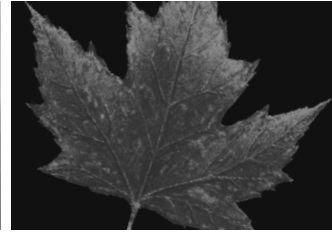




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ENHANCING THE CANADIAN FEATURE FILM POLICY

Government of Canada Response to the Report
of the Standing Committee on Canadian Heritage

*Scripts, Screens and Audiences:
A New Feature Film Policy for the 21st Century*

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Ottawa, Canada K1A 0M5

Mr. Gary Schellenberger
Chair
Standing Committee on Canadian Heritage
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Sir:

On behalf of the Government of Canada, I am pleased to enclose the Government's response, *Enhancing the Canadian Feature Film Policy*, to the report of the Standing Committee on Canadian Heritage, *Scripts, Screens and Audiences: A New Feature Film Policy for the 21st Century*.

I would like to thank the Committee for its contribution to the film industry, through its analysis of relevant issues and the consultations that took place with Canadians across the country.

The Government recognizes the powerful cultural and economic contributions that film offers Canadians. This response provides the Government with the opportunity to discuss its priorities and direction for federal policies and programs to assist Canada's film industry, and some aspects of the Canadian audio-visual industry.

Some of the Committee's recommendations have wider implications than simply for feature films. Having carefully considered the Committee's recommendations, this response is delivered under two themes: *Enhancing the Canadian Feature Film Policy* (CFFP) and *Aligning the audio-visual policy tool kit*.

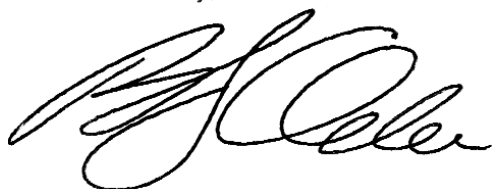
In preparation of this response, the Government consulted the Department of Canadian Heritage's *Summative Evaluation of the Canadian Feature Film Policy*, which was commissioned as part of the Department's commitment to assess the success of the 2000 Policy in reaching its objectives by 2006. Many of the findings and recommendations in the Department's evaluation report and the Standing Committee's report were similar. For example, a key concern of both reports was the inability of Canadian films in the English-language market to improve their domestic market results.

.../2

The Government is committed to building upon the success that the CFFP has achieved to date. Many aspects of the CFFP are working well and provide a solid foundation for the future. For instance, the Government will continue to recognize the importance of attracting audiences. The Government recognizes the need to make adjustments where necessary to improve the performance of the CFFP.

The Government is committed to assisting the industry in its efforts to reach Canadian and international audiences with quality Canadian films. I would like to thank the Committee for sharing its insight on this matter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Bev Oda', written in a cursive style.

Bev Oda, P.C., M.P.

Enclosure

1.0 INTRODUCTION

The Government of Canada recognizes that Canadians benefit from a strong production industry. Film is one of the most effective forms of cultural expression. Film entertains, educates and enlightens. In a 2005 public opinion survey, more than 80% of respondents agreed that it is important that Canadian films be available in movie theatres and on television in Canada.¹

In light of trade liberalization and technological changes, Canada has been raising international awareness of the importance of promoting cultural diversity. Canada was the first country to ratify the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, which re-affirms the right of governments to adopt policies in support of diverse cultural expression. Around the world, many countries actively assist their audio-visual industry and have implemented their own policies to best respond to their needs, realities and priorities.

Over the years, the Government has put in place a comprehensive framework of policies to foster Canada's entire audio-visual sector, including feature films. This framework includes programs and policies administered by Telefilm Canada, the National Film Board of Canada (NFB), the Canada Council for the Arts, and the Canadian Television Fund (CTF), as well as the National Training Program in the Film and Video Sector, the Canadian Broadcasting Corporation/Société Radio-Canada (CBC/SRC), Library and Archives Canada, copyright legislation, international co-production treaties, the *Broadcasting Act* with its Canadian content regulations, the *Income Tax Act* as it relates to tax credit programs and the provisions of the *Investment Canada Act* relating to foreign investments in the cultural industries.

