincent.

[Translation]

Mr. Robert Vincent: Thank you.

You showed us a table that was more blue than it was red. However, the CRTC has ordered that 60% of the programming must be made up of Canadian content.

Can you explain why we see only American programs?

[English]

Mr. Richard Hardacre: They have not declared that yet.

[Translation]

Mr. Robert Vincent: The CRTC has asked broadcasters to include 35% of Canadian content in music that is aired. For television, Canadian content must be 60%. Looking at your schedule, there is no 60% Canadian content. This is in breach of the CRTC regulation.

How do you explain that?

[English]

Mr. Richard Hardacre: Thank you.

I believe CanWest Global will be listening very carefully to the CRTC's rules. It's a very important multi-billion-dollar decision that's happening right now.

We are continuing to advocate that there needs to be a minimum of content in prime time. Global and CTV, the big private broadcasters, are saying that they're putting money into priority programming—that means Canadian programming, which could be news, sports, or variety—and it's not necessarily in prime time. We need to see Canadian work in prime time, and we will be arguing about that until the cows come home.

● (1025)

[Translation]

Mr. Robert Vincent: All right.

Ms. Sannella, you are saying that we need to support designers. Are the people who work in the field of design self-employed?

[English]

Mrs. Samantha S. Sannella: It depends on the design sector. Graphic designers are mostly self-employed; I think about 62% to 63% of all graphic designers are self-employed. It's less for interior designers, less for architects. Industrial designers are mostly self-employed. The number of self-employed people depends upon which specific design sector we're looking at.

[Translation]

Mr. Robert Vincent: In your opinion, through which sector should the Canadian government provide grants to support these designers? What would the return on those grants be? I am trying to understand exactly what your interests are, so that I can promote them later on. I'd like to fully understand why we should provide greater support to designers, rather than publishers, who charge 15% more for their books, according to Mr. Tabor.

Could you please expand on that?

[English]

Mrs. Samantha S. Sannella: I believe that if the government is looking to stimulate the manufacturing economy and raise the current manufacturing up the value chain, then they have to subsidize industrial design and graphic design. That's a given.

I believe that the architecture, interior design, and landscape communities aren't part of that equation, so if the government's innovation initiative is to see how we can create more new products and compete in the international economy, then those two, specifically industrial and graphic, must be part of the equation and must be subsidized to help stimulate manufacturing and help them understand it's critical that this is part of the innovation equation.

[Translation]

Mr. Robert Vincent: You use products from the manufacturing sector to decorate and create. Do you believe that the manufacturing sector should be given higher subsidies to help it come out of the economic quagmire caused by the fluctuating dollar and Chinese exports?

You use prefabricated products that you showcase. There are therefore just as many designers who work for stores, and ones who specialize in interior design, or as there are freelance architects.

Shouldn't we provide greater support to the manufacturing sector so that you have what you need in terms of decoration?

[English]

Mrs. Samantha S. Sannella: Yes, that's what I'm trying to say. I wish I spoke French. Maybe one day.

Specifically, if we are trying to stimulate the manufacturing economy then we must subsidize industrial design and graphic design as part of the innovation equation. Design can be a direct driver of the manufacturing industry rather than the other way around.

Maybe if you're producing furnishings, in that equation you include interior designers. Maybe if you're producing automobiles you need to include more industrial designers and maybe a combination of designers to produce better interiors for cars.

You could include other types of designers, but I believe, at a minimum, it should include some kind of subsidy or credit for using designers, maybe of any type, but specifically for industrial design and graphic design purposes in the innovation equation.

[Translation]

Mr. Robert Vincent: Is that all? Is it over?

The Chair: Yes, that is all.

Mr. Robert Vincent: Could I use some of the 30 seconds that remained earlier to speak for another minute?

[English]

The Chair: I gave you 5 minutes and 45 seconds.

Monsieur Arthur.

• (1030)

Mr. André Arthur: Thank you, sir.

My first point will be to go along the same lines as Mr. Simard when he talked about income averaging. Income averaging is a necessity in any equitable fiscal system, especially for people who are creators, who live in insecurity over the years. You've got one good year, three bad years, fat cows, lean cows, and it touches on people in professional sports, artists, actors, and anybody self-employed who can have a bad year.

