



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Canadian Heritage

CHPC • NUMBER 042 • 2nd SESSION • 41st PARLIAMENT

EVIDENCE

Monday, April 27, 2015

—
Chair

Mr. Gordon Brown

Standing Committee on Canadian Heritage

Monday, April 27, 2015

• (1530)

[English]

The Chair (Mr. Gordon Brown (Leeds—Grenville, CPC)): Good afternoon everyone. We'll call to order meeting number 42 of the Standing Committee on Canadian Heritage.

Today we are back to our study on the Canadian feature film industry. With us for the first hour today we have a total of five witnesses. They are going to have up to 24 minutes between them.

We have Vincent Guzzo, vice-president of the Association des propriétaires de cinémas du Québec. From the Movie Theatre Association of Canada, we have Raffaele Papalia, and also Nuria Bronfman, the executive director. From Cineplex Entertainment LP, we have Anne Fitzgerald, the chief legal officer and director of the Movie Theatre Association of Canada. From Landmark Cinemas of Canada, we have Neil Campbell, president and chief executive officer, and also a director at the Movie Theatre Association of Canada.

We will start with Nuria Bronfman. I'm sure you're all organized.

Ms. Nuria Bronfman (Executive Director, Movie Theatre Association of Canada): We are indeed.

The Chair: You're to go up to 24 minutes all of you together. Thank you very much.

Ms. Nuria Bronfman: First, thank you so much to the committee for hearing from the Movie Theatre Association of Canada or MTAC, as we are also referred to, as well as from some of our exhibitor members who are here today.

I'm Nuria Bronfman and I serve as the executive director of MTAC. As the chairperson said, we have combined our time, so will we each make a brief presentation and then we will be here for questions afterwards.

The Movie Theatre Association of Canada represents over 3,200 screens and approximately 700 sites across the country. This includes both large chains and small independent theatres. The exhibition sector of the film industry employs over 11,000 Canadians, many of whom are young people whom we train in their first professional job.

As you know, the theatrical film industry comprises three separate sectors—production, distribution, and exhibition. The producers make the movie; they can create the content. Producers then sell that content to a distributor. The distributors then negotiate with exhibitors who effectively lease the content and pay a rental fee of a negotiated percentage of box office.

With television and the multiple emerging technologies available, producers and distributors negotiate with many formats other than the theatrical exhibition for delivery of their movies to consumers. The major studios, smaller distribution companies, and other independent filmmakers produce and distribute films. We, as the exhibitors, have no control or impact on the quality of the films produced, the marketing campaigns, or the subsequent box office revenues.

If the films produced are good, we have the potential to do well. If the films are not successful and do not draw people to the box office, we still have to pay the film rental fee and cover all of our overheads, regardless of how many tickets are sold. As such, the success of our business is dependent upon driving audiences to our theatres.

I would like to inform this committee about the state of our industry since we were last in front of you in 2005. Over the last decade our sector has gone through a significant investment of close of \$400 million in new technology, as all theatres have been required to convert from traditional 35 mm film to digital projection. The theatres that have not chosen to convert to digital have basically shut their doors, as most of the product available today is in the digital format and soon there will be no film at all.

Canadian theatres, we're very happy to report, are very close to 100% digital—albeit there are just a few outliers out there still—and the exhibition industry has made enormous investments in this technology. We, the exhibitors, bear the risk of this significant investment.

Competitive pressures increase daily with the hard-hitting impact of ever-expanding platforms and viewing habits of Canadians. Audiences are now accustomed to viewing content when they want on whatever device they want. There's no question about this.

For a number of reasons, attendance over the past few years in movie theatres has remained relatively flat. We are a mature industry that faces increasing costs annually, and we risk losing customers to alternative forms of in-home and out-of-home entertainment.

The movie business is unique. When an exhibition company attempts to raise ticket or concession prices, consumers are incensed. Audiences don't realize or consider that exhibitors face increased costs or increased pressures through added competition from a growing multitude of sources. They believe ticket prices should be perpetually kept at low levels.

Somehow it is acceptable for consumers to spend \$150 to \$400 for a ticket to a basketball or hockey game, but those same consumers are troubled by a \$13 movie ticket, despite the fact that the production of a big-event movie may cost hundreds of millions of dollars, and the building and technology in which they go to watch this content costs millions of dollars to build and maintain. This attitude imposes great pressure on exhibitors to improve the services we provide without increasing costs to our guests.

As an example, in 1974 the average movie ticket cost \$1.89, which, when adjusted for inflation, would be \$9.08 in 2014 dollars. That same ticket costs the consumer less today. The average ticket price in North America was \$8.17 in 2014. This decrease in ticket price exists regardless of the substantial increases in the costs of building and maintaining state-of-the-art theatre movie complexes.

● (1535)

Every day exhibitors face increased challenges and costs, increased minimum wages, increased lease costs, and increased food costs. In order for exhibitors to persuade or attract people to leave the comfort of their homes and choose our theatres as their entertainment activity of choice, we need to be constantly upgrading our facilities and reinventing ourselves to offer the new, latest, and greatest entertainment experience.

The onus remains on exhibitors to market our theatres and create interesting promotions to attract guests to our theatres. Advertising costs are not subsidized by the studios and, again, the exhibitor bears the risk and is on the hook for all costs associated with drawing the public to its own theatre.

With that introduction, I will now turn it over to my colleague, Neil Campbell.

Mr. Neil Campbell (President and Chief Executive Officer, Director, Movie Theatre Association of Canada, Landmark Cinemas of Canada): Good afternoon.

I'm Neil Campbell, president of Landmark Cinemas, a wholly owned Canadian company based in Calgary. We own and operate 46 theatres with 312 screens, employing approximately 1,600 Canadians throughout Western Canada, Ontario, and the Yukon Territory. Landmark is the second-largest motion picture theatre exhibition company in Canada, and the tenth largest in North America.

As Ms. Bronfman noted, our business is a mature business that is challenged to continually engage customers to choose our theatres as their form of entertainment and their preferred method for watching movies.

Competitive pressures increase daily, with the hard-hitting impact of low-cost retail price DVDs, increasing video rentals, the prevalence of home theatre systems, pay-per-view, and satellite, in addition to a prolific number of new cable channels and out-of-home entertainment options, such as sporting events, concerts, and clubs, as well as the unfortunate continuation of international film theft known as piracy.

In order to protect the theatre business, we must engage with the customer by providing content they want to see, and by protecting the theatrical run for that content such that the customers continue to choose to see movies in theatres.

Over the past few years, this protection of the theatrical window has become increasingly more important. We have learned over the past decade of platform expansion that if a film has a healthy life in our theatres, it will have a healthy life in its electronic sell-through windows and later platforms.

If the film does not find its audience in the cinema, it will be difficult for that film to go on to succeed on other platforms. Recent indications are that most of the distribution world agrees with this premise, and most of the distribution world is committed to maintaining a healthy theatrical window.

In fact, where distributors find greater theatrical success than originally anticipated, they are more than willing to push the DVD release date down. For example, the distributors of both *American Sniper* and *Kingsman* pushed out their DVD release dates when they saw the theatrical success of those titles. Similarly, in Canada the movie *It Follows* had a delayed DVD release date because the title did well theatrically. They opened two prints in New York and two prints in L.A. and had a box office average of 164,000 on the first weekend. They instantly took the DVD date and moved it down to a level where we would all agree to play the picture, and they re-released it.

The *Movie City News* publication recently cited the declining theatrical window as being "Mutual Assured Destruction, which is, indeed, MAD". Despite this, declining home video revenues continue to be the biggest worry for distribution, largely as a result of international film theft—again, piracy. The need for distribution to support their declining DVD sales and the need for exhibition to ensure success at the theatrical box office will continue to remain as a conflict. However, both groups are working together to find solutions.

Anne.

● (1540)

Ms. Anne Fitzgerald (Director, Movie Theatre Association of Canada, and Chief Legal Officer, Cineplex Entertainment LP): Thank you, Neil.

Good afternoon. Thank you, all, for hearing from us today.

I'm Anne Fitzgerald. I am with Cineplex Entertainment. We're one of Canada's leading entertainment companies and operate one of the most modern and fully digitized movie theatre circuits in the world. A top-tier Canadian brand, Cineplex operates numerous businesses, including theatrical exhibition. We're also a joint venture partner in SCENE, Canada's largest entertainment loyalty program, with over six million Canadians as members. We communicate regularly with movie lovers, and they tell us what they want to see on the big screen.

Headquartered in Toronto, we currently operate 161 theatres with 1,651 screens from coast to coast, serving approximately 74 million people in Canada annually. Cineplex trades on the Toronto Stock Exchange and is proudly wholly Canadian owned, employing 11,000 Canadians in our theatrical exhibition business and other businesses.

To illustrate the importance of the preservation of a substantial theatrical window, many exhibitors across North America were unwilling to exhibit even major Hollywood titles when a studio announced its intent to make the title available on video on demand or DVD soon after the theatrical release.

For example, exhibitors declined to run such titles as *The Cobbler* with Adam Sandler, *Only God Forgives* with Ryan Gosling, *Wild Card* with Jason Statham, and *The Last Five Years* with Anna Kendrick, due to short VOD or DVD release windows.

The April 16, 2015, report issued by the Royal Bank of Canada confirmed the importance of preservation of this theatrical window, noting that 41% of respondents said they would be less likely to see a movie in a theatre if it was going to be available on VOD within 90 days of its theatrical release. A loss of 41% of our customer base would obviously be completely destructive to the theatrical exhibition business. Preservation of windows is the biggest issue facing exhibitors today around the world. We have made great strides with distribution since the first experiments with day-and-date releases to make sure that theatrical and VOD returns can continue to grow.

Here in Canada, Cineplex was one of the first exhibitors in the world in conjunction with distribution to experiment with the concept of the super ticket, selling a ticket to both the theatrical exhibition experience, followed by an electronic download of the same title for the customer to own at home later. The effort is to try to increase the VOD sell-through window without damaging the theatrical window.

It is our well-informed opinion that for movies made for theatrical release, a long theatrical window must be preserved. Were shorter windows to be regulated for any intended theatrical content, many exhibitors would not be willing to screen that content, as our experience shows that customers would choose not to come to our theatres. We continue to work with our partners in distribution to explore new ways to finesse the system. But it's important to note that for a healthy theatrical sector to survive, this window must be preserved.

Over the past decade we have seen the shortening of the window, and it cannot continue to erode. With reference to both the DVD release date and the electronic sell-through release date, whichever arrives in the home first, data from the National Association of Theatre Owners notes that the major studio release window average dropped from 117 days in 2012 to only 98 days in 2014. That represents a 19% decline in the theatrical window, which is simply destructive to the theatrical exhibition business.

