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—
Chair

Ms. Marlene Catterall

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• (1410)

[English]

The Vice-Chair (Mr. Gary Schellenberger (Perth—Wellington, CPC)): Welcome. I will apologize before we start that I am not bilingual. I wish I were. My wife is taking French lessons as we speak, and I try to pick up what I can.

Unfortunately, the chair had to leave today on some other business. I am Gary Schellenberger. I am vice-chair. I welcome you very much today. Welcome also to our limited amount of people around the table.

I will say that there are some unusual circumstances happening on the Hill in Ottawa right now. It seems like a little bit of a chess game going on, and that's why some of the players are not here. I am very pleased that, as long as Mario is here, I'm here, and I expect that Bev Oda will be here also in a few minutes.

I look forward to your presentations. Welcome, as we study our feature film industry.

Who wants to go first? Raymond or Chantal?

[Translation]

Ms. Chantal Barrette (Chief Executive Officer, Association des professionnels en audio): Good morning, Mr. Vice-Chair, ladies and gentlemen. Thank you for allowing us to appear before you today.

My name is Chantal Barrette and I am the Director General of the Association des professionnels en audio. Allow me to introduce to you Raymond Vermette, vice-president of the association, sound designer, as well as co-owner of the sound production agency Productions Modulations located in Montreal. I will be presenting the main points contained in our brief, and Mr. Vermette will answer your questions afterwards.

Allow me to tell you about our association. We are a non-profit organization working to improve both the quality of sound offered to the general public and for the recognition and development of all the audio professions. Our members include companies and organizations such as the NFB, French CBC, Technicolor, Global Vision, among others. We encompass the majority of the professions providing sound services to the cultural industry, from sound engineers to mixers, editors to broadcasting technicians.

In addition to their own technical knowledge, audio professionals have an innate sense of the creative component to producing sound and its audio environments, a sine qua non condition for conveying emotion and spurring a reaction from the viewer to reach the objective.

Audio professionals and the service companies to which they are attached are therefore important players in the film industry. They are the last to make their contribution. To ensure the development of the film industry, the socio-economic well-being of all its participants is essential, which brings us to the topic of technological changes.

In recent years, the professionals and companies that work in audio postproduction have been faced with a major challenge. Equipment has changed, methods are changing, trades are transforming, and the tasks and skills required are being turned upside down.

Currently, existing support is reserved solely for producers and directors through Telefilm Canada's National Training Program in the Film and Video Sector. It is surprising that the program is in no way accessible to those who are responsible for the technical quality of productions.

It is for that reason that our association recently organized a continuous training plan and designed a series of courses to serve that purpose. But the lack of financial resources is undermining the project. Needless to say, an expansion of the target clientele for the Telefilm program would be more than welcome.

With respect to technological changes, businesses must fully cover the costs of renewing and upgrading new technologies. Yet, it is the industry as a whole that benefits from this process. Financial assistance to audio service companies for the renewal of infrastructures would therefore be desirable.

We would now like to talk to you about the regulations that govern financial aid programs for film productions.

As you know, audio postproduction is one of the final stages before completion of a film or televisual product. Unfortunately, we are the last link in the chain. This unenviable position in the production chain is the cause of a number of major disadvantages. In fact, sound postproduction service companies often pay the price of accumulating production delays and unforeseen additional expenses. In short, at the audio postproduction stage, there's no more time nor money. This is common knowledge and practice within the industry. That is why audio postproduction costs should be budgeted and guaranteed from the very beginning, thus preventing an entire sector from having to pay for delays, mistakes, an additional costs incurred by the entire industry.

Qualify film and televisual productions demand solid industry expertise, infrastructures to carry out adequate audio postproduction treatment and staff who are experienced in the new technologies. It would be reasonable to require that taxpayers' money be used for films of high-sound quality, if only for purposes of the export market. This is why we believe that there should be different regulations for government subsidy programs that include the obligation to employ accredited audio postproduction services that comply with professional standards.

•(1415)

Let us now turn to the issue of low-budget productions. We are not talking here about budget overruns, but of projects that are created for which producers or filmmakers offer lower fees, relying on people's goodwill and passion for their craft. We are not questioning the relevance or need for such productions, quite the contrary. They often make it possible for new creative talent to emerge, while vitalizing the industry.

However, one must bear in mind that the audio postproduction companies are particularly sensitive to these low-budget productions because their services are generally underestimated. Consequently the audio post production sector has to finance a larger segment of the production than anticipated. In many cases, in fact, the postproduction service companies inevitably find themselves acting as producers themselves.

For this reason we recommend the introduction of tax credits on labour for audio post production service companies for low-budget projects.

This brings me to my last point. Another of our current concerns is that it is impossible to establish a detailed profile of our sector. An adequate profile would include the number of individuals connected to audio production and post production services, dollars invested in the audio postproduction phase, the percentages that audio services represent within a given budget, etc. Unfortunately, the official figures are not recorded in this way. Despite our various efforts, no government official has been able to provide us with information on this subject.

We therefore propose that the system for classifying quantitative and budget data be modified so as to permit a breakdown of costs for the various film production departments. As a side note, our members have made a rough and unofficial estimate of audio postproduction investments that would amount to only 2.5 to 3 per cent of the total budget of a feature film.

Here, in brief, are the association's proposals for additions or modifications to existing film policies: broadening of the target clientele of Telefilm Canada's National Training Program in the Film and Video Sector so as to include financial assistance for the continuous training of audio professionals under that program; financial assistance to audio service companies for the purchase of infrastructures that permit upgrading to new technologies; a measure guaranteeing funding for postproduction; a measure obliging producers to employ accredited audio post production services; tax credit on labour for service companies in the case of low-budget projects; introduction of relevant financial indicators.

Mr. Vice-Chair, ladies and gentlemen, these are the main points of our brief. Thank you for your attention.

[English]

The Vice-Chair (Mr. Gary Schellenberger): Thank you.

Who's speaking next?

[Translation]

Mr. Ré Jean Séguin (Chief Executive Officer, Association des propriétaires de cinémas et cinéparcs du Québec): My name is Ré Jean Séguin and I am the Chief Executive Officer of the Association des propriétaires de cinémas et cinéparcs du Québec. With me today are Mr. Mario Fortin, a member of our board of directors and Director General of the Cinéma Beaubien, Mr. Jean Colbert, Chairman of the Board of Directors and owner of the Boucherville and Saint-Hyacinthe cinemas, and Mr. Tom Fermanian, who is also a member of our board of directors and the owner of the Pine Cinema, in Sainte-Adèle, and of the Cinéma Mont-Tremblant.

Mr. Chairman, l'Association des propriétaires de cinémas et cinéparcs was founded in 1932. It was therefore founded over 70 years ago. At that time it was known as Quebec Allied Theatrical Industries Inc., a name that was changed to the current title in 1964. The members of APCCQ own approximately 70 per cent of the screens and take in more than 70 per cent of box office receipts in Quebec. They are distributed throughout Quebec from Montreal to the Saguenay, from Quebec city to the Laurentians, via the Beauce, the Easter Townships and Montérégie.

There is something special I would like to point out about Quebec. In total, there are approximately 75 theatre owners. Famous Players and Cineplex Odeon, two large multinational chains, have 300 of the 700 screens. Quebec is the only province in Canada where independent theatre owners outnumber the multinationals. However, we will have to be careful over the next few years. As you are no doubt aware, the independent theatre operators are often family businesses that are handed down from father to son, or from father to daughter in some cases. Sometimes, there is no child interested in taking over the business. In that situation, it is very often the multinationals that will buy the theatre or build another one next door. We will have to watch out for this phenomenon over the coming years. Independent theatre owners need help, government assistance in order to maintain their theatres, to update them or buy them from colleagues who are leaving the business. We will have to pay attention to this reality over the coming years.

You have been hearing about the current situation in the Quebec film industry since yesterday afternoon. I will provide a brief reminder. Last year, total Quebec box-office receipts were \$178.5 million, of which \$27.4 million were from Quebec films, and there were 28.3 million visits to theatres. When we talk about \$178.5 million in box-office receipts, that represents \$26.7 million in taxes, that is approximately \$12.5 million to Ottawa and \$13.5 or \$14 million to Quebec. This represents \$26.5 million in taxes taken in at the box-office. We have not yet calculated the amount for videos. The figures are kept secret by the distributors, but we know the video revenues are much higher than those from the Quebec box-office. Of course, we collect 15 per cent tax on revenues. I say this because later on, we will discuss the box-office and the dedicated tax you discussed this morning with the directors, and this will be on the agenda with the producers later on this afternoon.

Both the federal and provincial governments already tax ticket prices heavily. The Quebec box-office is very important. The entire Quebec film industry has mobilized to increase the share of box-office receipts earned by Quebec films. Scriptwriters, producers, distributors and theatre owners have rallied around the Quebec film industry. What distinguishes the theatre owners from most of the other players in the industry is that they are confronted on a daily basis with the dynamics of the economy and must deal with these realities with their own resources. The consumer is the one who decides how long a film will run. We react to the client. If the consumer wants a movie to keep playing, the movie will stay. The day people stop coming to see it is the day it is withdrawn. Theatre operators, unlike producers, distributors or television broadcasters, do not receive any government support.

• (1420)

Make no mistake. We did not come here to complain. We are not here to ask for money. We wish to put the debate into context. This is not meant as a complaint, but as an explanation as to why we emphasize economic and financial considerations in the formulation of a film policy.

If a theatre owner is wrong in his analysis of the tastes of his customers, he will pay the price and quickly vanish from the industry. This is not a hypothesis. Over the last few years, we have seen theatre owners go bankrupt and even chains be put under the protection of the Bankruptcy and Insolvency Act. A theatre owner who goes bankrupt is no longer in a position to contribute to the success of the Canadian film industry.

Support provided by government institutions (Telefilm Canada, SODEC, tax credits, etc.) has had an undeniable impact on these results. There is no doubt about it. One cannot make a major film in Quebec without the support of these institutions. Telefilm Canada's current policy seems to us to be on the right track to ensure sustained support for our own productions. There is a place for films with intellectual content. However, it seems to us appropriate that public funds be used first and foremost to finance works that are accessible to the broadest possible audience.

What is the use of making a film (or writing a book, making an art object or painting a canvass) if the financial resources are lacking to promote it, to project it in a comfortable, inviting theatre, in short, to

expose it to the largest possible number of people? A new policy should not be blind to these realities.

We believe that government support for the production of films which have the potential to achieve commercial success should be the primary, albeit not the only criterion for assistance. Caution is in order when we talk of "commercial success". What is the threshold to qualify as a commercial success: \$500,000, \$1 million, \$5 million? Since the incredible success of the first of the films in the *Les boys* series, which completely changed our appreciation of the Quebec film industry—the first film in the *Les boys* series brought in more than \$6 million—the bar in this regard has been set very high. Disappointment appears to set in if a film fails to achieve the "magic million" mark. And yet, a film like *Mémoires affectives*, which is currently in theatres and will take in more than \$500,000 at the box-office, is seen as a resounding success by all. Caution is in order when we talk about commercial success. What should the benchmark figure be?

When we Quebecers talk about Quebec films, we multiply the box-office receipts by 40. That gives us approximately the rate of success of an American superproduction. When a movie like *Séraphin* makes \$8 million in Quebec alone, it means it would have taken in \$320 million in the United States. That would be an absolutely outstanding film. It would put it in the top five American films. We must put things in perspective when we talk about \$500,000 or \$1 million.

The hypothesis has been put forward in some quarters that imposing quotas on the production of Canadian films could constitute a solution that would increase attendance at Canadian films. We believe that transposing the methods used in radio and television would be a mistake. The film industry does not function with the same parameters. People cannot be forced to get out and see a film because it is "Canadian". Making films more accessible and effective marketing will do more to encourage moviegoers to get out and see a film regardless of where it comes from.

Currently, theatre owners tell us that people going out to the theatres do not say they are there to see a Quebec film or a Canadian film; they are there to see a good film. Going to the cinema is not a patriotic act. People simply want to see a good movie.

Even though the proposal for a tax dedicated to the production of Canadian films has not yet been put forward—this is what we called the box-office tax this morning, and it was not put forward in the proposals that we saw but it has been since—some people still continue to demand it. We would accordingly like to restate here the industry's viewpoint in regard to this question. As it did in 1998 and 2002, in the consultations held by the Government of Quebec on changes to the film legislation, the Association vigorously opposes the introduction of this type of tax on ticket prices.

• (1425)

Let us not deceive ourselves. Whether you call it a tax on ticket prices or an investment in the film industry, it is the people going to see movies who will pay an extra 25 cents, 50 cents or \$1 as an investment in the movies. That is a dedicated tax.

All the analysts are agreed that Quebecers are heavily taxed and, indeed, excessively taxed. Some people claim that they are the most heavily taxed people in North America. The price of movie theatre tickets in Quebec is low, one of the lowest in North America, and must remain so. Consumers are highly sensitive to price and attendance fluctuates upwards and downwards in accordance with this criterion, a phenomenon that was strikingly corroborated when the sales tax was introduced in 1990-1991, and again roughly three years ago when there was a boom in the building of new theatres by the big chains in Quebec, but more specifically in Montreal. In order to make their investment more profitable, the chains decided to increase prices. Tickets cost up to \$12.75 in Montreal. This lasted for about four months. Chains were obliged to roll back prices to a more reasonable level, to \$9 or \$9.50 and \$5.50 to \$6 for matinees, because people were not coming out.

The Cineplexes were extraordinarily beautiful, with state of the art technology, but people were not prepared to pay 2 or 3 more. We are not talking about a 125-dollar ticket to a hockey game, a 40-dollar ticket to the theatre nor a ticket to a rock concert worth \$200. We are talking about the difference between \$9 and \$12. People would not accept it. If there is an increase in ticket prices, the people will not go.

Going to the movies remains one of the few family recreational pursuits that are still universally acceptable. Anyone in need of convincing on this score has only to compare movie theatre prices to the prices of theatre tickets, concerts or professional sports. Regardless of their social and economic status, Quebecers of all ages can still go to the movies frequently without breaking their budget. We saw this at the outset. We spoke of 28 million theatre visits. That means the 6 or 5.5 million Quebecers go five or six times per year on average to the cinema. You must acknowledge it is significant.

Let us reiterate that, in contrast to scriptwriters, film producers and distributors, who are heavily subsidized, theatre owners receive no government assistance to distribute Canadian films. They assume on their own all the financial risks when the films they show do not achieve commercial success, in contrast to the producers who are subsidized, regardless of what other product is successful or not.

If the federal government wishes to increase its financial participation in this activity whether it is through drawing on the enormous surpluses or through budget adjustments they should invest the additional money in the marketing of films to the same extent as in development and production. Also, if Téléfilm Canada intends to retain the system of performance envelopes, we would like them to be distributed equitably on the basis of the actual screening of films, regardless of language.

We believe in Quebec films and we have proved this in the past. We hope that the next Canadian film policy will take into account the economic imperatives that govern our industry in addition to the artistic realities. We think that we have shown that we play a preeminent role in the success of films and we would like to receive a better hearing on this score.

We hope that these thoughts will help you to define a policy which will continue to support our film industry appropriately.

Thank you, Mr. Chairman.

• (1430)

[English]

The Vice-Chair (Mr. Gary Schellenberger): Thank you.

Ms. Oda.

Ms. Bev Oda (Durham, CPC): Thank you.

Bonjour. Thank you for coming.

You certainly made mention in your written submission about recognizing the pre-eminent role of exhibitors in the success of films. I think that with all the discussion we've had so far throughout our meetings, we have certainly recognized the importance of the exhibitor.

You made an earlier suggestion that if there is to be additional money, there should be additional money invested in the marketing of films. It's my understanding that the marketing and promotion of films lies primarily with the distributor, to ensure that the films receive the kind of promotional support they should. Posters in your lobbies at the theatres, etc., all of this is negotiated. Are you suggesting that more money should flow to distributors, primarily Canadian distributors?

There is always this thing about Canadian distributors. Our approach right now identifies Canadian distributors as playing a significant role in feature films. Can you speak to that issue, if you would?

Mr. Mario Fortin (Administrator, Association des propriétaires de cinémas et cinéparcs du Québec): Obviously if there is more money, we won't refuse it. We'll gladly take it. The point is mainly that we have our say in the way these moneys would be spread.

As Mr. Séguin was saying at the beginning, many of our members, especially here in Quebec, are in the regions outside of the great centres, Montreal and Quebec. They're in smaller cities, and many of those people in smaller cities do not have or do not feel that they have access to all the marketing tools that could or should be available to promote Canadian film.

Ms. Bev Oda: So if the distributors had a little bit more resources, you'd be able to negotiate with them.

Mr. Mario Fortin: Obviously.

Ms. Bev Oda: I guess the challenge here, though, is to ensure that it's Canadian films that get a greater push as far as the marketing and the exhibition are concerned, unless we tie it to specific projects or films, and then how do we flow through? A lot of it depends on the negotiating power of the distributor to fight for space in your lobbies, or some kind of feature. How would the government do that, other than on past successes or experience of the distributor, or whatever?

• (1435)

Mr. Tom Fermanian (President, Cinéma Pine (1991) Inc., Association des propriétaires de cinémas et cinéparcs du Québec): I can answer that, being a theatre owner all my life. I was born on top of my theatre. We've run the family business for 57 years.

A very short while back, theatre exhibitors outside of the main areas had to fight in order to be able to get local products—and these guys can also say it—because in those days they used to believe, oh, the only people who want to see Canadian-made pictures most of the time are in Montreal and Quebec City. You had to fight to get prints. But that has changed.

