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**Ontario**

**Ontario Media  
Development  
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**Société de  
développement  
de l'industrie  
des médias  
de l'Ontario**

September 15, 2005

Via email to lahajj@parl.gc.ca

Mr. Jacques Lahaie  
Clerk of the Committee  
House of Commons Standing Committee on Canadian Heritage  
Room 640, 180 Wellington Street  
House of Commons  
Ottawa, Ontario  
K1A 0A6

Dear Mr. Lahaie:

**Re: Questionnaire on the Canadian Feature Film Industry**

The attached submission of Ontario Media Development Corporation (OMDC) is made in response to the questionnaire distributed by the House of Commons Standing Committee on Canadian Heritage on June 22, 2005.

OMDC has been pleased to be part of the Committee's consultation process and looks forward to seeing the Committee's final report.

Yours truly,

Marcelle Lean, Chair  
Ontario Media Development Corporation (OMDC)

## 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?**

No comment.
  - b. **What can be done to increase resources for project development?**

No comment.
  - c. **Should support for script development and marketing be offset by a reduction in the number of films that receive support?**

No comment.

## 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?**

No comment.

3. **Are new financial instruments required to support the marketing of Canadian films?**

The marketing of Canadian films does not take place in a vacuum. Any new financial instruments for marketing should therefore be undertaken in partnership with both distributors and exhibitors. The Committee should explore further the idea of providing financial incentives for exhibitors showing Canadian films and to the idea of government-owned and -run screens.

That being said, there are already financial instruments that distributors can access to market Canadian films. It is the distributors' obligation to market the films they licence and in their financial interests to do so. It is more important to ensure that those marketing dollars are being spent strategically than it is to increase the amount of financial support available for marketing.

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?**

The different levels of success between French-language and English-language films is due more to the inherent differences in the actual markets than it is to differences in marketing budgets. The level of competition from foreign (mostly American) films in the English-language market is considerably higher than it is in the French-language market. English-language Canadian films must compete for attention and screen time with large-budget Hollywood films, while French-language films have a relatively captive audience in Quebec. Quebec has also been successful in creating a star system in their province through television and other media coverage that has created interest in French-language films and contributed to their success at the box office.

**5. What specific public and private incentives can be put in place to encourage the exhibition of trailers for Canadian films?**

No comment.

**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?**

The number of agencies that have or could have an impact on feature film, each of whom have a myriad of different programs, can be complicated for producers to navigate. Agencies such as Telefilm, the National Film Board and the Canada Council should have roles and responsibilities clearly defined to complement one another and streamline the funding process.

**b. To what extent is there a duplication of service?**

There is some duplication of service such as the two Canadian content certification systems at CAVCO and the CRTC. And in some instances the programs seem to be working at cross purposes, such as the deduction of government investment from the federal tax credit.

**c. How could these organizations be improved?**

There needs to be more flexibility built into the policies of these organizations. It is only natural that the policies fall behind the realities of a rapidly evolving production environment and the needs of creators. Film policy should therefore be flexible enough to support the creative business models that are necessary to promote the ongoing sustainability of the industry.

**d. Should any steps be taken to harmonize or integrate the work of existing agencies?**

A coordinated film policy that considers all federal and provincial offerings is needed. All the funding agencies should be working together appropriately, with clearly defined, complementary roles and responsibilities, to ensure a funding process that is streamlined and effective. Provinces should also be encouraged to work with the federal government to harmonize services wherever possible.

**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.)?**

Tax Credits and Telefilm funding are two very important pieces of a feature film's financing structure. Unfortunately, the two programs seem to be working at cross-purposes due to the fact that government investment in a feature film is deducted from the amount of the federal tax credit a producer is able to access. Removing this deduction from the tax credit legislation would ensure that producers are able to benefit from the full value of the government funding they have acquired for their project.

**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?**

A slate funding program, similar to what is available in the United Kingdom, would be extremely beneficial to those producers who are attempting to achieve long-term fiscal stability. The U.K. program allows eligible companies to use a portion of their slate fund as working capital, as well as applying the funding toward individual projects. Making this type of funding available for Canadian producers would enhance their long-term stability.

Existing support mechanisms could be altered to provide assistance with infrastructure growth. The original policy objective of the federal tax credit was to allow companies to build their infrastructure. Telefilm's requirement that the full tax credit go in to the project financing structure is contrary to this objective. Tax credits are now being used to finance individual projects and not to secure the long-term fiscal stability of the corporation. Removing this requirement would allow individual production companies to use their tax credits in the manner most suited to their needs, whether that be for individual projects or for long-term corporate sustainability.

**b. If yes, who should manage such a program?**

The management of this program should be undertaken by a federal agency as determined by an integrated federal policy.

**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?**

The federal tax credit incentives, particularly the CPTC, are not sufficiently flexible in that they work in opposition to other government programs. The deduction of government investment from the total amount of the tax credit was discussed in the response to question seven. In addition to this deduction, if a producer receives a provincial tax credit, it is treated as government assistance and deducted from the amount of the federal credit. This is another instance of how government programs intended to assist the film industry work at cross-purposes to one another. We recommend that these grinds be removed from the federal tax credit, as part of an integrated feature film policy that is consistent at the federal and provincial levels.

**10. