



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## **Standing Committee on Canadian Heritage**

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CHPC • NUMBER 035 • 2nd SESSION • 41st PARLIAMENT

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**EVIDENCE**

**Wednesday, February 25, 2015**

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**Chair**

**Mr. Gordon Brown**



## Standing Committee on Canadian Heritage

Wednesday, February 25, 2015

• (1540)

[English]

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

We're going to call to order this meeting number 35 of the Standing Committee on Canadian Heritage.

We are currently undertaking a study of the Canadian feature film industry.

We have witnesses with us today by video conference. First of all, from North Vancouver, British Columbia, we have from North Shore Studios, Peter Leitch, who's the president, and he's the chair of the Motion Picture Production Industry Association of British Columbia; from Brightlight Pictures, we have Shawn Williamson, who's the president, and he's a member of the Motion Picture Production Industry Association of British Columbia; and from Toronto, via video conference as well, we have Paul Bronfman, the chairman and chief executive officer of William F. White International Incorporated.

We're going to have 10-minute presentations, and we're going to start with Mr. Leitch.

You have the floor.

**Mr. Peter Leitch (Chair of Motion Picture Production Industry Association of British Columbia, President, North Shore Studios):** Mr. Chairman, and committee members, thank you for the opportunity to appear today. We would like to thank the committee for launching the review of the Canadian feature film industry.

My name is Peter Leitch, and I'm president of North Shore Studios and Mammoth Studios, and the chair of the Motion Picture Production Industry Association of B.C. With me today from our industry association is Shawn Williamson, president of Brightlight Pictures.

Canadian feature films make a significant contribution to the growing creative economy in Canada. The industry facilitates well-paying jobs for the extensive creative talent that we have from coast to coast in Canada. The Canadian film industry not only contributes significantly to the Canadian tax base, but it is well documented in the value of the creative sector in building better and more liveable communities. This is an innovative industry that is constantly changing, and our engagement with it allows us to participate in the trillion-dollar global creative content sector.

The support of the federal government through its tax credit programs for both Canadian content and service work, the majority of which comes from L.A.-based studios, and through the Canadian feature film fund, which is administered through Telefilm Canada, continues to be critically important to building the feature film industry in Canada. Total production activity related to Canadian content in films alone was in excess of \$375 million, and this sustained 8,100 full-time equivalent jobs. Foreign film production in the same year—in British Columbia, for instance, probably 80% of the work that we do is service-based foreign content work—accounted for \$857 million and just over 18,000 full-time equivalent jobs.

We fully support the recommendations on changes to the current programs as presented by the Canadian Media Production Association.

Critical issues that we feel would improve the opportunity to build the Canadian feature film business in B.C. would be, first of all, the elimination of the grind against the provincial tax credits. Targeted provincial incentives, which may vary from province to province, should not impact different levels of tax credits across provinces, and this would not be the case if the provincial credits were not deducted prior to calculating the federal credits. The second thing would be restoration of the funding of Telefilm Canada from the 10% reduction to stimulate additional film production and create additional jobs.

Another point is that advances of tax credit funds for qualified productions would be a tremendous benefit to those producers who need to borrow against these funds to support their productions prior to receiving the credits. This would be of minimal cost to government, but would have significant benefits to Canadian producers.

I'd now like to introduce my colleague, Shawn Williamson, to carry on the discussion.

**Mr. Shawn Williamson (Member of Motion Picture Production Industry Association of British Columbia, President, Brightlight Pictures):** Thank you very much for the opportunity to speak today.

I'm a feature film producer and television producer who lives and breathes a number of things that Peter has just talked through. Our company is called Brightlight Pictures. We've been actively producing in the industry for approximately 15 years. We're based in Vancouver, and we've been fortunate to shoot movies all around the world. We've shot movies all across Canada, through the United States, and pretty much on every continent.

Recently, we produced a movie called *The Interview* for Sony, and a Canadian content picture called *The 9th Life Of Louis Drax*, which we financed as a Canada-U.K. treaty co-production. That picture we packaged off relationships that we picked up off the various service movies that we produced over the years. We were fortunate to cast Jamie Dornan, the star of *Fifty Shades of Grey*, in it. So hopefully, this is a Canadian content movie that will gain a fair bit of critical success and hopefully financial success when we complete it in the next few months.

I produced a movie many years ago called *50/50*. That was a service movie which Lionsgate and Summit shot in Vancouver. It was a small comedy about cancer, and starred Seth Rogen, and it was produced by Seth Rogen. The relationships we built on that movie and various different service movies over the years often lead to relationships that we can then translate into ownership and packaging opportunities in Hollywood. Much of the Vancouver industry, as Peter suggested, is based and driven from Los Angeles, so we are a company that mixes service productions, like *50/50*, with content movies we've done, like *White Noise*, *Gunless*, a Telefilm-financed movie, or *The 9th Life Of Louis Drax*. Our company works in a very wide range of productions, from service projects through wholly-owned television and film, and through treaty co-productions where we own a percentage anywhere from 20% to 80% of the production.

