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A large, stylized background graphic consisting of two film reels at the top and a film strip winding across the middle and bottom. The reels are light brown with white spokes, and the film strip is grey with white sprocket holes and green rectangular frames.

**INTERIM REPORT ON THE
CANADIAN FEATURE FILM INDUSTRY**

**REPORT OF THE STANDING COMMITTEE ON
CANADIAN HERITAGE**

A graphic of two film tickets, one slightly overlapping the other, with a yellow sunburst design on each.

**MARLENE CATTERALL, M.P.
CHAIR**

June 2005

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**INTERIM REPORT ON THE
CANADIAN FEATURE FILM INDUSTRY**

**REPORT OF THE STANDING COMMITTEE ON
CANADIAN HERITAGE**

**Marlene Catterall, M.P.
Chair**

June 2005

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THE STANDING COMMITTEE ON CANADIAN HERITAGE

has the honour to present its

TENTH REPORT

In accordance with its mandate under Standing Order 108(2), your committee has undertaken a study on the Canadian Feature Film Industry and has agreed to report the following:

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Our task could not be completed without the valuable work of the Analysts from the Library of Parliament, Joseph Jackson, Sam Banks and David Black, Consultant. The Committee also wishes to acknowledge the Clerk, Jacques Lahaie, and Lucie Poulin for the administration and support throughout the course of this study.

The members of the Committee also wish to express their appreciation to the staff of the Committees Directorate, the Translation Bureau of Public Works and Government Services Canada, the support services of the House of Commons who have provided logistic and administrative support to elaborate this report.

Finally, the Chair wishes to thank the members of the Committee for the hours they dedicated to study this question and to prepare this report.

FOREWORD

Culture and its expression is one of the defining characteristics of all societies. We do not judge societies only by the way individual humans are treated; we also judge them on the basis of their contributions to the sciences, literature, music, song and film.

Over the past 80 years Canadians have developed a sophisticated set of support programs for athletic achievement, research and development, poetry, plays, novels, music and television. In more recent decades a series of initiatives have been designed to help support the Canadian feature film industry.

Feature film, a cultural innovation of the late 19th century, is one of the most important expressions of culture. It has also been one area where substantial success has proved elusive for Canadian creators. In recent times, however, there have been individual successes and there have been some encouraging signs of improvements in both the French- and English-language markets. But these recent successes have been modest. Much needs to be done to build on these developments.

Previous reports of this committee have noted the importance of cultural diversity for meaningful life in modern societies. As we noted in our 1999 Report, *A Sense of Place, A Sense of Being*:

“We do not live in ant hills,” ... “but in places that mean something.” We derive a sense of place from the landscape, the buildings and the artefacts that surround us. We also impart meanings, and in doing so each of us plays an active role in enriching the culture of the places where we live. (p.10)

As we further noted in our 2003 Report, *Our Cultural Sovereignty: The Second Century of Canadian Broadcasting*:

it is undeniable that “our stories” are important and that they need to be told: in part, for public interest reasons recognized as early as Aird¹ and in part because it would be an odd country if our stories were not told. (p 164)

The richness and diversity of culture strengthen us all. Film and documentaries are critical elements of that diversity.

¹ Report of the Royal Commission on Radio Broadcasting, Sir John Aird, Chairman, 1929.

INTERIM REPORT ON THE CANADIAN FEATURE FILM INDUSTRY

A. INTRODUCTION

The film industry is a vital component of Canada's cultural sector and by some economic measures can be considered a success. For example:

- from 1996 to 2001, Canada's feature film industry was the third largest cultural sub-sector in Canada in terms of Gross Domestic Product (GDP) generated;
- over the past decade, more than 134,000 direct and indirect jobs have been created and production volumes (film and television) have doubled to nearly \$5 billion annually, of which about two-thirds has been for the production of Canadian content;
- between 1997-98 and 2002-03, attendance by Canadians to movie theatres rose from 99 million to 125 million paid admissions.

The notable increase in movie attendance by Canadians is particularly interesting. In the 1950s many industry analysts predicted the demise of feature film thanks to the introduction of television. In the 1970s it was thought that the VCR would similarly jeopardize movie attendance. More recently—against the backdrop of ongoing innovations in technology such as the DVD, the PVR, video-on-demand, digital television and HDTV, peer-to-peer file sharing, and so on—there have been those who have worried that the feature film industry would find it harder to attract sizeable audiences. And yet despite this ever-increasing array of leisure time choices, Canadians have consistently flocked in large numbers to see feature films.

But challenges remain for Canada's film industry. This is because box office receipts for the viewing of Canadian-made feature films have consistently represented a small fraction of the overall viewing of feature films. In fact, for many decades, the viewing of Canadian films remained stagnant at about 2%. Part of the challenge has been the long-standing global dominance of American feature films. This is why most film-producing countries outside the United States have, over time, introduced measures to encourage their respective domestic film production sectors.

Federal government support for the Canadian film industry has evolved over the years. During the first four decades following its creation in 1939 the National Film Board (NFB) was the primary outlet through which Canadians could obtain support for film production. The NFB's mandate, however, was not designed to help grow Canada's feature film industry, but to help train and assist documentary filmmakers in the production of films that would interpret Canada for Canadians and the world.

In 1967, with the creation of the Canadian Film Development Corporation (now Telefilm Canada), the government made its first foray into the development of a Canadian-owned and controlled feature film industry. Since that time, a long list of additional incentives have been offered, including capital cost allowances (1974 to 1995), film and video production tax credits (1995 to present), Canadian television production funding (1997 to present); training initiatives (1997 to present); and film and video production services tax credits (1997 to present). In parallel, most Canadian provinces have introduced tax credits or grants to attract film productions.

Canada's first feature film policy was announced in 1988. The Film Distribution Policy, as it was known, was designed to encourage better market access for Canadian productions. A key element of this policy was the establishment of foreign investment policy guidelines under the *Investment Canada Act* that, among other things, prohibited foreign takeovers of Canadian-owned and controlled film distribution businesses. The policy also led to the creation of the Feature Film Distribution Fund, administered by Telefilm Canada for the development, production, distribution and marketing of Canadian feature films.

In 1998 the Department of Canadian Heritage launched a review of Canadian feature film policy. A discussion paper produced at that time noted that:

Despite the successes of the last 30 years, Canadian filmmakers still face formidable odds in bringing their works to movie audiences. The Government of Canada seeks to address this problem by initiating a review of its film policy. The Feature Film Policy Review will examine the challenges faced by theatrical films in Canada and will assist the Government in establishing priorities for action. The review will help set a course towards a future where more Canadians have access to Canadian films playing in their local cinemas — films that reflect their own locales, their own stories and their own culture.²

The culmination of the feature film review was the release of *From Script to Screen — New Policy Directions for Canadian Feature Film* in October 2000. This new policy marked “a major shift in the federal government’s support for Canadian film — from building an industry to building audiences”³ and identified the following objectives:

- to develop and retain talented creators;
- to foster the quality and diversity of Canadian feature films;

² *A Review of Canadian Feature Film*, Discussion Paper, Department of Canadian Heritage, February 1998, p. 1.

³ *From Script to Screen — New Policy Directions for Canadian Feature Film*, Government of Canada, October 2000, p. 1.

- to build larger audiences at home and abroad for Canadian feature films; and
- to preserve and disseminate our collection of Canadian feature films for audiences today and tomorrow.⁴

The new Canadian feature film policy was designed to address each of these objectives by refocusing the investment of public funds — that would henceforth be distributed through a new mechanism known as the Canadian Feature Film Fund — on all stages of feature film production, from script development to the moment of theatrical release on screens across Canada. It also introduced a performance-based approach to the funding of Canadian producers and distributors and set “some ambitious goals,” most notably, the aim “to capture 5% of the domestic box office in five years and to increase audiences for Canadian feature film abroad.”⁵ To achieve this, the policy encouraged an increase in average production budgets to at least \$5 million, and called for an increase in average domestic and international marketing budgets to at least \$500,000.

Gauging the success of the 2000 feature film policy is a tricky undertaking. Since films typically take several years to conceive, fully fund, promote and release, data from the early 2000s are somewhat misleading as they represent productions that were triggered under the old policy. Nevertheless, in 2001-02, the first fiscal period following the introduction of the new policy, theatrical production in Canada was worth \$978 million, of which \$241 million was for Canadian productions. In 2003-04, the fiscal period for which the most recent data are available, the volume of theatrical production had increased to \$1.46 billion, of which \$296 million was for Canadian productions. During this same period overall box office receipts for domestic films rose from 1.7% in 2001 to 4.6% in 2004.

Despite these encouraging figures, there are those who assert that the Canadian feature film industry faces some serious challenges in the coming years. These challenges include:

- the relatively weak box office performance of Canadian films in the English-language market (in 2004, the French-language market was responsible for 70% of the total box office revenue earned by Canadian films);
- the sustainability of the successes witnessed in the French-language market (more than 25% of all films viewed in Canada’s French-language market in 2004 were Canadian-made);

⁴ Ibid.

⁵ Ibid.

- the decline in the overall number of foreign-location service productions (due to the strength of the Canadian dollar and the fact that some jurisdictions outside Canada now offer tax incentives similar to those offered by the federal government and the provinces).

These concerns, and the many others that will be detailed in this report, help explain why the Standing Committee on Canadian Heritage decided in December 2004 to undertake a comprehensive study on the evolving role of the federal government in support of the Canadian feature film industry.⁶ Since that time the Committee has heard from more than 180 witnesses representing creators, producers, directors, exhibitors, distributors, writers, broadcasters, unions, as well as both levels of government. It has also travelled to Winnipeg, Toronto, Montreal, Halifax and Vancouver to hold hearings and to conduct site visits.

The Committee recognizes that the Department of Canadian Heritage has recently launched its own five-year review of *From Script to Screen*. We do not, however, see our work as a duplication of effort. On the contrary, we are convinced that our study will serve to enrich and complement the work of the Department. After all, the mandate of the Standing Committee on Canadian Heritage is to oversee policies and legislation pertaining to the Canadian Heritage portfolio. It follows, therefore, that it is well within this committee's mandate to monitor and report on the link between the Government of Canada's support to the feature film industry and the success of its policy objectives to increase the availability of, and audiences for, Canadian feature films.

With the above considerations in mind, the purpose of this interim report is to briefly review what the Committee has heard since it launched its study on the present state of the feature film industry and its future prospects. It also spells out a process for the development of recommendations in collaboration with industry stakeholders, with a view to establishing a framework for a final report that will be tabled later this year.

In keeping with previous studies of this committee, the sections that follow are loosely divided along the following lines: creation, production, marketing, distribution, exhibition and next steps. While these categories are by no means mutually exclusive, they provide the flow needed to appraise the extent to which the feature film policy has succeeded in meeting its objectives to support Canadian film production "from script to screen."

⁶ See Appendix A for the Terms of Reference for the Committee's study.

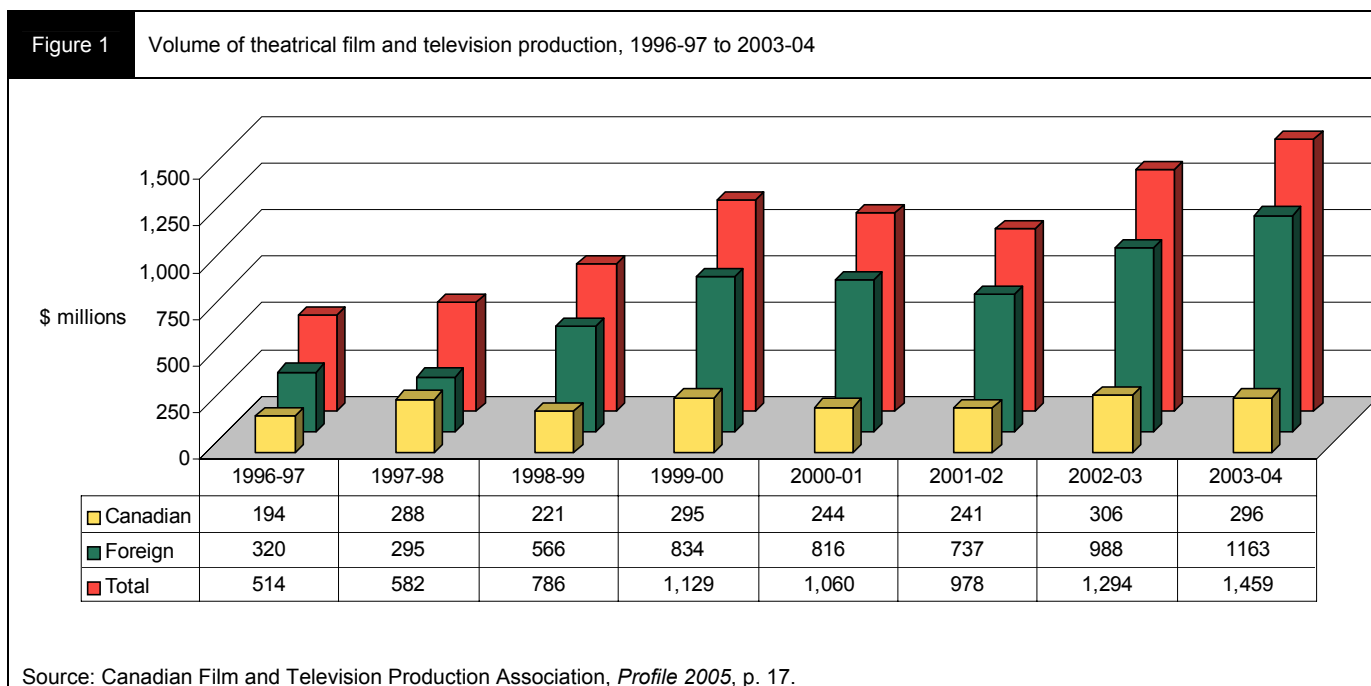
B. STATISTICAL OVERVIEW

Before proceeding, it is useful to consider some of the available statistics on the current state of Canada's feature film industry that are most relevant to this committee's study of the feature film policy that was introduced in 2000.

