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## Standing Committee on Canadian Heritage

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EVIDENCE

**Thursday, February 10, 2005**

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**Chair**

**Ms. Marlene Catterall**

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Thursday, February 10, 2005

• (0910)

[English]

**The Chair (Ms. Marlene Catterall (Ottawa West—Nepean, Lib.)):** Order, please.

We have just a bit of business. We had to cancel our witnesses for next Tuesday. I have not made any attempt to fill that slot because I think it's important that the committee take some time to go through the agenda, which our clerk put together with very little guidance, on how we're going to go through the film industry study, film production, and what witnesses we want, and to make sure we have the schedule we want.

I'm a bit nervous about whether we schedule things tightly enough to be able to meet our objective of producing a report by June. So I think we should take some time next week to look at that, get it firmed up, and decide which other meetings are essential and which ones can wait till we're finished this perhaps.

Of course, the thing that has also happened since that schedule was put together is that we have learned the department is also undertaking a review of film policy. So we changed our witness today, whom we had hoped might be the minister, because I felt it was very important to hear what the department is doing and how they're proceeding, to make sure we benefit from the work they're doing and not conflict with that work, and vice versa, by meshing our efforts as much as possible, and to the extent that we can, put less burden on the various organizations and individuals who might be asked to be involved in both.

I think we will have a little better idea of where we're going after we hear from our witnesses this morning.

It's good that everyone has double first names because otherwise you would each be "Jean".

Monsieur Lemay.

[Translation]

**Mr. Marc Lemay (Abitibi—Témiscamingue, BQ):** Madam Chair, there are two points I would like to draw your attention to. We had planned to travel to the Vancouver or Winnipeg regions on March 8 and 9. I do not know what the situation is on your side, but on our side, our whip and our leader have advised us that votes on the budget are scheduled for the 8 and 9 of March, and we would not have permission to leave the House at that time. I draw this to the committee's attention. Perhaps we should check on this for next week, but from what I heard yesterday, the budget debate will take place on March 7, 8 and 9, and the vote on the budget will take place

on the 9 of March. Therefore, that could affect our trip to Vancouver, Madam Chair.

The second point deals with Mr. Simms' motion. Are we going to deal with it today?

These are the two points I wanted to draw your attention to.

[English]

**The Chair:** It would be my hope that we could deal with it today. I'm in the hands of the committee as to whether you wish to deal with it now or to hear from our witnesses and their testimony and deal with it at the end of the meeting.

What's the wish of the committee, now or at the end?

**Hon. Sarmite Bulte (Parkdale—High Park, Lib.):** At the end of the committee. Let's hear our witnesses, Madam Chair.

**The Chair:** I would then like to introduce, from the Department of Canadian Heritage, Jean-Pierre Blais, assistant deputy minister of cultural affairs; Jean-François Bernier, director general of film, video and sound recording;

[Translation]

and Mr. Jean-Pierre Gauthier, Director, Film and Video Policy and Programs.

Mr. Blais.

[English]

**Mr. Jean-Pierre Blais (Assistant Deputy Minister, Cultural Affairs, Department of Canadian Heritage):** Good morning, Madam Chair and members of the committee.

I can assure you that there is no requirement to have a hyphenated name to work in this particular area, despite the appearances this morning.

• (0915)

[Translation]

Given that you are at the beginning of your proceedings and following discussions we have had with your colleagues, Madam Chair, we will try and make a slightly longer presentation than usual, precisely to give you some background as you begin your work.

You have before you a presentation, generally refer to as a deck. I will share the presentation with my colleagues.

This morning, we will attempt to explain,—and some of you are already aware of this but it is to ensure that everyone has the same information—, first of all the various components of the Canadian film industry. Secondly, we will share the Canadian government's goals with you and the policy tool kit that we have for the feature film sector. Thirdly, we will discuss the challenges facing this industry with you.

Before addressing this subject, I believe it is important to put the film sector into context.

[*English*]

As you know, in terms of public policy, the department has as its mission, vision, or objective to work toward a more cohesive and creative Canada.

Certainly, within the creative side of the equation, my sector, the cultural industry and cultural affairs sector of the department, is first and foremost trying to build to make sure we have Canadian content of quality. That is the heart of what we are trying to achieve, but to that end, we are also making sure we have sustainable cultural expression that is building capacity and making sure Canadians have access to that cultural life through various programs to reach audiences.

The feature film industry is part of that broader context of the cultural sector. It is a key part because it reaches Canadians, tells stories, and reflects the country and its diversity. The feature film area is very much part of a broader audiovisual sector, as we discussed when we were talking about the Telefilm act. It goes from new media to television to feature film. It is all part of the package.

One of the challenges we have when we analyze this area is that sometimes the data merges because producers may be acting in one or the other. In the presentation you will see that we have tried to break that out to focus more specifically on the feature film side. It is important that they are part of the same ecology. There are people who might start off in television and move on to feature film. Television might be a good training ground to move on to the other. They are part of the bigger picture.

The basic conclusion, and why the government and many governments around the world have been involved in the feature film industry, is that because of the smallness of the Canadian market, the added complexity of having two linguistic markets, and being quite close to a large exporter of cultural product, this cannot be left entirely to market forces alone. Although we try to use market forces to achieve our public policy objectives, it is not entirely a question of leaving it to market forces. The complexity of the Canadian reality too is that we have a large geographic country, regional considerations, and multiculturalism. That's why the government has been involved for many years in this area.

The other big challenge is in terms of context. As many of you know, this is a very high-risk, costly business. Whether it is done here in Canada, in Hollywood, or anywhere in the world, each production is in a sense a prototype. One cannot necessarily guarantee that the particular product will have a commercial or audience success. People will try to lower the risk and manage it. That is why sometimes we see sequels. People think that because there are some stars associated with the first product, the second

product may draw. It is still a very high-risk business, which makes the world a bit more complicated.

As I said earlier, there are some external threats coming from technology and globalization that make it even more complicated. As I said earlier as well, we are not alone in having policies to sustain the audiovisual industry and particularly the film industry. Even in the United States, where one would think they have strong players, certain states have incentives to support the development of film policy. It is around the world. It is a vector in the society and in the economy that creates a lot of jobs and also tells a lot about the country, the culture, and the values of that country. It is an important sector.

The federal government has been involved in a formal way in this area since 1939 with the creation of the National Film Board, but the federal government isn't the only player. I know that as you move across the country you'll no doubt hear from the other government players in this area.

Municipalities have often created film boards, film bodies, to attract people or to facilitate filming in particular areas. They will help out crews if they want to close down streets for filming. They will actually go out around the world and try to attract people to come to their communities to film. The municipal level has been very active, as well as the provincial and territorial levels of government, to create incentives for Canadian content and the creation of Canadian films.

They have various programs to different degrees. The Government of Quebec, for instance, has the cinema act, la Loi sur le cinéma, which is very extensive legislation. Others have less, but most provinces and territories are involved to one degree or another, so that's another layer. Since it is an area of shared constitutional jurisdiction, one has to be conscious that there are other players.

● (0920)

[*Translation*]

As far as the context is concerned, one must be aware that there are challenges in the areas of technology and globalization, as well as challenges due to the fact that several levels of government are stakeholders in the world of film.

I will now give the floor to my colleague, Jean-Pierre Gauthier, who will speak to you about the components of the film industry.

**Mr. Jean-Pierre Gauthier (Director, Film and Video Policy and Programs, Department of Canadian Heritage):** Good morning. I'm going to give you a rapid overview of the components of the film industry, after which I will paint a brief picture of the industry's economic situation.

