



House of Commons
CANADA

Standing Committee on Canadian Heritage

CHPC • NUMBER 063 • 1st SESSION • 38th PARLIAMENT

EVIDENCE

Thursday, November 17, 2005

—
Chair

Ms. Marlene Catterall

All parliamentary publications are available on the
"Parliamentary Internet Parlementaire" at the following address:

<http://www.parl.gc.ca>

Standing Committee on Canadian Heritage

Thursday, November 17, 2005

•(1110)

[English]

The Chair (Ms. Marlene Catterall (Ottawa West—Nepean, Lib.)): I call to order this meeting of the Standing Committee on Heritage.

We have Telefilm Canada in front of us.

We also have a motion by Monsieur Kotto. Ms. Bulte has asked that we deal with that motion first. I don't know how long the debate might be, but if the committee wants to deal with that first, I would propose that we limit the debate and vote on it by 11:30. I think it's only fair to the witnesses who have come. We want as much time with them as possible.

First, with respect to Ms. Bulte's motion to deal with the motion before we hear our witnesses, is there any discussion on that? Do we want to proceed? Shall we deal with the motion first?

I hear no objections.

Is it agreed that we'll limit the debate and bring it to a vote at 11:30? That will encourage everybody to be concise in their comments. Thank you.

We now have another important issue to deal with. The axe has moved closer to the neck, so to speak. We know there will be a confidence motion next Thursday, barring something cataclysmic happening. It means there could be a vote next Thursday night and no Parliament after Thursday. Obviously that is key if we are to table a report, as the committee clearly wants to do, before the House collapses.

We have some decisions to make, my friends.

Our analyst says that we can have a report ready by Tuesday. He reminds me that the bulk of the report is already in the briefing books that were given to you a couple of weeks ago. Although it's not possible to have the draft report over the weekend, if we all go through the briefing books quite carefully, we will understand what's in the report.

Secondly, we need to focus on recommendations. I would encourage all of you to think about the recommendations that you would like the report to contain, before we meet on it. You could perhaps have a discussion with Joe, if you have specific recommendations that you want to see in the report.

Ms. Bev Oda (Durham, CPC): Could we have contact information for Joe, if we need to ask any questions over the weekend?

Thank you.

Mr. Joseph Jackson (Committee Researcher): We'll talk afterwards.

The Chair: It would be nice to believe we might still be here on Monday, November 28, but there's clearly no way of knowing that for sure.

The question is this. Do we want to target tabling a report on November 24 and regard that as our last opportunity? If we do, what does that mean in terms of our meetings? What does it mean particularly in terms of the round table? Do we want to cancel those round tables?

•(1115)

Mr. Mario Silva (Davenport, Lib.): Madam Chair, I think we need to move quickly. There has been so much valuable work done by this committee, by all these citizens, and by the witnesses who have come forward. It would be a great tragedy if we can't have the report done as soon as possible.

I would ask members to take whatever information we have and look it over on the weekend. If you have any comments, report back to Joe maybe on Monday. We could move the final report forward, as fast as possible, by next week.

The Chair: Are you suggesting that we should be cancelling the round table?

Mr. Mario Silva: Absolutely, yes. It's a question of whether or not we're going to have a report. I don't want to feel, or let the citizens know, that all this work has been a waste of time. We need to have a report.

I think that a lot of valuable work has already done. We already know what the issues are. I can name offhand what some of weaknesses are in some of the areas. It has already been outlined in the report. I have very little to add to that, because I think so much has really been said on what the issues are over and over again by so many different witnesses.

We need to have that in a paper so that we can at least give it to Parliament and to the heritage department to take a look at.

The Chair: Is there general agreement on that, then?

Some hon. members: Yes.

The Chair: Okay, so I will communicate to all our witnesses, with a great deal of regret, because I think we were all looking forward to a lively exchange, both among them and with us, which would have contributed to the report. We'll maybe leave that to the next committee.

Secondly, I'm informed that the Minister of Canadian Heritage can be available for the estimates on Thursday after cabinet from 12 to 1:30 p.m., if that's agreeable to the committee.

Okay, we'll schedule that.

Does the committee want to spend any time meeting on Monday on a draft report?

Mr. Joseph Jackson: We could have a draft list of recommendations ready for the committee to consider on Monday. There are a number of documents that have gone to translation already, some of which you've already received in the briefing binder about 10 days ago. However, there is some new material as well, but it's more descriptive text. I think we could definitely have the list of key recommendations we've identified ready for a meeting in the afternoon on Monday.

The Chair: Mr. Silva.

Mr. Mario Silva: We need to have a final report by Thursday at the latest. If it means we have to meet on Monday night, then so be it.

An hon. member: We vote Monday night.

Mr. Mario Silva: Well, after the vote if necessary.

The Chair: Could we say Monday afternoon?

Mr. Mario Silva: It could be afternoon. We need to finalize this report. It's very critical for all of us to have a report finalized by Thursday—period.

The Chair: Okay.

That means we have to have our work finalized...by Tuesday, Joe?

Mr. Joseph Jackson: We need a fairly strong direction by the end of Tuesday and only modest changes, because we do face the reality that anything new that we write would also need to be translated and incorporated into a report. But it is possible.

The Chair: So I think we would then have to plan an extended meeting time on Tuesday. I think all of us will regret that we're probably not going to be able to spend as much time on the details of the report as we would like, but that's simply the reality we're dealing with. So I would consider that we should perhaps plan an all-morning meeting on Tuesday, starting at 9 a.m. and going until 1 p.m., and conditionally on Tuesday afternoon after question period.

Hopefully that would finish that by Tuesday. Possibly...no, we couldn't even do it on Wednesday, because you would need Wednesday to have it translated.

• (1120)

Mr. Joseph Jackson: If there were any remaining issues that hadn't been covered, yes, one could meet to discuss a small set of issues. But we would need the time, certainly Wednesday morning, to work on revisions, and we could come back if necessary to do additional changes if the committee felt they needed to consult with us further.

The Chair: Okay, then assuming that Thursday will be our last meeting and that it will be too late to make any changes to the report, we have Minister Frulla scheduled from 12 to 1:30 p.m. Is there anything else we want to put into that morning?

Mr. Mario Silva: We'd also be adopting the report as it's written?

The Chair: Yes, I would hope we might be ready to do that.

Mr. Mario Silva: I don't see that being too difficult a challenge, given that I think a lot of us are in agreement. I don't think I've heard too much disagreement with the report. If you have a few other things to add, I think they would be minor, not major, issues. We have to make sure we have this on record, and the only way we can do that is by adopting the report on Thursday.

The Chair: Ms. Oda.

Ms. Bev Oda: I would certainly agree with Mr. Silva. I think to expedite it, if we could get comments back for some of the grammatical points and just use our meeting time to discuss those substantive things that we really have to discuss, I think we can get through this.

I think it is unfortunate that because of the circumstances we are unable to undertake as fulsome a process as we would have liked. However, I think to balance off, as Mr. Silva said, the difference between a report and no report.... I think everyone, the participants as well as us, regret the situation vis-à-vis the report, and I hope the participants in the sectors understand that.

The Chair: That leaves us with the hour between 11 o'clock and 12 o'clock on Thursday. Is there anything the committee wishes to do to make valuable use of that hour? No? So we will convene then at 12 o'clock.

That leaves one significant thing undone, and that's Mr. Angus' motion.

Mr. Gary Schellenberger (Perth—Wellington, CPC): Next Thursday, the 24th.

The Chair: Yes, the 24th.

That leaves Mr. Angus' motion. So if we schedule all morning Tuesday and potentially an afternoon meeting and Monday afternoon, we should be able to deal with Mr. Angus' motion in one of those time spots.

I think I'll buy you all lunch when this is finished.

All right. Mr. Kotto, on your motion then.

[Translation]

Mr. Maka Kotto (Saint-Lambert, BQ): I will begin by rereading it.

That In the opinion of the Committee, the federal government must tighten its policies in telecommunications so that Canada entirely control broadcasting on its territory and that the Chair report this to the House of Commons.

This motion was inspired by the CRTC's decision to grant two satellite broadcasting licences to two companies, SIRIUS and CSR. It must be considered that, as a result of this decision, Canada will increasingly lose control of its communications. The granting of these two licences, confirmed by the government, signals the death warrant, or at least the massive sell-off, of Canada's cultural sovereignty with respect to broadcasting. Many of those involved in this sphere of human and cultural activity are uneasy, in particular in Quebec. I am in a good position to speak about people in the Quebec industry. Whether we like it or not, this decision ushers in a new policy completely contrary to the interests of Quebec and Canada with respect to all the provisions and historic positions that Canada has long adopted concerning broadcasting policies.

