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Chair

Mr. Gordon Brown

Standing Committee on Canadian Heritage

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• (1530)

[*English*]

The Chair (Mr. Gordon Brown (Leeds—Grenville, CPC)): Good afternoon, everyone. I am going to call this meeting number 46 of the Standing Committee on Canadian Heritage to order.

Today we are continuing with our study of the Canadian feature film industry. In fact, it is our last meeting for hearing from witnesses.

In the first hour we have with us from the Directors Guild of Canada, Tim Southam, president at the national office, and David Forget, director of policy, also at the national office. From the Alliance des producteurs francophones du Canada we have René Savoie, the administrator. Via video conference, from Vancouver, British Columbia, from the Moving Picture Company, we have Michelle Grady, head of film.

Each of the three organizations will have up to eight minutes each.

We will start with Mr. Southam. You have the floor for eight minutes.

Mr. Tim Southam (President, National Office, Directors Guild of Canada): Mr. Chairman, honourable members of the Standing Committee on Canadian Heritage, my name is Tim Southam. I'm a working director, a filmmaker, and the president of the Directors Guild of Canada. With me is DGC's director of policy, David Forget.

I'd like to thank you for the opportunity to appear before you in the course of your current review of the Canadian feature film industry. We are experiencing significant change in the audiovisual sector and commend the committee on its timely decision to review the state of Canadian feature film in particular.

Just as feature dramas and documentary have a special place in the hearts of audiences everywhere, for filmmakers feature film is a foundational art form. Even as other screen genres like Internet and series television become highly compelling media for directors, feature film remains the bedrock form many of us dream most of making.

There are several reasons for this. Some are purely mythological, the desire, for instance, to follow in the footsteps of Truffaut, Spielberg, Campion, Scorsese, Bigelow, Jutra or Cronenberg, but the key reason is that independent feature film is the form that utilizes most completely everything a filmmaker has to offer to the viewing public, as a visual artist, a dramatic artist, and as a storyteller. It's a

form that uses the director's skill set fully, from either writing or working with a writer, through directing actors and composing shots, to sound design and exhibition. It is therefore a form most likely to develop a singular voice and most susceptible of offering a unique viewing experience for audiences everywhere.

Feature film has often been Canada's best foot forward on the national and international stage.

[*Translation*]

Unfortunately, despite feature film and documentary's pride of place in the media and in audiences' collective imagination, English Canadian films are becoming orphans in their own land.

Taxpayers who fund these films are denied the ability to access them. Diminished access translates directly into diminished choice for Canadian audiences. Something needs to be done.

[*English*]

Our focus today is on how we can strengthen existing regulatory mechanisms in support of the financing and exhibition of Canadian feature film, particularly as they apply to the dominant trend towards home and mobile viewing.

Much has changed since the last time the standing committee engaged in a study of the Canadian feature film industry in 2006. Most significantly, digital platforms offer more and more ways to access content. Audiences are more in control of the viewing experience and have more choice than ever before. As a result, there is greater pressure on the historical "orderly" marketplace, and as exciting as these new platforms and windowing strategies may be, they do not yet come accompanied by strong business and financing models.

We also note that several key things have not changed since 2006. It merits repeating that in its 2006 report the committee noted, in its words, an "absence of a broadcasting policy to support the promotion of Canadian feature films". The report further recommended "that the Department of Canadian Heritage...develop a new policy for the exhibition of priority programming on Canadian television" and "that the Government of Canada direct the CRTC to develop a policy that supports the promotion as well as viewing of Canadian feature films, long-form documentaries, and dramas".

The report got it right, and in 2015, television is still where most Canadians watch movies. The burning question is, where are the Canadian movies in this home-viewing universe?

The Directors Guild of Canada has three specific suggestions in order to more fully leverage home-viewing trends. All three would result in delivering significant resources to Canadian feature film and documentary without requiring the addition of any new public moneys to the system.

The first suggestion is on Canadian feature films and documentaries as programs of national interest, PNI. To ensure that resources for programs of national interest are allocated in line with the government's policy intent, the CRTC should require broadcasters to set aside a minimum 1% of their Canadian revenue specifically to support the creation of original Canadian feature films and documentaries. These revenues should be sourced from within the broadcasters' existing Canadian programming expenditures requirements, but over and above the existing 5% PNI requirement. The result would be increased and sustained support from broadcasters, addressing the chronic meagre licences currently being offered.

We also recommend that, as Canada's national public broadcaster, the Canadian Broadcasting Corporation play a more significant role in the licensing and promotion of Canadian feature films and documentaries.

The second suggestion is on Canadian feature films and documentaries on video-on-demand and pay-per-view services. Building audiences begins with having access to the content. The CRTC requires pay-per-view and video-on-demand providers to license all new Canadian feature films that comply with relevant codes as "suitable" for each service. However, the commission has declined to provide clarity on how the word "suitable" should be defined. Greater clarity regarding the term "suitable" would result in increased access by Canadians to our cinema on pay-per-view and video-on-demand services.

The third suggestion is in regard to Canadian feature films and documentaries on over-the-top services. In recent years, Canadian broadcasters have had to compete with new over-the-top subscription video-on-demand, SVOD, services. There is no question that exempting over-the-top SVOD services from CRTC regulation has enabled these services to avoid the system-building requirements shared by other content providers, including any participation in the Canada Media Fund. As a result, over-the-top providers operate as free riders with regard to ensuring Canadian content and culture in the broadcasting sphere.

Enshrining this competitive advantage for a subset of providers makes little sense. As an initial step, the CRTC should again require reporting from over-the-top providers regarding: the level of Canadian programming, including the number of titles, hours, and share of total content; the level of expenditures on Canadian programming; Canadian programs for which rights were acquired in exclusivity; and Canadian subscriber levels.

• (1535)

[Translation]

The financing, production and distribution landscapes for feature film and documentary have been revolutionized by the advent of

new viewing platforms and digital networks. Yet none of these developments alter the need for a critical mass of capital to generate first-rate content created by Canadians for Canada and the world.

As additional measures, the DGC believes we must strengthen existing tools such as tax credits, the Canada feature film fund, the National Film Board of Canada and the Canadian Broadcasting Corporation, and reverse cuts made to these instruments and services.

In addition, it is important to follow the migration of audiences toward the small screen, and to more effectively secure the involvement of home services for the financing and dissemination of Canadian feature films, including the traditional television networks and new Internet services.

Mr. Chair, committee members, I would like to thank you very much for the opportunity to appear before you today, and would be pleased to answer any questions you may have.

[English]

The Chair: Thank you very much.

We will now move to René Savoie.

You have the floor for up to eight minutes.

[Translation]

Mr. René Savoie (Administrator, Alliance des producteurs francophones du Canada): Thank you, Mr. Chair.

[English]

Hi, everybody. I'm going to speak in French, but I understand English pretty well.

[Translation]

I represent the Alliance des producteurs francophones du Canada, which has 24 members who are producers. These producers all work in French in areas where it is a minority language, from Newfoundland and Labrador to British Columbia, and are mainly developing the television production and digital media industries.

A few members have produced feature films, and a number of them dream of being able to develop projects like this in the future. The example that the growth of the television industry and the development of its talents and capacities in the regions through active participation in the Canada media fund lead me to believe this will happen. Our members currently develop and produce major drama series for major Canadian broadcasters.

To give you a better understanding of our current situation, I have prepared an overview of the status of French-language feature films in Canada in minority situations from the perspective of an Acadian producer working in his area. It's a portrait that I submitted on March 11, 2015. Since the document was written, I have participated on behalf of the APFC in a bilateral meeting with the FCCF, the Fédération culturelle canadienne-française, and with Telefilm Canada. The conclusions we came to following this meeting were very telling. That is why we have modified our presentation for your committee. It is essential for the APFC to have feature films that show the reality of francophones across Canada and that showcase the cultural wealth of our great country.

In the document submitted on March 11, we showed that, for francophones outside Quebec, the feature film industry hasn't changed much in the last 10 years. There was one feature film in 1998 in Acadia, another made for \$1.2 million in Ontario in 2011, and three projects made on very small budgets for emerging talents in the last six years. It's a very poor record. Francophone feature films in minority situations is a rare thing.

Almost all French-language feature films in Canada are produced in Quebec. Francophones in minority situations make up 12.5% of the country's francophone population. The Official Languages Act stipulates that federal organizations must take positive action to be equitable toward francophones in minority situations.

The issue of funding a feature film project is often what prevents it from being made. Telefilm Canada, which recently had its budget cut by 10%, provides up to 30% to 35% of funding to feature film projects. The rest of the funding comes from federal tax credits and provincial programs, as well as distributors or other broadcasters. Otherwise, producers must be clever to find sources of funding to cover the budget and produce the film.

