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Mr. Gordon Brown

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• (1530)

[English]

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

I'm going to call to order meeting number 34 of the Standing Committee on Canadian Heritage. Today we are starting our feature film industry study, and that is pursuant to Standing Order 108(2).

With us today are three representatives from the Department of Canadian Heritage. We are going to hear first from Jean-François Bernier, who is the director general, cultural industries. Along with him today are Johanne Mennie, director of the Canadian Audio-Visual Certification Office, and Scott White, director of film and video policy and programs.

Mr. Bernier and I participated in the last study about 10 years ago, so there's a little bit of institutional memory around the table.

Mr. Bernier, you have the floor for 10 minutes.

[Translation]

Mr. Jean-François Bernier (Director General, Cultural Industries, Department of Canadian Heritage): Good afternoon, everyone.

The Department of Canadian Heritage appreciates your invitation to appear while the committee conducts its review of the Canadian feature film industry.

[English]

Our objective today is to present you with an overview of the feature film industry in Canada and the federal policy framework.

[Translation]

I would like to begin on page 3, which provides an overview of the ecosystem in which the main stakeholders you'll meet throughout your work operate.

[English]

From the time a feature film is created, many professionals and activities are needed to bring it to an audience. This process used to be fairly linear, but today's reality is different. Technologies are transforming the traditional relationships in the film business.

The Canadian audiovisual sector is big business, with \$5.8 billion in film and television production in Canada in 2012-13 and more than 127,000 Canadians employed in the industry. Specifically, Canadian feature film production accounted for 6% of the overall activity. There are about 500 companies involved in film and

television production in Canada and 30,000 Canadian creators earning a living in these sectors. Many entrepreneurs and creators are involved in both domains.

Worldwide, feature film is a high-risk and very expensive cultural business. Canada is no exception.

[Translation]

First, our market is small, and the production costs cannot be recovered domestically.

[English]

Second, Canada is split into two linguistic markets, each with distinct characteristics and challenges.

In the English language market in particular, Canadian producers compete face to face with the American studios for both talent and audiences. As in most countries, the Government of Canada supports its domestic sector. And as we can see from the chart on page 5, public support is a significant part of the financing of Canadian feature films.

Canadians are watching films in a variety of ways. Although online viewing is growing, traditional formats still dominate. Theatre attendance in Canada remains relatively steady, with total box office revenues of over \$1 billion in each of the last five years. Television is where most Canadians watch feature films. In 2013 over 90% of the views of Canadian films were on TV. But the growth of online platforms for film, such as streaming services like Netflix, is rapid and significant.

[Translation]

The use of the power of social media in the film industry is booming. It is proving to be a key aspect in the interaction between the creators, the entrepreneurs and the audience.

The federal policy framework aspires to optimally integrate its legislative, financial and institutional tools to ensure that Canadian films are made and are accessible.

[English]

The Canadian content point system has been a pillar of our policy framework since the seventies. This 10-point system is based on the nationality of people holding key creative positions in audiovisual productions.

•(1535)

[Translation]

The points system is completely objective and does not focus on subjective factors, such as the subject of the film or where it takes place.

[English]

A treaty co-production is created by pooling the creative and financial resources of Canadian and foreign producers under the terms of an international treaty. Canada has been co-producing for 50 years and has treaties with 54 countries. Our main partners are France, the U.K., and Germany. The Canadian content point system does not apply to treaty co-productions, but they are granted national status in both countries. This makes the co-productions eligible for all public support programs. While co-production activity varies from year to year, 20 feature films were certified as treaty co-productions in 2013.

Created in 1995, the Canadian film or video production tax credit is the primary tax incentive for Canadian content film and television production. It is based on Canadian labour expenses. Productions must have a minimum six out of ten Canadian content points or be a treaty co-production. Some 93 feature films were certified as Canadian in 2012-13. Finance Canada projected the total value of this tax credit at \$265 million in 2013. Feature films represented about 9% of that amount or about \$23 million.

Since 1997 the film or video production services tax credit has encouraged the hiring of Canadians in productions shot in Canada. Canadian content is not a consideration for this credit, which is also based on labour expenditures in Canada. This program has helped to build a world-class production sector in Canada that attracts foreign producers. Finance Canada projected the total value of this tax credit at \$110 million in 2013.

Established in 1967, Telefilm Canada is a crown corporation mandated to foster and promote the development of the audiovisual industry in Canada. Telefilm supports the development, production, distribution, and marketing of Canadian feature films. It also administers the audiovisual co-production treaties and the Canada Media Fund.

[Translation]

Telefilm Canada also supports Canadian film festivals and Canadian participation in foreign markets and film festivals.

