

TELEFILM CANADA CORPORATE PLAN

2006-2007 | 2010-2011

PRIORITIES

2009-2010

**FROM CINEMAS
TO CELL PHONES**

**TELEFILM CANADA
RESPONDS TO THE
MULTIPLATFORM
CHALLENGE**

TELEFILM

C A N A D A

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1.0 | WHO WE ARE

1.1 Our Mandate

Telefilm Canada is mandated through the *Telefilm Canada Act* (1985, amended 2002), to foster and promote the development of the audiovisual industry in Canada. It may also act in connection with agreements entered into with the Department of Canadian Heritage for the provision of services or programs relating to the audiovisual industries.

The Corporation is authorized to invest in Canadian audiovisual productions, confer awards for outstanding accomplishments in Canadian audiovisual productions, provide grants to audiovisual industry professionals resident in Canada to assist them in improving their craft; and to advise and assist Canadian audiovisual producers in the distribution of their works and in the administrative functions of audiovisual production.

Headquartered in Montréal, Telefilm Canada provides services to the Canadian audiovisual industries through four Canadian offices, in Vancouver, Toronto, Montréal and Halifax. Most of Telefilm Canada's 200 employees are professionals with extensive experience in the industry, as well as in the legal, administrative, financial, communications and policy fields.

1.2 Our Vision

Telefilm Canada strives to finance the highest quality productions most likely to engage Canadian audiences, while at the same time fostering the long-term sustainability of the audiovisual industry. Our vision is to assure a thriving Canadian audiovisual culture, produced by Canadian content creators, and disseminated through Canadian distribution companies, broadcasters, publishers, and Canadian festivals.

2.0 | WHAT WE DO

As an instrument of federal government policy, Telefilm Canada supports Canada's audiovisual industries to create cultural products that reflect the diversity of Canada for the benefit of Canadian audiences.

The Corporation provides assistance to Canadian audiovisual companies and professionals throughout the entire value chain, from highly specialized training to project financing, from development to distribution and marketing, and from promotion to sales of finished products.

Through its programs and service agreements, Telefilm Canada serves three sectors of the Canadian industry: feature film, television and interactive media. Investments by Telefilm Canada leverage private sector investment at home and abroad, generating greater economic activity and stimulating job creation.

2.1 Our Strategic Objectives

Telefilm's raison d'être is to ensure that Canadians have access to high-quality popular Canadian audiovisual productions. To do so, Telefilm has three strategic objectives, first articulated in its 2003-4 to 2005-6 Three-Year Strategic Plan, *Building Audiences for Canadian Cultural Products*, and reiterated in its 2006-2007 to 2010-2011 Five-Year Strategic Plan, *From Cinemas to Cell Phones*. These are:

- Building audiences for Canadian audiovisual productions,
- Building capacity in the industry, and
- Being an effective and efficient administrator.

Performance indicators and targets have been identified for each of these objectives, and are presented in detail in the appendices at the end of this document. The content of this Corporate Plan describes how we intend to meet each of these objectives and our performance targets for the coming year.

3.0 | THE ENVIRONMENT

3.1 There is No Turning Back

In the fourth year of our five-year Corporate Plan (*From Cinemas to Cell Phones: Telefilm Canada Responds to the Multiplatform Challenge 2006-2011*), we must already begin to chart the next five years. Much has happened since 2006 and as we like to say in the new media industry, a year in new media is like 10 in normal life. As a result, the coming year will be a year of change.

We have taken stock of the many developments in our industry in the last three short years. Ubiquitous video-on-demand, which was once something we could only imagine, is now commonplace. Broadband Internet lets Canadian download music and videos to their iPods, and talk on internet-enabled cell phones. It is no longer unusual for many of us to watch our personal entertainment choices at our leisure, on a multitude of screens and devices at home, sometimes on several screens at once. This is the result of great innovations, both in the content and in how that content finds its audiences.

According to the report *Valuing Culture: Measuring and Understanding Canada's Creative Economy* released by the Conference Board of Canada in August 2008, new interactive Internet-based digital technologies are central to the changes taking place in the creative production process and emerging global value networks; as they "generate improvements, including enhanced quality in creation, production, and distribution"¹.

Whereas in 2006 we spoke of the proliferation of screens from cinemas to cell phones, in 2009, it is transformative business models that are redrawing the value chains in which content is produced, distributed and consumed. These business models are still new and many of them unproven. But there is no turning back. In the words of Steve Mosko, president of Sony Pictures Television "The days of making this a real business are here."

¹ Conference Board of Canada, *Valuing Culture: Measuring and understanding Canada's Creative Economy* (August 2008) p.5

Can we still speak of a film, television or an interactive industry as distinctly separate sectors? Can we still speak of broadcasting without invoking broadband? The traditional formats while not gone, are being renewed through their transformation into truly multiplatform content. And the reason is simple - consumers want and have come to expect on-demand content.