Foreign broadcasters will make up 90 percent of the content of the new radio satellite media. In other words, this is a way of giving the Americans—not to mention any names—control over satellite radio. Is this Canada's vision regarding broadcasting policy? I don't believe so. I've had opportunities to discuss it with political adversaries who are not necessarily here around this table. They shared my concerns about this motion.

• (1125)

[English]

The Chair: Is there any discussion on the motion?

Madam Bulte.

Hon. Sarmite Bulte (Parkdale—High Park, Lib.): Thank you very much, Madam Chair.

Let me begin by saying,

[Translation]

Mr. Kotto, that I agree with your speech this morning.

[English]

That said, I'd now like to look at the motion itself. There are a number of things I'm concerned about with the motion, because we're voting on the motion, not on the wonderful dialogue that flowed immediately after the motion.

I understand also that on November 15 you had indicated that this motion arose out of your opposition to the CRTC's decisions. For the record, Monsieur Kotto, you should know that I also oppose the CRTC's decisions. Unfortunately, those decisions stand right now.

If I look at your motion, I don't know what you really want. You say to "tighten its policies in telecommunications". Do you mean not requiring an increase in foreign ownership? Again, I hate to keep going back to the Lincoln report. We were very strong as a committee at that time in recommending that we not increase foreign ownership of our broadcasting system.

The argument has always been that it's not just about telecommunications, because telecommunications are over here. It's then about whether we allow the cable companies to have foreign ownership, and then do we allow broadcasting to have foreign ownership, and if we do, why not let the CBC have foreign ownership too?

I agree with you that it's a slippery slope. That was the reason that the committee, in the Lincoln report, decided not to increase foreign ownership.

But again, that's not what it says in your motion per se, so I guess I have a problem more with your motion and the way it is worded, because I don't know what we're trying to achieve by that. If we're going to confirm that we don't want increased foreign ownership, that's great, but it doesn't say that. I think the motion itself is very vague.

On the CRTC decision, Monsieur Kotto, you should know that the CRTC was actually working in a bit of a vacuum at that time when it did make the decisions, because the decisions could not be implemented until both Industry Canada and Heritage Canada reversed their satellite use policy.

If you want to bring a motion to say that we should reverse that satellite use policy, then we should all debate it. That's a good question. But the fact is that the U.S. satellite policy has been changed. Is that what you want to say? That's not just something that Heritage does; it's done in conjunction with Industry.

In fact, Monsieur Kotto, you should know as well that my biggest concern with the CRTC decisions was that we would have to reverse that U.S. satellite policy. I share your concerns about our broadcasting system, but again, I don't think it speaks to the motion.

Did you know that in the United States broadcasts, the Americans do not allow broadcasters to be non-Americans? In fact, Rupert Murdoch had to become a citizen, and do you know why, Monsieur Kotto? It was for national security.

What is it that your motion wants to achieve here? That's what I have a problem with.

Also, to be correct, the CRTC really does have the necessary powers at its disposal to determine whether or not a broadcasting undertaking is operating in Canada. Our Broadcasting Act and Radiocommunication Act already provide us with a solid legal framework governing broadcasting on Canadian territory. In fact, the Radiocommunication Act ensures that only encrypted subscription satellite signals authorized for distribution in Canada can be lawfully received by Canadians. No one may carry on a broadcasting undertaking in Canada without a licence or exemption issued by the CRTC.

In addition, licence-holders need to be Canadian to operate in Canada, and as members of the committee are aware, both CRTC decisions were indeed appealed to the Governor in Council, and after review of the petitions, the government announced on September 9 that it would be upholding the CRTC decisions that permit SIRIUS and CSR to operate satellite radio subscriptions and CHUM/Astral to operate a terrestrial subscription service. The government supports the implementation of the new subscription licences.

The government has also welcomed the requests by both CSR and SIRIUS for the CRTC to amend their licences to enhance their offering of Canadian and French-language programming. The CRTC has held a public process to review these licence amendments that enabled Canadians to express their views on issues such as the impact of new technologies on Canadian content and consumers' choice. SIRIUS and CSR have said they will make a broader range of Canadian and French-language content available throughout Canada.

• (1130)

It's interesting also, Mr. Kotto, that these groups have also said that they are going to be helping Canadian independent artists. You spoke of how a lot of artists in Quebec feel they are at risk. There is this group called Indie Pool, I believe, who claim that they represent thousands of artists and that somehow CSR and SIRIUS are going to help them. I believe Indie Pool actually works with SIRIUS and actually receives some lump sum payment under the CRTC decision, if I'm correct. They also claim that they're going to develop Canadian talent, which could reach over \$70 million over the next seven years.

Mr. Kotto, to conclude, if our national broadcaster is to remain relevant, it's important that it use all available technological means to extend its services to all Canadians. In conclusion, the broadcasting system is evolving and will continue to meet our cultural objectives. I do share some of your concerns, personally. But Canada has developed a broadcasting system that gives Canadians a full range of programming in both official languages and other languages, as well as a choice of competing distribution services.

That having been said, Mr. Kotto, while I appreciate the intent of your motion and what you're trying to convey, it is too vague, there are too many things that are left unaddressed, and so I will not be voting in favour of your motion.

The Chair: May I take the prerogative of the chair and make a suggestion here.

[Translation]

Mr. Kotto, it seems the committee members share your concerns about the CRTC decision.

[English]

It's my sense that members of the committee would like to find a way of expressing their concerns about the future of Canadian content. I'm wondering if there is any interest—and you may want to comment on this since you're next on the speakers list—in having you, Ms. Oda, and Ms. Bulte get together to see if there is a motion that might express the concerns of the committee about this. I can only agree that there's some vagueness in the motion; I don't think it clearly expresses what you said in speaking to the motion, and perhaps there is room here for wording that everybody would feel was important to put to Parliament.

Ms. Oda.

Ms. Bev Oda: Thank you, Madam Chair.

Without taking an undue length of time, I want to express the fact that we, too, understand and totally comprehend and agree with the underlying basis on which Mr. Kotto wants to put forward a motion to address this, and I think particularly to be sensitive to the francophone community and the services being provided to them in Canada.

Again, it's the wording. I'd be more than willing to meet with and to work with Mr. Kotto on a motion that reflects, very specifically, the direction there. I think there are many considerations here, because to entirely control broadcasting on its territory, if we were to take that, there are implications on what it would do to the existing service and how do you handle all of that. So certainly I would be very happy to meet with Ms. Bulte and Mr. Kotto to formulate a motion that accurately reflects what we want to say.

•(1135)

[Translation]

The Chair: Mr. Kotto, would you agree to prepare something that will combine the ideas of the other committee members who have spoken and that could be studied by the committee on Monday?

Mr. Maka Kotto: I'm in favour of that, but we may not succeed: in the light of Ms. Bulte's arguments, I see the beginnings of an unending debate on the basic points. On the other hand, if we agree to work in good faith, I am open to it. We are on the verge of an

election, don't forget. If we were to find ourselves in the middle of an election and this debate had not taken place, we on the Standing Committee on Canadian Heritage would have failed in our responsibility to defend culture broadly defined.

I will recall in passing that conventional or traditional radio stations are obliged to broadcast a minimum of 35 percent Canadian content, but this is not at all the case for satellite radio. I'm prepared to bet that tomorrow the conventional radio stations will be going before the courts to demand the same provisions and the same generousities as are offered to satellite radio. This is not a trivial debate. The question is of vital importance and I am open to any form of co-operation, but it must be done in good faith.

[English]

Hon. Sarmite Bulte: Madam Chair, through you, I would be more than happy to meet with Mr. Kotto and Madam Oda to discuss specific wording.

However, I'm somewhat surprised, Mr. Kotto, after serving on this committee with you, because I think we have all been working in good faith throughout this time, and I think this is not an indication that... So I'm quite surprised, in light of what I have said, that you would think that I would not be acting in good faith when I have been working with you to move forward. I don't quite understand why you've ever felt that I have not worked with you in good faith.

[Translation]

Mr. Maka Kotto: I didn't go so far as to accuse you of bad faith. I'm giving you a chance to prove that you're acting in good faith. In politics, everything is a question of perception. Seeing how you reacted with respect to the recently debated motion by Ms. Bev Oda, that is how I read the situation. That was the conclusion I drew after seeing you wasting time in order to avoid debating my motion. These are the two parameters that led me to express this perception, but I am not going so far as to accuse you of bad faith.