In 2013-14, Telefilm Canada invested in 73 feature films, all scoring at least 8 out of 10 points for Canadian content or were produced in co-production.

[English]

CBC/Radio-Canada plays an important role for Canadian films. CBC is required, by condition of licence, to broadcast Canadian feature films.

[Translation]

CBC's involvement in Canadian films is strong, and has been for many years. This is important because, as I mentioned, Canadians watch Canadian films on television the most.

The National Film Board of Canada has been producing and distributing audiovisual content for over 75 years. The NFB has an impressive catalogue of over 13,000 titles, including a number of Canadian feature films.

[English]

Launched in 2000, From Script to Screen represented a major shift in the government's policy for feature films, from building an industry to building audiences. At the time, federal resources for feature films were doubled to \$100 million and a target of 5% box office market share in Canada for Canadian films was set.

In the 1970s and 1980s, the Canadian film distribution sector was marginal. The market was dominated by the Hollywood majors that were not distributing Canadian films. In the late 1980s, three measures were put in place to create a domestic distribution sector that would get behind Canadian feature films: first, restrictions on foreign investments; second, requiring a Canadian distributor for a Canadian film to receive public funding or tax credits; and third, a funding program for Canadian distributors through Telefilm Canada.

•(1540)

[Translation]

In particular, the Broadcasting Act confers regulatory powers on the CRTC. There are three main regulatory measures relating to Canadian content: requirements for broadcasting Canadian content, spending requirements for Canadian content, and financial contributions for Canadian content by cable and satellite broadcast services.

Pages 18 and 19 present other tools relevant to the Government of Canada's policy framework for the film industry. These include the Investment Canada Act, the Copyright Act, the Canada Council for the Arts and Library and Archives Canada.

[English]

Page 20 shows that while some films have received critical acclaim and box office success, as a whole it is still challenging for Canadian films to find audiences, particularly in the Canadian English-language market.

Results for multi-platforms, including television, give a fuller picture, and total market share is general higher.

[Translation]

Generally speaking, in the domestic market, Canadian productions in French perform better, whether in theatres or on other platforms. Canadian films in English, co-productions in particular, perform better internationally.

[English]

On page 21, we've put some recent examples of Canadian films that have achieved particular commercial or critical acclaim. Just last weekend, *Mommy* received the best award for foreign film in the César, which is the French equivalent of the Oscars.

The government's continued support toward the creation of and access to Canadian feature films has remained the key objective of successive governments. The challenge for policy-makers is to remain responsive to rapidly changing market conditions. Our ability to adapt will ensure that Canadian films continue to be an important economic driver in Canada and an ambassador of Canadian culture at home and abroad.

My colleagues and I look forward to the committee's report and are available to answer any questions you may have.

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

We're now going to move to the questions, and we're going to start with a seven-minute round.

We're going to go to Mr. Young.

Mr. Terence Young (Oakville, CPC): Thank you, Mr. Chair.

Thank you for coming here today. It was a very interesting presentation.

This is a big question, but I don't expect a very detailed answer. Could you sum up briefly the key changes that have happened in the last 10 years in the industry in Canada? We did a study 10 years ago, and I wasn't here at the time, but we have that as a resource and I think it's a useful resource as far as it goes.

What are the key changes that have happened dynamically in the industry in the world market for film, and how have we responded to that?

Mr. Jean-François Bernier: You're right. This could be a fairly standard answer—

Mr. Terence Young: Take as much time as you want.

Mr. Jean-François Bernier: —but I'll give it a kick, and I'll maybe ask Scott to jump in.

If I could summarize the last 10 years, it's the development of digital technology. Netflix did not exist 10 years ago. Today, 30% of Canadians subscribe to Netflix.

The possibilities of technology—and I mentioned social networks—are unbelievable in the potential that this gives, not only to Canadian films in Canada, but to Canadian films abroad.

Just before Christmas, a Canadian film was released, and the name is *Corner Gas*. They used very active social networks to promote the film. It was in theatres for four or five days; it was not there for four or five months, as it used to be 10 years ago. Maybe I'm exaggerating, but the window of release in theatres was very short. At the same time, they released it on video on demand and various services that were nascent 10 years ago.

Ten years is like the life of a dog. You have a dog that is 10 years old; it's like he feels 100 years old. Ten years was a warp time, not only in film, but in music and in all cultural industries.

Scott, do you want to add a few things?

• (1545)

Mr. Scott White (Director, Film and Video Policy and Programs, Department of Canadian Heritage): I think one of the key factors is the technology change. We've seen lowering costs both in production and distribution.

People are looking for content on mobile platforms and on their terms, so there has been a shift in terms of the dynamic between what you could call the gatekeepers—producers and distributors—and consumers. Consumers are becoming much more in control of what they watch and when they watch it.