Through examples from our colleagues in the United States and in Europe, we can see that the success of the day-and-date release into the home market of a feature film is patchy at best. Not all films are made for theatres. All our members are familiar with customers who make such statements that so and so's title must be seen on the big screen. Our customers also tell us the opposite, that they're happy to wait to see certain films in their homes on their television screens or even on their hand-held devices.

If a film belongs on the big screen, that is where it should experience its first release. And that release should be preserved for

the benefit of the film's life, both in theatre and after the theatre experience. If, instead, a film belongs on the television screen or on another platform, it should not test the waters of the big screen at all and should go straight into that alternative format market without delving into theatrical exhibition.

I'll turn to Vince for a moment to continue on windows.

Mr. Vincenzo Guzzo (Vice-president, President, Association des propriétaires de cinémas du Québec, Cinémas Guzzo): In Thursday's *Montreal Gazette*, Brendan Kelly complained about giving a glowing review for a Canadian film only to find within one or two weeks that the movie, unable to attract any audience, was no longer being screened in theatres across the country. This is standard practice in arts and entertainment. Television series are all too frequently cancelled in the middle of their first season. Broadway is in no way more forgiving. Brendan Kelly is right: we need to do more to build audiences for domestic films.

The easy answer, as I suggested some time ago, is for Quebec and Canadian filmmakers to focus on making films that people want to watch. Quebec's independent cinema owners support the concept of artistic freedom, as well as the wide range of publicly funded programs that support filmmakers. The reality is that films from *Starbuck* to *Monsieur Lazhar* and *Incendies* have been very successful.

According to L'institut de la statistique du Québec, Quebec films rank fourth, or 4.2%, in terms of market share in Quebec behind the United States at 80%, France at 7%, and Great Britain at 6%. We need to build on this foundation in a rapidly changing environment marked by new technologies and methods of distribution. To do so, policy makers in the industry have to recognize that cinema owners have our feet on the ground and are in daily contact with moviegoers.

We are encouraging Quebec filmmakers to make films Quebecers want to see. We are also urging our partners from government to distributors to endorse a number of simple and inexpensive initiatives that will benefit Quebec owned and operated movie theatres while strengthening the local market for Quebec and Canadian films.

Quebeckers now access films on Netflix, TV, video on demand and, of course, movie theatres. The temptation is to launch a film on all channels at the same time. In theory this should lead to a bigger audience, but the cannibalization is weakening our sector to the detriment of the industry as a whole. Coming to one of our movie theatre houses is still the key to commercial success.

The longstanding practice is that theatre operators have the exclusive rights to a film for the first 120 days after its release. This policy is at the heart of our business model. Changing it would put our fragile and volatile industry at risk, while rewarding filmmakers for making films few people want to watch. Distributors should be able to choose the option best suited for a particular film, but if they opt for a theatre release they should comply with the rules and respect their exhibitor partners.

As has been the practice for some time, producers weary about developing an audience for a film can reduce their costs by going directly to other channels of distribution. In the past the marketing strategies in Quebec have been to build a positive buzz about a film in the major urban centres in the hope of influencing Quebecers in other regions of the province. With social media there is no time to rely on word of mouth. Now a film has to be screened in Drummondville and Sherbrooke on the same day it is being premiered in Montreal or Quebec City.

For this to work, more movie owners and distributors need funding to support their marketing and promotional efforts outside of the two major urban centres.

Let me stress that we are calling for reallocation of existing budgets, not new money. One of the reasons for the success of *Les Boys* is that we launched it on the same night across Quebec. Quebec independent movie theatre owners have also enhanced the movie experience by investing close to \$80 million on the digitalization of almost all of their theatres.

All of these measures are important. As I said at the onset, the key is what goes on the screen. Moviegoers in every region of the province want to be entertained and to have the chance to view a wider diversity of films. Quebec's network of independent theatre owners are simply asking filmmakers to heed this request, to remember that a good film is a good film even if it's popular, and to work with us to develop the local market and make movies people want to see.

Back to Anne.

• (1545)

Ms. Anne Fitzgerald: I want to move to a slightly different subject and talk about supporting the Canadian industry.

Each of the members of the Movie Theatre Association of Canada, including Cineplex, take great pride in being tremendous supporters of the Canadian film industry. Our contributions are extensive and come in the form of financial support, screen access, marketing and promotional support, membership on various Canadian film boards, and community investment and involvement.

Every year at our annual film industry convention, ShowCanada, we give awards to the best marketing campaigns for Canadian films and the highest grossing Canadian films. This year, in an attempt to create a bridge between the production and exhibition sectors, we'll be highlighting three Canadian films in production, and we'll fly out the producers, directors, and talent to attend the convention in Quebec City.

In addition to monetary support, MTAC members support a number of film industry festivals, events, and organizations. We've

provided theatre access, screen time, and marketing support to the Toronto International Film Festival, the Canadian Film Circuit, the Montreal World Film Festival, the Montreal Jewish Film Festival, the Toronto Jewish Film Festival, the Vancouver International Film Festival, and the Calgary International Film Festival, to name only a handful of the hundreds of film festivals that our members support.

Our members sit on the boards of the Toronto International Film Festival, the Canadian Film Centre, the Canadian Picture Pioneers, the Academy of Canadian Cinema and Television, Canada's Walk of Fame, the National Theatre, the National Association of Theatre Owners, the various provincial theatre exhibition associations, and many other cultural organizations.

MTAC members work continuously with Canadian film distributors to create exciting film promotions and gala premiers, and to identify other ways to showcase Canadian films on our screens wherever and whenever possible in both English Canada and Quebec. We continue to provide screen time and access to Canadian films. In many cases we make special consideration by providing screen time or extending screen time to a film simply because it is a Canadian film, not because of the potential financial success. Recent examples of this include *Dr. Cabbie*, *The F Word*, *The Right Kind of Wrong*, *La grande séduction*, *Goon*, and *Passchendaele*. The upcoming release of *Hyena Road* is currently receiving substantial support from MTAC members.

Where some smaller distributors have complained that they are not getting theatrical screen time for their films, our industry statistics tell a different story. As an example, in 2014 Cineplex alone ran approximately 950 titles on our screens in the year. This included only 92 first-run films from the six major Hollywood distributors, accounting for only 10% of the titles shown in our theatres. However, it will not come as a big surprise to this committee that the 10% of Hollywood titles account for a substantial percentage—almost 80%—of the annual box office revenue of each exhibitor company here today because customers simply love big Hollywood content. Obviously the remaining 20% of our box office is critical to our continued success.

Of the total 950 titles exhibited in Cineplex theatres in 2014, approximately 250 of those were distributed by two major Canadian distributors: eOne and Mongrel Media. The remaining approximately 400 titles were either alternative content or distributed by smaller, independent distributors, both Canadian and foreign. These numbers clearly show that our industry significantly supports small, independent distributors.

However, as previously noted, our collective need is to attract consumers to our theatres. The primary way to attract theatrical exhibition customers is to create great content and to market that content.

I'll turn it over to Raffaele to talk a bit about that.

• (1550)

[Translation]

Mr. Raffaele Papalia (Chair, Ciné Entreprise, Chief Executive Officer, Movie Theatre Association of Canada): Thank you and good afternoon, Mr. Chair.

[English]

Thank you and good afternoon.

My name is Raffaele Papalia and I'm the president of Les Cinémas Ciné Entreprise, which is based out of Terrebonne in Quebec. I also serve as a chair of MTAC.

Ciné Entreprise operates a small circuit, a lot smaller than those of my colleagues, and I have theatres in the secondary markets such as Chicoutimi, Jonquière, Three Rivers, and Granby, to name a few. Despite the differing sizes of our companies, I agree with the comments made by my colleagues here today. I want to show you that MTAC members believe in Canadian film, and the industry, and we are amongst its biggest supporters. We support the efforts of the the Government of Canada's Canadian feature film policy and echo their objectives of building audiences and improving upon the quality of Canadian films—I'll come back to improving the quality of Canadian films in a second—and of further developing the talents of creators and preserving Canadian films.

We are particularly supportive of all initiatives that result in building audiences for these films. As a group we believe we need movies with a particular audience in mind. What drives our business is the audience, so it's important to us that we improve the quality of films, build the audiences, and develop Canadian talent.

The film industry in Quebec has done an exceptional job of maximizing the impact of Canadian films in our province. Filmmakers, studios, and exhibitors have come together to create a market and distribute films targeted specifically to their audience. We are very proud of the role we played in Quebec in supporting the production, marketing, and exhibition of Quebec films across the province, and we will continue to do our part in supporting the Quebec film industry moving forward.

One thing that I would like add about the Quebec market is that as a group of all the people who have a role in the film sector, we were able to build the star system, and that system creates an event every time we open a Quebec picture. When we have an event, our audiences do come out.

• (1555)

The Chair: We're just past 25 minutes. You can elaborate on some of those points in the questions.

We're now going to go to Mr. Hillyer, for seven minutes.

Mr. Jim Hillyer (Lethbridge, CPC): Thank you.

Well, a lot of thoughts came to mind during your presentation. I liked your line, Mr. Guzzo, about how a good movie is good movie, even if it's popular. It sounds as if that's addressing a problem. Could you tell me a little bit about the problem that question was addressing?

Mr. Vincenzo Guzzo: I'll give you an example. I was at Ciné-Québec, a local movie convention for Quebec movies up in the

Saint-Sauveur area, and I was sitting at a table with a director of the movie *1987*, which was 2014's biggest Quebec movie. And while his trailer was showing—and all of the exhibitors were enjoying this trailer and saying to ourselves, finally, a comedy, something that the public's going to go for—he looked at his other colleagues around the table and said to them, “You know, I'm sacrificing myself this year for you guys.” And I turned around to him and said, “What are you saying?”, and he said, “Well, you know, we don't really like making these movies.” I said, “What do you mean you don't like making these movies?”, and he was very uneasy, because all of a sudden it's as if “Oh my God, I got caught saying something I shouldn't.”

They truly believe that if a picture becomes popular, if all of a sudden their movie is a commercial success, they're sellouts. And that philosophy is basically a philosophy of... I'm going to be mean here, but it's almost like a loser philosophy, you know? As long we're all losers, we're okay, but if you succeed, shame on you for succeeding. And that's basically what seems to be developing on the creative side. It's sad to say, but the ones who don't agree with that are pretty much muzzled, and they're either not given the opportunity to show what they can deliver, or they're being told, “Be quiet, because you're making the rest of us look bad”, and that you're not a real artist if you're not looking to make a movie that's not commercial.

Mr. Jim Hillyer: This is the heritage committee, and besides discussing government policy on heritage, I think we would like to exercise some leadership. How can we help change that culture where we can help not just moviemakers but moviegoers, the Canadian psyche, to have pride in Canadian art and to kind of celebrate success as a good thing? Is there anything we can do to help lead that philosophy change?

