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Chair

Mr. Gordon Brown

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• (1530)

[English]

The Chair (Mr. Gordon Brown (Leeds—Grenville, CPC)): Good afternoon, everyone.

We're going to call meeting number 45 of the Standing Committee on Canadian Heritage to order. Today we are continuing our review of the Canadian feature film industry. In the first hour today, we have from the Regroupement des distributeurs indépendants de films du Québec, Andrew Noble, president, as well as Louis Dussault, secretary. From Vérité Films Inc., we have Virginia Thompson, president and executive producer. Via video conference from Montreal, Quebec, from the Union des Artistes, we have Sophie Prigent, president, as well as Daniel Charron.

Each of our three groups will have up to eight minutes and we will start with Mr. Noble.

You have the floor for up to eight minutes.

Mr. Andrew Noble (President, Regroupement des distributeurs indépendants de films du Québec): Hi. Thank you for receiving us.

[Translation]

The Regroupement des distributeurs indépendants de films du Québec has existed since 2008. It was established by independent distributors of Quebec films after the temporary closing of Cinéma Excentris—Cinéma Parallèle at the time—which created a crisis for Quebec distributors.

At that point, we realized that independent distributors had much in common and that they could hold discussions amongst themselves and with various levels of government, broadcasters and the industry in general.

We represent nine independent distributors in Quebec—in other words, the majority of Quebec distributors. We also release most of the Quebec films in the province.

Since our association was created, we have made headway on a number of issues. We have negotiated agreements with the Société de développement des entreprises culturelles—SODEC—in Quebec, and with Telefilm Canada at the federal level. We have met with representatives of the provincial government and other governments. We have proposed a number of agreements to those various governments.

We have also spent a lot of time discussing issues our industry is currently dealing with. Recently, the merger between Entertainment One and Alliance Films created the largest distributor in Canada—a

huge company that controls most of the country's distribution activities. That is a major source of concern for us, especially since we do not consider it to be a Canadian company. It is based on Jersey Island and it is publicly traded in England. Entities outside Canada are controlling a significant portion of our industry.

The majority of films funded in Quebec are funded by that entity or its subsidiaries—Christal Films, Films Séville or eOne. They are all part of the same family.

Most of the public money is going to a company based in a tax shelter, and we all find that somewhat ironic. It has caused difficulties in terms of distribution work and the distribution economic model in Quebec for independent distributors, who are still behind many films.

I will give you a great example. Everyone is saying that eOne released *Mommy*, the Xavier Dolan film we are all very proud of. It has been seen around the world. However, let's not forget that Louis Dussault, my colleague from K-Films Amérique, distributed *J'ai tué ma mère*. Had he not distributed that film, *Mommy* would have never seen the light of day. That is a very important point.

Major changes are taking place in the industry when it comes to digital platforms, which have taken up a tremendous amount of space and changed the public consumption patterns. The public is no longer as bound to television. One of the main sources of revenue for distribution and film funding has historically been broadcasting—television licenses. The number of those licenses has decreased because of the important place taken up by platforms such as iTunes and Netflix. Those platforms are currently not managed by the CRTC, both when it comes to Canadian content and reinvestment in Canadian cinema. We think it is important to acknowledge those facts. In my opinion, the federal government has some work to do in that regard.

We prepared a brief that will be submitted to you later. We wrote in French, but it has to be translated into English before we give it to you, and that will be done soon. In the meantime, Louis will give you a summary.

• (1535)

Mr. Louis Dussault (Secretary, Regroupement des distributeurs indépendants de films du Québec): Thank you.

I would just like to add to Andrew's opening statement. It is in fact fairly ironic to see that Entertainment One, which merged three Quebec and Ontario film companies, controls 90% of public money, in addition to being a tax shelter. That company evades taxes. It is controlled by stockholders on the London Stock Exchange.

We are currently outside the control of Netflix, which has no specifications, does not pay taxes, has no obligations, does not reinvest its profits and prevents legal companies—which do pay their taxes—such as Super Écran from buying films because Netflix requires exclusivity.

Two types of companies are currently controlling our industry. In practice, they are tax shelters. That's a figure of speech.

I'm sorry to have to assign you reading.

The brief first provides a snapshot of the current situation. The landscape of film distribution, screening and broadcasting in Quebec has changed considerably over the past few years. The consolidation of major distribution companies—which we just talked about—through various mergers or acquisitions, as well as major technological changes, have sharply accelerated this phenomenon, which leaves less and less room for independent films.

Independent films represent Canada around the world. Xavier Dolan did not start with *Mommy*. He started with *J'ai tué ma mère*, which was a resounding success at the Cannes Festival in 2009. Without *J'ai tué ma mère*, there would have been no *Mommy*. Independent cinema, which the members of the Regroupement des distributeurs indépendants de films du Québec represent, is the cinema that represents Quebec and Canada around the world, now and in the years to come.

I could talk about a film that was just selected for a major festival, but since we are not allowed to discuss it, I cannot mention it before the first week of June. You will hear about it. It's an independent film, a first feature, funded by SODEC and Telefilm Canada. That is what we represent—films that promote Quebec and Canada around the world.

We do have some solutions, which we previously proposed to the Government of Quebec. We are now addressing you, since you represent the federal government. When it comes to federal jurisdiction, we would like a tax system to be implemented to fund the film industry and provide ways to support the capitalization of independent distributors with a 1% tax on the revenues of various telecommunications operators, through whom a growing part of the film offering goes—Internet service providers, cable companies and mobile operators.

Most telecommunications operators actually provide the three services separately or together. A portion of that amount of money must be set aside for capitalization funds for independent distributors. That fund would directly benefit the entire Quebec and Canadian film industry: better funding of advances to producers, better funding of marketing activities for theatrical releases—

• (1540)

[English]

The Chair: Thank you. I'm going to have to cut you off.

[Translation]

Mr. Louis Dussault: Sorry?

[English]

The Chair: You'll be able to expand on your comments during the question period.

[Translation]

Mr. Louis Dussault: Okay.

[English]

The Chair: You're well past eight minutes.

Mr. Louis Dussault: I'm just reading now. I'm not expanding.

The Chair: You only have up to eight minutes. You'll be able to expand upon that during the questions.

Mr. Louis Dussault: Okay.

The Chair: So, we're going to move to—

Mr. Louis Dussault: Can I finish?

The Chair: No. You're well past nine minutes. I try to be fair but —

Mr. Louis Dussault: I cannot finish?

The Chair: No. You'll be able to expand on it during the questions.

We're going to move to Virginia Thomson.

You have the floor for up to eight minutes.

Mrs. Virginia Thompson (President and Executive Producer, Vérité Film Inc.): Hello everyone. My name is Virginia Thompson. I'm an independent producer. I'm well known for my television career and my first feature film, which I produced, distributed, and marketed. It was *Corner Gas: The Movie*. It went really well.

I want to get to the questions you asked me to answer today. First of all, concerning the effectiveness of government funding, it worked really well for *Corner Gas: The Movie*. The project was financed by Telefilm, the Canada Media Fund, Bell Media, federal and provincial tax credits, Tourism Saskatchewan, the Bell Fund, and Kickstarter crowdfunding.

The results were over-the-top. We sold out 100 theatres across the country. The film reached seven million Canadians through television. It made 220 million impressions online. It trended on Twitter nationally, both on the opening night in theatres and again during its broadcast premiere on television. It even trended worldwide. Over 55,000 DVD Blu-ray units have been sold to date, and they're still selling.

The next question was about how the film industry has changed since 2005. In response, I would echo my colleagues that everything has changed. In 2009 when *Corner Gas* the TV series wrapped, 3.2 million Canadians watched our show finale. It was the highest audience ever for a scripted show in English Canada on television. In 2009, online viewing and Facebook were new, and Twitter didn't exist. In just over five years we've moved from a linear world to a digital world. Viewers versus distributors are now in control of what they watch and their behaviour is clear. They'll watch films in a cinema, on television, on computers, on tablets and on phones. They'll pay to see films, find a way to watch films for free and share films illegally online. The good news is that they want to engage with films and the people who make them.

Let's talk about the success story again. In April 2009, when we were a TV show, our highest audience—and it's a record in Canada—was 3.2 million Canadians. But in December 2014 when we released the film, we more than doubled our audience in this new digital space. So there's some good news to be had, and I think there are ways of being successful in the future. The takeaway for me, and what I learned, is that today's world is all about engagement. If filmmakers engage with Canadians at home, their films will have a global reach. The paradigm shift for feature films is that the first screen, cinema box office revenue, has too much weight in measuring success. Today, from my perspective, the cinema screen is promotional and the real revenue is in the screens that follow it.

But let's go back to the effectiveness of government funding. It's an interesting story. I'll try to be quick.

In 2013, *Corner Gas: The Movie* was impossible to finance in Canada. In 2014, after listening to the market, I suggested a new approach to finance, promote and release the film with Carolle Brabant at Telefilm. Telefilm had to break their rules and create a pilot program for our film to move forward. It was a risk for all parties but it worked.

So, what happened in 2013, the bad year? We prepared our pitch. We were in a new world. The producers had a big audience engagement plan. We were going to refresh cornergas.com and launch a Facebook page and Twitter feed. We were going to use Brent Butt's 80,000 Twitter followers to get the word out. We were going to launch a quick Kickstarter crowdfunding campaign and get the audience involved, and we had a lot of different online things you saw play out this year.