Provincial funding is the main problem faced by francophones in minority situations who want to produce feature films. Quebec invests \$25 million a year in cinema. Manitoba is the other Canadian province that provides enough assistance to cinema to make producing projects possible. However, there is no equivalent assistance for francophones in minority situations in the rest of Canada.

The various provincial organizations that help television production in particular do not have specific programs for feature films, and the current conditions do not indicate that the situation of producers in minority situations will improve in the coming years.

The APFC believes that it is essential to support the development and production of feature films in minority situations. Sections 41 and 42 of the Official Languages Act indicate that federal institutions have a duty to ensure that positive measures are taken to enhance the vitality of French linguistic minorities in respecting jurisdictions like the feature film industry. APFC has the following possible solutions.

We think the government should put in place a special assistance program for screenwriters in minority situations. A small amount would be enough to develop three or four projects professionally. It is also essential to create a special envelope to provide an additional incentive for production projects. An extra incentive in the financial structure to highlight the importance of producing feature films

in official language minority communities is necessary to make up for the lack of provincial funding. This type of measure would strongly encourage producers to get involved in producing feature-length films. It would surely have a snowball effect with time, and the number of films made would proliferate.

- (1540)

For the last 10 years, the Canada media fund has set aside a special envelope entirely for producers in minority situations. It has led to the growth of the television industry for francophones outside Quebec. Initiatives like this enable our talent to stay where they live and develop projects in their respective regions.

Through the Canada media fund, we are now producing dramatic series, as well as variety shows, documentaries and programs for young people. These are the same people who often end up on set with seasoned television series performers. They hone their skills and eventually make feature-length films. It is also the same scriptwriters from the regions who have feature-length film projects in their back pocket.

Let's imagine for a moment that there were a way that would enable us to make feature films in French outside Quebec. It would be a marvellous way to see to the future of films conceived and made in the regions that would show the richness of Canadian heritage through the stories and cultural diversity of the people and the landscapes. It is very easy to believe that such a possibility exists and that the federal government's good will could make it possible for such incentives and programs to be created, be it at Telefilm Canada or the Official Languages Secretariat of the Department of Canadian Heritage.

The APFC believes that the programs that govern Canadian feature film financing must develop and provide equitable support to francophones involved in production in minority communities and contribute to the industry's development, as well as the promotion of Canadian culture. An acceptable assistance program would support one or two films a year, worth \$500,000 for production and \$200,000 for writing. We think that is quite modest to facilitate the production of a few feature-length films and the promotion of this industry for francophones in minority situations. A well designed program would not require much in the way of administrative fees.

If the funding that the federal government provided to Telefilm Canada before the 10% cut was restored and was subject to an obligation of putting in place a program like this, it would be a very good policy initiative that would contribute to the promotion of the Canadian feature film industry.

The APFC is sure that the committee will take into consideration these recommendations and obligations under the Official Languages Act of Canada. It also believes that the committee will see to the adoption of conditions that will help ensure the development of the feature film industry. It will eventually allow our members to create, produce and distribute independent francophone feature-length films that will give a voice to francophone communities in minority situations.

Thank you, ladies and gentlemen and Mr. Chair.

I would be pleased to answer any questions.

• (1545)

The Chair: Thank you, Mr. Savoie.

[*English*]

Now we will go to Vancouver via video conference. We will hear from Michelle Grady, who is the head of film at the Moving Picture Company.

You have the floor for up to eight minutes.

Ms. Michelle Grady (Head of Film, Moving Picture Company): Good afternoon. I'd like to thank the chair and the committee for inviting me to speak with you today.

My name is Michelle Grady, and I have been fortunate enough to be involved in the Canadian feature film industry for over 20 years. For the past seven years I have been head of film for MPC, the Moving Picture Company. MPC has been a global leader in visual effects for over 25 years. The company started in London, England, was purchased by Technicolor in 2004, and we opened up our first Canadian operation in 2007.

The subject of this committee study is a review of the Canadian feature film industry. One of the parameters of your review outlined in the invitation was to explore ways to promote the value of the industry, including the quality production services offered in Canada. The invitation also noted that you'd be interested in hearing about changes that have taken place since the last study on the feature film industry in 2006.

In terms of production services, there's been arguably no greater change in that time than in the introduction and growth of the feature film visual effects industry in Canada. Prior to that time there had been a small industry focused on Canadian television and feature films, but what has developed is an internationally recognized and award-winning hub for large-scale, blockbuster, Hollywood feature film visual effects. In fact, Vancouver has become a top two hub in the world for this work, and Montreal is on its heels.

If we agree that from a commercial perspective a large part of the Canadian film industry is the services it provides to the Hollywood movie business, then we now need to acknowledge the important place of feature film visual effects in that Canadian production services category.

What are visual effects? In simple terms, digital visual effects are the various processes by which imagery is created or manipulated outside the context of live-action shoot. Visual effects involve the integration of live-action footage and computer-generated imagery

to create shots that look realistic but would be dangerous, costly, or simply impossible to capture on film.

As a quick example, suppose this dialogue we're having now is part of a sci-fi movie. Aliens invade the room that I'm in. Aliens disembark their ship, take me onto their ship, and leave. We would film me with a little bit of dialogue. As soon as the aliens come in, that entire scene is digital; it's created on the computer. I would be created in the computer, right from all the follicles in my hair, to my jacket, to the room. The rest of that scene is entirely digital, done within the computer.

Here are a few compelling statistics for you in terms of the importance of VFX. Every one of the 50 highest grossing films of all time heavily employed visual effects. More movie budget dollars are being allocated to visual effects, which now garner 30% to 35% of production spending for the top 50 movies, compared to about 25% four years ago. VFX is a high employment industry; it takes an army. A 2013 study tracking the growth of visual effects within top-grossing films noted that on 25 of the recent VFX-focused films, VFX jobs accounted for 45% of the jobs on the film.

As we can see, VFX is a growing sector, but taking this a little bit closer to home, of the top nine companies in the world servicing this niche market, eight have set up significant operations in Canada. I'll list them because you may not be aware of the names: MPC, ILM, Digital Domain, Sony Pictures Imageworks, Double Negative, Framestore, Method Studios, and Scanline.

When we opened up MPC Vancouver in 2007, we were 50 or so people; today we're 600. We opened up in Montreal in 2013 and we're 550 people there today. We can take that growth curve and to varying degrees map it onto the 15 or so companies that have either been homegrown or are Canadian locations of international brands. On a creative level, we're delivering some of the best work in the world. Since opening in Canada, MPC has been nominated for several Academy Awards, and we've won one.

Why is the growth of VFX important? Our film industry is transitioning, like many, to a largely digital workflow. In so doing, new types of jobs are being created; new companies are forming, and in general, new opportunities are developing. In that context we have established a globally recognized centre of excellence within Canada. The types of jobs being created are highly skilled, highly paid, and in high demand. The average salary in my company is 48% higher than the Canadian average salary. Our average age is 29 years old, and we have many opportunities for employees at all levels of the experience spectrum.

• (1550)

Given the growth of our industry, demand for talent by far outstrips the supply of talent. As a result, we are developing creative ways of growing the workforce, including taking on intensive and expensive training programs. In both MPC Vancouver and Montreal, for example, we've developed an academy where we hire three rounds of 25 new grads per year, and provide them three months of paid additional training and a 12-month employment contract. These brand new artists who have just graduated have the opportunity to work on the biggest, hardest, most successful movies coming out of Hollywood today, such projects as *Batman v Superman*, *Terminator 4*, *The Fast and the Furious* franchise, and the list goes on.

How can the government help promote the value of the industry? The provincial and federal governments have been essential partners to industry in the success story of Canadian feature film, and specifically in the development of the feature film VFX sector. To continue to support this success story, government can ensure we have supportive policies in the crucial areas of tax credit, immigration, and education.

The VFX work we're talking about is competed for fiercely on an international scale. The work does not have to come to Canada. It can go anywhere at the push of a button. This has led to many jurisdictions offering new and improved tax credits, but one of the towering strengths of any film tax credit system, in my opinion, is consistency and predictability. A federal film tax credit policy and practice that supports the themes of consistency and predictability is a great support.

The international competitive nature of this sector also has implications for our workforce. Talent moves around, and we need to have quick and seamless access to it if we are to compete. This does not mean the industry is not committed to the development of Canadian talent; it is. However, given the nature of the industry and its rapid growth in Canada, access to foreign talent is a competitive necessity. As a result, immigration of highly skilled talent to bring experience and mentorship to Canadians is absolutely critical. Immigration policy and practice that strengthens our ability to offer jobs and offer work permits quickly and consistently is a great advantage.

As we try to increase the numbers of Canadian youth who are ready to enter our growing industry, having schools that are generating graduates who are properly trained for the work of today is crucial. In addition, helping employers with the financial burden of internal training to upscale new graduates would encourage more employers to develop internal programs like the one we've developed at MPC.