We tend to leverage wherever we can our relationships with Hollywood to facilitate creating something that is a watchable piece, but also something that we can sell internationally. We've been mildly successful doing that thus far, so it works, and it has been working for us. We utilize Canadian elements within the industry, like the Toronto International Film Festival, which is probably the most important film festival in North America, to sell our films, to package our films, and showcase our films. We've had the opening gala, we've had the closing gala, we've had numerous films in different positions throughout the festival, so ongoing, supportive ancillary elements within the industry like TIFF are huge for us.

With CAVCO, the Canadian audio-visual certification office, and the point system that currently exists, there's something we've been discussing at least within the various different groups in the west. We're looking at potentially reopening the point system and how things work here, and potentially loosening that up to allow us to bring elements that bring financing. As much as we have a very strong and vibrant Canadian industry, it is around the world driven by the United States. I have produced German-French films that have come to Vancouver to "shoot an American movie", so around the world, people come to Vancouver, Toronto, Montreal, and Winnipeg to shoot movies that appear Hollywood-driven. The reality of the industry is that stars, actors, scripts, directors, all ultimately drive the financing of our industry and how able we are then to monetize that in the future.

I have made a number of Canadian films over the years that are seen by our audiences, but get very limited viewership outside Canada. That is one thing we would want to look at. Peter has alluded to some of the other elements, such as the ability to not have to finance our tax credits in advance. Those are things that would help, that are small-business points that do save money and allow us to decrease what we pay the banks.

I think that's what I have to say at this point.

•(1545)

**The Chair:** All right, thank you very much for that presentation.

We'll now move to Toronto to hear from Mr. Bronfman. You have the floor for up to 10 minutes.

**Mr. Paul Bronfman (Chairman and Chief Executive Officer, William F. White International Inc.):** Thank you.

Well, since Shawn is a customer, please allow me to thank Shawn for his business over many years.

Mr. Chairman, vice-chairs, and committee members, thank you very much for this opportunity to appear before your committee.

My name is Paul Bronfman, I am chairman and CEO of the Comweb Group as well as William F. White International Inc. The industry calls us Whites for short. I'm also the chairman of the board of Pinewood Toronto Studios. In my spare time I'm a proud member of the board of Film Ontario. I'm a member of the board of directors of the Canadian Media Production Association as well as the Ontario Media Development Corporation. In case I get bored, I'm also a board member of the Academy of Canadian Cinema and Television. This week was a very exciting week for our academy because it's Canadian screen week where we do highlight many of the feature films that we're talking about in this conversation.

I am joined today by my colleague who is much more handsome and good-looking than I am, Mr. David Hardy. He's off screen. He helps me turn pages because I have hands that are compromised because I do have MS. He's our vice-president of industry and government relations here at Whites and Comweb.

I'd also like to say how delighted I am to be appearing with my old friend, Peter Leitch, who was a colleague of mine at North Shore Studios, along with the late Stephen J. Cannell in Vancouver some 27 years ago. Peter and I have remained close friends. He's been to my kids' bar and bat mitzvahs and he's a great friend and great industry leader in Vancouver.

On behalf of my colleagues at Whites and across the entire sector, I would like to thank the Standing Committee on Canadian Heritage for taking this close-up view of Canadian feature film industry, a segment of our sector as culturally significant as it is enigmatic. It has always been under pressure.

At the same time I would be remiss if I didn't express my serious concerns of the very last-minute nature of the process, in being given three business days to prepare a presentation on such an important topic as the Canadian feature film industry. It really would have been nice to have a little more time. It was tough for us to get it all together, but we did it.

For the past 52 years, Whites, which started April 1, 1963, has provided the most technologically sophisticated professional production equipment to clients all across the country. Just like the production sector as a whole, our business is split between domestic producers and service producers, i.e., American producers primarily. Whites provides services to every production, from major American studio pictures with Academy Award-winning directors at the helm to microbudgeted Telefilm projects from first-time emerging filmmakers, domestic producers, directors, and everything in between.

Whites has operations in Halifax, Toronto, Winnipeg, Calgary, and Vancouver. We also have a partnership in Budapest, Hungary.

Until 2012 we had an operation in Regina. Regina was a thriving film community. There are some excellent people there, but the current provincial government, in its infinite wisdom, sought to kill the industry, so unfortunately we had to close our office there. We're hoping that Mr. Wall and company will understand that and will come back and reinstate some of the credits. Without tax credits, Saskatchewan is not a destination of choice, unfortunately.

We as a company are deeply woven into the fabric of each community in which we operate. For our purposes today, we would define the service production as foreign, really primarily American productions with intellectual property residing outside of Canada. Domestic production is CAVCO-sanctioned production generally, with intellectual property remaining in this country under Canadian control.

● (1550)

Now I'd like to turn to the question posed by the committee. Effectiveness of government funding programs was the question, as I understood it.

To preface, the federal government support to the Canadian feature film industry is and has always been crucial. Our geocultural positioning is like nothing else on this planet anywhere. We're 5,000 miles wide by 100 miles deep. In fact, everybody lives near the United States. If America sneezes, we catch a cold. That's why I'm fighting a really bad cold, because I was in the United States. We happen to share the same language. We share, in a broad sense, a very similar culture to the Americans.