We had a brand, a great story, and a great marketing plan. But what went wrong for us, first of all, was a lack of development dollars. We were first-time feature filmmakers. I'm very established in television but I had never made a feature film, and in the current system there was no money for me. That system was dry for us when we applied because the system gives established producers envelopes of money—and I agree with that—but there's very little money for the first-timer, or even people like us. We didn't fit within the system that was in place.

● (1545)

There are very few distributors in English Canada. eOne has a lot of power and it really was the core distributor that could handle a brand like ours. We did meet with some others as well. There was a problem with the movie from their perspective. It wasn't a niche

picture and it was difficult to market, even though we said we wanted to market the film with them and we were willing to raise funding to do that for them. This was out-of-the-box thinking from their perspective and they offered us a third of the cash that we actually required to make the film.

We had a huge gap, so we went to CTV and they also said no. Why? Because they were not prepared to wait 18 months for a film to come to their network. That's how the system works. I asked what would happen if we did an event-based release in cinema and it went directly to all screens afterwards? They said, "We'd really like that, but it's never happened before in Canada".

Then we went to Cineplex and we said that the movie *Veronica Mars* had just come out. It was event-based and it did very well. So we asked if they would do the same thing with *Corner Gas*. They agreed.

But we still had a big problem. We didn't have an eligible Canadian distributor. We now had Cineplex, we had the screens, we had the broadcaster, but we kind of broke a cardinal rule. I asked Telefilm and they gave us the opportunity to self-distribute the film. The film was a great success, as we all know.

Here are my recommendations, very quickly, if I have some more time.

Telefilm and the CMF are crucial and need to be bolstered in the digital age. There needs to be adequate development dollars available for producers with established track records that aren't feature film producers. Content creators are making content for all screens now, we all need to kind of.... Anyway, I can get into that.

Producers who have been turned down or are unable to access adequate funding from Canadian distributors but can demonstrate bona fide market support and credible financing for their films should be able to access Telefilm funding. We did that and it worked. It would be a huge help for producers if Telefilm had a small department to follow the cradle to grave creative financing, marketing, and distribution.

The government should look at the federal tax credit grind on new forms of funding like Kickstarter. We get grounds, so it's hardly worth going there, but we did it for marketing purposes.

During production, Telefilm should allow producers to be compensated for the marketing that they do because they must market while filming or they lose the huge opportunity to tell their stories to the audience when they're releasing a film.

I believe that marketing funding for Canadian distributors should be shared—sorry guys—between the distributor and the producer in order to reach audiences. Audiences want to speak to the creators. I believe in distribution, but I think we need to work together.

The Chair: We will now go by video conference to Montreal to hear from Sophie Prigent and Daniel Charron. You have the floor, for up to eight minutes.

[*Translation*]

Ms. Sophie Prigent (President, Union des Artistes): Thank you, Mr. Chair.

Ladies and gentlemen members of the committee, on behalf of the Union des artistes, I want to thank you for inviting us to appear as you consider the Canadian feature film industry.

As the chair mentioned, I am the President of the Union des artistes, commonly known as UDA. UDA is a professional labour union representing artists working in French in Canada, and artists working in a language other than English or French in Quebec.

We represent 12,700 artists who work as actors, singers, hosts and dancers. Our members work in a number of disciplines, including feature film productions. For example, they are actors, stunt doubles, voice actors and dubbing directors.

UDA's role is to defend the social, economic and moral interests of its members, who are mostly self-employed workers. Negotiating minimum working conditions and artist compensation in our areas of responsibility is at the core of our activities. Our role is also to represent our members in political forums such as this one.

I want to begin by emphasizing the appropriateness of the study you have undertaken. The Canadian and Quebec film industry plays a key role in promoting our cultural identity, and it is now facing considerable challenges. As an actress working in the film industry, I could attest to that myself.

I know that a number of witnesses you have heard from so far have told you about the industry's challenges and put forward concrete solutions. That is why I would like to focus on a specific issue that has not been discussed up until now—the future of French-language dubbing of film and television works.

Dubbing plays a critical role in our film industry. It allows the public to view English Canadian and foreign films in a language close to them. Made-in-Canada dubbing provides Canadian francophones with a high-quality experience. In fact, the works dubbed here do a better job of taking into account the Canadian public's language and cultural sensitivities. Many other countries around the world also prefer dubbing as a language adaptation model.

In Quebec alone, about 800 professionals and artists are involved in dubbing. That includes actors and directors who are members of the Union des artistes, but also hundreds of artists and artisans such as technicians or adaptors—authors who translate from English to French.

The Association nationale des doubleurs professionnels, or ANDP, which represents the 14 biggest dubbing companies in Quebec, estimated the industry's revenues in 2012 at \$23 million.

Today, I want to raise your awareness of the fact that the Quebec dubbing industry is currently experiencing a crisis. For a few months already, a slowdown has persisted in terms of activity, leading to a number of layoffs. UDA actually just renewed its collective agreement with ANDP and agreed to a decrease in artists' rates from 15% to 25%, depending on the type of production. This extraordinary measure shows how serious the current situation is.

We took a vote, and I will not hide the fact that the majority voted in favour of that reduction by a ratio of 5 to 1. Of course, it was unbelievable. Our union works on protecting our artists' quality of work, and we had to negotiate lower rates. That took a lot of courage from self-employed workers. They have all my admiration, sincerely, as those are families and self-employed workers who are already in a precarious situation. In their case, decreases of 15% to 25% are huge. I applaud them and admire their courage.

The Quebec government, which also knows that this crisis is threatening the industry's sustainability, reversed its 2014 decision to reduce the tax credit for dubbing by 20%. In fact, Quebec has reintroduced that tax credit in its March budget.

There are three main reasons behind the current crisis. First, the competition is increasing.

● (1550)

France is still our traditional competitor, but new players have joined the field such as Belgium, Spain, Italy and Morocco, which have entered the market with an extremely competitive offering.

Second, our dubbing sector finds itself in an uneven playing field. Several of the countries I just mentioned can provide more attractive rates and funding conditions for local and foreign producers. France also still has regulations that require feature films released in theatres to be dubbed in France. The difference in market size, market structure and funding conditions provided mean that, all too often, a film is dubbed overseas based on the idea that Canadian broadcasters will buy it anyway.

Third, the emergence of new virtual distribution models—which were discussed earlier—is also contributing to the current crisis. Theatrical releases still have the highest proportion of works dubbed in Canada. The industry tells us that about 80% of theatrical releases were dubbed here. They are usually foreign, mainly American, productions.

However, we are increasingly losing our grip on film productions not shown in theatres, such as DVDs, as well as television productions such as television series and virtual broadcasts. Here, I am thinking of Netflix, the Internet, as well as Illico, in Quebec. The shift in the public's viewing patterns toward virtual content—products that are not dubbed here—contributes to the current crisis.

The Union des artistes has long been thinking about and discussing these issues with its members and with various Quebec government agencies through forums and consultations. We think that now is the time to take action.

In concrete terms, here are our three main recommendations for the federal government.

First, we suggest that the Canada Media Fund—CMF—program for dubbing and subtitling be enhanced, to take into account the market's evolution and to better achieve its objective of increasing accessibility to the current programming. By improving, I mean simplifying and expanding access to the program, and its enhancement.

Second, we suggest that the government change its rules for awarding grants to Canadian producers of feature films and television content, so as to require Canadian producers to have their productions dubbed in Canada when they receive public funding. For example, we estimate that the dubbing of 25% of Canadian series fully funded in Canada is currently out of our reach. It is absurd that productions made in Canada, which are funded by our own government and which we want to make accessible to all Canadians, are giving business to our competitors.

Third, we suggest that rules related to Canadian content be revised, so that francophone television broadcasters prioritize Canadian dubbing when available and so that they have to increase the percentage of local dubbings across their programming schedule.

We are actually somewhat worried about the potential effects of the the CRTC's new broadcasting regulatory policy announced on March 12—

• (1555)

The Chair: Thank you.

[English]

We are now going to start questions from Mr. Weston.

It's up to Mr. Weston if he wants to give any of our witnesses some of his time for them to keep going.

[Translation]

Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC): Thank you for the hint, Mr. Chair.

[English]

The Chair: Don't forget our friends from Montreal.

[Translation]

Mr. John Weston: Okay.

I will start with you, Ms. Prigent. I would like to hear the rest of your recommendations

I think that Mr. Dussault would also like to give us additional information.

Ms. Prigent, please continue.

Ms. Sophie Prigent: Thank you.

I was talking about the CRTC's broadcasting regulations and the decision that was made on March 12, and I said we were concerned

about it. The quotas for the percentage of Canadian programs broadcast during the day are going from 55% to 0%. So the rules on Canadian content will now apply only during prime time. That decision is meant to address challenges specific to the anglophone market, where Canadian series are facing U.S. competition during prime time.

We fully understand that, but the situation is completely different in a francophone market. Broadcasters broadcast more dubbed content outside prime time. Although the CRTC is increasing the credit given to productions dubbed in Canada, from 25% to 33%, that credit will apply to the programs broadcast at a time of the day when many Canadian productions are already on the air.

You will find more information about the nature of the challenges the dubbing industry is facing and about the validity of our recommendations in the brief we have submitted. I would also be pleased to answer any questions you may have.

Thank you.

• (1600)

Mr. John Weston: You have said so much in so little time. Thank you.