[English]

The Chair: The clerk has suggested that perhaps Mr. Kotto could withdraw his motion. May I suggest instead that we agree to defer consideration of the motion until our next meeting? Hopefully some agreement can be reached in between. *Merci beaucoup.*

Is that acceptable to you, Mr. Kotto? I believe we need unanimous consent of the committee to do that.

•(1140)

Mr. Maka Kotto: Okay.

The Chair: Thank you very much, members.

Mr. Clarkson, my apologies for the delay, but I think you can sense the pressure that we all feel to deal with some rather important issues before certain events, which may happen, sometime next week.

Please proceed with your opening statement.

[Translation]

Mr. M. S. Wayne Clarkson (Executive Director, Telefilm Canada): Thank you, Madam Chairman.

Good morning, Ladies and Gentlemen of the Committee. Thank you for inviting us back. First of all, I would like to introduce my Telefilm colleagues who are joining us today. Charles Bélanger is chairman of the Telefilm Board. Ralph Holt is Sector Head of English Language Feature Films. And Michel Pradier is Director of the Quebec Office and French Operations.

[English]

Quite simply, the goal of the Canada Feature Film Fund is to support Canadian filmmakers and the industry and to help them achieve a 5% domestic share by 2006. I'm delighted today to be able to report that as of June of this year, we've already achieved that goal, and I think equally important is that we've been sustaining it for the last six months.

This has been done at a time when there's an overall drop in movie attendance. In 2004, the total box office in Canada shrank by 4%. Nevertheless, during that time the box office for Canadian films—English and French language—grew by almost 20%. So despite the fact that Canadian films show on one screen for every fourteen screens that show Hollywood productions, and despite having limited production and marketing and promotional budgets compared with the Americans, Canadian films are doing a better job of attracting audiences than ever before.

I'd like to take a closer look at that 5% figure and show you exactly what it means in terms of audience growth in our unique markets.

Each market faces different challenges with respect to growing audiences. For example, the obvious one, the English-language market, is more directly in competition with Hollywood pictures; we're well familiar with that. In the French-language market, a 1% increase in box office ticket sales is equivalent to approximately \$1.5 million. In the English-language market, that same 1% increase is about \$7 million in ticket sales.

As I think we're all aware, since 2001 the French-language market has more than doubled, from \$12 million to \$29 million, capturing almost 22% of the overall market by 2004. The English market, since 2001, has increased from \$2 million to \$12 million, and has captured approximately 1.6% or 1.7% market share in 2004.

So the trend is upwards in both markets, but this success has come at a price, as the growth has created its own problems. For example, in the French Canadian market, audience success presents us with two major issues. First, there's a growing demand for Quebec movies, and it's increasing from year to year. The production costs of those films, understandably, are going up, not the least from inflation. So the second consequence is that there is an increasing demand for the films, their budgets are going up, and therefore the demand on Telefilm's limited resources is going up; as a result, we're able to fund fewer and fewer films, because the fixed amount of dollars set for the feature film fund back in 2001 has not changed.

So herein lies a concern that we at Telefilm have and, I think, the industry has. With fewer films being made at the French Canadian language box office, will it decline? Will fewer films be available to the audiences? We'll lose the momentum that was built up over the last four or five years, the momentum that the industry and Telefilm have worked so hard to create.

In the English-language market the challenges are considerable, as we all know, and there's no single silver bullet or solution for these challenges. Quite simply, Telefilm, the producers, the distributors, and the cinema owners—all of us—have to work together to achieve success, minimizing and sharing the risks, and sharing the rewards of, and accountability for, the performance of our films.

We have identified some particular problems in English Canada. The existing marketing and promotional support are insufficient to break through the incredible clutter of entertainment options in English Canada. English Canadian audiences will not be attracted to films that aren't promoted to them competitively and that aren't accessible to them in their cinemas.

● (1145)

Another issue is that because of the broadcast agreements available to the distributors, they're able to achieve financial gain with a limited theatrical release, so the motivation to do more, to take a greater risk, is not there. So in addition to the support for promotion and marketing, there is a need for a significant increase in broadcaster support for Canadian films, both in their promotion and acquisition.

[Translation]

The building and sustaining of a successful feature film industry - in both markets - requires the synergy of essential elements: sophisticated producers/production companies, talented creators and crews, star system, significant broadcaster support, dedicated Canadian distributors, and enthusiastic cinema owners. When these elements are in place, there is a critical mass of films being developed and produced: films that the industry stakeholders believe in and promote, and that audiences want to see.

[English]

The combined forces of all these elements also mean greater strength in our marketing and promotional support behind a film across all markets, the entire life cycle of a film, namely theatrical screening, DVD, pay TV, and over-the-air broadcast—in other words, more Canadians seeing more Canadian films in their theatres or in the comfort of their homes.

As I mentioned at the beginning, there are considerable problems, but I have confidence that we can address these problems and fix them. There are three immediate things we're going to do. First of all, we are not going to move forward unless it's step by step with the industry. As I stated earlier, there's got to be this trust in the relationship between the major components of this industry. Telefilm and the industry have been working on this over the years, in constant consultation with guilds, unions, APFTQ, CFTPA, etc.

To this end, we've called to organize a focus group, *un congrès*, in January, made up of the producers, the distributors, the cinema owners, and Telefilm. I think this will formalize the dialogue, and in turn, we'll reach a consensus around the solution to these central issues on how to effectively reach movie audiences in this country. Quebec has done it. They've built that consensus; they've built that trust between the producers, the exhibitors, and the distributors. They've got that strategic partnership.

Second, the work begun by this *congrès*, this focus group, will be continued with the reinstatement of the Canadian Feature Film Advisory Committee. This committee has been called to meet in February. It will be made up of representatives of the unions and guilds and associations, artists, producers, distributors, and exhibitors. They will inform and affect the policies, the programs, and the guidelines that Telefilm Canada is responsible for.

Another objective we have that I think will make a difference is the introduction of new financial tools. The public purse can no longer be the sole source of financing. Yes, additional money is necessary for the Canada Feature Film Fund, but I think we've got to look for partnerships, and I can give you a recent example.

About six months ago, we announced a pilot project of a long-form theatrical documentary fund, and we were able to find some resources within Telefilm, \$1.5 million—two-thirds, one-third, or \$500,000 for Quebec and \$1 million for English Canada. We met with the CBC, and we said, look, promotion of these films is crucial, and you have an excellent reputation for programming documentaries; come in on the partnership with us. The CBC put up \$1 million. Then we met with Rogers Group of Companies and we said, you have an excellent lending program for documentaries, you have a great deal of experience with the industry in this; commit dollars in support of this program. And they did; they committed \$250,000.

So here was \$1.5 million from the public purse that we more than doubled because of a public-private partnership. I think that sets a model in terms of continuing efforts.

The other one that I won't go into detail on is, of course, the CTF, which follows somewhat the same principle.

My third point is increased effort by Telefilm, hand in hand with the distributors and the theatre owners, to better market and promote our films. Show-Canada is an example, an annual meeting for the theatre owners at the grassroots level, as well as the large theatre owners. We've been present in Show-Canada for a couple of years; we support it financially. We go there as a team. We help promote the Canadian films. Its value is that we're promoting to the exhibitors across the country, not just the major players but grassroots as well, from the west coast into central Canada, Quebec, and the Maritimes.

So we are making advances, and some clear examples, if I may—recent ones that are happening right now, as I say. The film *Water*, Deepa Mehta's magnificent film that opened the Toronto International Film Festival, sold to Fox Searchlight Pictures in the United States. It's been released in limited theatres over the last, I think, two weeks now, to considerable critical acclaim and to considerable box office success. I think we can sit here confidently and say that film is going to gross well in excess of \$1 million in English Canada.

● (1150)

So we have a potential considerable hit on our hands, but there are more to come. Out of Quebec, *Maurice Richard* opens next week. We have the *Trailer Park Boys* that opens in the spring or early summer. We have *Bon Cop, Bad Cop*. So it's the momentum that's important.

Finally, a viable, competitive national industry is meaningless without a depth of high-calibre skills—our crews, our technical skills, right across the board, but most and especially the great Canadian creative talent that we have to sustain. Our concern is that if we're not able to sustain the volume of production, the volume of new scripts that are needed, and therefore that talent is not being employed in this country, they're going to look elsewhere. They're going to look south of the border, certainly the English Canadians.

We cannot afford to lose this talent. We've seen it happen with earlier generations, in the 1960s, the likes of Norman Jewison, Ted Kotcheff, etc., and it's something that I don't think any of us want to see repeated.