Volume of Theatrical Production by Sector

Figure 1 shows the volume of theatrical production by sector for the period 1996-97 through 2003-04. Overall, the value of theatrical production activity in Canada grew by nearly 300% during this period, rising from \$514 million to \$1.46 billion.

This figure also shows the extent to which the value of Canadian feature film production fluctuated, ranging from a low of \$194 million in 1996-97 to a high of \$306 million in 2002-03. It further shows that during the last two fiscal periods since the introduction of the new feature film policy that the total value of Canadian film production was about \$300 million each year.



Perhaps the most interesting element of Figure 1, however, is the striking growth in the value of foreign location productions in Canada. In 1996-97 the total value of foreign location productions in Canada was \$320 million; by 2003-04, this figure had reached an all-time high of \$1.2 billion.

Foreign location shooting or production:

Foreign location shooting is film or video production shot in Canada by U.S. or foreign studios and independent producers. In this type of production, the U.S. or foreign producer retains the copyright, but Canada benefits in the form of direct and indirect jobs and economic activity. (Source: CFTPA)

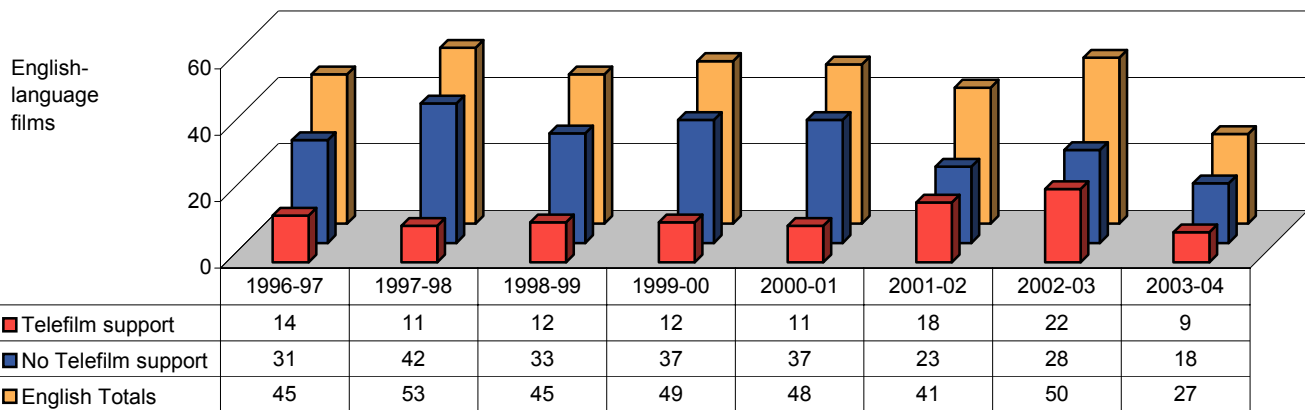
CAVCO-Certified Canadian Theatrical Productions

The next figure provides added perspective on Canadian film production for the period 1996-97 through 2003-04. During this time frame the total number of film productions certified as “Canadian” by the Canadian Audio-Visual Certification Office fluctuated annually from a low of 55 to a high of 73.

CAVCO (Canadian Audio-Visual Certification Office) Certification:

CAVCO-certified refers to productions certified as “Canadian” for the purpose of utilizing the Canadian Film or Video Production Tax Credit (CPTC). It does not include foreign or Canadian productions that use the Film or Video Production Services Tax Credit (PSTC), which must also receive approval from CAVCO, but are not considered “Canadian” productions. (Source: CFTPA)

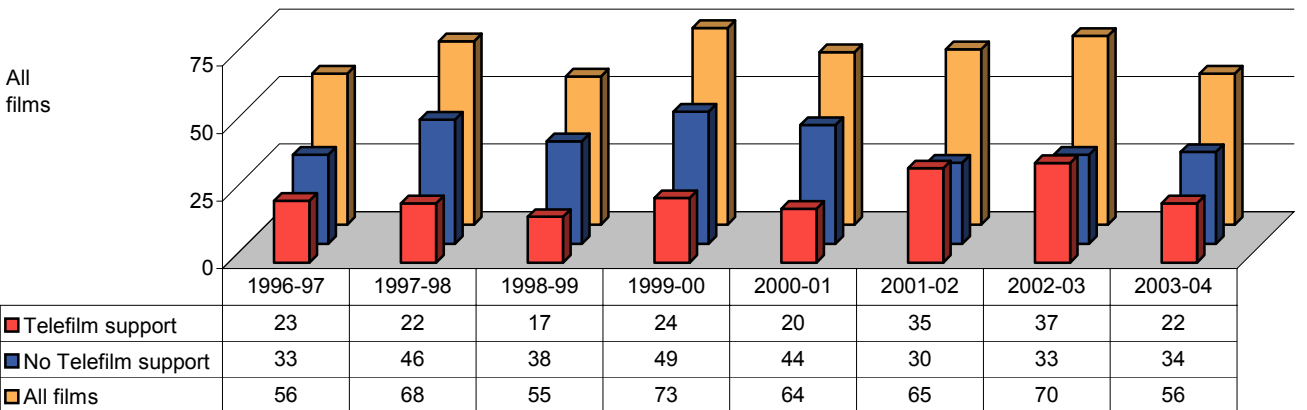
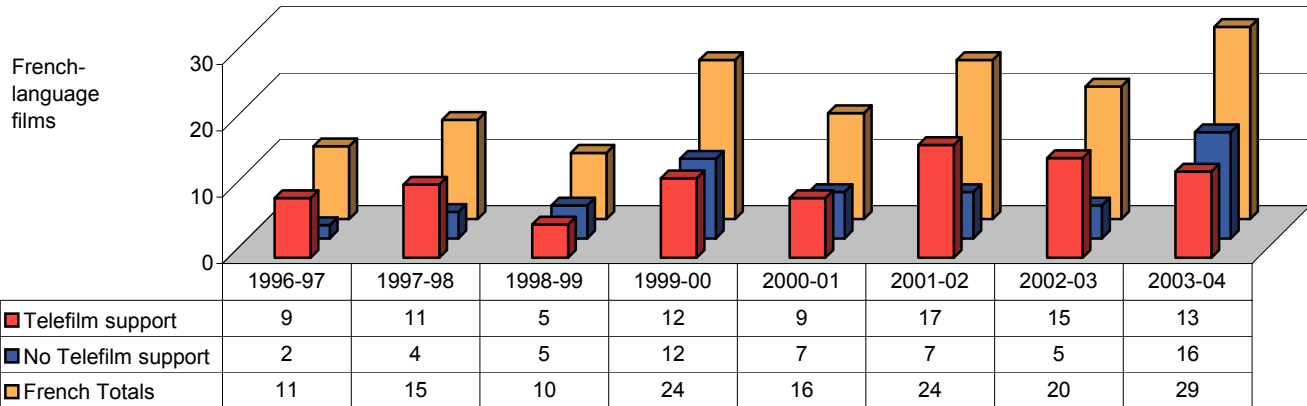
Figure 2 Number of CAVCO-certified Canadian theatrical productions by language and Telefilm certification, 1996-97 to 2003-04



Con't...

Figure 2
Con't

Number of CAVCO-certified Canadian theatrical productions by language and Telefilm certification, 1996-97 to 2003-04



Source: Canadian Film and Television Production Association, CAVCO data.
Note: "Telefilm support" does not include support from the Canadian Television Fund.

One of the more interesting features of these data is the impressive rise in the number of CAVCO-certified French-language films, ranging from a low of 11 in 1996-97 to a high of 29 in 2003-04, and the sudden drop in the number of CAVCO-certified English-language films in the most recent reporting period. Indeed, between 1996-97 and 2002-03 about 40 to 50 English-language Canadian films received CAVCO certification in a typical year; in 2003-04, however, just 27 received certification.

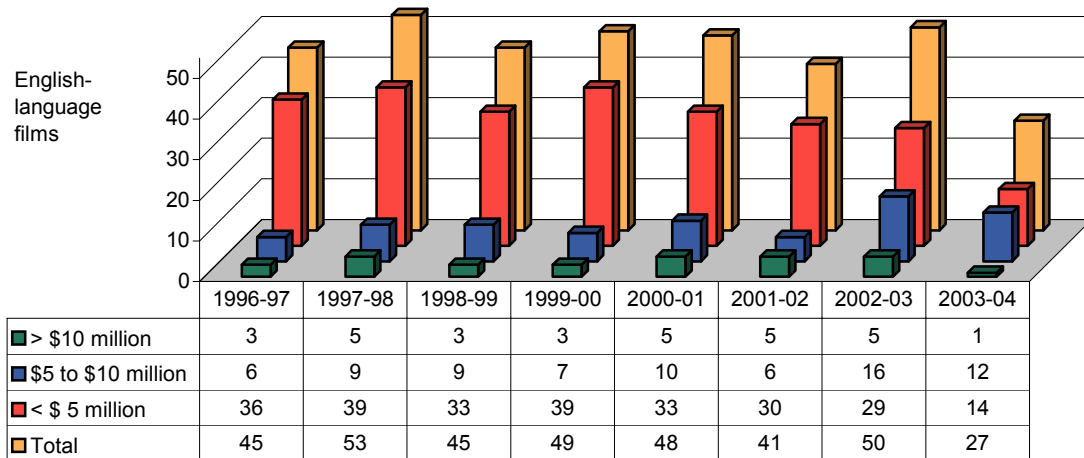
According to the CFTPA's *Profile 2005* on the Canadian film and television industry, the decline in the number of CAVCO-certified productions can be explained by one or more of the following factors:

- a “weaker demand in international markets for foreign production including Canadian production,” which has, in turn, reduced potential levels of support for high cost productions;⁷
- an overall decline in co-productions with the United Kingdom and other European nations, many of whom have adopted tax incentives similar to those pioneered in Canada to encourage partnerships within Europe;
- a migration by some Canadian filmmakers away from CAVCO-certification towards the Film or Video Production Services Tax Credit (PSTC) (described further down).

Size of Financing for CAVCO-Certified Productions

Despite the drop in the number of CAVCO-certified (i.e., “Canadian”) productions in 2003-04 the total value of “Canadian” film productions was \$296 million, down just \$10 million from 2002-03 when CAVCO-certified productions were valued at \$306 million (see Figure 1). This suggests that the size of the budgets for Canadian feature films — a key target of the new feature film policy — is on the rise. As Figure 3 shows, there has been a gradual increase in the size of feature film budgets in recent years in both linguistic markets. For example, in 1996-97, just 9 CAVCO-certified films had budgets of at least or greater than \$5 million; in 2002-03, 24 films had budgets of at least or in excess of \$5 million.

Figure 3 Size of financing for CAVCO-certified Canadian theatrical productions by language, 1996-97 to 2003-04

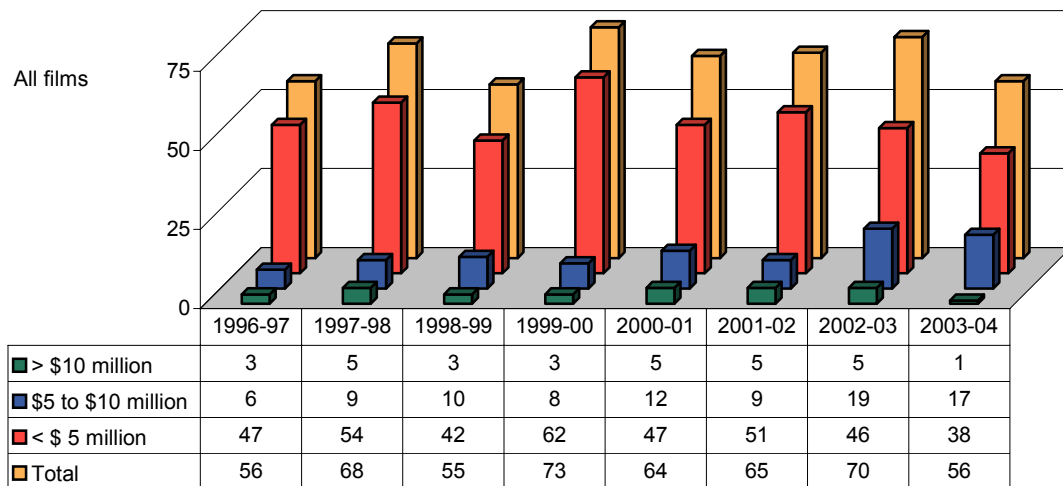
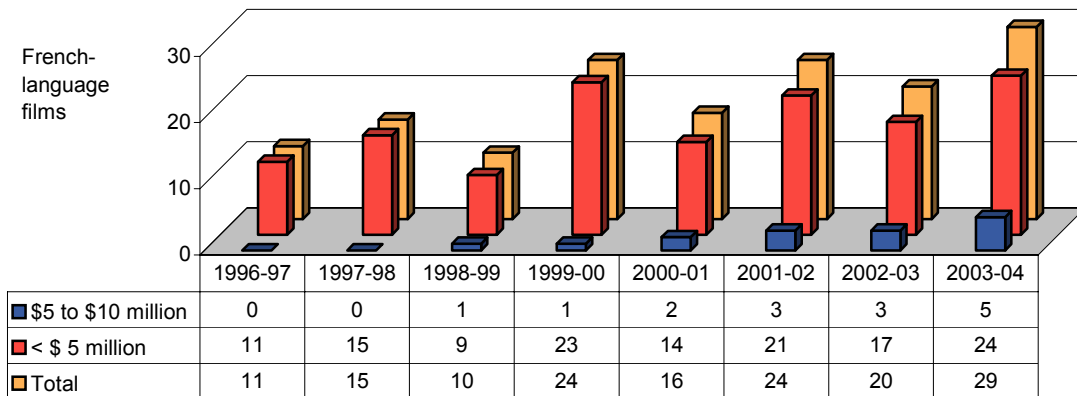


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⁷ CFTPA, *Profile 2005, An Economic Report on the Canadian Film and Television Production Industry*, p. 11.

Figure 3
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Size of financing for CAVCO-certified Canadian theatrical productions by language, 1996-97 to 2003-04



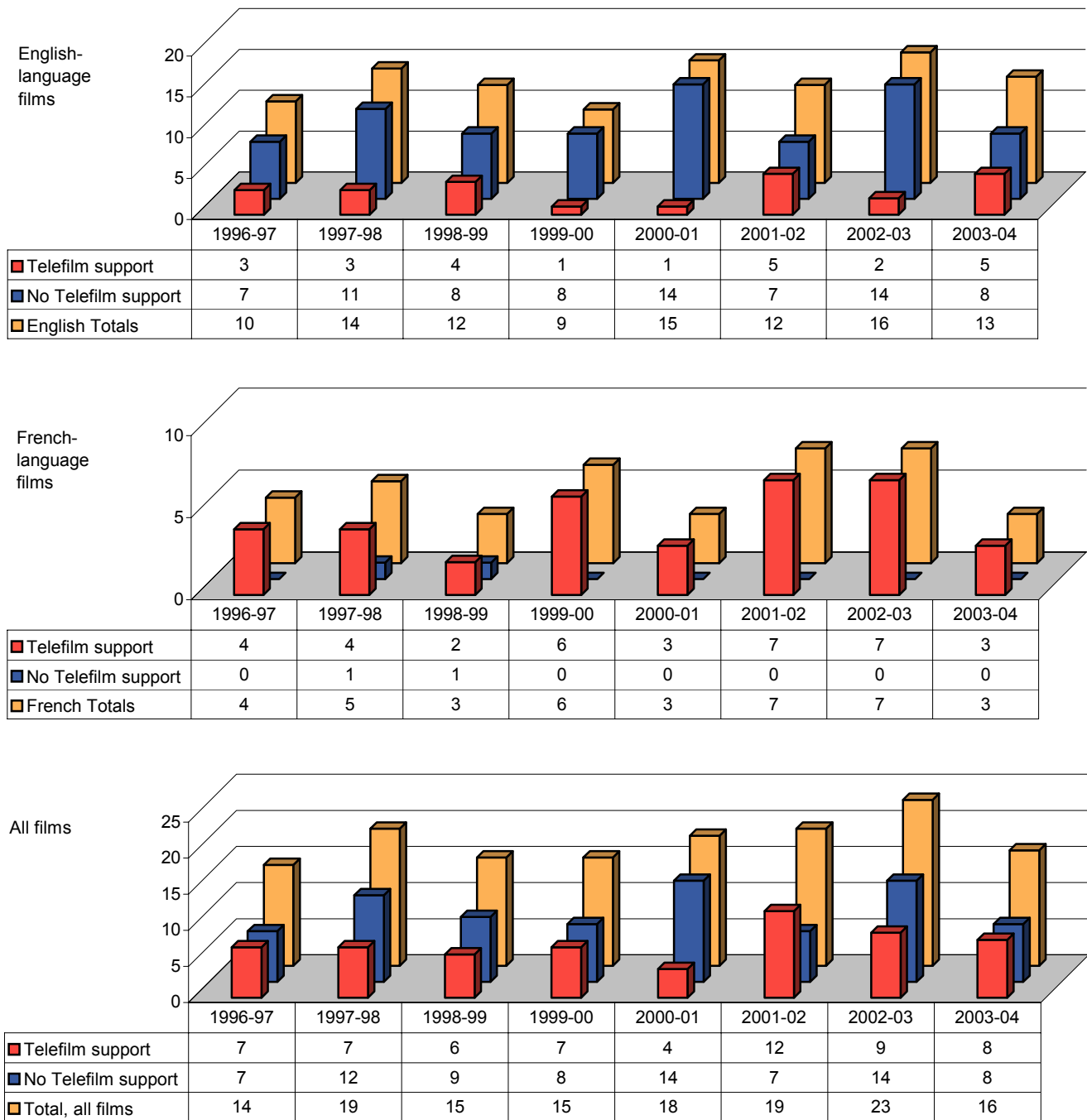
Source: Canadian Film and Television Production Association, CAVCO data.

Treaty Co-Productions

An important subset of the data presented in figures 2 and 3 is a category of films known as “treaty co-productions.” Canada has 49 co-production treaties with 53 countries. Since co-production treaties are based on the notion of reciprocity, about 50% of a co-production’s spending must be spent in Canada. Furthermore, for the purposes of Canadian-content certification, a treaty co-production, provided it meets the necessary criteria (e.g., a minimum level of creative input and financing for each of the co-producing countries), is automatically certified by CAVCO as a Canadian production.

Figure 4 shows the volume of Canadian feature-film treaty co-productions for the period 1996-97 through 2003-04, by language and Telefilm support.

Figure 4 Number of CAVCO-certified feature film treaty co-productions by language and Telefilm support, 1996-97 to 2003-04

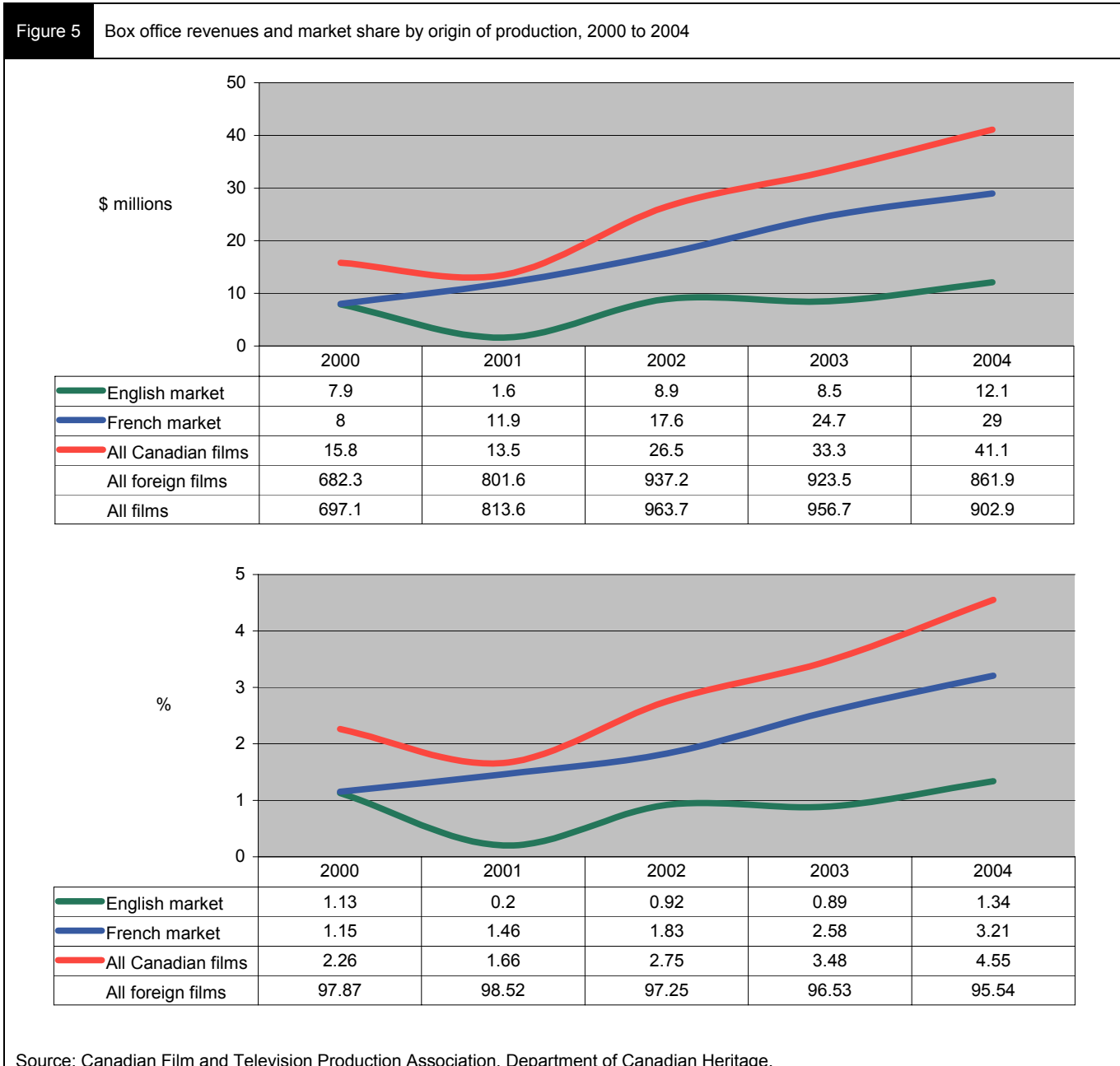


Source: Canadian Film and Television Production Association, CAVCO data
 Note: "Telefilm support" does not include support from the Canadian Television Fund.

This figure reveals that the overall number of feature film treaty co-productions has fluctuated to some degree in recent years, with a low of 14 certified productions in 1996-97 and a high of 23 and 2002-03. It also shows that Telefilm support for treaty co-productions has been on the rise in recent times, with Canada's French-language film producers being the principal beneficiaries of such funding.

Box Office Revenues and Market Share

Figure 5 shows Canadian box office revenues and market share by origin of film production for the past five reporting periods.



Source: Canadian Film and Television Production Association, Department of Canadian Heritage.

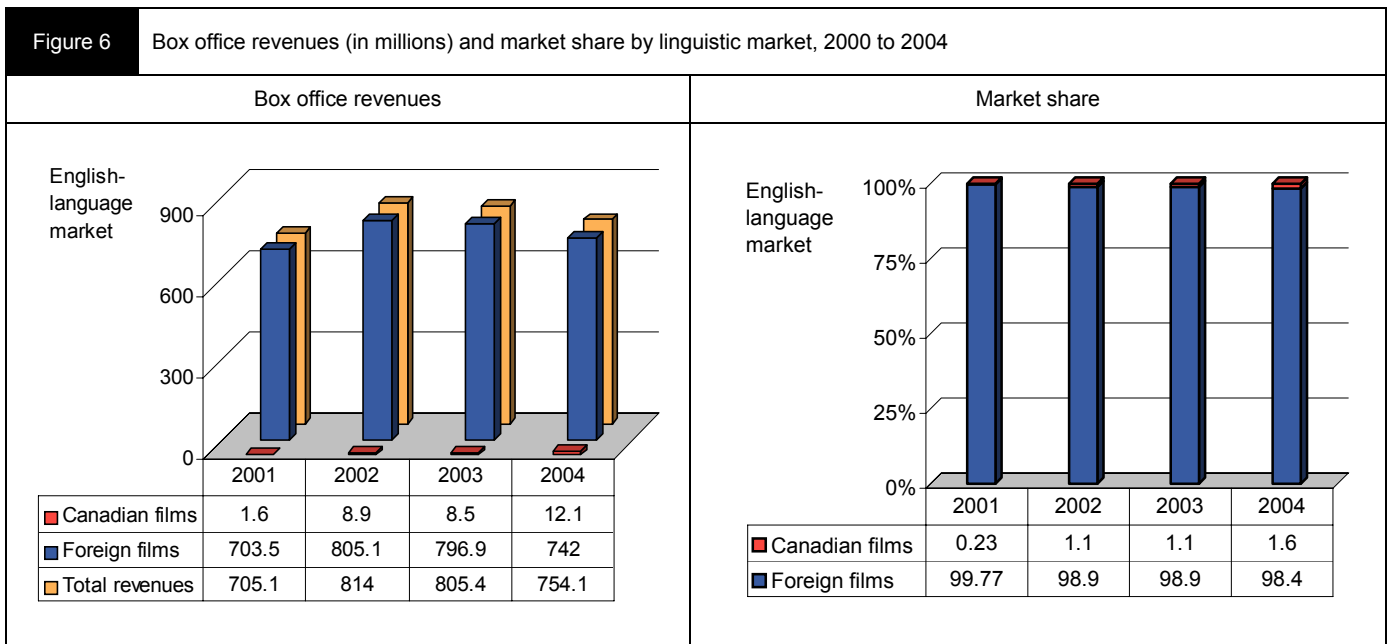
This figure reveals that box office revenues for foreign films, of which the great majority were American-made, accounted for no less than 97% of all films viewed by Canadians between 1999 and 2003. There is some modest evidence, however, that the viewing of Canadian films in theatrical release is on the rise. In 2000, for example, the viewing of Canadian productions was a mere 2.3%; by 2004, this value was at 4.6%.