And yet, while these developments present us with new opportunities, these rapid changes also confront us with emerging issues. Canadians are amongst the highest Internet users in the world. In 2005 the proportion of Canadians using the Internet was 69%. Yet according to the Canadian Internet Project which looked at the types of Websites Internet users accessed; about 70% of respondents reported that they never or rarely access Canadian cultural content online.

In the upcoming years, industry growth will shift to portable personal digital technologies because of high-capacity broadband connectivity (digital music and video players, ultra-portable PCs, digital cameras, mobile and smart phones and associated content and services).

Canadians today have an unprecedented opportunity to enter the digital space with Canadian content and many have embraced the challenge. The impact of digital technologies and multiplatform value chains will therefore continue to be a central theme in Telefilm's strategic actions in the next reiteration of its business plan.

We will undertake the necessary research to inform and guide strategic interventions directed at our three corporate objectives: build audiences for Canadian feature films; help the audiovisual industry's continued development, nationally and internationally and continue to build an effective and efficient administrative organization. Considerable ground has been covered since 2006.

3.2 Global Markets

While much is changing in the environment, some things remain constant. Access to financing for Canadian audiovisual production continues to be a major challenge for Canadian companies. While Canadian sources of capital have remained steady, the share of financing coming from international sources has steadily declined in recent years. One of our best instruments to attract foreign investment in our productions is through international co-production. As this source of funding becomes scarcer, our industry partners have urged us to find ways to encourage more foreign investment through new investment programs geared to the realities of the international marketplace.

Industry Canada's report, *Compete to Win* (June 2008), supports the case for encouraging a greater volume of international co-productions. As the report states, Canada is competing with other nations in a global economy in which powerful trends are changing the competitive landscape at an ever-quicken pace. Canadians must adapt to a global market that is undergoing rapid transformation as individuals and firms take advantage of the opportunities created by new enabling information and communications technologies, and countries' increased openness to trade and investment.

The Report affirms the importance of Canadian culture and states the authors' belief that greater openness to two-way trade, foreign investment and talent would increase competitive intensity and ultimately ensure the long-term vitality of Canadian cultural businesses.

Telefilm believes that increasing the volume of co-productions would help the Canadian audiovisual industry respond to the new market forces. By contributing to the overall volume of Canadian production, increasing the number of international co-productions will strengthen the industry. Attracting additional foreign financing will also reduce the pressure on Canadian investors and drive exports of our audiovisual culture abroad, attracting larger audiences around the world.

And promoting the Made-in-Canada brand internationally will enhance Canada's business relations with our traditional partners and open the doors to emerging trading partners such as the Brazil, India and China. Through enhanced international distribution, co-productions will also continue to play the important role of showcasing Canada to the world, benefiting the Canadian tourism industry and enhancing our foreign relationships.

Our priority over the next few years will therefore be to work jointly with the Department of Canadian Heritage to encourage international co-production and attract new international investment to our industry.

4.0 | STRATEGIC PRIORITIES FOR 2009-2010

The next year will be one of reflection, provoking a review of Telefilm's strategic priorities for 2009-2010. It will be a catalyst for the reinvigoration of the organization in the digital age.

The key will be to ensure that there are flexible funding and policy priorities in place which can adapt and evolve to meet the needs of the audiovisual industry as it changes.

How can we enhance access to Canadian films on home platforms via TV sets and on mobile platforms? How can we assist the government as it redefines its approach to interactive media? How can our intervention as a public organization continue to provide public value?

With a review of Government spending well underway and the potential for reductions combined with a declining economy, we know that there will be tough choices and challenges ahead.

Our priorities for 2009-2010 will be focused on our stakeholders and employees:

- a second instalment on our national client-survey;
- a renewed Service agreement of one year between Telefilm and the Canadian Television Fund;
- a good administration of the last year of the Canada New Media Fund;
- an excellent service to our television and interactive media through an harmonious transition to the new Canada Media Fund in April 2010;
- a revitalized Canada Feature Film Fund including an initiative to increase in co-production activities and exploiting emerging markets as well as developing new initiatives to increase the access of Canadian films on multiple platforms;
- the Special Examination done by the Office of the Auditor General; and
- the implementation of our Human Resources Master Plan.

Our conclusions will inform our development of new initiatives. Resources are limited and this exercise will seek to start the difficult but necessary task of selecting which policies should be prioritised.

5.0 | BUILDING AUDIENCES

5.1 Canadian Feature Film

In this era of digital communication, film continues to be one of the most potent means by which societies project their identities. When the federal government created the Canada Feature Film Fund (CFFF), it charged Telefilm with helping to build audiences for Canadian films and with helping to build a sustainable industry.

At the same time, digital technologies are transforming the business models of film production, distribution and exhibition. With the explosion of new distribution platforms, consumer choice is opened up, causing a shrinking theatrical market and causing strain on traditional marketing strategies.