First of all, I must stress the contribution of the creators. These are the people who conceive the works: they are the architects of it. I am referring to our directors and our actors. It goes without saying that they are a fundamental component of the industry. On page 7, you will find a list of the main associations that represent them.

We have producers as well as creators of course. They are business people who acquire the rights to develop projects, and assemble the creative team that will implement them. It is interesting to note that in Canada, most of our producers are small and medium-sized businesses.

I would like to dwell somewhat on page 9, which deals with the production activities undertaken by our producers. I feel it is useful to understand the kinds of productions they are involved in. On the one hand, they produce Canadian content for which our own creative people are hired. Producers also participate in international co-productions, in this case projects achieved in partnership with a foreign production company with whom Canada has signed an official treaty. There is also a kind of industrial production that includes two main categories. There are foreign productions shot in Canada, mainly Hollywood productions that are shot in our cities or elsewhere in the country. Our producers offer their services to help carry out these projects as well as assisting filming. Finally, there are productions by Canadian producers for which they do not try to meet Canadian content certification requirements. These are generally projects intended for international markets.

On the following page, you will find a graph that gives an outline of the way in which a producer finances his film. On this point, I would like to draw your attention to the fact that approximately two thirds of a film's budget comes from governments, whether it is true direct aid, that is grants and subsidies and equity investments, or indirect aid. In the latter case, we are mainly talking about federal or provincial tax credits.

We have spoken of creators and producers, but there are also distributors. They act as intermediaries between the producers and the exhibitors. We are now on page 11. Basically, the distributor is the person who acquires the rights for the distribution of a work. In certain cases, they may even choose to invest in the work in question. His main role is to promote and market productions and ensure that they are distributed.

The theatrical exhibitors deal with the distributors to program their movie theatres. There are approximately 3,000 screens in 645 theatres in Canada. We are now on page 13. As regards the exhibitors, I think it is worthwhile pointing out that two thirds of their profits come from concession sales, that is to say soft drinks, chocolate bars, popcorn, etc.

I will now speak briefly about broadcasters. We all know that they pay a licence fee for the right to broadcast films. They often do so in the second or third round, after a film has been shown in theatres and has spent a certain length of time on the market in video cassette or DVD format. They may, on occasion, buy films in advance: here I am referring to pre-sales. In such cases, they contribute to the production budget of the film. This may represent up to 6 per cent of the total film budget.

I'd like to spend a little time on page 17, which deals with the domestic market. In the document we refer to it as the home market. This is an emerging market and it is more and more significant. It includes sales and rentals of DVDs and video-cassettes; it can also include movie channels that stream films as well as pay-per-view movies. These are cases where the consumer chooses to view the film in the comfort of his own home rather than going to a cinema.

• (0925)

To give you an idea of this phenomenon, you can consult the statistics at the bottom of page 17: in 2004, Canadians spent \$903 million at the box office. The figures are not always very precise, but our best estimates put the value of the home market at approximately \$3 billion, that is to say three times the box office value. This is an emerging phenomenon, and its magnitude is increasing.

[English]

Now I'd like to do a quick overview of the economic situation and just review a few numbers. I'll move to the table you have on page 18. You will note that the production of feature films accounts for about \$300 million a year. At the same time, we support \$1.2 billion worth of foreign productions. That's four times as much as we produce with our own Canadian movies. The grand total is \$1.4 billion. If you compare that to the other column—the \$4.9 billion that actually represents film and television—film represents about one quarter of overall TV film production, while television represents the remaining three quarters.

Film generates about 4,000 jobs annually. That is part of the greater whole of film and video production, which represents over 130,000 jobs.

The next few tables give you some breakdown in terms of provinces in different years. I'd like to draw your attention on page 21 to one number that I find very interesting. In 2004 we had 95 Canadian feature films actually playing in our movie theatres. So that gives you an idea of basically how much we are in the market.

I'd like to end this by flipping to the next page to talk about our market share. There is a key chart on page 22 that gives you exactly the answer to that question. You will see that in the French market we are doing well. We have about 20% of the market. On the English market, which has different challenges and realities to cope with, we have about 1.6% of the market. When you roll all that together, for Canadian films in Canada we have 4.6%. So that's how much we earn at the box office with Canadian films.

At this point I will let my colleague, Jean-François Bernier, continue with the history of policy-making in relation to feature films.

Thank you.

[Translation]

**Mr. Jean-François Bernier (Director General, Film, Video and Sound Recording, Department of Canadian Heritage):** Thank you, Jean-Pierre.

The Government of Canada has a long history of contributing to the film industry. First of all, the National Film Board was created in 1939. We are on page 24. The creation of Telefilm Canada in 1967 is the other significant event. Tax incentives targeting features films and television productions took the form of capital cost allowances in 1974.

● (0930)

[English]

In the late eighties, the government moved on a faster track to support its feature film industry with the creation of the feature film fund in 1986. In 1988, the government came out with a feature film distribution policy. In 1995, the fiscal incentive of a capital cost allowance was replaced by a tax credit based on labour expenditures. There was the Canadian Television Fund in 1996. In 1997, another tax credit program was created to attract foreign location shooting in Canada. In 2000, there was a key marker in feature film policy. The government announced a new feature film policy. We'll talk more about that later on.

Page 26 links what Jean-Pierre Blais was mentioning as part of the broader context. Why is the government in the feature film business and in the audiovisual sector as a whole? There are two main pillars: the creation and production of content and providing access for Canadians to that content. We feel it cannot be left to market forces alone, so we're developing policies, implementing policies, and putting resources toward producing and distributing Canadian feature films.

As Jean-Pierre mentioned in his contextual remarks, Canada is not alone on the planet doing this. In fact, every developed country has a feature film policy. You are going to hear a lot about that, because the terms of reference you have put out are essentially to look at the 2000 feature film policy.

What was the feature film policy in 2000? First, it was the result of three years of consultations. We came up with a document called "From Script to Screen". It's a public document that was published in 2000 that essentially states what the Government of Canada's feature film policy is all about. The policy established four objectives.

[Translation]

The point is to train and retain the people who create the talent, to promote the quality and diversity of Canadian films, to build an audience for Canadian films and to preserve for future generations the collection of Canadian films.

To determine the performance indicator of this policy or, in other words, to measure its success, we take into consideration a film's box office success, the size of the average budget for a Canadian film, as well as how much promotion and marketing is done for a film. To support its 2000 policy, the government doubled its investment in the feature film industry. At that time, that amount was \$50 million and today it is about \$100 million.

Page 28 of the brief refers to the allocation of resources. I have just said that the government doubled its investment in the feature film industry and you can see where the money went. A little later on, when we will talk about the tool kit, we will come back to each element involved in the policy.

On page 29, you can see that, as far as feature film policy is concerned, the federal government's tool kit is relatively diversified. As Jean-Pierre said at the beginning, in the audiovisual industry we have programs which focus both on feature films or television and on programs focused on both these areas. Indeed, there are many common areas within the film and television industries. For instance, a film producer can also be involved in television production; further, training for people in the field is provided in training centres which include both television and cinema.

Page 29 provides an outline of the government's political tools. The following pages—to which I would like to draw your attention—provide more details about each tool within the tool kit.

● (0935)

[English]

One of the main policy tools we have is Telefilm Canada. We talked about it when you reviewed Bill C-18. As shown in the second bullet, Telefilm essentially administers the Canadian Feature Film Fund; they administer a program for low-budget feature films; there's a screenwriting assistance program; they administer a program to support national training schools; and they have what we refer to as complementary activities, such as supporting festivals, awards shows, and alternative distribution networks, which we qualify as complementary activities.