How are the English and French markets defined?

The French-language market includes all Canadian-produced films shown in French in Canadian theatres. The English-language market includes all Canadian-produced films shown in English in Canadian theatres. (Source: CFTPA)

Box Office Share by Linguistic Market

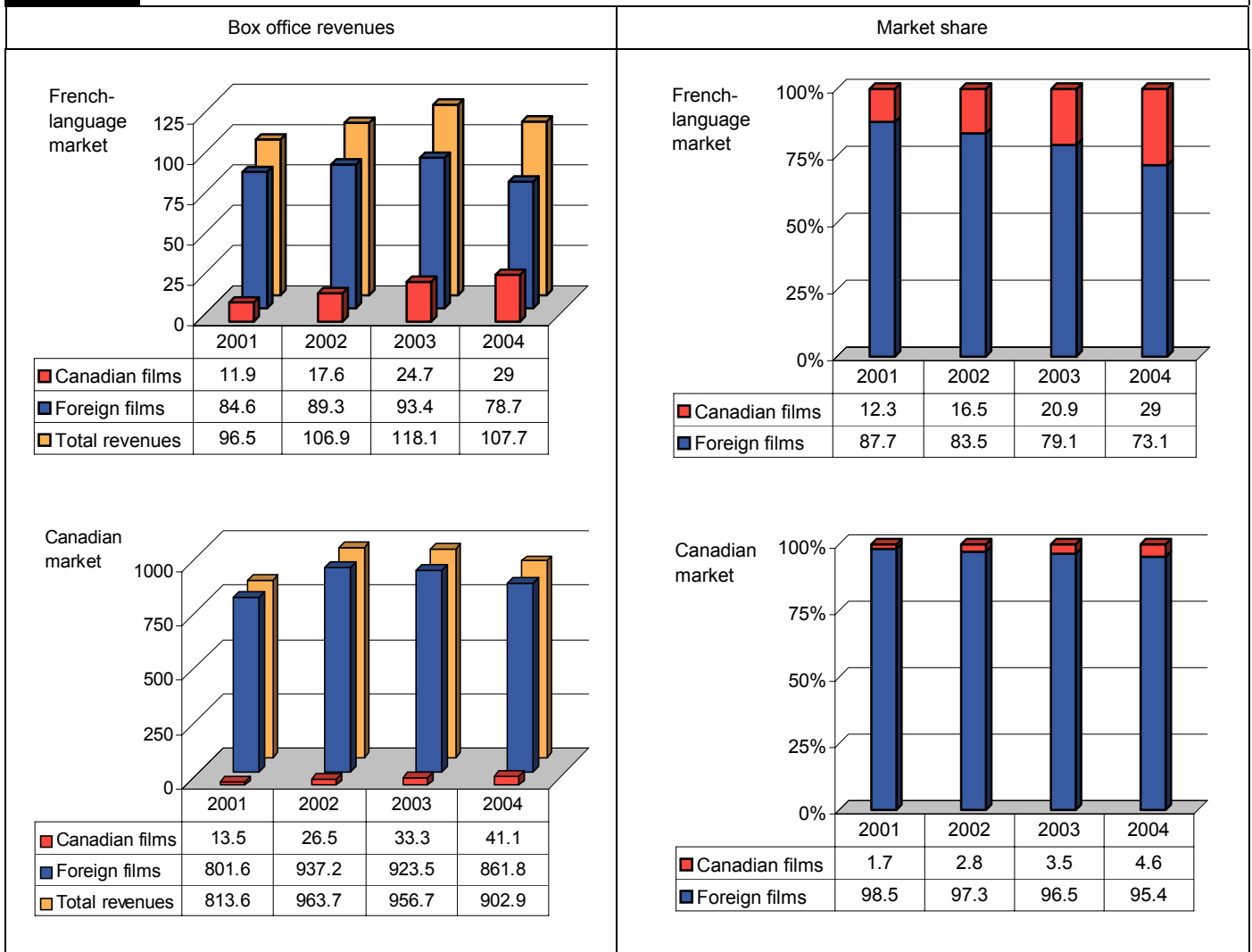
It is important to note that most of the growth in the Canadian market share in recent years can be explained by a rise in the viewing of Canadian films in the French market. Figure 6 shows Canadian film viewing by linguistic market for 2001 through 2003.



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Figure 6
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Box office revenues (in millions) and market share by linguistic market, 2000 to 2004



Source: Canadian Film and Television Production Association, Department of Canadian Heritage.
 Note: Totals may not add up due to rounding.

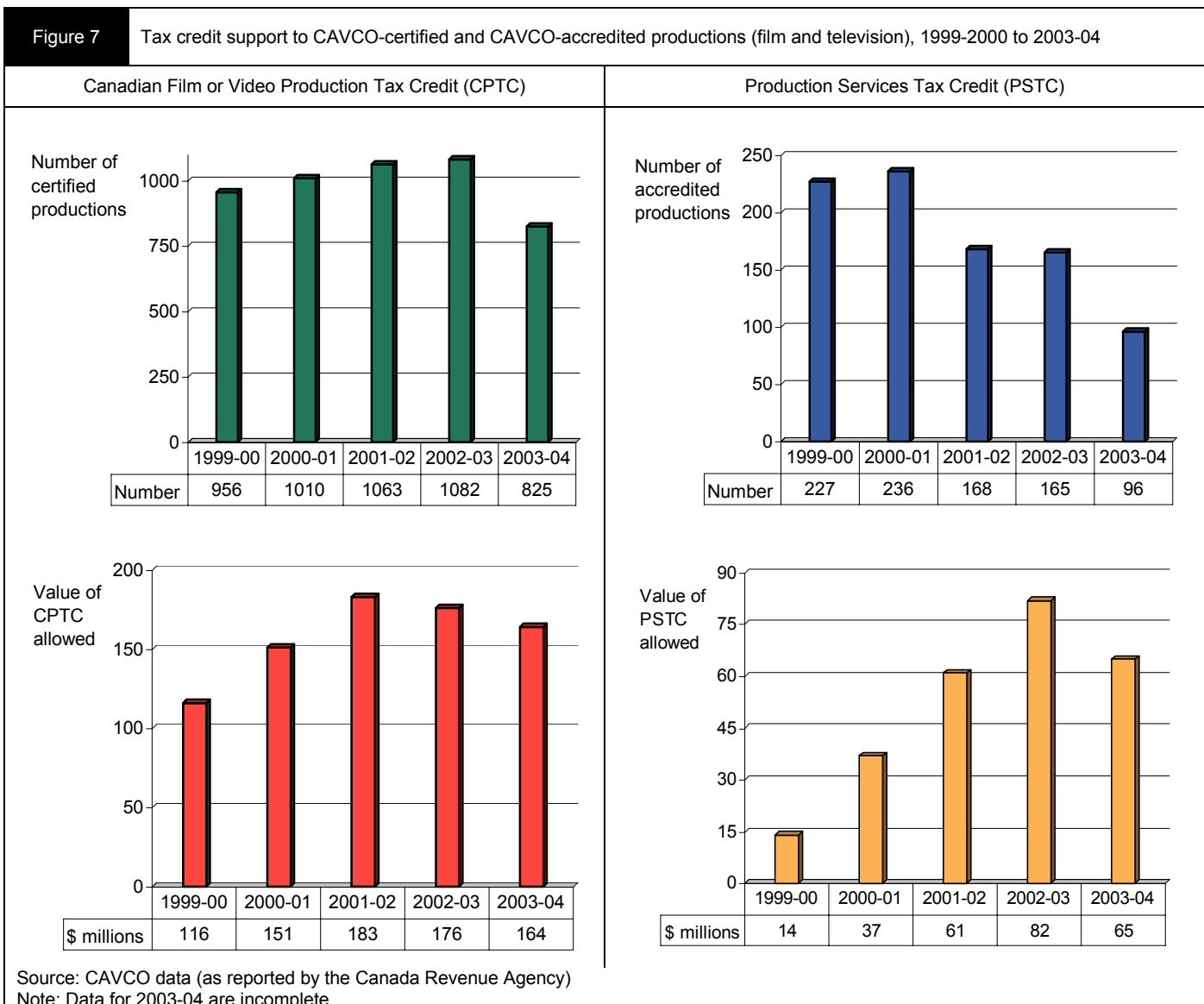
As can be seen, Canada's French-language market witnessed a tremendous growth in the viewing of Canadian films during this period, with its market share more than doubling from 12.3% in 2001 to 26.9% in 2004. The English-language market during this same period also experienced some very modest growth, with a rise in the overall viewing of Canadian films from just 0.2% in 2001 to 1.6% in 2004.

Tax Credits

Federal (and provincial) tax credits represent another important support element for feature film productions made in Canada. There are two types of federal tax credits: The Canadian Film or Video Production Tax Credit (CPTC) and the Production Services Tax Credit (PSTC). The CPTC is a refundable tax credit that refunds 25% of qualified labour

expenditures incurred by a qualified film producer, net of any assistance, for the production of a CAVCO-certified Canadian film or video production. The PSTC reimburses 16% of qualified labour expenditures incurred, net of any assistance, by an eligible production company for services provided in Canada by Canadian residents or taxable Canadian corporations for the production of an accredited production (i.e., approved as eligible, but not “certified” as Canadian by CAVCO). In short, the PSTC is a purely industrial incentive designed to encourage filmmaking (by Canadians or foreigners) in Canada, whereas the CPTC is a cultural incentive that rewards those Canadians who are producing distinctly Canadian feature films.

Unfortunately, data on the total number of feature films that receive CPTC and PSTC support are difficult to obtain and are not normally disaggregated from support provided to Canadian television productions. Figure 7 presents data provided by CAVCO representatives when they appeared before the Committee.

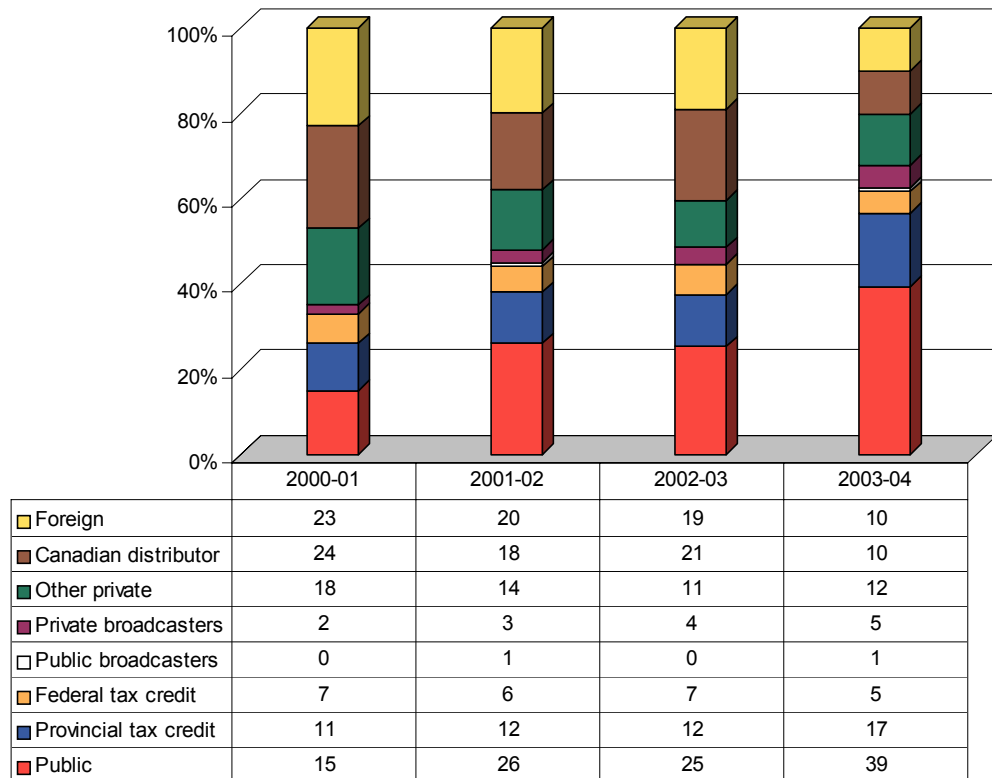


This figure shows that the number of film and television productions that received the PSTC tax credit varied from 236 in 2000-01 to 96 in 2003-04. The total value of such support ranged from \$14 million in 1999-00 to a high of \$82 million in 2002-03. As for the CPTC, the total value of support allowed for CAVCO-certified film and television productions has ranged in recent years from a low of \$116 million in 1999-2000 to a high of \$183 million in 2001-02. In 2003-04, financing for such productions stood at \$164 million.