What has helped immensely—I can speak for Quebec—is that some of our local distributors have taken the American type of marketing of pictures. They're going to war to get the people into theatres, and they're doing a hell of a good job at it.

For a small theatre like mine—we're about 100 kilometres outside of Montreal—I have had the world premiere of *Séraphin*, because the story was set in Sainte-Adèle, where my theatre is. This has helped our cinema like you wouldn't believe. For a small town with a population of 5,000, we had a 12-week run on that picture.

It's the same with a lot of the pictures. Everything is marketing. These guys have guts. They go against multi-million-dollar U.S. machines, and they get the pictures talked about for us. Then this follows up, because this picture gets a career in secondary markets, videos, and television worldwide.

It's very important. It's marketing. They have to get the picture out there, but not on anything. That's why theatre owners want to be consulted, because some pictures may be more complicated; some pictures that people might not know about might be good for us but not be good for any other people.

That's right, guys, I guess? Thank you.

Ms. Bev Oda: But I guess my understanding is that projects, when they're considered for government funding, have to have a distributor associated with the project. I assume the assumption is that the distributor therefore knows what he would be able to attract your attention to and convince you to get into the theatre.

So far, I guess we've decided that the distributor would know what would provide them with the best product to negotiate with you. What additional information would we garner to the assessment of what projects should be funded or not by the exhibitors participating in that?

Mr. Mario Fortin: Our input in this is done on a regular basis, because we're talking with those distributors every week. As we are talking with them, we are passing on to them what we hear from customers who are there, who have paid to get into our theatre to see the film that is playing now. From these comments we get, we can always get the feeling, or the touch, of the audience and try to assess.... There is no crystal ball in this industry. If there were, we would all be billionaires. But we're trying to forecast what is going to happen, because those films are what we're talking about today. The projects of the distributors are still on paper only, and by the time they are finally on the screen, it will be a year and a half or two years almost. We're trying to forecast what it will be in two years, what the customer will want to see.

It's not a Canadian film, but for instance, *Amélie* had the good fortune to come out in September 2001. People were depressed; people wanted to feel something other than what happened on September 11. They went to see this film because it was the only feel-good movie on the screen at the time.

So what will happen in six months, six years? We don't know.

Ms. Bev Oda: I just want to sum up.

We've heard this before, that with Canadian films the way the process plays out is that they're considering films that are only on paper; they are not seeing a finished film. That is one of the challenges of the process that we have right now. It would be different if they could see the finished product and then decide whether they wanted to represent that product.

Thank you.

I have one follow-up, if I could, on the audio part and the post-production part. Your suggestion is that there be a tax credit introduced particularly for labour and audio post-production service companies for low-budget projects. I want to make sure I understand. They do not qualify for a tax credit now under any existing program?

• (1440)

Mr. Raymond Vermette (Vice-President, Board of Directors, Association des professionnels en audio): Sure, they do. Absolutely.

Ms. Bev Oda: They do? So why the need for one specifically? Is it the audio post-production that is being disadvantaged or the low-budget part of your proposal?

Mr. Raymond Vermette: It's the low-budget part of it, but because we're audio people, we're talking about the audio part of it. But it's the whole process. People seem to believe that you're able to produce a feature film for a million dollars, and the truth is that you can if you beg everyone for a favour, and that is what's happening. So I get a phone call from this first-time producer on a first film, "Can we please do our sound with you guys? I have no money". It's the same thing. So we're in a system where we're saying, okay, you can make a film for a million dollars, but really, the only reason you're able to make it is that people are donating their time and their talent on these films.

So what we're suggesting—and we're talking about the audio, but it's for the whole system—is to give tax credits to, in our case, the post-production company for these types of productions, so that we can at least get back the money it costs to do these things.

Ms. Bev Oda: My final question is, what about a tax exemption on capital investment for new technologies, either in your theatres or in your post-production audio facilities?

Mr. Raymond Vermette: Are you asking if there is a tax exemption?

Ms. Bev Oda: No. What would be your reaction? Is that something that would—

Mr. Raymond Vermette: Well, it most certainly would help.

Ms. Bev Oda: As an alternative means to a program, it would actually be useful.

Mr. Raymond Vermette: It would certainly help. The money that is invested for new technology is renewed every third year. Today when we buy a console, we know that in three years it's going to be obsolete, because the technology is changing all the time. Before we buy a console or we buy sound equipment, it's true that it would cost a lot more.... A console would cost a million dollars and would last for about eight to ten years.

Ms. Bev Oda: I am concerned to make sure this industry takes advantage of the digital transformation, and I know there are people looking at the use of digital even in the theatres and for exhibitions as opposed to the old type of technology. So that is why I ask the question.

[Translation]

Mr. Jean Colbert (President, Association des propriétaires de cinémas et cinéparcs du Québec): Technology is indeed making great strides. The technology is not perfect yet, we know that. However, the day we are obliged to convert all of our 35-mm projection booths to digital, we'll see that a certain number of theatres will not be able to keep up.

The big question is knowing how this will happen, and how theatre owners, more specifically the independents, will find the means to survive this economic reality.

[English]

Ms. Bev Oda: Thank you.

The Vice-Chair (Mr. Gary Schellenberger): Mr. Lemay.

[Translation]

Mr. Marc Lemay (Abitibi—Témiscamingue, BQ): Thank you for being here. I am learning every day. We are travelling across the country and I am learning a great deal. As I enjoy adversarial exchanges, I will talk about theatre ticket prices in a few minutes.

To give you some context, I will tell you that I live in Rouyn-Noranda, in Abitibi. Obviously, almost all of my friends are theatre owners, whether it is Gaudreault, in Rouyn-Noranda, or my friends from Ciné-mac, Bédard and Company, who renovated their theatres.

Before talking about these cinemas, I want to tell you that Roy Dupuis is my cousin. I will talk about *Mémoires affectives* in a few moments. Get ready, because I still do not understand why it was taken out of cinemas, then brought back in. This will be the subject of a debate in a few moments.

I would first of all like an explanation of an aspect of postproduction. You mentioned the setting aside of funds for postproduction. In my spare time, before beginning my political career, I was a lawyer. When a producer, a screenwriter or someone else calls you to do postsynchronization, as they call it, do you not sign a contract?

• (1445)

Mr. Raymond Vermette: There is a contract.

Mr. Marc Lemay: But there is no money left. Then what happens? I am really not trying to annoy you; I am just trying to understand. The filmmaker tells you that he has \$1 million to make his film. He must have already planned to spend \$100,000 in postproduction, for example. You have an agreement. Do you do the work?

Mr. Raymond Vermette: Yes.

Mr. Marc Lemay: And you are not paid for it.

Mr. Raymond Vermette: First of all, we say that the amount agreed upon is insufficient at the outset.

Mr. Marc Lemay: All right, but the issue is negotiating, is it not? Suppose you were to do the postsynchronization for the film *Le*

Survenant. That is clearly worth \$1 million. You sign a deal. You are the last link in the chain. However, the chain is only as strong as its weakest link. If you are weak... The person who plays a nasty trick on you will not do so twice. I'm trying to understand.

Mr. Raymond Vermette: We're talking about two different things. First of all, the audio post production budget is not big enough to start with.

Secondly, the money provided for post production audio is not kept until the very end. If a producer has \$4 million or \$5 million to make his film, he plans to set aside \$200,000 for the sound, which is relatively good, but he does not have \$200,000 left at the end. Why?

Mr. Marc Lemay: Why does he not give you the money?

Mr. Raymond Vermette: Quite simply because that is not the way it works.

First of all, when a producer has \$4 million or \$5 million to make his film, he does not have the money before he begins shooting. I am not a producer, but he is financed in...

Mr. Marc Lemay: If I asked you the question, it is because I have the answer. I am a criminal lawyer. From what I understand, the producer comes to see you and tells you he has \$4 million with which to make *Le Survenant*. You sign a \$200,000 deal, but it means nothing in the end, even if you have a written contract.

Mr. Raymond Vermette: We are not trying to tell you that when we negotiate an agreement for a certain amount of money, that this amount is not respected.

Mr. Marc Lemay: The fact is that when we get to the end of the process there is no money left.

Mr. Raymond Vermette: Firstly, when an amount of money is not budgeted and when the amounts of money allocated to various stages of the developments are exceeded, things are renegotiated. The negotiation to get contracts never happen at the start of a project but rather along the way. Changes occur throughout the course of production.

When it comes to audio, we are not allowed to exceed the allocated amounts. When it does occur however, because filming has been more costly than expected—and that is always the case—or because there have been changes made to the editing—and that is always the case too—, the budget runs out at and we are told that it is a really pity but that was the only money available.

• (1450)

Mr. Marc Lemay: You have been told that there is \$50,000 left.

Mr. Raymond Vermette: Given the climate, several small companies are setting up shop; there is a lot of competition. That is why we talk about recognizing a profession and postproduction houses. The producers can negotiate prices very easily which means that they have all gone downhas, in effect lowed them.

Mr. Marc Lemay: I understand all of that and I do not want to keep you for too much longer: I know that there are other people that need to speak. However, one solution would be to single out the postproduction budget. For example, you could agree that, should the cost be \$200,000, this amount would already be set aside.

Mr. Raymond Vermette: I should add that often producers start to finance the next project, which has not actually started, with the postproduction money. So, do you see what I mean?

Mr. Marc Lemay: I can assure you that I have understood everything. I have already seen that sort of thing going on.

Now let's talk about cinemas.

Representatives from Famous Players came to see us: people from Cineplex Odeon also came to Toronto. You are all independent and I like that. I would like to know, in your case, who decides what film screens in any given cinema.

Mr. Jean Colbert: At the end of the day, it should actually be the owner of the cinema, but—and there are lot of “buts”—the distributor actually decides on the number of copies when films are released. I am glad that the film *Mémoires affectives* was mentioned earlier. Quebec has its *Séraphin*, but it also has its *Mémoires affectives*.

I own a cinema in Boucherville and each week I have to fight to get quality copies of films. I run into problems with distributors who come back to me saying that it is not their launch campaign. For them, this amounts to one or two copies in Montreal. They say to me that I will get copies when they have time to give them to me. And yet, everyone knows that they receive grants from SODEC and, in many cases, from Telefilm. All too often, we just do not have any choice.

On the other hand, however, as you are probably aware, that cinemas have access to four or five films weekly. American films are usually available in multiple copies. So, those that want copies of these films usually manage to get them.

Nevertheless, there are exceptions when it comes to American films that are a little more *hearty*, if I can describe them that way. In the case of Fox Searchlight, for example, I could tell you that we did not manage to get our hands on any copy of Woody Allen's last film which was released two weeks ago. I am sure they think that our clientele is not smart enough. When *Star Wars* comes out, however, we will be asked to make three screens available.

Mr. Marc Lemay: As independents, are you not to a certain extent, at the mercy of distributors?

Mr. Jean Colbert: Completely.

Mr. Marc Lemay: So, should distributors decide to make 30 copies of a film available, and 28 of them are for Montreal and two for Quebec, then there would not be any either for Abitibi or for Boucherville.

Mr. Jean Colbert: That is right. And they have to wait their turn. The copy will reach Abitibi after being used everywhere else. So it will be a little, or even quite, scratched.

Mr. Marc Lemay: Let me get to what I am most interested in. What are you doing to prepare for the arrival of digital films in five or ten years' time? It is certain that this will occur. You can rest assured, just as we are sitting here today, that digital film is coming soon. So what are we doing today to prepare for that?

Mr. Jean Colbert: We maybe forgotten about. What is currently happening in Europe may happen to us where digital equipment manufacturers are signing agreements with the big cinemas. They

are going to digitally equip 200 or 500 cinemas. When that starts happening in North America, the very same thing may occur. Manufacturers will go to the major cinemas and offer to equip them with digital technology.

I am not so sure that independent cinema owners will be approached to have their cinemas equipped digitally. We are of very little value in the eyes of manufacturers. We are the last relics of the dinosaur age in Quebec. As our director general said earlier, we are the only province in Canada where there are still so many independent cinema operators who, often, fight tooth and nail to survive. This is why, right of the bat, it is so important to us to have copies of films available in order to ensure our survival.

• (1455)

Mr. Marc Lemay: Do I have any time left, Mr. Chair?

[English]

The Vice-Chair (Mr. Gary Schellenberger): We will try to get back to you.

Mr. Silva.

[Translation]

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

You have talked about the main road blocks to film distribution. Witnesses have said that they need more money for marketing and film production.

We have talked about resources for current owners, especially in the major markets such as Toronto and Montreal. According to your proposal, a tax would be added to the movie ticket. I do not think that we are entitled to change this legislation given that it is provincial and not federal.

So how could we change things? How can we improve this situation? I believe that it is truly very hard for us to do this. We are trying to develop a Canada-wide film policy, but there are always barriers in different regions of the country.

Mr. Mario Fortin: Unlike what our friends from the Association des professionnels en audio said to us earlier, they are not the last link; *we* are. We are the ones who have the closest contact with clients when they decide to buy their movie ticket. When we talk about increasing profit from marketing, for us who are in direct contact with the client, this money needs to be used where it is.

Perhaps that may answer Mr. Lemay's question about the future that digital technology has in store for us. At the present time, going to the movies is an outing, an event, and it still will be tomorrow. But will the digital film industry of tomorrow take the form of a Super Screen or enhanced TMN on a bigger screen? That is not what we want. We want people do experience the magic of going to the movies. We want it to be an opportunity for them to go out, to be in a pleasant environment, sitting in comfortable seats, and to enjoy the atmosphere. You can smell the popcorn, and it smells good. Two hundred people around you laugh at the same jokes and cry at the same time as you. That is the magic of going to the movies. And that is the experience that people get when they come to our cinemas. We have a close-up relationship with clients. We want allocated funds to be reinvested where the people are so that we can attract more of them. If we can attract more people, distributors will have more copies and will ask producers to make more films; films that will be even better.

Why is the French-language cinema working well in Quebec? Because 10 years ago, all cinemas started to change. Cinemas were built in small towns, in Saint-Hyacinthe and Sainte-Adèle. They have already started to renovate the theatres. If you take a look at and draw up a list of the movie theatres elsewhere in Canada, you will see that they are not there to provide a welcome environment to people. How can you connect with the public? If you want to invest more money in order to reach out to a larger client base, then you need movie theatre, and everybody needs to work together to attract more people.

Mr. Jean Colbert: I would like to add something on the subject of digital cinema. We have to be careful when talking about this subject, because there can be myths surrounding it. Thirty-five mm. is still what looks the best on a cinema screen; no digital technology is anywhere close to it, nor will it be in the near future. Things may change in five or ten years' time, but we are not there yet. Digital sound is already used in all, or virtually all, cinemas; but there is still nothing which beats 35 mm. for picture quality.

● (1500)

Mr. Tom Fermanian: I would like to answer Mr. Silva's question. You asked what should be done. It goes without saying that there is nothing that you can do to make the provincial government return the QST to film industry. However, at the federal level, GST could easily be returned directly to filmmakers, rather than being used to swell government coffers. It would be a way of providing the industry with more money; the money paid by moviegoers would be returned to the film industry.

[English]

The Vice-Chair (Mr. Gary Schellenberger): Mr. Kotto.

[Translation]

Mr. Maka Kotto (Saint-Lambert, BQ): Thank you, Mr. Chair. I have several questions.

Mr. Ré Jean Séguin: Am I speaking to Mr. Kotto the member of Parliament, or Mr. Kotto the actor?

Mr. Maka Kotto: To both of us. I would say to the artist, as drama is not my only craft.

You spoke about training earlier. Do you know offhand of any countries where training is state funded?

Ms. Chantal Barrette: No. Our association is currently involved in an Emploi-Québec project funded by the Fonds national de la formation de la main-d'oeuvre. Digital cinema and television, as well as all analog technology in recording studios, have been, or are in the process of being overhauled, and many more changes are in the pipeline. Digital television, which is already used by CBC Radio-Canada, will become increasingly widespread. Those who have been working with analog equipment, and some of them have been doing so for many years, will have to completely change their work practices. There is currently no basic training available for those in the audio sector. The initial nine-month training programs offered by private institutions do not meet the needs of those who are already working. These training programs are not the solution.

Mr. Maka Kotto: You said: "... do not meet the needs of those who are already working". I do not understand what you mean by that.

Ms. Chantal Barrette: The training which is offered consists of nine months of college studies. It earns the student an attestation of collegial studies, and is for people who have no prior training and who have never worked in the industry. There is no professional development available.

As a result, our association, the Association des professionnels en audio, along with the Fonds national de la formation de la main-d'oeuvre, decided to study those issues affecting our industry in order to ensure that people are able to learn how to use new technology, understand new techniques and new standards, develop skills, and learn how to code, etc. There is a great deal involved. We therefore developed courses, which we will be finishing over the forthcoming weeks.

The problem with subsidizing these courses is that our program with Emploi Québec is coming to an end. We consulted Telefilm Canada about the Fonds national de formation de la main-d'oeuvre, but were told that this program is exclusively available to a project's authors, in other words the producers and directors.

However, the fact remains that people working on the technology side have to learn to use new technologies. In order to have productions with perfect sound which carries well, the sound quality has to be up to scratch. At the moment, people in this field are getting no help. Few people in recording studios are subject to the Loi favorisant le développement de la formation de la main-d'oeuvre, an act which requires employers to invest 1 per cent of their payroll expenses in staff training. This would make that happen.

That being said, we have been in touch with the CST, the Commission supérieure technique de l'image et du son, in Paris, and we have discussed the possibility of an internship exchange program in order to share courses and know-how on technology and techniques.