I don't think we can just shake our finger at a few artists and fix the problem.

Mr. Vincenzo Guzzo: Oh, I don't think the problem is only the artists. I've got to be honest with you; I don't want to point fingers, but when I see Telefilm Canada telling the world at large that they will now re-evaluate how they determine a success story of a movie, and that it will no longer be the holy grail of the box office number but it will be various points for this and various points for that, it reminds me of that old attitude where, when the whole class fails an exam, we just change the criteria so that everybody seems to pass. Nobody's learned anything—everybody's failed the exam—but we just make it look different. We bell-curve it all, and all of a sudden everything looks great.

I think that's the key problem, that there are people at the level of Telefilm or SODEC who've gotten used to enjoying that kind of approach. They believe in that artistic philosophy. They are the first ones who should be sitting down with the artists, one to one, and saying, “Guys, we can't continue doing it like this. There has to be a return on our investment, even if that means shrinking the loss or the spoilage.”

When a movie does become a commercial success, I think that's what we should be promoting, as well as maybe the movies that won some festivals. But all we're talking about is the movies that won the festivals. We're never talking about the movies that did the big box office numbers and got a million or two million Canadians to go to the theatres.

• (1600)

Mr. Jim Hillyer: Okay.

You were talking about Telefilm changing the standard for what defines success and made a comparison with changing the bell curve in the classroom. It brings me to some of the comments about the theatre industry.

Now, I just want to make it really clear that I'm not treating you as hostile witnesses; I'm being a devil's advocate.

Some of the things I heard were that, well, this isn't good for the theatre industry; this doesn't serve the theatre industry. What do you say to those who say "so?" For people who aren't in the theatre industry, who don't have a living to make, why not just let the theatre industry die and let it go to video or whatever? Why should we focus on saving the theatre industry, and not just for the theatre industry's sake?

That's for Ms. Fitzgerald and Ms. Bronfman.

Ms. Nuria Bronfman: Sorry, why should we...?

Mr. Jim Hillyer: Why should we care? Why should we, not just the theatre industry, care about the theatre industry struggle?

Ms. Nuria Bronfman: Well, I mean, for the answer to that, you would just have to look at the box office worldwide, which I think last year was...\$40 billion?

Mr. Neil Campbell: It was \$32 billion.

Ms. Nuria Bronfman: So it's not something that people want to let go. I think resoundingly you speak to the public who love going to the movies and have memories and emotions around going to the movies with their families or their kids. Definitely, from what we hear from most of our consumers, they want to see films on the big screen.

Not only that, but filmmakers are making films for the big screen. There is a very large contingent in Hollywood of filmmakers who absolutely want that window to be preserved. That's what they're making their art for, the big screen.

I would say that many Canadian filmmakers feel the same way. I don't think we're doing it for our own sake—

Mr. Jim Hillyer: I understand.

Ms. Nuria Bronfman: —but I do think the general public would feel that they would like to support the industry as well.

Ms. Anne Fitzgerald: Not only that, but we employ a lot of people in this country. This is a very vibrant industry. From a GDP standpoint you want companies succeeding. You want retail businesses, and we are retail businesses. We really are Canadian Tire and Shoppers; we just sell movie and popcorn instead of deodorant and toothpaste.

Ms. Nuria Bronfman: We also train young people for their first jobs—

Ms. Anne Fitzgerald: Lots of them.

Ms. Nuria Bronfman: —in many different sections such as retail, food preparation, etc.

Ms. Anne Fitzgerald: I imagine that for a number of your kids, their first job may have been in a movie theatre.

Mr. Jim Hillyer: Right. You also said—

The Chair: Thank you. We're going to move on to Mr. Nantel, [Translation]

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

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

I must admit that I am extremely disturbed by Mr. Guzzo's comments.

I can't believe that you are still making this incredible plea and that you are outright questioning the very thing that definitely contributed to creating a cultural industry, a heritage. For you, perhaps that does not mean box office sales, but that has certainly contributed to creating a cultural industry, a heritage. Even yesterday evening, at the Artis Gala, we saw an extremely vibrant culture.

I am speechless when I hear how you see things and how you hope that the Quebec film industry can produce a series of films such as *Les Maîtres du suspense*. I imagine that this film made you smile and had you drooling in anticipation of the prospect of selling tickets and popcorn. I understand that. It is a business people appreciate and I support it as well. Particularly in Quebec, the cultural community has occasionally chosen to make light movies because we all need some family fun. That's what film is usually about.

Mr. Guzzo, I am asking you to answer in French because you can. How do you back up what you just said in terms of filmmakers preferring to make auteur films when they should be making blockbusters?

This film tradition comes from the National Film Board. It has brought standing ovations for Mr. Melançon when he shared his career, the career of his predecessors and of those before him. He was clearly referring to Xavier Dolan, whom you must have met on many occasions. There is a success like *Mommy*. In Mr. Dolan's case, there has been almost no evolution (progress), but it's true that it is an exception. Mr. Dolan's producers made *Diego Star*, for example. For you, I imagine that was not the best box office moment. This expertise leads to auteur films that make Quebec renowned internationally and gives our directors a chance to work abroad and to make other masterpieces. I am thinking of Jean-Marc Vallée or Pierre Falardeau. This approach is one of planting a seed, development and culture.

This is the second time I have to say this. Last week, I had to remind members that this is the heritage committee, not the retail industry committee. We are here to talk about culture. Your plea seems to me counterproductive.

How do you explain the success of the film *Mommy* if not through auteur cinema?

●(1605)

Mr. Vincenzo Guzzo: I will explain it very simply.

You spin a coin and you decide which films you will fund, then you take your chances by doing an auteur film nine times out of ten. Now you are trying to tell us that this is only what Quebec artists want to create, but you are mistaken.

Mr. Pierre Nantel: [*Inaudible*]

Mr. Vincenzo Guzzo: I listened to you, now it's your turn to listen to me.

Mr. Pierre Nantel: Okay.

Mr. Vincenzo Guzzo: As I said, several commercial films are also cultural. As you know, the “culture” is a big word in Quebec. We really like that word. We say it so often that we will soon be saying that poutine is cultural. We will try to justify it by saying that selling poutine at McDonald's is a cultural act. That's what we are starting to say. The truth is that *Les Boys* is a cultural film.

Mr. Pierre Nantel: Of course.

Mr. Vincenzo Guzzo: The *Elvis Gratton* movie was a message from Mr. Falardeau. He also sent another message when he was asked why he had made that film and answered that he too had to eat.

Mr. Pierre Nantel: Indeed.

Mr. Vincenzo Guzzo: In other words, he needs to make money. You want experimental films in terms of development? That's great, but let's find a balance. It might be possible to do something that respects our Canadian and Quebec culture, but I would appreciate it if, some day, a filmmaker would tell me what exactly Canadian and Quebec culture is, in a North American context.

Hockey and some really clear things are cultural, but the rest is not necessarily cultural. The fact that a film is produced in French is cultural, but it is one of two versions. Do you understand?

Mr. Pierre Nantel: How much time do I have left?

[*English*]

The Chair: Mr. Nantel, [*Inaudible—Editor*].

[*Translation*]

Mr. Pierre Nantel: Mr. Guzzo, in my last minute, could you answer my question about the movie *Mommy*?

Mr. Vincenzo Guzzo: Yes, it is very simple. You see *Mommy* as a great success.

Mr. Pierre Nantel: Yes.

Mr. Vincenzo Guzzo: *Mommy* caught people's attention because of Cannes Festival. Bear in mind that this film was mentioned around the world because of that. However, it generated less money than the movie *1987*, which was not nominated anywhere. However, Quebecers, taxpayers, who are part of Quebec culture, decided to get up, step outside and go see that film.

What I am trying to tell you is that, in the name of culture, we should not be disrespectful toward those who make up the public and are part of your culture, in other words your average Quebecers, who want to see *1987* and did not choose to go see *Mommy*.

●(1610)

Mr. Pierre Nantel: Absolutely. I think *1987* is a perfect example. The movie *1981* was actually even better, which is often the case with the first movies that are pure juice extracted from the author. Those movies are actually a happy marriage of relevance, in the sense that they bring together heritage, identity and accessibility. That is the issue. It is an important key.

The same goes for music. Film is a more expensive art, but one thing is certain, when I hear you say things like that, I feel that I am listening to a manager from Costco who doesn't give a damn about what is on his shelves and just wants to sell the products regardless of their origin. There is no consideration for the local community in what I am hearing here. We have our unique characteristics. We don't do business in culture as we do with lawnmowers.

Mr. Vincenzo Guzzo: Unfortunately, I'm sorry, but that's pretentious coming from someone who likes playing with the word “culture”.

Mr. Pierre Nantel: Really?

Mr. Vincenzo Guzzo: The Americans were not embarrassed to make money with Hollywood, which represents their culture. They are not any less focused on culture.

Mr. Pierre Nantel: Clearly, we are talking about cultural diversity. As I listen to you, we can see a big steamroller going all over the world.

Mr. Vincenzo Guzzo: I just want to finish this question.

Mr. Pierre Nantel: Yes, I am listening.

Mr. Vincenzo Guzzo: I am not surprised that you are trying once again to defend culture from top to bottom instead of celebrating it for what it can be. You think that culture cannot be commercial, that we cannot make a profit from it and that we even have to lose money for it. But that's not true.

Mr. Pierre Nantel: Apart from the money issue, I would have said the same thing, rest assured.

The Chair: Thank you.

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

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

Ladies and gentlemen, thank you for coming to meet with us. I would like to give you my seven short minutes.

[*English*]

You have been very clear about the difficulties you are facing, and maybe less clear about what we can do for you. What do you expect from the federal government? What do you want this committee to recommend in its report to the federal government? You have been very clear about the challenges, but why would we care about you, and if we need to care about you, what can we do for you?

Whether it is to make money or to have culture, I don't care. What can we do?

Ms. Nuria Bronfman: There are just a few things that come to my mind.

First of all, as we said, we are huge supporters of the Canadian film industry. It only behooves us to have a strong indigenous film industry.

Hon. Stéphane Dion: Let's say we want that. What should we do differently?

Ms. Nuria Bronfman: They need more money for marketing. More money needs to be focused on marketing these films.

Ms. Anne Fitzgerald: It could also be redirected from existing funds.

Hon. Stéphane Dion: Can you be more precise about what this redirection should be and how it would work? How should it be designed?

Mr. Vincenzo Guzzo: One of the things—

Hon. Stéphane Dion: [*Inaudible—Editor*] you will not agree—

Mr. Vincenzo Guzzo: No, I think we will agree on this. There are a few things we disagree on, but this is one of the ones we agree on.