Funding Sources

The overall importance of tax credits and other forms of government funding support for Canada's feature film industry should not be underestimated. Figure 8 provides a breakdown of how CAVCO-certified theatrical productions were financed for the period 2000-01 through 2003-04.

Figure 8 Financing sources for CAVCO-certified Canadian theatrical productions, 2000-01 to 2003-04



Source: Canadian Film and Television Production Association, *Profile 2005*, p. 22.

Note: "Public" includes support from the Canadian Television Fund (Equity Investment Program), provincial governments, Telefilm Canada and other government departments and agencies; "Other private" includes support from production companies, corporate production funds, the Canadian Television Fund (Licence Fee Program) and other private investors.

This figure demonstrates the extent to which Canada's feature filmmakers have become dependent on financial support from both levels of government. In 2000-01, for example, about 15% of all support came from direct public funding support programs (such as Telefilm) and a further 18% came indirectly through federal and provincial tax credits. By 2003-04, nearly 40% of all financial support came from public programs and 22% was being raised through tax credits. This means that Canadian feature filmmakers now receive more than 60% of their production funding from government.

Another interesting development that can be seen in Figure 8 is the sudden drop in foreign funding support. In 1999-00, for example, 29% (not shown) of all financing for CAVCO-certified films came from foreign sources; by 2003-04, foreign contributions were down to just 10%. As noted earlier a weaker demand in international markets for Canadian productions helps explain some of this decline.

Other Data and Performance Measures

To this point, recent data on the volume of feature film production in Canada, the number of CAVCO-certified films, budget size, the number of treaty co-productions, box office revenues, market share for Canadian films and shifts in the type of funding sources have been presented. In several cases these data have been useful tools for gauging the extent to which certain objectives of the feature film policy have been met. For example, it was seen that:

- the overall market share for the Canadian feature film industry is closing in on the policy target of 5%;
- Canadian films in the French-language market now enjoy a market share of more than 25%;
- Canadian films in the English-language market continue to struggle, but audiences have increased very slightly, from a market share of 0.2% in 2001 to 1.6% in 2004;
- production budgets have been on the rise and an increasing number are in fact above the \$5 million threshold proposed by the policy;
- box office revenues, although down overall in 2004, continue to climb for Canadian films⁸; and
- public support for Canadian film production is more important than ever before.

⁸ Box office revenues are affected by the number of paid admissions as well as increases or decreases in ticket price. A more considered discussion of these variables will be undertaken in the Committee's final report.

What these data cannot tell us, however, is anything about the extent to which Canadian films are being watched abroad or anything about other contexts (that is, outside Canadian cinemas) where Canadians are watching or have access to Canadian films. This is because data such as these are not collected in any systematic way.

The absence of such data coupled with a complete absence of any demographic data that describe those Canadians who do go to the cinema, poses a serious problem for a full appraisal of Canada's feature film policy. Indeed, as this report will discuss later on, Canadian audiences now have access to Canadian films through many more sources than was once the case (e.g., DVD rentals and sales, pay-per-view, video-on-demand, through the Internet, etc). Regrettably, publicly available data on these sorts of viewing practices seem to be virtually non-existent.

Running in parallel with this challenge is the vague and subjective nature of certain policy objectives that lie at the very heart of the 2000 film policy. The policy, for example, seeks to "foster the quality and diversity of Canadian feature films." But what performance measures can possibly be used to gauge such an objective?

On a related note, the policy places a singular emphasis on "filling cinemas with enthusiastic audiences for Canadian films."⁹ But is this really the best method to reach Canadians? Is it realistic to be trying to reach Canadians through a cinematic infrastructure built by Hollywood for Hollywood films? This report will return to this question as well as the question of suitable performance measures later on. For now, it turns to a brief examination of what the Committee has heard to date about Canada's feature film industry.

C. PRELIMINARY OBSERVATIONS ON WHAT THE COMMITTEE HAS HEARD

As noted earlier the Committee has heard so far from more than 180 witnesses. It has also received more than 80 submissions. What follows is not intended to be a comprehensive summary of what has been heard to date, but more of a reflection on key issues that have surfaced. The Committee recognizes many of the matters that are being raised require further and more in depth exploration. That said, it sees it as important to share with the film industry its preliminary observations on some of the core issues and constants that have been mentioned repeatedly since it launched its study this past February.

⁹ *From Script to Screen — New Policy Directions for Canadian Feature Film*, Government of Canada, October 2000, p. 5.

Creation, Production and Marketing

The creation and eventual exhibition of a feature film is a complex process involving the work of writers, producers, directors, actors and a host of important technical skills including lighting, set design, sound, photography, costumes and makeup to name only a few.¹⁰ However, witnesses told the Committee repeatedly that the most important element in a successful film is a story — the script.

The 2000 policy *From Script to Screen* recognized the importance of scriptwriting in part by suggesting that under the new policy more resources would be devoted to the development of scripts. The assumption being that the presence of more and better scripts would eventually lead to the creation of more successful Canadian feature films.

Of course, the creation of a screenplay, no matter how well done, does not guarantee the eventual success of a movie. There are other activities that are crucial to the creation of a successful feature film. The film must be produced and this requires that a producer pull together the financing for a film, and arrange for all the elements necessary to make the film (e.g., work with a director, photographer and so on). The producer also has to ensure that the film will be marketed, distributed and exhibited.

The steps involved in creation, production, marketing, distribution and exhibition are often described as the value-chain required for a successful movie. If one of the elements in the chain is not in place then the film will be far less likely to succeed.

The Committee heard many complaints about the “value chain” particularly as it applies to the creation and exhibition of English-language feature films. Although *From Script to Screen* recognized the importance of script development, a number of witnesses pointed out very meagre resources were actually added to those available for script development. Indeed, the Screenwriting Assistance Component of the Canadian Feature Film Fund administered by Telefilm represents a mere \$2.3 million of the Fund’s overall budget of \$100 million.

Furthermore, although the policy recognizes the importance of the producer, a number of rules, regulations and requirements (e.g., of CAVCO and Telefilm) get in the way of producing and marketing films. Criticisms included:

¹⁰ The education and training of these people is an important element of a comprehensive film policy. However, it is not dealt with directly in *Script to Screen*, and so is not dealt with in this interim report. However, education and training will be an important section of the Committee’s final report.

- copyright requirements;
- Telefilm clawbacks, the “grind”;
- the absence/difficulty of bridge financing;
- the delay in receiving payments for tax credits; and
- the fixed timing of funding decisions each year.

Telefilm’s decision-making process was another criticism that was raised repeatedly. There were two elements to this criticism: Telefilm’s historic tendency to disregard the importance of finding an audience and its failure to provide adequate marketing support.

Prior to the introduction of the new film policy, reaching audiences was not, and had never been, a criterion used by government funding organizations such as Telefilm Canada to determine which film projects would, or would not, receive funding; potential for success simply did not matter. This, in part, helps explain the poor track record for Canadian films (at least prior to 2000) in terms of attracting audiences in Canada and elsewhere. This also helps explain why a key objective of the new film policy is “to build larger audiences at home and abroad.” Indeed, as the Committee was told on several occasions, films do not really matter if no one ever sees them.

Just as witnesses criticized the level of funds available for script development and the decision making process, they also criticized the inadequate funds available for marketing. Although *From Script to Screen* recognized the importance of marketing, and there is some evidence that average marketing budgets have increased, there are still formidable difficulties involved in the marketing of English-language feature films.

English-language Canadian films compete in a North American market with hundreds of foreign (mostly American) films. A typical American film will have a marketing budget that equals or exceeds the cost of producing the film. If a film cost \$30 million US to produce it will probably have a marketing budget close to \$30 million US. Very few Canadian feature films have marketing budgets of more than \$150,000 and most will have a marketing budget much smaller than this. The consequences of this is that many of the Canadian feature films funded by Telefilm in the past have not had an authentic theatrical release (that is, they did not appear in more than one or two cinemas, in part because they did not have a marketing budget to support their release).

Another consequence of the relatively low marketing budgets for English-language Canadian films is that very few Canadians have any awareness whatsoever that these films were ever made, let alone an opportunity to see them. As one witness told the Committee, even the most committed film buff has a hard time finding, let alone seeing, English-language Canadian films.

Another witness described the total box office for a number of English-language Canadian films in the past six months (to May 2005) as ranging from \$144,000 to \$14,000. If ticket prices are approximately \$10, this means that the most successful film was seen by about 15,000 people, while others were seen by less than 2,000 people.

A number of witnesses also pointed out, however, that these difficulties do not apply to the marketing of French-language Canadian films, particularly in Quebec, where a vibrant “star system” has been successfully developed in recent years. The most important difference in the marketing of French-language films is that they are not competing with films from Hollywood. American films, it was noted, “under perform” in Canada’s French-language markets and since the market is so much smaller, the average marketing budget is more likely to provide the resources required to reach the potential French-language audience.

Measuring Success

As noted earlier, an important issue when trying to measure the success of Canadian feature films has to do with clarifying our policy objectives. French-language feature films have been a success, both individually (e.g., *Les Invasions barbares*) and as a whole (based on box office receipts); unfortunately, the same successes have not been witnessed in the English-language market.

One problem has to do with the fact that it is unrealistic to expect English-language films to compete with Hollywood blockbusters. After all, a typical blockbuster costs in the neighbourhood of \$100 million US and in some instances will have a marketing and promotion budget worth more than the annual budget for the Canadian Feature Film Fund!

Given this economic reality several witnesses suggested to the Committee that the successes of French- and English-language Canadian films should be measured against independent films from around the world (in English and French and other languages). If this is so, we are confronted by the fact that there is a paucity of performance data on independent films (e.g., market share, average box office revenues and so on) with which to compare the success of Canadian feature films.

But if we are to compare the performance of Canadian films against the performance of foreign independent productions, a definitional problem surfaces. For example, although most people involved in the industry have an intuitive sense of what an independent film is — i.e., it is made by a producer (who probably controls the copyright) and is not working directly with a major studio — there are many different avenues by which film may come into being. This makes it very difficult to develop definitions that satisfy everyone. The American film *Sideways*, for example, is described as an independent film, but it was fully financed by Searchlight Pictures a division of 20th Century Fox. It is thought of as an independent film, however, because it is not a typical studio picture, is not a sequel and is not designed as a “franchise.” Clearly the classification of

films presents a major challenge for those charged with developing more appropriate performance measures.

Distribution and Exhibition

Creating and producing Canadian feature films is one thing. Getting those films viewed by Canadians is quite another. Film distributors play a crucial role in the chain between the creation of a film and it being seen by audiences. Distributors acquire the rights for the distribution of a film from the producer and ensure that it is promoted, marketed and exhibited. In some cases, a distributor may also choose to invest in a particular film. A distributor, therefore, is an essential component to the feature film industry in Canada.

To obtain the rights for distribution, a distributor will usually either pay the producer an advance on future revenues or give a guarantee of a fixed return. Distributors cover the costs of film prints and advertising and use their expertise to create a marketing strategy for the film. Distributors work closely with film exhibitors: box office admission revenues are shared between distributors and exhibitors on the basis of an agreed percentage. In addition to the release of the film in cinemas, distributors also plan, strategize and pay for the marketing and later release of the film on DVD or other format.

Because distributors are obliged to invest a great deal of money in a film prior to its release, it is in their best interests to ensure that film is seen by as large an audience as possible. For that reason, distributors are usually selective about the films they agree to take on for distribution and tend to assess the potential “success” of a film in terms of revenue return. This makes it very important for distributors to have in place a properly conceived distribution strategy well in advance of a film’s release.

As for exhibition, several witnesses raised the possibility of imposing screen quotas on exhibitors as a way to increase the visibility of Canadian film. That is, regulations should be enacted to oblige cinemas to screen a certain percentage of Canadian films.

These witnesses pointed to the success of Canadian content (“CanCon”) regulations requiring broadcasters in Canada to air a certain percentage of Canadian television shows on television or Canadian music on radio as a condition of their broadcasting licence. They argued that this success could serve as a model for similar CanCon requirements for showing Canadian films on cinema screens.

The federal government is able to legislate and regulate Canadian content on television and radio because it has the power to enact laws with respect to broadcasting under the *Broadcasting Act*. This power to regulate broadcasting comes from the *Constitution Act, 1867*, which reserves for Parliament the power to regulate “Lines of Steam or other Ships, Railways, Canals, Telegraphs, and other Works and Undertakings connecting the Province with any other or others of the Provinces, or extending beyond the

Limits of the Province”.¹¹ Over time this power has been determined to include broadcasting, since the airwaves are deemed to be a scarce public resource best regulated on a national basis.¹²

However, the licensing of films for distribution and exhibition of films in Canada is a matter of property and civil rights and as such falls wholly within provincial jurisdiction under section 92(13) of the *Constitution Act, 1867*.¹³ Any federal attempt to directly regulate film distribution and exhibition, therefore, will run afoul of this constitutional ordering. In short, Parliament simply lacks the constitutional capacity to enact laws mandating screen quotas for Canadian films.

That said, the federal government’s constitutional power to regulate trade and commerce as well as foreign investment does, in fact, offer one point of entry for the regulation of film distribution and exhibition in Canada. Since 1988 the *Investment Canada Act* has prohibited takeovers of Canadian-owned and controlled distribution businesses. Moreover, any newly established foreign-owned distribution businesses in Canada may only import and distribute proprietary products where the importer owns the “world rights” or is a major investor. This world rights distinction is important because American distributors typically only have control of the “North American” distribution rights.