So here's the choice that Telefilm and the industry face: to address any of the challenges in this area, we certainly need additional dollars, additional dollars for the Canada Feature Film Fund, additional dollars in working with the private sector. We don't want to be forced to take dollars from one program within Telefilm and apply it to another. Taking from Peter to pay Paul is not the most productive thing to do at this time.

On almost every front in our programs, there's a demand for dollars. The success is evident. Whether it's in the independent low-budget program, whether it's in the Quebec production, whether it's in development, demand is consistent.

● (1155)

[*Translation*]

Telefilm is investing in the cinema of tomorrow, in the rich cultural diversity of Canadian voices. We have already seen some of our stories reach out and engage audiences all over the world. And there are so many more to come! Thank you.

[*English*]

The Chair: Mr. Clarkson, before the questioning begins, thank you very much for being here and for the presentation.

However, as you know, this committee, as you've just heard, will be working furiously in whatever time remains to us to table a report on film production in Canada. A week ago you were sent the work of our analysts, the report they've prepared for the committee, which contains some very specific and not easy questions to help us do that work. By and large, you have not addressed those questions in your presentation to us this morning, and committee members might want to bear that mind.

This report was sent to you so that you could zero in on those things that are of concern to the committee in completing its report, and frankly, we have only an hour to try now to get you to answer questions that you knew were going to be asked of you. I must express some disappointment on behalf of the committee.

Ms. Oda.

Ms. Bev Oda: Thank you, Madam Chair.

I would also concur with your comments.

Respectfully, Mr. Clarkson, I'm thoroughly disappointed in the presentation today. My first question was going to be, what have you told us that's new today that we haven't heard from you before?

Also, facetiously, but it will make my point, I don't know whether you understand that this is not the finance committee, this is not pre-budget consultations, and the bottom line in the message I've heard in your oral presentation today is more money. As you understand, we're looking to review the feature film policy of the government. I look here for suggestions on policy, I look for suggestions on a framework, I look for suggestions on how to improve programs, and there's nothing here.

One of the suggestions of submitting the questions to you prior to your appearance was to expedite the time. I really regret that today is a lost opportunity for Telefilm to move ahead on a number of important aspects of the report that we are trying to complete here.

Having said that, other than more money.... I think the thing is that when I look at the numbers, as you've reported them, on the improvements in the state of cinema, I also look at the difference in the number of theatres available in each of the markets, the francophone market, the English-language market, etc. In consideration, when we look at the francophone market—and we talked about this before—let's separate the two markets. Let's see what we can do to improve and build on the success in the francophone market. Let's address and come up with some concrete specifics to address the challenges of the English-language market.

I want to put it on record, I do not necessarily buy into your statement that you've reached your target. You've not reached the target as far as the anglophone market is concerned, and I think it is deceptive to tell Canadians that you've reached the 5% domestic target.

Do you want to take the opportunity in the remaining couple of minutes I have for my time for some specific suggestions or for responding to the questions that were put forward to you?

Mr. M. S. Wayne Clarkson: If I may, I regret the misunderstanding, and perhaps the misunderstanding is certainly mine. But there were a series of questions that we collectively worked on as a team in advance of this presentation, and I intended that merely as an

opening comment. We have done considerable study and analysis within the organization around a series of questions that I had anticipated you would be directing at us so that we could speak to them directly.

• (1200)

The Chair: May I just say, Mr. Clarkson, it was our questions, not your questions, I think you may have failed to address.

Ms. Bev Oda: Do you want to start with the first question we submitted to you and try to give us a response?

Mr. M. S. Wayne Clarkson: Yes, I would be pleased to.

Question one, as I understand it, is the Telefilm Canada Act.

Ms. Bev Oda: Yes. Have you any suggestions?

Mr. M. S. Wayne Clarkson: I think Charles has prepared a response to that.

Mr. Charles Bélanger (Chair, Board of Directors, Telefilm Canada): When the new Telefilm Canada Act was passed last March, this was, as we say in French, *une mise à jour*; it was not a renewed act or a modernized Telefilm Canada Act. It was well understood way back then that this was just phase one, which would be followed by a phase two, which I call the modernization of Telefilm. All in all, the amended act just brought the realities of Telefilm's work into the fray—

Ms. Bev Oda: I understand that, Mr. Bélanger. Do you have suggestions for the new modernized one so that we could make recommendations in our report regarding the Telefilm Canada Act? I understand the question, because we have dealt with it in the House. Do you have specific proposals on how the new modern Telefilm Canada Act would have to be changed to meet your plans for the future of Telefilm?

Mr. Charles Bélanger: There are a few areas, obviously, where the Telefilm act needs to be modernized. First and foremost, to start with, we need a larger board to reflect Canadian realities and bring about a correction to a section that deprives Telefilm of getting knowledgeable people on the board.

It may have been an oversight. Section 5, which deals with eligibility, presents a big challenge, as everyone knows here. This needs immediate attention, because otherwise the corporation cannot function properly. That's something quite important.

This question of eligibility prevents the various communities from coming on board, on Telefilm's board, because it specifies that no one with a direct or indirect pecuniary interest could be eligible to sit on Telefilm's board. That's a big issue, as far as I'm concerned, and I'm very pleased to respond—publicly this time—that something must be done. It's already been presented to the department. It has been brought to the PCO's attention, but there is no final resolution at this point in time, so this committee can certainly help push and press the competent authorities to make the moves.

The second important thing is the governance framework. It is certainly a big issue. The various programs Telefilm administers at this point in time are being dealt with through contribution agreements, MOUs, and directives specifying how we should be dealing with the business. There's a lack of flexibility here.

In my own view, we are a responsible, accountable crown corporation, with a clear mandate and maybe a ministerial statement to help enlighten the kind of work we should be doing, but at the end of the day, we need to have a little bit more flexibility so that we can use the moneys where the real issues are. You should be in a position, in an evolving milieu, to move the moneys and organize things in such a way that you will better serve the various.... On top of that, this entails getting some additional financial tools to make the various kinds of deals we're talking about here, the kinds of deals Wayne alluded to in his speech.

These are the main key issues that we would appreciate this committee looking at.

• (1205)

The Chair: Thank you.

Mr. M. S. Wayne Clarkson: Could I add one point?

The Chair: Yes, you may.

Mr. M. S. Wayne Clarkson: One of the biggest problems we have is reflected in so many of the other questions, and I think we've raised it with this committee in the past. It is that we cannot roll our money over from year to year; we have to expend it within a 12-month period. That creates enormous difficulties for the industry, not the least for cashflow management within Telefilm Canada.

Outside of governance issues at the board level, if there were one single thing that would make a dramatic difference, it would be our ability to manage our money over a 24-month or a 36-month period and not have to expend it within a 12-month period.

The Chair: Thank you.

Mr. Kotto.

[Translation]

Mr. Maka Kotto: Thank you, Madam Chairman.

Good morning and welcome.

I have two main questions with sub-questions. I come back to the collateral damage from the adoption of Bill C-18, *An Act to amend the Telefilm Canada Act and another Act*. As you pointed out, this law also changes the eligibility criteria for members of the Corporation Board. As you mentioned, when you have some connection with the industry, there is a chance that you may be subsidized. However, if there appears to be any conflict of interest, we don't want you.

By including the new media, the government has excluded the creators from the board. In fact, the industry has often reproached Telefilm Canada for being an ivory tower full of civil servants. As a matter of fact, more than ever, something has to be done and, if I understand properly, you are offering us a hand.

If you would like to enlighten the committee as a whole, I will ask you my first sub-question: what has been happening to the board since the passing of Bill C-18? My second sub-question is the

following: are meetings being held regularly, and how often? Although I can anticipate the answer, are you comfortable with the eligibility rules for the Telefilm Canada board? Furthermore, do you believe that this provision is a factor that encourages reconciliation?

My second main question is about Quebec cinema. You have reminded us, Mr. Clarkson, that the goal of the Canada Feature Film Fund is to increase admissions to five per cent. In Quebec, this objective has already been exceeded by nearly 400 percent. In the rest of Canada, you barely attain 1.6 percent, less than a third of the target objective. By combining two markets, you could claim that the Feature Film Fund is working and that the objective has even been exceeded at 5.2 percent. At the rate things are going in Quebec, among other things with the success of the film *C.R.A.Z.Y.* and the upcoming releases of *Maurice Richard* and *Les Boys IV*, we should reach six percent for the whole Feature Film Fund.