Our orientation will be to adapt and evolve to meet the needs of the industry as it changes. This will include a push to adapting our complementary programs to help grow audiences to films on emerging platforms and continued support to winning scripts as part of our talent development strategy.

Since the creation of the CFFF in 2001, we have seen the box office market share fluctuate: from a modest 1.6% in 2001; a 2.7% in 2002; a 3.6% in 2003; a 4.5% in 2004, to an all time high of 5.3% in 2005. Since 2006, we have seen a decline in the box office market share of Canadian feature films to 4.1% and to 3.3% in 2007; returning to the levels first seen in the early years of the CFFF. Telefilm, with the CFFF Working Groups, will continue to monitor closely the box office and will adjust policies as needed.

While theatrical exhibition remains important to the branding and visibility of a film, and has a profound impact on revenues on other platforms, we know that audiences have for some time been gravitating away from theatres and towards other means of consumption, other platforms. And this trend is likely to accelerate. A Jupiter Research study, released in late September, reported that adults ages 25 – 34 said they would first shed movie tickets and premium cable channels in a troubled economy. The last to go would be broadband.²

Thanks to investments in three different audience databases - television, DVD, rentals and theatrical exhibition - we can trace the exploitation of individual films from one platform to another. However, at the present time we do not have the tools to report on overall audiences for Canadian feature films on all alternative platforms.

We are pleased that the Department of Canadian Heritage has embarked on an ambitious project to modernize our shared database of audience data. It is hoped that over the coming year, a new audience measurement system will roll out, implementing a unique database measuring all film distribution platforms.

With new platforms continuing to impact traditional ways of feature film producing, distributing and marketing, Telefilm Canada's strategies to build audiences are no longer solely centred on increasing the Canadian domestic box office.

² Brooke Barnes, « Scene Stealer : For a Thrifty Audience, Buying DVDs is So 2004 » *New York Times*, Sunday, November 23, 2008

The key is to ensure that there are flexible funding and policy priorities in place that can adapt to meet the needs of the industry as it changes. In order to ensure our policies can be adapted to the digital age, we are watching closely the ways in which on-demand digital technology can be used to enhance access to Canadian films. Our conclusions will inform our development of new initiatives in this sphere.

Telefilm will be tracking audiences on ancillary markets in its program components in both performance and selective funding. It will also align risks and rewards of stakeholders to the box office objective.

At the same time, we have undertaken a review of the CFFF's complementary programs (Alternative Distribution Networks, Writer's First and Low Budget Independent Feature Film Production Assistance programs) with a view to improving the effectiveness of these programs to increase the access of Canadian movies on multiple platforms by Canadian audiences. This program review will help the Corporation and the Department of Canadian Heritage revitalize the CFFF's memorandum of understanding that will be reviewed in 2009-2010.

We will also continue to pursue strategies to diversify our portfolio of investments in genre, and budget size of productions. We will undertake a review of Guidelines in collaboration with the Rogers Group of our Theatrical Feature Length Documentary Fund to ensure effectiveness and success in meeting our objectives.

5.2 Canadian Content on Multiple Platforms

A decade ago, Telefilm Canada created the Multimedia Fund, to stimulate the growth of Canadian productions in the new medium of multi-media CD-Rom publication. That program was eventually replaced by the Canada New Media Fund (CNMF), funded by the Department of Canadian Heritage. Since 2001, the world of interactive entertainment has radically evolved.

The global interactive entertainment industry is a force to be reckoned with. In 2008, the total worldwide market was worth an astounding \$47 billion, with the Canadian gaming industry at the forefront of this cutting-edge sector.

Canada is the third largest country worldwide for video games development. Canadian developers took seven of the top 50 spots, including number one for the third year running, in a ranking of the leading 100 developers based on sales of games in the UK. And 20% of the top-selling games in North America are developed in Canadian studios, including several of the most successful titles in the history of entertainment software. Despite this, challenges still exist for independent game developers to bring original Canadian content to a highly competitive market.

Telefilm launched *The Great Canadian Video Game Competition* as a pilot initiative to elevate the commercial profile of Canadian-owned gaming companies and help the industry grow. The program was a resounding success. Created with industry support and input, the Competition was a first-of-its-kind initiative that took place in three rounds that mirrored traditional industry financing. In September 2008 the final winner was announced and MindHabits (Montréal, QC) received up to half a million dollars from Telefilm and each public dollar was matched evenly with private investors. Since its PC launch the stress relief game *Trainer* has received international accolades from the Wall Street Journal, the National Review of Medicine, the Scientist and the Branham Consulting Group named MindHabits as part of the top 25 Canadian IT Up and Comers. The game is available in English, French, Spanish, Portuguese, Italian and Russian. The PC Retail and Nintendo DS versions are expected on the market soon and

MindHabit has secured distribution deals in North America, South America, Europe, Australia, New Zealand and Russia; a true success story.