Crucially, a number of foreign distributors — known collectively as “the U.S. majors” — are not subject to this policy because they were in operation prior to 1988. These major film distributors have been operating in Canada since the 1930s and at that time claimed Canada as part of their North American distribution territory. This historical fact resulted in these companies being allowed to continue their existing business practices despite the 1988 policy change set out in the *Investment Canada Act*.

The main production funding measures (i.e., Telefilm, the Canadian Television Fund, the Canadian Film or Video Production Tax Credit) for Canadian feature films require that those films be distributed by Canadian-owned and controlled distributors. This means that foreign distributors are not permitted to distribute Canadian feature films. In Canada, foreign-controlled companies may only distribute proprietary films. A proprietary film is one in which the distributor owns the world rights or is a major investor. Other foreign films must be distributed by a Canadian company other than the U.S. majors such as Paramount, Columbia or Universal that has acquired the rights to distribute any films in Canada.

As of 2004, 36 Canadian and foreign-owned distributors were active in theatrical distribution in Canada. Of these, eight member companies represent the large Canadian film distribution firms and there are eight major American distributors. Figure 9 shows the

¹¹ *Constitution Act, 1867*, s. 92(10)(a).

¹² See, for example, *Radio Reference* [1932] A.C. 304.

¹³ *Re Nova Scotia Board of Censors et al and McNeil* (1978), 84 D.L.R. (3d) 1.

share of the Canadian box office by Canadian and foreign-controlled distributor for the years 2001 and 2004. As can be seen, the dominant Canadian distributor during both periods was *Alliance*, with a market share of 14.1%. Overall, however, nearly 75% of all films distributed in Canada in 2001 and in 2004 were distributed by foreign-controlled companies.

Figure 9 Share of total Canadian box office revenues by individual distributor, 2001 and 2004

2001				2004			
Distributor	Revenues (\$ millions)	% share of revenue	Number of titles	Distributor	Revenues (\$ millions)	% share of revenue	Number of titles
Warner Bros	129.8	16.0	33	Warner Bros	130.9	14.5	37
Alliance	114.5	14.1	62	SONY	129.1	14.3	22
Universal	104.0	12.8	23	Alliance	127.6	14.1	60
FOX	102.7	12.6	26	Dreamworks	91.9	10.2	10
Paramount	86.7	10.7	28	Buena Vista	91.4	10.1	25
SONY	74.7	9.2	31	Universal	82.7	9.2	20
Buena Vista	67.6	8.3	19	FOX	81.4	9.0	32
MGM	34.9	4.3	10	Paramount	58.7	6.5	25
Dreamworks	34.5	4.2	11	Odeon/AA	37.7	4.2	57
Odeon Films Int.	24.1	3.0	46	Equinoxe	24.3	2.7	11
Blackwatch	15.0	1.8	3	MGM	11.7	1.3	18
Others (Canadian)	9.5	1.2	151	Lion's Gate	10.5	1.2	12
Christal	6.7	0.8	17	Christal	9.6	1.1	40
Seville	4.6	0.6	22	Others (Canadian)	7.4	0.8	146
TVA	4.3	0.5	20	TVA	5.1	0.6	21
				Seville	2.9	0.3	30
Canadian-controlled	178.7	22.0	341	Canadian-controlled	225.1	24.9	377
Foreign-controlled	634.8	78.0	161	Foreign-controlled	677.8	75.1	189
Total	813.6	100.0	502	Total	902.9	100.0	566

In red – Canadian-controlled distributors
In blue – Foreign-controlled distributors

Source: Department of Canadian Heritage

Concerns that the U.S. majors possessed an unfair business advantage led the Competition Bureau in 2000 to investigate the distribution and exhibition of feature films in Canada. Some film exhibitors alleged that the major film distributors, as well as major film exhibitors, engaged in anti-competitive practices. These allegations included:

- insisting that the major distributors supply the major exhibitors with exclusive licenses to exhibit films;
- that major exhibitors used their market power to pressure distributors not to supply licenses for commercially valuable motion pictures to independent exhibitors; and
- that the major exhibitors individually align themselves with their own group of major distributors to the exclusion of other exhibitors.

Through the above arrangements with major distributors, the major exhibitors get a right of first refusal over licenses for motion pictures. It was alleged that the overall effect of these practices was to substantially lessen and prevent competition in markets for film exhibition in Canada.

The Competition Bureau conducted an investigation into these allegations with a view to determining whether the practices amounted to a breach of the *Competition Act*, section 75 (refusal to supply) or section 79 (abuse of dominant position). The Bureau noted that distributors hold the copyright to license their motion pictures in Canada. However, a licence is not a product as the term is used in section 75 of the Act. Therefore, the Bureau determined that it could not pursue the complaints from exhibitors under section 75 of the *Competition Act*.

Turning to the question of possible abuse of dominant position, during its review the Bureau noted that certain major distributors appeared to have a preference for dealing with either one of the two major film exhibitors, and that it is generally the practice of distributors to license a motion picture to only one exhibitor in a local area or “zone”. Nevertheless, taking into consideration the large number of films distributed throughout Canada in the five year period considered, the Bureau concluded that the evidence available was not sufficient to support the allegation that the major film exhibitors successfully pressured motion picture distributors to not supply independent exhibitors.

Witnesses who appeared before the Committee identified a number of challenges facing the distribution and exhibition of Canadian feature films. Chief among these is the presence and strength of the U.S. majors and their effect on what films are seen and for how long. Control of the distribution systems translates powerfully into control of the films that are seen. Distributors make business decisions focusing on maximizing revenues and in general it is large Hollywood blockbuster-type films that generate the most revenue. Any film that does not create a sufficient amount of box office revenue is simply pulled from the screens.

Moreover, a Canadian feature film that may be grossing better than the other films that are playing at the time may be pulled in favour of another film that is perceived to be a potential blockbuster. This lack of screen space and time, together with an inability to compete with large American corporations, is a source of considerable frustration.

As mentioned earlier, because of their investment in films prior to their being released, it is in a distributor’s best interests that a film be seen by as large an audience as possible. Distributors are therefore very selective about the films they undertake for distribution. This, combined with the limited number of Canadian distributors, has led some to consider those Canadian distributors to be “gatekeepers” with the power to decide which projects go forward and which do not. This is a considerable concern: absent a distribution deal with a Canadian distributor, Canadian producers are unable to get access to public funding for their projects.

Additionally, distributor selectivity can create a certain “comfort zone” beyond which a distributor is reluctant to venture. This leads to a tendency to adhere to a formula believed most likely to lead to financial success, which may reinforce the status quo, to the detriment of distributors and films that lie outside this comfort zone.

An additional area of concern was the amount of money made available to Canadian distributors for the distribution and promotion of Canadian feature films. While there are numerous incentives for the creation and production of feature films in Canada, there is less emphasis on help with the distribution. Given the hegemony of the U.S. majors and the money they are able to put into distribution and promotion, it is a considerable challenge for Canadian distributors to get their films noticed. Canadian distributors are seen to lack the clout that U.S. distributors have with their affiliated exhibitors.

As well, distribution and marketing budgets and plans sometimes appear as afterthoughts rather than being an integral part of the creation and production process. This appears to highlight a need for greater awareness of marketing and promotion as a key policy element for the distribution of Canadian feature films. It also reinforces the importance of having a well-conceived marketing and distribution strategy in place prior to a film’s release.

Related to financial concerns is the issue of accountability. While agencies such as Telefilm and others require a distribution and marketing plan, some concern was expressed with respect to the fact that there appears to be little way to ensure that distributors follow through on those plans. It was therefore suggested that Telefilm and other federal agencies that provide funding and support be able to hold distributors accountable for legitimate and viable marketing and promotion plans.

Currently, only Canadian-owned and controlled distribution companies may distribute Canadian films. In order to obtain public funding for production projects, producers are obliged to align themselves with Canadian distributors only. As noted, this field lacks the financial resources available to foreign — and especially American — distributors. Thus Canadian producers must opt between government incentives or a broader choice of distributors.

It was suggested by witnesses that if Canadian producers were able to deal with those foreign distribution companies that have access to the Canadian market (i.e., the U.S. majors) this would broaden the pool of companies to which producers could pitch their projects. This in turn would increase competition and could lead to increased levels of public-private funding over time.

Lastly, a further problem with distribution relates to the physical distribution of film and the wear and tear on the film itself as a result of this process. Presently, prints of analog films are made for physical distribution to individual cinemas. Each film is replayed in cinemas numerous times before being distributed to the next cinema in line, which plays it numerous times and then passes it along to the next cinema and so on. Cinemas that do

not receive first copies of a film are obliged to wait until a copy is available to them. Moreover, each showing of the film degrades its slightly so that the further down the line a film is the less perfect its quality.

E-cinema, short for “electronic cinema”, represents a new technology that could substantially change the way films are distributed in Canada and elsewhere. Using digital technology, it is a way in which films may be distributed in a much more cost-effective manner.

Currently, analog (non-digital) films are printed and then individually distributed to individual cinemas. Oftentimes Canadian films cannot be launched in many cinemas because it costs so much to make analog prints. The process of playing, replaying and then sending the film to the next cinema in line leads to the degradation of the film as mentioned earlier. This process also obliges some cinemas to wait their turn in line to receive a given film.

Digital distribution avoids these problems. Digital reproductions are virtually perfect from the first copy to the thousandth copy. Moreover and as importantly, material in digital form may be easily and broadly distributed. A film in digital form can be distributed to numerous cinemas simultaneously with no loss in quality and at a reduced cost. The attraction of this new form of film distribution is obvious.

It is not, however, without its problems. It is not enough to have a film in electronic format that can be distributed electronically; the receiving cinema must be appropriately equipped to show digital films. The start-up costs to switch from an analog to a digital cinema can be very expensive for many cinemas and prohibitive for almost all small independent ones. Currently Canada has fewer than a dozen digital exhibition screens, while the United Kingdom already has 50 and The Netherlands is also very active in this area.

D. CONCLUSION

The Ecology of Film

Although this report has discussed the importance of a “theatrical release” for a film and witnesses stressed a number of areas that need to be improved it is important to realize that a theatrical release in 2005 does not have the same relation to the total audience or revenue for a film that it did in the 1950s. In the early 1950s 100% of a film’s revenue would come from the theatrical release. This is no longer the case. Revenues now come from the sale and rentals of DVDs, pay-per-view and the sale of television

rights. A recent article in the *Wall Street Journal* suggested that for many films theatrical release was both an important part of the overall marketing strategy and often a revenue source of only 20% of what a film might earn.¹⁴

These changes in what might be called the “ecology” of film have not been fully recognized by the 2000 feature film policy. The larger portion of the audience for most Canadian films is probably television viewing and through the sale or rental of DVDs and videos. Certainly the television audience for a film is likely to be much higher than the few thousand that might have seen the film in its theatrical release.

For these reasons, and others, assessing the success of *From Script to Screen* only in terms of the success of the theatrical release of a film is probably unwise. This is not to deny the integral role of theatrical release, only to suggest that theatrical release is merely one of a number of sources for Canadian audiences for Canadian films.

Indeed, although the core elements of this study have to do with Canada’s feature film industry it is abundantly clear to the Committee that the feature film industry has important links to both Canada’s broadcasting system and the production of non-Canadian films (foreign shooting) in Canada. The skills required to produce television drama or to work with foreign producers are the very skills that one needs to have a healthy and viable Canadian film industry.

Witnesses also raised questions about the focus of the 2000 policy on feature films to the exclusion of long-form, feature length documentaries. They pointed out that documentaries have long been a Canadian strength and a narrow definition of feature film (i.e., one that excludes long form documentaries) acts to weaken a Canadian strength.

Next Steps

An interim report, by definition, cannot be complete. The Committee is well aware there are gaps in its presentation of the issues that it has heard to date. This does not mean, however, that it is insensitive to the full range of issues that have been raised. For example, this report has not addressed:

- the definition of “feature film”;
- the importance of cultural diversity;

¹⁴ “Today a movie’s run in the theatres is really a marketing campaign for the movie-affiliated products to come. ... Fifty years ago, a movie’s run in the theatres accounted for all of the revenue to the studio; now it makes up less than 20%.” *Wall Street Journal*, Jessie Eisinger — “Weekend Box Office Isn’t the Ticket,” Wednesday, May 25, 2005, p. C1.

- the contribution of foreign location service productions to the Canadian feature film industry;
- copyright and intellectual property rights;
- the importance of federal tax credits;
- the importance of provincial support measures;
- conservation and preservation;
- the growing importance of short and long-form documentaries;
- the role of training schools;
- audio and sound mixing;
- dubbing and subtitling;
- the ownership of exhibitors and distributors;
- the role of Telefilm Canada;
- the role of the Canadian Television Fund;
- the role of the CRTC;
- the role of Canada's public and private broadcasters;
- the role of the Competition Bureau;
- the overall structure of the financing system;
- the role of Canadian and international film festivals;
- the role of Canada's trade commissioners, embassies and consulates;
- developments in new technologies and innovative new distribution methods (e.g., e-cinema and d-cinema); and,
- policy approaches, funding strategies and tax structures in non-Canadian jurisdictions.