If we look around the world, we also see growth in other markets. This is also something that's changed since about 10 years ago. The United States is still the dominant audiovisual market in the world, but that won't last for long. China is coming on very strong. India has always been very large. The Chinese market is where the action is right now for American producers wanting to get in there. That's been another big change.

Jean-François also alluded to the shortening of windows. This is kind of inside baseball terminology, but what we're talking about here is the time that is allowed for a film to be distributed on different platforms. It used to be very sequential and very orderly. The movie theatres would be first and it could be that a film would only be available in a movie theatre up to several months. If you wanted to see it later on your television, you would have to wait several months or maybe even several years. There was this orderly progression through the various windows.

That's been under a lot of pressure, especially in the last couple of years, more so maybe in the United States but I think it's coming here too. We have films now that are going straight to digital platforms and bypassing movie theatres. This offers challenges. It depends where you stand. Movie theatres are perhaps anxious about this, but it offers many more possibilities for producers for getting their products out there on different platforms, because not every movie is suitable for theatrical presentation. Now we have the opportunity for different types of films to reach their audiences.

Mr. Terence Young: Have the technological changes helped Canadian filmmakers get their stories, their films, into more audiences? I see that the average investment in a Canadian film is \$4 million versus the U.S., which is \$70 million.

Mr. Jean-François Bernier: It's \$100 million.

Mr. Terence Young: It's \$100 million.

We're at a disadvantage because our country is one-tenth the size and our economy is one-tenth the size, etc. Do these new platforms give us advantages in any way, and if so, is that as independents or does it have to be with co-productions? How important are co-productions?

Mr. Jean-François Bernier: The technology has certainly given opportunities to every filmmaker on the planet. The market is not Canada. The market is the planet. When you put something on YouTube, whether you're in South Korea, Japan, or the Gaspé, it is there. The difficulty for the public policy development is that it is very difficult to measure how much money a film is making on these new platforms. Data is difficult to get.

But the theoretical concept is that, yes, new technologies open up the planet to Canadian creators and Canadian products. Equally, it opens our market to other creators and products. So the challenge remains, as in music, books, and other sectors, to stand out from the crowd.

Successes in the last few years.... Ten years ago we had success, but over the last 10 years, every year there is something about Canadian films. There is a buzz about Canadian films: *Monsieur Lazhar*, *Incendies*, *Mommy*, *Resident Evil*.

Canadians are very well-perceived and seen. Canadian directors are receiving phone calls or emails from around the planet to work abroad. Look at Mr. Vallée, the director of *Wild*. This film was produced by an American company, but it's still a Canadian talent out there.

You asked if co-production could help the Canadian feature film industry. It can help, for sure. If there is something that has not changed over the last 10 years, it is the difficulty of raising financing for films. Money is not growing on trees. Every government is trying to balance budgets, not only at the federal level, but in other countries, and at the provincial level. It is tough to raise money for films.

● (1550)

The Chair: Thank you. We're going to have to move on.

[*Translation*]

Mr. Nantel, you have seven minutes.

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

I would like to thank our three witnesses for being here.

You might think I'm just saying this to be polite or out of habit, but it's very important that we conduct this major review. We have agreed to hear from individuals who have a good overview of the matter and to have the right witnesses appear. We want to try to fully understand the situation by focusing on the priority issues. As Mr. Brown said, a very comprehensive study was done 10 years ago. As Mr. Young said, we need to bring our attention to what has changed. So thank you for being here.

Let's talk about what has changed. I went through your document, and I think that it will help us organize our witnesses. I can't help but notice that you said earlier that technology was a big change. We feel the same way. I like pointing out that, when we all arrived here in 2011, hardly anyone had an iPad, whereas everyone does now. This has clearly changed.

You said that the issue was having audience statistics for companies like Netflix that are completely changing the game. I read an article this morning in *La Presse* that said that Netflix is

having the same effect on the movies that Uber is having on taxis. We can't be against technology, but we need to consider its impact.

When I heard you say that having statistics is what will help us adjust to all this, I wanted to ask you how you intend to make up for the mistake the Minister of Canadian Heritage and Official Languages made. On the second day of the CRTC hearings, she said that she would not touch the Internet, when obviously that's what is shaking up the whole ecosystem.

Mr. Jean-François Bernier: Your question contains a trap, and I will try to avoid it.

There are three challenges when it comes to statistics: having available, reliable and reasonable statistics. You can send a questionnaire to everyone on the planet to find out if they saw a Canadian film last week, but I'm not sure that would be very effective.