The government has recently indicated its continued support to the interactive media and television sectors with the creation of the Canada Media Fund (CMF) which will be implemented on April 1, 2010. This new integrated fund will combine the resources of the Canadian Television Fund (CTF) and the Canada New Media Fund (CMNF) for a total of \$ 134.7 million annually, and will have the mandate to ensure the production of quality content and to make it available on multiple platforms. In order to minimize the disruption of the business cycles of both the interactive media and television sectors, the CTF and the CNMF will continue to operate under the status quo in 2009-2010.

Telefilm will continue to administer both funds and through the CNMF, it will support the creation and commercialisation of interactive Canadian content that contributes to the development and viability of an internationally competitive interactive media sector. One of our priorities for 2009-2010 will therefore be to work with our stakeholders to assure that resources are in place that are designed to most effectively support the development of Canadian-owned companies and products in the interactive media sector that are competitive on the world stage.

Resources are needed to stimulate original content creation that is not driven by broadcasters or tied to a television show. According to the results from the Forum 3.0 discussion groups and the 2008 report from Nordicity: *The "New Media" Business, Regulatory and Policy Landscape in Canada: Its Implications for Supportive Policy*, several new media business segments are currently under-funded, most notably traditional media extension for film properties. Traditional media extensions, while well supported as they relate to TV properties, are much less supported for film (or other) products. There is also a marked need for financing for early-stage development, marketing and distribution of digital content in all business segments.

Telefilm Canada, as a federal Crown Corporation with a mandate to foster the growth and development of the audiovisual industry, is the best instrument to administer resources aimed at extending support to the new media sectors. Within its mandate, legal authorities, four regional offices and international activities and expertise, including co-productions, Telefilm has the flexibility to intervene because of its long-standing role in industry development and industry standing to encourage cross-platform development and production. Telefilm will work with the new board of the CMF as well as the Department of Canadian Heritage to ensure a smooth transition for the Canadian audiovisual industry and that the available resources will create a critical mass of economic activity necessary to drive innovation and success.

Resources delivered by Telefilm Canada should form part of a series of measures rolling out of a comprehensive federal framework for this sector. Other incentives are needed to encourage companies to develop and retain their Canadian IP. Developing original content is both costly and highly risky. As a result, few Canadian companies in this sector can afford to focus solely on creating original digital content. Many companies sell their intellectual property rights or deliver services to larger international companies. There is therefore a need for a more comprehensive federal framework to better stimulate the creation of Canadian content and the retention of valuable Canadian intellectual property rights in Canadian companies.

6.0 | BUILDING INDUSTRY CAPACITY

6.1 Attracting Co-productions and Exploiting Emerging Markets

Co-production treaties are central to the future of the Canadian film industry as a tool to permit Canadian producers to partner with foreign counterparts, attract investment, and gain access to technology and locations that would otherwise be difficult to secure.

Recent statistics have told us three things. Co-production is already an integral part of the CFFF, representing about one-quarter of the portfolio. Majority co-productions contribute significantly at the box office in the French market, while minority co-productions perform better in the English market. And the past four years have seen a sharp increase in demand and financing for minority co-productions.

What is more, there have been several cultural and industrial benefits attached to co-produced films with the CFFF, ranging from showcasing Canadian stars and presenting a distinctly Canadian point of view, to attracting more foreign financing and performing better at the box office respectively.

An important element to encouraging greater co-productions is to ensure that all regions of the country will benefit. Our industrial strategy also extends to a more strategic and focused intervention in international promotion in order to attract greater sales and financing partners. This strategy is supported by our Perspectives Canada initiatives, which promote the sale of selected Canadian films at the prestigious and Cannes and Berlin film festivals.

While Canada's film and television industries are recognized for their high quality, and our federal and provincial incentives are considerable, we have not been able to maintain key European partners, nor adequately develop new markets.

International activities are key, and public money is particularly well spent in this area of activity. In the last year, Telefilm surveyed the Canadian participants at TV markets (NAPTE, MIPTV and MIPCOM) and the feature film markets (European Film Market, Cannes Film Market) and can conclude that its intervention in foreign markets is still relevant. Overall, for every dollar³ committed by Telefilm in the calendar year of 2007⁴, Canadians companies reported almost nine dollars worth of sales.

International sales are becoming more and more important to the Canadian audiovisual industry. Given Canada's modest domestic market and its proximity to the largest international producer of big budget audiovisual content (USA); it is critical for the health of the Canadian industry that sales strategies include markets beyond our borders. Opportunities abound at these international market places, and this year Canadian companies continued to see relatively strong sales performances.

Telefilm will also work with the Department of Canadian Heritage to encourage Canadian companies to take advantage of emerging markets in the Pacific Rim (Australia, China and India) and Western hemisphere (Brazil)—consistent with Canadian foreign policy initiatives. We will extend our highly successful branding initiatives to promote Canada as a co-production partner. Telefilm will also participate in the work underway by the Department of Canadian

³ Not including in-house expenses

⁴ Should 2008 be available before the publication of the plan, the figures will be updated.