Mr. Maka Kotto: Earlier, you spoke of some of the sly manoeuvres in terms of production. My question pertains more to the micromanagement of Telefilm Canada. Are you proposing that, at this final stage of production, the production budget be separated from the postproduction budget in order that it be more...

• (1505)

Mr. Raymond Vermette: In fact, we would like the postproduction budget to be properly handled from the beginning. In order to do so, we need to have grids. You should also know that some Telefilm Canada budgets still contain technical terms from 10 years back which are no longer in use.

Mr. Marc Lemay: Could you give us an example?

Mr. Raymond Vermette: Yes, "make a film work in print". We no longer use film work in prints, because we work with video. Slash print no longer exist either. As a result, prices and time and cost estimates are not accurate. Some films are well budgeted; however, in other cases, even although the initial amount remains unchanged, and the same type of budget is used, two times less money is allocated to sound. Why does that happen?

It happens because when somebody completes a production with a given amount, it is simply decided to allocate the same amount of money in the next budget. But, that does not work. We need grids.

Sound professionals are not unionized in the way that actors and producers are. There are unions for actors. Producers have to follow grids. The same is not true of the sound industry and postproduction.

Mr. Maka Kotto: If I am not mistaken, it would be fair to say that the profession is not well organized.

Mr. Raymond Vermette: Yes.

Mr. Maka Kotto: What needs to be done to make your profession as well organized and structured as other sectors in the industry?

Mr. Raymond Vermette: This is something which is discussed in our brief. We have proposed possible solutions. Our profession requires greater recognition. We need to be able to negotiate with producers through our association. We need to negotiate an agreement to bind producers to work with accredited professionals, and to establish a fee schedule for time...

Mr. Maka Kotto: Do you mean a reference grid?

Mr. Raymond Vermette: Yes, a reference grid for the time required to do the sound editing and mixing for our productions. These are what we perceive as being potential solutions.

Mr. Maka Kotto: Very well. I have a question for the cinema owners.

Both through your body language, and through what was said, I very much got the impression that you are radically opposed to the idea of implementing a French-style national box-office policy. You believe it would dissuade people from going to see films, and reduce cinema attendance.

Is there a particular study which has led you to think this way?

Mr. Jean Colbert: There is a SODEC study available; but we unfortunately do not have it with us. I should think that you would be able to get a copy of it fairly easily. This study expresses an opinion on the idea of a national box-office. Furthermore, it is an idea which has been rejected by SODEC over the past few years on the ground of a study carried out at the time.

You also mentioned France. In France, this policy is tantamount to a 15 per cent tax on the price of a movie ticket. We already have a 15 per cent tax here in Canada.

Mr. Maka Kotto: It is 10 per cent in France.

Mr. Jean Colbert: Even better. My example is even better. I was told that it was 15 per cent, but if it is 10 per cent, that is even better. In Canada, we already pay 15 per cent tax, or even slightly more, on the price of movie ticket. We do not see how this could be pushed up further.

That being said, we agree that there should be as much money as possible for production and distribution. The solution perhaps lies in what we proposed earlier: GST and QST generated by ticket sales in cinemas could be invested in production and distribution. I think that that would constitute a significant amount of money across Canada.

Mr. Maka Kotto: Some people have suggested abolishing the GST and QST as a means of increasing attendance. QST on books was abolished, and it had an effect. People are asking that the same be done at the federal level, but it has not happened as yet.

Are you suggesting that the two taxes be allocated to production and distribution.

• (1510)

Mr. Jean Colbert: It would perhaps be the least harmful option.

Mr. Ré Jean Séguin: Could I please add something?

It was said this morning that when a film makes \$5 million, 10 per cent, in other words \$500,000, is given to the producer for his next film. It does not work like that.

Let us take the example of a box-office hit such as *Séraphin, heart of stone*. The film generated \$8 million in revenue of which 15 per cent went to taxes, and of the remaining amount \$4 million went to the distributors, and \$4 million to cinema owners.

As I said earlier, there are 75 cinemas. There were 125 copies of *Séraphin, heart of stone*, which means that all cinema owners had at least one copy. Depending on the size of their cinema, some had three or four copies. This means that the pie is shared amongst a multitude of cinema owners.

It is up to distributors and producers to decide what to do with their money, but to say that we get \$500,000 or \$800,000 out of \$8 million is to oversimplify things. Mr. vice-chair, you are aware of how the money is shared out along the industry's production chain. It is not as simple as that.

As Mr. Colbert said, consumers already pay a 15 per cent tax. If a further 10 per cent is added, Canadians will be paying 25 per cent tax on a leisure activity. Ten or fifteen years ago, when the QST was first introduced in Quebec, the amusement tax was abolished. We cannot allow it to be reintroduced in another form. If it is introduced, is it also going to be applied to hockey tickets, theatre tickets and concert tickets?

Mr. Maka Kotto: Okay.

I am going to play the devil's advocate. What would you tell those who say that Americans come to Canada to generate hefty revenues on our market, as they do on European markets, and then leave with the profits which they invest at home, not here? That is exactly what led to this tax being introduced.

Mr. Ré Jean Séguin: If you take all Quebec box office receipts, which last year stood at \$178 million, and subtract \$27 million, you are left with around \$150 million. If you subtract the European and French share from that figure, you are left with American box office receipts of around \$130 million. Of that amount, around \$65 million remain in Quebec and are shared amongst the 80 cinemas. This leaves us with \$80 million which go back to the owners of the American films.

Even if you levy a tax on tickets at point of sale, the owners of American films are going to continue to sell their films at the same price and end up with the same amount of money. All that will happen is that Quebecers, Ontarians and Canadians will pay 25 cents, 50 cents, \$1 more when they go to the cinema, money which will go back to the producer or the distributor, depending on your decision.

The owner of the American film will head back to the States with the same amount as before, \$75 million. It will make no difference, unless you only want to impose a specific tax on films made abroad. That would be a different kettle of fish. In that scenario, the tax would be levied on the film distributor, and not the moviegoer.

Mr. Marc Lemay: Excuse me, Mr. Chair.

Even if the tax is only applied to American films, the problem would not be solved.

Mr. Ré Jean Séguin: I am not convinced that the World Trade Organization would buy into the idea.

Mr. Marc Lemay: Nor would the Americans.

Mr. Ré Jean Séguin: I think that it would get rather difficult for you to export softwood lumber.

Mr. Marc Lemay: We already tried that with wood.

Mr. Maka Kotto: Earlier, we were talking about the difference in quality between film-based and digital projection. I do not know whether you have heard of a British project which involved establishing a digital broadcasting network.

In the UK, the British are not the majority shareholders in most of their cinemas. They came up with this idea to achieve a form of cultural sovereignty. I believe that there are some 200 cinemas involved in the project.

Americans control around 94 per cent of Quebec's cinemas, and 96 per cent of Canadian cinemas. Without calling into question your own right to economic development, I would like to know whether you believe such an idea to be feasible.

• (1515)

Mr. Ré Jean Séguin: The percentage is not that high in Quebec.

Mr. Maka Kotto: According to the figures that we have, Americans control 94 per cent of cinemas in Quebec.

Mr. Ré Jean Séguin: I think that your figures may need to be updated.

Mr. Jean Colbert: Are we talking about cinemas or films?

Mr. Maka Kotto: I'm speaking about cinemas.

Mr. Ré Jean Séguin: It would be around 50 per cent at the very most. Bear in mind that Cinéplex Odéon is Canadian owned, but if you are talking about foreign-owned cinemas...

Mr. Maka Kotto: I am not talking about cinema ownership, but about who controls our cinemas. They impose their own rules and regulations.

Mr. Mario Fortin: You mean that they impose their regulations on screen time. I think that we answered this question earlier. As cinema owners, we have both the first say and the last say in terms of what we show on our screens.

Mr. Maka Kotto: Are you independent?

Mr. Mario Fortin: Yes, and in Quebec, we represent over 50 per cent of the owners. The proportion is much lower elsewhere in Canada, but it nevertheless represents a substantial proportion. In terms of screen ownership, some larger companies control a great number of screens. Famous Players has just over 400 screens, and it is about the same for Cineplex. Nevertheless, elsewhere in Canada there are companies which are just as big.

In Quebec alone, Vincent Guzzo and Cinémas Ciné Entreprise, have about 100 screens each. So these are *mini majors* which control a lot of screens. This is a very important phenomenon in major urban areas. *Themini majors*, as well as the bigger players choose how many screens would be dedicated to a movie based on the distributor's marketing plan.

The distributor, whether it is Paramount, Christal Films or, in this case, Alliance, can decide on a Monday morning that it will screen *Séraphin* the following week; if 120 copies are available, the distributor can ask who wants one. Jean can decide to take two copies for Boucherville and one for Saint-Hyacinthe, and I can decide to take one for the Cinéma Beaubien. Ultimately, if you add them all up, you get 120.

In the case of the film *Mémoires affectives*, if the distributor had 10 copies but there were 11 requests, he would have looked at the previous performance of the 11th movie theatre and would have given the 10 copies to the 10 theatres with the most potential. The other movie theatres would have to wait.

In short, we control our theatres and the movies we want to screen.

Mr. Jean Colbert: I wanted to share a brief anecdote with you. In Los Angeles, in the last year or two, producers and distributors do not really know what to do when they want to screen their movies in Quebec when films such as *Séraphin*, or *Mémoires affectives* are playing. They ask themselves: "What the fuck is that?" There are fewer screens available for them because Quebec films take up over 14 per cent of screen time. So there is competition. This weekend, 110 or 120 copies of *Le Survenant* will be available. The theatres which screen this movie will not be showing *L'Interprète*, with Nicole Kidman. That movie, which comes out this weekend, will be shown on the second or third biggest screen in those theatres. The American distributor will not get the large screen. He will get the second or third largest screen, because an important Quebec film which has been well launched and well supported, is coming out this weekend and will get the best screens available.

Mr. Ré Jean Séguin: But elsewhere in Canada *The Interpreter* will be projected on the largest screens.

Mr. Maka Kotto: As owners, what is your share of responsibility when a movie like *Mémoires affectives* does not do well at the box office after a certain period of time and is not shown anymore, only to be screened again after winning a Jutra or a Génie award? Why would you stop screen a movie?

Mr. Mario Fortin: I can answer that. When the movie first came out, the Cinéma Beaubien screened it for six weeks. I therefore feel I have done my share as far as *Mémoires affectives* is concerned. In the sixth week, there were not enough moviegoers at each screening of the movie to justify continuing to show it. At the end of the month, I cannot pay my Hydro-Quebec bills with empty seats. I have to fill those seats so I can pay my electricity bills. That is the only criterion which dictates that after a certain period of time, if too few people are interested in seeing a movie, the time has come to remove it.

Thank God *Mémoires affectives* got a second wind after it won the awards. That is why other theatres were able to give the movie a second chance. However, this type of thing happens extremely rarely.

• (1520)

Mr. Maka Kotto: Thank you.

Mr. Tom Fermanian: I would like to respond to Mr. Kotto. You asked a question about digital cinema. No movie theatre owner wants to install electronic equipment because the standards have not yet been accepted internationally. Today, you can project a 35 mm film anywhere in the world. There are so many standards yet to be defined in the area of digital technology. Naturally, everything will depend on how the market evolves. The major American companies will decide on a standard and others will probably follow.

When digital sound first appeared in our movie theatres about ten years ago, we had to buy two, three or four different types of equipment, two of which are already obsolete. We cannot use it anymore. So we have to be very careful. Even if we want to preserve our cultural identity and screen Quebec or Canadian films, the equipment will not only be used to screen local films. We will have to be able to screen almost anything.

Mr. Mario Fortin: Allow me to share an anecdote with you to illustrate what has just been said. This week, the Cinéma Beaubien is screening the *Festival Vues d'Afrique*. Projections are on 25 mm film and on other platforms. The festival will be over in three days. All of the 35 mm presentations went off without a hitch, but we had to cancel 10 per cent of screenings presented on other platforms, including digital, because of technical problems, system incompatibility or issues related to quality.

[English]

The Vice-Chair (Mr. Gary Schellenberger): Thank you very much.

I appreciate your being here as witnesses today. I have learned quite a bit sitting here listening to the questions. And I must thank all my colleagues for the great questions.

So again, thank you very much. We are trying to pick up a few extra minutes on each session this afternoon, so have a good afternoon.

• (1523)

(Pause)

• (1539)

The Vice-Chair (Mr. Gary Schellenberger): Welcome to everyone. Again, I apologize for the shortness of people sitting around this table. We have some interesting times in Ottawa right now, and there are people who have had to leave. But we will listen with great diligence, and will have, we hope, some good questions for you on this very important business.

Again, welcome. I am Gary Schellenberger. We look forward to your presentations.

I will ask the people from the National Film Board of Canada to make the first presentation, please.

• (1540)

Mr. Jacques Bensimon (Government Film Commissioner and Chairperson, National Film Board of Canada): Thank you, Mr. Schellenberger.

Membres du comité, merci de nous recevoir. Thank you for having us here. We had a previous presentation, and believe me, we are not using the stage to repeat the presentation we did previously, about a month and half ago, in Ottawa. This is different.

I have with me Laurie Jones, who is the director general of communication and development, and Sayedaly Rawji, who is the director of innovation and technical resources.

[Translation]

The last time we met was a couple of weeks before the Oscars, as you no doubt know, we won an Oscar for *Ryan*. The short-featured film by Hubert Davis, *Hardwood*, did not win an oscar. He came to see us. However, just being nominated was a fantastic experience for this young filmmaker.

The three presentations you will hear over the coming hours represent a sort of round table on technology and deal with the various aspects of the technological trends which are marking the movie industry.

The purpose of this brief is to explain to the members of the committee the undeniable benefits that Canada would derive from investing in digital and high-definition technologies, from the point of view of both accessibility to its collection and long-term conservation.

[English]

The brief we submitted to you provides an overview of what needs to be done, when, and how. In my role as government film commissioner, I would like to give you six reasons that adopting digital technology in film production and distribution is essential, urgent, and, as we say in French, *incontournable*.

Number one, it is the new standard in production. Around the world, high definition, its advent heralded for years, is now here. It is now fast becoming the new production standard. Even when a film is shot in film, its post-production is done in a digital environment. Doing otherwise would be akin to reverting to a rotary dial phone or using a horse and buggy for convenience. One of the last holdouts in the world, the revered Fred Wiseman, who still edits on a Steenbeck, decided to try a digital editing suite for his last film. He would only do it at the NFB, where artisanal traditions have been maintained even in the digital environment. He is sold.

● (1545)

[Translation]

Michel Brault, one of Quebec's greatest movie makers, is an ardent supporter of digital cameras and he continues to support them.

[English]

The government's response to the Lincoln report clearly establishes that it would support the transition to high definition in the broadcasting universe. The new feature film policy must also support this transition.

Number two, it is becoming the new standard for exhibition. Around the world, countries have invested in equipping their cinemas with high-quality digital projection to encourage the exhibition of indigenous production. The U.K. Film Council has invested 13 million pounds. The tender is let, and they are now building it. In Ireland the government decided to equip all of our cinemas—all of our cinemas, all 600 of them—with high-quality digital projection. In the Netherlands the Telefilm equivalent organization puts the money that they usually invest in films and prints to equip cinemas. By supporting e-cinema in a private-public environment, Brazil has been able to revive its country's appreciation for home-grown production by giving them the exposure that they did not have previously. There are now over 60 high-end digital cinemas in China and plans to build 100 more. In other countries, the private sector is beginning to deploy digital projection in theatre in India, Belgium, and the U.S.

If we want to have access to screens, if we want our indigenous production to be seen and appreciated by our fellow citizens, then we need to deploy e-cinema now before it is too late. It is the survival of our cultural identity that is in question. There is a leadership gap in this area, and we are thus letting this opportunity slip through our fingers.

My point three is that it makes economic sense.

[Translation]

But the digital era will not arrive overnight. Recently, at the MipTV market in Cannes, I saw that several countries had already begun switching to digital technologies and that they were well on their way.

In that market, it was clear that high-definition television had become the new standard, and that the only way to go is digital film technology which can be handled by servers and online. A new market has opened up for portable audiovisual content, and e-cinema is spreading across every continent. Archives such as those of the NFB—and this is very important—are becoming even more

important to our heritage and to the way they are used. Producing a master film, a video production, costs about \$50,000, and each print costs about \$3,000, the number of prints being crucial to a film's success.

[English]

The digital technology permits a faster release of a film, centralizing marketing and promotion, and allows it to stay in the system longer.

[Translation]

Fourth, digitization allows us to better manage and use our assets. Whether it is to safeguard our audiovisual heritage, or to make it more readily available and to improve the quality of its collection, Canada has no other choice than to embrace digital technology and high definition.

Since it is the owner of a huge collection of heritage and commercial films, one of the NFB's objectives is to digitize its entire collection and make its titles more accessible on many platforms: via Internet, video on request, consultation centres, media libraries, in Toronto and in Montreal, and video libraries throughout the country, close circuits, server-to server, movie theatres and schools.

In the digital universe, whether you are dealing with digital video productions or digitized film productions, you can improve the quality of your image and clean it up when you transfer your film onto video. In fact, remastering is an applied research niche for the NFB. We are now working on the digital restoration of *Voisins*, *Neighbours*, a film by Norman McLaren, the great film animator who is recognized throughout the world.

As far as assets management is concerned, digital files can be linked to data bases containing information on fees, for instance, and the subsequent encoding can even reflect the information in the file itself. Digital files can then be encoded differently to meet a variety of needs. The digital format can be transferred to any other medium, regardless of the format of the original from which it was generated. Ultimately, having a digital vault of the NFB's collection would make it possible to improve access to the files and ensure long-term conservation of Canada's audiovisual heritage, since any title available in digital format, regardless of whether the original was magnetic video-tape or conventional film, could be retransferred to film, the most reliable conservation format.