This calculation smells of hypocrisy, since from our point of view, in the Bloc Québécois, the Canada Feature Film Fund is a fiasco in terms of goals. I will explain: the demand for Quebec films is so strong that Telefilm Canada can meet it only by allotting 33 percent of its moneys to the French language market.

Quebec films are being limited, and some producers are proposing bilingual or English language films in order to gain access to the English portion of the Feature Film Fund. Just think of the film *Bon Cop, Bad Cop*, which, as you mentioned, is three quarters financed from the English part of the Feature Film Fund, or *Mambo Italiano*, which was filmed entirely in English for a French language audience.

My three sub-questions are the following: do you think a Quebec cinema actually exists? If so, do you consider that this cinema is adequately served by the Canada Feature Film Fund? Finally, what challenges are facing French language cinema and how do you intend to deal with them?

Thank you.

• (1210)

Mr. Charles Bélanger: Mr. Kotto, I will answer your first question and its sub-questions.

Following an examination by the Department of Justice of the personal situation of each board member with respect to this section 5 that I was discussing with Ms. Oda, it has become clear that the passing of the amendments to the *Telefilm Canada Act* last March has created a problem, which has still not been resolved. Therefore, no regular meeting has taken place in several months.

This also partly explains the fact that we didn't adopt the annual report and financial statements in June, as we should have. This problem was brought to the attention of the authorities months ago. Unfortunately, amending laws takes time, and this is paralyzing the board's activities. I fear that the corporation's activities will also be paralyzed soon since the business plan and budgets for next year will have to be adopted, as well as the guidelines for certain programs. If no legitimate board is put in place, we will have a problem. The situation must be rectified very quickly.

With respect to eligibility, the wording of section 5 should rather deal with conflicts of interests. We are all able to handle conflicts of interests. Eligibility is a question of law and fact.

If people are disqualified even before they can be considered, it is impossible for the industry to be adequately represented on the Telefilm board. We might end up with a group of very intelligent and articulate people, but ones who know little about the audiovisual environment in which we work. This must be corrected.

If section 5 were replaced by part X of the *Financial Administration Act*, where we find specific sections on how to manage conflict of interest situations, we would completely concur and could return to our normal activities.

Mr. Michel Pradier (Director, French Operations and Quebec Office, Telefilm Canada): I will now deal with your second question, which was about Quebec cinema. As you know, our funds are federal and we operate by language market. As you said, 33 percent of our funds, and even more, are dedicated to Canadian French-language production, which doesn't prevent companies based in Quebec from producing huge English language successes like *Mambo Italiano*. These productions benefit those based in Quebec, whether their company is majority English or French, but it is not a Quebec cinema. There is a French language cinema but, geographically, companies based in Quebec have access to Telefilm Canada's English language funds.

One of the statistics given showed that up to 47 percent of funds went to people situated in Quebec. This is not abnormal, but it must be understood that our administration functions by language market. It is therefore very possible for companies in this geographical location to have access to both sources of financing.

Mr. Maka Kotto: I would also like to know whether you considered that the French language cinema was adequately served by the fund, to adopt the terminology inspired by the source of funds.

Mr. Michel Pradier: As Mr. Clarkson said in his speech, we would greatly benefit from additional money. The momentum is there and audiences are showing up, which is very important. We are examining the possibility of forming partnerships with the private community, but there is a limit. We must also look at the population base. One enormous success such as *Séraphin*, which collected nearly 10 million dollars at the box office, has pretty well cleaned out the French Canadian market. We cannot generate the surplus incomes on our own territory that would permit us to be self-sustaining.

Naturally, one source is government support, which doesn't stop us from seizing initiatives at the international level, being more confrontational, and considering the possibility of partnerships with industry people based in Quebec.

•(1215)

Mr. Maka Kotto: Thank you.

The Chair: Thank you very much.

Mr. Silva.

[English]

Mr. Mario Silva: Thank you, Madam Chair.

Mr. Clarkson, if every department, agency, or grant body that gives money were to come forward before our committee and say the only way they can improve the system is by additional moneys, I think we would be broke as a country. That's not to say I don't respect the work of Telefilm or I don't think it needs further funding. In fact, as was stated before, we're not the finance committee, but we can be your advocates as well in the finance committee and also before the government to make sure there is proper funding for Telefilm and for the arts, because I strongly believe the arts are very essential for this country and moving this country forward both economically and culturally and in terms of giving the essence of what the nation is all about.

But we have heard some serious concerns—and I'm sure you've been following the procedures of the committee—in relation to Telefilm, both about the decision-making and in relation to the expertise of your staff in making those decisions. These are serious concerns about the process. Stakeholders mention that they believe the decisions are often made with very little input from the industry and that Telefilm staff are perceived to have inadequate film industry experience and expertise.

What steps are you taking to address these issues that were brought forward by the stakeholders? What really is the expertise of the staff that you have in making the decisions?

Mr. M. S. Wayne Clarkson: There are several parts to that question.

Certainly on the one of coming here and asking for additional financial resources, I would hope—and I obviously wasn't clear enough in my opening remarks—that was not solely the statement made. Looking for alternative sources of financing and looking for structural differences are alternatives in terms of financing. But it goes without saying that after four or five years of the Canada Feature Film Fund, costs are increasing, and I think we'd be remiss if we did not touch on that fact in the presentation here.

As regards the experience of Telefilm, I have to say that I take umbrage with those statements. This agency has consulted constantly with the unions, guilds, and associations. When we hire, that consultation process takes place. I find it ironic in the sense that, on any number of occasions, the industry steals staff from Telefilm.

We train them. They become familiar with the complexities of financing Canadian films, whether it's in the domestic market or the international market, because we see all those documents. We're responsible for monitoring the process of those productions. So the skill sets within Telefilm are very valuable in the industry.

Obviously, as Charles and others have mentioned, we have public policy priorities, and sometimes we have to make decisions that don't make all the industry happy all the time. Certainly the challenges we've experienced over the number of years with the distribution sector has strained that relationship. I think that's quite evident. As we push for this 5%....

If I may, with all due respect, I think the goal of the Canada Feature Film Fund was 5%. Perhaps I'm wrong, and please correct me, but I don't think it stipulated within that a certain percentage for French-language films and a certain percentage for.... So I respect the accomplishments of our talent from coast to coast towards that 5%.

That said, the 1.6% or 1.7% in English Canada is not enough. I think what may be necessary is that we start setting goals for each of the linguistic markets. I have no issue with that, none whatsoever.

I hope I've answered your questions.

● (1220)

Mr. Mario Silva: Partly. I don't want to get into an argument about the 5%. It doesn't take a rocket scientist to know there's a problem with that 5%. Even though you say you've achieved that, you obviously know that only 1.6% of that market is English. When you have two-thirds of the country being English-speaking and one-third being French-speaking, and one-third makes up practically the whole 5%, there's a problem there.

Mr. M. S. Wayne Clarkson: Yes.

Mr. Mario Silva: Be clear about that.

So you've reached your target, yes, maybe in a purist way, but in dealing with issues there are still some fundamental concerns.

There's another concern that was raised by the industry on trafficking. I'm not clear on this and I need an explanation from you.

It says that in regard to the English-language performance component, some producers were using their funding to finance another producer's project and then taking back a fee as an executive producer on that project, what some have called "trafficking", as I've mentioned. Could you please explain to the committee how this problem arose and what you have done to correct it?

Mr. Ralph Holt (Sector Head, Feature Film, Telefilm Canada): This situation occurred very early in the first year or year and a half of the performance envelope system. As a starting point, a broad range of producers held envelopes, some of them too small to actually put productions into play.

It was picked up virtually immediately, and in fact what you're hearing is the reporting of a behaviour that has long since disappeared. We adjusted the regulations to prevent this so-called trafficking. It was producers who were trying to combine their resources to put productions into play. Some of these were using the reported practices, but I would say that after the second year of the program, once the unexpected behaviour was seen, it was ended, and the rules were changed. It has not happened since—period.

The Chair: Thank you.

Next is Ms. Oda, again.

Ms. Bev Oda: Thank you, Madam Chair.

I will go to the screenwriters assistance program and the development of screenwriters and screenplays. Obviously they're saying that if it's not on the page...they're saying it's the stories that are important.

We have heard comments, as my question indicates, that this program has its critics. When you apply for the program, do you

have to have had a producer endorse the concept, or does the screenwriter come independently to Telefilm for the project? What are the problems here, and how do you propose to improve the program so that it will not only develop screenwriters, but end up as an improvement to the industry?

Mr. Ralph Holt: The screenwriters assistance program is very near and dear to the hearts of the Writers Guild of Canada. They have advocated this and the principle that the creative process should be able to take place outside the purview of a producer.