The truth of the matter is very simple. You make a great movie. Whether it is a commercial or a non-commercial movie is irrelevant. People seem to think that once they've made their movie, once they have their paycheque and everything is done, everybody is supposed to know the movie is there. We don't.

The truth of the matter is, there has to be a true dedication to marketing and promoting through all vehicles: social media, newspaper, TV, whatever. It has to be supported. You have to be able—

Hon. Stéphane Dion: But it's not the job of the government.

Mr. Vincenzo Guzzo: No, it's not the job of the government, but I'm saying that Telefilm could very well impose in its budgets, that when it approves a movie that it has to be more stringent, more direct, and more clear that before *x* amount of money goes out to pay for everything under the sun for production, maybe a certain amount of budget has to go to promoting that movie.

Do you know how many times it happens that a movie is released and two or three months later, somebody sends me an email and asks, "When are you going to play this movie?" Are you kidding me or what? It came out two months ago. But all of a sudden the person realizes that the movie is out, because now we're talking about it on TV or whatever. So there has to be a better promotional fund to help sell these movies we make. Whether they're 100% cultural or 100% commercial is irrelevant. Marketing dollars are the key to making Canadian productions known.

•(1615)

Hon. Stéphane Dion: Does somebody want to answer?

Mr. Raffaele Papalia: I agree with my colleague and I'd like to add that the basis of any good film is a good story, so I think when government agencies look at the next film, whether it's an art picture or a difficult picture, they have to keep the audience in mind.

Once you have an audience in mind, that's where the argument for marketing kicks in. You have to promote this event. You have to promote this great picture, and because it's a great picture, you will not disappoint.

I'll be a bit on the rough side and say the following. I play all the Quebec pictures, and a problem that I sometimes have is that when I play a bad one, and my customer comes back for another one, they say, "No, not another bad Quebec picture". I like all sorts of pictures, whether they are festival pictures...but we have to keep an audience in mind.

You have to focus. You're making this picture for who and how many.

Ms. Anne Fitzgerald: But there's an audience for all sorts of films.

Hon. Stéphane Dion: I'm puzzled because we, the government, are bad for that. We are not in business. The ones who know how to target products should be you.

Ms. Anne Fitzgerald: We don't make the content.

A voice: We're not producers and we're not directors.

Mr. Vincenzo Guzzo: No, but I understand your problem. The problem is I think you have to realize that while you're not directly in the game, and contrary to the thinking of your colleague down there who believes that you're not in the business, you are in the business. Telefilm Canada, which you fund, is in the business of making movies.

Ms. Nuria Bronfman: They are producers.

Mr. Vincenzo Guzzo: They are producers. They are in the business. So being in the business, Telefilm has to set the rules and regulations to allow access to those movies. My concern and my biggest worry...and to answer the previous question about why we should save the movie industry, the movie industry isn't dying. It's other people who don't seem to be successful in their jobs who want to change the rules that may affect us. So we're saying, let's not change the rules; let's just help you guys make more money. —

Hon. Stéphane Dion: I'm starting to understand it a bit more. You say it's Telefilm that needs to change. That's what you're saying. They need to do something more than what they are doing about marketing.

Ms. Nuria Bronfman: I think they realize that themselves. There's no question—

Hon. Stéphane Dion: I suppose you spoke with them about it?

Ms. Nuria Bronfman: Well, there's no question. We are in contact with them obviously. But I just think that the marketing focus...and of course, some films also have distributors, who also need to step up to the plate and spend those marketing dollars as well.

Did you want to add anything to that?

Mr. Raffaele Papalia: No, it's good.

Mr. Neil Campbell: The only thing I want to say is that I did not come here to have you guys save our industry. We're doing just fine, thank you very much.

Ms. Anne Fitzgerald: But we don't want the opposite.

Mr. Neil Campbell: That's right.

Ms. Anne Fitzgerald: We don't know where you stand—

Hon. Stéphane Dion: You don't want us to give up on you.

Mr. Neil Campbell: We weren't sure when the invitation came out exactly what we were being called here to talk about other than windows and a few topics.

Hon. Stéphane Dion: You should. We should be clear about that, because you're here to tell us how the government may be a better partner for you.

Mr. Vincenzo Guzzo: One of the things we're here to tell you is that everybody else seems to be saying we're sellouts to the Americans and we do not play Canadian films and we have no room for Quebec movies, and so on and so forth. It's as simple as picking up a newspaper and looking at all the Quebec movies that come out. If I don't play one in one of my theatres or if Raffaele doesn't play it in one of his theatres, it's because it wasn't offered to us.

Ms. Nuria Bronfman: I know some of our partners and distributors, and there's a sense that there is not enough screen time for Canadian films, and we wanted to tell you that is absolutely not the case. We give a lot of screen time to Canadian films, but there's no point putting on a film if nobody is in the theatre. We're not saying it's Telefilm's fault, absolutely not. They have worked very hard to change the system. They have. And they are investing more money in marketing. There is no question.

Ms. Anne Fitzgerald: It is not limited to small films. A theatrical exhibition is not a passive activity. Simply programming a movie into a theatre does not mean that people will come.

Recently, *The Water Diviner*, a Warner Bros. release with Russell Crowe—a big name, a big studio—died because they didn't market it. It didn't have much of a run in any of our theatres because once it is dead and no one is showing up, we will pull that title and put something else in.

I gave you the numbers for what Cineplex played in 2014. We played every Quebec movie made available to us.

• (1620)

Mr. Vincenzo Guzzo: You may want to note that.

Ms. Anne Fitzgerald: Every Canadian movie made available....

Mr. Vincenzo Guzzo: If you take similar movies on the U.S. side or the European side, movies that fit in the same category as a lot of the Canadian or Quebec movies being made, they are just as unsuccessful commercially. My comments are not necessarily picking on Canadian films or Quebec films. The same kind of American-type movies will have as little commercial success. The difference is that they have 250 million or whatever to try to expunge that issue.

The Chair: I am going to have to cut you off right there.

When we sent out the invitation, we referenced the motion. The motion was

That, pursuant to Standing Order 108(2) the Committee undertake a review of the Canadian feature film industry in order to: a) examine the effectiveness of government funding programs; b) explore ways to promote the value of the industry, the quality production services offered in Canada, and the exceptional content that is created by Canadians; and c) make recommendations to the

government regarding support for the Canadian film industry, and report its findings to the House.

That was actually in the invitation.

Ms. Anne Fitzgerald: Sorry, excuse me....

The Chair: We have one more questioner we want to get in.

Ms. Nuria Bronfman: I was told that we were to speak about windows and platforms and how it affected our industry, which I hope we have explained a little bit more.

The Chair: We appreciate that.

What we are trying to get at is the effectiveness of government programs and the impact they have on the industry.

Ms. Nuria Bronfman: Right.

The Chair: On that note, we are going to move to Mr. Weston for the next seven minutes.

Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC): I have heard a thicket of challenges: ticket prices are about what they were in 1974, or even lower; you can view a movie on so many different devices anytime you want; international piracy is a big challenge you mentioned; and you mentioned the short VOD windows, Ms. Fitzgerald.

Because no good deed goes unpunished, I am going to focus on you. You are a director of Outward Bound, one of the best organizations in the world—

Ms. Anne Fitzgerald: Thank you.

Mr. John Weston: —and the founders live in my riding, Ann and Art Rogers. The best 10 days of my life....

I am going to ask you something similar to what Mr. Dion was asking. What three things could the government could do? I am still not really sure.

By the way, the theatres have closed in West Vancouver, so we don't have them anymore, and people rue that fact.

Ms. Anne Fitzgerald: Hold your horses on that one.

Mr. John Weston: Can we fix that, please?

Ms. Anne Fitzgerald: We are working on that.

As for three things the government can do, first, as I said earlier, we are an exhibition. We are not producers, and we are not distributors, so we are at a different end. I can't come to you and say, "This is what Telefilm budgets look like. They are not working, and this is why they are not working." We see the tail end of it, not the process.

Saying that—

Mr. John Weston: If the five of you got together for a coffee and three months later you said, "Boy, that was successful", what would be the things that happened that made that a successful gathering?

Ms. Anne Fitzgerald: The first one is exactly what we have talked about, and that is marketing. If a budget comes from Telefilm for a movie to be produced, it should be looking at the beginning and the end of the movie. Not just getting it completed, but how is it going to find an audience? How do you find the voice to reach the people you need to reach?

As I said, with our SCENE program at Cineplex, we have learned so much about moviegoers.

Mr. John Weston: How does government relate to that?

Ms. Anne Fitzgerald: It's about Telefilm funding. Have a mandatory minimum marketing spend that is actually substantial. Every time a movie comes out of Hollywood, they don't make the movie and then say, "Okay, now how are we going to market it?" They build that into the original budget, and it is a huge percentage of that original budget. It is about being able to communicate with the general public and tell them, "Hey, this movie is coming out. This is why you are going to like it, and why you should get off your couch and choose to spend your money and time to go see this movie." They care.

Our customers are very precious about their entertainment time and dollars. Unless you can convince them—

Mr. John Weston: Are you saying that there is an American counterpart that is spending more than we are spending per capita?

Ms. Anne Fitzgerald: No, it's the studios.

• (1625)

Ms. Nuria Bronfman: No, it's the studios. You can think of Telefilm as a mini studio, which it basically is. I know there have been cutbacks at Telefilm, and we are working hard. The association is working with Telefilm to get them to participate in some of our conventions and get themselves and their filmmakers in front of exhibition at an early stage. More of that kind of interaction would be helpful. There is no question. It works very well in Quebec, where the producers and the filmmakers are in front of exhibitors all the time. They don't always have the budget to support things like that, so more of that kind of interaction I think would be very helpful.

Ms. Anne Fitzgerald: There's no doubt that the Canadian industry is in a difficult place physically, being next door to Hollywood. The French film industry doesn't have the same problem. The German film industry doesn't have the same problem. It's a challenge, and so it's a reality. I don't think it's something that can be fought; it's just something to be recognized. When you're fighting with huge marketing budgets, you're going to have to compete on a marketing scale. That's one of the points.

Mr. John Weston: I consider myself a champion of the film industry in representing the north shore of Vancouver, where so many jobs depend on this.

Mr. Neil Campbell: Absolutely.

Ms. Anne Fitzgerald: Absolutely.

Mr. John Weston: I'm available. When Peter Leitch calls, I'm there to help.

Ms. Anne Fitzgerald: Thank you.

Mr. John Weston: I'm still not really sure, though, what I would be voting on in this committee that would answer your queries.

Ms. Anne Fitzgerald: Here's the second thing we would say. We don't know where you stand on windows. We've heard rumours that there was an idea that perhaps there should be a sliding scale of windows for certain movies produced in Canada. I can tell you, as an exhibition industry—and this is not just Canadian—internationally, exhibitors are not going to show films that have short windows, period.