● (1550)

For the NFB, this project is particularly important because many of its titles are getting quite old, with some of them in need of restoration in order to offer the best possible visual quality.

The NFB must also take advantage of digitization to transfer its high-definition original titles, because digitization is unavoidably replacing the standard definition. In this area as well we have shown great skill in developing, in partnership with the private sector, unprecedented transfer methods which now remain to be applied.

Moving from a conventional distribution network to a digital one offers development possibilities which the NFB cannot ignore if it wants to reach its cultural objectives and continue to define itself as a leader in the audiovisual field in Canada.

Fifth, digitization democratizes audiovisual production and broadcasting. A recent headline in the *New York Times* read:

[English]

“FILM; Is a Cinema Studies Degree the New M.B.A.?”

[Translation]

Not only do you need to learn how to read, write and count, but you also need to know how to work with the image and the sound, and to decode this environment.

Small DV cameras, through digital projection or on the Internet, allows everyone, from an ordinary citizen to a professional, to manipulate images and to choose the ones they wish to see. Digitization can help us think about who we are. In that sense, moving towards digitization is a responsibility of everyone involved in this field if we are to protect our heritage and our diversity.

I will now move on to the sixth point. We are the depository of important images of Canada and we must ensure that these images are shown and do not lie forgotten on the shelves. If we do not transfer this heritage onto a digital format, our entire conventional film stock is at risk, truly at risk.

The NFB is one of many players which must do its share to go into this new direction. among the players are found the broadcasters, network operators, the people who will make available the digital highways, which are still unknown to us, and movie theatre owners. The NFB will look after the content, and that is why we must consult with each other.

However, our objective is to be at the forefront of this technology and to act as a leader and as the entry point in this area. The NFB has already acquired the necessary expertise by digitizing over 10 per cent of its standard definition titles and by making part of them accessible on the Internet, on DVDs or on servers for screening in movie theatres. Today, the NFB is seeking to increase the pace and to be on top of what will without doubt be the future films standard by transferring its collection onto a high-definition digital format.

Today, when it seems clear that the film and video industry is turning toward digitization, it is up to the NFB to make the necessary changes to its collection and to its distribution network to stay on top of the most-recent technological advances.

While the potential of this new technology is wonderful, the challenge of fully implementing it is huge. Despite the expertise it has acquired over the years, the NFB cannot make the change without help from the government. Time has taken its toll, as well as have repeated budget cuts, and the NFB's collection is at risk. We are talking about the images of the generations which have preceded us, as well as the images of the generations being filmed today.

We must digitize these titles and buy back expired copyrights, otherwise the collection will be just a memory which will gradually dissipate, despite the fact that there is a demand for these images by the public and by teachers—especially teachers—throughout the world.

That said, the challenge facing the NFB is such that it will need additional support which will allow it to invest in new physical and human resources if it is to negotiate this transition successfully and

remain, as its mandate requires, at the forefront of emerging technology. The NFB will therefore be able to fulfill another important part of its mandate, which is to promote our film industry. The e-cinema network, which some of you will see tomorrow, is part of this future. It is an opportunity which the NFB must seize immediately. As the Government of Canada noted in its response to the Lincoln report, “To make further progress on the digital transition, the Department of Canadian Heritage will undertake work in collaboration with other responsible federal departments, agencies and stakeholders to clarify policy and objectives, identify gaps, and help develop a plan to address them.”

I hope that you will have been inspired by the overview I have given you, and that it will make you think and make you want to ask questions. Thank you.

• (1555)

[English]

The Vice-Chair (Mr. Gary Schellenberger): We have time to question, but Mr. Fischer, do you have a presentation, sir?

Mr. Hervé Fischer (As an Individual): Yes.

The Vice-Chair (Mr. Gary Schellenberger): One second.

Yes, Mr. Lemay.

[Translation]

Mr. Marc Lemay: Mr. Chairman, since I have to leave in half an hour, may I be the first to ask one or two questions?

[English]

The Vice-Chair (Mr. Gary Schellenberger): You will be.

How long is your presentation, sir?

Mr. Hervé Fischer: Fifteen minutes. He will have five more?

The Vice-Chair (Mr. Gary Schellenberger): What I will do is offer Mr. Lemay a chance to ask some questions now. I know that yesterday he was bounced around like a yo-yo, and I very much appreciate his being here today. He wanted to be here yesterday.

Mr. Lemay.

[Translation]

Mr. Marc Lemay: Mr. Chairman, I will let Mr. Fischer present his brief. I would like to ask him some questions since I have read his book and his brief. I think that this applies to everyone.

Mr. Hervé Fischer: Will you have time to ask questions of Mr. Jacques Bensimon?

Mr. Marc Lemay: I will have time if you only take 15 minutes, as you say.

Mr. Hervé Fischer: I hope so.

Mr. Chairman, thank you for giving me the opportunity to be here. I recently published a book entitled *Le déclin de l'empire hollywoodien*, which has not yet been translated into English, but which clearly outlines the position I will defend.

I have two main concerns. The first is the defence of cultural diversity in the film sector, and the second is the defence of the quality of cinematographic art in an entertainment industry, as embodied by Hollywood productions, which I believe has degenerated when it comes to the art of filmmaking. I am referring to *Superman II* and other movies like that, which pull in masses of filmgoers, unfortunately.

Hollywood's hegemony is an accomplished and remarkable example of cultural globalization. Hollywood's mechanisms were developed over about one hundred years within a coherent system which enabled it to dominate film distribution throughout the world, to a level of between 90 and 95 per cent. It is a huge and absolutely unacceptable phenomenon from the point of view of cultural diversity. I cannot believe that that 95 per cent of films necessarily represents the best that movie-making has to offer. It is a regulatory and economic system which is imperialistic and prevents other countries from producing their own homegrown films, which prevents creators, directors and independent film producers to gain access to the cinema market, and thus to create; it also prevents us from seeing repertory films, which after all represents the memory of cinema. Movie theatres do not give us access any more to the collected master works of previous generations. It is a situation I find extremely deplorable.

We have to understand why this is so. The main idea which came out of my research is that Hollywood films in 35 mm format, and this is the key which allows it to lock up the system. Contrary to what the representatives of the Association des propriétaires de cinémas et cinéparcs du Québec said previously, 35 mm reels are archaic technology. It is the film industry's last archaic technology, since production and postproduction are increasingly digitized and will become fully digitized in the near future. So why keep the old 35 mm reels? Because there is an empire which uses them and, secondly, because some people believe that 35 mm film provides the best visual quality, which is completely false. Thirty-five millimetre film, as George Lucas himself, the American whom everyone knows, said, is a disaster from a visual and projection point of view, because the film itself becomes dusty and scratched, it deteriorates, which means that in second-rate movie theatres, which are not part of the movie theatre chains owned by Americans, movie-goers see a lesser quality screening after only three or four weeks. This situation is the complete opposite of the alleged virtues of 35 mm film. As soon as you go to a movie theatre which is not in a large city, you will notice that the quality of the screening is not as good. It is an extremely fragile medium.

This situation is particularly worrying in Canada. As you know, it is almost impossible for English-Canadian movies to get market access. English Canada is a U.S. domestic market, which is almost completely controlled by the United States. This is unacceptable for Canada and for the Canadian government.

• (1600)

For instance, when Ms. Campbell, at a certain time, tried to impose quotas to protect English-Canada's film industry, Mr. Jack Valenti, who at that time was president of the Motion Picture Association, lobbied her to the point where she had to back down.

When the Motion Picture Association cannot reach multilateral agreements, it will sign bilateral agreements in order to control every movie theatre. I admire the Association des propriétaires de cinémas et cinéparcs du Québec, which has resisted the pressure. It was able to do so because of the cultural gap.

Digital technology can now work to the advantage of this cultural gap. Indeed, this technology, as opposed to what was said a little earlier, has no problems with technological compatibility. As Jacques Bensimon told us, if you have a digital master tape, it can be transferred by way of many different types of video projection and computer management digital mechanisms. So it is not a problem.

However, it is a problem for independent owners to acquire digital projectors. Their industry is financially extremely fragile and they have to be extremely cautious.

In fact, what is Hollywood doing to delay as much as possible the arrival of digital projection and distribution? When I say distribution, I am thinking of satellite distribution on a hard disk format no bigger than an old VHS cassette and which can today hold 10 or 15 feature films, and of course, of high-speed Internet and wideband service. As it now stands, independent movie theatre owners could readily get this equipment, but they would have to pay the \$400,000 which Hollywood demands. In fact, to delay the process, Hollywood is demanding a level of quality which is completely unrealistic, technically referred to as 4K, which is more than what our brain and our system of perception are able to appreciate.

2K technology corresponds perfectly to the level of traditional 35 mm film projection. Furthermore, 15 days and four years later, the quality is much better, since the master digital tape is very durable, as opposed to the 35 mm reel.

Furthermore, digital copy costs almost nothing. You can make copies for almost nothing. So the problem mentioned a little earlier, which is when a distributor only makes, for instance, 20 copies available in Quebec, does not exist any more. In fact, 20 copies represent \$3,000 or \$4,000 times 20. So it is an investment which the distributor may hesitate to make. But with the digital format, it is possible to maintain the quality of a master tape for very little money. So you do not have to pay for insuring the reels, nor for the cost of returning them. It would give independent theatres the flexibility to prepare a financial plan.

Indeed, it will be possible to screen in one week, in one theatre, a diversity of films. It will be possible to make money on the projection of a movie in a small theatre, since the costs associated with getting the film in the first place have been reduced. So it will be possible to solely reintroduce the screening of independent films, art films, community and local films, over time, if only for one or two screenings, depending on market availability. The theatre owners will get their freedom back.

By now, you have understood that the owners of movie theatres are at the mercy of North American distributors who send them, or not, the reel of a movie at great cost if the movie is a hit. This degree of control is unacceptable, but that is the way it is now.

As for movie-goers, if they are in a small town in the Gaspé, for instance, and they have the opportunity to see an art film in a small movie theatre, and not on video cassette or DVD at home on their television, but rather in a large screening room at the movie theatre with a good quality image, those movie-goers will go back.

• (1605)

Digitization will allow smaller theatres to attract movie-goers and it will make it easier for them to do business. Instead of disappearing, since Hollywood has not only killed independent producers, but also independent theatres, these cinemas will undergo a rebirth.

I do not want to dwell on the subject because I want to give Mr. Lemay time to ask questions. All these reasons are coherent. We need political and government leadership as has been the case in Europe. Many types of formats have been tested in Europe and they are in operation now. You mentioned some of them a little earlier when you talked about the new-found popularity of documentaries, for instance. These measures have enabled smaller theatres to obtain equipment and grants, which means that they were able to show a certain number of domestic films; a renewed alternative movie network is being created, which is independent of the Hollywood consumer industry which is emptying our heads and pockets.

There is a lot at stake. It is remarkable that we finally have a technology which will allow us to intervene very rapidly, at a very reasonable cost, in this industry to save cinema from the lowest common denominator entertainment industry which is too often what gets turned out in Hollywood. It is perfectly fair and desirable that Hollywood produce a couple of good films which are a joy to watch. However, good American movies should not represent more than 5 per cent, 10 per cent or 15 per cent of all the quality movies shown throughout the world and which exist potentially in many countries, including Brazil, Africa and everywhere else. We have a policy problem. This time around, technology will save arts and culture. This is a paradox which I am pleased to point out. I would like Canada to show the same leadership certain European countries have demonstrated by standing up to the seven big Hollywood studios and in order to give a new boost to our film industry. Thank you very much for your attention.

• (1610)

[English]

The Vice-Chair (Mr. Gary Schellenberger): Thank you.

Just before we have your presentation, Mr. Lemay has to leave early, so we're going ask—

[Translation]

Mr. Marc Lemay: How long will your presentation be?

Mr. Alban Asselin (Director General, Hexagram): We will require seven minutes.

Mr. Marc Lemay: Given that everyone is here, I would rather they do their presentation first, Mr. Chairman. That would then be finished and I would be able to ask my questions.

[English]

Mr. Alain Gourd (President, Board of Directors, Hexagram): My name is Alain Gourd. I'm the chairman of the board of Hexagram.

[Translation]

As president of the board of directors of Hexagram, I would like to first thank the committee for taking this initiative regarding the film industry and for having invited us to speak to you about Hexagram's activities, analyses, as well as some recommendations

I am pleased to introduce Hexagram's collaborators, Mr. Alban Asselin, Executive Director, Ms. Cilia Sawadogo, Research Axis on Emerging Cinema and Virtual Characters, and, in the audience, Mr. André Picard, our special advisor on valorization.

Without giving you an extensive history of filmmaking, I would like to say that the invention of cinema, over 100 years ago, and its gradual development are the result of, among other things, a succession of technical improvements. These technical advances often occurred in isolation only to be integrated into the general industry later. They were triggered by new needs in terms of forms of expression and means of production.

However, throughout the history of cinema some things have not changed. Each film is unique. Nobody knows whether a film will be successful or not before it reaches the screen. Each production has its own set of challenges and problems. Nevertheless, ingenious solutions and technological innovations are always found to overcome limitations that appear absolute and insurmountable during filming. As cinema constantly produces prototypes, the technology required to produce them is always evolving as well, and being integrated into subsequent productions.

Today, the film industry, in particular the Hollywood film industry, as Mr. Fischer pointed out, has access to impressive means of production. To ensure productivity, the major studios often do not redesign the assembly lines and rely on time-proven methods. The industry in Hollywood does invest in research but it is applied research. This research often concerns engineers rather than creators. These engineers, whose expertise lies in applied science, often have little knowledge of film and focus more on conventional technological development rather than on new contents and techniques.

A new trend has emerged in relation to technological innovation. Increasingly, independent filmmakers drive innovation and invention and use imagination to make up for the lack of capital. Yet, despite all of these efforts to succeed, this brilliantly creative sector has been slowly but surely marginalized. Someone else already pointed this out.

At the other end of the spectrum, the major film industry tends to be less innovative and more conformist. Hexagram was created as a means to alleviate the lack of funding for independent filmmakers and the major film industry's lack of dynamism in terms of cinematographic innovation, in the area of digital technology for the purposes of filmmaking.

Hexagram thus grew in this niche left vacant by independent filmmakers and the major industry. In fact, Hexagram's financial means and professional expertise allow it to experiment, like the independents do, but with far greater outreach than to its context with the industry. The stage is now set in Quebec and in Canada for the emergence of projects which will have a direct impact on the way films are made, distributed, protected from piracy, and conserved. Our executive director, Alban Asselin, will continue.

• (1615)

Mr. Alban Asselin: Hexagram was created in 2001. I believe Mr. Fischer was there when it was created. This consortium brings together approximately 60 researchers, professors, academics and 300 students from two universities. We have created a research / creation group within the digital arts sectors at UQAM and Concordia University, where we have two research/creation bases.

Contrary to Hexagram itself, the people who do the research are in the universities. They are called upon to develop research and creation projects related to eight research axes, three of which are related to cinema. Cilia will speak to that in a moment. These researchers are grouped together and have funding from the governments. Most notable is the fact that both universities will benefit from infrastructure funding of just over \$20 million that will allow for the construction of rooms and laboratories and the purchase of tools for high definition research and creation in video and film.

Over the past four years we have also managed to create a culture and space for Hexagram within the universities. At both UQAM and Concordia University, and even Université de Montréal, where Hexagram has a laboratory, you really are within Hexagram when you are in the rooms where our equipment is located. The members of Hexagram, the 60 researchers and students, come together to define content and research projects.

Hexagram begins by subsidizing selected research projects and then—and this is quite unique—encourages the transfer of this research to the users because its vocation is that of building bridges between the universities and university researchers, and the users from the media arts sector. Transfer does not necessarily mean commercialization. It can also mean introduction, development, further development, exhibition, and so on.

Hexagram has accomplished a considerable amount of the work over the past four years: We have funded over 65 research projects, with approximately four million dollars provided in subsidies. Four projects are at the valorization and transfer stage. More recently, we succeeded in establishing a partnership with the industry to invest the million dollars in Hexagram for the purposes of supporting research and creation in the digital arts sector. Because cinema is such an important part of our work, and because that is the topic of discussion today, I will now give Cilia the floor to speak to you about what is happening in the digital arts sector.

Ms. Cilia Sawadogo (Hexagram, As an Individual): Hexagram has defined three research axes dealing with cinema.

[English]

The Vice-Chair (Mr. Gary Schellenberger): I hate to interrupt, but try to keep it short if you can, because two people who would like to ask some questions have to leave shortly.

Ms. Cilia Sawadogo: All right. I'll squeeze a few parts.

The Vice-Chair (Mr. Gary Schellenberger): Thank you.

[Translation]

Ms. Cilia Sawadogo: Hexagram's three research axes are: Emerging cinema and virtual characters; interactive performance and sound; new forms of narrative and audio-video practices. These three research axes have produced several projects which are currently at the commercialization stage.

First, there is Michel Fleury Darwin Dimensions project, at UQAM. This is a virtual casting agency in the form of a secure database, with downloadable virtual human characters. I will not go into the details of this project.

We also have the HELP project, or Holo Editorial Layering Process project, led by Louise Lamarre, from Concordia University.

Finally, we have the Jean Gervais Set Design project. In December 2004, the Cirque du Soleil and the Société Radio-Canada announced that a partnership agreement had been signed with Hexagram and the UQAM to support this project.