In conclusion, what I'm attempting to demonstrate is that feature film VFX is arguably the biggest advancement the Canadian feature film service sector has made in recent years in terms of expanding the business model, and we've developed this at a time when VFX in feature films has been growing in importance in the film industry as a whole. With government as a partner, we've built a centre of excellence within Canada that is competing and winning on a global scale. We create highly desirable jobs for the present and into the future.

Thank you again for the opportunity to speak, and I'm open to questions.

• (1555)

The Chair: Thank you very much.

We will now go to questions, and we will start with Mr. Young, for seven minutes.

Mr. Terence Young (Oakville, CPC): Thank you, everyone, for taking time today to inform this committee.

Mr. Southam, we had a brief discussion just before committee regarding feature film versus serial. I wanted to raise that again on the record here, because you're stating that of everything a filmmaker has to offer to the viewing public—visual artists, dramatic artists, and storytelling—feature film is the best vehicle. Does that relate to serialization, and how does that relate to the Canadian industry? We've heard from previous witnesses that serialization is dominating filmmaking now. How is that helping or hurting the Canadian industry?

Mr. Tim Southam: You're quite right, and those who have told the story of how series have become a dominant storytelling form in the screen industries are bearing out all our experiences. Many more people watch and enjoy series and feel that television series are as good an experience for the viewer as a feature film.

That's reflected also in how our members work. We work a great deal in television series, and by television series I mean serialized entertainment on all platforms, and many of our members work in feature film.

I would draw one key distinction, which I think is of interest to this committee in one way, and that is one of our most distinguished members is Clement Virgo, who is the writer, director, and producer of *The Book of Negroes*, which started as a feature film project and became a miniseries, as did *Orphan Black* by the way, a well-known Canadian series.

Clement draws the distinction between his work as a filmmaker on the one hand and on the other hand as a hard-hat director, as he calls it. By a hard-hat director he means the way he spends his time when he's offering his services as a gun-for-hire director on any number of projects around the continent.

He has directed *The Wire*, a famous HBO series. He is very active in Canadian episodic, but he does draw a distinction between that work and the work he does as a feature filmmaker primarily, but also as a feature filmmaker working in formats like the miniseries, for instance, *The Book of Negroes*, or for example, a series that he may have conceived himself, written, or put together with fellow writers.

In the end it goes to authorship. What feature film has tended to do in our low-budget environment, an environment in Canada where we don't have a lot of money, is it has allowed individuals like me to be both the writers and directors of a single work and therefore the authors of that work.

A series tends to take me and put me in just a little part of it. I'll direct one or two episodes, and I'm certainly not the writer of that series. It's using my skills and my craft, but it may not really be drawing on me as the total progenitor of that project.

I think what's great and worth sustaining in the focus on feature film is that this 90- to 120-minute thing is likely to be a very authored thing in Canada and in some sense have its own voice and be its only story, a story that can go to festivals and go into cinemas and onto television around the world, with a kind of specificity that may be more representative of the story I want to tell than the larger format series.

In a sense, it's simply an instrumental difference between the two functions. That is what I meant when I said that feature film employs me more totally as an artist than series most often, but it's not exclusively the case.

Mr. Terence Young: How does that work for the other people who work in the industry, the writers, the actors, the people who work on the set, and others? Are we benefiting from serialization in Canada as much as others?

Mr. Tim Southam: Oh, yes. Series is a dominant form. It's an exciting form. It's a place where many of us are having a great deal of fun as artists and craftspeople. Certainly the writers are no exception, but imagine other members of our organization, production designers, editors, sound editors, assistant directors, production managers. You can well imagine the incredible level of skill that's being developed by all that personnel working in both series and feature films and with the quality of series now, we're finding that work, the amount of skill that's acquired in series, translates very well to making better features.

There's a huge synergy there.

Mr. Terence Young: Before or while you're directing a movie do you have a relationship with government agencies, for instance, the NFB or Telefilm? How often might you interact with them professionally and what kind of support do they offer directors, if any?

• (1600)

Mr. Tim Southam: As a director in development, that is to say someone who is creative—and feature film is a very good example of this, where I am at the origin of a project in collaboration with a producer and/or a writer—my interaction with those government agencies that you've listed is very frequent.

It's extremely important interaction. It happens at two levels. One is, of course, in elaborating a budget and a shooting plan and securing financing for the project, but also at the more advanced stage of development, it's a creative relationship. It's one where the conversation extends to content on script and becomes incredibly important to how this film is going to happen, where it's going to be shot, and who's going to be in it.

It's a critically important conversation, one where I dare say if it didn't exist, none of us would be here.

Mr. Terence Young: That sounds pretty important. Thank you.

Michelle Grady, you talked about tax credits being consistent and you talked about immigration. Would you take a minute and be more specific about those two areas and what government can do to help the industry grow?

Ms. Michelle Grady: Sure.

In terms of tax credit as a first line, in the service sector the most difficult thing for our clients is uncertainty, if they feel that tax credits in the jurisdiction are not solid or are wavering. They're planning their budgets so far ahead that seeing this jurisdiction as consistent and easy to use is a huge draw. It doesn't take their eyes off of us, as a start.

With regard to the tax credit itself, visual effects for feature film and television does not exist anywhere in the world in any form without a reasonable tax credit incentive. It's the competitive environment that we work in.

When it comes to immigration, we're growing quickly in Canada. As I said, it's been over the last four years that we've become one of the top two hubs in the world for this.

Generally the work is growing, but we're attracting that work from other sectors. There's talent out there who have been working at this high level for years. We don't have the volume of artists in Canada yet, and we don't have enough artists who have worked at this peak performance level. We use immigration to bring in the numbers, but also in terms of bringing in experience.

The Chair: Okay, thank you very much.

[*Translation*]

Mr. Nantel, you have the floor for seven minutes.

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

I would like to thank the witnesses for being here today. This is our last meeting on the film industry. So your testimonies will be freshest in our memory.

My question is for the representatives of the Directors Guild of Canada.

You mentioned an aspect I'm less familiar with, the idea of allocating a percentage of receipts to Canadian programming of national interest. Has the situation deteriorated? Did this 1% ratio already exist?

Mr. Dave Forget (Director of Policy, National Office, Directors Guild of Canada): The ratio as such does not exist, but it's the total of a number of formats, including dramatic series, feature-length films and feature-length documentaries. We have noticed one thing since this approach was implemented. Ultimately, these are important programs, and it is worthwhile to target a portion of the total expenses of broadcasters and to ensure that there is a licence.

In fact, when looking at the data, we realize that there is a lack of money allocated to feature films and feature-length documentaries. If it's worth including them in the category of national interest programming, it is also worth spending the money to make sure they are produced. We don't think the resources available for all dramatic series should be decreased, but it would be a good idea to impose at least a percentage to ensure that there is funding for feature films.

Mr. Pierre Nantel: Of course.

Do these Canadian interest programming criteria apply to all broadcasters or just CBC/Radio-Canada?

Mr. Dave Forget: No, they apply to all broadcasters.

Mr. Pierre Nantel: I imagine that CBC and Radio-Canada are usually good allies for you. However, CBC/Radio-Canada's current economic situation must not be helping you.

• (1605)

Mr. Dave Forget: The environment is difficult for everyone.

The CRTC's implementation of this policy — and not necessarily in detail — was among the committee's recommendations in 2006. The desire was to have an approach to ensure that there was support for promoting and financing feature films. It's relevant for the CRTC to have a policy on this. However, there is a lack of support for feature films. We suggest adding obligations. It doesn't increase the obligations as a whole; it just ensures that a portion of the money is set aside for feature films.

Mr. Pierre Nantel: Since you have spoken at length about series, I'll ask you one last question.

What do you think about the CRTC's pilot project on what would qualify as Canadian content? My understanding is that if these criteria were applied, *The X-Files* series would be Canadian content. Is that right?

Mr. Dave Forget: That's right.

We are trying to understand the motivation for that decision. We understand that it is a pilot project. Of course, we are in a world with international competition. Obviously, our opinion is that the quality of our products will achieve success.

However, few major dramatic series with a budget of at least \$2 million per episode are produced every year. We think that there are four to six a year. The impression is that for projects of a certain level of excellence, we don't have directors. There may be a screenwriter and a performer, but many members of our association won't be considered.

We question the logic behind this. Do people think there is a lack of quality, talent or skills in our communities? Quite the contrary.

These directors we're talking about work on major international projects and are entirely capable of taking part in these kinds of project. We question this logic. Why do we need such a major shift?

Mr. Pierre Nantel: It's a pilot project, fortunately.

Mr. Dave Forget: Yes, fortunately, it is a pilot project.

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

Ms. Grady, I would like to tell you how happy I am that you have joined us today. I think everyone here would like to hear more about special effects and post-production. Thanks to you, we are touching on that.