The Government support to Canadian films is essential to the pursuit of our five strategic priorities for the audio-visual sector:

- **Reaching audiences** by ensuring a supply chain continuum from creator to audience, so that Canadian content is available and accessible to Canadians;
- **Reflecting ourselves** by revealing Canada's linguistic, ethno-cultural, Aboriginal and regional diversity;

¹ *Canadian Film and Music Opinion Study*. Decima Research for the Department of Canadian Heritage. July 2005.

- **Investing in excellence** by focusing on cultural excellence and rewarding success;
- **Harnessing the opportunities of new technologies** by taking a proactive approach to recognizing technological change; and
- **Reaching the world** by developing international markets.

This response to the Standing Committee on Canadian Heritage's report, *Scripts, Screens and Audiences: A New Feature Film Policy for the 21st Century* provides the Government with the opportunity to affirm its priorities and direction for the Canadian Feature Film Policy (CFFP), and, to some extent, other federal audio-visual policies and programs. It is the Government's intention to work with the industry to build a long-term strategy to strengthen the film industry.

Having carefully considered the Committee's recommendations, this response is delivered under two themes: *Enhancing the Canadian Feature Film Policy* and *Aligning the Audio-Visual Policy Tool Kit*.

Under the theme of *Enhancing the Canadian Feature Film Policy*, the Government commits to building upon the success that the CFFP has achieved to date and making improvements, as necessary, while the Policy continues to aim at building audiences.

The second theme, *Aligning the Audio-Visual Policy Tool Kit*, deals with the wider implications of the federal government involvement in audio-visual activity. This theme addresses recommendations relating to the clarification of the roles and responsibilities of federal organizations and the refinement of policy instruments, such as broadcasting regulations, tax credits, international co-production treaties and copyright.

2.0 BACKGROUND

CANADIAN FEATURE FILM POLICY

Launched in 2000, the CFFP set out the framework to help strengthen the Canadian feature film industry. The CFFP reflects a broad consensus reached after more than two years of dialogue with industry representatives, film experts and the public. It represented a major shift in the nature of the public support for feature films: the Government refocused its efforts from building an industry to building audiences.

The four objectives of the CFFP are to:

- develop and retain talented creators;
- foster the quality and diversity of Canadian films;
- build larger audiences at home and abroad; and
- preserve and disseminate our collection of Canadian films.

The performance indicators of the CFFP were designed to measure its effectiveness. They were to:

- capture 5% of domestic box office in five years;
- foster an increase in average production budgets to at least \$5 million; and
- promote an increase in average marketing budgets to at least \$500,000.

The main element of the CFFP is the Canada Feature Film Fund. It is administered by Telefilm Canada. The Fund provides a range of support to the industry from screenwriting and production to marketing and support for Canadian film festivals.

RECENT REPORTS ON THE CANADIAN AUDIO-VISUAL INDUSTRY

Over the past three years, various studies have been undertaken on the Canadian feature film and broadcasting industries that have helped the Government in its preparation of this response.

In addition to the Standing Committee's *Scripts, Screens and Audiences* report, these studies include:

- *Our Cultural Sovereignty: The Second Century of Canadian Broadcasting* (Standing Committee on Canadian Heritage, June 2003);

- *The Government of Canada's Response to the Report of the Standing Committee on Canadian Heritage, Our Cultural Sovereignty: The Second Century of Canadian Broadcasting* (Department of Canadian Heritage, 2003);
- *Reinforcing Our Cultural Sovereignty – Setting Priorities for the Canadian Broadcasting System: Second Response to the Report of the Standing Committee on Canadian Heritage* (Department of Canadian Heritage, April 2005);
- *Interim Report on the Canadian Feature Film Industry* (Standing Committee on Canadian Heritage, June 2005);
- *Canadian Film and Music Opinion Study* (Decima Research for the Department of Canadian Heritage, July 2005);
- *Summative Evaluation of the Canadian Feature Film Policy* (Department of Canadian Heritage, September 2005); and
- *Report of the Auditor General of Canada to the House of Commons, Chapter 5: Support to Cultural Industries*. (Auditor General of Canada, November 2005).