Mr. Dussault, go ahead.

Mr. Louis Dussault: I will summarize as best I can.

We have put forward proposals to improve the situation of independent film distributors in Quebec, who account for the majority of all distributors. They provide production funds for independent films, which constitute the majority of films produced in Quebec, even though they do not receive most of the funding.

We suggest that capitalization envelopes be introduced to help distributors participate in project development. That should have been one of the conditions for allowing the merger of Christal Films, Séville and Alliance. That merger has created a huge monopoly that is currently channelling 90% of the funding for production and distribution. No conditions were imposed on the merger. Normally, the development of capitalization assistance envelopes for companies left behind should be allowed, as those make up the majority of companies developing independent films in Quebec.

We also want financial assistance for developing a content aggregator. Details on what a content aggregator is are in the document. We also want VOD and SVOD platforms to be regulated so as to ensure they are investing in Canadian productions, which is not currently the case, and even less so when it comes to Netflix.

We also want a subsidized network of cinemas dedicated to art and experimental films to be created to provide the Quebec public in all regions of the province access to its national films. I could add that this idea is even more applicable to English Canada, since there are no independent theatres beyond the chains, such as Cineplex.

Those are all the comments we have prepared. You will find more details on them in our brief.

Mr. John Weston: We have learned a lot, and I want to thank all the witnesses for that.

I first want to say that there are two organizations in Canada that are ambitious, creative and whose initialism is NDP!

My first question is about something we have heard several times—the fact that everything has changed.

[English]

Virginia, you made it very powerful when you said that everything has changed. That means the rules are different.

Mr. Noble, we heard that there's not so much adherence to Canadian regulatory authorities. It's easy to raise that as a lament, as opposed to asking what we can do about it.

Ms. Thompson, you gave us several suggestions. You ran through them very quickly.

Mrs. Virginia Thompson: Yes, I did.

Mr. John Weston: You said to bolster Telefilm in this digital age, make sure that established producers from TV have an edge.... I didn't really—

Mrs. Virginia Thompson: No, I raced through that. I can probably be a little more thoughtful now.

I think everything has changed. I think that what is exciting about the new world is the capacity for storytellers to reach a global audience at home. But at the same time, what's happening is that our funding is drying up to a large degree. It's getting very tight in Canada, and I think it's an unfortunate situation, because *Corner Gas: The Movie* really illustrates that if you can have a digital marketing plan that allows you to reach the audience through social media, you can double your audience. So this is actually a golden age, should there be the funds in the system to support reaching the world.

• (1605)

Mr. John Weston: Okay, there's the key. How did you get money from all of those viewers from around the world—

Mrs. Virginia Thompson: I didn't get money, but I reached them.

Mr. John Weston: Okay, so having reached them.... What's the financial model there? That's the part that I think—

Mrs. Virginia Thompson: Well, I think what's interesting is that we judge feature films to a large degree on their box office success, and it's a long tale. A film doesn't just exist for three months in the theatre. It goes to VOD, and then it goes to pay TV, then it goes to TV, and then it's on DVD, and then it might be picked up by Netflix. It can have a very long life.

When one releases a film, that's the only chance you have to reach an audience. You have a great opportunity, but there really aren't marketing dollars, number one, that producers can access in order to get that funding. I was able to do it because I negotiated a deal with a television broadcaster, and that deal then allowed me to access television funding for digital media engagement. But a typical feature filmmaker doesn't have that opportunity.

The Chair: Thank you, Mr. Weston.

Mrs. Virginia Thompson: Is that clear?

Mr. John Weston: It somehow doesn't answer the question: what is the business model that we can learn from that experience?

[Translation]

The Chair: Mr. Nantel, you have seven minutes.

Mr. Pierre Nantel (Longueuil—Pierre-Boucher, NDP): Thank you, Mr. Chair.

Thank you, Mr. Weston, for letting the witnesses finish up. That's very appropriate. I hope that we will have an opportunity to come back to your question. As for me, I have some burning questions, specifically about the Quebec film industry, which is so prolific and of which I believe all Canadians are very proud.

Ms. Prigent and Mr. Charron, I feel that two major issues arose from your testimony, including translation. As you pointed out earlier, that is a major aspect. You also talked about the visibility of content produced in Quebec and alluded to the changes made by the CRTC.

We have here an example of a union of workers, actors and performers that decided to take a wage cut of 15% to 20%—which, in this case, is as exceptional as it is pragmatic—to be able to face the international competition.

Do you feel that governments understand the magnitude of your effort?

The infrastructure is often very heavy, very difficult to move. It's dangerous when that becomes frequent. The members of the committee often wonder whether there is a way to be more proactive, more lively in the face of technological changes. When we were elected in 2011, no one had an iPad, but everyone has one today.

Do you feel that governments are reacting fairly quickly to technological changes?

For example, advertisements seem different to me. I am noticing more and more of a slide in television ads, for instance. I'm hearing people I do not recognize, who speak with a funny accent, and I am wondering whether Quebecers did the translation into French.

Ms. Sophie Prigent: It should be pointed out that the dubbing of a film and that of an advertisement are two different things. They are covered by totally different collective agreements.

At the Union des artistes, we have 54 collective agreements. In the case you are telling me about, the Association québécoise des productions médiatiques, AQPM, is probably involved. It could also be the APC.

We are currently concluding an agreement on new media advertisements. However, it has not yet been signed. That is probably why you are hearing all sorts of voice-overs, and not necessarily the best ones. In fact, those professionals are not members of the Union des artistes, since the agreement has not yet been concluded. But it shouldn't be too long now. I think we will sign it this fall.

Mr. Pierre Nantel: Oh, I see.

Ms. Sophie Prigent: That said, it is definitely a market that influences the other one.

Mr. Pierre Nantel: In a negative sense.

Ms. Sophie Prigent: Clearly, and that is why it is very difficult for the Union des artistes to keep the bar high and negotiate extensively. I am hearing that there is no money to be made in new media, while the income of actors who do advertisements on television is still decent. But they are not in the Internet and new media industry.

Mr. Pierre Nantel: That's clear.

Ms. Sophie Prigent: So those are two completely different things.

Mr. Pierre Nantel: The Minister of Canadian Heritage said that her department was not getting involved with Netflix, that it let that company do whatever it wanted.

Isn't that encouraging the company's departure, even though it had begun the translation of its program's third season? It was on the second episode, and the company decided to move to France.

•(1610)

Ms. Sophie Prigent: You are probably talking about *House of Cards*.

Mr. Pierre Nantel: Yes, exactly.

Ms. Sophie Prigent: As we specified in our brief, Netflix will no longer do dubbing in Quebec, and I'm not only talking about *House of Cards*. In fact, that is why the union sat down with the major producers, including Technicolor, which accounts for 50% of the market. They clearly told us that we had to reduce our rates. But that is very difficult. We were satisfied, but we were no longer competitive, and we had to evolve. I believe that Quebec dubbers have had to have the courage to say that, to preserve their local market and avoid being taken over by Barcelona, Madrid or Israel—that is what the current situation looks like—they had to take action. And they did so without bending over backwards. I find them to be extremely brave.

We are now talking about very different markets. In the DVD market, for instance, we have reached almost 25%. In the markets that are still doing very well, such as theatrical releases, the drop is less significant. That at least gives dubbing producers some breathing room.

Mr. Daniel Charron (Union des Artistes): Sophie is talking about competitiveness. What we are discussing is important because dubbing generates inflows of foreign capital into our economy and creates jobs for people at home. Those large American productions that choose Quebec and Canada represent inflows of capital that give us work, that create jobs—

Mr. Pierre Nantel: Absolutely.

Mr. Daniel Charron: —and generates wealth here, instead of going to France, Morocco, Spain or somewhere else.

So we have a choice to make. Sophie did a good job explaining the efforts the Union des Artistes is making to help our dubbing industry become more competitive. There are other things we can do.

We talked about the Quebec government, whose last budget included a measure to bring funding levels back to where they were before the cuts. That's why, in our remarks today and in the brief you

will soon be receiving, we provided recommendations for the federal government.

Every stakeholder in the chain has to do its part so that our dubbing industry can compete and attract major foreign investment to our economy.

Mr. Pierre Nantel: Absolutely.

When it comes to heritage, our committee serves as a facilitator, as well as an industry regulator.

Here, things are in shambles. Apple TV has a few French-language options, which were probably dubbed in France, and Netflix has almost nothing.

Ms. Sophie Prigent: Yes.

Mr. Pierre Nantel: I have a question for the representatives from Regroupement des distributeurs indépendants de films du Québec.

Do you feel as though you have enough support to deal with the problem posed by all of these different platforms that are suddenly cropping up? We always talk about Netflix, the big game changer, but a lot of other options are available.

Do you, as distributors, have the tools you need to tackle that? We've talked a lot, in this committee, about the fact that Radio-Canada television programming, as an alternative to the big screen, represented a significant market for you. Do you have the tools you need to tackle new challenges like these platforms?

Mr. Louis Dussault: We finance the minimum amount guaranteed to producers through TV pre-sales. Radio-Canada is currently in a funding crisis, scaling back its investments by nearly 65%. That amounts, more or less, to passing the difference on to us. It's up to us to make up the shortfall. With the arrival of the monopoly eOne, which is diminishing our market, we are basically being suffocated. That's very clear. We have to look to other sources, besides Radio-Canada, which is definitely no longer able to fulfil its mandate. At the provincial level, the situation is more or less the same with Télé-Québec, where the crisis started a bit earlier.