I will turn things over to my colleague Kennedy Stewart, who would like to ask you a few questions.

[English]

Mr. Kennedy Stewart (Burnaby—Douglas, NDP): Thanks very much.

It's good to see another west coaster here.

I was wondering about the British Columbia film industry just from your perspective. Why is your company located there? What's keeping you there, and what can we do to bring more companies there?

Ms. Michelle Grady: We came here when Technicolor, which existed in Canada already in Quebec, B.C., and Ontario, looked at moving into the realm of feature films. They purchased a U.K.-based company because that's where there was significant talent. The motivation for MPC was to be able to move internationally and come out of only being in London.

Vancouver was the first and obvious choice. It was the first choice, but it wasn't obvious at the time. The tax credits for digital animation or visual effects had been in place for a few years, but hadn't really been tested.

The studios were interested in testing it, so they approached MPC, which was one of the studios, and said, "If you open up in Vancouver for a project for us, we will give you a significant award". That was for a feature film that we did in 2008 called *Watchmen*. It was such a successful endeavour for us that every other major was picking up the phone to call at that time.

Mr. Kennedy Stewart: How do you see the industry growing there?

We're looking back 10 years, but if you can look forward 10 years, how would you make it more successful and how would you bring more companies in do you think?

Ms. Michelle Grady: The talent is our single most significant challenge. We're growing faster than we can create Canadian talent. We're creating new Canadian talent at an incredible pace, but we have to keep having open borders so visual effects talent can move, and they can come to MPC to work on *Batman v Superman*.

We are contract based and we don't offer much full-time employment. They'll come work for me on *Batman v Superman*, and as soon as they're done, they'll jump to another company in Canada to work on another great film. They might jump out to New Zealand to work on *The Hobbit*, and we need to be able to allow them to come back in because having access to that pool of talent is critical.

An immigration policy that allows us to move quickly and openly is one of the key things that we can do.

It is a discussion point among our clients, the worry that we're tapping out of talent. That's a potential risk.

• (1610)

The Chair: Thank you.

[Translation]

Mr. Dion, you have the floor for seven minutes.

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

I would like to thank Ms. Grady, Mr. Savoie, Mr. Southam and Mr. Forget.

Mr. Savoie, could you please give us a summary of your main recommendations?

Mr. René Savoie: Our main recommendations are to create a fund to help producers in the regions working in minority situations. The fund could be managed by the Official Languages Secretariat or by Telefilm Canada, which would be required to give these funds to francophone producers to develop the francophone industry in minority communities.

Hon. Stéphane Dion: How much money should be in this fund?

Mr. René Savoie: We're talking about \$700,000 a year. That would be enough to make one or two feature-length films. Telefilm Canada has what we call the micro-budget program, which makes it possible to make feature-length films at a cost of up to \$2.5 million. So one or two could be made a year.

Hon. Stéphane Dion: Is this a new request you are making to the committee or have you discussed it with the government previously?

Mr. René Savoie: It is a new request that I am making to the committee.

Hon. Stéphane Dion: Thank you very much.

I am going to look at the briefs I have in front of me. Thank you very much for your presentation, Mr. Southam.

[English]

You have a paragraph where you speak about the 2006 report of the committee. You quote different aspects. I would like to understand, are you saying that very little has been done regarding these points

since 2006, or are you satisfied with what has been done and now you want to go to a new step?

Mr. Dave Forget: I'll start, perhaps.

A few minutes ago we mentioned the programs of national interest which is an obligation on the part of broadcasters to invest in certain types of high-risk programming. I'm making the link. There was a mandate given by this committee at the time, in general terms, to do more—

Hon. Stéphane Dion: Do you think the mandate has been fulfilled or not?

Mr. Dave Forget: We don't. We don't think they've been successful.

Hon. Stéphane Dion: Okay, you don't. Now I understand the paragraph; I wasn't sure.

I'm not very sure about the percentage. In the first paragraph, point one says, "a minimum 1% of their Canadian revenues specifically to support the creation...."

Is it 1% of 30%, or within the 1%, you take 30%?

Mr. Dave Forget: Just to clarify, the obligation generally is 5%, which is a subset of the 30% overall obligation broadcasters have. The 5% is the subset which is directed to these programs. We're saying the 5% has not been effective. Even though feature film is included within the 5%, money is not being spent.

We're suggesting that the obligation be increased by at least 1%, still within the universe of 30%.

Hon. Stéphane Dion: Will it be 6% of the 30%?

Mr. Dave Forget: Well, six would be five plus one, so yes, of the 30%.

Hon. Stéphane Dion: The 30% will remain 30%.

Mr. Dave Forget: Yes, that is precisely the point. We're not suggesting that the overall obligation to broadcasters be increased.

Hon. Stéphane Dion: Okay.

Do you want 1% of this 6%, or will it be a pot of 6% and you hope you will have your share?

Mr. Dave Forget: We haven't gone as far as to say what the overall pot should be. We're saying a minimum of 1% targeted to feature film would actually get money into the hands of feature filmmakers. It would remedy one of the gaps in the current policy to ensure that at least 1% is used for feature film. What we're finding now is, notwithstanding that feature film is included, money is not actually being spent on feature film. It's being spent on other available options like dramatic series within that.

Hon. Stéphane Dion: I will ask the same question I asked Mr. Savoie. Is it the first time you have formulated this request?

Mr. Dave Forget: Yes.

Hon. Stéphane Dion: Okay, thank you very much.

[Translation]

I hope that is clear for everyone. We are talking about 1%.

[English]

Point two, you have an issue with the word “suitable”.

[Translation]

In French, the word is “conveniente”.

[English]

What happened? Is there a different interpretation of this word?

Can you tell us why you raised this issue? What is not working with the word “suitable” as it is now?

• (1615)

Mr. Dave Forget: This is pay-per-view and video-on-demand services. The decision was for broadcasters to license all new Canadian features. By virtue of being an original Canadian feature film, it is automatically meant to be programmed on these pay-per-view and video-on-demand services.

We're finding that is not always the case, and it has to do with differing opinions with regard to what constitutes a suitable... We're saying the mere fact that it is an eligible Canadian feature film means it should be programmed. We're having difficulty establishing that all of the Canadian films that are eligible to be on these services are, and that the risk here is that Canadians don't have access to them.

Hon. Stéphane Dion: Thank you very much.

I guess I have time for my last point.

[Translation]

When you say over the top television, you mean Netflix and some others that already exist or are coming.

Mr. Dave Forget: There will be others.

Hon. Stéphane Dion: Yes, and you have a list of proposals on the matter. Once again, is this new? Have you talked to the government or the CRTC about it?

Mr. Tim Southam: We have talked about it. We made this recommendation—as did several others—as part of the “Let's talk TV: a conversation with Canadians” initiative.

It is important to stress that the format dominates the market but it is not included in the current system that asks private broadcasters to make a minimal contribution to the Canada Media Fund.

Hon. Stéphane Dion: When you talked about those four points, what were the reactions?

Mr. Tim Southam: Well, the fact that the president of the CRTC came up with the request did not go unnoticed. I think that was very well received and it was thoroughly covered as such in the media. Let's say that the matter has not yet been resolved. We see it as a very important matter, especially given the development of home viewing on these formats.

Hon. Stéphane Dion: For the moment, you are only asking for these over the top industries to provide information.

Mr. Tim Southam: That is so for the moment and it would really be a lot.

Hon. Stéphane Dion: If they refuse to do so, it may be because they are afraid that, after giving you that information, you may have specific Canadian content demands which, I assume, would be comparable to those of their Canadian competitors, who are bound by those requirements.

Mr. Tim Southam: We do not want to prejudge the issue, but we wonder why the information would not be made available to Canadians given that the companies are operating in the Canadian market.

The Chair: Thank you.

[English]

Mr. Dykstra, for seven minutes.

Mr. Rick Dykstra (St. Catharines, CPC): Usually my math is pretty good, but when Mr. Dion asked if everyone understood exactly what was described, I put myself in the “no” category.

Perhaps, Mr. Forget or Mr. Southam, you could go at this again to give me your interpretation of what is currently in place and what you think should be there.

Mr. Dave Forget: Currently, broadcasters have in the overall requirements with regard to the Canadian programming that they license, the 30% number. Within that 30%, a portion is targeted to programs of national interest, in other words, programs that are high risk. Dramatic series, feature documentaries, feature films are examples.

The 5% is a subset of the 30%. Of the 30% in the overall that they need to spend on Canadian programming, they need to spend 5%, so the other 25% they can spend on Canadian content as they see fit. The 5% is targeted to these high-profile projects.