More specifically, the Emerging Cinema and Virtual Character Research axis includes specialists from a variety of complementary fields as cinema is indeed intrinsically team work. Their strategic orientation is clear. So far, they have developed potentially highly transferable projects. However, at the root of the process of innovation is always the strong desire of these innovators to communicate content. Hexagram's unique strength lies in its commitment to fundamental research for the creation of artistic prototypes. Hexagram believes in the creative genius of its members. They are its *raison d'être*.

As filmmakers and researchers, our members are called upon to focus on the creation of cultural content and its impact on the evolution of technological tools and processes. They must also evaluate their repercussions on production modes and means of distribution, without which, certainly, cinema could not exist.

Members must therefore focus their work on experimentation and development of new cinematographic approaches, methods and tools to be used within the production process, from the creation of concepts and scripts, to the distribution, protection and conservation of completed works.

I will now give Alban Asselin the floor.

• (1620)

Mr. Alban Asselin: I would like to begin by thanking you for having invited us here today.

Today, we wanted to tell you that the establishment of a research and creation base for media arts and technology provides Montreal with a powerful content development tool. The creation of Hexagram facilitates the transfer of these tools to the business sector. That is what we are currently doing.

One of our main recommendations is to support the creation of a fund. Independent creators and university artists, who do content research and development, require adequate financial support. They very often have brilliant ideas that they cannot develop because they do not have the necessary financial support.

We believe that the creation of a fund to support these researchers, along with Hexagram's work, would contribute to the development of our future filmmaking industry.

[English]

The Vice-Chair (Mr. Gary Schellenberger): Thank you.

Monsieur Lemay, could you wait for one second and let Ms. Oda go first?

Yes, one short question.

Ms. Bev Oda: I don't even have a question. I just want to put my apologies forward. I will have to leave now. I appreciate the work that's been done and the written submissions. I will ask, however, that if I have any further questions I may be able to forward them, through the clerk, to you. My apologies for having to leave.

Thank you.

The Vice-Chair (Mr. Gary Schellenberger): Mr. Lemay.

[Translation]

Mr. Marc Lemay: We are here today to reflect on the future of filmmaking and my colleague from the Bloc Québécois, Maka Kotto, has told me that rarely have we seen such excellent briefs. Congratulations. I read them. I have to leave but I have so many questions I want to ask!

I will start by dealing with one important issue in acknowledging Mr. Gourd. I believe that we know each other. Given that we come from the same region, you can tell your colleagues not to forget that multimedia research is done at the Université du Québec, in Abitibi-Témiscamingue. That being said, I have sent my message.

After hearing Hexagram's presentation, I wondered if you knew that there is a university research fund. This is a government foundation that has a \$1.2 billion fund at its disposal. I am sure you could apply for funding for your project because it involves pure research. This university research foundation has money. Between us, I can tell you that Parliament has no control over that money. I know that applications have been made to this university research foundation. You suggested to the Department of Canadian Heritage that they create a new fund for the purposes of supporting film creation and innovation. I think that is entirely appropriate given the context. Regardless, I wanted to pass that on. That was my comment for Hexagram.

I must say that I am somewhat sorry to see the NFB abandoning the regions. You were in Rouyn-Noranda and now you are not, or hardly ever. That was my political message. We are, however, doing a study and I am very concerned. Mr. Fisher and Mr. Bensimon, I would like to hear your comments on piracy. I do not disagree with what you stated, Mr. Fisher. I read your book and your brief. I am very aware that with respect to 35 mm, protection against piracy has been developed. My concern is over your data bases and everything else. I am not a computer wizard, far from it, but I do have some questions.

Several times, during hearings in our own ridings, the point was raised that there is often piracy involving 35 mm films, even in the theatres. We are in Montreal and this is where piracy is at its worse in Canada, given that French and English versions are being shown in neighbouring movie theatres.

I think your idea is a very good one, Mr. Bensimon. You are very concerned about the protection of heritage and art banks, be they Canadian or Quebec works. I know that many films by Pierre Perreault or Arthur Lamothe could never be viewed if the NFB did not have them.

I am getting to my question in a very roundabout way. How do we protect ourselves from piracy if we are preparing for a situation that will occur in five or six years?

• (1625)

Mr. Jacques Bensimon: First of all, I would like to set the record straight. We have a producer called Jacques Turgeon, who provides good coverage for the region. What's more, several productions also come out of your region. So I simply want to stress the fact that we are very present throughout Quebec's regions.

Your question about pirating is very important. Clearly, this is at the heart of our concerns. The more we produce, the more we need to control the process. As new technologies developed, the National Film Board developed a way of tracking the development of films. We set up a system called SEGDA, which is a little like a film project's DNA, as it contains all the steps a film undergoes from a project's inception right up until the finished product.

I have given you this answer because as digital technology develops, it is starting to carry codes which are tucked away within the actual digitization itself for its own protection.

This does not necessarily mean that we hold the key to this problem. For example, with the e-cinema that Daniel Langlois talked about, the idea is to develop a satellite broadcasting system which will usher in times when there will no longer be any image or product manipulation per se. We will be able to do this through satellite and non-Internet networks.

We are coming up with these inventions. And as we continue to make progress...

• (1630)

Mr. Marc Lemay: That is expensive, is it not?

Mr. Jacques Bensimon: The very strength of digital technology today is that it produces codes automatically as time goes on.

I can ask Laurie Jones to give you more information if you wish.

Mr. Marc Lemay: No, I understand. I am primarily concerned with pirating.

Mr. Jacques Bensimon: Pirating is a world-wide problem which we will not be able to stop. The worst thing we could possibly do would be to stop developing digital technology and ways of protecting our images simply because pirating exists. There continues to be pirating of major American companies' music and images. Companies will allow such activities to go on unchecked until such time as—and the perfect example is Napster in the music industry—pirates actually get into the system and are thus swallowed up by it.

Mr. Hervé Fischer: I would like to make a point. Actually, technology will completely resolve this problem. The technology is already available at a very reasonable cost. What's more, the statistics on pirating that Hollywood has publicized are not credible. Whereas music is an individual activity, going to the cinema is done collectively, as an event, which takes place in a big room. You are not going to watch *Titanic* on a cell phone screen and really enjoy it. So it is a moot point, as there really isn't a problem. These are simply shocking figures that have been publicized to prevent the film industry from entering the digital age when it comes to distribution.

Secondly, the major leaks do not actually occur when films are screened at the cinema, but take the form of DVD copies. These leaks are actually caused by the big names in the US. Actually, investigations carried out in the United States have shown that these leaks actually come from the Hollywood production studios themselves. In some cases it is because an employee has a beef or simply because he or she wanted to have some fun and, as we all know, cheating is a laugh.

So across the board in the film industry, this problem has been fabricated and actually has no basis. In the music industry, however, it is a major problem.

Mr. Jacques Bensimon: So in some ways, Mr. Lemay, we actually encourage pirating. Do you know why? To come back to the point that Mr. Fisher made earlier, it is done deliberately to facilitate the dissemination of Canadian work. Take for example an exhibition which crisscrosses the globe. I dream of seeing Perrault's films in Australia and here and there throughout the world. Today, it may be pirating, but eventually, the product would be controlled.

Mr. Fischer told you that this is done knowingly and that it should continue to be done because, at any rate, it will be regulated one day. The Napster example is the best one I can give you to illustrate the point that I am making.

Mr. Marc Lemay: Thank you. Unfortunately, I have to leave. I found what you had to say really interesting. My colleague will replace me and will do a good job of doing it.

[English]

The Vice-Chair (Mr. Gary Schellenberger): We are going to miss you, Mr. Lemay.

Mr. Silva.

[Translation]

Mr. Mario Silva: Thank you, Mr. Chairman. As there are two other Liberals missing, I hope that, with your permission, I will be able to ask a few questions.

It is important for everybody to know that our meeting is being recorded. Thanks to the Internet, members and the public will be able to find out about what went on during our meeting.

I do not have any questions for the witnesses from the NFB, but I would like to make a short comment. I completely agree with the NFB witness who said that we need to focus on the Internet and e-cinema, because I think that that is the way of the future in terms of disseminating our culture not only throughout Canada but also the world. So I commend you on your work. I think that the NFB is heading in the right direction.

I would like to ask the Hexagram representatives two questions. First, could you tell us a little bit more about how Hexagram operates and its contribution to the development of the film industry? How can Hexagram be of greater assistance in developing the film industry? And lastly, could you tell us about the film industry projects supported by Hexagram?

• (1635)

Mr. Alban Asselin: You have asked several questions. First, how can we help the film industry?

Earlier, I listened to the discussion about what I call protecting our work against pirating. This is what researchers are interested in. They hope to develop the necessary technology. Even if it already exists, it still needs to be improved. And that is the way organizations like Hexagram enter into the fray. They give researchers the opportunity to develop research projects which would not always be undertaken in the private sector. These projects are carried out in neutral territory and disseminated externally thereafter.

Furthermore, thanks to the development of a private fund, which involves major players such as Clear Channel, the Cirque du Soleil, and the Daniel Langlois Foundation among others, we are now able to better define the direction we are taking, as well as the needs and challenges which arise in the production of digital arts. We are also able to guide the research work that goes on within Hexagram.

As for the film industry, I will hand the floor to Cilia, who will tell you about what we do and how we do it. We have a couple of projects that are already in the last stages of development before being handed over. We are also working with film industry organizations. So I will let Cilia tell you about our film industry projects and what is coming up in the future.

Ms. Cilia Sawadogo: I am going to talk primarily about Michel Fleury's Darwin project. This project involves developing a virtual actor data base. In other words, we will be able to get 3D characters off the Internet and download them into our own productions. We will be able to use special effects, stunts and so on and so forth. This will enable us to slash our costs and, obviously, to get a bit of a head start when it comes time to work with actors.

There is also Louise Lamarre's HELP project. This project enables us to produce special effects and to fix major technical problems like, for example, controlling each shot's field depth. This also saves us money. So it is a win-win situation insofar as we are able to deal with any special effects issues, and keep costs down. Should I expand any further?

Mr. Alban Asselin: Actually, both of those needs were identified. Thanks to the solution that was found, any producer who wants to create virtual characters at a reduced cost can do so by using the Darwin selector program. This is a database that creates a multitude of characters from a number of base models. We can also create special effects *intra camera* and save a lot of money by using existing technologies to produce high definition field effects.

In both cases, needs are being met. Researchers have completed the work. We now need to ensure that the technology is transferred to industry and that people commit to supporting it—but that's where there's a shortage of money—in order to help researchers go further and produce a prototype that can be marketed and used in the film industry.

• (1640)

[English]

The Vice-Chair (Mr. Gary Schellenberger): You have more time if you want.

[Translation]

Mr. Mario Silva: Thank you, Mr. Chair.

I'd like to know if Hexagram is supported by the private sector and what its link is with the film industry.

Mr. Alain Gourd: Indeed, Hexagram is supported by the private sector. On the April 13, we announced the creation of a fund administered by Hexagram for the private sector. The fund is financed by the Daniel Langlois Foundation, the Cirque du Soleil, the Groupe Spectacles Gillet and Clear Channel Entertainment. The fund has now reached the million dollar mark. Next Monday, we will be meeting with a new company and, a few weeks later, yet another. We expect the fund to reach the 1.5- million-dollar mark.

So why a private sector fund? Well, I'll give you a bit of background to this. To my knowledge, the development of Telefilm in 1993 constituted the first example of substantial Government of Canada assistance to production in this country. Television was supported first because we are the children of Canadian television. In the United States, however, they got into production through film. One of the major characteristics of the television production assistance fund—and I was at the department at the time as deputy minister for 15 years—was to push for private sector involvement. In order to make the government money flow, broadcasters had to agree to broadcast and pay a licence fee. The idea therefore was to bring together public and private money. At the beginning of this decade, the cinema assistance fund was set up. Once again the same logic was behind this. Film products had to be distributed. They weren't allowed to stay on the shelf. That happened and it involved a public and private sector partnership. Both funds together were used to produce films.

From what I've heard today, we need to take the next step, by using new technology to produce films, rather than funding films on an ad hoc basis. Our community needs to support the technology of today and the future which will shape the film industry of tomorrow. There are various stakeholders who are involved in the use of investment technologies. Some, like the NFB, use such technology themselves by correctly archiving, for example their own films through digital technology. Others, such as the university research fund Mr. Lemay talked about, are working on more basic research.

Hexagram falls somewhere between the two, that is between basic and applied research. Our goal is to take academic research on new digital technology and make sure that the private and public sectors get their hands on it. So once again, the whole idea of a private-public partnership is essential. In addition to government money, we need private sector money, which will help take research out into the industry. The private sector needs to make it known that this is a

truly good idea. Examples of this are the projects being carried out by the Cirque du Soleil and Radio-Canada. We're ready to invest money which will bear fruit in the private sector.

I'm trying to simplify things a bit, but basically that is the approach that we have taken.

• (1645)

Mr. Alban Asselin: To complete the information on this, I would say that one of the four sectors the fund will support is digital cinema and television. You asked us how we plan to involve the private sector, and what our relationship is with the film industry. First of all, let's take it for granted that our researchers all work with the local film industry here in Canada.

If we look at the quality of productions that have come on the market in recent years, we see that we have everything to be proud of. I quite agree with Mr. Fischer on this. I was at SIGGRAPH last year, when *Ryan* was presented. I can tell you one thing: the best productions there were from Quebec and Canada. We are anybody's equal.

Now, we have to build more bridges between what I will call the independents and artists in academia and the industry. We have to consolidate our starting point. When it comes to works that are being developed, or when it comes to research, we have to change our starting point. We have to stop ordering something specific, and just let people apply their creativity. Creation means going further. Once you have created something, then you can transfer it. We lack the financial support to help people go further. Creators are not entrepreneurs, and they are not producers. They have nothing to do with those aspects. They seek, they find and they create. What we need to do is provide the equipment and support to ensure that what they like to do, produce or create is transferred to the outside and used. That is more or less what Hexagram does, and that is how it builds bridges with the private sector.

Mr. Jacques Bensimon: Please allow me to correct the way my friend Alain Gourd is telling this story. It illustrates a point that will bring us all back into the discussion.

In fact, no. Canada started off with one institution, the National Film Board of Canada. I have to defend the NFB. We have a tradition of 65 years of film history. The history of this country was largely built on films made at the NFB, on the filmmakers who have worked there. The lesson we must draw from this is that in Canada we all too often throw out the baby with the bathwater. For example, when the CBC was established, the link that might have been forged between the NFB (and the NFB tradition) and the CBC was not in fact forged. When Telefilm Canada was established, that link tying together film, television and the new media was not forged.

That is exactly the danger we face now. We have to be careful, we have to make sure that technology is not just a mirage in the midst of all this. There are two factors we have to be careful about. First, we have to find the means to protect works. Here, around the table, we all say that this is urgent. Our images and our legacy are disappearing. The protection we seek is not a luxury, not a dream by some mad scientist who just wants to spend money for the sake of it. There is an urgent need to protect those works. They are becoming degraded even as we speak. That is the first factor.

The second factor is digital production. We have already mentioned it, and Mr. Fischer talked about it. Today, digital production makes it possible to reduce costs and give the Canadian creative artists across the country direct access to an exhibition and distribution system for our works. We have talked a great deal about DigiScreen, the system developed by means of Daniel Langlois' technology. With DigiScreen, TV technology can, in some way, also serve film. That is the e-cinema concept.

The message we would like to get across, and the message we all have in common, is that we need research, we need to make every effort to take back our screens, and we need to protect our works while we are doing it. Digital production now makes it possible for us to combine those goals. Canada must have the conviction to say that it will invest money into digital production. We are all asking for the same thing in our own ways. We all ask for funding for specific projects, but one thing we have to make clear here in Canada is that, if we do not take the step into digital production, we will disappear, just like the dinosaurs did.

• (1650)

[English]

The Vice-Chair (Mr. Gary Schellenberger): Mr. Kotto.

[Translation]

Mr. Maka Kotto: Thank you, Mr. Chairman. I would also like to thank you for coming here today. What I have been hearing since this morning is extremely inspiring. I think that we will see a battle between the conservatives and the progressives. I am talking about film and digital production. If I am once again to play devil's advocate, I have heard it said that film support gives the better image.

What would you say to that? Are there any comparative scientific studies? If you know of any, we would like to take note of them.

Mr. Jacques Bensimon: I will ask Sayedaly to answer that question. He has 30 years' experience in film laboratory, and is now a member of a team working on high definition. Laurie Jones might be able to add to Sayedaly's comments, but he comes from the Canadian film school which for years worked on the final product, which today is... [Editor's Note: *Inaudible*]

Mr. Sayedaly Rawji (Director, National Film Board of Canada): You really are playing devil's advocate. That question is very difficult to answer. There are purists on both sides of the issue. It's quite true that when we shot a film for screening in a theatre, there was a naturalness to it, be it in the image movement, focus, out-of-focus images, or the way in which the film moved through the projector. Those were all the source of pleasure to the person who shot the film. The same debate is being held among people who prefer analog music and those who prefer digital music.

Mr. Fischer talked about this when he said that Hollywood was now urging us to adapt to the 4K system. We know that we cannot process 4K. We will not see the difference when we view an image in 2K, the present HD standard, and an image in 4K. We are not there yet. Many companies are starting to work on 4K imaging.

To answer your question, I would say that if you talk to film purists, you will never convince them that a digital or video image is good, because of field depth and quality. On the other hand, we can

now view digital images on screens designed for them. Today, we can view HD films using projectors designed to view HD.

That is when we see the difference. In spite of this disagreement about field depth and image movement, I think that there is no longer a difference. If you ask someone which is the better image, you will never get an answer.

• (1655)

Mr. Maka Kotto: So there is no consensus.