On page 31, the Canadian Television Fund is also part of the tool kit relating to the feature film industry, as feature films are essential programming for Canadian broadcasters. From the budget of the Canadian Television Fund, there is \$15 million dedicated specifically for the production of feature films, which will eventually make it to the television screen.

The National Film Board has been there since 1939. If we have a feature film industry in Canada today, it's largely because of the actions of the National Film Board. Prior to the creation of Telefilm Canada, the board alone was doing feature films in Canada. They have won numerous awards. This year again they have been nominated for two academy awards with their productions. They have one of the largest catalogues of films and audiovisual material in the world, with 10,000 titles. When you are in Montreal, I strongly encourage you to go and visit the board. You will find it's an hour well spent.

The Canada Council for the Arts essentially has a media arts section that supports emerging film, video, and new media artists. They also have a program there to support film and video co-ops across the country. There are about 90 to 100 film co-ops in many municipalities; many towns have film co-ops. They help there.

As for the National Library and Archives, there's a legal deposit requirement under the Library and Archives of Canada Act. Essentially, they administer the preservation and the acquisition of Canadian feature films for archival purposes.

We also have in the tool kit the Canadian Independent Film and Video Fund, a fairly small fund that helps to train and provide professional expertise and experience to producers of small-budget productions. You don't become a film producer overnight, but you have to break your teeth on many projects before becoming a Denise Robert or Robert Lantos of the feature film industry.

The AV Preservation Trust is a private foundation with a mandate to acquire and make accessible certain key feature film productions that the country has produced.

On tax credits, there are essentially two tax credit programs, one for certified productions and one for foreign-location shooting in Canada. A tax credit program covers not only feature films but also television production. Just to give you an order of magnitude, the certified tax credit program provided tax credits worth \$165 million last year for certified productions and roughly \$65 million worth of tax credits for foreign-location shooting coming to Canada.

● (0940)

Federal and provincial tax credit mechanisms are all based on labour expenditures incurred in Canada.

[*Translation*]

The tool kit also includes—we are on page 36—international treaty audiovisual co-productions. This basically means that Canada has signed treaties with about 50 countries. However, there's nothing happening between some countries and Canada, whereas there are many co-productions between Canada and France, the United Kingdom, Germany and Australia.

When we work on an international co-production, we have access to the programs available in each of the countries involved. Therefore, each country considers the project as being a national production.

[*English*]

In regard to Radio-Canada and CBC, we all know who CBC is, but what I wanted to draw your attention to is their commitment in 2000 to invest \$50 million over seven years in the acquisition and broadcast of Canadian feature films.

In the area of feature films, the CRTC licenses feature film channels—The Movie Network, Super Écran, Indigo, etc. When there are transactions, they ask for tangible net benefits coming from the transaction, and private funds are often created out of those net benefit undertakings. We have given a couple of names. For example, the Harold Greenberg fund is there to support scriptwriting of Canadian features.

There are also broadcast requirements. For example, CHUM via Citytv must broadcast a minimum of 100 hours per year of Canadian long feature films during peak viewing hours.

The Investment Canada Act is a very powerful tool that we use whenever there's foreign investment coming into Canada. This

investment is reviewed for its net benefit to Canada, and it always comes with some undertakings attached to it.

I mentioned in the history of public policy that in 1988 the government put in a feature film distribution policy. On the second bullet here you will see that the government has put in some guidelines—some would call these restrictions, but we like to call them guidelines—in the area of feature film distribution. Takeovers of Canadian-owned and -controlled distribution businesses are not allowed, so Warner Bros. cannot acquire Malofilm or a Canadian-owned and -controlled distributor.

Investment to establish new distribution businesses in Canada is not allowed if you are not prepared to distribute only proprietary films, and we can discuss this further in the question period. A proprietary film is a film for which you have acquired the worldwide rights or you're a major investor.

I'm done. I was on a roll there.

● (0945)

**The Chair:** You are all covering a great deal.

**Mr. Jean-Pierre Blais:** We'll come back to that at the question period. I did want to leave more time for discussion. We realize we're covering a lot of territory, but it's still early days.

I have a few last comments, talking about challenges and opportunities for the future. As you mentioned, Madam Chair, we are reviewing the script-to-screen policy. In a few seconds I'll explain exactly how our work plan is progressing in that. This is a normal process. We have a requirement to review programs from time to time to make sure they're still working—and maybe they could be working better by tweaking them in certain directions. That's what we're doing on that side.

I think one of the challenges and opportunities I'd like to mention is the transition to digital technology. Oftentimes when we talk about technology in the area of culture, some people say it's horrible, it's going to be terrible; they see it through quite a negative lens. I'd rather see it as an opportunity to harness technology to achieve our objectives. Oftentimes periods of great change are also moments of great opportunity, and here are some of those opportunities that digital technologies can offer. It is something we must focus on. It will have an impact all the way from the creation to the exhibition of the feature film business that Jean-Pierre described earlier.

There are opportunities. There are preliminary studies that suggest the costs of filming in digital are less, and if that is indeed the case, perhaps we can have more resources to finance Canadian production.

We have to be conscious that Canadians will want to be served by an audiovisual industry, including a film industry, that's world class. We can't be left to wait for what's happening in others. We have to act, because at one point we'll lose out.

That being the case, we still have to prepare the groundwork before it hits us. That means making sure our training institutions and schools are prepared to train students who want to go into the film and audiovisual business knowing about the new technologies and new means of production. It also means we have to make sure our distribution systems, particularly our theatres, are up to date for that. Although in Canada we have fewer than a dozen digital exhibition screens, the U.K. already has 50, and the Netherlands is also very active in this area.

We also have to think about the opportunities of digital distribution. One of the big costs in film is the whole cost of making prints and distributing them. Oftentimes Canadian films can't be launched in many theatres because it costs so much to make analog prints, whereas the digital opportunity would reduce the cost of that. That's also true for our competitors, so we have to make sure we're in there for Canadian content, make sure we can take that opportunity, harness the opportunities of lower distribution costs that might be available for the digital format.

As well, we have to think of the script-to-screen policy, which is very much focused on the box office. You saw the numbers earlier. We may actually be reaching more Canadians through other means of distribution, particularly television and video on demand, whether it's distributed through cable or traditional telecommunications systems. Those are other ways for Canadians to see Canadian movies, and perhaps—and this is one of the things that one has to look at—our past policy emphasized the box office too much. I don't want to downplay the importance of the box office. Film is a form of art that is very much linked to the experience of being in a darkened theatre with others. Nevertheless, we can't underplay the importance of maybe reaching Canadian audiences through other means.

By the same token, you're well aware of the challenge that Napster and other technologies at first led to illegal downloading peer to peer, and because of the capacity system, that hasn't hit yet in terms of video. But you will be hearing more and more about file-sharing software for video products. In fact, BitTorrent—you may have heard that name, and if you haven't you will be hearing more about it—is a software that facilitates this activity and will be a threat.

• (0950)

On the other hand, it is also an opportunity to think about using our telecommunications systems to reach Canadians through video on demand or other means of distribution through digital technology.

Digital technology also provides us an opportunity to track where Canadian films are, because you can encode films and see exactly where they're going and how markets are. There are opportunities at that level throughout.

There may be a need for additional investment, because if we want to convert our cinemas into D-cinemas, there will be expenses associated with doing so. As to what they are, we'll have to think about that as well.

You saw the numbers. The chart that was on page 22 or so showed our objective of reaching 5%. You see that the trend lines have obviously changed as of 2000, particularly in the French market, and we're coming close to that 5% target. We're short of the 5%, but the actual pie has grown, so in a sense we're closer to the number. But

still, the challenge—that line almost at zero—for the English market is a big challenge, and we have to think about how to move it along.