Mr. John Weston: Who regulates that, though? Is that government?

Mr. Neil Campbell: Independent business decisions are made by each company.

Mr. John Weston: That's not government.

Mr. Neil Campbell: No, not government at all.

Ms. Anne Fitzgerald: No, I wouldn't think so. There's no regulation about it at all right now.

Mr. John Weston: Are you saying there should be?

Ms. Anne Fitzgerald: I'm saying there should not be, but that's the way—

Ms. Nuria Bronfman: No. That should remain the same.

Mr. Neil Campbell: To be clear: no.

Mr. John Weston: There should not be, so don't go there.

Ms. Anne Fitzgerald: Everybody is in agreement on that one, no regulation of windows.

The other thing is there are no quotas. Again, I don't know if that's really something Heritage could do, no quotas. To demand screen time for Canadian content isn't going to solve the problem at all.

Ms. Nuria Bronfman: The last time around, in 2005, there was a challenge to exhibitors to double the amount of screen time given to Canadian films.

Ms. Anne Fitzgerald: Frankly, we don't even track that because I can't tell you what qualifies with CAVCO points to be a Canadian film. You talk about Heritage and Canadian culture, *War Witch/Rebelle*, which got huge awards in the last couple of years, was an amazing movie about African child soldiers. It has nothing to do with Canada, but just happened to be produced in Canada. So it's still Canadian content, but it's just not about Canadian culture.

Mr. John Weston: Chair, how much time do I have left?

The Chair: You have one minute and 15 seconds.

Mr. John Weston: All right. Could you comment, international lawyer to international lawyer, about the copyright law? Changes have been made. How do you feel it's helping or hurting the film industry?

Ms. Anne Fitzgerald: There are two sides of that. One is there's the piracy law, so thank you for getting that passed. It's made a huge difference. Canada's no longer a hotbed for piracy.

Ms. Nuria Bronfman: At all.

Ms. Anne Fitzgerald: For us, we all just got back from an international conference, and it used to be an embarrassment to show up and deal with our being the hotbed of piracy. It's no longer an issue, so thank you for that.

We feel that the copyright laws could have been a lot stronger. With the Motion Picture Association of Canada we came and met with a number of committees and did not get our voices heard as loudly as we would have liked. A lot of that was on notice and remove requirements, that when content is put online illegally and the ISPs are notified about it, they don't have to take it down immediately in Canada. That would have been a big help. It would make a big difference.

Mr. John Weston: Are there any other comments about copyright law?

Mr. Vincenzo Guzzo: Not about copyright, no.

The only comment I'd like to make is that if you want three ideas, the marketing one's been repeated more than once. I think we should also have a better balance of various types and genres of pictures so that Telefilm, when choosing its 10 to 15 pictures a year, should do a better balance.

Lastly, and I think the most important one, is that the priority should be put on celebrating Canadian films by Canadians going to see the pictures, and not juries around the world at various film festivals rewarding our pictures with an award. The priority should be getting Canadians to get out of their homes to go to see the movies. That's the best way to celebrate and to measure the success of Canadian filmmakers.

Those are the priorities that need to change at Telefilm.

The Chair: Thank you. That is going to have to be the last word. Thank you very much for your contributions. If you have any further contributions, please get them to us in writing.

On that note, we will briefly suspend. Thank you.

- _____ (Pause) _____
-
- (1630)

The Chair: All right, folks, we're going to call this 42nd meeting of the Standing Committee on Canadian Heritage back to order.

For the next hour we will have, from the International Alliance of Theatrical Stage Employees, John Lewis, who the international vice-president and director of Canadian affairs. From Reel Canada, we have Jack Blum, executive director; and from the Screen Industries Research and Training Centre at Sheridan College, we have John Helliher, the director.

Each of you will have up to eight minutes each.

We will start with Mr. Lewis.

Mr. John Lewis (International Vice-President and Director of Canadian Affairs, International Alliance of Theatrical Stage Employees): Hi. My name is John Lewis. I am international vice-president and director of Canadian affairs for the IA.

Our members work in all segments of the entertainment industry, including live theatre, motion picture and television production, trade show and exhibition, television broadcasting, and the music industry.

Our members work in positions such as special effects artists, grips, electricians, hair stylists, makeup artists, stagehands, costume designers, cinematographers, sound mixers, editors, carpenters, scenic artists, drivers, ushers, and ticket takers.

We are the largest union in the entertainment industry with 123,000 members, 17,000 of whom are in Canada. We are also one of the oldest unions. We were founded in 1893 in the United States, and we became an international union five years later, in 1898, when local unions were established in Montreal and Toronto.

We are pleased that you have chosen to undertake this study, and I am appreciative of the opportunity to appear today. Our position is a simple one: a successful film industry means more well-paying Canadian jobs. The federal government and most provinces have taken an active approach to nurture and grow the industry. That growth has been achieved with a combination of regulatory initiatives and government funding. The economic analysis indicates that this has been a wise investment.

With regard to the state of the industry, the screen-based industry in Canada is a large and growing industry. In a recently released industry report by the CMPA, total production volumes reached \$5.86 billion in 2013-14. That translates into an overall increase of 2.1% from the previous year. That \$5.86 billion is broken down as follows: Canadian television at \$2.29 billion; foreign service production, television, and feature film, \$1.8 billion; and Canadian feature film at \$376 million. The balance of the total production volume is derived from broadcaster in-house production.

In 2011, the industry supported 262,700 full-time equivalent jobs and generated \$20.4 billion in GDP for Canada.

While the industry grows, Canadian feature films, distinct from U.S. studio-produced feature films, lag behind the other sectors of the industry, particularly in English Canada. There are many reasons to explain this. Feature films are relatively expensive to produce. The migration of the Hollywood studios to tentpole feature films with budgets of \$200 million and higher make it increasingly difficult, but not impossible, to compete. The availability of financing and access to screens is also problematic for independent feature film producers globally, and not just in Canada.

Our comments today attempt to address particular issues concerning Canadian feature films, but some recommendations would impact other sectors of the industry as well.

On the effectiveness of government funding programs, there are effectively three main federal programs in support of the feature film industry. We have two tax credit programs: one for Canadian content and one for production services, and the Canada Feature Film Fund, which is administered by Telefilm Canada.

Telefilm Canada has the support of the industry and is generally viewed as an efficient and effective agency. We would recommend that the funding cuts to Telefilm and the Canada Feature Film Fund be reinstated.

I would also like to raise a cautionary note concerning the Telefilm micro-budget program. The program, which was launched in June 2012, is intended to target emerging Canadian talent, supporting them in the production and promotion of their first feature-length film, with an emphasis on the use of digital platforms for marketing, distribution, and audience engagement.

The script to screen feature film policy lists four objectives to guide the design and implementation of policies and programs that will create winning conditions. One of these is to foster the quality and diversity of Canadian films by restricting support programs and encouraging an increase in average production budgets.

Encouraging an increase in average production budgets makes sense. Enhanced marketing budgets are equally as important. The from script to screen report identified the following recommendations: average production budgets of Canadian feature films should rise to \$5 million, and the average marketing budgets should increase to \$500,000.

We are therefore concerned by the introduction of Telefilm's micro-budget production program.

•(1635)

In Atlantic Canada, Canadian feature film budgets have decreased significantly, and now run from approximately \$600,000 to \$1.5 million. Our Nova Scotia film local cannot remember a time that they had a budget over \$5 million for a Canadian feature film. These tiny projects get made on the backs of suppliers and crew. The crew end up working for very little money in the hopes of a film credit, and suppliers are asked to provide equipment for no money at all. We have actually had to negotiate “up” to minimum wage. This flies in the face of Telefilm's mandate to build a film industry. By driving down budgets, Telefilm is not supporting the creation of a new industry; they are creating film hobbyists, at the expense of good jobs, and more importantly, safety. Crews are under-supported and undermanned. We appreciate the intent of the program, but it is destabilizing the industry it is setting out to support. We do not think the moneys have to be increased, but simply redistributed. We believe that keeping the same-size pie is fine, but we need to ensure decent budgets are maintained by cutting that pie into fewer pieces.

Regarding tax credits, support for the industry through the tax credit system has been extremely successful, so much so that it has served as a model for similar tax credit programs in other countries and in many U.S. states, which is commendable. Tax credits are offered both federally and provincially. These tax credits are the most important source of financing for Canadian productions. The problem with the federal tax regulations lies in what the government refers to as “net of assistance”, and what the industry refers to as “the grind”. The federal program reduces or grinds the amount of the federal tax credit if the production is also funded by a provincial program. This is counter-productive, as the very purpose of these tax credit programs is to encourage defined spending. To compensate for the grind, a producer will typically reduce the production budget, which translates to fewer jobs, fewer equipment rentals, and fewer

dollars going into the industries that benefit from ours, such as restaurants and hotels. We do not see the sense in giving with one hand and taking with the other, so when the provinces invest in our industry, we do not believe that should have an impact on the level of federal support.

Regarding the Alberta grant program, the overwhelming majority of producers who operate in the industry are reputable, creative, and honourable. As in any other industry, there are exceptions. Unlike in other industries, the risky nature of this industry and the use of single-purpose companies have left too many suppliers and workers in a vulnerable position when a production defaults on its financial obligations.

I would like to bring to the committee's attention the very recent changes made to the Alberta grant program. In 2014—

Would you like me to stop?

•(1640)

The Chair: Yes, you're past the eight minutes. You'll be able to elaborate on it in the questions, if that's of interest to you.

Mr. John Lewis: That's fine. Thank you.

The Chair: Now we'll move to Mr. Blum.

I understand you have a video. The video is in English. All of you should have a—

Mr. Jack Blum (Executive Director, Reel Canada): It's subtitled in French.

The Chair: It's subtitled in French, but you also should have a copy of the French version.

Does everybody who would like that have it?

All right, you have the floor.

Mr. Jack Blum: Thank you very much for having me.

My name is Jack Blum. I'm the executive director and co-founder, with my partner Sharon Corder, of Reel Canada.

We bring Canadian films to new audiences. We've been doing it for 10 years. We do that through three programs. We go into high schools and we reach new Canadians through their English classes—and we could do French as well. We deliver the program in both official languages.

Also, very recently we began celebrating National Canadian Film Day. We did that for the first time last year. The second National Canadian Film Day is in two days, on Wednesday. I hope you all take the opportunity to celebrate the country by watching a great Canadian film.

At the moment we're serving about 50,000 students a year through our various programs in every province and territory and, as I say, in both official languages.

For the sake of time, I'm going to restrict my comments to the English side of the industry. There's much to say on the other side, as well.