Ms. Cilia Sawadogo: I agree with Sayedaly. There are purists on both sides of the equation, people who are adamant that one format is better than the other. But in fact, 35 mm film is expensive, and heavier to carry, heavier in physical terms. That is the problem. When it comes to quality, it is like eating two pieces of cake that are very alike but have been made by two different chefs. Some people might prefer it with a bit more salt, while others might prefer it with more sugar and just a hint of salt. For many people, it is just a matter of opinion.

I work with students at the university. In the first year, my students work on analog support. In their second and third years, they work with mixed digital and analog formats. This makes it possible for the students to play with both. Of course, the machinery is much heavier when it comes to directing, particularly in animation. I should point out that I work in animation. When we work on films, we use a much heavier machine. However, it gives us that film-based authenticity we are all used to. We have a kind of love affair with film.

When we work in digital, we have so many more possibilities. Of course, as we were saying before, distribution is much easier, and costs are therefore much lower. I think that factor should be taken into account. Undoubtedly, the future belongs to digital. We are increasingly able to produce digital support with a film-like quality, without anyone being aware of the fact.

Initially, I work in 3D, with the synthesis image. When I have a very good projector, I far prefer the digital image because those images are fully computerized from the outset, are projected as such and are completely identical. However, when a digital film is transferred to celluloid and then projected, there is a visual difference, and I can never be certain of the result I will get. There is always a surprise when we get to the screen. So we can never know exactly what we will get. In my view, we have to look more and more to digital.

Ms. Laurie Jones (Director General, Communications and Outreach Development, National Film Board of Canada): Digital wins out over 35 mm because of costs and potential savings. That is really what we should be working with, otherwise we will not have access to our own screens. Digital is the only way to get there. We need access to our screens in homes and other venues.

If you like, I can send you a copy of a remastered segment of *Voisins*, where you can see the difference between 16 mm, 35 mm and digital. You will see the difference: the digital version will give you the best image.

Mr. Maka Kotto: Mr. Fischer.

Mr. Hervé Fischer: We have to remember that postproduction is all digital. So in the end we end up developing a digital film on 35-mm support, and that is very expensive. For a feature film, the cost can be \$60,000. A digital film ends up being transferred onto 35 mm in order to satisfy 35-mm distribution requirements. That is quite paradoxical.

Mr. Maka Kotto: I [*Editor's Note: Inaudible*] that costs are minimal with respect to shooting on film support. This means that the creative process becomes more democratic, hence the risk you have cited. I will come back to it in a few moments. Technicians also need to be trained on how to use the instruments involved. Do you believe that, in the short or medium term, there will be enough creative artists who can use the technology?

Ms. Cilia Sawadogo: Very often, the students in our animation program have grown up with these new technologies. They already have the knowledge that makes the digital world second nature to them. Then, of course, we have to train them to use the software or the hardware.

The NFB, of course, is much better equipped than we are. I can see it: they have no trouble throwing themselves right into it. They are used to it; anything that is digital comes naturally to them. They are often the ones who find new digital solutions. I believe that when it comes to training, that is not what young people are asking for, at the university level. The older generation needs the training. Our instructors regularly provide training on new software. It is not totally inaccessible because—forgive me—it is only a software program: it is like learning the basics.

• (1700)

Mr. Maka Kotto: Technology is not an objective in and of itself. Who knows if tomorrow, these young people will be able to equal the accomplishments we are now watching in our cinemas.

Ms. Cilia Sawadogo: We are a film school, we train young people and we teach them the language of film. The NFB is involved in real filmmaking.

Both digital and 35 mm are technical approaches, they are simply a tool. However, what is important is the creative aspect, as well as the knowledge required to tell a story, to write it, to prepare a story board, to put it on the screen, in other words, to progress through every stage. That is the training that we provide.

Another new technology will come along in 10 years, but that does not matter, because we will follow the trend. However, it is very important to master this new technology, so that our youths can progress along with it.

Mr. Jacques Bensimon: I would like to place these elements in their proper context. Somebody used the term “democratization”, and it is certainly well chosen. I believe that in this country, we must create a generation of citizens who are capable of using image as a means of communication. We must find a way to make our young people communications literate. Whether it involves creating a Powerpoint or some other type of presentation, what is important is that this generation of citizens must know how to use images. Once we have met that goal, we will move on to the creative aspect.

The pool will be larger and, of course, it will be more difficult to filter the processes. We currently have mechanisms in place. As you have seen, the NFB begins with five-year-olds scraping film.

Gradually, they move to workshops, and it takes on a whole new dimension.

However, we must not lose sight of the big picture. In the digital context, democratization has equipped an entire generation of citizens. It is up to these people to decide if they want to move on to an artistic level and continue in the same way, or if they simply want to keep buying equipment. Today, as you know, we define ourselves primarily through the image that we project.

Mr. Maka Kotto: It is this democratization that leads me to consider one day escaping the bonds of the Hollywood entertainment industry, where the emphasis is on entertainment rather than on culture.

Mr. Fischer, are you aware of the Convention on Cultural Diversity that is currently the subject of a UNESCO debate?

Mr. Hervé Fischer: When it comes to the detail of the text, I am an active supporter, if not a specialist. I know that at this time, there is a good chance that it might become a non-starter. Nevertheless, I believe that this Quebec, Canadian, French cause must be endorsed by all of the countries that have succumbed to Hollywood's cultural globalization which has been extraordinarily successful.

Yes, I am linking distribution and digital film production, a much cheaper technology, to cultural diversity. In my opinion, it is both a political as well as an artistic cause.

Mr. Maka Kotto: Logically speaking, the Department of Canadian Heritage is responsible for this file. Are you satisfied with the department's current positions, if, indeed, it has any?

• (1705)

Mr. Hervé Fischer: That is a very direct question. My position is probably more radical than the ones that are currently defended by Ottawa. I do not think they are doing enough. However, I must also gauge the resistance that they are facing. Pushing too hard would serve no purpose. They would simply push back.

However, this, I feel, is an extremely important cause, where the strongest will prevail. I do not think there is a real awareness of this, even in other countries that should be giving us more support, like Argentina, some African countries, or South Korea. To my mind, this is one of the most important issues of our time. I am a true alterglobalist, both culturally as well as ethically. These two aspects go together.

What we see are Hollywood remakes that cost \$300 or \$400 million to produce and that make over \$1 billion, and are obviously smash hits.

I have just returned from China. I visited the Beijing film academy, an extremely important and respectable institute. I also went to the Shanghai animation film institute. We can see that the stakes are high. Unfortunately, since the Chinese do not yet have an alternative, they prefer Hollywood films, the big show. They have not yet developed their own Chinese film industry. A country like China, with a population of 1.4 billion, needs to develop its own film culture. As Jacques Bensimon said, they now have a few digital movie theatres, and they hope to equip 2,000. In India, they will be equipping 2,000 or 3,000 over the next two or three years and have already begun. However, unlike China, India is not dominated by Hollywood.

These are the challenges that we share with a number of countries. We feel a little small. There is not yet a great enough awareness.

Mr. Maka Kotto: I was referring to the way in which they raised this awareness in Britain, as explained by the previous witnesses. The government is using public funds to develop a network of 200 digital theatres to recover the cultural sovereignty that they had lost to Hollywood.

Mr. Hervé Fischer: In Great Britain, they are dominated by Hollywood cinema. In Quebec, we have the language difference, which is not the case for English Canada and Great Britain.

Mr. Maka Kotto: If the convention should come up short or fail entirely, do you think such a project will ever come about?

Mr. Hervé Fischer: It will do more than that. We could have an international charter supported by UNESCO, but we would still have to implement it. How will we do that? For the time being, the techno-commercial Hollywood machine is moving full steam ahead. We need real, concrete commitments.

For example, the 4K digital distribution demanded by Hollywood requires digital projectors that have not yet been produced, and that will cost about \$400,000. Daniel Langlois' DigiScreen system costs C\$35,000. With C\$35,000, we can produce high quality 2K to distribute through parallel networks. We know that it can be done.

If we want to flesh out the cultural diversity agreement, then we have to put our money where our mouth is. The Canadian government, which is demanding this cultural diversity, is making concrete decisions, as Great Britain, Holland, Belgium and France have done. There is now an agreement with the European Union to subsidize the equipping of independent movie houses.

At C\$35,000, it is perfectly feasible. We are not talking \$400,000 per theatre. That is not a huge financial investment for the government to make, when it comes to our culture, but it is quite a large amount for the owner of a small cinema. He will need help to redeploy his programming flexibility and be able to maintain his independence while funding his own programming. The product has to be diversified. If I were to go into a store that sold only one type of shoes, those shoes would end up being my only choice. That is essentially what Hollywood is all about.

• (1710)

Mr. Maka Kotto: I have a very short question, Mr. Chairman.
[English]

The Vice-Chair (Mr. Gary Schellenberger): Just one second, I think there is a—

[Translation]

Mr. Alban Asselin: If I may, Mr. Chairman, I would like to add something about developing quality content. That is what we all need, and it must be supported by a distribution structure. To me, supporting quality means investing in the people who develop, create and present a new way of seeing things. It does not matter if a film comes from Quebec; if it is a quality production, it will convey a message and will be seen around the world.

I think that if we have good production, creation and distribution values, in all areas, we will make it on the international scene. We must encourage the development of new tools that will allow us to do what could not be done with the traditional type of structure. We are too small to take on the elephant, but we can find our own place and gain respect. To do that, we will have to invest in both the content and in what will be required for distribution, protection, and archiving. We risk losing some works that we have not yet managed to properly archive. We have done some wonderful work here, but we are not familiar with all of it.

I might say, as an aside, that what I find most surprising about the digital arts industry is the fact that our people are better known and more respected abroad than they are here. That really annoys me because we have to fight to prove that we are doing something interesting here. It seems to me that defending Canadian heritage implies first and foremost that we support our own people. We have to make them known and stand behind them.

[English]

The Vice-Chair (Mr. Gary Schellenberger): Thank you, I appreciate that.

Mr. Kotto, a very short question and a very short answer.

[Translation]

Mr. Maka Kotto: Using this technology will be revolutionary, and revolution means disturbance. How can we facilitate the transition between the old and new players?

Mr. Hervé Fischer: Well, I like to disturb. I cannot wait to disturb the Hollywood mammoth. I see absolutely nothing wrong with that; they deserve it. It is true that innovation is another word for upheaval...

Mr. Maka Kotto: I was being poetic.

Mr. Hervé Fischer: You are an innovative poet, so we understand one another. I was saying that innovation is not just a slogan, it is also an economic and cultural engine, and it generates sovereignty. I have no shares in Daniel Langlois' company, but he did create the first special effects animation software for use in the film industry. His software was adopted by Hollywood. He is now working on a digital distribution system. He knows where he is going. And that is happening here. But you know, he does not need our money. He is richer than all of us.

In short, we need a Canadian and Quebec policy. We have an amazing opportunity, something that will meet all of our concerns. It will allow us to distribute the work of our Quebec and Canadian filmmakers to the entire world.

[English]

The Vice-Chair (Mr. Gary Schellenberger): Two more short little answers.

Mr. Alain Gourd: Yes, and thank you, Mr. Chairman.

[Translation]

The purpose of Hexagram is to question, disturb, and seek answers. We believe that the research, creation, production, and marketing cycle will flow naturally because of forces that already exist.

Mr. Jacques Bensimon: I would like to come back to something else. When there is a revolution, as you say, there are winners and losers. We must realize that in Canada, we have put all of our eggs in one basket. This basket is called broadcasting. Now, broadcasting, which is built around empires with which Mr. Gourd is quite familiar, whether CTV, CBC, or others, is today examining its relationship with this technological revolution. Will these empires be part of the change, or not? The entire Canadian system for funding production is today, more or less, in the hands of the broadcasters, either through Telefilm or the Canadian Television Fund. That is where the decisions are made. However, since our money is stuck in this \$5 billion industry, how will it be invested in the development of digital technology in this country? You, the politicians, will have to visit this issue along with us. We may be able to provide some answers.

And that is where I might agree with you: I think that the main aim of this revolution is to provide the person who is interested in culture with the quickest possible and least cumbersome access to the product that he wants to watch. That is what digital gives us: a shortcut, a direct and interactive link, which is something entirely different.

I do not want to dismiss what Mr. Fischer said about diversity. As politicians, you should be aware that digitization allows us to reach individuals, wherever they might be. We no longer think in terms of Montreal, Toronto, Vancouver and Halifax. We are now talking about Rimouski, Wawa, Nelson, in British-Columbia, areas where the person can be served just as well as someone who lives in Montreal, Toronto or Vancouver. Indeed, digital technology provides not only access but interactivity.

I will give you two very simple examples. A film called *Ce qu'il reste de nous*, which was coproduced by the NFB, is showing in a Montreal theatre. In that theatre, it has had the greatest Quebec box office success for a documentary, and has brought in more than \$500,000. Nevertheless, there is only one theatre that continues to show this film. We cannot access our screens to show it. That is because we do not own the theatres.

The second example is the Oscar-winning film *Ryan*. Americans now have the privilege of seeing this movie in their theatres, while Canadians cannot see it. The MoMA, in New York, offers a wonderful window for Americans to see and enjoy this film. I could

not tell you of a similar place here, in Canada, where someone could see *Ryan*.

That is the basic issue: do we want to build a digital network for production, distribution, and all the way to conservation? That is basically what all three of us have tried to convey to you today.

● (1715)

[English]

The Vice-Chair (Mr. Gary Schellenberger): Thank you very much.

I have two little things to say before we finish, and I don't need an answer. But there were a couple of things said, and one was about how the National Film Board was 65 years old and works could be lost. I might have been one of the first ones to see those works that could be lost. I'm not 65 years old, but I can remember vividly, in my public school days, those days when the principal would go to the library and rent the big projector, and we'd put the sheet up on the wall, and he'd come in with these reels of film. And they were usually from the National Film Board.

The bulk of them, in those days, were really what the schools used to teach us about Canada and about our heritage. In history, social studies, and those things, they didn't teach us anything about Canada at those times; it was all about Europe and our explorers who came across and sank in the middle of the ocean or something. So yes, I hope they can be preserved, and I found it reassuring that you're going to do this.

The other thing was about the goals indicated here of Hexagram. I sit on the Ontario auto caucus, and recently we took a tour to Windsor, Ontario, to look at Chrysler and to look at the auto industry and border crossings and everything. But while we were there, we visited the University of Windsor, we visited St. Clair College, and one of the big things I brought back from there was how integrated their engineering was to auto engineering, which was partnered along with DaimlerChrysler, but also Ford and General Motors were helping. So the engineers who were coming out had a job and they were doing as much as you do with film. As those graduates come out of school, they're programmed. Yes, they were doing innovative things. So that public-private togetherness working for the industry was very well noted, so I have taken that.

Mr. Fischer, I enjoyed your presentation very much, sir.

Thank you very much for appearing today. Again, I apologize, we did get Mr. Lemay in before he had to leave. I know he would have loved to ask more questions. He's a criminal lawyer, and he always says to me, plead not guilty.

Thank you very much.

● (1722)

_____ (Pause) _____

● (1737)

The Vice-Chair (Mr. Gary Schellenberger): Welcome. I'm going to be apologetic again to say—I know Mr. Silva must be out on his telephone here right now—due to some unexpected circumstances and things that are going on at Parliament Hill right now, we're a little bit short-staffed because some people have been called back to Ottawa. I apologize so much for that.

I am Gary Schellenberger, the vice-chair of the Standing Committee on Canadian Heritage. We do feel this is a very important exercise we're in, studying the feature film industry. I am here, Mr. Kotto is here, and I'm quite sure Mr. Silva will be here shortly. So if you'd like to start with your presentation, I am ready to listen. I do talk a lot, and on various things I'll make sure my colleagues find out. There will be transcripts of our meeting here.

Again, because the Prime Minister is scheduled to speak, I think somewhere around seven o'clock this evening, we're going to try to wrap up at twenty to seven or a quarter to. We'll try to give you as much time as we can, as long as we have enough questions, but we intend to take that time. Again my apologies.

Go ahead, please.

[Translation]

Ms. Joëlle Levie (Chief Executive Officer, Film and Television, Société de développement des entreprises culturelles): Good evening, Mr. Vice-Chairman, and members of the standing committee. My name is Joëlle Levie and I am the Chief Executive Officer for Film and Television with SODEC. With me this evening is Mr. Dominique Jutras, the Assistant to the Director General for Policy, Communications and International Relations.

It is important for SODEC to appear before this committee to tell you about our experience, to explain what has been developed over the years to enhance the public image of the Quebec film industry and to ask the Canadian government to do the same.

A study of Canada's film policy, of its mechanisms and its impact cannot be done without taking into account the active and ongoing role of the Quebec government and its institutions. It is therefore important, for everyone's benefit, including your own, as members of the standing committee, to remember the greatest stages in our history that have led to the success that the Quebec film industry enjoys today.

The Quebec government clearly stated its political will to support and develop Quebec cinema, particularly in 1983, when Quebec adopted the Cinema Act. It is still the only legislation of its kind in Canada. This legislation is one of the things that has been of great assistance to Quebec distributors.

To this political choice were added other measures, including the Quebec cultural policy unanimously adopted by the National Assembly in 1992; support for public institutions, such as the Régie du cinéma, Télé-Québec and the Conseil des arts et des lettres du Québec, the recognition of the Quebec Film Library, and the creation, in 1990, of the first film and television production tax credit, a model that has since been copied elsewhere. Moreover, this type of tax measure has also been used for dubbing and production services.