When the CFFP was announced, the Department committed to assess the success of the CFFP in reaching its objectives by 2006. Consequently, in 2005, the Department commissioned an independent evaluation of the CFFP entitled *Summative Evaluation of the Canadian Feature Film Policy* and a public opinion poll on Canadian attitudes and behaviour regarding Canadian film. Many of the recommendations in the Committee's feature film study and the Department's evaluation are similar.

The Standing Committee report *Script, Screens and Audiences* has generated a valuable exchange of perspectives on a variety of issues and proposed solutions to film financing.

3.0 PAST PERFORMANCE, CHALLENGES AND OPPORTUNITIES

PAST PERFORMANCE

Public support to audio-visual activity has helped strengthen the industry and build audiences. There is a long list of Canadian films that have achieved success across the country and worldwide, whether it be at the box office, through critical acclaim or by Canadian and international prizes at festivals and other awards ceremonies.

The CFFP has been fully operational since April 2001. The findings of the Standing Committee report and the Department's evaluation report provide a good basis on which to envision improvements to the CFFP to build upon success and proceed with adjustments to enhance its effectiveness.

The Department's evaluation study and the Committee's report concluded that the CFFP met its overall objective for Canadian films: to capture 5% of the domestic box-office share for a range of different genres, from its traditional 2% share. In 2005, Canadian films reached 5.5%. However, different results were achieved in the two language markets. Over the past five years, French-language films earned an outstanding high of 27% of French-language box office revenues while English-language films earned 1.6%, although in a much larger market. The production budget target of \$5 million was also reached, with average budgets increasing from \$2.4 million in 2000-2001 to \$6.1 million in 2003-2004. The average marketing budget reached a high of \$385,000 in 2003-2004, but is short of the original target of \$500,000.

The two studies further recommended that performance measures be expanded to include the viewing of Canadian films in all contexts, e.g. broadcasting and DVD sales and rentals, as well as in cinemas.

Other components of the CFFP, such as Professional Development and Preservation, had encouraging results. The Department's evaluation report found that the Professional Development component was active in engaging talented Canadian creators and that success was also achieved from the perspective of developing talent. The CFFP has allowed Library and Archives Canada to ensure that a comprehensive collection of feature films is preserved for future generations and has supported the Audio-Visual Preservation Trust to raise Canadians' awareness of

their feature film heritage. At the same time, the absence of clear targets against which to measure the development and retention of Canadian creators, and preservation of Canadian films made it difficult to draw specific conclusions about the success of these objectives.

CHALLENGES AND OPPORTUNITIES

In light of the performance of Canada's films, challenges remain. Film production is a risky and costly business. Canadian productions compete in the marketplace with Hollywood and other international films, many of which have high production and marketing budgets.

Audience fragmentation is a new reality. Canadians are accessing cultural content in an increasing number of ways. Distribution platforms, such as Internet, cell phones and portable multi-media players, e.g. Ipods, present significant opportunities and challenges to producers, creators and distributors of Canadian stories. The transition to a world of digital media with this new multi-platform marketplace means that the industry needs to invent new approaches to the creation and production process, sales and marketing, as well as distribution and exhibition.

In addition, over the years, it has become increasingly difficult for producers to finance projects domestically and internationally. There is an increased demand for higher production and marketing budgets.

The Government is committed to ensuring its audio-visual policy tool kit remains effective and adapted to emerging realities.

4.0 ENHANCING THE CANADIAN FEATURE FILM POLICY

The Government agrees with the Standing Committee conclusion that existing levels of feature film funding are adequate. The Government will build upon the success that the CFFP has achieved to date in supporting Canadian feature films. Many aspects of the CFFP have been working well and will remain. The CFFP will continue to aim at building audiences.

The Government will continue its work to address existing and emerging challenges to improve upon the CFFP's effectiveness and performance. The Government will consider the specific needs regarding the French- and English-language markets, performance measurement, governance and accountability, project development, training and professional development, long-form documentaries, preservation, quality and diversity of film, and exhibition. Moreover, the Government intends to work with the industry to strengthen the long-term competitiveness of the industry, including encouraging increased diversity of financing sources.