We also have to ensure that we have the right balance between the more commercial product, on the one hand, and the more auteur film, to make sure we have both of those opportunities there. We will be gathering, in our process of looking at our 2000 policy, information on whether we have that right mix. That is a difficult area to deal with, because some films are in both worlds. I take the example of *Les Invasions barbares*, which was very much of an author-driven film at the beginning, yet a great commercial success and also a prize-winning film. Where you divide the line between the auteur film and the commercial films is not always clear, but it's something we have to keep on our radar screen—and on our screens as well.

The last issue is foreign production in Canada. When I started I said Canadian content is what we're aiming at, but quite clearly foreign production is part of the ecology of our film system, and we have to be conscious of that impact. As you know, certain environmental factors—the exchange rate, and so forth—have had quite an impact on foreign production. We are continuing to do a study. We are almost finished; at the moment we're waiting just for some additional data. We will share those results with you shortly.

[Translation]

As for page 42, I would like to quickly describe the process we will follow to assess the 2000 policy. Under that policy, we are obliged to evaluate a project and report on it by March 31st, 2006. To do so, we have retained, through a call for tenders, the services of independent consultants. First, they will follow a methodology which will include a thorough review of our strategic program and policy documents. The consultants will also actually meet with program beneficiaries and managers. They will get on the job immediately and should work right through until June of 2005. We also want to conduct a survey on attitudes and behaviour...

[English]

**The Chair:** I wonder if I could interrupt you for a minute. We have one member who is very anxious because he has a motion before the committee and needs to leave for another committee meeting. He just wanted to do something very quickly on a point of order.

**Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windsor, Lib.):** First, I sincerely apologize for the interruption. I have a very serious matter with another committee, but before I go, I put forward a motion last week and I would like to table it. Perhaps we can take a look at it on Tuesday. We can debate it then for recommendations and then vote on it at that point.

Hopefully we can defer this until Tuesday. I put that out there for the committee.



•(0955)

**The Chair:** Does everybody agree?

**Some hon. members:** Agreed.

**The Chair:** Everybody is agreed. Thank you.

**Mr. Scott Simms:** Again, I sincerely apologize. It's not that I don't find this riveting. I do, much like the films we produce, and I look forward to discussing this in the future.

**Mr. Jean-Pierre Blais:** Not at all. We know that a committee's business has to take priority over this.

**The Chair:** Thank you, and my apologies for the interruption.

**Mr. Jean-Pierre Blais:** I'm almost done, except to say that we'll be doing some public opinion and verification and also looking at [Translation]

the behaviour of people. As I mentioned earlier, it is without a doubt very important to find out how many people have high-definition TV at home and whether they intend to watch Canadian films on DVD or through other means of distribution, rather than go to the movies. Based on the results of these studies on what people actually do, we will have to assess how to proceed in the future.

We will consult with people within the industry from June to October and hope to complete our performance report by the established deadline. Of course, the deadline is March 31st, but we will be finished before then, since we must first follow a process established by the central organizations. That should all happen over the next few months.

Madam Chair, this was both a brief and long overview. We have tried to give you a good idea of what the film industry is all about. We are aware that we have not answered all your questions, but we hope to begin a very fruitful dialogue with committee members.

[English]

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

Now we'll go to committee members.

Mr. Schellenberger.

**Mr. Gary Schellenberger (Perth—Wellington, CPC):** Thank you.

Again I'll say it was very riveting—I'll echo Scott's remarks. We got a lot of the information in a very short time. I look forward to our looking into the film industry as we delve into some of the problems that might be there and some of the successes.

I go back to your mention of the National Film Board. Of course, when I went to public school, which was quite a few years ago, one of my most favourite days was the day we would rent the projector from the library and the teacher would bring two films. Inevitably they were National Film Board films. I congratulate the National Film Board for helping to give me somewhat of an education on Canada.

You mentioned that some of the revenues that come from the feature film industry are from concessions. Much of what we see right now in sport, since we don't have any NHL going on right now.... Of course we talk about the poor hockey players and the poor

owners, but some of the ones who are hurt the most are those vendors who might be vending the pop, or the ticket takers, those people who are very dependent on those types of jobs. Our film industry is much the same way. For the person who vends the popcorn or the one who sells the tickets to the shows, those jobs are very important.

We talk about producers, writers, and actors. I know there are a lot of people other than producers, actors, and writers behind the scenes—the set people, the lighting people, the sound people, all those people who are involved, right down to the people who clean up afterwards. It's very important that this industry stay viable for those people.

As our actors become famous.... That's usually how movies sell. If you have someone with a name who is the star in a movie, people will go just to see that star. Unfortunately for us, it seems once our stars become stars here in Canada—they may be very good in a particular film—they end up in the United States where they might make a little bit more money. I don't know whether, if you're a Canadian actor in an American film, it counts as a Canadian film. I don't think so.

Those things are very important to me. Those are a couple of overviews I have. I look forward to the inquiry we're going to have.

You also mentioned the archives. Do you think the works that are in the archives right now are properly protected? Are our films properly protected? We've had some discussion on that, and I know some of the prints are not necessarily in the best place.

•(1000)

**Mr. Jean-François Bernier:** This is a very good question. Thanks for asking.

The answer is yes and no. I'm not a lawyer, but there's certainly a challenge—not only a technical challenge—in preserving Canadian feature films. Celluloid material tends to fade away. You will see on one of the tables that, up until 2000, we've put more than half a million dollars into the archives budget, essentially to restore and acquire Canadian films. We have a state-of-the-art vault here in Gatineau, and it is very important that we keep the archival material of feature films. There's also the AV Preservation Trust out there; they pick one feature film a year that is judged by a kind of committee to be of great importance, and they are going to restore it and release it again in theatres. They did that for *Mon oncle Antoine* and *Kamouraska*—important Canadian feature films. It's easy to think in terms of more production, more production, more production, but what about those past productions?

[Translation]

I'm thinking about *Aurore l'enfant martyre*, for instance.

[English]

Where is it today, the original version of that? So the archives are very important.

**Mr. Gary Schellenberger:** Thank you for that. That answers some of my question.

**The Chair:** You have five minutes, Mr. Schellenberger.

**Mr. Gary Schellenberger:** Don't I have one more little wee short one?

**The Chair:** Okay, providing you're as flexible with Mr. Kotto.

**Mr. Gary Schellenberger:** It's very short.

I know the value of the Canadian dollar is very important and that it has really hurt our industry at this time. I hope the Government of Canada...the Bank of Canada watches that rate very much and considers how interest rates can affect the dollar.

**The Chair:** Mr. Kotto.

[Translation]

**Mr. Maka Kotto (Saint-Lambert, BQ):** Thank you, Madam Chair.

I would like to thank our three witnesses for being here. You have done excellent work in presenting us with this treasure trove of information.

I would like to come back to something my colleague, Mr. Schellenberger, said. He referred to the fact that Canadian actors, and sometimes even production personnel, leave the country. I would like to point out that it's mostly English-speaking actors and tradespeople who leave for reasons involving language. This is in fact a weakness. Hollywood has become the leader in the areas of creation, sale, promotion and wealth, and I believe that Quebec artists and tradespeople would also have left the province if they spoke English. But money being what it is, I believe that the project is interesting.

However, in Canada and Quebec, we have to make due with what we have. In Canada, a giant controls about 96 per cent of movie theatres, including 94 per cent in Quebec, and that figure is about 99 per cent in England and in Germany. For its part, France has adopted a policy which has enabled it to fight Hollywood's crushing domination.