Our contention is that feature films and feature docs are within the category of 5%, but in fact, when we look at the numbers, there is not much money actually being spent to license them. Our suggestion, not to want to rob Peter to pay Paul, is that broadcasters be encouraged to continue spending money where they are now on dramatic series, for example, and that the obligation within the 30% be increased by at least 1% and that 1% be targeted at feature films, so that we arrive at actual spending on feature film licensing to help.

The theme here is to have a more integrated system where we move away from a silo where feature film exists only in theatrical experience to one where it's integrated both for online services and broadcasts. This is a way of integrating broadcasters into the financing and licensing of features.

I hope that I've answered the question.

• (1620)

Mr. Rick Dykstra: Yes, that helps. Sometimes a second or third time is the charm.

One of the pieces that you described is within the 1% of revenue to support Canadian film production. How should that money be divested?

That's one of the things that we dealt with in our study of the music industry. If additional revenue was in place, whether it be from the Ministry of Canadian Heritage or from the federal government, whether it was solely from the ministry, whether there was matching funds with the private sector, and all of the potential combinations of that, there was a concern as to how that money would be distributed and who would be making those decisions.

Perhaps you could elaborate further on that and perhaps we could get Michelle to comment as well. If we are going to extend or enhance the fund, how should that money be distributed and by whom?

Mr. Dave Forget: The money we're talking about in the context of PNI is money that broadcasters are already spending to license content, and we're not suggesting any of that change.

We're hoping that using some of those resources, which are broadcaster amounts, they license the right to exhibit the content on their airwaves...be more robust for feature films. By targeting an additional amount to feature film, we would have a healthier sector. There's no additional government money, and so on.

That being said, though, the participation of broadcasters would help the financing of features. Helping to finance features relieves the pressure on other partners, including government, and makes for a more robust system.

Mr. Rick Dykstra: Michelle.

Ms. Michelle Grady: Sorry, could I ask you to rephrase the question in the context of feature film visual effects in the service sector?

Mr. Rick Dykstra: One of the pieces you talked about was the tax credit, about how it's supportive and how it could potentially be enhanced. I wonder if you could expand on that from a visual effects perspective.

Ms. Michelle Grady: Absolutely.

In my opinion, we need to be careful of not chasing the highest tax credit that exists in the world. That is a losing battle. I think if we are consistently evaluating our tax credit to where there is success in other parts of the globe and making sure we are competitive, we will be in good shape. We have great infrastructure. We have great talent. We have great innovators.

When it comes to tax credits, I am not necessarily advocating for growth. I'm advocating for an evaluation of them and for making sure that we're constantly evaluating ourselves against our competing markets.

Most important is having a constant signal from the government that the industry is supported and valued, and that the tax credits are not at risk.

Mr. Rick Dykstra: It's an interesting point.

You talked about the tremendous growth in the industry within Canada, and the jobs that are available now. The reason I relate to it or want to dig into it a little deeper is that you've done that under

the model we have currently. If you've had that type of exponential growth over the last 10 years with the system we now have, would it be fair to say that the system is working?

Ms. Michelle Grady: The system is and has been working for B.C. for a long period of time. The system for visual effects in Quebec currently is working.

One of the challenges—and I do not have the solution for this at all—is that we compete globally for this work, and we also compete within Canada for this work. Competing tax credits provincially is a challenge that I don't have the solution to, but it is from a Canadian perspective robbing Peter to pay Paul.

We've been lucky that we've been able to grow in both sectors. That's because we're an international brand. But we're competing with our sister provinces, as other companies are.

• (1625)

Mr. Rick Dykstra: Did that competition come within the last 10-year framework, or has it been more in the last four to five years, when provinces got a lot more aggressive and followed the lead of the federal government in terms of the credit, seeing that there was potential for them to grow within the country?

Ms. Michelle Grady: Yes, it's exactly that. Ten years ago it was an industry that wasn't significant. It's been in the past four years.

Mr. Rick Dykstra: Thank you.

There was another piece in your comments that relates to the independent film industry. I've heard specifics on some of the changes you'd like to see happen. I noted that strengthening the existing tools, such as tax credits, was a piece in your presentation.

I wonder if you could expand on that a little bit. It certainly is a tool that has been well utilized. It has presented a large number of companies with an opportunity to grow within the country, but if we're going to expand the existing tool of tax credit, how do you think we should do that?

The Chair: In 30 seconds, please.

Mr. Dave Forget: If you don't mind, Madam Grady, just to quote you, and I think it's a good example, you said that over time there has been an expansion and deepening of the system in terms of expertise and competency, that 10 years ago we were not big players in VFX. I think from today's presentation what we see over time with a predictable, stable tax credit system is the development of expertise, the development of infrastructure, of studios, of post-production. I think that VFX is a great success story on that score.

In terms of strengthening tax credits, our partners, as well as within Canada, are looking for predictability, for stability, and for a tool that very effectively leverages money into our system and into our jurisdiction.

Mr. Rick Dykstra: Thank you.

The Chair: All right, thank you very much, and thank you to our witnesses. If you have any further contributions to our study, could you please get them to us right away. We are wrapping up the study and we're going to be working on the report very soon. If you could get any of those to us in the next day or two, that would be greatly appreciated. Thank you very much for appearing today.

We will briefly suspend.

• (1627) _____ (Pause) _____

• (1631)

• (1630)

The Chair: We will call meeting number 46 of the Standing Committee on Canadian Heritage back to order.

We're going to continue with our study on the Canadian feature film industry.

With us today we have, from Telus, Ms. Ann Mainville-Neeson, vice president, broadcasting policy and regulatory affairs, and Ms. Prem Gill, director of content programming.

[Translation]

From Quebecor Media Inc., we welcome André Provencher, Vice President, Creation and International Development.

[English]

Ms. Mainville-Neeson, you have the floor.

Ms. Ann Mainville-Neeson (Vice President, Broadcasting Policy and Regulatory Affairs, TELUS): I shall give the floor to my colleague, Ms. Gill.

The Chair: You folks from Telus have up to eight minutes.

Ms. Prem Gill (Director, Content Programming, TELUS): Okay.

Thank you very much for the opportunity to appear today. I am the director of content for Telus. I am responsible for managing Telus' community television commitments in British Columbia and Alberta. With me today, as you've met, is Ann Mainville-Neeson. She's our vice-president of broadcasting policy and regulatory affairs.

I am very excited to share with you details about a funding model we have created in support of the creative community in the west. In a manner that is quite unique among community programming services, Telus Optik Local's funding model engages viewers in the funding decision, which in turn ensures that there is an audience ready and waiting to watch the programming once it is has been created and made available.

Telus operates broadcast distribution undertakings in B.C., Alberta, and Quebec, and as such we have committed to supporting the creation of local content. One of the ways Telus is allocating this funding is through our community programming funding program called Storyhive. Storyhive is a social platform that empowers audiences to move from being passive viewers to becoming active catalysts in creating, building, and supporting content creators in our communities. Storyhive is analogous to crowdfunding platforms such as Indiegogo or Kickstarter, except that instead of ask-

ing the community for money, content creators ask for votes to show community support for the content they want and they get funded and produced.

The Kickstarter-inspired model allows all content creators in British Columbia and Alberta to submit their story ideas, and then the public gets a chance to vote on the project that they feel should receive funding and go into production. The success of Storyhive is that communities get involved in the projects at their ideation stage, which results in viewership of the programming at the final stage of presentation on the community programming service.

Moreover, the Storyhive platform facilitates and encourages collaboration between the various components of the creative community in British Columbia and Alberta. An exciting component of the platform includes a creators directory, where directors, writers, producers, composers, social media specialists, and people with all kinds of backgrounds can connect. It's basically a mini LinkedIn for the creative communities of B.C. and Alberta. Telus also provides successful applicants with comprehensive training to allow them to create the best possible project out of their idea.

As of today, we have funded over 59 projects through Storyhive and more than 1,800 creators have been involved. I personally have met all of the 59 producers of these projects and I can honestly say these grants and the experience in audience engagement are making a difference. Our goal is to make Storyhive one of the most popular and credible funding sources for community content creators and emerging filmmakers in British Columbia and Alberta. In this way, Telus is supporting the creation of community programming that is valuable and relevant to today's audiences.

We believe that there has never been a more exciting time for Canadian storytellers. Storyhive is a new and innovative way to reach audiences and create engaged communities by involving them in the decision-making. We're not just creating content for the sake of meeting our regulatory obligations; we are creating meaningful content that Canadians want to watch. With this very open platform, anyone can apply for funding and get the help they need to bring their ideas to the screen. Storyhive is bringing a powerful force of creatives from B.C. and Alberta entering the market. So please stay tuned; you'll see lots more people coming from this platform.

Thank you.

• (1635)

The Chair: We will move along.

[Translation]

Mr. Provencher, the floor is yours.