Furthermore, a more in-depth analysis of recent hearings held in the Western and Atlantic regions remains, and additional consultations with industry stakeholders and government are required.

Notwithstanding the many issues that have not been addressed, the Committee is convinced that it has received sufficient input to issue a call for a second round of submissions. In the next stage of its work, the Committee would like to focus on the questions found in Appendix B.

The Committee is of the view that the first round of its work (February to June 2005) has allowed it to develop an understanding of the core issues facing Canada's feature film industry. During the second phase of its work, which it intends to launch as soon as Parliament resumes in September 2005, it would like to focus on the questions raised in

Appendix B. This second round may not involve hearings, but does require input from industry stakeholders. For this reason, the Committee calls on interested parties to submit before 15 September 2005 their response (or responses) to those questions that apply. Please note that there is no need to respond to all of the questions listed.

The Committee further notes that responses should not take the form of a traditional brief. With this in mind, it stresses that:

- Responses should be clear and concise and propose specific language that could be used for the development of recommendations to address particular issues related to Canada's feature film industry.
- Each recommendation should be followed by a short paragraph that describes or justifies the advantages and disadvantages that might flow from any proposed changes.
- No assumption should be made that additional resources will be made available; recommendations should make every effort to work within the available funding envelopes.

The Committee looks forward to the next phase of its study and thanks all of those who have made contributions to date.

Standing Committee on
Canadian Heritage



Comité permanent du
Patrimoine canadien

TERMS OF REFERENCE STANDING COMMITTEE ON CANADIAN HERITAGE THE CANADIAN FEATURE FILM INDUSTRY

It is proposed to conduct a comprehensive study on the evolving role of the federal government in support of the Canadian feature film industry. In particular, the Committee will examine the following:

- The influence and effectiveness of the Government of Canada's Canadian Feature Film Policy (2000)
- The structure and effectiveness of existing direct and indirect support mechanisms (e.g., Telefilm Canada, the National Film Board, Canadian Television Fund, tax credits)

The objective of this study will be to identify the extent to which the Government of Canada's Canadian feature film policy has helped to: develop and retain talented creators; foster quality and diversity of Canadian film; build larger audiences at home and abroad; preserve and disseminate our collection of Canadian films.

APPENDIX B — QUESTIONS FOR CONSIDERATION

Creation and Production

1. The 2000 feature film policy places an emphasis on support for the front-end phases of filmmaking such as scriptwriting and project development.
 - a. What can be done to reallocate resources for scriptwriting?
 - b. What can be done to increase resources for project development?
 - c. Should support for script development and marketing be offset by a reduction in the number of films that receive support?

Marketing

2. Commercially successful filmmakers often spend as much marketing a film as making a film. Canada's feature film policy suggests that the average marketing budget for a \$5M film should be approximately \$500,000. Is this sufficient?
3. Are new financial instruments required to support the marketing of Canadian films?
4. To what extent is the difference between the levels of success in Canadian French-language and English-language feature films due to differences in marketing budgets?
5. What specific public and private incentives can be put in place to encourage the exhibition of trailers for Canadian films?

Existing Support Mechanisms

6. How well are the existing funding support agencies (Telefilm Canada, Canadian Television Fund, National Film Board, Canada Council) working?
 - a. Are all of these agencies required?
 - b. To what extent is there a duplication of service?
 - c. How could these organizations be improved?
 - d. Should any steps be taken to harmonize or integrate the work of existing agencies?

7. What should be done about specific film financing issues (e.g., the application process, the control of a film's copyright, clawbacks, the grind, the Telefilm decision-making process, performance envelopes, etc)?
8. Existing support mechanisms award funds for the production of specific film projects. Little or no funding support exists to help sustain production companies (i.e., the film production infrastructure). This is in contrast to federal programs in other areas (e.g., book publishing).
 - a. Should a separate mechanism to support production companies be developed?
 - b. If yes, who should manage such a program?
9. Are existing federal tax credit incentives (The Canadian Film or Video Production Tax Credit (CPTC) and the Production Services Tax Credit (PSTC)) sufficiently flexible?
10. Should the CPTC be increased to reward the use of a greater number of Canadians?
11. What can be done to encourage greater private investment in Canadian feature films?

Distribution and Exhibition

12. Do current ownership rules for film distributors inhibit access to Canadian feature films? If yes, what can be done?
13. Does the ownership of film exhibitors inhibit access to Canadian feature films? If yes, what can be done?
14. Are new financial instruments required to support the distribution and exhibition of Canadian films?
15. The licensing of films for distribution and exhibition in Canada is a matter of property and civil rights and as such falls wholly within provincial jurisdiction under section 92(13) of the *Constitution Act, 1867*. With this in mind, how can the federal government work with the provinces to encourage the distribution and exhibition of Canadian feature films?
16. Are there any specific exhibition strategies (e.g., in schools, First Weekend Clubs, etc.) that could be used to develop audiences for Canadian films? What role could the federal government play?

Training

17. What specific improvements need to be made to the education and training programs for those aspiring to work in the feature film industry?
18. Are there any ongoing training needs required for those who are currently working in the feature film industry? How might this be done?

Preservation

19. The Auditor General's November 2003 report notes that the preservation of Canada's cultural heritage, including feature films, is at risk. What measures are required to ensure the preservation of Canada's feature film heritage?

Governance

20. Is the current organization and governance of the institutions directly and indirectly involved in the support of Canadian feature film appropriate? What specific changes in governance are required?
21. Does the Canadian content certification system (CAVCO) help foster, or hinder, the creative process that underlies the production of Canadian feature films?
22. The CRTC and CAVCO do not use the same criteria to certify Canadian content. Recent reports have suggested that one arm's-length organization should be responsible for the certification of Canadian content. Would this help the Canadian feature film industry?
23. Telefilm's equity recoupment process involves ongoing costs for producers. Should equity recoupment be limited to a fixed period after a film is released (e.g., for three years)?
24. The 2000 feature film policy made permanent a panel comprised of industry representatives, known as the Canadian Feature Film Advisory Group. The purpose of this panel was to provide advice to Telefilm Canada on how best to achieve the objectives of the policy. In April 2005 the Minister of Canadian Heritage dissolved the Advisory Group.
 - a. Was the Canadian Feature Film Advisory Group an effective policy oversight instrument?
 - b. What were its strengths and weaknesses?
 - c. Is an advisory group still needed? If yes, please provide details on its potential membership and mandate. If no, please explain why the group is not necessary.

Film Policy Questions

25. How should the policy define feature films?
26. How should “Canadian content” be defined for the purposes of the feature film industry?
27. What could be done to harmonize, modernize or simplify existing definitions of Canadian content?
28. Should the feature film policy support the production of long form documentaries?
29. An objective of the current feature film policy is to foster the quality and diversity of Canadian feature films. How should diversity be defined and measured?
30. The feature film policy does not mention the creation or preservation of jobs made possible by foreign location shooting in Canada. Should industrial objectives be an element of the feature film policy?
31. Should different objectives, targets and measures be developed for the French- and English-language markets?
32. Data on Canadian film audiences (e.g., age, sex, language) and their viewing preferences (e.g., theatrical, television, DVD, etc.) are difficult to obtain. Should a revised policy place a stronger emphasis on measurement?
33. Since 1967, Canadian feature film policy, and the programs designed to support it, has assumed that Canadian feature films should be promoted and distributed within the existing framework designed for Hollywood films. Given the limited levels of success in reaching audiences in this manner in the English-language market (and the costs involved), should this assumption be reconsidered?
34. Witnesses have suggested the development of an alternate distribution system using new exhibition methods such as e-cinema and d-cinema.
 - a. Is this feasible?
 - b. What would be the likely costs?
 - c. How could such a system be developed?
35. Looking ahead five years, what targets should a revised policy set for the Canadian feature film industry? What would be required to bring these about?

Related Policy Questions

36. What specific changes, if any, need to be made to CRTC policies?
37. What specific policies or practices do the CBC and Radio-Canada need to put in place to enhance the viewing of Canadian feature films?
38. Do treaty co-productions have a positive or negative impact on the creation of Canadian feature films?
39. Are any specific changes to copyright law or policy required?

Measurement

40. Canada's feature film policy sets an annual target of 5% for the viewing of Canadian films in theatrical release.
 - a. Is this a reasonable target?
 - b. Is this a useful way to measure the extent to which Canadian films are reaching audiences?
 - c. Should there be separate targets for the English and French-language markets?
41. The 2000 feature film policy does not take into account other ways that Canadian feature films may reach audiences (e.g., conventional broadcasting, pay-per-view, specialty and digital services, PVRs, DVDs, video-on-demand, peer-to-peer file-sharing).
 - a. What are the most appropriate performance measures for Canada's feature film policy?
 - b. Should a revised policy recognize non-theatrical distribution and exhibition methods?
 - c. Should a revised policy place a stronger emphasis on support for non-theatrical distribution and exhibition methods.
 - d. Should performance measures include the viewing of feature films on television and through video sales and rentals?

42. Rather than measuring the success of Canadian films against Hollywood blockbusters, should performance measures focus on how well Canadian films compete with films made by foreign independent filmmakers?
43. Who should be responsible for gathering and reporting on performance measures?

APPENDIX C LIST OF WITNESSES

Associations and Individuals	Date	Meeting
Canada Council for the Arts	17/02/2005	18
Carol Bream, Acting Director, Arts division		
John Hobday, Director		
David Poole, Head, Media Arts Section		
National Film Board of Canada		
Jacques Bensimon, Government Film Commissioner and Chairperson		
Laurie Jones, Director General, Communications and Outreach Development		
Canadian Independent Film and Video Fund	22/02/2005	19
Mary Armstrong, Vice-President		
Robin Jackson, Executive Director		
Canadian Audiovisual Certification Office	24/02/2005	20
Robert Soucy, Director		
Department of Canadian Heritage		
Jean-François Bernier, Director General, Film, Video and Sound Recording		
Canadian Radio-television and Telecommunications Commission	08/03/2005	21
Nick Ketchum, Director, English-language Radio and Television Policy		
Jacques Langlois, Director General, Broadcasting Policy Group		
Marc O'Sullivan, Executive Director, Broadcasting Directorate		
Telefilm Canada	10/03/2005	22
Charles Bélanger, Chair of the Board of Directors		
M.S. Wayne Clarkson, Executive Director		
Karen Franklin, Director, English Operations		
Ralph Holt, Sector Head, Feature Film		
Michel Pradier, Director, French Operations and Quebec Office		
Canadian Motion Picture Distributors Association	22/03/2005	23
Douglas Frith, President		
Susan Peacock, Vice-President		
Motion Picture Theatre Associations of Canada		
Adina Leboe, Executive Director		

Associations and Individuals	Date	Meeting
Alliance of Canadian Cinema, Television and Radio Artists Thor Bishopric, National President, National ACTRA Wendy Crewson	24/03/2005	24
Canadian Conference of the Arts Peter Fleming, Consultant Jean Malavoy, National Director		
Manitoba Film & Sound Carole Vivier, Chief Executive Officer	04/04/2005	25
Manitoba Motion Picture Industry Association C.V. Caryl Brandt, Executive Director		
Saskatchewan Film & Video Development Corporation Valerie Creighton, Chief Executive Officer		
Saskatchewan Motion Picture Association David Hayter, Chief Executive Officer		
Winnipeg Film Group Victor Jerrett-Enns, Executive Director Kevin Nikkel, Board Member Carole O'Brien, Board Member		
Alberta Motion Picture Industries Association George Baptist Shirley Vercruysse		26
Alliance of Canadian Cinema, Television and Radio Artists Wendy Anderson, National Councillor, Saskatchewan Michael Burns, Branch Representative, Saskatchewan Claude Dorge, Member Rob Macklin, Member, Manitoba		
National Screen Institute Marci Elliott, Senior Director, Marketing and Development Susan Millican, Chief Executive Officer		
ACTRA — Toronto Performers Don McKellar, Actor, Writer and Director Sarah Polley, Actor, Director	06/04/2005	27

Associations and Individuals	Date	Meeting
FilmOntario Sarah Ker-Hornell, Managing Director Brian Topp, Co-Chair	06/04/2005	27
Guild of Canadian Film Composers Christopher Dedrick, President Paul Hoffert, Chair, Board of Directors		
Producers' Roundtable of Ontario Victoria Hirst, Producer Jennifer Jonas, Producer Martin Katz, Producer Dan Lyon, Producer		
Canadian Association of Film Distributors & Exporters Ted East, President Jeff Sackman, Chairman, Board of Directors		28
Canadian Film Centre Kathryn Emslie, Interim Executive Director, Film & TV Justine Whyte, Executive Director, Feature Film Project		
Documentary Organization of Canada Sandy Crawley, National Executive Director		
Ontario Media Development Corporation Marcelle Lean, Chair, Board of Directors Kristine Murphy, Director, Business Affairs and Research Raina Wells, Manager, Research and Strategic Planning		
Toronto Film Board Jack Blum, Industry Co-Chair, Domestic Development Working Group		
White Pine Pictures Peter Raymont, President		
Directors Guild of Canada Pamela Brand, National Executive Director Sturla Gunnarsson, Chair, National Directors Division and Filmmaker Arden Ryshpan, Manager, Director Affairs	07/04/2005	29
PS Production Services Inc. Doug Dales, President and Chief Executive Officer		