Have you studied that model to see whether we could take back some market share, leaving aside projects involving the development of a digital network which may help compensate for our lack of control? For years, France has implemented that type of policy. It was not really protectionism: in fact, that policy has even helped finance French cinema.

• (1005)

**Mr. Jean-Pierre Blais:** Absolutely. I would like to begin by saying a few words about the difference between the francophone and anglophone markets. Indeed, fewer French-speaking creators, authors and comedians have left for Hollywood. However, we have nothing against that, because sometimes they come back and help increase the profile of Canadian films. But yes, indeed, there is a difference between the anglophone and francophone systems. This certainly holds true for television, but it also applies to the movie industry. Quebec's star system is sustained by television and magazines, amongst other things. Of course, this makes it easier to market film products outside of Quebec. This explains in part the ratings difference.

As for your second question, it involves a constitutional problem. As I said at the beginning, this is an area of shared jurisdictions. The Supreme Court was very clear a few years ago when it ruled in the

*Nova Scotia Board of Censors v. McNeil* case that the operation of movie theatres falls under provincial jurisdiction. In fact, that's why the government of Quebec has a fairly elaborate law on the movie industry. Even though we may try to exert pressure on the federal government, it remains that the operation of movie theatres remains basically under provincial jurisdiction.

Since 1926, attempts have been made to regulate and promote non Hollywood productions throughout the world. This was the case in Canada, in Australia and elsewhere, but more particularly at the federal levels in Canada and Australia. It's been a problem. Indeed, the Australian States have to work together, just as Canada's provinces have to work together, since the operation of movie theatres remains a state or province level jurisdiction.

**Mr. Maka Kotto:** I'm highlighting this aspect, because you do of course know that films are released in theatres on a Friday. You are also aware that, if the film does not hit projected targets between the first hour of screening and the end of the week, it does not survive more than a week. It is withdrawn and replaced with an American film. So organizations that want to show films with interesting content but perhaps a lower entertainment value cannot survive.

**Mr. Jean-Pierre Blais:** That is why we have to consider other distribution methods. In some cases it is very difficult for a Canadian film to compete with other films, because most of the profits are made in the first seven days. Keeping that film on the screen for longer periods than that becomes very complicated.

However, there are other forms of distribution, through digital media or television, that would give Canadians access to Canadian content over longer periods. We could talk about this further. On the web, this is known as long-tail releasing. This means that there is a great deal of space where the quality of Canadian products could be demonstrated, outside the first-week Blockbuster approach. We can keep our films on the screen, provided we have distribution systems that give Canadians parallel access to Canadian products.

**The Chair:** Mr. Angus.

[English]

**Mr. Charlie Angus (Timmins—James Bay, NDP):** Thank you.

I would just like to say, gentlemen, that I think this was a fantastic presentation. I wish all my committees were given the kind of information that we were presented with today. I think it's a very good basis for us to begin our examination of film in Canada.

I would like to say at the outset that I was also very pleased to hear your openness to digital technology. There seems to be this fear of the bogey digital age coming upon us. As a professional musician for 25 years, I can say that the days of analog were not glorious at all, and they limited Canadian artistic expression in many realms.

I'd like to ask my first question. Do we have the appropriate tools, in terms of policy and in terms of financial support, to ensure that we are at least keeping up with and maybe even trying to be at the forefront of digital technology?

•(1010)

**Mr. Jean-Pierre Blais:** The truthful answer is we're not entirely sure, and that's why I put it on the list of challenges. We know that if we don't have them, we will lose out. We must focus on that. That's one of the reasons we think a priority area is to make sure we have the right training in our schools, the right production, and the right distribution networks for digital technology. Canadians will see on their televisions what's available in the U.S., and they'll say, why can't I in Canada have access to that same quality and richness? So here we are trying to build up audiences to Canadian content, but the world isn't static, and we have to adapt to it. We know it's important, but I can't tell you today if we do have the right equipment.

**Mr. Charlie Angus:** Thank you for that answer. I think it is going to be very important for the heritage committee, maybe not during this Parliament, to examine digital technology and where we're falling behind.

I'd like to ask a question in terms of the back-end potential that exists now for Canadian films, back catalogue films but also new films, in terms of DVD and video rentals. It seems to me we are now seeing in stores films that nobody would ever have had a chance to see at their local cinema because they couldn't get marketed. Is a financial return coming back to film that you weren't able to receive before?

**Mr. Jean-Pierre Blais:** Earlier I referred to the notion of long tail, and I think that's exactly where the answer will be. The notion of long tail is that there is a return on the distribution of product that goes on over time. That's why they call it a long tail. The big blockbusters are at the beginning. But digital technology allows you to have rather rich catalogues in all areas, whether it's music, books, or films. There are more potential sales and rentals in that long tail than there are in that original two-week, three-week, or four-week launch.

One of the things we want to look at in our review of the policy is precisely that: do we have the right tools in place to make sure Canadians have access through video stores, online video-on-demand services, DVDs, or other means of distribution to that Canadian content? There are other ways of getting access than just through box office. Right now we don't think we have the right tools in place to reflect that new digital reality, which the long tail provides as an opportunity.

**Mr. Charlie Angus:** Script-to-screen came in as a policy in 2000, five years ago. In 2000 in the city of Toronto, the industry, which I'm familiar with, was very robust. It seemed everybody I knew was working in film. Now those people are not working in film. So in the space of five years, has our policy been a failure?

**Mr. Jean-Pierre Blais:** Again, one has to make a clear distinction between Canadian production and foreign shootings. You'll see in our presentation that the number of jobs related to foreign shootings is considerably higher. They are technicians and other jobs, rather than artists, creators, and writers, but they're still economically quite important.

The script-to-screen policy focused very much on Canadian production. We're about to finish this internal task force study, which we'll be more than glad to share with you in a few weeks. The decline is very much linked to that foreign shooting, which,

unfortunately, is linked to the rate of the Canadian dollar, among other things. That's why we were very happy to note that provinces such as B.C., Ontario, and Quebec followed the pace of the federal government a year ago in terms of the foreign shooting tax credit. That's where I think the job drop occurred. That's not to dismiss it, because some people work in both. One mustn't dismiss the fact that somebody, a technician or whoever, is working on a foreign production. We need those people as well because they're part of the ecology that works on the purely Canadian content as well.

•(1015)

**Mr. Charlie Angus:** In the United States they've gone for very aggressive policies in order to take back the jobs that are now in Canada. Do we have the appropriate tools in terms of tax credits to compete and to offset that?

**Mr. Jean-Pierre Blais:** I believe the thinking in the federal government is that the tax credits do play an important role to bring those productions to Canada. It's a much more competitive business because it's not just in the United States; it's eastern Europe, Europe as a whole—everybody—because they know there's a huge economic leverage. But it's more of an economic policy objective, in large part, than a cultural objective.

Yes, we have the tax credits. The ones in Ontario, Quebec, and B. C. will help considerably to rebalance the equation when a producer is asking, where should I shoot? Where are my costs going to be lowest? The Canadian dollar is another input. At around 78¢, 79¢, there's a tipping point there that is a bit of a challenge.

**The Chair:** Thank you very much, Mr. Angus.

Mr. Silva, welcome to the committee.

**Mr. Mario Silva (Davenport, Lib.):** Madam Chair, thank you very much. I'm very honoured to now be a member of the committee. Although I'm new and it's my first meeting, I am certainly not unfamiliar with this particular issue. I was on the film festival board for many years in Toronto. I was also on the film liaison committee for the City of Toronto for almost nine years. So I'm quite aware of the issues.

I must say it is so important that we move forward as fast as possible both with this committee and also your review, because my information out there tells me that we are facing a crisis in the industry. It's not just due to the Canadian dollar. There are all sorts of different factors—the loss of screens, the loss of theatres. There are quite a few alarming indicators in the industry, and we do need to analyze it as best we can.