The CFTPA, on the other hand, has looked at the program and its productivity, and I think we all agree that it has not been as productive as we had hoped. The other thing we're seeing, particularly in the English market, is a real lag time. The statistics we're using are as of the end of 2004, and I think we're only seeing the results of three years, rather than a full five years.

Ms. Bev Oda: What do you consider results? What's the measure?

Mr. Ralph Holt: I would say the measure you would look for—since this is generally first-phase writing, a first draft—is the take-up by the production industry of those scripts. It has been very disappointing, for sure, and we all know this.

As far as new ideas go, what we're wanting to pursue is taking a portion of that fund and making it available to those projects in the second phase, with a producer attached. With that as an incentive to producers, we would want to pick up 100% of the cost of that development, the condition being that the process continue to develop with the attachment of a producer.

Other measures we have been seriously looking at are a number of ways of developing interactions between producers and distributors. One was a meeting at the Toronto film festival on an annual basis, which we had for three years. Basically we ran out of steam. Neither the writers nor the producers found it to be of value.

We are also talking about an Internet database to exchange ideas, but I think developing a process whereby there's a direct pickup of those projects by the producers themselves is the next place to go.

● (1225)

Ms. Bev Oda: Yes. As you know, I did chair the Harold Greenberg Fund. It has a screen development aspect to it, and it has had, I would suggest, as much, if not more, success in actually seeing the product at the end of the process. I don't discount that there has to be an element of maybe just creative ideas, but to continually support creative ideas that may not ever hit the screen.... We've got to utilize the public funds more astutely.

Mr. Ralph Holt: Yes, I agree. You're right with the Harold Greenberg Fund; it's for more advanced work. If I remember correctly, they require a story editor working with them, and the fund provides some of the financing.

Ms. Bev Oda: But the application came in at the concept stage.

Thank you.

The Chair: Thank you very much.

Monsieur Kotto, another intervention?

[*Translation*]

Mr. Maka Kotto: No.

[*English*]

The Chair: Monsieur Gagnon.

[*Translation*]

Mr. Sébastien Gagnon (Jonquière—Alma, BQ): Just now, you stressed the fact, and this is nothing new, that prospects would be better if you had more financial resources. Have projections been submitted to the committee? I mention it because I am new to the committee.

We increasingly see leadership developing in Quebec in the area of the cinema. In recent years, there have been major productions. I imagine that with your expertise and skill, you are in a position to assess the future needs of Canadian and, in particular, Quebec cinema. Have you provided future budgets, pro rata according to your needs and the needs of Quebec cinema?

Mr. Michel Pradier: If I am not mistaken, the APFTQ has itself recommended that there be 55 million dollars, plus five million dollars for a documentary fund in particular.

It must be understood that the goal in French Canada is to maintain a critical mass of films. We currently finance an average of 11 or 12 films per year. However, the cost of making films is growing and the amount of Telefilm Canada's investment per film is also increasing. The mass will therefore have to decrease. Increasing or even maintaining our market share will imply larger, more substantial sums of money. I give you the example of the cost of the film *Maurice Richard*. Such a film can be financed on the French language market only by exhausting all its available sources: SODEC, generous involvement by a distributor, and federal and provincial tax credits. We have to see if there are other partners available, but the sum required to maintain and increase our objective is valued at about 80 million dollars.

Mr. Sébastien Gagnon: When we see things that are working well, our duty is to support them. My colleague said just now that if we were to meet every need, the government would run out of money. However, I think it's important to inform the committee about these needs and explain future orientations, especially as we have an excellent window of opportunity, but a helping hand is required.

We have already had the example of things that didn't work properly. I don't want to name them or impugn the government's motives. But I think that we have a duty to receive this information in order to be in a position to make recommendations and that you have a duty to inform the committee members of your projections.

I repeat that I don't know if this has been done, since I joined this committee only recently, but I would like to see these numbers, as well as your future orientations and an action plan. That would allow us to make positive recommendations in order to give the industry a helping hand. We know that this is beneficial both for Quebec and English Canada.

• (1230)

The Chair: Who is going to answer? Do you simply wish to make a comment?

Ms. Ratansi.

[*English*]

Ms. Yasmin Ratansi (Don Valley East, Lib.): Thank you, Madam Chair.

I just need to follow up on a comment that was made by Mr. Silva and your response to it. With respect to the marketing budgets on average, the evaluation noted that on a proportionate basis the French-language films get more than the English-language films. There's a perception that there is insufficient funding for the English-language marketing. Now, two-thirds of the audience is English speaking, with one-third French speaking. Could you explain what should be done to make the English-language films better marketed, number one?

My second question is this. There is, for English-language projects, under \$1 million. Telefilm forgoes recoupment of 25%, whereas on the French component they forgo recoupment of 50%. What is this policy based on, and what empirical evidence do you have?

Thank you.

Mr. Ralph Holt: With regard to marketing, in terms of total dollars there is a greater amount of money going to English films than to French films. The moneys required to effectively market English-language films are probably much greater than what's currently going to them. To go to the next level of marketing across Canada—from Toronto through to Vancouver and then to include the Atlantic provinces—is going to take significantly more resources.

I think it's not a question of policy in this case; it is a case of brute effort. We don't distribute films. We don't market films. Distributors do, and they are using those resources as effectively as they can. To now be moving into mass television advertising, to take major national advertising vehicles, is an extremely expensive venture. We certainly do not have the resources to take that on.

I think the great success of the Quebec market is its compact nature. It has a dynamic cosmopolitan metropolis that can generate all the attributes of the marketing industry and then radiate out from that. The situation in English Canada is very different geographically, and it will take considerably more resources to make a greater impression.

Ms. Yasmin Ratansi: [*Inaudible—Editor*]...is the \$500,000. Do you distribute two-thirds for marketing to English Canada and one-third in...? How does it work?

Mr. Ralph Holt: I think because the distribution companies are not language specific, we have not designated the distribution and marketing funds on a linguistic basis, so the shifts—the ebbs and flows between the funds—vary depending on the availability of the films and when they're coming on the market.

I also made reference to only seeing the early stages, because the English films take a longer period of time to finance and to come from script to exhibition. It is, I'd say, an 18- to 24-month process, compared to a 12- to 18-month process in French. That's the lag time. I think the early figures are probably showing a greater number of French-language films coming on the market than English.

Ms. Yasmin Ratansi: Could you give a response to my second question, about the recoupment?

Mr. Ralph Holt: Yes—could you repeat that, please? I wasn't quite clear.

Ms. Yasmin Ratansi: When you look at recoupment on a feature film of \$1 million, the English films are forgiven 25%, whereas the French films are forgiven 50%. Why is there this discrepancy? Is that perhaps what is affecting the...?

Mr. Ralph Holt: I think the reference to the 25% is a specific program for incenting recoupment for lower-budgeted films. On your reference to the 50%, I think we have two different mechanisms in French and English. They are based on the varying financing scenarios in French and English.

It has to do with the use of the provincial tax credits. In the case of Quebec, the situation is that the recoupment by producers is done on a 50%-for-the-producer tier versus all other equity holders. In the English market, the use of the tax credit money going into the structures or staying outside in the companies and not being used in production is a different situation. Therefore, in the English recoupments we tend to go to a pro rata, recouping equally according to the level of investment.

Madam Chair, you're looking confused.

•(1235)

The Chair: I must say I didn't understand a word you said. I understood every word, but perhaps the committee needs a very clear explanation.

Mr. Ralph Holt: All I can say is that the financing structures between the two linguistic markets are very different. They're very complex, and the resulting recoupment structures also are very different.

The Chair: We're concerned with Telefilm's policy. It seems to me that as an official of Telefilm Canada, you should be able to explain to us what the difference is between the two markets and why this differential in recoupment is a rational response to those differences—not right now, I presume, but...

Mr. Michel Pradier: Madam Chair, allow me to add to what Ralph is saying.

[*Translation*]

The provincial tax credit must inevitably be part of financing because of the provincial partners. There are the tax credit and SODEC. This is not the case on the federal side. We cannot dictate

the inclusion of a provincial tax credit. There's a disparity in financing.

In Quebec, this situation, together with the expectation of lower revenues, has led to the signature of an agreement between the Government of Quebec and the Quebec industry to improve the recovery structure. It is not pro rata, as on the English side, but it is more favourable to French language producers for French language productions originating in Quebec.