What we're doing now are pre-sales to TV5, an international French-language television network that is now investing money to help independent distributors cover the minimum amounts guaranteed to producers. It's important to keep in mind that this money is staying here. It's money that is helping producers make up the 15% or 20% shortfall they don't get from Telefilm Canada, SODEC or tax credits. It's funding that they absolutely have to have.

•(1615)

The Chair: Thank you.

Mr. Dion, you have seven minutes.

Hon. Stéphane Dion (Saint-Laurent—Cartierville, Lib.): Thank you, Mr. Chair.

I'd like to thank all of our witnesses today and I have questions for each of you. So let's move quickly.

Mr. Dussault, you said you were being suffocated and you painted a pretty good picture of the situation you're in. You probably already went over this, but would you mind recapping for us the specific exit strategy to get out of that suffocating hold? What exactly would you like from the federal government?

Mr. Louis Dussault: Looking in the rearview, we would have preferred that the Competition Bureau not allow the merger that gave rise to virtually a single distribution company that goes after the majority of public funding. What's more, we are talking about a foreign company that has set up shop in a tax haven. It's totally immoral. It's not against the law, but it is wrong. Funding should have been given to the competitors that were left by the wayside, in other words, all the independent distributors.

Also important is the fact that most producers come to us, as independent distributors, to have their films distributed. In Canada, a producer isn't allowed to submit a production project to Telefilm Canada or SODEC without first having received a guaranteed amount of minimum funding from a distributor. That's how it works here. And we finance that guaranteed minimum funding through TV pre-sales. The solution would be to capitalize independent distributors.

Hon. Stéphane Dion: What do you mean by capitalize independent distributors?

Mr. Louis Dussault: I think it's called capitalization funding. Not that long ago, many distribution companies were capitalized, Alliance Films, Films Séville, Maple Pictures, TVA and Equinox Films. A number of distributors could afford to invest in film, but that isn't the case anymore. You have Entertainment One, a huge company, and you have the independents, who do a lot of work to support film.

Three or four years ago, I would distribute two or three Quebec films a year. This year, however, I'll be distributing 13 Quebec films because there aren't any other distributors. They all come to us for help. And the problem is that we are private companies with very little access to capital, with reduced TV licences. More lax regulations—

Hon. Stéphane Dion: What does that mean for the federal government? What should it do?

Mr. Andrew Noble: Certain regulations around Canadian content were relaxed. English-language TV networks in Canada used to buy films all the time. For example, Citytv used to broadcast Canadian films every day, but that's no longer the case. The network doesn't buy films anymore.

Hon. Stéphane Dion: Would you like the government to take action with respect to—

Mr. Andrew Noble: Specifications are gone. CBC spends very little on films, and budgets at Radio-Canada have been slashed so much. They were our main partner.

Mr. Louis Dussault: So it's necessary to once again regulate—

Mr. Andrew Noble: —instead of deregulate,

Mr. Louis Dussault: —and restore the funding that was cut, especially to Radio-Canada.

[English]

Hon. Stéphane Dion: You mentioned a lot of things, but if I have to ask you to clarify or further develop one aspect, what do you mean by the way to enhance public engagement? I was intrigued and found it interesting that you mentioned that, but how can we, as the federal government, do it? What should we do in order to increase public engagement for movies?

Mrs. Virginia Thompson: I think the system has to change. Right now we have funds that are given to distributors to market films. We've just heard that we have very few distributors in English Canada. We really have one, and they're world market distributors. A film like *Corner Gas*, which is a big Canadian success story, was not of interest to them.

Hon. Stéphane Dion: It was the same point that Mr. Dussault knows.

Mrs. Virginia Thompson: That's right.

We were able to convince Telefilm to provide the producer with funds they would naturally have given in marketing support to a distributor and bolster our capacity to market online. That was very helpful because, with not a whole lot of money, a producer online can be very effective.

The current system is in silos. Producers are meant to deliver films and distributors are meant to market films. In English Canada, where there are few distributors in the world of consolidation, my suggestion is to look at the funds that would naturally go to our distributors, and if producers have strong marketing suggestions or plans, they should be able to access some of those funds.

Furthermore, I think there's a lot of scrutiny. When you work with Telefilm Canada, you have to provide a marketing plan and a marketing budget. A distributor has to do the same thing. If there were a way for Telefilm to push the producers and the distributors together to market the film it could be very effective. At the end of the day, the audience doesn't care who distributes the film.

• (1620)

Hon. Stéphane Dion: I agree.

Mrs. Virginia Thompson: They don't care who produces the film. They don't care about me. What they care about is the story of the film and the filmmakers.

To access them, the manager of those filmmakers is the producer. So a distributor.... It's very difficult for them to find those people. If the producer is engaged and funded there could be some exciting engagement online to bring our stories to the world.

Hon. Stéphane Dion: Well, Mr. Noble wants to react, I guess.

Mr. Andrew Noble: I wanted to add one thing to that. Most of our members have tried—and I've tried myself through an art distribution company—to access the Canadian English market through Telefilm, but Telefilm will not recognize distributors from Quebec to distribute films in English Canada, which is frightful. We can trigger films in Quebec, even English language films in Quebec, but we can't trigger films from producers from Toronto in our own country.

Mrs. Virginia Thompson: At this hearing, I am so excited to know that there are more distributors in Quebec than in English Canada, to my understanding from this meeting today. We need to break down the barriers between us.

Mr. Andrew Noble: We'd love to be present and to be working with producers in English Canada. Telefilm doesn't allow us to do that.

Hon. Stéphane Dion: We did it for beer, how can we not be able to do it for movies?

Mr. Andrew Noble: It seems ridiculous.

[Translation]

Hon. Stéphane Dion: My apologies. I had a question for the other witnesses, but I've run out of time.

[English]

The Chair: Thank you very much.

[Translation]

Thank you, Mr. Dion.

[English]

Mr. Hillyer, you have up to seven minutes. Thank you.

Mr. Jim Hillyer (Lethbridge, CPC): Oh boy, seven minutes. Let's see if I can pull it off. Probably not.

Ms. Thompson, Virginia, you addressed a little bit of the concern about the fact that most funding is for established companies and that it was generally reasonable, but that sometimes there are situations like yours that are left out.

We've heard other witnesses talk about the fact that—I'm not sure if was for film, for music, or for both—there has been some funding set aside for new artists or new producers.

Mrs. Virginia Thompson: Yes.

Mr. Jim Hillyer: There's a little bit of a worry that money might just go down..... You're throwing money down at hobbyists, which would be nice for the hobbyists, but not exactly what the money is designed for.

How do we balance between that and help new people get into the industry? I'm not talking necessarily about your situation where you're certainly not a newbie, but just in a different industry. That said, do you have any thoughts on how we can help get people into the industry without throwing money away at hobbyists?

Mrs. Virginia Thompson: I look at the system right now, and it's interesting. We fell through the cracks, which is basically..... If you're a young, talented producer with a micro-budget, which is very tiny and means that you can't afford to hire any stars, you can get Telefilm funding. That's great. It gives young talent a great chance. Then I think it's interesting that if you're a producer who has made more than one feature film—so I'm still going to fall through the cracks next year—then you can't get development funding.

I just think that we're in a world now where our audience is screen agnostic. There's talent. There's Canadian YouTube talent that is getting 8 million views. There's television talent that might have something to offer to the future film world. There's young and up-and-coming talent.

I think that trying to create stiff rules and boxes is against innovation. I would suggest that Telefilm try to figure out a way to be more open to interesting people who might walk through their doors. It's tricky, though. I understand why the system is in place; it's because they want to support and build production companies.

I don't have a solution per se, except maybe that you build a little bit more funding, a pot of money for exceptional circumstances, and allow that to teach and to grow because there are a lot of exceptions in this new digital age. Right now there isn't that pot of money; you're always asking for a rule to be changed or broken.

It's being more formal about that and maybe parcelling, not all the money, but a little bit of money in an incremental way, would allow for some innovation.

• (1625)

Mr. Jim Hillyer: From your personal experience or just from what you've seen, how does a young, talented person who doesn't necessarily have the connections but has the passion get to be a movie producer? It seems like it costs a lot of money, and even a micro-budget seems like a lot of money. If someone really feels that this is their pathway, how do they get into it?

Mr. Louis Dussault: You should ask Xavier Dolan that.

Mr. Jim Hillyer: What's that?

Mr. Louis Dussault: He will give you an answer, because he produced his first film with his own money.

Mr. Jim Hillyer: So you just have to do it. Is that what you're saying?

Mrs. Virginia Thompson: Yes, they grab their friends. It's actually very exciting what's happening now. I think for young producers and film makers and young talent—even for us going through the system for the first time—there are a lot of walls, there are a lot of barriers to entry. In the new digital age, what you do is just make it. On a kind of micro-budget you grab your friends, you write something fantastic and you can release it online. You can't do it for nothing, but these young people are figuring out a way to do it very cheaply.

It's unfortunate, because I think the system does appear to be a bit skewed to the very established. I find that a little bit frustrating. That's why I'd love some middle ground for creative talent, so that if they've made something fantastic, they can plead their case to Telefilm and say this is an offering I'd like to provide to the.... I think there's value there. There has to be a lot of diligence and proof, and you can't just go out with your hat in hand, and we certainly didn't. But yes, it's a little bit skewed to traditional, old model and it's a bit closed off to new players at any level.