ENGLISH- AND FRENCH-LANGUAGE MARKETS

Recommendation 1

The Committee recommends that a revised feature film policy and related support programs and measures recognize that Canada's English and French-language film markets are different.

Recommendation 2

The Committee recommends that the feature film policy set realistic and incremental box-office targets for the viewing of films in the English-language and French-language markets.

The Government agrees with the Committee that the CFFP should recognize the differences between Canada's English- and French-language film markets. This calls for the development of plans to more effectively address the challenges specific to each. The French-language market has reached a state of maturity and an increased level of popularity. Canadian English-language films have to meet different challenges with a differing marketplace. The Government will explore means to improve upon the success that has been achieved to date, and the specific needs of each sector.

PERFORMANCE MEASUREMENT

Recommendation 3

The Committee recommends that a revised film policy recognize the importance of measuring audiences for the viewing of Canadian films in the many non-theatrical contexts where films may be watched.

Recommendation 10

The Committee recommends that the Department of Canadian Heritage, in partnership with all organizations most directly involved in support of feature film, be responsible for identifying and ensuring the collection of timely and relevant performance measures on audiences for Canadian feature film.

Recommendation 11

The Committee recommends that the Department of Canadian Heritage, in partnership with all organizations directly involved in support of feature film, be required to issue an annual report on relevant performance measures related to the objectives of the Canadian Feature Film Policy.

The Government agrees with the Committee's recommendations regarding improved performance measurement. Government policies should seek to achieve clear and measurable results for Canadians. Transparency and accountability are of fundamental importance to the Government. As such, the Government is already ensuring that organizations directly involved with the film industry provide a report on their activities. Memoranda of Understanding between the Department of Canadian Heritage and Telefilm Canada, the Canada Council of the Arts and Library and Archives Canada include provisions for reporting to the Department on their respective roles in the implementation of the CFFP. The Government recognizes the importance of measuring a film's ability to reach audiences through a variety of distribution platforms, not just movie theatres. Feature films are reaching audiences in many ways. A key finding of the *Canadian Film and Music Opinion Study* is that going to the cinema is no longer the way that the majority of Canadians watch movies. Canadians now watch feature films mostly at home on conventional or specialty or pay-per-view television, or by renting or purchasing a DVD copy. Downloading films off the Internet is still marginal, but growing.² The Department of Canadian Heritage is working towards establishing an effective means of tracking and analyzing performance data in existing and emerging marketplaces.

² *Ibid.*

GOVERNANCE AND ACCOUNTABILITY

Recommendation 7

The Committee recommends that the Department of Canadian Heritage assert its responsibility for the design, oversight, implementation, and evaluation of Canada's feature film policy.

Recommendation 8

The Committee recommends that the Government of Canada develop a new memorandum of understanding (MOU) that would be signed by all organizations most directly involved in support of the feature film policy. This MOU should recognize the Department's responsibility for the design, oversight, implementation, and evaluation of Canada's feature film policy.

Recommendation 9

The Committee recommends that the Minister of Canadian Heritage consult on a regular, systematic, and ongoing basis with members of the industry.

The Government agrees with the Committee's recommendation that the Department of Canadian Heritage is responsible for the design, oversight, implementation and evaluation of the CFFP. In 2000, the Department entered into MOUs with Telefilm Canada, the Canada Council of the Arts and Library and Archives Canada, which administer programs of the CFFP. The Department provides public policy leadership in the audio-visual sector and as such, will ensure that appropriate measures are put in place to improve aspects of the CFFP, as necessary.

At the same time, the Auditor General of Canada's 2005 report stated that it is important to ensure that Canadian Heritage's mandate to formulate policies in the audio-visual field does not impede upon Telefilm's autonomy to deliver its mandate to develop the audio-visual industry in Canada.³ The Government will ensure a proper balance between the responsibilities of the Department and the audio-visual organizations that administer the CFFP programs.