[*English*]

Ms. Yasmin Ratansi: Madam Chair, being an accountant and a tax auditor by trade, I just want to know if we could get a little cheat sheet to say, here is what happens in Quebec, here is the provincial tax credit, and here is the federal tax credit—therefore, the component becomes 50%, here are the varying provincial rates, and that's why we've standardized it. Perhaps it would help us.

Thank you.

The Chair: Thank you very much.

Yes, Ms. Oda.

Ms. Bev Oda: Can I just ask that you reflect the grind?

A witness: Yes.

Ms. Bev Oda: Thank you.

The Chair: I'm going to go to Mr. Brown and Mr. Simms, because these two members of the committee haven't had an opportunity yet.

Ms. Yasmin Ratansi: I think Mr. Clarkson was going to respond further to what I had asked. Would it be okay?

The Chair: Okay. I'm sure we would like to hear Mr. Clarkson's response.

Mr. M. S. Wayne Clarkson: You also mentioned the point about marketing and promotion of Canadian films, which I think is an important issue, to say the least.

In my opening address I touched on the arrangement we have now for the long-form theatrical documentary fund to work with public and private partners. One of the negotiations we did with the CBC resulted in their having the first screening after the theatrical. Traditionally the first screening is done through DVD, and then into pay, and then it follows the orderly window.

We're testing that as a pilot project because it is in the vested interest of the CBC to help promote the theatrical release of the film; they get first one platform premier window, so if that documentary is successful in the theatres and they have a platform screening on Sunday night in prime time, they have a vested interest to promote that film theatrically.

We're looking at it as an experiment to see if it can be translated and work in the fiction sale of films as well, because then you bring the resources of not only Telefilm Canada and the industry, but also the promotional resources of the CBC.

The Chair: Okay. I will now go to Mr. Brown.

Thank you.

Mr. Gord Brown (Leeds—Grenville, CPC): Thank you, Madam Chair.

I'd like to thank our witnesses, once again. I look forward to the report, which we hope to bring forward next week. We hope it will do some things that will help Canadian film.

Over the past several years, the percentage of Canadian films that have been successful in selling rights internationally has declined from 71% in 2000-01 to just 42% in 2002-03. The dollar value of the sales has decreased from \$36.6 million to \$12.7 million over the same period. What are you doing to change this direction?

• (1240)

Mr. M. S. Wayne Clarkson: First, I regret to say I have no idea of the validity of those figures. We've discussed it internally. We're trying to find the source of them.

Are they referring to pre-sales—in other words, when you're financing a \$24-million film and the maximum you can get within Canada is \$4 million or \$5 million, you have to go out to other territories around the world and do pre-sales—or do they refer to, separately, the sale of the film? The film gets made, and then you go and sell it to Germany, Italy, Japan, etc., etc., and get the revenue that comes into that.

I have some concern about what those figures represent. That being said, there are two impacts. One is that about two years ago, one of the major investors in Germany, one of the major broadcast production companies, went bankrupt, and it had a seismic impact—I'm not exaggerating—throughout the industry. Literally billions of dollars were lost as a result of the bankruptcy of that company. So there are going to be blips on the screen like that.

Second, in terms of the pre-sales I talked about, when you get productions like *Nouvelle France*, or more recently *Where the Truth Lies* or *Being Julia*, etc., those are \$25-million to \$30-million films. When you get one or two or three of those in one year, you see a very dramatic increase in the international market playing in Canadian films. There may be a decline in the next year or so, because there aren't productions of that calibre, so there are ups and downs. To be perfectly candid, we were not sure of—

Mr. Gord Brown: You're disagreeing with the numbers, but you don't disagree with the premise that there has been a decline. Is that correct?

Mr. Michel Pradier: I think there's a decline, but it's a general decline.

[Translation]

As Mr. Clarkson said, the numbers must be validated.

[English]

If it's within the financing of a film, there could be a very significant shift in percentage—only by two or three films that have

been financed specifically here. But on the globality, you're right, the international sales are declining, but it's for everybody.

Mr. Gord Brown: Okay. These numbers came from the summative evaluation from September 2005, so these are recent numbers that have come through the Department of Canadian Heritage.

What are you doing to fix it? I guess that's the real issue here.

Mr. M. S. Wayne Clarkson: What we've been doing, and will continue to do, is this. We spend considerable resources at all the international markets. We have a pavilion at the Cannes Film Festival, which is the major market. We're represented on the television side at—

Mr. Gord Brown: Are these new things that you're doing, or are these things that you've been doing for a while?

Mr. M. S. Wayne Clarkson: We're doing new things like immersions, which we're undertaking in Paris later this month and again, I think, in the spring. What we're going to do is evaluate what markets we are supporting and whether we should be changing our priorities in terms of those markets.

Mr. Ralph Holt: If I could just continue, Wayne, there has always been an international sales component to Telefilm. We have supported the industry—both distributors and producers—in the international sphere.

I've just had a meeting this week where we were considering, as part of the annual budget review process, the proportion of moneys that we are putting towards European markets versus American markets; where we're present in the United States, the key markets for Sundance, a New York independent feature project; and in Europe, at Berlin, Cannes, the traditional markets.

Mr. Gord Brown: We probably don't have a lot of time. You're talking about festivals and—

Mr. Ralph Holt: But I'm saying these are regularly and annually reformatted and brought up to date to deal with the current situation.

Mr. Gord Brown: Okay, thanks.

Since we're on festivals, I think maybe this might be an opportunity for you to tell us about what is going on with the Montreal film festival. I know there have been some issues there. What are you doing with that?

Mr. Charles Bélanger: I might as well start, but, Wayne, you have had conversations as well with quite a few people in Montreal.

This has been a difficult year, to be blunt and frank. But this being said, people are still talking in Montreal; they are still trying to find a way to relaunch an international festival of good calibre. It's unfortunate that the original plan presented to us in December of last year, which we had approved, didn't fly at the end of the day. Late in January 2005, one player decided to walk out of this new environment and decided to do his own stuff as *Le Festival du nouveau cinéma*—the new *maître d'oeuvre*. The Spectra group was left a bit...you know, with one leg up and was confronted with an unforeseen event. It had to do its best to get something going that would be meaningful.

All this being said, everything is not negative. To me, clearly it's a lesson learned for a lot of people. We were presumptuous, in a way, in trying to put together two different organizations with different cultures and different ways of running a business; we hoped that everything would be melded in two or three months. Maybe it's something we should have thought of, but, God, this is not what happened. The milieu in Montreal is trying to see if it can be resolved and to be a bit more patient as to how this could unfold—

• (1245)

Mr. Gord Brown: Okay. Is there going to be a festival next year?

Mr. Charles Bélanger: I cannot tell you today, but we hope that at the next board meeting on the 29th, there might be an announcement that the Festival du nouveau cinéma and Spectra and le Regroupement have found a solution. If that is the case, there will be another edition. And if that doesn't fly, the FNC, the Festival du nouveau cinéma, will certainly apply, as it has in the previous 34 years, and will most probably get a grant for its 35th edition.

Mr. Gord Brown: Thank you.

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

Mr. Simms—and we have about 13 minutes left.

Monsieur Kotto is after Mr. Simms.

**Mr. Scott Simms (Bonavista—Gander—Grand Falls—Wind-
sor, Lib.):** Okay, thank you.

I just want to ask you about a situation with regional funding. Wasn't there a decision a little while ago to decrease your regional funding? Perhaps you'd like to explain the incentive that was there to bring productions outside of the major centres.

Mr. Ralph Holt: I don't know of any recent changes in strategies. Since the inception of the Feature Film Fund, the first thing we had to do to get to the audience objective—say, with productions looking for an investment of over \$1 million—was to centralize and nationalize that decision-making process. So the films that we felt had the greatest opportunity for success at the box office would go forward.

We've always had a regional allocation to each of the four offices across Canada to engage in production at a regional level for emerging and second and third films. That continues to exist.

Mr. Scott Simms: It's pretty low, though, isn't it?

• (1250)

Mr. Ralph Holt: It's certainly not as much as we want, but to reframe Wayne's comment, we are in a situation of having to borrow from Peter to pay Paul.

Mr. Scott Simms: Well, yes, I guess I'm picking up for Peter in this case. Do you think the numbers that I see here for Ontario and Quebec are pretty substantial compared with, say, those for Nova Scotia, Saskatchewan, or even Newfoundland and Labrador? I just find....

Who's fault is this? I guess that's what I'm asking.

Mr. M. S. Wayne Clarkson: Are those Canadian productions, or are we talking of all productions?

Mr. Scott Simms: It's regional distribution. It says here, "Regional Distribution of Telefilm Canada Commitments Under the Feature Film Fund."