And, of course, there was the creation of SODEC, in 1995, as a single window for cultural enterprises to provide financial support in areas of film, television, fine arts, recordings, variety shows and publishing. This is done through support mechanisms for projects as well as businesses, including through the business development bank, the FIDEC and the FICC, as well as the administration of tax credits.

In order to operate in these various activity sectors, SODEC relies on advisory boards made up of representatives from these respective areas. In cinema and television production, the Conseil national du cinéma et de la production télévisuelle, commonly known as the CNCT, acts in an advisory capacity for SODEC and the Minister of Culture and Communications. This committee plays a key role in establishing a permanent connection with the area as well as providing an opportunity to discuss various problems so as to update and adapt our programs to the real needs of the industry.

More recently, in September 2003, the Quebec government confirmed its continued involvement in developing the Quebec film industry through the introduction of its plan to support film and audiovisual production, with a specific budget of \$15 million.

This plan built on the 1983 to 1992 objectives, while setting out three intervention priorities to increase the quality, diversity and competitiveness of film and audiovisual production in Quebec, to enrich and diversify the film offering for all Quebecers and to consolidate the industry in a context of rapid technological evolution and increase competition, both nationally and internationally.

These combined efforts and actions have allowed SODEC to play a major financial role in film and television production in Quebec by granting, through its various programs, more than \$200 million per year.

Through a steady approach over more than 20 years, added to a more recent case-by-case increase, and, lately, recurrent, additional funds, the Quebec industry and public authorities have developed a coherent philosophy and strategy that have adapted to developments in this area, while winning public support and ensuring that Quebec is increasingly well-positioned on the international scene.

● (1740)

We have already met a number of the stated commitments. However, there is still work to do so that any headway we have made will not result in an isolated success; we have to engage all of the stakeholders.

In our brief, SODEC explains what must be done in the short, medium and long term, while speaking to the urgent need for examination of this issue. There are those who will seek to involve all of the sector's stakeholders.

On the strength of the expertise we have demonstrated in developing and implementing programs based on the criteria mentioned previously, SODEC would like to take the opportunity provided by the standing committee to ask for its support for Quebec's policy priorities.

We are also taking this opportunity to suggest the means that would allow the Quebec film industry to continue with its momentum. The funding available to fiction feature films must be maintained in order to: preserve a critical mass of films; ensure a diversity of genres; improve development assistance in order to push the writing of projects and increase the number of activities for training script-writers; introduce a bonus rewarding the success of Quebec films and provide coproductions with the resources necessary to develop and maintain the business partnerships established by national and international producers.

As for documentary feature films, it is essential to provide the necessary means to this form of expression, thus strengthening the feature film assistance program that SODEC instituted last year.

With respect to the funding of short films, SODEC is currently one of the rare institutions to favour and provide financial assistance to the production of these works that allow us to explore narrative as well as visual fiction and to develop new talents.

The time has come for us to collectively reflect upon the issue surrounding distribution in the context of new technologies, difficulties related to certain types of films—small-budget productions, documentaries and shorts—and access to diversified film offerings in the regions.

Finally, Quebec, for many years now, has left its mark on the francophone market, with close ties to France, Belgium, Switzerland and Africa. Canada has also developed close connections with Anglo-Saxon countries and many European nations. It is high time that this respective expertise be recognized so that both Quebec and Canada may benefit from one another's actions.

With that in mind, we believe it is time to agree on an approach that would build on the strengths of each one in order to identify the resources that will be needed to support large-scale operations and develop various measures for businesses to undertake on the international market.

Thank you for your attention and I will now defer to my colleague Dominique Jutras.

● (1745)

Mr. Dominique Jutras (Assistant to the Director General, Politics, Communication and International Relations, Société de développement des entreprises culturelles): Good evening. I would simply like to say that I have given the clerk some documents that will no doubt help you to better understand what Quebec has done. This includes SODEC's annual report.

I have a few copies of the film and audiovisual production plan. I have also sent along the plan's file, which states that it was adopted in 2003.

I would also like to make the committee aware of a publication called *Statistiques sur l'industrie du film* produced with the Observatoire de la culture et des communications du Québec. It includes all kinds of information, including the number of movie theatres, the number of independent establishments or the number of Cineplex Odeon or Famous Players theatres, the number of screens in Quebec. There are 750 movie screens in Quebec. The last pages of the publication include data on the film industries elsewhere in the world. We have undertaken some research and we provide comparisons with similar industries in other countries. It is a reference work, which clearly illustrates the annual production volume in Quebec.

I think the committee will find this information quite useful.

Thank you.

[English]

The Vice-Chair (Mr. Gary Schellenberger): Thank you.

[Translation]

Ms. Claire Samson (Director General, Association des producteurs de films et de télévision du Québec): Good evening vice-chairs, Madam, gentlemen.

First of all, I would like to thank you for having invited l'Association des producteurs de films et de télévision du Québec to present a brief as part of these consultations. My name is Claire Samson and I am the president and CEO of the APFTQ. With me today is Ms. Lorraine Richard, who is president of Cité-Amérique, and Mr. Marc Daigle who is president of ACPAV. Both of these colleagues sit on the APFTQ's board of directors on behalf of the members of our feature film section.

The APFTQ represents over 140 independent film and television production companies, making up the majority of Quebec firms producing for the small and big screens in the French and English languages. Some 40 or our members are involved in feature film production, also in both languages.

The last two years have been outstanding for the Quebec industry, and hence for the members of the APFTQ. The feature film has seen unprecedented success: Quebec films have recorded their best performance in the Canadian French-language and English-language markets, in addition to winning numerous awards abroad. In 2003, seven Canadian films took in more than \$1 million at the box office. In 2004, for the first time in the history of Quebec cinema, 10 French-language films earned box office in excess of \$1 million.

● (1750)

Ms. Lorraine Richard (President, Cité-Amérique, Association des producteurs de films et de télévision du Québec): The feature film policy of the Canadian government, introduced in April 2001, played a critical part in all of these successes. The objectives of the *From Script to Screen* policy are well on the way to realization, but it would be premature to conclude that the resources now in place are sufficient. The industry is fragile: there have been important successes. The financing of a feature film production remains a long and risky exercise, and the benefits are always difficult to determine in advance of the end result, as confirmed by public interest. All the participants and all the talents are important, and it is through the optimum combination of these with all the elements of the promotional campaign that a satisfactory outcome will be achieved.

Mr. Marc Daigle (President, ACPAV, Association des producteurs de films et de télévision du Québec): The industry is facing a number of challenges. Budget diversity has to be maintained: there are productions that have lower budgets which have been able to garner public attention and win awards on both the domestic and international markets.

One must also take into account the importance of having sufficient funds available at the development stage, as these contribute greatly to the quality of a film. A quality national production is the result of a critical mass of projects and of high diversity, and this is why we need to increase the funds that are available. It is thanks to this policy and to the funds invested by the Canadian government that Quebec feature films are succeeding on both linguistic markets as well as abroad, even though it is still too early to measure its results with accuracy. The five-year period that will allow us to properly evaluate these results will end on March 31, 2006. We must remember that it takes approximately 18 months to produce a feature film.

[English]

Ms. Lorraine Richard: Long-term budget commitments are responsible in large part for the success. When this policy was introduced, it was understood that the funds would be renewed on an annual basis, but for a total period of five years.

Our association asks that this policy be renewed for a further five-year period. This will avoid the roadblocks associated with the annual renewal and reduce the uncertainty of conditional funding year after year. Stability is necessary to ensure a healthy film industry, and it is critical for co-productions in terms of the message it sends to international partners, namely, that Canadian producers have access to stable and credible financing.

Ms. Claire Samson: At the moment, documentary feature film productions are not eligible for financing from the fund, which supports fictional films only. It is essential to provide for an additional separate budget envelope in order to promote the emergence of this type of production in Canada in both linguistic markets.

There is also the situation of animation productions. Very few animated productions have been financed by the Canada Feature Film Fund. There are two titles that stand out: *Les Triplettes de Belleville* and *Pinocchio 3001*. Animated productions are fiction and are therefore eligible for the fund.

However, there are many obstacles: the difficulty and time required to complete a financial structure for these productions whose budgets are higher than conventional productions; the need to work in concert with one or more international co-producers; the difficulty of finding such partners, given the tightening of international markets and the long delays involved, not to mention the competitive context arising from the insufficiency of available funds.

To facilitate these productions' access to Canada Feature Film Fund, incentives will have to be put in place. The association recommends the establishment of a working committee to find solutions to stimulate this type of production.

•(1755)

Ms. Lorraine Richard: Concentrated efforts and financial resources are required to increase sales of Canadian productions abroad. More sales on foreign markets would translate into additional receipts, which could help to finance more production.

At this time, a lot of promotional effort is devoted to encourage co-production partnerships, and even though the recent success of

Quebec's cinema speaks for itself and is sufficient to arouse a good deal of interest in Canadian funding programs, it is time to move on to the international marketing of existing and future productions.

The Department of Canadian Heritage has taken an excellent initiative in setting up the Canada Feature Film Fund Advisory Group, which allows it to consult on a regular basis with professionals regarding the different policies.

The association recommends that this group be reactivated and that its members sit as representatives of the various industry stakeholders instead of as individuals. This change would provide the assurance that the opinions of the entire industry would be taken into account, not just those of certain individuals.

[Translation]

Mr. Marc Daigle: Let us not forget the reform of the Copyright Act. In 2001, the APFTQ submitted a brief to the government, which was updated in September 2003. The positions expressed in the summary and this brief are still valid, and certain proposals respond to the concerns expressed by the Canadian government.

The objective of this reform is that the Copyright Act remains one of the most modern and progressive statutes in the world. It is imperative that the work continue and that the long-awaited amendments be passed. The issue of rights ownership must stop being put off to the medium term so that concrete protective measures can be introduced quickly, before Canada starts lagging behind the international market. These measures could help us to counter the pirating of feature films, a situation that is increasingly worrisome for rights holders since it risks compromising the operating model in place in our industry and depriving them of substantial revenue.

The APFTQ feels that issues relating to the digital age are fundamental in the copyright reform agenda. Given precedence to public access to these works to the detriment of copyright protection would be a serious mistake.

[English]

Ms. Lorraine Richard: The success of Quebec's cinema is the product of more than 50 years of history, and of the vision of innovative filmmakers who have been able to win national and international recognition for the quality of their productions.

There is no question that the Canada Feature Film Fund, which represents the financial contribution of the Canadian government, has contributed to support for these recent successes, but lack of funding could make it impossible to maintain or continue this progress.

The industry is facing a serious decline. The industry is in need of a major increase to the amounts presently available for production. That increase would serve not only to support the two components of the program in the two linguistic markets, but also to launch programs for the documentary cinema and to provide specific measures for animated feature film.

The funds that might be necessary to cover the industry's transition to digital mode should not be taken from the budget allocated for the content productions.

[Translation]

Mr. Marc Daigle: A multi-year renewal would avoid roadblocks and a harmful climate of uncertainty for the industry, as well as for Canada's reputation on international markets. Existing support measures for coproductions must be maintained, and incentives must be provided to encourage exports.

The movies are an incomparable calling card for Canada, and contribute to the dissemination of Canadian culture to the rest of the world.

Our tax credit programs have been effective thus far, the best proof of this being that this funding system is now used in many countries of the world. While Canada was one of the first to introduce it, the programs of some countries are now outperforming the Canadian system. This has been the case in France for a short time, and it will probably soon be the case in the United Kingdom.

Ms. Claire Samson: The distribution market is also experiencing difficulties at the moment, for many players have disappeared without bringing newcomers in their wake; this is a major concern for the members of the APFTQ.

Furthermore, we must take note of the participation of some broadcasters, such as the French television arm of the Canadian Broadcasting Corporation, which has a feature film investment policy. The Canadian Broadcasting Corporation participates in the financing of French-language feature length films, as well as in their promotion. Broadcasters are interested in feature film productions, some more actively than others, and this interest is translating into positive developments for the industry in terms of investment, development and promotion.

The industry will require government assistance to ensure its transition to digital mode. The government must provide the leadership on this transition and develop a master plan as soon as possible. The rest of the world is changing, and Canada must be able to keep step with or at least follow this movement, or else it will find itself isolated and overtaken by events.

The copyright reform that was initiated some years ago has to be finalized. All of these questions must be resolved; they will enable Canada to combat the damage attributable to pirating.

• (1800)

[English]

Apart from the necessary increase in government funding, various avenues raised in recent years to address the insufficiency of resources could be explored, such as the establishment of a private copying regime for audiovisual works, a ticketing system that retains a share of receipts generated by the box office on foreign films, etc. The measures are many, and creativity is a trademark of the industry. The Canadian government must seize the opportunity to assume the leadership on all of these changes and arouse the interest of certain provincial legislatures as well.

In conclusion, the government budget allocated to the Canada Feature Film Fund must be increased substantially and renewed on a multi-year basis.

[Translation]

In conclusion, the APFTQ thanks the committee and its members for having given it the opportunity to present its priorities on the future of the film industry, and wishes to assure the committee of its availability to discuss the situation of the industry in greater detail, or to participate in other consultations.

I thank you.

[English]

The Vice-Chair (Mr. Gary Schellenberger): Thank you very much.

We have two people, so I am going to start with Mr. Kotto and he can ask questions. Then I will go to Mr. Silva, and we can go back to Mr. Kotto if has more. He has had quite a few questions today, and I appreciate that.

Mr. Kotto.

[Translation]

Mr. Maka Kotto: Thank you, Mr. Chairman.

Thank you for being here. Without getting political, I am going to ask you a series of questions. You will understand why I preface my questions in this way.

My question is for the people from SODEC in particular. Is the impact of the fiscal imbalance on the funds allocated to SODEC an issue that you discuss often, or not at all?

Ms. Joëlle Levie: I am smiling, because I deal mainly with operations. This is not an issue that would really be discussed at my level, but rather at the departmental level as such, and with the minister. Dealing primarily with operations, I cannot answer you.

Mr. Maka Kotto: All right. I will rephrase my question. What percentage of the applications it receives does SODEC have to refuse, because of a lack of funds?

Ms. Joëlle Levie: That all depends on the category involved. We deal with three categories: fiction feature films, documentaries and shorts. The refusal rate varies according to the category. We have a fourth program specifically for young people between the ages of 18 to 35.

I will start with the former. For the 18-to-35-year-old program, which has a budget envelope of 1.5 million dollars, our acceptance rate is between 10 and 15 per cent. For documentaries, the acceptance rate is around 40 to 45 per cent.

Mr. Maka Kotto: What is its budget?

Ms. Joëlle Levie: The budget for the documentary category is approximately 2.9 million dollars. As for feature films, which have the most significant envelope, with a budget of approximately 14 million dollars, the acceptance rate this year will probably slightly be under 20 per cent.

This year—no doubt we will be the victims of our own success—we will receive a very high number of applications, a record-setting number. As the budget has not increased proportionally, the refusal rate will increase.

• (1805)

Mr. Maka Kotto: Are the funds that the Quebec government allocates to SODEC remaining the same, or have they been reduced?

Ms. Joëlle Levie: No. We have actually been seeing an increase, which in fact started with the creation of SODEC. Before SODEC, there was another organization that existed in Quebec called the SOGIC. When the government at that time decided in 1995 to create a one-stop service, several programs that were spread across different entities were amalgamated into a single organization. This is when SODEC appeared. Over the first few years of SODEC's existence, the cinema fund was added to it. I cannot speak on behalf of the other cultural industries. The major investment happened in 2003-2004, when the minister, through the support plan for film and audiovisual production, gave SODEC a direct grant of 12.2 million dollars. The budget for film, without taking into account tax credits and financing tools like loans and revolving credit, is approximately 27.5 million dollars.

Mr. Maka Kotto: At SODEC, are you well acquainted with the federal government's new budget and its impact on heritage and culture? More specifically, do you know if Telefilm Canada's budget has increased or decreased?

Ms. Joëlle Levie: I can tell you, because I worked for Telefilm Canada for seven years before joining the SODEC. So, I have also got experience on the federal side. You may choose to take this with a pinch of salt, but I will give you my testimony.

You just have to look at the evolution of Telefilm Canada. When I started there, the Canadian Television Fund and the Canada Feature Film Fund did not exist. It was one envelope. The fund administered by Telefilm Canada at the time was much smaller. Around 1995 or 1996, when the Canadian Television Fund was established, this private and public fund was created, setting aside a \$200 million envelope for television, \$50 million of which came from Telefilm Canada. It became the Canadian Television Fund, with its two components.

Later on, the Canada Feature Film Fund was created and there was indeed a substantial funding increase. The feature film envelope contains \$100 million, \$75 million of which are administered by Telefilm Canada, I believe. So Telefilm Canada had additional funds when the Canada feature film fund was created.

Mr. Maka Kotto: My question dealt more specifically with the latest federal budget. Initially, all departments were asked to cut back by 5 per cent.

Ms. Joëlle Levie: Yes.

Mr. Maka Kotto: Officially, the Department of Canadian Heritage was spared. But really, once you go over the appropriations, you realize that there were cutbacks.

Given your understanding of Telefilm Canada, according to you, which level of government invests comparatively more in culture, the federal or the provincial government, and why?

Ms. Joëlle Levie: You are referring to culture, production and film initiatives?

• (1810)

Mr. Maka Kotto: Yes.

Ms. Joëlle Levie: You are asking a question that is hard to answer, because it is huge. You are comparing Canada to Quebec. I think that on the film side, currently, Telefilm Canada has more resources than the SODEC. However, proportionately speaking, Quebec has substantial resources. It should be noted that Quebec is the only province to have such a large budget set aside for cinema.