The Government is also in agreement with the Standing Committee's recommendation that the Minister of Canadian Heritage consult on a regular, systematic, and ongoing basis with members of the industry. Over the past seven months, the Minister has held several meetings and roundtables with representatives of the industry and will continue this process as the necessary changes are developed. Departmental representatives also consult and meet regularly with members of the

³ *Report of the Auditor General of Canada to the House of Commons, Chapter 5: Support to Cultural Industries.* Auditor General of Canada. November 2005. p. 24.

industry. Further, the Auditor General report noted that the Department's Cultural Affairs Sector has made consultation a priority, a practice that is essential to sound policy and program development.⁴

Recommendation 17

The Committee recommends that Telefilm Canada develop a peer review system for determining which feature film projects will be supported.

Recommendation 18

The Committee recommends that Telefilm Canada's new peer review system include marketing professionals who would provide advice on promotional strategies for feature film projects under consideration for funding.

Telefilm Canada, as a Crown corporation, has the authority to establish the most appropriate review systems for its programs. The use of a peer review system has advantages and disadvantages. The Government supports Telefilm's discretion to use funding review systems that are appropriate for the end intended, after consultations with interested parties.

The Government agrees with the Committee that marketing professionals are key to the promotion of Canadian films. The important role of the market place is confirmed in the requirement that submissions for production assistance to the Canada Feature Film Fund be accompanied by a distribution commitment and a marketing plan. Telefilm is currently examining changes to the Fund's guidelines which would increase the influence of the market place in the decision making process.

PROJECT DEVELOPMENT

Recommendation 26

The Committee recommends that the Department of Canadian Heritage carry out an evaluation of the current mechanisms that support scriptwriting and script development with a focus on alternatives to the current system of support.

The Government is seeking ways to strengthen project development. Changes to this component of the CFFP have already begun. For instance, Telefilm's English-language Screenwriters Assistance Program has been renamed Writer's First and the guidelines have been modified to attract more experienced writers in order to make the scripts more attractive to producers and eventually, bring quality stories to audiences.

⁴ *Ibid.* p. 12.

TRAINING AND PROFESSIONAL DEVELOPMENT

Recommendation 29

The Committee recommends that the Department of Canadian Heritage work with Human Resources Development Canada and industry stakeholders to examine the feasibility of establishing a sectoral council for training in film and related studies.

The Government recognizes the importance of training and professional development to the vitality and continuity of the Canadian audio-visual industry. For instance, the Cultural Human Resources Council (CHRC), which receives infrastructure funding from Human Resources and Social Development Canada (HRSDC), was created in 1995 to strengthen the Canadian cultural workforce. A national sector council, the CHRC brings together representatives of arts disciplines and cultural industries to address the skills development needs of cultural workers, including those in film. The CHRC is addressing human resource issues through various projects, such as the development of a human resource strategy for the film and television sector.

The Department will continue to work with HRSD, Telefilm Canada, industry stakeholders, associations, national training schools and sector councils to further develop strategic approaches to support training in the audio-visual industry, to ensure that it continues to be relevant, cost-effective and contribute to the success of the Canadian film industry.

LONG-FORM DOCUMENTARIES

Recommendation 23

The Committee recommends that a revised feature film policy recognize long-form documentaries.

Recommendation 24

The Committee recommends that the Department of Canadian Heritage establish a funding envelope in support of long-form documentaries.

The CFFP was established to support feature-length films intended for theatrical release to reach audiences and was not explicitly limited in scope to any specific genre. The Government will clarify that the Canada Feature Film Fund supports long-form documentaries within current support programs with all necessary adaptation by Telefilm Canada to reflect the specificity of that genre.

PRESERVATION

Recommendation 28

The Committee recommends that the Government of Canada develop a national policy for the funding and preservation of Canada's cultural heritage. This policy should include the preservation of Canadian feature films.

The Government recognizes the importance of preserving Canada's audio-visual heritage for future generations. Furthermore, the Government has a number of programs designed to support the preservation of, and provision of public access to, significant heritage.

Both *Scripts, Screens and Audiences* and the Department's evaluation report concluded that the current collections of Library and Archives Canada, the NFB, and the CBC/SRC, and the work undertaken by the Audio-Visual Preservation Trust play an important role in preserving Canada's film heritage while increasing Canadians' access of it. At the same time, the lack of targets to measure success was noted. Therefore, the Government will consider establishing specific performance targets to measure the success of the CFFP's preservation component.