Heritage to develop an international marketing plan to help increase Canada's competitiveness on the global coproduction map.

6.2 An Industry Built on Creativity and Skills

The fuel that drives a solid and competitive film industry is creativity and skills.

In the last few years, the freshness and relevance of our films have been recognized by the international awards they have won.

Telefilm will increasingly rely on strong partnerships with national training institutions to offer the industry world class professional development opportunities. Telefilm will work in greater collaboration with other organizations to deliver focused and strategic initiatives that will help develop new talent, give filmmakers a chance to experiment, improve their skills and showcase their work.

To this end, Telefilm is evaluating two key programs that support talent development, the Low Budget Program and the Writers Programs. This review will help re-energize our talent development strategy with a focus on best practices internationally.

Well developed, compelling content continues to be a winner with audiences, regardless of the screen on which it is watched. In keeping with our strategy of the past several years, Telefilm continues to find ways to encourage script development. This has been a fundamental piece of our strategy to attract greater audiences to Canadian feature films. Skilled and knowledgeable creative people are essential to producing creative content, developing and deploying engaging delivery platforms, judging consumer demand, and designing creative responses to that demand.

Our most recent three-year initiative, *Featuring Aboriginal Stories*, was launched in September, 2008 in partnership with the Aboriginal Peoples Television Network. The program was designed in consultation with an Aboriginal task force, whose task it was to help redesign the Corporation's initiatives targeting the Aboriginal communities.

The Program will help established Aboriginal professionals to move into feature film, by providing mentoring opportunities and project financing to mid- to advanced career-level Aboriginal producers, writers and directors to develop and produce feature films for Aboriginal, Canadian and world audiences.

Telefilm wishes to continue to diversify its portfolio of production investments, and to encourage production in genres popular with audiences. Telefilm plans to introduce a new development initiative in partnership with national training institutions targeted to mentoring development teams and providing financing for the development of comedy scripts in English.

In addition, Telefilm will continue to pursue partnerships with French-speaking countries to "co-develop" French-language scripts for eventual co-production. Finally, Telefilm will continue offering tailored training and support to the development of content creators from Official-Language Minority Communities.

7.0 | A GOOD ADMINISTRATOR

Telefilm's third objective – to achieve excellence through effective and efficient administration - is even more important for the coming year. As the country faces economic challenges, Telefilm will exercise renewed discipline in the administration of its funds.

The corporation now benefits from a strong new Board of Directors, each of whom brings to the governance of our organization a wealth of experience and expertise. Through the Board's committees on governance as well as audit and finance, Directors are actively assuring the health and good governance of the corporation.

To remain relevant, every organization needs periodically to examine itself. A major survey of our employees conducted in the past year has provided us with a blueprint for rolling out a modernized human resources master plan in step with changing workforce demographics, and focused on effective recruitment, development and retention of our valued professionals. With the participation of all employees, Telefilm will make a renewed commitment to its mission and corporate values, which will contribute significantly to its overall visioning exercise for the future. This will lead to a better alignment of human resource tools to our Corporate Business Plan; improved management and leadership skills; and improved awareness of bilingualism and official languages.

The Corporation also values the insights that its key stakeholders can bring to its day-to-day administration, as it strives to assure value for Canadians' tax dollars. Our client survey in 2006 set a benchmark for measuring and assessing the satisfaction of clients doing business with Telefilm, whether successful or not in obtaining financing. The next detailed survey planned for the coming year will provide insight into how clients perceive our programs and services, and identify priority areas for action.

We are confident that the priorities detailed below will help improve the public value of Telefilm Canada to the government, the industry and Canadians.

7.1 Start with People

The demographics of employees at Telefilm are changing along with the population. The retention of top talent must be a top priority.

The ongoing implementation of our Human Resources Master Plan continued with the unveiling in 2008 of *Changing Together*. This Plan addresses succession planning, mentoring, motivation and relationships, workplace environments, teamwork and collaboration, work and life balance, training, salary and benefits and job satisfaction.

The first two initiatives stemming from the Plan have been launched, the first a working group on Telefilm's values aimed at redefining our corporate values and the other at identifying the leadership behaviours necessary to Telefilm's future success. As a further step in the implementation of this Plan, managers and employees were consulted on a proposed new set of values and leadership behaviours.

Over the coming year, we will involve our employees in the development of a new mission statement reflecting the values of the organization as Telefilm embraces the digital shift in our environment. Through the new intranet, our employees will be better equipped with new

communication tools to more effectively and efficiently communicate across our four offices. Our website will also be improved and modernized to our client's satisfaction.

7.2 Our Key Performance Indicator: Client Satisfaction

In 2006, Telefilm developed its own performance measurement framework to track progress in relation to its strategic objectives. Each of these objectives has targets which are monitored, evaluated and reported on regularly over the past three years of Telefilm's Corporate Plan.