I'm really pleased to be here. I think our experience at Reel Canada gives us a really unique perspective, because we show Canadian movies directly to the audience that everyone else is trying to reach. We reach young people and new Canadians, and we have learned a lot about the relationship these films have with the audience they're intended for, and sometimes the relationship they don't have.

So I have good news and bad news. I think you're familiar with the bad news to some extent. There is very little awareness of Canadian film among the students and new Canadians we speak to. Not only is there little awareness among the students, but their teachers, principals, coaches, guidance counsellors and, frankly, parents have very little awareness of Canadian feature film. The hill we're climbing to raise awareness about Canadian feature film is extremely steep.

And in fact I'm not just talking about Canadian feature film, I'm talking about Canadian culture in general. Many of you will perhaps think that Canadian novels are still taught in high schools. Unfortunately, that's not the case. That's a much bigger subject, but I'm just mentioning that Canadian content in general in the education system is at a critical low.

As you know, culturally the world is increasingly borderless, and young people in particular are overwhelmed with the devices in their hands and the fact that content comes from everywhere. I don't think I'm saying anything you don't know if I say that competing in the commercial marketplace for their attention, particularly for the attention of young people, is virtually impossible.

But the news isn't all bad. I promised you some good news, and the good news is that, first of all—*pace* what some of the previous presenters might have been saying—the movies are getting better and better. They're actually fantastic. Also, when we introduce audiences to these movies in a way that is engaging, dynamic, innovative, and gives them room to participate, the response is overwhelming. This is why we have grown so quickly in the course of just 10 years to be a national program. The demand from teachers and the response from students have been overwhelmingly positive.

So when I talk about presenting it in a dynamic and innovative way, in particular I'm talking about a film festival setting. So high schools will speak to us and arrange for us to come in for a day, and the students themselves program the films we bring, and we may serve a whole school of 1,000 or 1,200 kids. They might see six films in a day spread out among them. They program the films from this book—and I have copies for any of you who would like to see it—and on the website where there are clips. Then after the screening there's a dialogue, sometimes with an actor and sometimes with a director, sometimes in person and sometimes via Skype. But it's an extremely exciting experience for them and, as I say, the response is really terrific.

In our experience, Canadians really want to see themselves on screen, and feature film is still the most powerful way of doing that, far more so than a two-minute video on YouTube.

So we're really glad you're looking into the feature film industry, and I want to say the feature film industry is really important, and telling Canadian films via features is really important. Nowhere was

this more dramatically demonstrated than on National Canadian Film Day, which we sort of invented with a couple of months' notice last year. We are astounded by the response and the degree of participation we got. Last year, on about two months' notice, we had 70 screenings across the country.

• (1645)

In two days, on April 29, we're going to have more than 160 screenings in every province and territory. Libraries, restaurants, film clubs, and pubs are all showing Canadian films they have chosen, sometimes with our help. We also have broadcaster participation and the broadcasters agreed to schedule Canadian feature films. Many of you familiar with this territory will realize what a big deal that is. There are many online offerings as well. Indeed, even corporate partners rushed in. Cineplex, CBC, Scotiabank, and many others supported the day and it's growing very quickly.

It affirms for us that there really is an audience. There really is a hunger. There really is an appetite. There really is a demand. The issues are promotional. They have to do with awareness, as the previous presenters have been saying, and accessibility

Where I differ with some of those preceding me is that I think we have to look at alternative ways of reaching the audience. We have to look at innovative ways of reaching the audience.

In terms of recommendations, I'll speak to Telefilm for a moment under the leadership of Carolle Brabant. In recent years they have switched their orientation to promotion. I believe that their change of criteria to include international celebration of these movies is a very important and positive one. We have to get the attention of the audience any way that we can. I urge you to support Telefilm, to restore cuts, and to increase support.

We also get funding from Heritage Canada called Youth Take Charge, which is aimed at engaging youth in the culture of Canada. The allocation of the program this past year was cut by half. I can't imagine a more important investment for Heritage Canada to make than in a program like Youth Take Charge, which goes directly to youth and engages them and teaches them about culture.

If I have a minute left, I'd love to show the video—

The Chair: I see, but with 45 seconds you don't have enough time to show it.

Mr. Jack Blum: I'm going to hit play. This is for those of you who can't imagine that Canadian film and Canadian actors could get a response from young people.

[Video Presentation]

Mr. Jack Blum: This is in schools across the country.

I'll tell you about the movie during questions if you ask.

Thank you.

•(1650)

The Chair: Thank you very much.

We are now going to move to Mr. Helliker, for the next eight minutes.

Thank you.

Mr. John Helliker (Director, Screen Industries Research and Training Centre, Sheridan College): I want to thank you for inviting me. I'm the director and founder of the Screen Industries Research and Training Centre, or SIRT for short. SIRT is a technology access centre, designated as such by the federal government. We're funded by the Natural Sciences and Engineering Research Council of Canada, the Canada Foundation for Innovation, the Ontario government, Sheridan College, as well as industry partners.

We're nationally and internationally recognized for the work we do serving Canada's screen industries, which for us includes film, television, gaming, and interactive media. The work includes applied research, consulting, access to equipment expertise, and specialized training. We've existed since 2009 at Pinewood Toronto studios, and we're an extension of Sheridan's renowned programs in animation and other areas of the screen industries. Our work, though, is dedicated to relationships with companies and industry associations. We work with them to drive innovation within the sector, with the goal of establishing a competitive advantage for them internationally. The screen industries for us are part of the knowledge economy, operating within a global marketplace. The ability to innovate is critical to these industries in order to have continued company and job growth that will benefit the country and their individual regions.

In my case, I'm going to focus my attention on the area that I know most well—innovation and how it relates to paragraph (c) in your list of areas that you wanted us to address, and that's support for the industry.

Innovation at the company level is critical, which I'll address, but so too is ensuring that the workforce that makes up the feature film industry is adequately prepared to both develop and apply innovative solutions. In crews and personnel I include camera crews, art department personnel, and editorial and other technical and management crew who help directors and writers realize their creative vision.

Key aspects of this sector need to be recognized if innovation is to be adequately supported. The industry is primarily composed of small and medium-sized enterprises. These are enterprises that in any particular production may have 10 or 15 or 20 touching or processing a unique product, which is a series or a feature film, on the way from concept through to production and delivery. The fact that you have that many companies and they're all SMEs, and the fact that it's also a project-based industry and a project-based manufacturing process, creates special challenges for the innovation within that sector, as does the fact that a lot of the employees are freelance or contract. This means that you have key technical staff who would be involved in innovation who are hired at the beginning of a project, are staggered in terms of when they leave a project, and who then go on to other projects.

These aspects of the feature film production process, in terms of the impact on the workforce and the impact on companies in terms of their ability to innovate, are challenges, but there are developments happening now that are actually helping the industry deal with that. This is the fact that there is a convergence of the different sectors within the screen industries. What you have is a totally digital process that's happening from beginning to end of the production process.

As a result of that, in Ontario we've been developing something called SirtNet. This initiative has been developed with leading companies as well as industry associations, including feature film companies. We've been developing a broadband network that will allow people in different companies to interact from beginning to end, from shooting on a sound stage through to post-production, visual effects, and delivery. This process ties together companies that are SMEs, allowing the creation of a studio within a province, basically, where you can move production or post-production activities to different regions, different areas, of the province. You can build and have those very small companies that are just starting out interacting immediately with larger companies. You can regenerate the industry through that process.

The development of SirtNet that is currently going on is with the involvement, as I said, of companies across the different sectors. I have to emphasize that what we have here is a screen industry sector that involves feature film, television, interactive media, and gaming. I'll get into the connection among them, but what it means is that in order to develop that sector as a whole, it's critical that the feature film sector also be developed. There's a cross-fertilization, which I will get to, that is critical to the development of the sector.

The key thing in terms of the cross-fertilization is that you have people who are working in feature films, but as I mentioned earlier, they move at the end of a production to other productions. They also move to other sectors. You have people who are working for film and television projects who are moving from there and working with gaming companies, with interactive media companies, so that cross-fertilization of both the technical and the creative process is taking place. It is especially important now, because you also have a technical convergence that's happening.

•(1655)

What we're doing at Pinewood with SIRT is working with gaming companies, with feature film companies, with television companies, and we are all using the same technologies. They may not realize that, but to be able to work together with them and to have that cross-fertilization is really important, especially because it's the larger budget productions that offer the feature films that are starting to use these innovative technologies. So there's a trickle-down effect that takes place. You actually have an innovation process that is happening within the sector that is partly caused by the fact that you have a developed feature film industry. That's one of the strengths that Ontario has, and Canada has.

I'd like to finally get to the fact that our unique global competitive advantage in Canada is based upon that cross-sectoral development that's taken place. For example, you have companies like Side Effects Software and Alias in Toronto, now owned by Autodesk, who develop software for the feature film industry. That software is now used throughout other sectors of the screen industries, but it was developed for the feature film industry.

You have companies like Christie Digital in Kitchener—Waterloo. They developed as a projection company. They are the leading company in the world in terms of digital projection, but their technologies are also used in other sectors. They're a leading company in terms of screen industries, throughout the sectors within the screen industries.

You also have schools that are developing graduates. Sheridan, for example, had three of its graduates nominated for one particular category at the Oscars this year. Three of the five were for feature film animation, and I think that's really important to understand: feature film animation. This idea that feature film is separate in some way from other parts of the sector, I think, has to be rejected and it needs to be realized that we have a strength: we have the integration of those different elements of one sector.

I think the important thing to do is to recognize that there are SMEs that are involved in this. It's project-based. It's difficult in terms of the workforce, because the technical, creative, and management staff are staff that are freelancing contract in a lot of cases. It's a unique sector that has to be nurtured in special ways in terms of the support for innovation.

Thank you.

The Chair: Thank you very much.

We'll now move to questions and we'll start with Mr. Young for seven minutes.

Mr. Terence Young (Oakville, CPC): Thank you, Chair, and thank you, everyone, for being here today, for travelling here and for sharing your time with us.

I'd like to start with Mr. Helliker, if I may.

Welcome. Do you work in Oakville, or do you work at Pinewood?

Mr. John Helliker: I work at all the campuses, but I'm based at Pinewood.

Mr. Terence Young: Okay, thank you very much.

I'm proud to represent Oakville, and Sheridan College, which is the jewel, not just for Oakville but for all of Canada. We've just heard a little about it right now, and what's going on there. In fact, I remember in 1997 as a member of the provincial parliament going to watch a screening of the film *Dragonheart*, which was not only produced by a Sheridan graduate, but the animators had been hired by the producer after they graduated to go to Hollywood to animate that film, and I now see how much farther it has gone.

The government recently invested in Sheridan's technology access centre through NSERC as well as in digital media technology through the Canada Foundation for Innovation. Can you comment briefly on the economic benefits of those investments, not only for the students but also for the film industry and our economy at large?