The challenge in developing public policies is to properly assess the traffic. We know, for example, that Canadian films are available on Netflix. They will print some pages, and so on. You can watch Canadian films, but who is the audience for these films? You still can't get statistics on that.

Mr. Pierre Nantel: I understand, but it's a question I had to ask. It's on everyone's mind, even those who don't want us to talk about it. They all know that this has been said. I won't ask you to comment any further.

However, I will say this. I went to the Netflix site earlier. Using an iPhone app—which I'm sure is similar on an iPad—I calculated that there were 13 rows. The first row contained 77 choices, which ends up being about 1,000 titles. You can imagine that it's voluntary. I didn't do all this while you were talking because I was listening to you. In the 77 choices in the first row, I didn't see any Canadian content.

So that's what we're facing today, and it's the most important issue. We will have to find a way without it becoming politically unbearable for some of us. We will have to look into this issue.

I'm 51. Canadian content in the various media has made all the difference and exposed me to other things. I remember the first Canadian series I watched. It was *The Friendly Giant*. A few years later, it was *The Beachcombers*. These days, there are shows like *Little Mosque on the Prairie* and *Corner Gas*.

As you said, it's easier in Quebec because of the larger audience, the language barrier, our abundant productivity and our knack for storytelling. However, a local content quota was imposed on broadcasters who wanted to obtain the right to use the airwaves in their area. The big question for film production in Canada is this: what are we going to do? The answer is far from simple.

I invite all committee members to take a look at the book called *The Birth of Korean Cool*. I got interested in this by flipping through *L'actualité* and because one of my neighbours in Longueuil—let's call her Geneviève Duquette—told me that she loves Korean television, which surprised me. The site she told me about was dramafever.org. I'm only talking about the focus, but there is an entire cultural policy around this.

Excuse me for my very long preamble.

How do you think we can focus our study on tangible solutions related to multiplatforms? Ultimately, how can we avoid having the CRTC ultimately say that it is not mandated to study this?

• (1555)

Mr. Jean-François Bernier: If I had an answer to that question, I would have spoken about it in my presentation.

Mr. Chair, in my response, I would prefer to limit myself to the means.

The regulations in place since the 1970s have created the country's culture building. Times have changed. The regulations are harder to enforce. Let's say that they are under more pressure than ever before. Canada isn't the only one experiencing this. It's also the case in China, Russia and other countries.

Mr. Pierre Nantel: I understand.

I still have a few questions. Do I have any time left, Mr. Chair?

I only have 10 seconds left. I think I'll give you a break, Mr. Bernier.

The Chair: Mr. Dion, you have the floor for seven minutes.

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

I would like to thank our witnesses, as well.

I would like to jump directly to page 20. The 2014 graph shows a figure of 10%. If I understand correctly, that means that, of the box office revenues in Quebec, in French or in English, francophone Quebec films represented 10% of the Quebec market.

Is that right?

Mr. Scott White: They are French-language films shown anywhere in the country, but mainly in Quebec.

Hon. Stéphane Dion: Ten percent of what?

Mr. Scott White: Ten percent of the box office revenues. That means that Canadian films in French—

Hon. Stéphane Dion: You're saying that they make up 10% of the box office revenues?

Mr. Scott White: Yes, that's right.

Hon. Stéphane Dion: What would the number be if it was just Quebec?

Mr. Scott White: It would probably be about the same.

Hon. Stéphane Dion: No, it would be much higher.

Mr. Scott White: Are you talking about box office revenues in Quebec?

Hon. Stéphane Dion: Are we talking about 10% of box office revenues for French-language films or 10% of the box office revenues, period?

Mr. Jean-François Bernier: Ten percent of box office revenues, period.

These are French-language films in the French-language market.

Hon. Stéphane Dion: In the French-language market—

Mr. Jean-François Bernier: They make up 10% of the box office revenues.

Hon. Stéphane Dion: They make up 10% of the box office revenues in the French-language market.

Mr. Jean-François Bernier: Exactly.

Canadian films represent 10% of the films shown in French.

Hon. Stéphane Dion: I'm surprised it isn't higher than that. We're going to get beaten by the French.

Mr. Jean-François Bernier: There are also some American films shown in French.

Hon. Stéphane Dion: Ah, that's it, dubbed films. Okay, I understand.

With the multiple platforms in the second graph, what do you mean by that?

• (1600)

Mr. Scott White: This could be television, video-on-demand, pay television, and video sales and rentals.

Hon. Stéphane Dion: Right.

Mr. Scott White: Television makes the difference.

Hon. Stéphane Dion: I understand.

Going back to the first graph, are box office revenues growing or decreasing overall in Canada?

We are seeing some percentages, but we aren't seeing the total in dollars.