Mr. Ralph Holt: You're drawing those from the summative...?

Mr. Scott Simms: Perhaps you'd like to see it.

Mr. M. S. Wayne Clarkson: There may be fluctuations from year to year, if I may. For example, I know there are two productions that we've committed to out of the Maritimes. Sometimes they're co-productions.

Mr. Scott Simms: Yes, indeed.

Mr. M. S. Wayne Clarkson: So do they get recorded as an Ontario production, or a Halifax production, as in this case? There are those fluctuations, but it's always a factor in our deliberation, whether for a national request of over \$1 million, which as Ralph said is a national comparative decision, where all the regional offices sit around the table and advise on that final decision.... Then, as he touched on, we have the regional offices, which have their own allocation for the lower-budgeted projects.

Mr. Scott Simms: How do you come up with that calculation? You say that each has a certain allotment. Correct? How do you determine that?

Mr. Ralph Holt: I think there are a couple of issues here.

It's interesting how some of the statistics are being compiled here, which I think are a little awkward.

The big thing is that we're responding to what we're being asked to finance, or the number of projects coming out of smaller areas. It's a critical mass; feature films are a big business. We do produce films in all parts of Canada, but the regularity with which they arrive and the degree to which it is fair and reasonable to expect productions to arise from various parts of Canada, given the industrial critical mass, is maybe what we should be discussing.

The actual numbers here, I think, we can debate or dispute, but they don't look terribly unreasonable relative to the activity in each part of Canada.

Mr. Scott Simms: I know that to maintain the infrastructure to do this sort of thing is very difficult. Is there an incentive...? Has the stakeholder or committee that you put together discussed filmmaking funding in other areas of the country, outside of Ontario and Quebec?

Mr. M. S. Wayne Clarkson: Oh yes. On at least two occasions a year, Telefilm meets with the association of film funding agencies from across the country to review our policies, and believe me, they very strongly and forcefully represent the interests of their particular province. So that discussion, dialogue, or debate goes on quite regularly throughout the year.

Mr. Scott Simms: It's with this new committee, you say? Who comprises the new committee that you now have, the committee of stakeholders?

Mr. M. S. Wayne Clarkson: It's made up of representatives of the unions, guilds, associations, and producers. There's representation now from exactly those provincial funding agencies, precisely so that we can have that voice outside of Ontario and Quebec.

Mr. Ralph Holt: I would say, out of the pool of producers that would be represented, we are insisting that there be regional representation from producers, who would form the single largest group.

Mr. M. S. Wayne Clarkson: Certainly at the board of directors level of Telefilm, there is east and west and central, and French and English.

Mr. Scott Simms: What has been the thrust of their argument for, say, perhaps special consideration for the regions? Have they expressed that?

Mr. M. S. Wayne Clarkson: Who? You mean the industry generally?

•(1255)

Mr. Scott Simms: Yes.

Mr. M. S. Wayne Clarkson: I don't know about special consideration, but they certainly voice their needs.

I was recently out in Newfoundland and the Maritimes, in Halifax and the like. The industries are at a different stage of development. There is talent in the Maritimes, but obviously it's not matured to the degree that talent in Quebec or central Canada has—and somewhat so, Vancouver. So they have different needs.

From the discussions we had with the producers and the production community in the maritime provinces, they would value more a program that supported short dramatic films or a program that expanded the low-budget first- or second-time film, which Ralph talked about, than necessarily one large sum of money they have to commit to one big-budget film.

So those kinds of conversations go on.

Mr. Ralph Holt: I would also say that you see quite a few co-productions in the parts of the country where the industrial critical mass is not as big, and you also see situations where a project... I can think of one that is just going to camera this spring, where the script was developed entirely in Halifax, but in order for it to be produced, it's now going to a Toronto company to get done.

I would say this is completely voluntary, and with the combination of resources, it will be good. This will definitely be a maritime, Halifax story, but it will get a credit in your statistics as a Toronto production. So I think the ways we're measuring are often awkward.

Mr. Scott Simms: Yes. It just concerns me, in a way.

I understand or know that Toronto has the infrastructure—and Montreal, for that matter. But in Newfoundland right now, on the island, they have a new studio space. I'm worried that they will not get equal consideration, because they're not considered part of the mainstream, as it were.

Mr. Ralph Holt: When I think of the flexibility that you have to have.... And I'm from Halifax and worked in that office for many years.

My observations—and not just concentrating on the Atlantic provinces—are that you will see producers moving from feature film to television with great regularity. I think of the strongest producers in Newfoundland currently doing a multiple-episode mini-series for television rather than a feature film. So how the need is being met in terms of sustaining the industry is going to be very different, and I think this will be reflected in the statistics differently from what you would see for Toronto, Montreal, or Vancouver.

Mr. Scott Simms: Okay, thank you very much.

The Chair: Mr. Simms, thank you.

Mr. Kotto, be very brief, as I have to wrap up with our witnesses before we adjourn.

Thank you.

[*Translation*]

Mr. Maka Kotto: Thank you, Madam Chairman.

Let's get back to the concept of two markets. You say that as a federal agency, you recognize only the language aspect of markets: there is the French language market and the English language market. Therefore, you don't recognize the existence of a Quebec cinema.

The Bloc Québécois fears that, to gain access to additional funds, some creators are led to shoot their films in English, and that those films that they would shoot and translate into French would be distributed in Quebec to reach the original target public. This is a phenomenon likely to escalate. Can you tell us how to avoid such a scenario?

Mr. Michel Pradier: The great majority of Quebec production companies are mature and successful. The amounts allocated to French language production are insufficient in relation to their success or the possible pool. However, for a company based in Montreal or Quebec City, doing an English production can be an economical and attractive business strategy for enlarging its pool.

Quebec has a population of x thousand people. Federal moneys are allocated to it for French language productions. If a company based on this geographical territory wants to expand, we will help it reach international markets by becoming involved and active on these markets. We have taken part for many years.

Certain projects have had very great success at the international level, notably films such as *Seducing Doctor Lewis* or *The Barbarian Invasions*, but this is not true of all Quebec productions. Therefore, a possible avenue for a Quebec producer is to do English language productions. This brings in substantial sales because the economic fallout from an English language production is generally greater than that from a French language production. In addition, it will allow him to develop more French language products if he so wishes.

Mr. Maka Kotto: Thank you. That's all.

[*English*]

The Chair: Merci.

I'd like to make a few brief comments to wrap up and then ask a couple of questions.

Ms. Ratansi asked for something very specific in terms of the difference in the recoupment, which I understand can be available by tomorrow—but only by Monday in both languages. So perhaps when it's available, you could provide it to our analysts in either language, and then we'll have it available in both languages by Monday morning.

Secondly, I think you heard the committee's views on the issues in the report that you were sent. I believe all of us would appreciate having very specific and complete answers to those questions before we begin consideration of our final report on Monday. Again, if it's only available in English or French, the sooner you can get that to our analysts the better. We must have it in both official languages by Monday, if we're to refer to it at all.

I just wanted to add a couple of my own comments as we leave our last round of witnesses. One, I think the committee has really

appreciated what all of the witnesses have contributed throughout this study; it's been enormous, on a very important topic for Canadian culture in the largest sense.

As for the specific comments today, I must say that the request for flexibility also requires accountability, Mr. Bélanger. Therefore, it's very troubling that the annual report that was due on March 31—with due respect, long before the change in the board and the requirements for the board—has still not been forwarded for tabling to Parliament. And it's Parliament that the report is for.

Secondly, one of the big issues we will have to deal with in our report is that the policy has evidently worked, and we're all very encouraged to see the extent to which it has worked so well for the production, distribution, and profile of films made in French. It has not worked at all for English film—not at all. We cannot attribute the slight little bump to the film policy or to public funding; that can be accounted for by one good movie. I believe it's incumbent on Telefilm to address how it will deal with that situation. What does Telefilm, with all of its experience, have to recommend, either to this committee or to the government? We clearly do not have success in the English-language market. We can celebrate the success—and we do—in the French-language market, but now we have a really serious problem to address on the other side of the market.

I thank you again for your appearance here today. We've been a bit hard on you, because I think you deserved it, quite frankly, and we look forward to your further answers.

Thank you.

This meeting is now adjourned.

Published under the authority of the Speaker of the House of Commons

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

**Also available on the Parliamentary Internet Parlementaire at the following address:
Aussi disponible sur le réseau électronique « Parliamentary Internet Parlementaire » à l'adresse suivante :
<http://www.parl.gc.ca>**

The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.

Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.