• (1700)

Mr. John Helliker: Sure. That funding actually went to SIRT, the Screen Industry's Research and Training Centre.

Mr. Terence Young: To SIRT or SirtNet or both?

Mr. John Helliker: To SIRT. SirtNet is a sector-wide project that we're developing right now, partly because of that funding from NSERC for the technology access centre. What that funding did for us was to expand what we could do, and it changed our mandate.

We were an applied research centre funded as part of a traditional sort of university mentality, in terms of what was happening, but moving slightly over to the college side. This meant that we were funded to do applied research. We weren't funded to do professional development. We weren't funded to do a lot of the nuts and bolts of consulting and access to infrastructure and expertise on a short-term basis. The technology access centre funding two years ago now allows us to do that. That's what changed our mandate and got us involved in developing SirtNet, because it was more of an access to infrastructure and expertise.

In the work that we do, the students act as researchers. We are outward facing. For example, last year we worked with about 25 companies in terms of individual research projects, but also consulting on certain projects. We trained over 1,000 people in the different unions and guilds and other people in terms of work.

Through SirtNet, we've also been involved in helping to draw at least one company to the Ontario region, based on the fact that SirtNet exists right now in the pilot stage.

Mr. Terence Young: Thank you very much.

Mr. Lewis, the recent Ontario budget reduced the Ontario production services tax credit from 25% to 21.5% and the Ontario computer animation and special effects tax credit from 20% to 18%, affecting those contracted for visual effects on set and post production, and making less money available for the film industry.

You were talking about the benefits of federal tax credits, etc. What impact do you think this will have on the industry in Ontario?

Mr. John Lewis: Let me first answer by saying thank you to the federal government for maintaining a stable tax credit base. That's gone on for a number of years, and there's always been consultation with the industry.

In this industry, stability is crucially important. We compete with other jurisdictions. Atlanta has become a really big hub of production. Pinewood has built sound stages there. The state of California has introduced tax credits. You have New York and New Orleans. It's money in a bag, and studios can go anywhere around the world. They're looking at the financial impact, the availability of crews, and capacity of the industry. The announcement last week took the industry by surprise.

A couple of weeks ago, the Government of Nova Scotia did something similar, although there's been discussion with the industry and it looks as though a compromise has been reached in Nova Scotia. I think what happened in Ontario is unfortunate. It's going to have a real impact, and there are a couple of specific issues that, as an industry, we hope the provincial government in Ontario will address. Their announcement has had some unintended consequences.

Mr. Terence Young: Thank you for explaining that.

I think I'd just like to go back to Mr. Helliker for just a minute.

Mr. Helliker, it sounds as though the work you're doing is on the leading edge, the technological edge, for the industry but that students who graduate from Sheridan are being educated or trained in the leading-edge jobs of the future. What are the future jobs in your industry for Sheridan College graduates, and where will they be contributing?

Mr. John Helliker: Do you mean in terms of the screen industries?

Mr. Terence Young: I mean in the film industry.

Mr. John Helliker: The change we're seeing is that it's a digital process, as I referred to. A lot of the work we're seeing right now, in terms of the production process, requires an understanding of what that means for the production process, which in certain cases means a lot of interactivity between people with a programming background, people with a computer science background, and people from the creative arts. For most of the projects that we work on with people from a visual effects company or even a content production company, we have interns from different schools working with us. They are split about half and half between computer scientists, computer programmers, network security people, and cinematographers, editors, directors, and content production people.

I think that merging of IT purely defined and the screen industries is critical to the development of the screen institute sector as a whole. It's not just in gaming and interactive media; it's happening in television and the feature film industry also.

• (1705)

Mr. Terence Young: So I would assume that your students have a good graduation job rate and graduates are able to find well paid jobs fairly easily.

Mr. John Helliker: It's extremely good.

Mr. Terence Young: Did you want to express any opinion with regard to what Ontario has done by reducing those tax credits? Do you have any thoughts on that?

Mr. John Helliker: I work in a limited sphere with a focus on innovation, so I will leave that to the experts.

Mr. Terence Young: Thank you.

Sheridan is part of the federal government's college-university "Idea to Innovation" grants. Can you comment on what this fund does and whether it is working for Sheridan College?

Mr. John Helliker: It's a fantastic fund. It's a partnership between colleges and universities. We work with Christie Digital and York University's Centre for Vision Research. Again, you have colleges working with universities and you have people who are very practical in what they do. Our students advance content production, working with people who are vision research scientists and those who are training to be that. It's a fantastic opportunity.

The Chair: Thank you.

[*Translation*]

Mr. Nantel, the floor is yours for seven minutes.

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

[*English*]

I want to thank all three of you for coming.

I want to thank my colleague Mr. Terence Young for bringing in Mr. Helliker, because clearly we're talking in this panel about both extremes with young people: making young people aware of our movie-making and reaching the young people who are actually going to learn how to do it.

So thank you very much for bringing these witnesses.

This leads me to tell you how worried I am about the schedule. I want to make sure that we keep some speaking time, because I realize that we have not yet heard from witnesses from ACTRA and UDA. I hope we find some time, because obviously we cannot talk about movie-making without acting.

I want to thank you very much also, Mr. Blum, from Reel Canada. It's a great idea.

But, Mr. Lewis, you didn't find the time to end your testimony about the Alberta issue. You spoke about suppliers and employees. There's an issue about no payment. Is that right?

Mr. John Lewis: That's correct.

The feature film industry is a very risky one. It's highly capitalized, and you heard from your previous panel that there's no sure formula for success. The way the industry is formulated, for every individual production there's a single-purpose corporate entity created that will enter into agreements with the unions and the guilds, but also with suppliers.

Unfortunately, as in any industry, there are some players who have failed to meet payroll and failed to pay suppliers. What is problematic and what Alberta has dealt with is that they will say: "That wasn't us; that was the previous company. This is a brand new entity, and that has nothing to do with us." Well, Alberta—the first province to do this—has said no, we're going to look at your track record and we're going to look at what you've done. If you've defaulted, you shouldn't be coming up here for more money.

I'll give you a quick example. There was a show in Alberta in 2008, *When Calls the Heart*, that left \$1.2 million in unpaid wages and invoices to suppliers. They finished the show in Romania because it blew up in Alberta. They finished the pilot in Romania and came back to British Columbia—the same production company, with the same writers, same directors, same producer—and got access to funding from the federal and provincial government and are in their second season.

I just think that's fundamentally wrong.

So what Alberta has done—and I would strongly recommend that this committee look at it, and we're doing this across every province—is to consider whether you have a history of not paying your bills, and factoring that in to whether you get additional funding in the future.

That should be a fact.

[*Translation*]

Mr. Pierre Nantel: I perfectly understand.

You are right. All too often, in production, companies are created for each production so that the accounts are separated. Indeed, we will have to link the various companies involved.

Mr. Lewis, I wanted to discuss one last point with you, but I'm afraid I won't have enough time.

Instead, I will turn to you, Mr. Blum.

The week for Canadian film is absolutely wonderful and inspiring. I probably saw the movie you suggested, *Breakaway*, on the same evening as Mr. Young. We should introduce MPs to Canadian cinema. It was a very good movie in which we identify ourselves and that reflects our realities, our multiculturalism and everything else.

Based on your information, there are few events in Quebec, apart from what is being done at Excentris. Quebec director of photography André Turpin said—I think we can talk in the past tense—that the collegial film prize that has been around for a few years is in jeopardy. This is along the same lines. Does the fact that the system is well developed in Quebec not make it part of REEL Canada?

• (1710)

[*English*]

Mr. Jack Blum: I'm not sure I understand the question; I'm sorry.

I understand the college prize.

Mr. Pierre Nantel: Yes, in Quebec we have the collegial prize for CEGEPS.

Mr. Jack Blum: Yes.

Mr. Pierre Nantel: It's the same principle. They show Canadian-made movies, Quebec movies, and they favour having people talk and exchange views about them. Then they make a selection, and there is some winner—

Mr. Jack Blum: —of recognition.

Mr. Pierre Nantel: Yes.

Have there been exchanges between your two organizations to talk about this reality?

Mr. Jack Blum: Yes, that is the case, and we've been approached to possibly adopt a similar thing in English Canada. It's quite a huge undertaking, and obviously we are stretched to do what we do. Right now we are focused on high schools. We would love to focus on higher education as well.

It's a great idea, though.

Mr. Pierre Nantel: Yes, absolutely.

[*Translation*]

If possible, could you send us the information on the support that you receive from the Canadian government, if any? That is absolutely the type of initiative that we need, I think, to introduce young people to the films produced here.

Mr. Lewis, representatives from a lot of Canadian companies have told us how important Canadian film production is, but they have also told us about a critical mass that was accumulating in U.S. productions.

Is it true that the International Alliance of Theatrical Stage Employees helps employees maintain such high-quality skills that U.S. producers coming to Canada have full confidence in being able to work with them?

[*English*]

Mr. John Lewis: In a short word, yes. It's an industry that's quite integrated between large U.S. productions and indigenous Canadian industry. Those large U.S. productions create the infrastructure, create the sound stages, the equipment rental houses, but also create expertise at the crew level.

We're dealing with the federal government on the temporary foreign worker program, because we're an industry that works side by side and hand in hand with producers to allow through our collective agreements—nothing to do with immigration policy—the bringing in of world-renowned cinematographers and whatnot, working side by side with Canadians.

I can tell you that over the last 20 years the number of U.S. high-end crew has dropped dramatically, because there has been training taking place on set day to day, and people know what's going on; it's that sort of thing.

Yes. The IA is perfectly situated for that. We're across both borders. Our people work all over the world. It's not just Canada and the United States; we work everywhere, because we are the leading technical union supplying those kinds of crafts.

Mr. Pierre Nantel: Thank you.

The Chair: Okay. Merci.

[Translation]

Thank you.

Mr. Dion, you have seven minutes.

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

Thank you very much for joining us, gentlemen.

[English]

Maybe the best way to use my seven minutes would be to start with your document, Mr. Lewis, and to invite Mr. Blum and Mr. Helliker to join the conversation. It's a very dense paper. I'm not sure I've absorbed everything in it.

Maybe we can start on page 2 with what you have to say about the telefilm micro-budget program. You are suggesting, are you, that it's a program that may encourage people to stay small, to not grow?

Mr. John Lewis: I will agree with one point your previous panel talked about: marketing is essential. This committee in its previous incarnation spoke in some of your earlier reports, from 2008, and Telefilm spoke about a minimum marketing budget, but it has also talked about a minimum production budget.

You're dealing with the elephant in the room. You're dealing with the studios and what they can produce.