The day that we come back to the system we formerly had in Canada and that was removed, we'll have made a significant step toward fiscal justice. I don't know how this committee can contribute to this, but let's talk about it at one time or another.

[Translation]

Mr. Simard, your second point concerned the quality of the Quebec cultural industry.

For English Canada, this has taken on mythical proportions. Quebec culture, and Quebec producers, have an advantage that the rest of the world only dreams of: a captive audience. The more we allow the teaching of English to erode, the more barriers we build around Quebec preventing people from learning what goes on elsewhere, and prevent people from travelling freely across provincial and national borders.

More and more Quebecers are being forced to consume artistic products of declining quality, and put up with a cultural class that is becoming increasingly incestuous.

I must be said that within Quebec's film industry, auditions are virtually never held to seek out real talent, but the friends of those involved in subsidized productions are simply brought in. Auditions are never held within the Quebec film industry, or at least almost never. We see more and more subsidized artists driving around in Mercedes that the average person would never be able to afford.

An increasingly select group is being generously subsidized. You can't begin to imagine the number of extraordinarily stupid programs being served up to Quebecers by private and state television in Quebec, because the captive audience can't look elsewhere.

[English]

Mr. Hardacre, the mandating of Canadian content has always been a given in Canadian cultural policy. Is that because you don't trust the Canadian public to support and listen to quality when they see it, or they are too dumb to recognize it when they see it, or is it because you don't trust yourself to produce things of quality that the public will recognize and support? How come you always need the big brother of government to force you on the Canadian public?

The Chair: Mr. Hardacre, it's a very subtle question.

Mr. Richard Hardacre: I find this a very good way to get my adrenaline going.

Monsieur Arthur, merci. That's a very fine question to challenge me with.

As an organization of performers, we do not expect the government to be a big brother. We would not want that. We are talking about our culture. We're talking about cultural identity. We are dealing with, unfortunately, neither.

You gave me two options: is the public not smart enough, or is our quality of work too low? There is another option, and it is what's in force right now.

Television is the breeding ground for filmmaking in all countries. Particularly in English-language countries, television is the breeding ground for filmmaking. Television is inundated in this country. The private broadcasters are inundated with American programming, and it's not an accident. It is because the product is dumped into this country, dumped because the private broadcasters can buy it cheaper than they could buy an hour of Canadian programming, because the American production has all its money made already south of the border.

So it virtually is dumped into Canada, and the private broadcasters then have simulcast rights, which allow them to sell advertising at high premiums. The revenue from advertising is very high because they get the spinoff from the programs being in the exact same time slot as it is in the border cities. It's called simulcasting. They have that protection, which is really not free market at all, and they are benefiting from it. Yes, we believe broadcasters should make money, but we do not want to see them only make money with Canadians having no choice to see English-language programming in prime time.

• (1035)

Mr. André Arthur: Mrs. Dayus, you told us that the price of books was fixed by other people, publishers, and that—

Mrs. Susan Dayus: No, not fixed.

Mr. André Arthur: Established or proposed.

Mrs. Susan Dayus: The price that is printed on the book is established.

Mr. André Arthur: Yes, and that it's established long in advance of the time of sale.

Mrs. Susan Dayus: Right.

Mr. André Arthur: Do you realize that if the same argument was given to us by petroleum people, we would be revolted?

Mrs. Susan Dayus: Is that a question?

Mr. André Arthur: Do you realize how difficult this is to accept? Somebody else told me what the price was, and that was a long time ago, but pay now.

The Chair: Ms. Dayus, do you want to respond to that?

Mrs. Susan Dayus: Sure. The thing is that the products are bought well in advance by booksellers. Books don't go out of date like milk. They're sitting on a shelf. They're a product. They've been paid for. Some of them have up to six months, a year. They could be in a store because they still continue to sell. Books are not reprinted continually.

So if a bookseller has paid at an exchange rate of maybe 20% and now all of a sudden a consumer is demanding that they want to buy the book in U.S. dollars at the U.S. price—and you can see by the figures I gave you that there's a very small margin in bookstores to begin with—it puts them at a terrible disadvantage.

Mr. André Arthur: But Amazon can change its price instantly.

The Chair: Okay, that's enough.