We track audiences for Canadian feature films in theatres, on television and soon through DVD and rental sales. We also track audiences to the websites we finance. As a result of the explosion of distribution platforms, viewer habits are changing and Telefilm and the government need to modernise their approach to measuring audiences. We are pleased that the Department of Canadian Heritage has initiated a project to measure audiences to Canadian feature films more comprehensively, taking into account the multiple distribution paths that bring the films to Canadians.

The government also asked the Department to update the Canada Feature Film Fund's performance target, currently established at achieving a 5% share of the Canadian theatrical market for feature films, to better account for the different realities of the French and English language markets. Working with our industry Working Groups, Telefilm has proposed new box office targets that take into account the volatility in the theatrical market. We note that with the limited resources available through the Canada Feature Film Fund, which has not seen an increase since its launch in 2001, it will be a challenge to achieve the target of 5%.

For the coming year, we are proposing a box office target of \$ 10.5 million dollars in ticket sales for the English-language market, and \$ 22 million dollars in the French-language market. While these will continue to guide the orientation of our policies, we will also be identifying how best to incorporate the measurement of audiences to ancillary markets in the calculations of the current 5% box office targets.

In measuring the strength of our companies in attracting other sources of financing, we are building a comprehensive export development and sales database. Our annual International Markets and Festivals reports, which report on sales, new business development and client satisfaction with our market undertakings, have been highly praised by our stakeholders.

Last year we launched a series of client surveys designed to measure client satisfaction and outcomes relating to a number of professional development initiatives. We have also developed extensive administrative indicators, and our last two corporate annual reports have won numerous Canadian and international awards for their excellence in reporting on progress towards stated objectives and the transparency and accountability evident in our financial statements and Management Discussions and Analysis.

We will continue to track our indicators in the coming year. The year over year data we collect provides valuable trend information for Telefilm and the government of Canada and is essential to the formulation of new policies. We will continue to measure audiences for feature films, television broadcasts and Internet products. We will conduct surveys to measure the results of our professional development initiatives, and to measure sales and business development at international markets and festivals. And finally, we will continue to track and assess our administrative indicators such as financial reporting and compliance.

Note about our first annual public meeting to enthusiastically respond to government requirements. The beginning of a new dialogue with Canadian citizens from all over the country.

7.3 Canadian Television Fund Renewal and the new Canada Media Fund

As we head into uncertain economic times, we support the government in its efforts to turn things around. And given the gravity of the situation, we will increase our efforts to manage our own resources wisely and responsibly.

Given the economic slowdown, it will be more important than ever for the government to continue to invest in incentives programs to stimulate Canadian production. We will continue to administer the funding programs of the Canadian Television Fund (CTF) for another year. We will also work closely with the Board of administration of the new Canada Media Fund (CMF) to ensure a smooth transition for the key stakeholders in whatever changes the new Board and the government may choose to bring to the CMF. Our expertise in the audiovisual industry and our track record as an effective and efficient administrator of the CTF's programs have demonstrated that Telefilm is well positioned to have a renewed partnership with the Canadian audiovisual industry and administer the programs of the CMF.

7.4 Special Examination of the Auditor General

Telefilm will also be subjected to a special examination by the Office of the Auditor General of Canada beginning in 2009-2010. An internal committee is preparing the Corporation for the upcoming audit. The Corporation sees the special examination as a valuable tool in the pursuit of Telefilm's strategic objective to be an excellent administrator of public funds. All recommendations will be taken in great consideration by the Board and the Executive Committee of Telefilm.

8.0 | CONCLUSION

Digital advances have changed the way we consume culture – anytime, anywhere, as you like it – and the way our industry conducts business. The world as we know it has changed. Again. And change is not over, further change is coming.

In order to keep step, Telefilm must prepare through renewal, review, revisiting, reimagining and repositioning.

In signing off, we are reminded of the words of Eugene Ionesco, French dramatist (1909-1994):

“I believe that in the history of art and of thought there has always been at every living moment of culture a will to renewal.”

9.0| APPENDICES

9.1 How we are Governed

Telefilm is governed by a Board, statutorily composed of one Chair and six members. The Board works with senior management to define Telefilm's strategic directions, and to ensure that every effort is made to achieve the stated objectives. The Board also sees to it that management practices and information and audit systems meet the Corporation's needs and generate trustworthy results.

The Corporation reports to Parliament through the Minister of Canadian Heritage. Telefilm is subject to certain Sections of part X of the *Financial Administration Act*. The office of the Auditor General of Canada is Telefilm's external auditor and as such audits the Corporation's annual financial statements. Telefilm Canada's Annual Report is tabled annually in Parliament. In 2006-2007, Telefilm published a five-year corporate plan (*From Cinemas to Cellphones: 2006-2007 to 2010-2011*). This plan was developed voluntarily for the purpose of ensuring greater transparency and accountability vis-à-vis Parliament, the audiovisual industry and Canadians at large.