Mr. Jim Hillyer: I think part of the problem with the struggle of Canadian film, especially not even new films.... As I mentioned last week, I didn't know until someone mentioned in these meetings that *The F Word*, the movie, is a Canadian film.

Mrs. Virginia Thompson: Yes, it's a great film.

Mr. Jim Hillyer: I didn't know that. I probably would have been more eager to see it had I known that. I won't necessarily go to see a Canadian film just because it's Canadian, but all things being equal if I have to choose between a great Canadian film and great other-than-Canadian film, I'll probably pick the Canadian film. Besides doing the right thing is satisfying. You know, I didn't actually win the gold medal but I still took pride in it, and I take pride in a good Canadian film.

Part of the problem is that we don't know about these films. There's funding for production. Is there government funding for marketing?

• (1630)

Mr. Andrew Noble: There is government funding for marketing. Telefilm provides a marketing envelope for feature films.

I think part of the problem is that in English Canada there's not a lot of screen space for Canadian films. I'm talking about cinema space for Canadian films. I think that's a big issue. It's still an issue in Quebec, but it's less of an issue. We do have a lot more openness, market places are a lot more open to a wide variety of film, including Quebec films. Quebec films score reasonably well in a Quebec box-office, so we actually have a space for our films in Quebec.

In English Canada, that's not necessarily the case. It's very difficult often to get screens, even in downtown Toronto, where you would think there's a mass of screens. I had a film last year that Cineplex had no space for whatsoever, and Cineplex dominates the market in each of the major urban centres.

The Chair: Thank you.

[Translation]

Mr. Nantel, you have 30 seconds to ask your question.

Mr. Pierre Nantel: Thank you, Mr. Chair.

Ms. Prigent, Mr. Charron, you were part of the united stand against the CRTC's decision. Could you please tell us how it could negatively affect film here?

Ms. Sophie Prigent: Could you clarify your question?

Mr. Pierre Nantel: Could the CRTC's decision on Canadian content, be it in films or on TV, have a negative impact on film production here?

Ms. Sophie Prigent: In terms of film production, I couldn't say. Our position is much more focused on Canadian content on TV.

Mr. Pierre Nantel: Yes.

Ms. Sophie Prigent: To be perfectly honest, Mr. Nantel, I couldn't say when it comes to films. We'd have to examine that.

Mr. Pierre Nantel: We'll talk later. Thank you.

Ms. Sophie Prigent: We can certainly talk later.

The Chair: Very good. Thank you.

[English]

Thank you very much to our witnesses. Thank you for your contributions. If you would like to make any further contributions, please get them to us in writing, preferably by the end of the week. Thank you very much.

We will briefly suspend.

• (1630)

_____ (Pause) _____

• (1635)

The Chair: All right, we are going to call meeting number 45 of the Standing Committee on Canadian Heritage back to order.

Our witnesses in the second panel are all by video conference. From Toronto we have a mixed group joining us. We have Jim Mirkopoulos, the vice-president of Cinespace Film Studios, as well as Stephen Waddell, the national executive director of ACTRA. From Montreal we have as well from ACTRA, Sarah Gadon.

We're going to start with Mr. Mirkopoulos.

So you will have the floor for up to eight minutes, and then we will go to our friends from ACTRA, who will—

Mr. Jim Mirkopoulos (Vice-President, Cinespace Film Studios): Thank you, Mr. Chair and committee members, for the opportunity to share with you today our company's experience with the Canadian feature film industry. If this industry can be simplistically separated into production, distribution, and exhibition, it is the production space that we occupy, and I would like to speak to that today.

Our company, Cinespace Film Studios, has been running for 28 years. It's a family owned and operated film and TV studio business based in Toronto with three studio campuses, but now also has a large studio campus in Chicago.

In the late 1980s, my senior family members, Nick, Larry, and Steve Mirkopoulos, were among the founders of the Studio District in east end Toronto. As such, we were all thrilled to be part of both Ontario's blossoming film and TV production industry, as well as hosting our share of high-quality domestic film and TV production. While the 67¢ dollar at that time ensured a steady stream of American service production into our facilities, early projects such as the CBC series *Road to Avonlea* and David Cronenberg's *M. Butterfly* demonstrated that we, as Canadians, were excellent at telling our own stories, and compelling enough to interest foreign markets in purchasing them.

In more recent years, we have seen projects such as the bar-raising TV series *Flashpoint* and David Cronenberg's continued film patronage with *Cosmopolis* and *Maps to the Stars*. Speaking of those films, and as an example of our domestic legacy, later you'll be hearing from Canadian actress Sarah Gadon, who is with us today and who has been inside our facilities on 10 occasions in her young career, eight of these projects being Canadian.

I would be remiss if I did not report that the vast variety of Canadian film and TV projects that we have hosted over the years were directly a result of federal tax credit programs and initiatives such as Telefilm and the Canada Media Fund, which I congratulate you on, and I thank you for supporting this amazing industry.

We at Cinespace have always been able to host a mix of both American service clients and domestic clients over the years in our studios. Indeed, I believe that the high level of quality and service demanded by our American clients pushed both local technicians and local service providers alike to raise their game, and when these same crews had the opportunity to work on Canadian films, they had the refined skills to make these films better as time went on. And we at Cinespace always found ways to accommodate Canadian film projects, both in terms of availability and pricing. We established subsidized pricing models that saved on upfront costs for Canadian film producers, allowing them to put more quality on the screen and become more globally competitive from the get-go, thereby increasing their export potential and financial strength. This subsidized pricing model culminated in significant levels of repeat business from these Canadian film producers.

However, our industry has experienced seismic shifts in recent years. While 80% of our business used to be feature film and 20% episodic or TV series, today 90% of our business is episodic and only 10% is feature film. The same holds true in our Chicago facilities, where we host four prestigious prime-time TV series such as NBC's *Chicago Fire* and Fox's *Empire*, but no feature film projects at all. There has been a significant shift in the volume of content creation from film to episodic, due in no small part to the rise of Netflix and other digital platforms, and due to the major Hollywood studios cutting back their slates to adjust to a more unpredictable box office.

This is a perilous development from the perspective of trying to continue to accommodate film projects, because the more TV series we host, and the more successful they are in terms of renewals and multiple seasons, the longer they leave their sets standing in our studios, and the less opportunity we have to rent our studios to feature film clients, both Canadian and American. Realistically, however, this scenario is even worse for Canadian film producers, since their more modest budgets and typically last-minute financing arrangements make it prohibitive to book studio space well in advance.

Even leaving lower Canadian budgets aside, given our history of subsidizing Canadian projects, the recent shortage of studio space from the episodic wave has barred us from even getting to the studio pricing discussion. There are no longer studio space vacancy gaps, because we are now at 90% occupancy compared to a historic rate of approximately 65%, where we could accommodate Canadian projects in studio vacancy gaps and not incur large opportunity costs by turning American projects away.

So now we are faced with the problem of not having enough studio space to accommodate Canadian films, and many Canadian films not having the resources or the certainty to book studio space in advance. And even if they were to book in advance, it is no longer economically viable for Cinespace to continue to subsidize Canadian films without some firm equity participation or recoupment mechanism already included in the financing structure. It is within

that context that I would like to make a few humble recommendations with regard to Telefilm, based on our experiences and those of our producer clients.

To further develop our domestic film industry, there are two groups of film producers that Telefilm is trying to help—emerging film producers and established film producers. We at Cinespace are in the unfortunate position of finding it difficult to help any of them at this time with our subsidized studio pricing model, because we do not have the space available, and because we cannot structure an in-kind studio rental well in advance that provides at least the potential for a financial return with a piece of equity in the project.

● (1640)

We need the whole ecosystem improved in such a way as to generate more opportunities for us to help Canadian films, and more successful Canadian films, in order to encourage more help from other key service providers and investors.

My first recommendation is to have Telefilm engage directly with the key service providers that have silently subsidized these film projects, and have them consider entry into a formal public-private partnership. In this way, windows of studio time, equipment, capacity, and so on can be reserved in advance for Canadian film projects in the pipeline in exchange for a piece of equity in the film project. Then Cinespace and other key service providers can economically justify the subsidized reservation of capacity in the face of heavy American business volumes that pay full rate.

Evidence given to this committee by producer Jennifer Jonas on March 23 suggested a public-private working group to sort out the federal-provincial tax credit grind. I would suggest that such a working group tackle the additional agenda item of identifying willing participants in a partnership to solidify infrastructure and capacity for Canadian feature film. Cinespace would certainly be the first to participate in such a partnership in order to continue our proud legacy of helping to produce Canadian film.

My second recommendation is specific to the group of emerging film producers that Telefilm is aiming to assist. These are the young cultural leaders of Canada who have inspiring ideas and visions, but limited resources. We at Cinespace have helped many of them over the years. While some of their projects were successful and others were not, the common thread is that they were so badly underfunded that their chances of a successful onscreen product were always grim. The general sense within my emerging producer clientele is that, much like Hollywood studios have reduced their slates in favour of commercial slam dunks, Telefilm should consider supporting fewer overall Canadian film projects, but do a more careful analysis of the commercial viability of these projects ahead of selection, and then increase the funding amounts to produce and market each of these projects. The film business has always been global, but now with the explosion of digital platforms there is so much product out there that Canadian films absolutely have to stand apart. Scale and quality are the keys to making this happen.