Thank you, Mr. Arthur.

Mrs. Susan Dayus: Amazon doesn't employ Canadians.

The Chair: We'll go to Ms. Nash, please.

Ms. Peggy Nash: Thank you.

On the issue of income averaging, I'm very proud that many of my constituents work in the arts sector. We have musicians, painters, writers, theatre performers, actors, and income averaging is something that I have long been in support of. While we have some very, very successful architects, artists, broadcasters, filmmakers, we also have so many people who are living in poverty, and they are really subsidizing the artistic work they offer us.

I have a motion, in fact, on income averaging for artists, because I think it's one way to help smooth out the lumpy income that they have over a period of years.

I want to address the issue of Canadian content, because while someone said earlier that the U.S. just has a free market on this, in fact, the U.S. is the largest cultural exporter in the world. They are fiercely competitive in cracking open markets and ensuring that their products are sold to foreign markets. Other countries, whether it's European countries or others, are also very aggressive in supporting their cultural communities. It seems to me that, unlike some other sectors of the economy, where you have a short R and D and then you go into production, in the cultural sector the research and development is the development of the actor's talent. All the huge creative input that goes in upfront, whether it's design or writing or whatever the creation is...it's a huge amount of research and development, and when you actually get to the product, whether it's a video, a CD, a performance, whatever it is, that's actually the smallest part of the actual creation of this product.

It seems to me that unless we support that R and D part, that creation of the Canadian product, and we're fierce in defending that, in fact, it will not be a fair competition with other producers, especially the U.S.

I wonder if any of you would like to comment on that.

• (1040)

Mr. Richard Hardacre: Certainly, thank you.

There's no question that in our industry, film and television, Hollywood or the United States industry is imperialistic. I was told that across the table, that Americans invented filmmaking, and I had to correct the gentleman and said, "No, I'm sorry, it was invented in France, by the Lumière Brothers".

It's quite shocking to them that one suggests that Canadians can make a cultural product, because they believe this market is their market. And it has been a pretty good market for them. As the member says, the United States is the biggest exporter of cultural product in the world. They make fortunes, billions of dollars, selling film and TV into this country—mostly film. Only 2% of our screens in English language are Canadian films over the year. Only 2.3% is the average over the last year—2.3% of screens in this country have Canadian films on them in the English language. It's despicable and it's not acceptable; that's what I say.

Mrs. Samantha S. Sannella: I also think the government has to lead by example. For instance, the gentleman at the end of table spoke of Douglas Cardinal, who is one of Canada's greatest architects, who's finding more work in China than he finds in Canada. It's true for all architects in Canada: their work is overseas in a lot of cases.

Canada fails to invest in its own greatest assets. They have such a humble, risk-averse attitude. My father used to say that an expert is any idiot from out of town. They come in and build our greatest buildings, and I think it's a shame. We should invest in our own creative workforce to build our country.

Ms. Peggy Nash: Are designers included in the kinds of arts for which a person can get a Canada Council grant?

Mrs. Samantha S. Sannella: No.

Ms. Peggy Nash: So how do young designers get started? Canada Council grants are the seed money that help emerging and established artists.

Mrs. Samantha S. Sannella: Absolutely. One of our recommendations is that design should be included in Canada Council grants.

How do designers get started?

Ms. Peggy Nash: They subsidize it, I guess.

Mrs. Samantha S. Sannella: It's baptism by fire. There are so many graduates of design schools who do not go into careers of design because it's so hard to get started and the salaries are notoriously low. It's an industry where unfortunately you have to pay your dues. It's not unheard of for a young designer to work 16 hours a day and be paid for eight. That's the way the industry works.

It's unfortunate that this has become mainstream, because if we had programs to support young emerging designers—even programs where we help them launch their products, or help them with their marketing initiatives, or help them understand business initiatives—we'd probably see a better success rate.

The Chair: Thank you.

Thank you, Ms. Nash.

We'll go to Mr. McTeague.

Hon. Dan McTeague: Thank you again, Chair.

Mr. Tabor, you mentioned the 1999 tariff and changes to the Copyright Act. Refresh my memory. What were the reasons for it?

Mr. Chris Tabor: I was there in 1999. Unlike the Copyright Act that's being discussed today, at that time they did ask for a lot of contributions from Canadians and the industries that were involved.