Mr. André Provencher (Vice President, Creation & International Development, QMI Content, Quebecor Media Inc.): Mr. Chair, members of the committee, as I understand it, I am your last witness to appear in the context of this study. I very much appreciate the time that you are giving us today.

My name is André Provencher and today I am honoured to represent Quebecor Content and TVA Films, which is our business unit most specifically involved in feature film distribution and in audio-visual content for television markets, DVDs and digital platforms such as on-demand video and on-demand video subscription services.

Throughout its history, Quebecor has shown deep attachment to and unfailing, tangible support for Quebec francophone cinema. The project we call “Éléphant : mémoire du cinéma québécois”, launched in 2008 at the initiative of its principal share holder, is probably the most substantial illustration of that attachment and support.

To date, Quebecor has invested more than \$6 million to restore 200 films from Quebec's cinema repertoire and has made them available to a wider public on a number of easily accessible platforms. The success and expansion of this philanthropic project are such that they now go beyond our borders, extending as far as the Cannes festival. Actually, in a few weeks, a few days, on Éléphant's initiative, the prestigious international festival will, for a second year, screen a classic from Quebec's cinema repertoire, Michel Brault's film *Les Ordres*.

That shows the extent to which Quebecor is committed to Canadian cinema, particularly French-language cinema. In that spirit, we are delighted with the study you are conducting on the Canadian feature film industry and we congratulate you on it. We are also grateful for this invitation to present our point of view to, and have discussions with, the members of the committee.

It must be said that the Canadian feature film industry increasingly has to deal with significant issues. A number of them arise as a result of the diversification of distribution platforms, especially digital ones. The multiplicity of choices open to consumers brings with it an evolution in behaviour that requires each of the players to redefine their strategic approaches and their particular position in the value chain. In that sense, we feel that it is necessary that any examination of the Canadian feature film industry should not only include the impact caused by the digital age but should also address the inertia that stands in the way of a genuine and worthwhile transformation of Canadian cinema. René Bonnell, the author of a particularly thorough examination of French cinema that was conducted last year, expressed the hope that we will avoid proposing changes while nothing really changes at all.

Indeed, adapting to current and expected challenges requires the Canadian feature film industry to question the foundations and the mechanisms that govern it. But we do not believe that new, more restrictive rules for Canadian distributors, or even adding new public funding without a new balancing of the business risk, can be among the solutions to be considered.

Historically, the Canadian feature film industry has allowed creators, filmmakers, artists and craftspeople to reflect our country's culture and values by building a rich, diversified and unique repertoire. This fundamental contribution has been largely built thanks to the policies and the funding that have been put in place over time by federal and provincial governments. We have certainly obtained a number of benefits from this, including a lot of filmmaking and an industry that generates indispensable economic results.

This must all now be consolidated and built upon in order to take advantage of the current digital environment. To that end, we have identified four changes or structural adjustments for your consideration, under the general heading of bringing cinema and the Canadian public closer and more strongly together. In other words, we want the starting point for any transformation of the industry to be with consumers.

The first change deals with the financial circumstances of the companies and their business risks. It seems to us that the time has come to review the distribution of the risk among the producers, who have to take very few risks, and the distributors, who are always financially exposed. We therefore congratulate Telefilm Canada for its recent initiative to review the weighting given to financial and qualitative factors in their analysis of the performance of feature films. In fact, we would be in favour of a weighting that would make financial criteria clearly predominant. That would allow the true extent of the financial risks undertaken by companies to be considered and, at the same time, create more focused incentives to seek private financing.

The second change deals with the selection of the feature films to produce and finance. The current process is dominated by government agencies. In recent years, those agencies have given disproportionate importance to art films to the detriment of films with more public appeal. We must become more concerned with popular cinema that will generate self-sustaining revenue that is essential for the survival of a number of aspects of the industry. From that perspective, the voices of distributors, promoters and theatre owners must be more clearly heard.

- (1640)

The success of feature films depends on all links in the value chain being involved in advance. Eventually, the method of selection must be “debureaucratized” and must be built on the envelope system similar to the one that contributes to the current success of the Canada Media Fund. Under that system, the market, not the bureaucracy, decides the programs to produce.

The third change involves distribution and tackles the particular situation of the francophone market. In 2012, our subsidiary, TVA Films, was forced to give up its theatre distribution activities because of the negative profitability and the excessive level of concentration in the hands of a virtual monopoly. Beyond the need to introduce and maintain more dynamic competition in the francophone market, we are of the opinion that the requirement for theatre showings should be progressively eliminated so that audiences can be reached wherever they are to be found.

In the United States, Netflix and YouTube specifically have announced that they will be producing films to be shown first on their own platforms. The marketing and distribution plan for a feature film must no longer be imprisoned in a “one size fits all” formula.

In fact, those plans must be tailored to more effective and profitable ways to promote the shows. In some circumstances, for example, projection simultaneously in theatres and on digital platforms would make it more possible to reach audiences in places far removed from large centres. Innovation and experimentation are values that are becoming increasingly indispensable in these areas.

The last change involves international co-production and exports. We can be proud that Canada has already taken concrete measures to encourage international exchanges, especially by means of co-production treaties. There are effective measures that can be made flexible in order to avoid undesirable effects like cost inflation. Our industry, our companies, should also be encouraged to seek out strategic and financial partnerships with their foreign counterparts, no longer in a piecemeal way, but more globally.

In conclusion, the Canadian feature film industry is facing major challenges that cannot be solved by minor changes. We have to review each of the conditions of development and make sure that they stimulate and empower all those involved so that Canadians and our entire film industry can reap the benefits.

Thank you

The Chair: Thank you.

[English]

We'll now go to questions.

Mr. Yurdiga, you have seven minutes.

Mr. David Yurdiga (Fort McMurray—Athabasca, CPC): Thank you to the participants in today's discussion regarding our film industry.

I would like to commend Telus for investing in our film industry and other Canadian programs, which you guys have produced quite a bit through your programs.

Ms. Gill, could you give us a few examples of successes in the film industry?

Ms. Prem Gill: As it pertains to Storyhive?

Mr. David Yurdiga: Yes.

Ms. Prem Gill: Maybe I'll give you some quick background on Storyhive. These are micro grants that fund short-form programming. We have funded short films and web series, and we're currently in a competition funding music videos. We don't fund feature films as these are micro grants, but this is the ecosystem that we hope these people will become part of. This is an incubator for a lot of this talent to experiment with and try to understand how the systems work.

With regard to some of the successes that have come out of it, we've had short films funded through Storyhive that have then come back to us, and we've given them larger grants to produce longer-form programming. We're seeing them go through our system. Some of these films have played at festivals like Sundance in the short-form programs, as well as the Vancouver film festival and some smaller festivals like that. We're hoping that part of our success will be that as this program grows—it's only been around for about a year and a half—these people will graduate into the system of producing larger pieces of Canadian programming.

• (1645)

Mr. David Yurdiga: How many productions does Storyhive fund in a given year?

Ms. Prem Gill: We have funded in the last year 59 projects. Our years sort of stumble between the calendar year and the broadcast

year, but as of March, we've funded over \$700,000 in grants to creators in B.C. and Alberta.

Mr. David Yurdiga: Could you elaborate on some of the successes among last year's participants?

Ms. Prem Gill: Absolutely.

We just finished a competition for a web series. In that program, 30 projects competed for two prizes of \$50,000 to be produced into series. The pilots are the first episodes you produce for a series. Once the pilots were presented back to the public, they were voted on. We were only going to fund one project in each province. We consider it to be one of the successes that we actually ended up funding two projects in each province, at \$50,000 each, to make them into series, because there was such an interest in these projects. To date we've had about 85,000 views on YouTube of these projects, which we measure on our platform.

The content creators actually own all of their IPs, so their content is on their websites. Some of these people are premiering their content at web festivals in Toronto and other parts of North America. The successes are just beginning, these stories that we're starting to tell.

Mr. David Yurdiga: Telus' Storyhive doesn't use any government funding, but provides an opportunity for producers at all levels of experience to participate, and production succeeds or fails.

Why does this Storyhive model work?

Ms. Prem Gill: That's a very interesting question.

I think it works because we're kind of bringing the community into the equation. They are helping us to make decisions on the programming.

We're teaching these folks how to build an audience. The risk is low in terms of it being a \$10,000 grant. They are in the comfort and coziness of the Storyhive world where they're being nurtured and helped to understand how to build an audience, especially through social platforms.

I would say that's the biggest piece: helping them understand what building an audience is. It may be a global audience. It may not be just your local audience or a Canadian audience, but it's definitely people who are interested in their content.

It's an incubator for talent development, for people connecting together, and for local stories to be told in a different way from what you're traditionally used to seeing.

Mr. David Yurdiga: Moving on, I know that Telus has invested a lot of money in our communities to ensure that Storyhive works.

Can the Canadian film industry survive without government investment?