QUALITY AND DIVERSITY OF CANADIAN FILM

Recommendation 27

The Committee recommends that the Department of Canadian Heritage take a lead role in examining ways in which greater support, particularly for scriptwriting, can be given to creators from Canada's regions as well as its ethnic, Aboriginal and minority language communities.

The Government believes in investing in excellence and quality and encouraging Canadians to express and share their diverse cultural experience with each other and the world.

The CFFP's second objective is to "foster the quality and diversity of Canadian film", without providing clear definitions or criteria. The Government will seek to clarify these operating concepts to the extent possible and endeavours to establish criteria for their assessment in the context of the CFFP's objectives.

EXHIBITION

Recommendation 22

The Committee recommends that the Department of Canadian Heritage develop and manage an initiative to provide ongoing support to film production companies, distributors, and exhibitors of Canadian films. This initiative should include a component that provides support for the transition to digital and e-cinema. It should also include a marketing component for a national film promotion strategy, e.g. an Internet portal, First Weekend Clubs, etc.

A major challenge facing both language markets relates to the theatrical exhibition of Canadian feature films. The CFFP was built on a comprehensive script to screen approach to funding that recognizes the importance of all sectors of the Canadian film industry, from creation and production to distribution and exhibition, to work together to achieve success. The Government will continue ongoing dialogue to ensure that Canadian films reach more Canadians and audiences worldwide and attract increased investment into this sector.

5.0 ALIGNING THE AUDIO-VISUAL POLICY TOOL KIT

Many of the Committee's recommendations have wider implications than simply for feature film. Aligning the audio-visual policy tool kit deals with the overall involvement of the federal government in audio-visual activity and addresses the issues of clarification of roles and responsibilities of federal organizations involved in audio-visual related functions and the refinement of policy instruments. The Government is committed to ensuring its support to the audio-visual sector is effective and that it remains relevant while producing concrete results for Canadians.

CLARIFICATION OF ROLES AND RESPONSIBILITIES

Recommendation 15

The Committee recommends that the legislation governing the National Film Act be amended to remove mention of the Government Film Commissioner. Such responsibility should be assumed by the Minister of Canadian Heritage.

Recommendation 16

The Committee recommends that the Government of Canada amend the Telefilm Canada Act to remove the blanket restriction on the appointment of board members with a pecuniary interest in the audio-visual industry. Adequate safeguards contained in the Financial Administration Act and Treasury Board Secretariat guidelines are currently in place to ensure that conflicts of interest are declared and that those with a conflict do not participate in any discussion or decision that affect their own interests directly.

Recommendation 20

The Committee recommends that Telefilm Canada harmonize its recoupment procedures for the two language markets.

Recommendation 21

The Committee recommends that the Department of Canadian Heritage carry out an evaluation and cost-benefit analysis of Telefilm Canada's recoupment requirements.

One of the main themes of the Standing Committee report was that the roles, mandates and responsibilities of federal organizations involved in audio-visual-related functions require a clarification. The connection between the role of the Government in support of Canada's audio-visual sector and its long-term viability was also mentioned throughout the Committee's hearings and submissions received.

The establishment of federal organizations and programs in support of Canada's audio-visual sector has taken place over a considerable period, starting with the creation of the NFB in 1939, followed by Telefilm Canada in 1967, the Canadian Film or Video Production Tax Credit in 1995, the CTF in 1996 and the CFFP in 2000. This list is not exhaustive.

The Government remains committed to ensuring that the mandates and activities of the various government interventions in support of the audio-visual sector be complementary and reflect the evolution of the sector over time. Within this context, the Government will consider further the specific recommendations of the Committee regarding Telefilm's Board members and recoupment.

Recommendation 4

The Committee recommends that the definition of Canadian content for the purposes of feature film be made more flexible, and use criteria that stipulate that two of the following — writer, producer, or director — have to be Canadians and that a certain proportion of the lead actors involved must be Canadian.

Recommendation 5

The Committee recommends that the Government of Canada designate CAVCO as the single certification authority for Canadian content.

Recommendation 6

The Committee recommends that CAVCO create a single application process for the certification of Canadian content.