The problem is that it is very weak. I believe the analysis that surrounded the regulations said this was good for Canadian publishers and therefore good for Canada as a whole. At the time we saw it as a rather weak rationalization for the imposition of a private tariff by public policy.

To answer your question, that's as extensive as it gets. If you were to examine the regulations, you would probably appreciate more than others how weak it is on that policy aspect.

Hon. Dan McTeague: According to you, the practical implication is that foreign books emanating from foreign publishers have a distinct advantage over books published or produced in Canada because of the imposition of this tariff. Is that correct?

Mr. Chris Tabor: No. What happens is that publishers can distribute books that have their origins in the U.S. or the U.K. and extract 10% or 15% more. An individual can go around both the bookseller and the publisher and buy without that tariff, but it does not provide an advantage for an American book over a Canadian book; it just explains 10% to 15% of the differential in price.

●(1045)

Hon. Dan McTeague: All right. Thank you for that.

Ms. Sannella, last evening I was driving south on Bay Street. I happened to glance to my right as I was coming south, and on the site of the old Toronto Stock Exchange was the Design Exchange. I assumed it was simply about clothing. A couple of people walked out and they weren't very well dressed. I mistook them for the chairmen.

Some hon. members: Oh, oh!

Mr. Dan McTeague: Conceptually I assumed it was simply clothing design.

You have a number of people who come up with some fairly innovative design concepts. In my riding we had an individual who

came forth with some fur that was woven into a particular material. It was very, very popular. She was from Uxbridge, I believe, which is just north of Mr. Carrie's riding.

I'm wondering what concerns, if any, members of your budding organization have with respect to protecting the ideals, the novelty in the property they're coming forth with? Are there any concerns from your members?

Mrs. Samantha S. Sannella: They have large concerns. It's one of the hottest topics amongst designers, not only product designers but also interior designers and architects who take their sketches to China and have them knock off the buildings.

Emerging product designers are especially reluctant to go to trade shows, because they think other people are going to steal their ideas. The Design Exchange is working on a program with a legal firm for IP, to help train designers in the importance of protecting their products. It's unfortunate, because designers are relatively undervalued and underpaid. They can't normally afford the services of a legal firm to help them protect their products. It's something we're trying to educate them about, but we see a reluctance by a lot of small firms—even large firms—to showcase their work, because they're afraid of the knock-off factor.

Hon. Dan McTeague: That was very insightful, because I think a lot of us assume for a moment that when it comes to design and other issues out there, these are not issues of great concern to the communities. I think this point by your industry should be made more abundantly before this committee—hopefully anticipating legislation with respect to IP and counterfeiting.

Do you have examples? You mentioned, for instance, the designer who is doing very well in Shanghai, China. Is there still a risk, in your view, for that engineer or designer with respect to being protected? What does the Canadian government do in that part of the world to ensure there is an understanding that as someone produces new designs, they will in fact be properly compensated for them? Is there any such guarantee, or is this something that your membership continues to face with great risks?

Mrs. Samantha S. Sannella: There's no guarantee. It's the biggest risk in an operation.

If, let's say, a product designer has a great product and can't get it produced here in a cost-effective manner and goes to China, it's a huge risk, because what happens.... And there's a great example with Umbra, which makes household products, some great, some not so great. They own several factories in China. Whenever they produce something, the next week they see a knock-off coming out, and there's nothing they can do other than continually produce new products to stay on top of their game.

Hon. Dan McTeague: And Umbra's headquarters, Mr. Chair, so you and the committee know, is now up for sale in Scarborough. They're shutting down their main warehouse.

Mrs. Samantha S. Sannella: Are they really?

Hon. Dan McTeague: Yes.

Thank you, Chair.

The Chair: Thank you, Mr. McTeague.

Members, I just want to indicate that the bells are ringing. There is a vote at 11:15, so we do have 25 minutes. But because of a rule actually spurred by this committee, the chair needs unanimous consent of the members to sit until 11. So I'm asking for unanimous consent to sit until 11, and then we'll go over to the House after that. Do I have consent?

Some hon. members: Agreed.

The Chair: We'll go to Mr. Stanton, please.