[English]

Mr. Scott White: It's been about a billion dollars a year for the past five years. The total hasn't really changed that much.

Hon. Stéphane Dion: It's not changed.

Mr. Scott White: It's pretty flat.

Hon. Stéphane Dion: But it used to grow in the past.

Mr. Scott White: It depends on how far back you're looking.

Another factor is that we've seen recently, in the past five or six years, the popularity of 3-D films, and those ticket prices are higher. That's made a difference in the total box office.

[Translation]

Hon. Stéphane Dion: You spoke about changes in technology. If you had to write this document in 2005, when we did our last study, what would be different in the policy framework? How have the policies changed in the past decade?

Mr. Jean-François Bernier: Basically, the tools have remained the same: tax credits, Telefilm Canada, the National Film Board of Canada. We should see, but 10 years ago, that the National Film Board might produce more feature films; since then, it has migrated a great deal toward producing online animation and toward everything computer-generated. These aren't feature films like *Kamouraska* and *Mon oncle Antoine*.

I'm thinking about the situation 10 years ago, and I'm trying to see if we took action relating to the policy framework and the tools.

Hon. Stéphane Dion: Would you have written something very different 10 years ago?

Mr. Jean-François Bernier: I wouldn't have written anything different, absolutely not. The first graph you are referring to on page 20 shows the trends in the movie theatre market. As for policy tools, they are basically the same.

Hon. Stéphane Dion: It is surprising for this committee to see that the technological environment has changed enormously, but that the policies haven't changed.

Is there something in that?

Mr. Jean-François Bernier: Just be careful, the tools themselves may have not changed, but Telefilm Canada, which has been around since 1967, has tailored its programs to the new technologies. The NFB has adapted to the new technologies. The industry and entrepreneurs distribute films over new channels. They use social media. The expenses associated with using those tools are now eligible for the Telefilm Canada fund, for instance.

The details of how the fund works have therefore been adapted, but the policy framework is basically the same.

Hon. Stéphane Dion: So there have been changes, but we don't see them in your document. We will find out what they are when those folks appear before us to give testimony. Is that right?

Mr. Jean-François Bernier: Yes, I tried to paint a picture today of the policy framework. Clearly, I don't know who you are going to invite, but if representatives from Telefilm Canada or the CRTC—

Hon. Stéphane Dion: It would be strange not to invite them.

Mr. Jean-François Bernier: If CRTC representatives appear, they will tell you that video-on-demand services did not exist 10 years ago perhaps—I don't know exactly when the first services came out—but once they became available, they were regulated. The CRTC imposed rules on those services, requiring, for example, that one Canadian film be broadcast every month or something like that. So there are some regulations for those tools.

Hon. Stéphane Dion: Has Canadian Heritage adapted as well?

Mr. Jean-François Bernier: We have amended the Income Tax Act for tax credits. We adopted a new audiovisual co-production policy in 2011. In fact, the committee recommended it a number of years ago. We have adapted our performance metrics. Ten years ago, you would not have seen the graph on page 20. You would not have had the multiple platforms. At that time, our focus was only on movie theatres because the other markets were not as present.

• (1605)

The Chair: Thank you.

[English]

Mr. Hillyer, for seven minutes.

Mr. Jim Hillyer (Lethbridge, CPC): Thanks for coming. It's very interesting.

You say in response to Mr. Young's questions that the change in technology is the biggest change in the industry. Would you say that these new platforms are giving the Canadian film industry a broader audience? Are they getting more views now?

Mr. Jean-François Bernier: In theory, yes. As I mentioned, the market is now the planet. So as soon as a film is on Netflix—and there are Canadian films on Netflix—it has an audience that was not there before films became available on this streaming service.

My difficulty in answering your question is that I cannot give you the metrics of what this new viewership is. In a few years from now, maybe, but the data is just not available.

Mr. Jim Hillyer: Is it being collected by anyone?

Mr. Jean-François Bernier: No, it's not available.

Mr. Jim Hillyer: Maybe we could ask Netflix or someone for it?

Mr. Jean-François Bernier: I invite you to ask Netflix.

Mr. Jim Hillyer: Would you guess that, besides the worldwide market increasing, more Canadians are watching more Canadian content through these platforms?

Mr. Scott White: As Jean-François mentioned, in theory, yes, because in the past, if your film wasn't available in theatres, or even if it was, some Canadian films in theatres would last for a week or so. You had a very small opportunity to see the film, even if you'd heard about it.

In theory, online platforms, where the films stay for months or years, offer greater opportunity for Canadian films to be seen. Of course, as we've also mentioned, there's the issue of being lost in a sea of content. If you just have thousands of films on Netflix, for example, how do you stand out above that? That's definitely an issue as well.