Ms. Prem Gill: I would say no, but I'm going to let Ann answer that question.

Ms. Ann Mainville-Neeson: I think that a lot of the programs we have in place, including the tax credit program, are very important for the industry.

As for other private funding, such as what Telus provides for community programming, those types of programs will continue to be important. As the CRTC has recognized, what we do with Storyhive and our community programming is part of our regulatory obligation, so we have to spend that money in any event. It's how we've chosen to spend it that is truly innovative and that we want to bring to the attention of this committee.

Ultimately, though, it's very important not to seek too many subsidies that will be detrimental to the overall broadcasting industry. That would be our position.

Mr. David Yurdiga: Are there any other comparable products being offered in the Canadian markets by any other competitor? I'm aware of what Telus is doing, but is there anyone else?

Ms. Prem Gill: Not that we're aware of. There are similar competitions that might be held.

In terms of a platform, one of the other pieces is that this creative directory that I referred to in my opening remarks is becoming quite an interesting part of it as well. As you've heard through different people who have presented to this committee, we have a very vibrant emerging film and television community.

There is an established community, but there is an emerging and aspiring artist community out there, and it's a way for people to actually connect. You might be a local musician, but you have no idea of how to make a music video. You can actually connect with people through our platform. I think that's a very unique part of it. Even if others are holding similar competitions where you can get micro grants for television funding, for short-form programming it's very unique in that aspect.

Mr. David Yurdiga: I'm interested in the participants of Storyhive.

Are we looking at a younger group? What is the range in age? Does it go from the teens to whatever age?

• (1650)

Ms. Prem Gill: It's been really interesting.

We had generally thought it was a typical millennial audience, but it actually ranges from 24 years to 60 years. There is a very active community of people who are in their mid-thirties to forties who are also participants in Storyhive. They may work at a VFX shop during the day, but have that passion project, that short film, that they've always wanted to make. They're participating in it as well. They haven't necessarily created their own intellectual property through the work they do in their day jobs, but they're participating in this as well.

It does skew a little bit younger, but not as young as we anticipated that it would. It's become quite an interesting place. I would say that 34 years is probably the average age of participants.

The Chair: Thank you very much.

[Translation]

Mr. Nantel, you have the floor for seven minutes.

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

My thanks to all three of you for joining us today. You are our final witnesses on this topic. It is fascinating to me that, in both cases, you talked a lot about television although our study is on the film industry. I suppose that there is nothing surprising in that, because of the fact that television is clearly the broadcasting medium that is in second place in terms of its popularity with consumers in Quebec and Canada.

Mr. Provencher, you clearly have a wealth of experience. I remember running into you back in the day when you were at TVA. You oversaw the implementation of business models on a number of occasions. In fact, your four recommendations are still largely based on the business side of production, and on the financial dimension.

How do you see the future of television? The financial difficulties of all mainstream television stations have been in the news recently. As I often like to recall, when we were elected in 2011, few of us had iPads. We all have one now.

How do you see the future of our cultural content?

Mr. André Provencher: Clearly, we are currently facing considerable challenges and there will be more of them in the years to come. For francophone television content, we still have some factors in our favour, however. Quebeckers' attachment to their television and their artists is an undeniable advantage. Yet, when the time comes to balance the books, it is a different story. As you could see in the most recent CRTC report, the entire radio and television industry is experiencing quite significant problems of profitability. Together with our audiences, we have to migrate to digital platforms in order for there to be a kind of internal cohesion and partnership between the various windows so that there is enough financing.

Take, for example, the service called Illico that was launched two years ago now. It allowed our group to launch series like *Mensonges* and to offer a digital video and video on demand service by subscription. Afterwards, we were able to air the show on a more conventional specialty channel called addikTV. Because of the financial contributions from the various platforms, we have been able to offer content that continues to be quite outstanding and distinct.

The other direction that our group has taken is in international partnerships. In our opinion, there is no way out for our broadcasting system if we do not share the challenges and the issues with international partners. So we recently announced partnership agreements with TFI in France, for example. We are almost ready to do the same thing in a few weeks with a major broadcaster in the United States. We are looking for more partners in order to create content and so that broadcasters around the world can help each other as much as possible, because they are having to come to grips with the same difficulties.

At the last MIPTV—

Mr. Pierre Nantel: Excuse me for interrupting. When you say "having to come to grips with the same difficulties", are you referring to the huge steamroller coming from the other platforms?

• (1655)

Mr. André Provencher: Of course. The splitting of the audience as a result of the various platforms is one factor. At the same time, advertising revenues are dropping. Those revenues are the very bread and butter of the business model used by conventional broadcasters.

I was going to draw your attention to quite an astonishing agreement announced a few weeks ago at the recent MIPTV in Cannes. This is an agreement between two European broadcasters and one American one: TFI, RTL in Germany, and NBC. They announced the production of three big-budget fiction series for which they are going to share the responsibility, the costs and the financing.

I have been working in the television and audiovisual business for more than 30 years and this is the first time that I have seen strategies like those. Our discussions with partners we have identified in the United States tell us that, even the Americans, who are in a stronger position than we are as a result of their demographics, their history and their experience in the international market, say that they are not going to get through this without consolidating and sharing with partners elsewhere in the world.

Mr. Pierre Nantel: With consolidation like that, is there not an inherent risk of moving away from Canadian storytelling, which is very local?

TVA, through the *Éléphant* project, has certainly played a role. A wealth of films from the archives has become available. The most recent Gala Artis certainly showed TVA's commitment to the artistic community by focusing on the work that everyone is doing.

I feel that we have two poles. On one, there is the production, stimulating that production and the clientele's interest by creating a feeling of belonging. On the other, there is the exposure. If you do not have the exposure, no one sees you. If people are not interested, our exposure will not produce any results.

Mr. André Provencher: I won't deny that it does not come without some risk.

That said, a number of our creators, our great artists or our cultural companies have succeeded in finding a place around the world and highlighting their skills and their talent in writing stories. That is the story of the Cirque du Soleil, of course, which has based its entire development on a strategy of intellectual property. It has called upon a number of our creators and directors.

The same goes for someone like Robert Lepage, who is known all over the world. That has not affected his ability to tell stories from his point of view as a Quebecker and a Canadian. Quite the opposite.

Mr. Pierre Nantel: So let me make a link with the initiative that francophone producers talked to us about earlier, which is to stress the importance of screenwriters, basically like the TELUS people are doing. You are trying to sew the seeds of storytelling talent.

Mr. André Provencher: I am proud enough to be able to mention one thing to you. Recently, Quebecor launched an initiative to search out television creators and designers. Forgive me if I digress into television, but I will happily get back to feature films.

So we have done that as part of C2 Montréal, a event about creativity and innovation that will take place in Montreal at the end of May and that has become very big around the world. It has been called the "Davos of creativity".

We asked people to come to us with new ideas for their television. We were expecting a maximum of fifty proposals because it was a lot more complicated than just writing your name on a piece of paper and dropping it in a hat. We got 215. Some of the proposals were really interesting. We opened it to both professionals and amateurs.

We are in a privileged position because we have a great reservoir of artistic and creative talent. That reservoir just needs to be called on more. It just needs to be put into a more realistic business environment.

As for our cinema, I am sorry to say that the level of private financing there is one of the weakest, about 3% to 5%.

• (1700)

The Chair: Thank you.

Mr. Dion, the floor is yours; you have five minutes.

Hon. Stéphane Dion: Thank you, Mr. Chair.

My thanks to Mr. Provencher, Ms. Gill and Ms. Mainville-Neeson.

[*English*]

I think you're the two last ones indeed, but the contrast between the two presentations is quite striking. Telus has a lot to say to us about the role of the federal government, and I'm very impressed by the model you presented, but you chose to focus only on that. Why?

Ms. Ann Mainville-Neeson: Other than our community programming, Telus does not own any content programming services of any kind. We are strictly a distributor. To the extent that we operate in the community and we produce community programming, we have an innovative model that we thought would be useful to present to you. Otherwise, we are not in the content ownership or creation business.

Hon. Stéphane Dion: What do you hope we will do with your innovative model, which is quite innovative indeed? What would you like to see us recommend to the government about this model?

Ms. Ann Mainville-Neeson: The innovative aspect of it is that it's creating...it is building an audience prior to funding being allocated. That in itself is something one would hope is at the basis of some of the funding that will go to Canadian content, because ultimately, creating content that will never be watched is not as useful as making sure your producers, directors, and storytellers have created an audience, so when they finally do create that piece, it will be seen, will be cherished, and will be provided—

Hon. Stéphane Dion: Which new policy do we need to implement? Is it fine as it is, or is there something we should do in order to make sure this kind of model will spread?

Ms. Prem Gill: I think the flexibility we have within the current community television programming policy is what has enabled us to do this.