My third and final recommendation is specific to the group of established film producers that Telefilm is aiming to assist. These are the senior cultural leaders of Canada who have succeeded in projecting Canadian artistry and culture globally and whose standing attracts investor financing that Telefilm either serves to trigger or complete through the envelope system. These are the film producers that we absolutely need to succeed because they are a good bet to recoup money and provide a return to the Canadian taxpayer. However, recent changes to the Telefilm envelope system require these producers to spend 100% of their envelopes on a single film project, and this envelope amount must represent only 30% of the total budget. In the case of a number of Canadian film producers, this requirement now pushes the budgets of their films to well over \$10 million, which for a non-Hollywood studio project is considered a "dead zone." This term refers to the fact that to repay their investors, these producers will require a substantial theatrical release component, meaning the shouldering of \$2 million to \$3 million in release costs in Canada and \$40 million in the United States. This required increase spent on promotion, which could amount to more than the value of the actual film, creates a Catch-22 situation that can defeat the very purpose of the envelope system.

The general sense within my established clientele is that Telefilm should give them back the discretion on envelope spending limits. These guys are seasoned producers, with decades of experience in this industry, so they know exactly how to succeed in producing Canadian films. They just need to be given the flexibility to go ahead and do so, free from the bureaucracy but with the full support of the primary agency that's mandated to help them produce film.

In closing, I want to thank you again for the opportunity to speak today. Most importantly, I want to thank our government once again for its stalwart support of the Canadian film and television production industry. The systems we have in place are commendable, but as detailed in my remarks there is considerable room for improvement.

•(1645)

The Chair: All right, thank you very much.

We'll now go to our friends from ACTRA.

You have up to eight minutes between you.

We're going to hear from Mr. Waddell first.

You have the floor.

Mr. Stephen Waddell (National Executive Director, Alliance of Canadian Cinema, Television and Radio Artists (ACTRA)): Thank you, Mr. Chairman, and members of the committee, for allowing us to appear before you today for this review of the Canadian feature film industry.

My name is Stephen Waddell. I am the national executive director of ACTRA, the Alliance of Canadian Cinema, Television and Radio Artists. Joining me, from Montreal, is ACTRA member Sarah Gadon. In addition to being recognized as one of the stars in TIFF's inaugural rising stars programme in 2011, Sarah has also graced the screen in a number of films and television series, including *Cosmopolis*, *Antiviral*, *A Dangerous Method*, *Maps to the Stars*, and the upcoming TV series *11/22/63*, which will be filmed this summer in Toronto.

Sarah and I are here today as the voice of ACTRA members, 22,000 professional English-language performers from across Canada. For almost 70 years we have represented performers living and working in every part of the country, performers who are pivotal to bringing Canadian stories to life in film, television, sound recordings, radio and digital media. Recently, we appeared before the CRTC as part of the Commission's Let's Talk TV consultation. Like all stakeholders from across Canada's recorded media sector, ACTRA spoke to the challenges our industry faces and the need to concentrate resources on areas where they'll have the most impact. Though the individual issues might differ from those of today's hearings, the underlying force that drives both of these endeavours is change.

Sarah.

Ms. Sarah Gadon (Member, Alliance of Canadian Cinema, Television and Radio Artists (ACTRA)): As professional performers we know this danger all too well. We've seen and felt firsthand the dramatic changes our sector has undergone. We know that standing still only means falling further behind.

Amidst the reality of shifting audience habits, revolutionary technological upheaval, and an ever-shifting global marketplace, Canadian content is not only critical to our national identity, but it also plays an increasingly important role in our nation's financial well-being.

Content creation is the essence of our digital economy. According to The Conference Board of Canada, Canadian cultural industries contribute more than \$85 billion, or 7.4%, to our GDP, and more than 1.1 million jobs to our economy. Additionally, in a report released by the Canadian Media Production Association earlier this year, total production volumes related to Canadian content films alone, in 2013 and 2014, totalled \$376 million and supported 8,100 full-time equivalent jobs. Foreign film production in Canada during that same time period accounted for \$857 million and just over 18,000 full-time equivalent jobs.

It's clear that culture is not a frill. It is a major industry based on renewable resources. Given the right tools, Canada's content creators and cultural industries will continue to play a leading role in economic innovation and growth, job creation, and the development of new digital technologies.

Stephen.

Mr. Stephen Waddell: Our presentation today will focus on three key points: first, the need for sustained, long-term investment in public funding instruments; second, the need to keep Canadian feature films Canadian; and third, the difficulties faced by Canadians in actually seeing Canadian films.

Public funding is crucial to helping our cultural industries attract private investment. The government must continue its investment in Canada's cultural assets by committing to long-term funding for the industry's economic drivers.

As a crown corporation dedicated to promoting the advancement of the audiovisual industry in Canada, Telefilm Canada supports the development, production, distribution, and marketing of Canadian feature films. Telefilm also administers Canada's co-production treaties and the Canada Media Fund's funding programs, and, additionally, Telefilm helps develop and promote feature films through its Canada Feature Film Fund. The spirit and intent of the CFFF is to encourage the promotion of Canadian feature films that have high box office potential while also supporting a wide range of genres, budgets, companies, and regions. Equally as important, each dollar from the CFFF triggers \$2 in additional financing for digital media projects and \$3 for feature film projects. Clearly the fund is an important economic generator worth supporting.

Unfortunately, since its parliamentary appropriation was cut by 10% in 2012, Telefilm has struggled to do more with less. We would like to echo the comments made by other presenters before this committee about the pressing need to fully restore Telefilm's parliamentary appropriation.

Sarah.

• (1650)

Ms. Sarah Gadon: Canadian feature films need to be Canadian. It is crucial that the government maintains the current Canadian content requirements governing a production's access to public funding for the creation of Canadian feature films, such as the Canadian film or video production tax credit, co-production treaties with other countries, Telefilm feature film financing, and the Canada Media Fund.

Some producers and distributors have proposed that Canadian content requirements for leading performers be weakened to attract financing. This is absolutely the wrong approach to take. It is impossible to build a dynamic Canadian feature film production sector by casting non-Canadian performers in all of the leading and challenging roles. Weakening the existing guidelines around non-Canadian performers in key roles would be detrimental to the Canadian film sector and make it impossible to successfully establish a distinctly Canadian voice.

Quebec has managed to develop a system for both its onscreen and behind-camera talent. As a result, Québécois directors are increasingly being sought after on the international scene. For example, the upcoming sequel to the classic *Blade Runner* will be directed by the award-winning Canadian director Denis Villeneuve, whom I've had the chance to work with.

English Canada needs to adopt this approach when promoting its own artists and creators. It is vitally important that we Canadian performers be given the opportunity to develop our personal brands creating a virtuous cycle where suddenly having a recognizable Canadian as a lead helps to secure all the important financing.

Maintaining the Canadian Audio-Visual Certification Office's point scale is an important component for establishing Canada's star system, but it's only one part of the puzzle. It is imperative that we also properly market and promote feature films both at home and abroad. If Canadians don't know about the great work we're creating, how can they be expected to watch it?

Homegrown, creative talent in Canada and in Canadian productions must be the norm, not just because it's the right thing to do, but because we need to continue to tell Canadian stories.

Stephen.

Mr. Stephen Waddell: Feature film funding in this country must place a greater emphasis on marketing and promotion. It's not enough to create Canadian stories and leave them on the shelf. They must be shared with the world. This means supporting Canadian feature films at home and abroad and finding new and innovative ways to help Canadian productions stand out from the pack and be seen. Canada sits on top of the world's largest generator of English language entertainment. Our physical proximity to the United States and our disproportionate population bases mean that all too often Canadians are overwhelmed by the sheer volume of productions from south of the border.

Outside of Quebec, getting Canadian films in front of Canadian eyeballs is a monumental challenge. The Ontario Media Development Corporation's 2013 industry profile showed that in 2012 Canadian English and French language feature films generated \$27 million worth of revenues, or a 2.5% share of the national box office sales, which totalled \$1.9 billion. In the English language market, though, Canadian features only captured 1.5% of total box office sales compared to American features, which made up 82.4% of sales.

There's an opportunity being missed here. Canadian creators are making award-winning feature films and the sad fact is that Canadian audiences never get a chance to see them because our cinemas are dominated by U.S. product. The CRTC has not helped either. By diluting its Canadian broadcast exhibition requirements the CRTC has taken away any incentive for Canadian broadcasters to air Canadian feature films. Our domestic feature film industry has suffered as a result of this decision. Instead of being exposed to Canadian stories, the stories that matter and resonate with us, Canada is little more than an afterthought to the American entertainment behemoth, which simply includes us as part of its own domestic box office. Until Canada reclaims, celebrates, and actively promotes the work being done within its own borders, Canadians will continue to have their own cultural heritage treated as second-best and not be given the opportunity to see distinctly Canadian films. It is crucial that we reform Canada's film broadcast and distribution sectors and give Canadians the opportunity to experience their own rich and diverse cultural heritage.

We ask this committee to consider our modest proposals for improvements in the funding and distribution of Canadian feature films, which must feature Canadian performers in leading and challenging roles in order to create distinctly Canadian films that Canadian and international audiences will want to see.