The removal or absence of government investment in the risk averse Canadian environment in which we live and work would spell immediate disaster for the Canadian feature film industry. Where prime and equity funds stateside are injecting very large, huge sums of money of state development and production financing for both studio and independent productions alike, we in this country scramble constantly to find development money, let alone production financing. As a result, the bridge financing industry, which the folks in Vancouver mentioned, is thriving and making a nice profit, and at the same time removing capital from the system, which is really not dissimilar to what happened with the tax shelters started in 1978, 1979, and 1980. I'm old enough to remember those because I was working in the industry at the time. Most of the money did not stick with the industry, although it did train a lot of people, including me.

As you all know, the Government of Canada provides two streams of support: refundable tax credits and support rendered through Telefilm Canada programs, like the Canadian feature film fund.

As one early adopter of federal tax credits nearly 20 years ago, we have witnessed a virtual explosion of credits around the globe as jurisdictions realize the jobs potential and general economic activity afforded by a robust film industry, but we in Canada were the pioneers. The rest of the world caught on and, in many cases, improved upon what we had started. Canada has provided the global model, truly, for a successful government investment in the film industry. The Department of Canadian Heritage should be commended, truly, for maintaining these tools. Without doubt, they are an essential part of the tool kit that makes Canada such a competitive market for feature film production.

Telefilm Canada recently weathered the storm of budget cuts rather well and seems to have emerged quite strongly. It is engaged in exploring new types of entry-level production while at the same time retaining an envelope system measured by audience success. Given the stickhandling required to oversee English and French language production, Telefilm Canada has done quite a commendable job in maintaining an equitable balance and approach. It's not easy. That said, given the resources, it really could do more on the promotional side, and I will revisit this notion in our recommendations.

The other question, I think, was regarding promotion.

The committee has asked us for comment on ways in which to promote the value of the industry, the quality production services offered in Canada, and the exceptional content that is created by us Canadians. I will speak to the second part of this question first, as the marketing of our services at Whites and the Comweb group is an essential tenet of our business plan.

I've spent a significant amount of time in Los Angeles with my colleagues promoting Whites and Canada to major studio clients, and I can tell you with absolutely no hesitation that when we're down in Los Angeles talking to producers, we are preaching to the converted. They love our country. They love making movies here and they love making television here.

● (1555)

The world's largest entertainment market looks at filming in our larger markets, such as Vancouver, Toronto, and Calgary, no differently from filming in Los Angeles or New York. If you walk on a film set in New York or L.A., or you walk on a film set in Vancouver, Toronto or Calgary, it all feels very similar, because many of us were trained by the American production people.

**The Chair:** Mr. Bronfman, you are a fair bit over your 10 minutes.

**Mr. Paul Bronfman:** Oh, no. Do you want me to wrap it up?

**The Chair:** I'll tell you what; I'll give you another 30 seconds, because I know you have some recommendations you want to give us.

I'll give you that time, and then maybe you can work more of it into the questions.

**Mr. Paul Bronfman:** Thank you, Mr. Chairman. I'm also talking a bit slower because I'm fighting post-nasal drip here.

Here are our recommendations. Transparency and accountability are fundamental purposes when accessing public moneys. Taxpayers want to know how their money is being spent. We are cognizant of a potential public perception of double-dipping when a producer accesses refundable federal tax credits as well as funding from Telefilm Canada. Accordingly, we feel that deducting assistance at this level is fiscally responsible.

But the federal government should not be in the business of impeding—

**The Chair:** Mr. Bronfman, I have to cut you off there. You can work some of what you're telling us right now into the questions.

**Mr. Paul Bronfman:** Very good. Sorry to drone on there, Mr. Chairman.

**The Chair:** We'll now move to the seven-minute round of questions.

Mr. Weston, you have seven minutes.

**Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC):** Thank you to Paul, Shawn, and Peter for being with us. I know if I twisted his arm, Peter Leitch might tell us about cherry blossoms and crocuses being around where he and I are from. We won't tell you what we have here.

Peter, perhaps you could start us off by reiterating what you said about the revenues produced by your industry and the number of jobs. They are stunning statistics, and I'd appreciate it if you could repeat them, please.

**Mr. Peter Leitch:** Sure. Total production activity related to Canadian content films alone in Canada was \$376 million in 2013-14. This volume sustained 8,100 full-time equivalent jobs. Foreign film production in the same year, which is the majority of the work we do in B.C., although our Canadian content is certainly growing here, accounted for \$857 million and just over 18,000 full-time equivalent jobs.

**Mr. John Weston:** So \$857 million is all productions, whereas \$376 million is Canadian productions. Is that right?

**Mr. Peter Leitch:** That's correct.

**Mr. John Weston:** That's a very large number.

What about indirect revenues and jobs? In my own case, as someone who lives in Vancouver, my kids were extras in a movie film there. One TV production was filmed at a home owned by my parents, and we had a tenant from the film industry for several years. I know many people who are indirect beneficiaries.

Do you want to comment on that part of the film sector?

• (1600)

**Mr. Peter Leitch:** In British Columbia the spend on film and television in the community was over \$1 billion, and it's been that way for a number of years now. When I was vice-president and controller with Cannell Films, I'd have a stack of cheques. We paid over 5,000 different vendors.