So there's a fine line between trying to encourage young filmmakers, but at the same time not to the point where the budgets are just so small that there are too many sacrifices.... I'll point out again that safety is an issue. These are big, long-running shows; the hours are long, and if you're undermanned in terms of crew because there is no money.... No one's trying to do the wrong thing; there's just no money.

• (1715)

Hon. Stéphane Dion: And the program is encouraging people to stay too small?

Mr. John Lewis: Yes, because the budgets are micro-budgets. It's to help the filmmakers coming out of school get their first feature film. There's a place for it, and I'm not saying throw it out, but I think we have to be careful about how large that program becomes. And it tends to be very regional; a lot of it gets done in Atlantic Canada.

Hon. Stéphane Dion: I thought your organization would want to cancel it. It was created in 2012, so it's a new program.

Mr. John Lewis: It was 2012.

We're not saying cancel; we're saying limit. We're just saying that we have to be careful that it doesn't become any larger, because it really puts pressure on the industry. It's not just our people; it's the equipment houses that are asked to donate all the equipment for free.

Hon. Stéphane Dion: I understand.

Do you have a comment on this specific point? No. Okay.

The next point concerns a suggestion we have received in this committee many times. It's the fact that there's a kind of clawback from the province.

Mr. John Lewis: Right.

Hon. Stéphane Dion: When the province subsidizes, you receive less from the federal government. Is that the "grind"?

Mr. John Lewis: That's right, it's the grind.

Hon. Stéphane Dion: We have been told that it will be very costly for the federal government to not do that. I don't know whether you have an idea how much you are asking from the federal government for that.

Mr. John Lewis: I think it's a prerequisite for everyone from the industry that we have to mention the grind. I think it's an unwritten code in the industry that when we come here, we all have to mention the grind. There is a cost. All these things are costly.

Again, I do want to preface those comments. The industry is very appreciative of the support of the federal government over the years. The stability of the Canadian tax credit has been one of the reasons why we've been able to promote. It's one of the issues of concern in Ontario and Nova Scotia when they announce changes. It's not so much the amount of change but just the fact that you're changing the model. The industry needs stability as much as possible. So anytime you introduce change, it creates concerns.

Hon. Stéphane Dion: We have been told that maybe the difficulty to adjust with SR and ED, if we do that. Are you aware of this technicality?

Mr. John Lewis: No.

Hon. Stéphane Dion: Do you want to comment again on the grind?

Mr. Jack Blum: I'm all for getting rid of the grind.

Hon. Stéphane Dion: Third, concerning Alberta, you have a very strong paragraph saying that with the new guidelines it is fast becoming one of the safest jurisdictions to work in. Were you suggesting it used to be the opposite?

Mr. John Lewis: Yes. I am referring to economic safety. Alberta works on a slightly different basis; they have a tax grant program and not a tax credit program. There have unfortunately been a series of productions that defaulted in Alberta. It became very problematic. That's why the Alberta government took charge of this matter and brought in these guidelines. This was just recent. We think it will go a long way.

I won't get into the intricacies, but essentially it's about piercing the corporate veil. You have these one-off companies that sometimes have dubious forms of financing. I don't mean that in a pejorative way. Producers are trying to do whatever they can. They're pre-selling their product. They're trying to get money up front as much as they can. They pre-sell the tax credits if they can so they can get the money up front.

We're saying that there has to be a process that confirms that you have the money before you start producing. That's one of the requirements—

Hon. Stéphane Dion: Are you suggesting that federal institutions look at these guidelines?

Mr. John Lewis: I think they should. I think every province that offers this kind of a grant system should.

It's your money and you should make sure that that money's being used appropriately and with accountability.

Hon. Stéphane Dion: My last question concerns the CRTC. What do you have to say about the CRTC?

Mr. John Lewis: How much time do we have?

It's funny. These submissions were written—

Hon. Stéphane Dion: One minute for you.

Mr. John Lewis: Stability is not what I would call what the CRTC has been doing lately.

Mr. Jack Blum: Can I jump in on the CRTC?

Hon. Stéphane Dion: Of course.

Mr. Jack Blum: The thing about the CRTC is that the focus on consumer rights—if that's what we want to talk about—and consumer choice, in this case compromises our choice as citizens, which we can only make collectively, to have access to the product that we have invested with our own stories. To say that the be-all and end-all is that a particular consumer should be able to pick from among the offerings whatever he or she wants is one thing. But it really does get in the way of our collectively, as citizens, saying that we want to have our stories told and that we want access to our stories. That's not a choice I can make alone. I can only make it through you, our representatives. So that is an issue, I would say, given the appetite that we discover on the ground when showing these films to people.

• (1720)

Mr. John Lewis: May I just add briefly to that? It's hard to argue against consumer choice. I think that in the long term, choice and making it cheaper will have the absolute opposite effect. I think there will be less choice, fewer options, and because of that, I think what's left will be more expensive for the consumers. I think that in the long term you're going to see that this has been a terrible direction for the CRTC to have gone in, and I think you're going to see less choice and a hit to consumers in Canada for what they do chose to watch.

The Chair: Merci.

Speaking of Alberta, we're going to go to Mr. Yurdiga for seven minutes.

Mr. David Yurdiga (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair. I'd like to thank the witnesses for participating in this very important study.

The first question I have is for Mr. Lewis regarding the changes in the Alberta policy regarding the film industry. Could you elaborate on the direction these new policies have taken as far as advancing the film industry in Alberta is concerned?

Mr. John Lewis: They are very recent, so we haven't seen their total impact yet, but they will bring in a sense of stability. Right now

in Calgary you're seeing the building of a brand new sound stage, the first time that has happened in Alberta. It's something that's always been lacking in Alberta. Great, you want to do a western? You could film it in Alberta, but they didn't have a sound stage.

To make that kind of big commitment, the provincial government, the city government, and the industry became involved. Whites—that is, William F. White International—put private money in to build that, but you need a stable industry in order to do that. When you have these single purpose companies that come in—and this is the exception, not the norm—and don't pay their bills...people have to make that decision to invest.

What the Alberta program does is bring in some accountability in terms of whether or not you have the necessary funding to do what you're planning on doing. Before we give you the money, do you have enough money to pay your bills to do this show? I think it's just basic common sense. The nature of the industry...because these are all single purpose companies that disappear after the show is done.... With *Fargo*, *Fargo* Season 1 was from one single-purpose company. It's had a huge success in Alberta. The next show will be from a separate, different company.

Even with a series, it's year to year. With *Heartland*, every season is from a different corporate company. That's a great example for a production, but you can see where there's a problem if one of the shows goes down and then they're back at the trough the next day saying they have a new show with a new company. This is what the Alberta guidelines do. It's discretionary, but it allows the funding agency to take a look and to make sure that everything is as it should be in terms of there being enough funding in place before proceeding with a production.

Mr. David Yurdiga: Were these policy changes a result of a lobby group? Why did the province move from the old model to the new model? Was there a lack of film in Alberta? Was the province trying to attract more people to produce?

Mr. John Lewis: The Alberta government consulted quite extensively with the Alberta industry and with the union's, guilds, producers, suppliers, and industry stakeholders. Alberta film is booming right now. The Canadian industry is booming right now. We're having a hard time supplying crew in some of our cities because of the production levels right now in Canada. It's great.

It wasn't an issue of that. The issue was there were about three shows in a row that defaulted and people started to get little bit nervous. Why? Why is it happening in Alberta? It's not happening in other jurisdictions and that was the result. That's why you see the result here.

Mr. David Yurdiga: Thank you.

My next question is for Mr. Blum. I think I've said it right.

• (1725)

Mr. Jack Blum: Yes.

Mr. David Yurdiga: Great. There's a misconception that Canadian films are of low quality. I know that's not true. There are a lot of great Canadian films out there that I really enjoyed. Who's responsible for changing the perception? I was reading a blog and it put down our film industry as being sub-standard.

Whose responsibility is it to change that attitude in Canada?

Mr. Jack Blum: Let me change it around a bit for you here. What we find when we deal with young people and with new Canadians, which is something I didn't get to talk about very much, is that there's no preconception. There's no sense that these are sub-standard. There's no conception at all. They don't know that Canadians make movies.

As long as we introduce them to the idea in a way that's positive and exciting, and we're careful that we give them stuff they're interested in—and that's why we have all the participants choose the movies they want to see—we find that the response is fantastic. I would dare to say that over time and with support, and if we can build this program and others are also undertaking similar efforts, we can do away with the longstanding stigma that I find is a relic of the past. The quality of the movies has gone up so much that the challenge now is simply penetrating the general public's consciousness with them. The stigma is really about lack of awareness. It's not about a prejudice against the films in the first place.

Mr. David Yurdiga: The second question to you is what are some of the roadblocks that prevent Canadian films from reaching the audience and what role should the federal government play in that?

Mr. Jack Blum: Again, you've heard from exhibitors. You've certainly heard from distributors. The competition in the theatrical marketplace is absolutely brutal. An American movie has a production budget of \$80 million, say, on average, and we're saying there should be a minimum promotional budget in a Canadian film of a half a million dollars. Well, let's say, you do institute a minimal promotional budget of a half a million dollars; it's still a drop in the bucket.

The commercial marketplace is extremely difficult to penetrate. That's why I say we really have to take advantage—I would call it our home field advantage. People are invested and hungry for

Canadian material, and we should take advantage of that to reach them in alternative ways to get them engaged. We invest in these productions. We make them.

I think it was a very good development when Telefilm moved away from a strict box office assessment of the success of a film, because theatrical box offices are an increasingly small percentage of the measure of a film's success. We have to count all of these things—international recognition, awards, everything we can possibly count—to pile up in favour of the argument to watch a Canadian film.

I think that special events, bringing talent in, and anything that takes advantage of the home field attachment to these stories would help.

The Chair: We're just about finished. You have 10 seconds if you want to get a quick question in.

Mr. David Yurdiga: Well, thank you for coming.

Mr. John Lewis: On that last point, could I just have two seconds? I'd love to see the statistics from the previous group. *Mommy* and *The Avengers* show up as one each, but one has a thousand streams for two months and one might have five streams for three days, and so it's not just the number of what is exhibited.

There's also an interaction with our broadcasts, both conventional and cable, in terms of how much they're showing Canadian feature films. The CRTC has regulations in place to push them to do that, but the number of Canadian feature films has dropped dramatically in what's been shown on traditional broadcasts, and also on VOD and everything else. That would be an area to look at to help promote and push Canadian content in that forum as well.

The Chair: All right. Thank you very much for coming. If there's any more contribution you would like to make to our study, please get it in as soon as you can.

We're going to briefly suspend and go in camera for committee business.

[Proceedings continue in camera]

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the Parliament of Canada Web Site at the following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante : <http://www.parl.gc.ca>