Despite some of the moneys that have been put in by the federal government and even the different provincial governments, this industry is so vital, not just for the identity of who we are as a people, but also as a job creator, an economic generator, for at least three major centres—Vancouver, Montreal, and Toronto.

It is very vital that we draw people's attention to this sector. It has many other spinoff effects as well in other industries. One thing leads to another, and if we don't take it seriously, we could substantially damage the industry for years to come. So it's very important that we do go forward, but I'm hoping that in your review you will also be looking at the different policies that have been established over the course of the years, particularly in different municipalities and provincial governments.

We want to make sure that we do have a cohesive plan that is not in conflict, so that we're not competing. These were issues that concerned me in the past. We saw that different cities were competing, as opposed to ensuring how to get the best that we could for the dollar in Canada and making sure productions were taking place here.

This is an industry that is vital to the Canadian economy and needs our assistance. I realize this is an overview of the situation, but it doesn't really talk about the indicators, the success, the stories, or maybe lack of success. We need to analyze all that very carefully.

I wonder if we could get Mr. Blais' comment on that.

**Mr. Jean-Pierre Blais:** The answer is yes, we will be looking at all that, because it is about measuring results and making sure we are heading toward the indicators we created in 2000 and also questioning ourselves as to whether those were the right indicators. They focused a lot on how much money we were investing for production in box office. On a going-forward basis, were those the right ones?

On your point about making sure we're looking at the entire ecology, certainly that's why we put, right from the beginning—I mentioned municipalities and provinces because it is a shared jurisdiction. Municipalities do play an important role because they do see the economic activities of foreign production, so they are competing for that.

Unfortunately, as Wayne Clarkson said recently in a speech, it's unfortunate they're not competing as much for the Canadian content local productions as they could otherwise. It's not a criticism. It's just the fact of the matter. You saw the job numbers. The foreign production has a much more leveraging aspect in terms of creating local jobs and contributing to the economy.

We are looking at that entire picture because it's a complex ecology of foreign production, Canadian production. They feed each other. It's federal, provincial, municipal—all levels. It's the audiovisual sector in all its complexity that goes from new media to television to film. They also are part of the ecology. As well there are different types of films. There's the more creative lower-budget films that form our great filmmakers of more commercial films in maybe 10, 15 years down the road. So it's a very complex ecology and we're trying to look at all that together.

That's indeed why in the 2000 policy, although it put most of the money in Canadian production, those other factors—from training to

development of creators to scripts—were also part of the strategy at the time. So we're looking at the big picture.

• (1020)

**The Chair:** Thank you, Mr. Silva.

Back to your side of the table, Lynne.

**Mrs. Lynne Yelich (Blackstrap, CPC):** Thank you.

I have a few questions. On your concerns about digital technology, would they be the same concerns that libraries and museums have regarding copyright? Do you have any concerns about copyright when it comes to digital technology?

**Mr. Jean-Pierre Blais:** They're linked because it's digital distribution. There is an issue with respect to the copyright reform that's specific with respect to libraries and museums, but this is not so much what we're addressing. Obviously we must ensure that our Copyright Act protects audiovisual works in a digital environment, and that's what we're working on in the update of the Copyright Act.

**Mrs. Lynne Yelich:** How successful are your tax incentives, tax credits? Do you want to tell us a little bit about that? I am interested because I know our Province of Saskatchewan gives tax credits out, and I'm just curious as to how successful it is for you.

**Mr. Jean-François Bernier:** The tax credit is an essential component in putting a film budget together. There is a page on which we provide you with an example of a typical financial structure for a film in Canada, and tax credits are roughly 10%. Both federal and provincial tax credits account for about 10%, if I'm not mistaken—22%.

**Mrs. Lynne Yelich:** My question would be, is there a follow-up? What I call success is you don't get audited after. Sometimes tax credits have become a problem, and I just wondered if there is a follow-up on tax credits. They perhaps are successful in the year they are allowed, but after that, I'm always concerned.

I also want to know this. One of your objectives is diversity and quality. How do you measure diversity in your objectives in your field industry? I see it is one of your goals or objectives. Your presentation says "Feature Film policy -From Script to Screen" and you have an objective that says you would like "To foster the quality and diversity of Canadian feature films." What is your vision for diversity?

**Mr. Jean-François Bernier:** Measuring diversity is in itself a challenge. But the intent behind this reference to diversity of Canadian feature films is that we wanted to have a span from auteur films to popular comedy films in the output of Canadian feature films that are offered to Canadians and to the rest of the world—not just auteur films, not just popular comedy, but a wider span of films. This is how diversity was considered at the time.

**Mr. Jean-Pierre Blais:** If I may just reply to the first part of your question with respect to the tax credit, we do have a robust risk management with the revenue agency, in which we do send in audit teams—not on every project, as obviously you don't put a policeman at every stop. But there are audits that go in and verify that things were done appropriately, because there is taxpayers' money in there.

• (1025)

**Mrs. Lynne Yelich:** I'm curious, is most of the money spent, or has most of this department been...? Is there a regional lens on it, I guess I'm asking. Are you involved in the Prairies very much or in the Atlantic provinces? You continue to mention Montreal, Toronto, and Vancouver, because that's of course where the industry is the most vibrant, but I do wonder if there are any considerations given to the Prairies.

**Mr. Jean-Pierre Blais:** Our goal is to make sure that the diversity is also a regional diversity. It's also linguistic. It's the variety of that. Provinces and territories, as I say, are quite active in making sure their particular province or their cities are there. Our evaluation will drill down to make sure to at least get the facts on how the diversity has spread out across the country over a period of time.

The problem in an analog world is you do need those high infrastructures, which are more difficult to have in smaller centres. We believe, and probably more work needs to be done on this, that digital technology, because of its nature, is more mobile and in fact would help a great deal in decentralizing some of the production across the country.

**The Chair:** Mr. Lemay.

[*Translation*]

**Mr. Marc Lemay:** Thank you. The committee has received the comments of Sheila Fraser, the Auditor General. She has talked about a recurring problem relating to the conservation of Archives in Canada. I find there is not much funding allocated to conservation. Am I wrong in that? Is the funding sufficient to conserve the Archives, the heritage which our Canadian films constitute?

I would also like you to tell me about the funding. I have some difficulty understanding how you at Canadian Heritage can fund a film under your one-year programs. Your budgets are established for a single year, but a film can take 12 to 24 months to bring from the script-writing stage to the screen. It's a long process. How can you ensure that funding will be recurrent?

Moreover, you will not cut off funding while your study is under way, will you? There seems to be a problem between the English-speaking side and the French-speaking side of this extraordinary country. It is not very difficult for Quebec to make and sell Quebec and Canadian culture. In fact, we hear success stories. However, the same thing seems extraordinary difficult for the English-speaking side. I would like to know why. Is it because we have great difficulty in keeping our filmmakers, actors and technicians, who go to Hollywood or elsewhere as soon as they become any good—please forgive my choice of words here. We lose them. What can we do to keep them here?

**Mr. Jean-François Bernier:** I will answer the question on the archives.

Allow me to describe our approach to the material which is to be archived. In 2000, every feature film funded under Téléfilm Canada programs must be submitted to Library and Archives Canada. This was not the case before 2000. Since 2000, at least one copy of every film made, in accordance with the standards established, can be found in the Archives. That copy is deposited in the Archives.