I look at it as being very similar to tourism, especially on the amount of U.S.-based money coming up here to do the service work. But when we're talking about Canadian feature films and Canadian television, that applies to that also. We're certainly supporting hundreds and thousands of vendors in a community. It's a huge stimulator in the community, not only from a financial standpoint but also from a cultural standpoint.

**Mr. John Weston:** Is there some work with the tourism industry? Do you collaborate in order to enhance both your sectors?

**Mr. Peter Leitch:** I think that's a fantastic comment in terms of where we could do better, working closely with Tourism British Columbia. It's certainly one of the initiatives we have for our industry association this year.

They do that very well in some of the American states. We need to blow our horn a little bit more in terms of the benefits we create that relate to tourism.

**Mr. John Weston:** We've talked about this before; when you're out trying to land a film, what countries are your competitors?

**Mr. Peter Leitch:** Certainly, the United States is a huge competitor, some of the states there. There's no doubt about that.

In terms of Canada though, one of the things we look at, in British Columbia specifically, is that we want to get the business up here. The advantage of getting the U.S. business up here is that it allows us to build the infrastructure to nurture some of the talent. We're right beside Capilano University here, and we have those students coming in. We encourage them to produce their own films and to make sure they can market the films. In fact, the training in the educational facilities is now more geared to commercial films, from which we can actually make our money back so we can sustain the industry for the long term.

We really benefit from both service work and Canadian production in terms of building the industry, building the crew base, and attracting world-class talent here.

**Mr. John Weston:** Paul said that U.S. producers love making films here.

What are the factors that really help attract a producer here, Peter?

**Mr. Peter Leitch:** There are a number of factors.

Here in British Columbia, of course, the crocuses are coming up. It is 14 degrees and balmy. We can shoot year-round in B.C.

I think it's the quality of talent we have right across Canada. That's why when Paul was referring to Saskatchewan...it's kind of tragic there, because there are so many talented people there. These talented jobs lead to innovation, the creation of new companies, and the creation of subsectors of the industry. If you look at the suppliers now in British Columbia, we have some of the top visual effects companies in the world training local people to do the work. We're really looking forward to just growing our indigenous sector so that we own more of the IP. The way we're doing that is attracting more work here.

**Mr. John Weston:** We want to get to the foreign tax credits in a minute, but what about getting people into the country? This is something that you and the Minister of Employment and Social Development and other members of our government have worked on. How about the importance of being able to move people in and out?

**Mr. Peter Leitch:** That's how we built the industry in Canada. We built the industry by attracting some of the top talent from the U.S. initially, and now it's from around the world. These are the people who trained the people who are working in British Columbia.

As an example, Steve Beers is an American producer who I first started with when Cannell produced a show called *21 Jump Street*. He was up producing that show, and we brought in a lot of the department heads from the United States and elsewhere, and now he's doing a show called *Backstrom*, an American-based production for which 100% of the crew is Canadian.

In terms of attracting the best people in the world, if you look at the visual effects community, which is growing dramatically here and becoming a big part of all feature films, we want to attract this world-class talent to be able to train the people we have here.

We like the borders to be as open as they can be. We certainly don't want some people taking Canadian jobs, but the benefits that these top-quality, world-class crew and cast members bring to the table are incredible in terms of building our infrastructure and building our talent base here.

•(1605)

**The Chair:** Thank you very much.

We're now going to move to Mr. Stewart for seven minutes.

**Mr. Kennedy Stewart (Burnaby—Douglas, NDP):** Hello to our witnesses.

I'm Kennedy Stewart. I'm from Burnaby—Douglas, so I'm well aware of the value that this industry adds to our local economies with, I think, over 125 movie industry-related businesses in Burnaby. Thanks for being here today.

**Mr. Paul Bronfman:** We love Burnaby.

**Mr. Kennedy Stewart:** I do too.

I was hoping to follow up a bit on what Mr. Weston said about moving people in and out of British Columbia. You spoke in general terms about why that's valuable, but I was hoping for more specific terms. This is a place where we can put specifics into a report, so I was wondering if you had a specific request regarding visas and people moving back and forth across the border.

**Mr. Shawn Williamson:** I can maybe field this, because I deal with the immigration concerns on a daily basis for the different films that we shoot.

There has been a change in the immigration policy with regard to bringing foreign workers into Canada. As Peter said, the number of crew that we import, generally from the United States, the U.K. or Europe, continues to decrease as the depth of the labour pools here increases and as Canadians are better and better trained.

It's much less common now to see tradespeople coming in, cinematographers and such. We will forever have an issue bringing U.S. actors in. We often do need American actors as part of packaging and selling the film. That's generally a studio requirement. When Sony came here to shoot *The Interview* with us, we had to bring a number of Americans up for them to package the film internationally.

The issue now has become a practical one in that turnaround time has moved from approximately 48 hours to upwards of two weeks. On a large feature film, that's fine, but when you're shooting television, and you're often not casting your show until days before you shoot, it has proven to be very challenging. This isn't a B.C. issue; this is certainly a national issue.

**Mr. Kennedy Stewart:** Do you have a suggested change we could make that would help?

**Mr. Peter Leitch:** We have been working closely with the Conservative government, and they have made some changes to facilitate people getting into the country.