Mr. Bruce Stanton (Simcoe North, CPC): Thank you, Mr. Chair.

Thank you to our presenters this morning. It was very insightful. Our study of the service sector is helping us better understand the dynamics and the sectors of our economy which, from the services end, strengthen Canada's economy. You've certainly shed some light on that today.

I want to direct my question, if I could, to Ms. Dayus.

In respect to your comments about the GST, our background notes indicate that in the three provinces who currently have HST.... I guess there are four, because Quebec should be in here. Anyway, in these provinces with the HST, there is a refund of the provincial portion of the HST. This is in Nova Scotia, New Brunswick, and Newfoundland.

Do you have any statistics indicating how that refund has changed in any way the incremental sales in those provinces? What has the experience been in terms of that rebate at source?

• (1050)

Mrs. Susan Dayus: As far as statistics are concerned, I don't have them at all. I'm not sure whether Mr. Tabor from the campus side has anything to show.

We know that the booksellers in those provinces fought very hard at the time to ensure that books would not be taxed provincially, because they are a cultural commodity. We just need to make them as affordable as possible. It is something we're dealing with now in the rest of the provinces. As talks on harmonization among provinces across the country are beginning, we want to ensure that books are excluded from any taxes resulting from harmonization.

But as for statistics, I don't have them.

Mr. Bruce Stanton: Do you know how much of the 8% is actually refunded at source?

Mrs. Susan Dayus: I don't.

Mr. Bruce Stanton: Okay. I guess what I'm getting at there is that this government has been reducing the GST. You have acknowledged and welcomed that initiative. What I'm trying to get at there is that, as with other retail goods, as we move this added tax on retail goods, it will obviously help sales. If the experiences in these other three provinces has been that it has helped the bookselling industry, I think the reduction in the GST should be having the same effect right across the country.

Mr. Tabor, did you want to add to that?

Mr. Chris Tabor: I can tell you that where the harmonized taxes existed in the provinces you mentioned, if the provincial portion applying to books was applied for such a short period of time and then removed, it would be very hard to measure. In effect, it's all refunded. There isn't a provincial tax on books in this country that I'm aware of.

Mr. Bruce Stanton: In other provinces, you mean?

Mr. Chris Tabor: Yes. I don't think there's a provincial tax in Canada on reading material right now. If there was, it was for a short period of time, so we can't measure the effects of the retraction of it.

As far as the GST goes, I can tell you that on behalf of the students at Queen's University, they thank the government for a savings of approximately \$80,000 a year on their textbook costs as a result of the decrease in GST.

Mr. Bruce Stanton: Is that just for the Queen's bookstore?

Mr. Chris Tabor: It's \$80,000 in one year, so you multiply that across 100 schools and that percentage decrease in the GST becomes a significant savings for students. I don't have those figures on hand. I can only use our own experience.

We think, getting back to my point, you should simply strike down the tariff enjoyed by the foreign distributors of books and you'll see that drop even more dramatically.

Mr. Bruce Stanton: Actually, that was a good segue—

The Chair: Mr. Stanton—

Mr. Bruce Stanton: Am I done?

The Chair: Yes.

Mr. Bruce Stanton: My gosh, it just disappeared. Time evaporates.

The Chair: Thank you, Mr. Stanton.

We'll go to Mr. Simard to finish up.

Hon. Raymond Simard: Thank you very much. I just have two quick questions.

The first one is this. We've been talking a lot about the U.S. influence in our film and television industry, but we haven't spoken about the European or Asian influence. Unlike Mr. Van Kesteren, I don't necessarily enjoy going home and watching *Rambo*. More and more I'm watching European productions, for example, *La Vie en Rose*. I'm not sure if it was a Franco-Canadian production, but it's an excellent film. More and more, a lot of my colleagues, a lot of the people I know, are going to that kind of production.

Are we noticing an influx of that kind of European or Asian films and television productions? Is it cutting into our industry, or is it cutting into the U.S. influence?

• (1055)

Mr. Richard Hardacre: From our point of view, there's a small influx. They're called co-production agreements. There are foreign productions that shoot in this country occasionally. Bollywood films, for example, are often done in the Mississauga-Toronto area because of the community that's available to them there for casting. It's not reducing the amount of other service production. It's a very small amount of production. Generally a film like *La Vie en Rose*—which I think was a co-production between France and Canada, but parts of it were shot in Quebec, not English Canada—is not something that is eroding Canadian production. In our industry, there are always people available. There's never 100% employment.