Thank you very much, Mr. Chairman.

• (1655)

The Chair: Thank you, and thank you for how you organized that presentation from both Toronto and Montreal.

Because we are short on time today, we're going to have a five-minute round and we're going to start with Mr. Young for up to five minutes.

Mr. Terence Young (Oakville, CPC): Thank you, Chair, and everyone, for your time today.

Mr. Waddell, we've talked about these issues before and I appreciate it when you come up for your annual visit to Parliament Hill to talk to members of Parliament. It's very valuable to us.

I wanted to ask you, how has the landscape changed for actors in the last 10 years? You talked about concerns with regard to marketing and Canadian films, etc., but what about actors? How has new technology impacted actors and their careers in Canada?

Mr. Stephen Waddell: As you identify, digital technologies have had a significant impact on production in this country. We actually see fewer feature films being done these days and, obviously, much more digital work being done.

Jim will tell you in his presentation that the amount of television production has significantly increased. We're getting a lot more television production here, but there's also new, original production for Netflix, which we're seeing more of now, particularly in Toronto, which is great to see, and other SVOD outlets.

We found that it has also become, shall we say, much more democratic in terms of production. If I can be a little Marxian here, the means of production in many cases are now in the hands of the proletariat. With a little digital camera that costs what, 3000 to 5000 bucks, you can go out and produce a major production, a major feature film.

Mr. Jim Mirkopoulos: Sure.

Mr. Stephen Waddell: It's meant that there is definitely a lot more production. As far as professional performers are concerned, we're getting our share, but could get more. What we're finding too—and Jim and I were talking about this before we started—is that with TiP, our Toronto indie production program, or with our ACTRA indie production program across the country, we're providing the opportunities for filmmakers, actors, and performers to work together at much reduced rates, much reduced budgets. So there's far more production generally being done that engages professional performers.

Sarah, did you want to comment?

Ms. Sarah Gadon: Yes, sure.

This summer I will be starting production on *11/22/63*, which is a limited series for Hulu. It is going to be the first production that I have been able to do that will be a part of a new digital media phenomenon. I see more and more of it happening. It is very attractive to actors who traditionally do feature films because there is no long-term contractual commitment for them. It is financially and creatively very attractive to us.

Mr. Terence Young: Thank you.

We heard from film producers that there are times when they can take a Canadian story and get the money to produce the film by hiring an American star and then hiring a lot of other actors to play supporting roles. It was pretty clear that in many cases the film

wouldn't be made without the star, who draws in the audience. Canadian actors are getting work by bringing in an American star.

You talked about the other side. We want to develop a Canadian star system. Mr. Waddell, do you recognize the balance in that, trying to build audiences and build our stars at the same time?

Mr. Stephen Waddell: Sure, we recognize that. It has certainly been the practice and policy to have predominantly U.S. performers in Canadian feature films and other Canadian content product for decades. I have been around for 45 years, and since *McCabe & Mrs. Miller* and *Rambo*, we've had U.S. product coming here, bringing in their stars and engaging Canadian performers.

What Sarah is talking about is the opportunity for her to be a star and have financing built around the production. The other advantage of it is that, with Canadian performers in the leading and challenging roles, you are getting a more distinctive product, something that is different from what the American studio system is putting out.

Mr. Terence Young: Yes. We've heard that as a recurring theme and recognize that as well. That is an ongoing battle.

Mr. Mirkopoulos, the Ontario government recently reduced tax credits for the industry. It reduced the Ontario computer animation and special effects tax credit from 20% to 18%, and it reduced the Ontario production services tax credit from 25% to 21.5%. What impact will that have on your industry?

• (1700)

Mr. Jim Mirkopoulos: Unfortunately, it will have a negative impact on the industry. We are already lobbying the provincial government to give some retroactivity to productions that were already under way. Given that the vast number of projects in Ontario are episodic, these TV producers have budgeted potentially multiple seasons, and their spreadsheets are now far off with that 3.5% reduction.

The impact is negative. Certainly, Ontario has always been portrayed, quite accurately, as a stable, reliable jurisdiction in the eyes of Hollywood producers and our domestic producers. This specifically affects service production, and right now we have lost that image of stability. We are asking the government to reconsider and to offer some form of stability in terms of a timeline and how long we can depend on the credits at their current level.

Mr. Terence Young: Thank you.

Am I out of time?

The Chair: You are out of time.

Thank you very much, Mr. Young.

[*Translation*]

Mr. Nantel, you may go ahead for five minutes.

Mr. Pierre Nantel: Thank you, Mr. Chair.

Mr. Mirkopoulos, I wanted to thank you for the work you do with young people, to help the next generation come up. Congratulations.

Now, I'd like to talk to Ms. Gadon and Mr. Waddell, from ACTRA.

Ms. Gadon, it's a privilege to have you with us. We know how busy you are. You star in a number of roles and you're also a director, if I'm not mistaken.

Thank you for your dedication, and I'd also like to thank ACTRA for, once again, bringing a witness who works directly in the field. Ms. Gadon is an actress, so hearing from someone like that with first-hand experience is always very insightful.

[English]

I really appreciate....

I'll switch to English. I feel that I can speak your language directly.

Ms. Gadon, the first time I really noticed you was when I saw the poetic image of Toronto in *Enemy*. Clearly, this was a co-production. I want to hear from both of you. What is your stance on co-production? Should we do more? Clearly, for you and for Denis Villeneuve, it was a moment to see, and it was very "heritagey" to see Toronto in such a poetic manner.

What is your stance on co-production?

Ms. Sarah Gadon: I have had a successful career as a product of co-productions, and the variety of co-productions that exist within Canada and abroad.

A Dangerous Method was the first film that I did with David Cronenberg. That was a co-production between Canada and Germany. *Cosmopolis*, after that, was a co-production between Canada and France. Then, of course, when I worked with Denis Villeneuve it was his first English-language film and a co-production as well.

I think it's important that we have co-productions within Canada because our industry is so widespread. We have brilliant performers and brilliant technicians coast to coast, and we need to be able to work with each other.

It's especially important for me, because it catapults us into the international spotlight. If I hadn't done *Enemy*, I wouldn't have had the opportunity to go to international film festivals. If I hadn't had the opportunity to work with David, I would have never gone to the Venice Film Festival, to Cannes. Because of that, I've been exposed to and been able to work with filmmakers all over the world.

It has been incredible for me, and I think it's the future of our industry.

Mr. Pierre Nantel: Thank you.

Stephen, you may want to add to that, but I'll pitch another question.

We've been told by many witnesses here that if CBC/Radio-Canada had enough budget, they could play a larger role in the expansion and visibility of our cinematography.

What is your sense on this?

Mr. Stephen Waddell: We wish that the CBC would make the same commitment to Canadian productions that Radio-Canada does. We wish also that the parliamentary appropriations to the CBC would be restored. It's a death by a thousand cuts at CBC. It's

unfortunate. It's our national public broadcaster. It, like the railroad in the 1800s, ties this country together.

It's a significant cultural institution in this country, and it's being hacked away at as a result of the lack of commitment to properly financing that organization

● (1705)

Mr. Pierre Nantel: Yes.

Mr. Stephen Waddell: That said, we have our own criticism of the CBC.

It also can do more, in our view, to promote Canadian production. We certainly would like it to promote more Canadian dramatic production in particular.

Mr. Pierre Nantel: Exactly.

Actually, I'll let my colleague from B.C. ask you something about hockey nights and music nights.

Mr. Kennedy Stewart (Burnaby—Douglas, NDP): I don't know if I'm asking about hockey nights and music nights, but I am interested in how you develop a distinctly Canadian voice in the film industry. Do you have policy suggestions—just quickly because we're running out of time—about developing distinctly Canadian voices in the Canadian film industry?

That's for all three of you, if you have a chance. Thank you.

Mr. Jim Mirkopoulos: At the risk of sounding repetitive, Telefilm has quite a bit to do in that regard, helping to modify, streamline their system of delivering funds to film producers. They have to make sure that they catch the little fish that are getting through the net.

Some good young clients of mine are taking their film, *Sleeping Giant*, to Cannes in a couple of weeks. Unfortunately, when they went to Telefilm, it wasn't able to recognize the potential of the production team, the directing team. Now we have some great Canadian content at Cannes. That film could have been even better if it had the assistance of Telefilm.

There's a lot of streamlining and improving to do at Telefilm. I think it's a great funding mechanism; it just needs to get more feedback from the people who need its services the most.

Mr. Stephen Waddell: Sarah, do you want to take it?

Ms. Sarah Gadon: I think it's really important that Telefilm supports emerging Canadian filmmakers, especially in English Canada. If you look at the climate right now internationally, Canadians make films.

Québécois filmmakers are the ones making films, making waves internationally with their films. I would arguably say that they are given the opportunity to really hone a distinct voice in Quebec, using specifically Quebec actors, and specifically Quebec talent behind the camera as well. They are given a forum to hone that voice, which they can then later export.

Look at Xavier Dolan and his big success with *Mommy*, and Antoine Pilon who starred in that film. He is this young, beautiful Québécois actor, who might not have been given the opportunity if that were an English-language film, because they might have asked a bigger named American actor to star in that role.

I think we need to look at that system to see what's working and apply it to English Canada and English Canadian feature films, if we want to make films that have a distinct voice.

The Chair: Monsieur Dion.

[Translation]

Hon. Stéphane Dion: Thank you, Mr. Chair.