There are a couple of issues that we're concerned about. One is the four-and-four rule. After four years, they have to leave for four years. It doesn't make too much sense for our industry, and that one is a real problem. We're really concerned about it and how that's going to be implemented.

The second concern for us is the transition plans. Especially when you look at visual effects and animation, we're hiring as many trained students as we can, but we're still trying to attract that world-class talent, and you're always going to have that going forward. We're not going to transition all those jobs into Canadian jobs. There will be more and more Canadians being employed and trained, and that's fantastic, but you're still going to want the best in the world, who will travel from show to show around the world, to be able to come into the province.

In terms of the transition rules, they should be consistent from one company to the other, because they all have the same issues. I think that's one of the things where we have the unions certainly looking at those issues closely. We could probably police ourselves, the industry, so on the transition plans I'd like to see self-policing for the film and television industry.

**Mr. Kennedy Stewart:** Okay. Maybe we could move to the tax credit side of things.

Again, are there any specific asks in terms of tax credits? I expect that more would be the direction you're going in, but would you have a particular percentage or application, either labour or capital, and do you have something specific that you can add there?

**Mr. Peter Leitch:** I'll comment on the tax credits. What we've asked for federally is not actually to increase the tax credits; we've just asked you to eliminate the grind.

First of all, it's inconsistent in the amount of federal tax credits we get from province to province, which doesn't make sense to me. Second, there are huge benefits to the federal government in terms of withholding tax, for instance, for American talent coming up here and the taxes that the federal government receives.

If they'd just eliminate the grind, that would put more dollars on the screen and we'd have higher quality Canadian films that would be more marketable globally.

• (1610)

**Mr. Kennedy Stewart:** I'm sorry, but could you explain to me what the grind is? I don't exactly know that term.

**Mr. Peter Leitch:** The grind is a reduction of the tax credit base by the provincial credits, prior to calculating the federal credit. In other words, if they just calculated the federal credit on the base itself without deducting the other incentives from the provinces, that would make a significant difference.

**Mr. Kennedy Stewart:** Okay.

I'm getting near the end of my time, so I'd like to move to the digital arts component.

You were talking about special effects and how that's emerging in British Columbia as a very important part of the industry. I'm wondering how separate those industries are now. I have EA games in my riding, and they say that personnel sometimes move back and forth between the gaming industry and the film industry. Is it artificial to divide these two industries? Are they one big industry? How would you characterize these two groupings?

**Mr. Peter Leitch:** I think we work very closely together. In terms of tax policy, I think you really have to study it and make sure there are benefits to both the industry and the government. I'm not advocating a wholesale change, and I think there's a risk of doing that, because we're dealing with almost different marketplaces in terms of where we market our projects.

The fact that we utilize talent in both industries and it's interchangeable is a fantastic thing. We want to build a bigger base that way, so that we have a large digital industry here and a film and television industry. It's hugely beneficial that both industries exist here, but I don't think I'd necessarily mix it unless it's really well studied.

**Mr. Kennedy Stewart:** Could you give me some idea of the personnel transfer between the two parts of this sector? How many folks would be interchangeable between film and video games, say? Do you have any idea?

**Mr. Peter Leitch:** Well, it's changing all around, but look at the quality of the games now, at how realistic they are, and the animation components and the real-life types of components. My nephew from Waterloo is now working at Microsoft here in Vancouver. He's certainly talented enough in terms of programming to be able to go over and create visual effects at MPC, for instance. With the quality of the talent we're attracting here, these people are in demand on both sides.

**A voice:** There's a direct crossover—

**The Chair:** Thank you. We have to move on.

[*Translation*]

Mr. Dion, you have seven minutes.

[*English*]

**Hon. Stéphane Dion (Saint-Laurent—Cartierville, Lib.):** Thank you very much, Mr. Leitch, Mr. Williamson, and Mr. Bronfman.

I would like to continue with what Mr. Stewart started to do. I'd like to invite you to identify very clearly the recommendations you have for this committee in terms of changing some federal rules, federal programs or tax credits in a way that would help the film industry.

You started to explain different things, Mr. Leitch. Maybe I will invite Mr. Bronfman to react to what you said about the tax credit or the transition plan or the four-and-four rule. I will also invite Mr. Bronfman to identify his own recommendations in terms of changing some policies at the federal level to help the industry.

**Mr. Paul Bronfman:** Thank you, Mr. Dion. It's nice to meet you.

We recommend just what Peter was saying, that the standing committee advocate for the removal of the grind of provincial tax credits. The ensuing new money entering the system would encourage new development, production and the associated jobs throughout the entire industry value chain. That's certainly our first recommendation. I'm also aware of other witnesses who will come forward and propose that federal tax credits, or at least a segment of them, be advanced as a means by which producing may be relieved of some of the interim financing charges that, simply put, take money off the screen.

Finally, I think in sync again with Peter and Shawn, we propose that the \$10.6 million that was taken away from Telefilm be returned. That was cut when the government was posting deficits, but mostly this year we'll have a surplus.

That's really what I would suggest: elimination of the grind and reinstatement of the budget that was cut at Telefilm.