In fact, for performers there's never 100% employment. Crews could be 100% employed in British Columbia occasionally because of all the American production that was there, which has now fled, by the way. A lot of it fled because of the dollar.

Hon. Raymond Simard: By the way, I'm from Saint Boniface in Manitoba, and I don't consider myself in English Canada. It's a bilingual Canada.

With regard to tax credits, I should probably know this, but for American companies coming up and filming in Winnipeg or filming in Vancouver, are there any advantages to them in terms of tax credits, or does that apply only to Canadian companies?

Mr. Richard Hardacre: No. There are federal tax credits for service production, which is a lower percentage—service production tax credits, they're called—which is a lower percentage than for domestic production. I think the figures are not very high. Sorry, I don't have them at the tip of my tongue, but I think it's 11% and 13%. It's applied to the labour contingent of a budget only. Provincially there are other tax credits that apply to labour only.

Hon. Raymond Simard: Thank you very much. That's it for me.

The Chair: Thank you.

We have two minutes.

Mr. Tabor, on your point on the regulation, I've asked the researchers, but if you have anything to submit to us on that, I think the committee would like to look at the details. I'll finish up with that.

Ms. Sannella, the designers have said, with respect to the S and T strategy, that they feel they were not included in the first draft. It was obviously the first draft. I think, as Mr. Carrie indicated, there's certainly opportunity to be included in the discussion. We can certainly submit your name. If there is anyone else who should be included in that S and T discussion, please let us know. I don't think it was an oversight; I think there was sort of a first draft discussion. But you can certainly be included.

I just want to finish up with Mr. Hardacre.

I was part of the committee that recommended the four recommendations on foreign ownership to which you referred.

One of the witnesses we had at the time was Leonard Asper. I remember the committee chiding him for not putting enough resources into drama, and I used the term "English drama". He challenged the committee and asked the committee two questions. He asked how many around the table had seen *Law and Order*. We all put up our hands. He asked how many had seen the flagship show *Blue Murder*. Not one member of any party put up a hand. His response was, "You're going to chide me for not putting resources into drama, but the fact is that none of you watch it".

This is a very long discussion, but that's a very challenging point. We all support it. It's like asking if you support Canadian content on television. We all do. It's like asking if you love your mother. Of course we do. But if we don't actually act on that and watch it... There are some comedies that have done well, but in terms of drama, it seems that Canadians are choosing *Law and Order* over *Da Vinci's Inquest*, or whatever. I think that's what Mr. Van Kesteren was hitting at from that perspective. Will Canadians watch drama, whether it's subsidized or not, that is produced here in Canada?

Mr. Richard Hardacre: Give them a chance to watch and let the audience grow. Leonard Asper is no good example. CanWest Global had a series as well, called *Cold Squad*.

The Chair: I think that's one of his.

Mr. Richard Hardacre: They moved it around. In the second year it was on the air, they moved it around. Week by week you didn't know which night it was going to be on, and the audience left. Then they replaced it with an American show they got more cheaply, called *Cold Case*. It was actually a rip-off of the idea. It was extremely well produced, because there's big money behind it. An American one-hour series gets \$13 million per episode to shoot, but a Canadian one-hour series, if it's lucky, gets \$1 million to shoot. So they replaced it with *Cold Case*.

Friends of mine, Canadian actors and crew—120 people—lost their jobs in that production, which was shooting in Vancouver. CanWest Global said that it didn't have an audience. It didn't have an audience because the broadcaster made it lose its audience. They manipulated the audience to not know when to find it in prime time. I have no sympathy for Mr. Asper's excuses. I told him that myself when I saw him at the CRTC hearing.

The Chair: That's a very good discussion. I think we could probably continue this.

I want to thank you all for your presentations. It was a very interesting discussion.

I want to thank members for their questions.

If you have anything further to submit to the committee on this study, or if any of you want to submit with respect to the dollar issue, please feel free to do so. We're doing that study at the same time.

Thank you.

The meeting is adjourned.

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