Associations and Individuals	Date	Meeting
Women in Film and Television — Toronto Kate Hanley, President Natalie Kallio, Communications Coordinator	07/04/2005	29
Writers Guild of Canada Gail Martiri, Director of Policy Maureen Parker, Executive Director Judith Thompson, Screenwriter		
Canadian Film and Television Production Association Robin Cass, Triptych Media Inc. Sandra Cunningham, Strada Film Danny Iron, Foundry Films Robert Lantos, Serendipity Point Films Alexandra Raffé, Savi Media Inc.		30
Cineplex Galaxy LP Pat Marshall, Vice-President, Communications and Investor Relations Dan McGrath, Executive Vice-President		
Corus Entertainment Inc. Scott Dyer, Executive Vice-President, Production and Development, Nelvana Limited Andrew Eddy, Vice-President and General Manager, Movie Central Gary Maavara, Vice-President and General Counsel Elaine Partridge, Vice-President, Business Affairs, Nelvana		
Famous Players Nuria Bronfman, Vice-President, Corporate Affairs Michael Kennedy, Executive Vice-President, Film		
Canadian Diversity Producers Association Paul de Silva, President	14/04/2005	32
Canadian Opportunities Partnership Andrew Cardozo, Member		
Canadian Screen Training Centre Max Berdowski, Executive Director Tom Shoebridge, Founder		
Independent Producer Hoda Elatawi, Producer		

Associations and Individuals	Date	Meeting
Library of Parliament Joseph Jackson, Senior Analyst	14/04/2005	32
As An Individual David Black, Consultant		
Anglophone Filmmakers Outside Montreal Nicholas Kinsey	20/04/2005	33
Canadian Association of Film Distributors & Exporters Christian Larouche, President, Christal Film Patrick Roy, Vice-Chairman		
Canadian Film and Television Production Association Arnie Gelbart, Producer Kevin Tierney, Producer, Park EX Pictures		
Conseil québécois des arts médiatiques Deborah MacInnes, General Manager, Main Film Barra Ulrich, Director General		
Documentary Network Malcolm Guy, Member, Board of Directors Monique Simard, Vice-Chair		
Independent Media Arts Alliance Jennifer Dorner, National Director Katherine Jerkovic, Communications Coordinator Peter Sandmark, Consultant		
Institut national de l'image et du son Michel Bissonnette, Vice-President, Board of Directors Suzanne Samson, Assistant Director General		
World Film Festival Serge Losique, President		
As Individuals Bernard Émond Catherine Martin		
Association des réalisateurs et des réalisatrices du Québec Jean-Pierre Lefebvre, President	21/04/2005	34
Association nationale des doubleurs professionnels Guylaine Chénier, Director, Dubbing, Technicolor		

Associations and Individuals	Date	Meeting
Cinemathèque québécoise Pierre Jutras, Director, Conservation and Program Yolande Racine, Chief Executive Officer Kevin Tierney, President	21/04/2005	34
Festival du cinema international en Abitibi-Témiscamingue Jacques Matte, President Guy Parent, Administrator		
Société des auteurs de radio, télévision et cinéma Joanne Arseneau, Secretary, Board of Directors Mario Bolduc, Vice-President		
Vues d'Afrique Nathalie Barton, Treasurer Gérard Le Chêne, President and Director General		
Association des producteurs de films et de télévision du Québec Marc Daigle, President, ACPAV Lorraine Richard, President, Cité-Amérique Claire Samson, Director General		35
Association des professionnels en audio Chantal Barrette, Chief Executive Officer Raymond Vermette, Vice-President, Board of Directors		
Association des propriétaires de cinémas et ciné-parcs du Québec Jean Colbert, President Tom Fermanian, President, Cinéma Pine (1991) Inc. Mario Fortin, Administrator Ré Jean Séguin, Chief Executive Officer		
Hexagram Alban Asselin, Director General Alain Gourd, President, Board of Directors Cilia Sawadogo, Member of the research staff, "Emerging Cinema and Virtual Characters" axis		

Associations and Individuals	Date	Meeting
National Film Board of Canada	21/04/2005	35
Jacques Bensimon, Government Film Commissioner and Chairperson		
Laurie Jones, Director General, Communications and Outreach Development		
Sayedaly Rawji, Director		
Société de développement des entreprises culturelles		
Dominique Jutras, Assistant to the Director General, Politics, Communication and International Relations		
Joelle Levie, Chief Executive Officer, Film and Television		
As An Individual		
Hervé Fischer		
Competition Bureau	10/05/2005	37
Gaston Jorré, Senior Deputy Commissioner of Competition, Mergers Branch		
Richard Taylor, Deputy Commissioner of Competition, Civil Matters Branch		
Department of Finance		
Len Farber, General Director, Tax Policy Branch		
Edward Short, Senior Tax Policy Officer, Tax Policy Branch		
Department of Canadian Heritage	17/05/2005	38
Jean-François Bernier, Director General, Film, Video and Sound Recording		
Philip Stone, Director General, Trade Investment		
Department of Foreign Affairs		
Renetta Siemens, Director, Arts and Cultural Industries Promotion Division		
Department of Foreign Affairs and International Trade (International Trade)		
Sharon Harrison, Acting Director General, International Business Opportunities Centre		
Société Radio-Canada	02/06/2005	41
Suzanne Laverdière, Director, Corporate Affairs and Strategic Planning/French Television		
Alliance of Canadian Cinema, Television and Radio Artists	06/06/2005	42
Nigel Bennett, President, ACTRA — Maritimes		

Associations and Individuals	Date	Meeting
Canadian Film and Television Production Association Mary Sexton, Rink Rat Productions Inc.	06/06/2005	42
Directors Guild of Canada Jarrod Baboushkin, Business Agent, Atlantic Regional Council John Houston, First Vice-Chair		
Nova Scotia College of Arts and Design Fine & Media Arts Bruce Barber, Professor, Media Arts Department Deborah Carver, Executive Director, Development and Special projects		
Nova Scotia Film Development Corporation Ann MacKenzie, Chief Executive Officer		
Atlantic Filmmakers Cooperative Walter Forsyth, Executive Director		43
Box Gang Productions Bruce McKenna		
Creative Action Digital Video Kimberly John Smith, Director		
Empire Theatres Limited Dean Leland, Director of Marketing		
Halifax Film Company Limited Michael Donovan		
Telefilm Canada Charles Bélanger, Chair, Board of Directors M. S. Wayne Clarkson, Executive Director Elizabeth Friesen, Director, Policy, Planning and Research Ralph Holt, Sector Head, Feature Film Michel Pradier, Director, French Operations and Quebec Office	07/06/2005	44
ACTRA — Toronto Performers Ken Thompson, Director	09/06/2005	45
Alliance of Canadian Cinema, Television and Radio Artists Brian Gromoff, National President, ACTRA — Calgary		

Associations and Individuals	Date	Meeting
International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States, its Territories and Canada Don Ramsden, President, Vancouver	09/06/2005	45
As Individuals Bart Beaty, Assistant Professor, Faculty of Communication and Culture, University of Calgary Zoe Druick, Assistant Professeur, Simon Fraser University, School of Communication Catherine Murray, Associate Professor, Simon Fraser University, School of Communication		
Canadian Film and Television Production Association Trish Dolman, Producer Julia Keatley, Keatley Film Ltd		46
Echelon Talent Management Andrew Ooi, President		
Landmark Cinemas of Canada Neil Campbell, Chief Operating Officer		
Motion Picture Production Industry Association of British Columbia Peter Leitch, Chair		
Voice Pictures Inc. Wendy Hill-Tout, President		
As Individuals Dave Thomas, President and Owner, Maple and Palm Productions Nic Wry		
British Columbia Film Lodi Butler, Manager, Film Financing Michael Francis, Chair, Board of Directors Liz Shorten, Manager, Marketing and Communications	10/06/2005	47
Citizen's Coalition for the Protection of Canadian Films Carl Bessai, Chairperson		
First Weekend Club Anita Adams, Executive Director		
Moving Pictures: Canadian Films on Tour Sauching Ng, General Manager		

Associations and Individuals	Date	Meeting
Union of B.C. Performers	10/06/2005	47
Rob Morton, Treasurer, ACTRA — Vancouver		
Howard Storey, President		
Thom Tapley, Business Agent and Digital Media Advisor, ACTRA — Vancouver		
Mercedes Watson, Chief Executive Officer, ACTRA — Vancouver		

APPENDIX D LIST OF BRIEFS

Alberta Motion Picture Industries Association

Alliance of Canadian Cinema, Television and Radio Artists

Anglophone Filmmakers Outside Montreal

Association des producteurs de films et de télévision du Québec

Association des professionnels en audio

Association des propriétaires de cinémas et ciné-parcs du Québec

Association des réalisateurs et des réalisatrices du Québec

Association nationale des doubleurs professionnels

Astral Media Inc.

Atlantic Filmmakers Cooperative

Beaty, Bart

British Columbia Film

Canada Council for the Arts

Canadian Association of Broadcasters

Canadian Association of Film Distributors & Exporters

Canadian Conference of the Arts

Canadian Film and Television Industry Council

Canadian Film and Television Production Association

Canadian Film Centre

Canadian Independent Film and Video Fund

Canadian Motion Picture Distributors Association

Canadian Opportunities Partnership

Canadian Screen Training Centre
CHUM Radio and Television
CineClix Distribution Inc.
Cinemathèque québécoise
Cineplex Galaxy LP
Citizen's Coalition for the Protection of Canadian Films
Conseil québécois des arts médiatiques
Corus Entertainment Inc.
Creative Action Digital Video
Directors Guild of Canada
Documentary Network
Documentary Organization of Canada
Druick, Zoe
Echelon Talent Management
Émond, Bernard
Famous Players
Festival du cinéma international en Abitibi-Témiscamingue
FilmOntario
First Weekend Club
Fischer, Hervé
Guild of Canadian Film Composers
Halifax Film Company Limited
Herrmann, Karl
Hexagram
Independent Media Arts Alliance

Institut national de l'image et du son

International Alliance of Theatrical Stage Employees, Moving Picture Technicians,
Artists and Allied Crafts of the United States, its Territories and Canada

Landmark Cinemas of Canada

Lowenbe Holdings Ltd

Manitoba Film & Sound

Martin, Catherine

Motion Picture Production Industry Association of British Columbia

Motion Picture Theatre Associations of Canada

Murray, Catherine

National Film Board of Canada

National Screen Institute

Nova Scotia College of Arts and Design Fine & Media Arts

Nova Scotia Film Development Corporation

Ontario Media Development Corporation

Producers' Roundtable of Ontario

PS Production Services Inc.

Saskatchewan Film & Video Development Corporation

Société de développement des entreprises culturelles

Société des auteurs de radio, télévision et cinéma

Sullivan, Rebecca

Telefilm Canada

Union of B.C. Performers

Voice Pictures Inc.

Vues d'Afrique

Winnipeg Film Group

Women in Film and Television — Toronto

World Film Festival

Writers Guild of Canada

Wry, Nic

Young, Barry W.

APPENDIX E — BUSINESSES AND ASSOCIATIONS VISITED BY THE COMMITTEE

The Chair would like to express her heartfelt thanks to the following businesses and associations for the warm welcome they gave the Committee members on their visit.

- Corus Entertainment Inc.
- Nelvana Ltd
- Digit Screen
- ExCentris Cinema
- National Film Board
- Toronto Film Studios
- Ubisoft

- Association des producteurs de films et de télévision du Québec (APFTQ)
- Canadian Film and Television Production Association (CFTPA)

MINUTES OF PROCEEDINGS

Tuesday, June 14, 2005
(Meeting No. 48)

The Standing Committee on Canadian Heritage met *in camera* at 9:06 a.m. this day, in Room 308 West Block, the Chair, Marlene Catterall, presiding.

Members of the Committee present: Charlie Angus, Gord Brown, Marlene Catterall, Maka Kotto, Marc Lemay, Deepak Obhrai, Gary Schellenberger, Mario Silva, Scott Simms and David Smith.

Acting Member present: Inky Mark for Bev Oda.

In attendance: Library of Parliament: Joseph Jackson, Senior Analyst; Sam Banks, Analyst.

Pursuant to Standing Order 108(2), the Committee resumed its study of Canadian Feature Film Industry.

The Committee commenced consideration of a draft report.

It was agreed, — That consideration of Bills C-331 and C-333 be postponed until this fall after the summer adjournment of the House.

It was agreed, — That the draft report on Canadian Feature Film Industry be adopted and that the Chair present the report to the House.

It was agreed, — That the Chair and the Analyst be allowed to make editorial changes to the Report.

It was agreed, — That Whereas the Committee could not complete its Report for June 23, 2005, Mr. David Black's contract period for the Committee's Study on Feature Film Industry be extended to October 31, 2005 under the same terms and conditions.

It was agreed, — That the Clerk of the Committee, prepare a draft budget respecting the Committee's proposed travel to Europe this fall in relation to its current study on Canadian Feature Film Industry for consideration by the Committee on Thursday, June 16, 2005.

At 10:17 a.m., the Committee adjourned to the call of the Chair.

Jacques Lahaie
Clerk of the Committee