• (1615)

**Hon. Stéphane Dion:** Thank you very much.

Mr. Leitch and Mr. Williamson, do you want to react to what Mr. Bronfman has proposed?

**Mr. Shawn Williamson:** I think we both agree with what he is proposing.

The grind does leave on the table money that we would like to put into films and allow us to create something a bit more competitive. With regard to Telefilm, certainly in the west we're always chasing Telefilm where we can. As a feature film producer, the more financing available, and ultimately the more competitive and the more watchful our films can be, the better equipped we'll be to compete with the United States, which is ultimately what we're doing.

**Hon. Stéphane Dion:** So is that the main recommendation: the grind?



**Mr. Peter Leitch:** The grind and Telefilm.

**Mr. Shawn Williamson:** That is correct.

**Mr. Paul Bronfman:** The reinstatement of Telefilm funding as well as the grind; correct.

**Hon. Stéphane Dion:** Could you just revisit the Telefilm spending a bit? What would you like to see changed?

**Mr. Paul Bronfman:** Really, Mr. Dion, it's just to reinstate the \$10.6 million that was taken away from Telefilm during the difficulties with the budget.

**Hon. Stéphane Dion:** So you're proposing to bring back the \$10.6 million.

**Mr. Paul Bronfman:** Yes. I mean, the \$10.6 million will be global, and the spill-down effect will be tens of millions of dollars.

**Hon. Stéphane Dion:** Is there anything else you would suggest?

**Mr. Paul Bronfman:** As I originally suggested along with my colleagues, the grind back on federal tax credits has been a constant nuisance for the industry, as we've talked about ad nauseam for many years.

**Hon. Stéphane Dion:** Is there somebody in the industry who may be nervous about these changes and who may argue that it's not the right thing to do, or do you think it would be unanimously supported?

**Mr. Paul Bronfman:** I think it would be unanimous, Mr. Dion. As someone who sits on the board of directors of the Canadian producers association—I can't speak for the association, but I can certainly speak as a board member—I feel it would be unanimous.

**Mr. Peter Leitch:** On behalf of the Motion Picture Production Industry Association, it would be unanimous.

**Hon. Stéphane Dion:** Okay, good. I want to thank you very much for that.

Can you explain how these changes would help you to face the challenges you have now with the new technologies, the digital revolution and all these situations that have changed so much in the last 10 years? In order to convince the government to do so, come with your full recommendation.

**Mr. Peter Leitch:** Why don't I start on that one.

First of all, if we have more competitive financing opportunities, we're going to attract more production here. When we attract more production, we're attracting the top companies in the world that are at the forefront of the changing technology, companies like MPC, Deluxe, Technicolor, and Double Negative. These are award-winning production companies that are introducing new technologies all the time.

When we did *Planet of the Apes* here, for instance, we had some of the people from Weta come up from New Zealand to train some of our people here, and they brought new technology in terms of the look of the apes, as an example. These technologies are then used throughout the industry. We're talking about feature films, television series, games, and other digital components. They are utilized in all those sectors, so it's even more advantageous than for just the film industry. It's much broader-based in terms of all creative content.

**Hon. Stéphane Dion:** Thank you very much.

**The Chair:** *Merci.*

We'll now go back to Mr. Weston.

I believe you're going to share your seven minutes with Mr. Young.

**Mr. Terence Young (Oakville, CPC):** It's the other way around, but thank you.

**Mr. John Weston:** Thank you, again.

We MPs have a lot of discretion over how we allocate our time.

I think my constituents want me to advocate for the film sector for the reasons you've been giving: the large revenues, the number of jobs, and the fact that they're environmentally friendly jobs. One of the things that might not come to the eye is the way that the producers and the union seem to work well together. I've seen that in my advocacy for the film sector.

I wonder, Peter, if you might want to start the response to that. I think that's exemplary, and it helps us do our job helping you.

• (1620)

**Mr. Peter Leitch:** I think it's a priority for us. When we sit around the table with our industry association, all the heads of labour sit around that table as well. We work very closely with them in terms of making our jurisdiction as attractive as we can.

There are other things we do which I think are not as recognized. First, the unions invest a lot in training, which benefits us all. They invest a lot in safety and also a lot in maintaining as green an industry in North America, in British Columbia, for instance, as they can. I think we've been a leader in terms of the environment.

The other important thing is that we also work closely with the schools in trying to make sure that students get an opportunity to get on set and get engaged in the business. Shawn and I have both spoken at universities and have encouraged students to get in and have helped mentor them. The unions are very good at that also. They also maintain a very high standard in terms of safety, as I talked about before. It has been a really close collaboration, unlike the situation in other industries.

Shawn.

**Mr. Shawn Williamson:** The cooperation with the unions in both Ontario and British Columbia is not new. But many years ago the cooperation didn't exist. It wasn't there until there was a significant threat 15 years or so ago and California suggested they could move away without some labour stability in British Columbia. Cooperation from that point on has led to incredible growth across the country.

So we do see an unprecedented amount of cooperation between labour and management in the industry.