The funding invested—the 500,000 to \$600,000 allocated for this purpose in the Archives' budget—is added to the Archives's operating budget. At the time, we and the National Archives of Canada established a listing of all the films which have been made since the early 1900s and which deserved to be restored. Not all films necessarily deserve to be preserved. I am not an expert on selection criteria, but some choices must be made. So we established a plan to restore the films, and the funding allocated to the Archives for that purpose was designed to cover the restoration of some 100 films over about 10 years. We established what the cost would be per film, and we knew that the amount allocated would cover the work.

Those in charge at Library and Archives Canada might tell you that would like \$20 million to archive films. At the time, our study took into account the fact that film archiving was part of this organization's mandate. The point was to give them some assistance to enable them to acquire and restore films made before 2000; of course, all films made from 2000 onwards and funded under public programs are deposited systematically at Library and Archives Canada.

With respect to funding, a film can indeed take from three to five years to make, from the initial concept until the end of production as such. Moreover, producers do not operate between April 1st and March 31st, for example, on March 25th and April 13th, they might be shooting scenes for the same film. So it's a question of administering the programs. Since 1967, Téléfilm Canada has had experience administering support to the feature film industry. There is a great deal of money that circulates, but though it is a challenge it is in fact doable. I think that you will be inviting the heads of Téléfilm Canada to meet with you. This would be a very good question to put to them.

When it comes to the challenges in English Canada, the problem is much less simple to solve. How can we increase box-office revenues exponentially? If we had a magic solution, we would be happy to apply it. However, we are dealing with a complex number of interrelated aspects.

We cannot ignore Hollywood's power of attraction. Keeping filmmakers in Canada is a significant challenge. We are not just talking about actors, but also directors and script writers. We are told that more members of the Writers Guild of Canada live in Los Angeles than in Canada. This means there is a significant problem, though it may have a solution. Although trends have not changed enormously, there has been some improvement in box-office revenues in English Canada since this policy was instituted.

• (1030)

**Mr. Jean-Pierre Blais:** I would not like to leave the impression that filmmakers in English Canada are fleeing the country. I think we have young filmmakers extremely committed to creating Canadian content. They want to make films in Canada, but in the English-language market, unlike the French-language market—I have talked about the star system, but this is also part of the whole environment—there is less of a star system. Why is that? Not because people don't want one, but because the market is far more competitive. Hollywood's power is not only tangible in Canada but all around the world, ever since the 1930s. This is nothing new. Hollywood is a huge machine that controls theatres and the means of distribution, and it is also a universal advertising and marketing machine. We are bombarded with it every evening on television and everywhere. English-language filmmakers would like to make films with Canadian content, but they live in a far more competitive world. That is the challenge we face.

• (1035)

**Mr. Jean-Pierre Gauthier:** I would add that the box-office challenge in the English-language market is specific to Canada. Many countries feel enormous pressure from US cultural products. Clearly, English tilts the competition balance in favour of Hollywood's product in a variety of markets. This phenomenon is associated with a competition game, and with the capture of consumers, as it were.

[*English*]

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

I have been a little more generous in my time than I should have been.

Ms. Bulte.

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

I want to pick up where Mr. Lemay stopped. You haven't really addressed the issue of distribution in this country and the fact that 95%, if not more, of distributors are U.S.-owned.

I know that somehow when you were going through the presentation here you left out the part about the large studios being grandfathered. Can we talk a little bit about that? That is not going to change.

The U.S. has a huge lobby here. There are trade implications as well, and Jack Valenti is a very, very powerful man. So what do we do in that context? I think that's a major problem for us.

I guess what frightens me as well is, because the large motion picture distributors are grandfathered, when you are speaking about digital presentations, digital distribution, are they also controlled by the U.S. giants? That's one question.

Secondly, I know you've given here in the deck a copy of a budget, but what I would like to get is an actual budget of what a producer has to go through, to actually see where the moneys come in. You could provide it to us. I think it's much clearer what the situation is when you actually see where the money comes from the credits, where the money comes from, let's say, a province....

We could pick Saskatchewan as one, Toronto as another, and Atlantic Canada as another, just so we have an idea.

One of the things I'm concerned about, which also hasn't been raised in here, is that currently Telefilm tends to claw back a lot of these provincial tax credits. Certainly in speaking to the Deputy Minister of Culture in Ontario, that was one of the concerns, that they were afraid to increase their tax credits because, by increasing it, while the tax credits were supposed to remain in the budget of the producer, in fact Telefilm now takes it back.

To me, those are two obvious areas that we can look at to fix the situation.

I'm sorry Mr. Angus has left. Mr. Angus said production in television in Toronto has gone down.

One of the reasons too—and just to comment to Ms. Yelich's question about whether there are regional bonuses—is that certainly there are regional bonuses in the CTF, for one, and I am sure there may be others, such that it is actually to your detriment to produce in Toronto. In fact, many of the producers are leaving, the very talented people who are in the city I live in, and going outside because it's more cost-effective for them to make pictures outside the city of Toronto.

Could I have your comments, please?

**Mr. Jean-Pierre Blais:** There are three questions there. I'll let Jean-François address the clawback.

On the first question, distribution, yes, as you know, it's been a challenge since the 1930s. It's not just a Canadian issue, but it is a particularly Canadian challenge, because from the perspective of the majors, North American distribution is seen as a single market, and always has been, because of geography. Other countries have perhaps managed to control a bit more of the distribution channels.

There have been attempts in the past to act in this area. I would say, however—and I come back to the point—that the distribution networks will change over time as we move to digital content and there is an opportunity. Yes, you're quite right, the traditional dominant distributors will want to play in that game, but there is an opportunity for us, in this time of change, to insert ourselves into that distribution change and get to Canadians through other means, where we've been largely successful—through telecommunications, cable, and DTH, among others, but also through traditional theatres.

In terms of giving you examples, we certainly can do that. Because of confidentiality, we might not be able to tell you exactly which one—

• (1040)

**Hon. Sarmite Bulte:** Make it up.

**Mr. Jean-Pierre Blais:** Well, no, we could take an actual two or three, because there are no two identical financing structures. We could give you two, three, or more models. We could remove the names—we have access to that—and give them to you as examples.

This is a big challenge for producers, because there are no two ways of structuring your financing of a particular production, and it really depends on what the production is. Is it an official co-production, in which you might have external partners? Is it a very exportable product, in which you may have more foreign partners? Is it produced in Ontario versus Saskatchewan? Then the provincial and municipal programs may be different. So we'll try to give you several examples that illustrate it, but I think the point—and I know most of you know this—is that no two productions are financed the same. That's why we gave you an average on that.

Jean-François, on the clawback....

**Mr. Jean-François Bernier:** On the clawback, on tax credits, this issue is certainly out there. It is not an official policy that Telefilm requires the tax credit to be in the budget. On the other hand, they're counting on the producers to bring some resources to the table, and essentially producers are bringing their tax credit to the table.

This is a contentious issue. I've put the tax credit program in the tool kit I described. The objective of the tax credit program was essentially to help capitalize producers. We are embarking on an evaluation of the tax credit program to see if it has met that objective, or what the impact of the tax credit has been on the capitalization of producers. I'm sure you're going to keep that question on how they're treating the tax credit for when Telefilm appears here as well.

On the other hand, if producers are not bringing resources to the table, it means that Telefilm would have to be more involved in a feature film. Let's say they are at 30% in a feature film now. If the tax credit is not on the table, Telefilm would have to be higher in terms of percentage. What would that do to the number of films that can be produced? Telefilm's budget is limited.

There are many factors in this equation. Depending on your perspective, you have different opinions on it.

**The Chair:** You're a little over time.

Mr. Richardson.