Mr. Jim Hillyer: Maybe growing up or even as a younger adult you don't really pay attention to whether something is Canadian content or not. You don't notice that there is a lot of Canadian content in the mainstream theatres. I don't think there is. Even on television, there's more on CBC, but even CTV and the private networks have some Canadian content, but more television series than movies.

Is the percentage of Canadian content worse on Netflix? It seems like there's not much in the mainstream television and video stores and movie theatres either, is there?

Mr. Jean-François Bernier: There are Canadian films on Netflix, and we're just talking about Netflix, but there are other streaming services. There are Canadian alternatives: shomi, CraveTV, Illico. There are Canadian alternatives.

I'm sorry, but we have no idea how many Canadian films are on Netflix. We know there are some. We have no idea of their viewership. That could be a good question for a Netflix representative if you were to invite them to your study.

Mr. Jim Hillyer: Could you talk a little bit more about the international co-production model and if you think it's a good thing and why there's an advantage to it? Just help us to understand more about that model.

Mr. Jean-François Bernier: More and more films will need to diversify their sources of financing. As I've mentioned, financing remains a key challenge in this business. Co-production agreements are international treaties signed between two countries. I'm no lawyer, and when I started in this job a few years ago, Mr. Brown, I had not realized how important a treaty is. It's the mother of all contracts between two countries. It opens doors for Canadians.

Canada started with France in 1967, so we were the initiators with France of co-production treaties. After all those years, we are now partners with 54 countries. Essentially, the benefit of a co-production agreement is that it opens the door to the domestic programs. Let's say it's a France-Canada co-pro. France has tools for its film industry; Canada has tools for its feature film industry. That co-production is considered a national production in both countries. It opens access to foreign financing, and it opens access to markets.

Canada signed a co-production agreement with India last year. India is a big country. It will bring Canadian films to a market that would have been—I shouldn't say closed; India is not closed. It opens doors for Canadian actors, Canadian talent, Canadian products.

• (1610)

Mr. Jim Hillyer: Just as there are Canadians who take pride in watching Canadian productions, there are probably Frenchmen who take pride in that, and they're watching a Canadian production at the same time.

I just want to make sure I get this question in before I run out of time. You talk about the need for public funding, because it's a high-risk business, so you have trouble getting private funding. When you do get private funders, if the risk pays off they get paid back, and then some, does the public get anything back?

The Chair: We're out of time. Maybe in the next round you can get in on that.

We're now going to move to the five-minute round. We're going to hear from Mr. Stewart.

Mr. Kennedy Stewart (Burnaby—Douglas, NDP): Thank you.

I'm from Burnaby, British Columbia. We've got over 120 businesses that are related to the film industry, including multiple studios. We are really proud of our film industry there. What I hear constantly is that the British Columbia film industry is quite different from the film industry in the rest of Canada, in terms of the nature of the production that's done there.

I'm just wondering if you could perhaps comment on that, as this is the beginning of the study, just to give us a sense of the differences across the country, with specific reference to B.C.

Perhaps you could also comment on how the national policies play out in encouraging the B.C. film industry to grow.

Ms. Johanne Mennie (Director, Canadian Audio-Visual Certification Office - CAVCO, Department of Canadian Heritage): I'll take that question.

Yes, you're absolutely right.

What we see in the province of British Columbia are mostly what are labelled "service productions." What that means is that production companies in British Columbia offer their services to companies, mostly Hollywood productions, that use Canada as a locale to shoot their films, or for certain specialties like special effects or animation productions. They actually assist or are part of the production of a foreign producer. British Columbia, being closer to California and Los Angeles, tends to be the market for the Americans to shoot their productions here.

Mr. Jean-François Bernier: It's easier to fly John Travolta from Hollywood to Vancouver. He can go back and sleep in his own bed that same evening. Whereas if you bring him to Halifax or St. John's, Newfoundland.... So a lot of the business in B.C. is for foreign productions. Other big centres in Canada for that are Toronto and Montreal.

The other part of your question was whether there are national policies that are helping B.C. I would answer that national policies are national policies. In this business, they don't have a particular focus on B.C. or Saskatchewan or.... With the tax credit program, if you hire people in B.C., you release T4s, and you get a tax credit on that.

We don't necessarily have a focus with a national policy on helping the B.C. or Ontario or Quebec industry. We help all the industries, which we consider, from a national perspective, a Canadian film industry.

• (1615)

[Translation]

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

Ms. Mennie, you mentioned post-production, a major stage in the film industry. Yesterday, a Canadian mixer by the name of Craig Mann won an Oscar for *Whiplash*. Dean DeBlois' animated film was also nominated.