**Mr. John Weston:** It's about time for my colleague, Terence Young.

**Mr. Terence Young:** Thank you—

**Mr. David Hardy (Vice-President, Industry and Government Relations, William F. White International Inc.):** I'm sorry, but I wonder if we in Ontario could comment on that. With all due respect to our colleagues, we're feeling a little lonely out here in Ontario.

**Mr. Terence Young:** I was just about to ask you a question.

**Mr. Paul Bronfman:** The reality is that most of the Canadian feature film work, which I understood originally was the subject of this committee and doesn't seem to be anymore, is done in Ontario.

**Mr. David Hardy:** I could quickly comment on the question about union and management relationships. I spent 10 years as the business agent with one of the technical unions here in Ontario, and there has long been a recognition that due to the globalization of the industry, we have to compete and work together, and we have to minimize the issues that traditionally plague labour and management relationships. I think the film and television sector are models for how management and union can and should and need to work to be much more productive in this country than we are, certainly, in some of the other sectors.

**Mr. Paul Bronfman:** We look at labour as our partners. We are selling Canada in the States, and we're talking to clients, to Canadian producers. The labour partners are the most important partners we have.

**Mr. John Weston:** I've certainly seen that demonstrated in my advocacy for the sector. Thank you.

Go ahead, Terence.

**Mr. Terence Young:** Thank you.

How much time do I have, Chair?

**The Chair:** You have three minutes.

**Mr. Terence Young:** Then I'm practising triage on my questions.

Mr. Bronfman, you made reference to what happened in Regina, Saskatchewan, to the industry there. What happened? How did that harm the industry?

**Mr. Paul Bronfman:** Well, what happened was that I think there was a philosophical decision made by the Wall government that tax credits were not something they could live with. They dropped them, and within 60 days the industry was dead.

**Mr. Terence Young:** Thank you.

You used the term "bridge financing". What kind of return on investment do bridge financiers expect when they invest in a feature film?

**Mr. Paul Bronfman:** As much as they can get away with.

**Mr. Terence Young:** How much can they usually get away with?

**Mr. Paul Bronfman:** It depends on how desperate the film producer is. I know this because my son is a feature film producer, a Canadian feature film producer.

• (1625)

**Mr. Terence Young:** So you don't feel comfortable providing—

**Mr. Paul Bronfman:** Oftentimes, because the Canadian producers are—I wouldn't call it desperate for money—very short of money, they pay fees that are way above market.

**Mr. David Hardy:** They're high-risk loans.

**Mr. Paul Bronfman:** Yes.

**Mr. Terence Young:** So you have a high-risk loan. What do they want? Twenty-five per cent?

**Mr. Paul Bronfman:** I would say that it could range anywhere from 5% to 20%.

**Mr. Terence Young:** Okay.

**Mr. Paul Bronfman:** Twenty per cent is really punitive, but it's certainly prime plus a few points.

Shawn would know better than I would.

**Mr. Terence Young:** Shawn, do you have an answer, please?

**Mr. Shawn Williamson:** I think we're talking about bridging the tax credits, so because these are effectively Canadian government... we're banking Canadian government paper, so the spread on that is quite low. When you get into the actual financing of a feature film and you talk about gap, bridge, and super-gap financing, this is all very expensive money, but it's high-risk money, and often we expect to pay a fair return on that.

I think Peter was referring to the actual loans that we set up on every production to bank the tax credits that come out of both the provincial and the federal governments. The suggestion was that there may be a way for government to front that money and allow us to save the banking on that. The numbers on that are typically at prime or prime plus 1%.

**Mr. Terence Young:** Thank you.

Mr. Williamson, what is hardest to find: scripts, performers, directors, or money?

**Mr. Shawn Williamson:** Oh, there are lots of scripts, but "good" in front of any those is hard to find.

I would say that money is easy to find if you have a great script and a great director. At the end of the day, the foundation for what we do is to tell stories, and that's all we're talking about. For that, you need good actors, good directors, and good storytellers.

**A voice:** Good scripts.

**Mr. Shawn Williamson:** The money will follow.

**Mr. Terence Young:** I was under the impression that there are a lot of good actors in Canada. Is that not true?

**Mr. Shawn Williamson:** There are many, many good actors in Canada. The talent pool, both technically and from a creative perspective, is very deep. The concern we often have is finding internationally known names within Canada. That can be challenging.

**Mr. Terence Young:** That leads to my next question.

Do we have a star system in Canada and does it work?

**The Chair:** Mr. Young, I'm sorry, but we have exceeded the seven minutes.

We're now going to move to Monsieur Nantel.

[*Translation*]

You have the floor for five minutes.

[*English*]

**Mr. Pierre Nantel (Longueuil—Pierre-Boucher, NDP):** I'll just check first to see if you will get translation if I speak French. We'll do a test.

[Translation]

Good afternoon; do you have access to simultaneous interpretation, if I speak French? It seems you do not.

[English]

I'll speak English, no problem.

[Translation]

**Mr. Paul Bronfman:** I speak French, but because I live in Toronto, I don't have opportunities to practise.

**Mr. Pierre Nantel:** Please feel perfectly comfortable, Mr. Bronfman.

[English]

My question is for you, Mr. Bronfman.