[English]

I think Mr. Young was right to ask you about the consequences of the cuts that are happening in the Ontario government, but I wish that my Conservative colleagues would ask the same questions about the cuts done by their own government.

Can you tell us, the three of you, if I'm not wrong, whether you are asking for better funding for Telefilm Canada

It was Mr. Mirkopoulos who said that we should avoid having too dispersed help and that we should focus more on quality for fewer beneficiaries in order to be more effective.

If we increase the funding of Telefilm, is there a danger that we'll do the opposite, that although there will be more money, it will be more dispersed? How can we avoid that?

Mr. Jim Mirkopoulos: I consulted a number of my producer clients before coming here today, so I could speak intelligently on all of the issues, including ones that I don't deal with on a day-to-day basis, namely the financing and production of film. The general consensus was that if low-budget producers were given a little bit more to play with, they could actually put more quality on the screen.

If there were an increase in funding to Telefilm, with some specific changes made, in consultation with maybe a panel of senior producers, but especially a panel of younger producers, as Sarah mentioned, to find out what amounts they could really succeed with, that could be a model to move forward with.

Certainly, there is a danger that you could get it wrong if you increase the funding but narrow the focus too much. As Stephen mentioned, there are a lot of very talented young people in Canada and there's no shortage of them.

Telefilm has the mandate to promote Canadian culture, but also to help these films be successful from the business point of view. I think that the more consultation the better and I think there is a way to make Telefilm work even better than it does right now.

• (1710)

Hon. Stéphane Dion: Mr. Waddell or Madam Gadon, do you have a view about reinvesting in Telefilm and how can we optimize this new investment?

Ms. Sarah Gadon: Investing in young filmmakers is really the key to our future and Canadian filmmaking, especially in English-speaking Canada. I don't think that investing more capital will be a bad thing. It will only increase the quality of those films and those filmmakers.

They need resources and an incentive to stay here because if they achieve commercial success and Telefilm wasn't a part of that, what's stopping them from going south of the border to the United States to make those films? If we invest in people at the beginning of their

careers in that way, we'll be able to keep them and then keep the industry thriving.

Mr. Stephen Waddell: Clearly, I would echo the comments that Jim and Sarah have both made, but would like to make one other point.

In terms of the CBC and other Canadian broadcasters, we're not seeing Canadian feature films, whether they're high-budget or low-budget or no-budget, being exhibited by Canadian broadcasters. As we mentioned in our speaking notes, it's because the CRTC has let them off the hook with respect to content requirements.

City TV and CBC used to show feature films and don't do it anymore. As we said, if Canadians can't see Canadian films, then it's a great loss. We would hope that the CRTC would see this as being an issue and mandate broadcasters to broadcast Canadian feature films.

Hon. Stéphane Dion: I would now like to ask the three of you to comment on the orientation the CRTC is taking about the definition of Canadian content. What is a Canadian movie? They decided, if I'm not wrong, to simply change the definition. It came as a bit of a surprise.

Do you think it was the right thing or the wrong thing to do?

Mr. Stephen Waddell: They're trying an experiment with Canadian content and they've got a couple of experiments in which they're using Canadian-based materials but otherwise allowing for more flexibility.

It's useful that they're suggesting that Canadian producers and distributors consider Canadian source material for Canadian features, but it's wrong to mess with the Canadian content structure that exists.

In ACTRA's view—if I can just speak institutionally—a Canadian movie is one that is produced, directed, written, and performed by Canadians. It doesn't have to be about beavers and Mounties, but it should be produced, directed, and written by Canadians.

Hon. Stéphane Dion: Mr. Mirkopoulos, go ahead, please.

Mr. Jim Mirkopoulos: I don't necessarily disagree at all, but I'd be open to a discussion about what defines Canadian content, simply because there are too many people in this industry who are finding that they're not being supported. Co-production, as Sarah mentioned, is an excellent way to get more opportunities for Canadian artists, whether they're behind the camera or in front of the camera.

Creativity brought us something in television called the Canadian co-venture. Two of my clients at our Kipling Avenue facility are TV series financed by CBS that air on a cable network in the United States called the CW Network, but they are Canadian co-ventures, which means that they are produced by Canadians, that their either number one or number two actor has to be Canadian, and that the director of every single episode has to be a Canadian director.

The Canadian Film Centre, which graduates I don't know how many directors a year, now has a great pool of directors available to shows that are being watched by Americans. But I would argue that these Canadian directors would never have had the opportunity to direct every single episode of those TV series called *Beauty and the Beast* and *Reign* that they have as a result of this unique arrangement.

I think creativity can be a wonderful thing. Actor number one or actor number two are Canadian in both of those shows, but every single director of those episodes, which now number I think more than 80 episodes, has been Canadian. How often do Canadian directors get the opportunity to have their art watched by such huge markets?

• (1715)

The Chair: Thank you very much.

Mr. Yurdiga.

Mr. David Yurdiga (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair, and thanks to the witnesses for participating in today's study.

My first question is for Mr. Mirkopoulos. I understand that your facility is one of the largest campuses of its kind in Canada. Does this allow for a wide array of films to be produced at your studios?

Mr. Jim Mirkopoulos: A wide array in what sense? Do you mean high-budget to low-budget?

Mr. David Yurdiga: Yes, high-budget, low-budget, and I know that many films are produced at one studio, then go to another studio. Are you more concentrated, so that you can do almost anything that a producer wants to do?

Mr. Jim Mirkopoulos: We have three campuses in Toronto. Our largest one, in the west end where Sarah will be filming her third project, is our Kipling studio campus. It has a mix of large facilities and small facilities. So yes, we can attract a wide array of projects.

Denis Villeneuve himself came to me and thanked me, because we had a studio gap and Rhombus Media needed some creative work done on the budget. We were able to lower the studio rate to an amount that floored Mr. Villeneuve. He said, "You know, in Quebec they never would have done this for me." That's nothing against our Quebec studio friends, but the more critical mass of space and services you have, the more flexibility you have to meet all sorts of different budgets, absolutely. Sarah's project will be the seventh project shooting concurrently on the campus, which makes it the largest studio campus outside of Hollywood.

Mr. David Yurdiga: You also mentioned during your eight-minute presentation that there are some capacity issues in the industry. Can you elaborate on that?

Mr. Jim Mirkopoulos: Yes. Because the vast majority of our clients are in television, and because our clients are very successful and are typically renewed season to season, they'll leave their sets up in the studios during that two- or three-month time period during which they're waiting for renewal or are waiting to transition from season two to season three. This means that we don't have studio vacancy gaps anymore, don't have empty studio space anymore. All of our studio spaces in Toronto are now full of episodic and television production.

This means that if a young Canadian producer were to come to me right now and say, "If you have an empty studio space for a month, I could shoot my entire film"—and we've done that historically, in the days when we had 65% occupancy rate—I could not help them.

What I referred to in my remarks was that if a system were in place with Telefilm whereby we could be compensated for blocking

out a week or a month of studio time for that Canadian producer, then the economic loss to turn away CBS or NBC or Fox or one of my other U.S. clients in order to hold that studio space for the Canadian producer would not be so huge for me.

That's the capacity issue I was referring to. We don't have studio space available that we can discount for Canadian producers to take advantage of to put more quality on the screen, as Mr. Villeneuve did—and the movie, *Enemy*, turned out to be fantastic.

Mr. David Yurdiga: Here is another question for you. Over the last 10 years we have seen more and more Canadian television series coming online. Is the film industry being put rather towards the back door? Do they have to wait, or do they not get fair or equitable time in the studios?

Mr. Jim Mirkopoulos: Unfortunately, the way it is right now... Instead of highlighting the fact that they get less equitable time, I would say that there are fewer feature films being produced in general. The volume is down. This was triggered by the Hollywood majors trimming their slates. Because so many movies were getting slaughtered at the box office, they decided to be more selective.

It's happening domestically as well, so we're not getting the number of calls we used to get for feature films, plain and simple. As a byproduct of more episodic production, unfortunately we are finding that we're turning away the feature films that do come calling for space, because there is not enough to go around.

Mr. David Yurdiga: Thank you.

My next question is for Mr. Waddell. I hear a lot about pirating. Is this affecting the Canadian film industry? Is there a big, negative impact?

Mr. Stephen Waddell: Well, sure, piracy is a huge issue. It's an issue not only in Canada but also right around the world. What piracy does is defeat the economics of production and distribution. When people are stealing product, they're not paying for it, and the suppliers, the producers, the studios, the technicians, all of us suffer—the performers, the writers, everyone. People need to be paid for the work they perform, and that goes all the way down the line. Piracy is a huge issue, and whatever actions can be taken to combat piracy in the film industry are welcome.

We should take a lesson from the music industry, which was slow in picking up and providing an alternative to downloading. They put in iTunes, finally. Similarly in audiovisual production there should be a legitimate alternative at a good price point so that the pirates—well, it's not just pirates—the citizens who see the option of downloading an illegal, bad copy of a film will prefer the alternative on iTunes or Maple Pictures and buy a legitimate copy at a reasonable price, but a good-quality product.

• (1720)

The Chair: Thank you very much. We really appreciate all of your contributions, including to our past studies. If you have any further contributions, please get them in to us as soon as you can. We're going to start work on our draft report very soon. Thank you

We will briefly suspend.

[*Proceedings continue in camera*]

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