Are there incentives for post-production? I am thinking of Rodeo FX, for instance, the company that did 90% of the special effects for *Birdman*, which won a number of awards yesterday.

This is a major part of the industry. Are there specific programs for post-production or is the exchange rate the only benefit?

Ms. Johanne Mennie: All post-production costs are eligible for tax credits. They are included in the total production cost. So the same tax credit calculations apply if the production is eligible.

Mr. Jean-François Bernier: Some expenses are eligible under the Telefilm Canada fund, the Canada Feature Film Fund.

The mandate of the Department of Canadian Heritage is, first and foremost, cultural. Clearly, there is an economic aspect, but on a daily basis, our objective is not really to have John Travolta come to Vancouver. If that happens, great, because that is how the city can maintain its infrastructure and make sure technicians are busy. The technicians work with current tools, not tools from 20 years ago. Our policies are for Canadian productions.

Mr. Pierre Nantel: You are quite right. This has more to do with the industry.

[English]

The Chair: Okay, we'll move on to Mr. Yurdiga, for five minutes.

Mr. David Yurdiga (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair, and thanks to the witnesses for being here today. Your presentations were very interesting.

We have a big multicultural society. In my community of Wood Buffalo, in northern Alberta, we have over 100 countries represented.

It says here that out of 93 Canadian films in 2012 and 2013, there were 59 in English and 34 in French. Are there any films coming out in other languages, especially targeting any group outside of those English and French groups?

Ms. Johanne Mennie: Yes, we do certified productions that are produced in languages other than French and English. I would say on average that's about 2% of the productions that we certify on an annual basis. Based on 1,100 productions that we certify, about 2% are in languages other than French and English.

Mr. David Yurdiga: Are you seeing a bigger demand for films produced in other languages?

Ms. Johanne Mennie: It's pretty stable.

Mr. David Yurdiga: Okay, thank you.

I was just looking here at the economic impact. Now we're in the digital age; we're reaching out to more people. We're more mobile; we're on our cellphones or iPads, whatever we have. What is the total economic impact now that we're attracting a bigger group of people? Before if you wanted to watch something, you had to be at home and you were limited to what you could see, but now you can watch a movie anywhere. Is that changing our bottom line for the film industry, having a bigger market?

• (1620)

Mr. Scott White: I'm not sure. On annex A, we have 10 years' worth of production volume in the film and television sector. You can see that it's generally trending up, but I think it's too early to tell the impacts of what you're talking about.

Mr. David Yurdiga: Yes, the financial impact. Obviously, revenues are very important to any industry.

Mr. Scott White: Right. I'll say one thing, which is that we do see something that is happening across other cultural industries, where in the physical world, the kind of money involved is different than in the digital world. There hasn't been a full adjustment to that yet. The biggest example in the film world would be DVDs. There was a lot more money involved in the sale of those and a lot more profits to be made from various players, whereas the digital files, digital distribution of films, is a much lower cost business, so you have to make it up in volume, right?

Mr. David Yurdiga: Yes.

In terms of jobs, obviously, we're having more and more films produced. Is the number of people going into the film industry increasing as far as people working in the industry?

Mr. Scott White: We haven't seen that yet, no.

Mr. David Yurdiga: So it's been stable.

Ms. Johanne Mennie: If we look at the number of productions over time coming in for certification, you see a pretty flat line. There's no drastic increase year over year; it's pretty stable. You can think about that in terms of capacity, so individuals coming out of film schools or whatnot, and also in terms of capacity to absorb what comes out into the marketplace.

Mr. Jean-François Bernier: If I may, it's true that it's fairly flat, but the productions that Johanne sees are more traditional film and television productions. We're not certifying video games. We're not certifying a lot of online material that is taking place out there, and that's good. This is Canadian content that is taking place and finding its way.

If you want to visit something that is quite telling of what's happening outside the framework, I invite you to visit epicmealtime.com. Epicmealtime.com is Montreal-based guys. They give extreme recipes, like a huge hamburger, and they keep counting the number of calories, and if it's below 250,000 it ain't enough, so more bacon, more bacon. It's taking place and it has visitors. Every week two million people watch that. It's another form of content.

Now, should we be proud of epicmealtime.com? I don't know; it's for debate, but two million people find it funny and interesting to watch. We don't finance that, but I'm sure there are creators working on this, like just the guy shooting this. Maybe the day after he's working with Xavier Dolan or at the NFB. People work on those audiovisual productions.

The Chair: Okay, thank you. We're going to move on.

[Translation]

Mr. Nantel, you have five minutes.

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

My questions will be quick since the clock is ticking.

Thank you for being here. Your testimony is very enlightening for us.