**Mr. Paul Bronfman:** I'm not comfortable enough to speak in French in this type of environment. If I'm ordering a hot dog, I can do it, but not in this environment.

**The Chair:** I believe we are getting French translation, so if you want—

**Mr. Pierre Nantel:** Okay. I think to make it simpler—it's already a little techy here—I'll speak in English.

Mr. Bronfman, I wanted to ask you—

**Hon. Stéphane Dion:** May I ask, Mr. Chair, that the minute we took for that not be removed from Mr. Nantel's time?

**Mr. Pierre Nantel:** Thank you, Mr. Dion.

Mr. Bronfman, there's one question I wanted to ask you. How long has Comweb owned William White? I know you don't own it anymore, but how long have you had it under your company?

**Mr. Paul Bronfman:** Comweb has owned William F. White since August 1989, and I still own it. I'm the chairman and CEO of Whites.

**Mr. Pierre Nantel:** Okay, great.

**Mr. Paul Bronfman:** The company is 52 years old this year. Comweb is 27 years old.

**Mr. Pierre Nantel:** Are you still in Montreal? I remember you had these weird warehouses under the Champlain Bridge route.

**Mr. Paul Bronfman:** Well, how can I say this without offending anybody?

We shut down Montreal in 2003 because of corruption. We will not be involved in business unless it is kosher, and *malheureusement, à Montréal*, it's the wild west. We decided we didn't want to play that game, so we left town.

**Mr. Pierre Nantel:** Wow, that is a strong statement. I was not expecting this, because the last time I went to your place, we went there to rent a camera for a video, and we felt you were very supportive of these young producers.

**Mr. Paul Bronfman:** We are. I love Montreal.

[Translation]

I lived in Montreal. I was born there and lived there for 20 years.

[English]

It's a beautiful city, beautiful women, great restaurants. But it's a terrible place to do business on the up and up. That's why we decided to shut it off.

**Mr. Pierre Nantel:** Okay.

I'm sure you still observe the scene there.

**Mr. Paul Bronfman:** Comweb still owns William F. White, but we do not operate in Montreal. I'm still chairman and CEO of Whites. I still have a job.

● (1630)

**Mr. Pierre Nantel:** I wanted to ask you guys, and potentially the British Columbia people could also answer this, how important or hectic the post-production world of buying and selling off of companies is. I know that in Montreal there have been many changes.

You may have moved away, but Mel Hoppenheim just sold his studios, and I know that very important sound studios for post-production have been bought by Technicolor, which at the time was a film processor, if I'm not mistaken, or they rented cameras.

Please tell me more, because my impression is that this is part of a town's marketability for attracting various film shoots.

**Mr. Paul Bronfman:** I can't really speak for what's been going on in Montreal, because we haven't been there for 12 years. I know that Technicolor and Deluxe both have had Canadian operations for many years. Their head offices are in the United States, but they do operate very much like Canadian companies.

What was your question, sir?

**Mr. Pierre Nantel:** First, how important is the post-production chain—audio, special effects, and things like that—

**Mr. Paul Bronfman:** It's extremely important.

**Mr. Pierre Nantel:** —and is there a lot of buying and selling activity by bigger companies?

**Mr. Paul Bronfman:** Not so much. The barriers to entry in post-production have come down. It's much easier to get involved in post-production if you buy a mixing console and a few items than it is to get involved in a company like Whites, where we have a lot of staff, a lot of bricks and mortar, a lot of capital expenditure.

The consolidation of the post-production industry has been happening for a number of years, but I've seen it slow down for a while. I'm not sure it's finished, but we now have fewer and stronger companies.

**Mr. Pierre Nantel:** In Vancouver, is it the same?

**Mr. Peter Leitch:** In Vancouver it's extremely important to have those components to attract productions. It differentiates us from other jurisdictions. We have the top post-production, visual effects, and animation companies in the world locating in Vancouver. That's going to help attract physical production.

We want the whole thing, the whole pie. We want to become a centre for digital entertainment.

**Mr. Pierre Nantel:** Thank you.

There's another thing I want to ask. I'm happy that we spoke about the financing aspect of things, because a producer of *Heartland* was telling me how, to him, this was a loss of money for everyone, and was just making the banks richer, handling the money for that little short while between end of production and the final banking of the cheque.

Is it true that there remains a lot of red tape in the subsidy process, in terms of how it's filed, and that it's a long process to getting the cheque? Is it too long? Can we make it faster?

**Mr. Paul Bronfman:** Yes, there's a lot of red tape. It just takes a long time.

**Mr. Shawn Williamson:** I think the staffing—

**The Chair:** You only have 15 seconds more to wrap it up.

**Mr. Shawn Williamson:** Yes, it does take quite a bit of time between when we complete production and when we actually get the cheques back from the government. Anything we can do to streamline that.... It seems that within CRA it's an issue of staffing. They audit, they check us, they go through all of that. The timeline between when we actually file our tax return and when the cheque comes can be, in a quick time, six to eight months, but it's often well over a year to two years.

**The Chair:** Thank you to our witnesses for joining us today. If you have any further contributions to our study, please send them to us in writing. I know that we do have some of it already in writing, but if you have anything else, please send it in to us. Thank you very much.

*[Proceedings continue in camera]*

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