At Telefilm Canada, the Chair and the Executive Director are two separate positions. The Board and the Executive Director together develop the Corporation's core objectives, with the Executive Director being accountable for the achievement of these objectives. Each year, senior management submits Telefilm's Corporate Plan to the Board for approval. Throughout the year, the administrators and the senior management team meet to discuss the major strategic issues facing the Corporation. The Board and senior management work together and share responsibilities. To this end, the members adopted in 2006 a statement of the Board's mandate, which details its responsibilities.

The Board of Directors operates a number of committees: the Audit and Finance Committee and the Nomination, Evaluation and Governance Committee.

The Audit and Finance Committee's objective is to help Board members fulfill their responsibilities to produce Telefilm's financial information, the monitoring of risk management and internal controls and the supervision of the Corporation's auditors.

The Nomination, Evaluation and Governance Committee assists the Board members in matters pertaining to the evaluation of Telefilm's Executive Director, succession planning for senior executive, general human resources practices, composition and assessment of the Board on governance matters.

9.2 Members of the Board

Michel Roy

Bolton - Quebec, Chair of the Board
Appointment effective October 12, 2007

Michel Roy is a man of culture, an administrator and a creator who has served in the public service and private sector. His career has taken him to Quebec City, Montréal, Paris and Chicago. He holds a master's degree in Public Administration. Michel Roy worked in television production in the 1960s and created more than 60 programs for Radio-Canada. He then entered Quebec's civil service, where he held the positions of Deputy Minister of Tourism (1989 to 1991), Deputy Minister of Communications (1991 to 1994) and delegate of the Government of Quebec in Chicago (1994 to 1996). Following this, he was a management consultant in the private sector. Recently, he produced two jazz albums. He now focuses on writing.

Yvon Bélanger

Quebec City - Quebec, Member
Appointment effective April 11, 2008

Now retired, Mr. Bélanger is a chartered accountant by profession. Over the course of his career, he worked at several major accounting firms, most notably Mallette, where he was employed for more than 25 years. As an audit partner, Mr. Bélanger was responsible for undertaking numerous far-reaching projects, which allowed him to gain significant expertise in issues pertaining to the standardization and reporting of financial statements. Mr. Bélanger is a member of the Ordre des comptables agréés du Québec and the Chambre de commerce du Québec. Mr. Bélanger lives in Québec City, and enjoys tennis, hunting, fishing, skiing and snowmobiling, among other leisure activities.

G. Grant Machum

Halifax - Nova Scotia, Member
Appointment effective May 9, 2008

A lawyer by profession, Mr. Machum is a Partner with the firm of Stewart McKelvey. His practice focuses on workplace litigation, dispute resolution, human rights, and employer-employee relations. In addition to his numerous professional affiliations, Mr. Machum sits on the boards of many organizations, including the Atlantic Theatre Festival, the Halifax Adult Learning Society and the Nova Scotia Art Gallery. Married with four children, Mr. Machum is also a skilled and enthusiastic sailor.

Marlie Oden

Vancouver - British Columbia, Member
Appointment effective July 30, 2008

Marlie Oden is the managing partner of Bridge Communications in Vancouver, BC. Her firm specializes in marketing, strategic planning, public relation, and advertising. She has been active in the cultural community most of her life sitting on the boards of The Arts Club Theatre, Vancouver Jewish Film Festival, Fringe Festival, Stanley Theatre, and Vancouver Theatre Sports. Ms. Oden is married with two grown children.

Elise Orenstein

Toronto - Ontario, Member

Appointment effective December 19, 2006

Elise Orenstein is a Toronto lawyer. Elise obtained a BA (Honours) from McGill University, a M. Phil. from Oxford University and a LL.B from Osgoode Hall law school. She was called to the bar of Ontario in 1983 and has been a senior partner in two major Toronto law firms. Elise has practiced in the area of corporate and commercial law with special emphasis on intellectual property law. She has represented public and private corporations as well as clients in a broad range of industries, particularly convergent media, knowledge management and entertainment. Ms. Orenstein has served on the Board of several privately held companies. As a volunteer, she has served on the Boards of various arts organizations and as Chair of the Artists' Health Centre Foundation. In addition to her independent legal practice, she currently sits on the Advisory Boards of the Artists' Health Centre Foundation (AHCF) and the Dancer Transition Resource Centre.

Tom Perlmutter

Montreal - Quebec, Ex-officio Member

Government Film Commissioner and Chair of the National Film Board,

Appointment effective June 11, 2007

Throughout his career as a filmmaker, writer and producer, Tom Perlmutter has been a fervent advocate of groundbreaking and socially engaged independent cinema. Before joining the NFB in 2001 as Director General, English program, Mr. Perlmutter enjoyed a prestigious career in the Canadian film industry as the founding head of documentaries at Barna-Alper Productions, and partner in Primitive Entertainment. Mr. Perlmutter previously partnered with one of Canada's most noted documentarians, John Walker, on several award-winning documentaries. Prior to this, he was Director of Creative Development for Cinenova Productions and Executive Director of Alliance for Children and Television from 1993 to 1995. He has also worked as a writer and journalist, with a number of articles and publications to his credit.