Hon. Stéphane Dion: You don't want any change in the policy.

Ms. Prem Gill: Not to the current community television policy.

[Translation]

Hon. Stéphane Dion: Okay.

Mr. Provencher, does the proposal from the TELUS people inspire you in any way?

Mr. André Provencher: In my opinion, we are waiting for the government to start establishing a more favourable environment for private investment in the Canadian feature film industry. If other countries around the world can manage to bring more private funds into financing cinematic works, I feel the Canada can also look at doing so.

As we have emphasized, a year or two ago, Telefilm Canada instituted a new way of evaluating the performance of films that included its financial performance, meaning the number of people who went to see the films in theatres and how much revenue came from other means of promotion. We feel that we have to do more along those lines.

Since you began your work, we have heard a lot about regulations and public funds. I am not denying that those are important elements. But we want to draw your attention to the performance of the funds invested in the Canadian feature film industry. I feel that we can get more out of it and, most of all, we can mobilize other investors.

What forms could that take? Come on now, we have enough innovation and imagination to handle that. It could be tax incentives or specific incentives for private investors.

Hon. Stéphane Dion: But we have those already.

Mr. André Provencher: You have them in the form of tax credits. As a person or as a company, that's as far as it goes. Everything is channelled through providing money or through governments. Among the private funds I know of in Quebec, we certainly have the Harold Greenberg Fund and the Cogeco Fund. The issue is how to make it possible to mobilize more money internally and make investments more profitable than they are at the moment.

In France, for example, research by René Bonnell has looked into some solutions including deferring some fees and a greater role for producers in funding their own activities. I feel that it would be very interesting to look into those approaches.

• (1705)

Hon. Stéphane Dion: You mentioned four approaches.

Let's take them one at a time so that you can explain to us how, in your opinion, they could make new financing available. You call it your wish list.

You are asking for the financial criterion to be more closely linked to the ability of the distributors than to that of the producers.

Mr. André Provencher: First, on the financial side, we would like Telefilm Canada, which, we have to recognize, has already made a considerable effort, to give 75% of its performance criteria weighting to profitability, to how films do in theatres, and that there be a penalty for poor performance.

Currently, the penalties are rather mild for producers. They have to be more concerned about the commercial success of their work.

Second, as to the selection of feature films—

Hon. Stéphane Dion: If I may, I would like to know what you mean when you say penalties.

Mr. André Provencher: Currently, if a producer launches three films that do not perform very well, his proposals to Telefilm Canada will be given less consideration. That is a form of penalty. That is to say that his production activities may be affected by the poor performance. We are talking about three films.

Hon. Stéphane Dion: And about performance at the box office?

Mr. André Provencher: Yes, but actually—

Hon. Stéphane Dion: There's no box office any more.

Mr. André Provencher: No, exactly. It's about economic performance, but also about festival performance. Telefilm Canada considers other criteria. I think the system is adequate. We just want the weighting of the factors inside the performance evaluation system to be reviewed.

Hon. Stéphane Dion: Have you announced the weighting you would like to see publicly?

Mr. André Provencher: We have announced it publicly to the leadership at Telefilm Canada.

Hon. Stéphane Dion: Could the committee have a copy of that?

Mr. André Provencher: I think so, yes.

Hon. Stéphane Dion: Okay, thank you.

Second, you are suggesting that there should be more films with broader public appeal and fewer art films.

Mr. André Provencher: Yes, but that does not mean eliminating art films.

For five or six years, we have seen quite a troubling decline in the box office performance of Quebec films. Last week, in France, they published the results of theatre attendance for French films. French film producers have 44% of the theatre market for films in France. Here it is 5%. In France, they have managed to galvanize the industry by turning to the consumer more. They are more driven by a film's success in theatres. I am not saying that we totally ignore that aspect here. However, once more, I feel that there are ways of encouraging producers to come up with better-performing films.

Currently, some Quebec films are performing quite well. Léa Pool's last film did well in theatres. The same goes for *Aurélien Laflamme – Les pieds sur terre*, which seems to be getting off to quite a good start. However, other films end their theatre runs without even taking in \$100,000 at the box office. That means that only 7,000 or 8,000 people went to a theatre to see them.

Hon. Stéphane Dion: I am sorry, but my time is up.

The Chair: Thank you, Mr. Dion.

[*English*]

Mr. Dykstra, you have the floor for seven minutes, and that will be it.

Mr. Rick Dykstra: Mr. Provencher, I want you to expand on a couple of the points you made, and I think it follows up a little bit on the comments you've just made. You mentioned the Canada Media Fund and that style of funding for Telefilm. I wonder if you could expand on how that type of funding would work better for Telefilm than what is currently in place.

[*Translation*]

Mr. André Provencher: I am not able to tell you exactly when the Canada Media Fund changed its financial management system in such a major way. It created envelopes that are now managed by the broadcasters. There are mechanisms to define from year to year the envelopes that each one gets, whether Radio-Canada, TVA, CBC, or the Canadian specialty channels.

Today, mostly market criteria dictate the choice of which series to produce or which shows to put on the air that will be financed by the Canadian Media Fund. So, I would venture to say that there is no longer any qualitative involvement on the part of the bureaucrats or employees of the Canada Media Fund.

We feel that, for television, this system is very successful. We do not see why it could not also be used to determine the choices in the feature film industry. That would mean that the distributors and the theatre operators could contribute beforehand to select films. They would certainly bring to the table a perspective that is based on their knowledge and their perception of consumer tastes and trends.

In fact, we say that the consumer should be the starting point for every change in the industry.

• (1710)

[*English*]

Mr. Rick Dykstra: Thank you. I appreciate that.

Prem or Ann, one of the fascinating pieces of what you're doing which I think continues to surprise and shock a lot of us is that you're actually doing this without any kind of government funding, and certainly the intention is not to move in that direction. I wonder if any of your competitors, large or small, are endeavouring to work with the same kind of program and process that you've put in place.

Ms. Ann Mainville-Neeson: The Storyhive success, the innovation that we've brought to the table for the committee today, as far as we know, no other competitor is doing that type of platform.

We certainly would agree with Mr. Provencher that consumers have to come first in determining some of the programming that gets made. That's what's great with where the Canada Media Fund has moved its envelope funding toward and where the film industry might benefit from the same things. When we say that our program is helping to build an audience, it's that consumers, by voting for what will get funded, what will get made, have already decided this is something that they would like to see. Making funding decisions

based on what consumers want to see ultimately tends to lead to success.

Mr. Rick Dykstra: That isn't a bad idea.

Leading into that, I'm glad you commented on that, because I was looking for one or two recommendations from you in terms of the study.

You come at this from a completely different perspective. You're not an agency organization, at least in this regard, at least in the study that we're looking at here, at least in the work that you're doing, that is anticipating or trying to seek government funding. You come at this from a little bit of a different perspective. I thought there might be a recommendation or two that you would make that you thought would really assist us in terms of our study and the outcome that we'd like to see.

Ms. Ann Mainville-Neeson: Without getting into specifics, we don't have a specific recommendation, except to say that adding the consumer into some part of the decision-making process has been successful for us with Storyhive, and we believe there is a big lesson learned that can translate to other forms of funding, such as for feature films.

While the funding mechanisms otherwise which are somewhat different, such as tax credits, which are certainly not the same thing...the notion that somehow you would build into the system a component of success with the consumer, I think, is the one recommendation we would strongly urge you to implement.

Mr. Rick Dykstra: Thank you.

André, you mentioned co-production as being an effective way of avoiding duplicate costs. I wonder if you could expand on that a little bit, because obviously, it's not just coming to the table and seeking further funds, but actually coming to the table and making recommendations that could move taxpayers' funds further than they are currently being used.

[*Translation*]

Mr. André Provencher: Exactly. As I alluded to just now, the experiences in television can be transposed to feature films all over the world. Perhaps it cannot be done every time, but I feel that strategic partnerships ahead of the game, for example between the chains or the financing groups, may well bring about an increase in the relevance and quality of what is being done. It can be done while still preserving our ability to tell our own stories. I agree with what Mr. Nantel said about that. I applaud the CRTC's initiative, which is steadfastly focused on Canadian and foreign markets equally.

The experience of big-budget series is worth considering. It goes hand in hand with what we are currently seeing in terms of the collaboration and partnership between players from different countries. The feature film industry has some experience because it was the first to try co-production agreements. We can evaluate how effective they were and, if necessary, we can update them in order to encourage more collaboration and partnership with those foreign players.

• (1715)

[*English*]

The Chair: That will be the last word.

I want to thank our witnesses for coming. You will be our last witnesses in this study. If you have any other contributions you

would like to make, please get them to us in the next day or two. Once again, thank you for joining us today.

We will briefly suspend to go in camera to do some committee business.

[*Proceedings continue in camera*]

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