As announced in its responses to the Standing Committee on Canadian Heritage's report *Our Cultural Sovereignty: The Second Century of Canadian Broadcasting*, the Government is continuing to move forward on centralizing the certification of Canadian content. The Government has designated the CAVCO to be responsible for the certification of Canadian content on behalf of other federal agencies and programs. Work is ongoing to move forward on this project.

The notion of Canadian content is of fundamental importance to the Government's support to the audio-visual sector and has been in place for many years. The Government will consider reviewing the definition of Canadian content after the centralization of the certification process is complete.

BROADCASTING POLICIES

Recommendation 12

The Committee recommends that the Department of Canadian Heritage, in collaboration with film and television industry stakeholders, develop a new policy for the exhibition of priority programming on Canadian television.

Recommendation 13

The Committee recommends that the Government of Canada direct the CRTC to develop a policy that supports the promotion as well as the viewing of Canadian feature films, long-form documentaries, and drama.

Recommendation 14

The Committee recommends that the CBCISRC develop a long-term plan to incrementally increase the number of hours of Canadian feature film and long-form documentaries broadcast on its English and French-language networks. The CBCISRC should deliver this plan to the Standing Committee on Canadian Heritage within six months of the tabling of this report.

In June 2006, the Government directed, pursuant to section 15 of the *Broadcasting Act*, that the CRTC develop a factual record of the future environment facing broadcasting. The purpose of the request is to gain insight into how changing technologies and usage patterns will affect all elements of the broadcasting sector, from public and private broadcasters to independent producers, from advertisers to distributors, and from creators to Canadian audiences. The CRTC also launched a review of its policy regarding over-the-air television to provide regulatory clarity to broadcasters who will be preparing their licence renewal applications.

Both of these exercises will inform discussions that the Government will have on broadcasting policy, which could include examination of the issues of promotion, support and increasing audiences for Canadian feature films, long-form documentaries and drama.

TAX CREDITS

Recommendation 19

The Committee recommends that the Government of Canada change its policy that requires Telefilm to include tax credits in the overall budget for a feature film.

The Canadian Film or Video Production Tax Credit is an important tool in support of the creation of Canadian film and television production and of the development

of the Canadian production industry. The Government has initiated a formal evaluation process to assess the tax credit in 2006. The results of this evaluation will enlighten the Government's understanding of the effects of the tax credit program, its benefits and its issues.

INTERNATIONAL CO-PRODUCTION TREATIES

Recommendation 25

The Committee recommends that the Government of Canada review the use of treaty co-productions to ensure that Canada's cultural interests are being met.

The Government agrees with the recommendation of the Committee. Official international co-production agreements are an important component of the federal government's framework supporting the audio-visual sector. As such, the Department of Canadian Heritage is developing an audio-visual co-production framework which will clarify the objectives of co-production to ensure proper alignment with other audio-visual and overall federal government objectives. It will provide criteria for the selection of new partners, and will include a framework for evaluating both the policy and Canada's treaties. The new framework will ensure that Canada's cultural, social and economic interests are met.

COPYRIGHT

Recommendation 30

The Committee recommends that the Government of Canada work with stakeholders to increase protections against video and cinema piracy and in particular, urges the amendment of the Criminal Code to explicitly deal with this matter.

The Government shares the preoccupations of the Committee with the protection of the rights of authors and producers in the audio-visual industry and is conscious of the fact that piracy of these works constitutes a serious problem.

It is important to note that the camcording of films presented in movie theatres constitutes a breach of the *Copyright Act*.

The question of video and cinema piracy raises mostly issues of law enforcement. In this context, the departments and agencies concerned with this matter will continue their discussions to determine whether the existing legal provisions are adequate and explore solutions to ensure effective application of the law.

The Government is working towards introducing amendments to the *Copyright Act* to reflect international obligations concerning the protection of copyright works generally.

6.0 CONCLUSION

The Government is proud of the role it has played in partnership with the country's creators, producers, distributors, broadcasters and exhibitors, in the success that has been achieved to date in Canada's feature film industry. Many aspects of the CFFP are working well and provide a solid foundation. At the same time, the Government recognizes the need to make adjustments, where necessary, to improve the performance of the CFFP.

The Government will continue to work with industry stakeholders to meet the commitments made in this Government response.