**Mr. Lee Richardson (Calgary Centre, CPC):** Thank you.

I was just speaking with the vice-chair. He asked a question earlier on archives, and I wondered what your role there was, because I have had questions over the years from constituents. They were asking me about an old television program, and they were concerned that there were no remaining copies of *The Plouffe Family*. Do you know if that's the case?

**Mr. Jean-François Bernier:** It is quite possible that the entire series of *La Famille Plouffe* is not all there to be rebroadcast.

I think the archives are doing their best with the resources they have. As I mentioned to Mr. Lemay, we're trying to fix the problem with this policy. I think we've made great progress, but what is lost is lost. There's no way to...it's lost.

•(1045)

**Mr. Jean-Pierre Blais:** I think people in the early days of television did not realize the importance of keeping that heritage for later on. We also have to remember that at the beginning there was a lot of live-to-air and less taping.

When video came out, it was very costly to keep those videos. I recall, when I was at the CRTC, visiting the studios of TVA. They told us a lot of people were applying for new digital licences, thinking that maybe they could repurpose some of the old shows. They realized that people had taped over some of those old shows for cost reasons. Those were short-sighted commercial decisions; you can understand that.

However, in our public institutions—the CBC, the Film Board—there has been a clear understanding of the historic value of keeping that heritage for future generations.

**Mr. Jean-François Bernier:** We'll see. At the National Film Board, all the archives are now in digital format, so they've made a tremendous effort to keep those past productions.

One of the difficulties is that as we speak, we have 50 channels putting programs out there. What do you keep? Do you keep yesterday's *Téléjournal* and *National*? Do you keep Jean Chrétien in front of the Gomery commission? What do you keep?

Tough decisions have to be made. *La Famille Plouffe* is probably one you keep, but what about all the episodes of *Quelle famille!* What do you keep? It's not an easy answer.

**The Chair:** Thank you. We have to wrap up very soon to let the next committee in here.

Can I take a little question first and then make a general comment? If we still have time, Maka, I'll come back to you.

I want to ask the question that I am asking everyone these days. In the proposal call you put out, and in the contract you have signed or are about to sign for the evaluation of the policy, have you included the gender-based analysis of its impact? That has been government policy for a decade.

**Mr. Jean-Pierre Blais:** Maybe I'll start. We have recently been doing our priority planning, and that is very much at the top of my list and a focus across the entire department.

Jean-Pierre might be able to give you more, particularly on the screen side of things.

**Mr. Jean-Pierre Gauthier:** We participated very recently in a comprehensive study on the representation of different groups in the sector. It included gender-based, ethnic, and aboriginal communities, to see how they were doing in the different segments of the industry.

That report was finalized just a couple of months ago. It was conducted by WIFT, Women in Film and Television, which actually spearheaded the study. It shows that progress has been made, even though we are not yet where we would like to be in fair representation, based on the respective demographic weight of the different groups. But we can see there is movement taking place. It's better in some areas, and more work is required in others, but it's a very interesting picture.

I reviewed the study last week with Mrs. Hanley from WIFT, who spearheaded the project, and went over the figures. I invited her to contact the committee to maybe come to present the results of the study.

**The Chair** We are running out of time and I do want to give the member, Mr. Kotto, his time.

I really would like to come back, perhaps at a future meeting, to whether gender-based analysis is specifically included in the terms of reference of the evaluation that you are now undertaking, and if not, how we can cover that gap.

Secondly, we haven't had time to have a discussion on how the committee's work can mesh with yours. I would appreciate comments of the committee members on whether you want these witnesses back. I feel like we've basically only opened the box that we need to discuss here.

Do you want to go ahead with our Tuesday meeting, look at our agenda, look at our witnesses, and so on, before deciding that? Would we like these witnesses back for a little more discussion about how their work and ours can mesh without driving everybody in the industry crazy?

Are there any views on that?

• (1050)

**Mr. Gary Schellenberger:** I would appreciate that. With the presentation this morning, I've been enlightened a little wee bit. Maybe I'd have some more intelligent questions the next time, once I have some time to digest what I've heard here today.

Before we go out on our quest across the country, it would be nice to be a little more versed on some of this. Personally, I wouldn't mind having these gentlemen back again.

**The Chair:** We have a two-hour meeting on Tuesday devoted specifically to laying out our work for this study. We can have them back for the first 45 minutes and then have our own discussion, or we can flip that. My own feeling is that perhaps if we have time for a little more discussion, it might be helpful as we go through our agenda, if the committee agrees.

In terms of the committee's business, you have already raised the issue that your whip has said no travel that week. I'm verifying with our whip what our position is.

You might want to do the same, Gary.

I will speak to Charlie about that as well, but that would obviously be a significant change to our agenda and would ruin my plans to go from Vancouver to San Diego to visit my grandchildren. But that's a personal issue.

We'll meet on Tuesday.

Our researcher is asking me to remind you that you did get proposed study questions. Could you review that before Tuesday and be prepared to have a look at it? It probably came separately from your briefing book.

I think it would also be worth spending a little time having Joe take us through the briefing book.

The other thing I've asked him to provide for the briefing books is the chapter from the study on broadcasting that relates particularly to production. Obviously, that's very relevant to our study as well.

I have been asked to make you aware of an invitation to all members of the committee. The National Film Board will be appearing on Thursday, February 17. Immediately after they would like to present two short films to members of the committee for 45 minutes. The two films are the 67th and 68th Academy Award nominations, *Ryan* and *Hardwood*.

I think the issue is this. One, can we have this room after our meeting? Two, are members interested in extending our meeting to view those two films? It's next Thursday.

**Mr. Mario Silva:** Beyond 11 o'clock?

**The Chair:** Yes.

**Mr. Gary Schellenberger:** Each one is 45 minutes? It's 45 minutes in total?

**The Chair:** In total, yes. They are both short.

**Mr. Gary Schellenberger:** We would be out of here by noon.

**The Chair:** Yes.

**Mr. Gary Schellenberger:** I don't have a problem. I would appreciate that.

**The Chair:** Other MPs who might want to come will be invited as well. I'm sure there'll be some of our members who can't stay because of other committee responsibilities or other responsibilities.

I should advise you that Ms. Bulte has tabled an amendment to Mr. Simms' motion that we're going to be considering on Tuesday. Will the committee accept circulation by the clerk immediately after as an amendment? As it's an amendment, it's not subject to the same 48-hour rule, but nonetheless, I will have it circulated.

Thank you very much to our witnesses.

Maka, do you want to ask a 30-second question or a one-minute question?

**Mr. Maka Kotto:** Yes, thank you, Madame.

[*Translation*]

I agree with you then that you say that Quebec and Canada are not the only victims of US hegemony. Hollywood controls 85 per cent of the world box-office revenues today. The same thing can be said for music. Yet they want more. This is what has prompted their strategy to sign bilateral and multilateral agreements, on the sidelines of the cultural diversity debate taking place at UNESCO.



I wanted to make two points. IMAX cinema, which is a Canadian or Quebec invention, has been to some extent abandoned in terms of funding. Moreover, the federal government no longer supports feature documentaries. This is a new *genre* initiated by Michael Moore, among others. We know that the public is interested in feature documentaries. I would like to come back to those two points if we are invited to meet with you again.

Thank you.

•(1055)

[*English*]

**The Chair:** I look forward to Tuesday's meeting.

If I could, I'll ask everybody to go through their briefing book word for word. Especially look at the draft schedule and the witnesses, to see if there are other witnesses you think we need to be hearing. I certainly want to see if there are some people very knowledgeable in the technology that's having an impact on this sector. That would be a very useful addition.

On Tuesday we'll finalize our schedule, hopefully, and get going.

Thank you all very much.

I adjourn this meeting.

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