The two graphs on page 20 have caught my attention. If I understand correctly, the first graph shows that films presented in French in Canada are taking roughly 10% of the box office revenues. In the second graph with the multiple platforms, films in French have 6.9%.

Is that not indicative of what I was saying in terms of people having so many choices that they sort of forget about the Canadian content in French?

Mr. Jean-François Bernier: We have not analyzed people's motivation. The other conclusion we could draw from your analysis is that, once people see a movie in theatres, they don't watch it again when it's on TV or on other media.

•(1625)

Mr. Pierre Nantel: Of course, we must compare apples to apples. It is not the same spectrum, the same number of years, the same year. There can be a huge difference from one year to the next. At any rate, thank you for your answer.

Let me ask you something else. The eOne corporation has a monopoly or a near monopoly. Mr. Roy is the president and he is a wonderful man who cares about Canadian film. However, isn't it troubling that Canada has only one huge distributor?

Mr. Jean-François Bernier: Let me answer this question, which I think also has a catch.

In the 1980s, there were no Canadian distributors other than René Malo perhaps. Canadian films were not out in theatres or shown on TV. It is as if, 25 years later, we are the victims of our own success. A distribution industry has developed. How many distributors do we need in a country like Canada? Should we have five, 10, 150?

If you had done this study a year ago, there would have been two huge distributors. Today, there is one that's even bigger. We are looking at the situation to see whether it is causing problems for the Canadian feature film industry. That is something you could ask the few producers who will appear here.

The way we see it, Canadian films find a distributor. The eOne corporation does business in 40 countries. Does it help with Canadian film distribution abroad? We could probably say so.

Mr. Pierre Nantel: Yes, that is very likely.

Jean-François Bernier: Actually, eOne is the largest independent distributor in the world. There are the major ones, and then there is eOne. There must be benefits for the Canadian products, but what about the disadvantages? I will let you check that with the producers.

Mr. Pierre Nantel: I would like to ask more questions so that our study is more thorough.

Twice in your answers, you said that some issues were more industry-related. Do you think we should look into that? For instance, post-production is industry-related. Do you feel that some of the Department of Industry policies directly apply to the Canadian film industry?

Mr. Jean-François Bernier: That is a good question, and I would be tempted to say no.

I am trying to think of some policies. Industry Canada has regional development agencies. This is connected to the question asked earlier about British Columbia. A few weeks ago, Western Economic Diversification Canada invested almost \$1.2 million to help the industry out west take on foreign markets and all that.

The Canadian film industry has tools at its disposal, but there are no specific policies for it, the way there are for fisheries and telecommunications, for example.

Mr. Pierre Nantel: It was very interesting to hear about the agreements with the other countries. I honestly didn't think that they are as important since co-productions can sometimes develop naturally.

What is the benefit of having an agreement with, say, a country like India?

Mr. Jean-François Bernier: The benefit of an agreement is that it gives us access to the programs in other countries. The agreement does not have only privileges; it comes with certain obligations. For instance, a financial contribution of 20% is required for a France-Canada co-production. The Canadian producer or the French producer must provide at least 20% of the funding.

•(1630)

[English]

The Chair: We have about one minute left and Mr. Young wanted to get one question in.

Mr. Terence Young: Thank you, Chair.

I wonder if you could tell me if you have any concerns, and if so, what they are regarding corporations that are in the cable business, or in a completely different business, like telephony, controlling the art, controlling what films get on television or get broadcast on cable.

It's like the tail wagging the dog. Somebody comes up with an idea for a film or a TV show, and to get it to people, they need it to go on cable. They make so much money on cable, they have bought the art, so as I say it's the tail wagging the dog.

I think of some of the shows as I switch channels. There's a show about people who are over 600 pounds and there's a show about people riding around in a cab that lights up. There's just so much nonsense, but there are also excellent shows as well. Is that a concern to you, that we have corporations deciding what art we see in Canada, what we're exposed to? What can we do about it?

An example, of course, is that Bell owns CTV and *The Globe and Mail*.

Mr. Jean-François Bernier: Is it a concern? One could refer to those big corporations as “certain gatekeepers”. With technology, gatekeepers are under attack. There are other ways to get the content to people other than through CTV.

Honestly, these guys make creative programming choices, but productions—at least what we finance at Telefilm, the Canada Media

Fund, or with the tax credit programs—the intermediaries, or the producer, or the distributor...It's not CTV that comes to claim a tax credit. It's an independent producer.

Mr. Terence Young: So the system is working to a degree.

The Chair: Thank you. We're going to have to end on that note.

Mr. Jean-François Bernier: To a great degree the system is working.

The Chair: Thank you to our officials for coming today. We may have more questions and we may invite you back.

We are going to briefly suspend.

[Proceedings continue in camera]

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