Proportionately speaking, we have a lot of money, but we have less than Telefilm Canada. In fact we complement one another. Both funds are necessary to support film production in Quebec. You cannot finance a film without the involvement of Telefilm Canada. Am I answering your question?

Mr. Maka Kotto: Yes.

I do not know if you realize that over the last 40 years, when it comes to culture, Quebec has been asking to administer its own programs, not unlike what exists in the area of workforce training.

I recently asked witnesses out west whether, if funds were transferred to the provinces—Quebec in this case—, the local administration of funds for production, broadcasting and promotion would be a good or bad thing. Spontaneously, people answered in the affirmative.

Ms. Joëlle Levie: I would like to answer in part, but you should also consult the industry. Clearly, at this point, SODEC's strength lies in the fact that it is responsible for a province and knows the industry perfectly well. It has a global view of what is going on. It can react quickly and in keeping with developments in the province. It does not need to know what is happening in another province in order to act. So this closeness is effective. It is effective, because we know the environment we are in.

That is also the strength of Quebec, which has a very strong sense of its language and culture. It works very closely with its artists. So there is direct contact, Quebec-specific contact, between organizations and the industry.

Does the federal transfer of funds for...

Mr. Maka Kotto: On the basis of an agreement.

Ms. Joëlle Levie: Yes, on the basis of an agreement. It is being discussed internally.

Mr. Dominique Jutras: We have programs that are understaffed. We already have an infrastructure and policies to administer programs. Given our closeness to the industry and the structure we have, these are things that could be done.

Mr. Maka Kotto: I'll continue, because I see the chair is looking at me.

[*English*]

The Vice-Chair (Mr. Gary Schellenberger): Just a minute. I'll let you carry on just a wee bit more, and then I want to switch over to Mr. Silva.

[*Translation*]

Mr. Maka Kotto: All right, that's fine.

My question has to do with content. I'm referring to diversity. There's an absurd system in place according to which Quebec, in proportion to the rest of Canada, brings in more revenues and receives 40 per cent—or rather 33 per cent of transfer payments from Ottawa.

A voice: One third.

Mr. Maka Kotto: That's correct.

It's absurd, an aberration which I don't understand. It's a long debate. A solution should be found to help the English-Canadian film industry out of its slump, given the space taken up by American film, cultural proximity and a common language identity. Shouldn't something be done to strike a balance here? Indeed, given the revenues we generate and the amount of money in the industry, it's a form of injustice. That was my first point.

My last point has to do with diversity. When it comes to content, do you, as producers, or as financial backers, focus on representing Quebec as it is, as we see it in the street, in the people that we meet on a daily basis? It is an image.

•(1815)

Ms. Joëlle Levie: Regarding your first question, I represent a government organization, and this organization faced a dilemma as to what could appropriately be said before this committee. What can this organization contribute, and is it in a position to comment or criticize another organization it works with?

It is clear that with respect to the success of Quebec film, from a purely Quebecois perspective, indeed this poses a problem. It is stated quite eloquently in our written brief. We would hope to see the success of Quebec films rewarded. Currently, without a doubt we are seeing that the mechanisms established by the federal government, through its Feature Film fund, have reached their limits in Quebec. In fact, performance envelopes were put in place to provide an incentive to encourage success and that success has surpassed all expectations.

Currently, it is a fact that the way performance envelopes are calculated penalizes Quebec. The weighting is lower for Quebec films than for films from English Canada, yet both produce identical results. Why? The reason is because of the famous one-third/two-thirds breakdown, which according to some, stymies the system.

We have to find a way of acknowledging films based on a breakdown that would allow Quebec to see a return on its contribution to successful films and to the increase of Canadian tickets sales. This is of concern to us because when an industry is going well, it develops and that leads to the creation of a true star system, which consequently leads to actors demanding higher salaries. Certain producers, and certain technicians are also asking for more because they claim that they are contributing to a film that will generate \$5 million in theatre ticket sales alone. An upward trend is created, and in order for the momentum of the Quebec film industry to continue, we need more resources.

This is what we call showcasing and rewarding Quebec success. It is a way of saying that if we want Quebec cinema to continue to be successful, we must find a way of financially acknowledging its success. We have no choice, otherwise there are good chances that it

will stagnate. Otherwise, another option is to explore other avenues. There is the possibility of coproductions, but that has its own obstacles. Coproduction project are extremely complex, and often, these projects are not necessarily financially viable. They are cultural projects, rather, that allow certain countries to work together.

We must find a solution, we are convinced of that. We have no way of rewarding films, or increasing value. The performance envelope was a starting point, but as I was telling you, we have gone beyond the limits of the system. We must find another way of providing bonuses, and set aside the one-third/two-thirds formula. This is one possibility we must think about.

The second question dealt with identity. Do we create film products that faithfully reflect our culture? I believe so, and it is also for this reason that they have been successful.

Mr. Maka Kotto: Diversity.

Ms. Joëlle Levie: Yes. Curiously, we are partners in an aboriginal feature film, coproduced by a Quebec-based company and a Nunavut-based company. It is the sequel to *Atanarjuat: the fast runner*.

[English]

The Vice-Chair (Mr. Gary Schellenberger): Thank you very much.

Ms. Samson, did you have something you wanted to say?

•(1820)

[Translation]

Ms. Claire Samson: I wanted to briefly comment on two things raised in Mr. Kotto's questions, first regarding the idea or the concept of federal transfer payments to a provincial organization.

I believe that, operationally speaking, the SODEC would be perfectly capable of managing things and that there certainly would be productivity gains to be made. However, we should not lose sight of the fact that this is related to another series of measures called negotiations and certifications for international coproductions, measures which would still remain unavoidable for Quebec producers. So, in this context, we are not simply referring to a transfer of funds. There is an entire infrastructure, a production network which is related to all of this, even if you are strictly looking at international agreements.

When you refer to injustice in the distribution of resources, given the success achieved in Quebec, Quebec producers have indeed become victims of their own success due to the outstanding performance of our productions. We are not about to complain because we are doing too well. Not all industries can make the same claim.

However, you have to acknowledge that the situation in Quebec applies to feature films as well as to TV. Quebecers watch Quebec and Canadian shows much more than foreign programs. Ten years ago, the most popular television programs in Quebec were *Little House on the Prairie*, *Dallas* and *Dynasty*. This is no longer the case today. The most popular programs, on all Quebec channels, are original shows produced in Quebec with Quebec artists. This is actually the situation everywhere.

One of the reasons for this major success—Joëlle mentioned it—is probably the deep-rooted Quebec cultural identity, the star system—whose equivalent cannot be found in English Canada—and which certainly does contribute to this success. Moreover, in Quebec, the release of a film attracts much more media attention, be it in the print media, radio, etc., than in English Canada.

I will give you a simple example. This evening, at 6:30 p.m., while many English Canadians will be watching *Entertainment Tonight* on TV, many more Quebecers will be watching a TV show called *Flash*, which promotes the cultural performance industry in Quebec. The closeness that exists with the other media underpins the star system. It has certainly contributed to the success of our films and television.

In this regard, our recommendation is similar to that of the SODEC: we need to find a mechanism which at the very least recognizes the exceptional performance of the industry in Quebec, but does not curb the efforts made by our colleagues in English Canada as they attempt to recapture their market.

[English]

The Vice-Chair (Mr. Gary Schellenberger): Thank you.

Mr. Silva.

[Translation]

Mr. Mario Silva: Thank you, Mr. Chairman.

First, film industry partners outside of Quebec all have great admiration for the Quebec film industry, for its star system. It is really incredible.

I have a fairly brief question. Given the number of provincial and federal support programs that exist, would you say that we are obtaining the desired results through our current funding organization? How can we improve organizations such as Telefilm Canada, for instance?

Before you answer this question, could you clarify something that I have not quite understood. You

SAY: Attendance at events, organizing foreign missions in targeted countries, coproductions, Canadian content requirements, and support for film releases in third countries are some of the approaches that will require concerted action.

I do not quite understand this. Could you clarify this point for me?

• (1825)

Ms. Claire Samson: Is that in our brief? Could you show me where?

Mr. Mario Silva: It has to do with the situation in Quebec. It is in your presentation.

Ms. Joëlle Levie: Are you referring to the paragraph that states: “Should this come about, we think that it would be a good idea to agree on an approach that builds on each other's strengths...?”

Mr. Mario Silva: It states: “Attendance at events, organizing foreign missions in targeted countries, coproduction, Canadian content requirement...” You have the same document, don't you?

Ms. Joëlle Levie: Oh yes, here it is: “Attendance at events, organizing foreign missions in targeted countries...” Is that what you are referring to?

Mr. Mario Silva: Yes, precisely.

Ms. Joëlle Levie: You want me to explain to you what it means?

Mr. Mario Silva: Yes.

Ms. Joëlle Levie: When you want to sell your product or are seeking out partners, various forms of international representation exist. You can go to markets or festivals. For TV, there are some large markets, MipTV and MIPCOM, namely. As for festivals, there is Cannes and there is Berlin, and they both have a component which is market-focused. Professionals, not strictly distributors, come to seek out projects.

These markets and festivals bring together industry representatives from all countries. We realized, over time, that in some cases and for certain specific countries, it was preferable to organize a cultural economic mission, composed of producers and distributors. The mission goes to the specific country for two or three days. A schedule of meetings is prepared ahead of time and some of the get-togethers are bilateral. The meetings actually take place in the field first, with people in the given country, and meetings and discussions take place over a period of two days.

This is what we call targeted missions, missions where you send 10 or 20 feature film producers who would like to meet other feature film producers, for instance in Japan. Japan is a hard market to crack, we want one-on-one meetings. So we organize a mission with the help of embassies or delegations. We send the producers on site and organize meetings. Exchanges take place over there, outside of the festival circuit. It's very interesting.

Mr. Mario Silva: And now, can you answer my first question?

Ms. Claire Samson: I forgot it; you're going to have to repeat it.

Mr. Mario Silva: I'll repeat it. Given the number of provincial and federal support programs that exist, are we obtaining the desired results through current funding organizations? If not, how can we go about improving organizations such as Telefilm Canada?

Ms. Claire Samson: Obviously, each organization sets out its plans and programs. Often, they tend to consult the industry. Unfortunately, because the worlds of television and cinema cut across many disciplines, it isn't always easy for various stakeholders to come to a consensus. Organizations, such as Telefilm Canada, try to develop policies and programs which are in keeping with the country's main cultural objectives, while being conscious of individual needs. We are managing rather well, but the situation isn't perfect, for many reasons.

Take for instance Telefilm Canada, which has a recovery policy. This policy guarantees annual revenue on the order of \$7 million to \$9 million for Telefilm Canada; unfortunately, under this policy, producers are not considered preferred investors in their own production. Even if a feature film is a commercial success, once advances, distributor fees, Telefilm Canada investments are reimbursed, producers never manage to recover even so much as the tax credit that ended up going into their film, despite the fact that it was initially created to allow production companies to be come self-sufficient.

These days, tax credits are entirely invested in production, and producers who have had a commercial success will be third in line to recover a part of their tax credit, some of the time.

Ms. Richard could tell you about this, as she is the producer of *Séraphin: Heart of Stone*, which was a resounding commercial success in Quebec.

• (1830)

Ms. Lorraine Richard: Everyone has the best of intentions. It would be wrong to say that certain organizations are not trying to make sure that their policies are in line with others. No one is trying to overstep their boundaries, either at SODEC or at Telefilm Canada.

The basic problem, and I do not like to say this because it seems like we are always complaining, is that there is a crying need for funding. In 2001, when this policy was announced, it was accompanied by a \$100 million fund. Of that \$100 million, \$75 million is earmarked for film production and \$25 million for managing other programs. So a policy was laid out using the \$75 million. We were told to increase box office receipts and produce films of all kinds, to go full steam ahead and we would receive support.

We did that, we went ahead with our work and things have gone marvellously in Quebec because we have managed a big increase at the box office. So we have been successful. However, five years later, the cost of living has increased and we are the victims of our own success. As a result, this whole approach needs to be rethought. But the problem is that there is a lot of talent in this country, lots of people and lots of players. We need to produce a lot of work and films because that is how an industry is created in any country, except in the United States, since they are the only ones to work the way they do.

But in countries like France, England, Italy and Spain, there is a need for a critical mass of films every year for the industry to exist. Otherwise, these countries would be marginalized and be without any national culture. Since we live in a small country, I think that it is wonderful that we have been able to achieve such commercial success and sell our films abroad, bringing income into the country. We need to keep doing that. We must not give up; we must continue to support filmmaking on a large scale.

[English]

Mr. Mario Silva: Merci.

The Vice-Chair (Mr. Gary Schellenberger): We only have about seven minutes left. Before I pass this over to Mr. Kotto, I have a couple of statements to make. I don't know if they are questions, but I just have to say these things.

There have been various things that I've heard throughout the presentations and the questions and answers. One thing that comes out loud and clear is the need for long-term sustainable funding. We've heard that from the CBC, from Telefilm, from everybody—long-term sustainable funding. I think anything that comes along should be...whether it is a five-year program.... I always keep hearing about “sunset”; it is going to sunset. Well, sunset means it is over, unless they go for another five years, but that's just spot financing as far as I'm concerned.

I think there has to be accountability. I think there should be long-term sustainable funding. Let's say after the second year, if it is a five-year program, it passes on so that there are those two years added back on or whatever. You're always five years ahead until you see that it will have to be withdrawn, replaced with something else, however you do that.

Governments are great for doing that. I know I had a meeting with the hospital boards in my area. I'm from Ontario. Hospitals are asked to set up a five-year program, so they send in their budget, their budget is okayed, and they get the money. They get everything except the cost of living. As things go up, we as parliamentarians happen to get a cost-of-living increase, and I think those things have to be built into programs. If it is a \$100-million program, I think it should be a \$100-million program. It shouldn't include the administration of that program. Sometimes it takes away good funding money that everybody thinks is going to be used for that project, and it is not used for it.

Talking about co-productions, we had a group here earlier on dubbing. I think it is something that should go along, especially as we are in a bilingual country. But also, with so many various other ethnic groups and people who have come in—so much market right here in our country—there should be dubbing in however many languages there can be, but it should definitely be in our two official languages. Any film that is produced, whether it is produced here in Quebec, whether it is an English film or a French film, it should be dubbed and it should be done by us. I know you run into problems when it comes into co-production, and maybe a deal can be struck so that we do two films—one is dubbed in the other country and one is dubbed here.

I do think there should be stakeholders. There should be people from the industry represented on an advisory board. I come from a farm community, and we have people who aren't happy with some of the programs that come out of the government. Again, we sit around a table, much like we are here today, and we hear all the great stuff that we want to do. We take it back. We hand in a report. Then the ministry comes out with something like “We know how to handle them”. They haven't sat around the table, as we have.

I think that when we are finished this tour of investigation, we'll come out with a report. Hopefully that report will reflect what we have heard here today and yesterday and at the other meetings we have had, because it doesn't matter whether we are in Quebec or in Winnipeg or in Toronto, there are so many things that just reflect on each other. The feeling is there.

So I hope when this report goes in that it is listened to by the ministry.

• (1835)

Those were just a few little things I had here. I don't need an answer. If I said something to which you'd like to give an answer, you can send it to Jacques. I'd be pleased to take it, expand on something, or hear more on what you have.

That's from me. For the next five minutes I'll turn back to Mr. Kotto, because I appreciate his asking the questions.

Thank you.

[*Translation*]

Mr. Maka Kotto: Thank you, Mr. Chairman.

I have a similar request. I would like you, if you can, to send our clerk your views on the potential move to digital technology.

There is a project underway in England. The government there is using public money to invest in creating a network of 200 digital theatres with a view to taking back part of the country's cultural sovereignty. The British are dominated and invaded by American culture. It is a bit like the situation in English Canada. Because of the linguistic similarity, the Americans have come in and taken over easily in Britain. In English Canada, people are looking for solutions.

I come from Quebec. It is true that we can serve as a role model. However, whatever happens tomorrow, it is important to have a neighbour with a solid culture that is deeply rooted, or else our own culture will be dominated as well.

So I would like to have your comments on those two points. The document will help...

• (1840)

Ms. Joëlle Levie: I have attended a number of presentations. We all think that digital technology is the way of the future. You need to use high definition technology in order to produce a high-quality feature film. Right now, renting a high definition camera is not really less expensive than renting a 35 mm one. So people need to be careful when they say that digital costs a lot less.

It can be true in certain cases. However, we need to remember that documentaries have been made for years with small cameras. They used tapes and not digital technology. It was already a much more flexible way of making films, and it was necessary to have a camera.

Costs did not decrease because there are other things involved. As was mentioned yesterday, people do need to make a living in the film industry. People don't just work with their friends, who are gone after three films. So all those things need to be taken into account.

On the other hand, I think that everyone agrees that digital technology will be revolutionary, especially for distribution and screening. As soon as there is a series of digital networks than can communicate with one another mainly by satellite—that is the ultimate goal—there is no doubt that new ways of distributing films and doing business will develop.

In all that, cost savings are expected. There is the culture on one side, that gives access...

Mr. Maka Kotto: I was not asking for an answer tonight.

Ms. Joëlle Levie: It is because I am passionate about this.

Mr. Maka Kotto: I was asking you to provide us with some thoughts. We will be looking at this, since it is something that a number of witnesses have raised. There are two schools of thought, and that comes out clearly in what people say.

Thank you.

[*English*]

The Vice-Chair (Mr. Gary Schellenberger): We're going to close now, but again I must thank you so much for your presentation and your candid answers. I appreciate those so much. We'll take your message to those who were not here. Again, my apologies. You are probably the most important, and here you are to get just three of us.

Thank you very much.

The meeting is adjourned.

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