9.3 Resources Managed

Budget 2009-2010

Program

	2009/10 (000's)
Production and Development ^(note 1)	\$ 68,520
Distribution and Marketing	\$ 13,100
Writers First Program	\$ 1,190
Low Budget Film Assistance Program	\$ 2,200
Complementary Activities ^(note 2)	\$ 8,150
Total Canada Feature Film Fund	\$ 93,160
Total New Media Fund ^(note 3)	\$ *****
Total Other Activities ^(note 2)	\$ 4,988
Total Programs	\$ 98,148
Total Administration	\$ 28,209
Grand Total	\$ 126,357

Note 1 includes:

Selective & Performance Production & Development
Feature Length Documentary Program
Coproductions (mini-treaties)

Note 2 includes:

Various Business Development Programs

Note 3

To be determined and approved by Telefilm's Board

9.4 Performance Indicators and Targets

Strategic Objective 1: Building Audiences

Expected Result	Key Performance Indicators	Results Achieved 2007-2008	Targets for 2009-2010
Film: Greater numbers of Canadians enjoy a diversity of Canadian films in Canadian theatres	Market share of Canadian box office sales overall	Achieved 3.2% box office share, down from the previous year's 4.1%	Achieve a box office market share of at least 5% <ul style="list-style-type: none"> ➤ Target for English language market: \$10.5 million ➤ Target for French language market: \$22 million
Portfolio Diversification: Invest in a diverse portfolio	Diversification of portfolio by genre, budget size, language and region	Greater diversification achieved. Dramas account for 51% of new commitments in English (down from 80% in 2006-2007) and 38% in French	Increase the number of genres represented in portfolio (diversify away from drama)
Interactive media: Greater number of Canadian find cultural experiences through the Internet and through digital off-line platforms	Number of unique visitors for on-line products, sales revenues for off-line products	Telefilm continued to establish a baseline data; 2 nd successful year of on-line tracking completed. Telefilm financed projects received on average 5.5 million page views and 723,000 visits per month	Establish baseline levels
Festivals and Awards: Canadian cultural products are promoted to audiences in Canada	Prizes earned at major Canadian and international festival.	116 awards and 3 Oscar® nominations; an increase over 15 awards and one Oscar® nomination in 2006-2007	Maintain or increase current level

Strategic Objective 2: Building Capacity in the Industry

Expected Result	Key Performance Indicators	Results Achieved 2007-2008	Targets for 2009-2010
Investments in audiovisual projects enable Canadian companies to attract other sources of financing	Percentage of overall financing from other sources Level of foreign financing in financial structures	Significant increase in leveraging other investment: Share of CFFF financing dropped from almost 40% to approximately 30% of aggregate budgets Significant increases in foreign investment leveraged over the previous year: from \$4 million (2.5% of budgets) to \$28 million (13% of budgets)	Maintain or increase levels of domestic investment over baseline levels (2007) Increase levels of foreign investment over baseline levels (2007)
Companies increase their capacity through sales and business development and markets	Level of sales and business development achieved at markets through Telefilm sponsored activities	Value of closed deals (sales and pre-sales) grew by \$2.5 million (50%) over the previous year	Maintain or increase baseline levels of 2006
Industry professionals benefit from high-quality training initiatives	Level of client satisfaction with Telefilm training initiatives	Pilot surveys launched with positive results – 80% satisfaction rating - despite small sample sizes	Establish baseline levels
Culturally diverse and aboriginal professionals benefit from opportunities to advance in their careers	Level of resources committed to initiatives and programs designed to promote the professional development of culturally diverse and aboriginal members of the industry	Investment levels maintained (12% commitments to French language outside Quebec projects, 18% commitments to English language in Quebec)	Maintain investment levels for official language projects in minority contexts. Maintain or increase investment levels in Aboriginal and culturally diverse projects

Strategic Objective 3: A good administrator

Expected Result	Key Performance Indicators	Results Achieved 2007-2008	Targets for 2009-2010
An efficient administrator	Management expense ratio	<p>The CFFF management expense ratio is at 9%, compared to 8% in 2006-2007.</p> <p>The Television Business Unit ratio is constant at 3% since 2006-2007.</p> <p>The CNMF management expense ratio is at 29% compared to 19% in 2006-2007.</p>	Maintain low overhead percentages.
Client-oriented services	Level of client satisfaction	2007-2008 Ontario survey conducted with improved results over 2005-2006 survey	Maintain or increase levels of client satisfaction compared with Canada-wide 2005-2006 client survey
Be transparent and accountable	Implement performance measurement	Financial and operational performance measures are now implemented	Report on performance measures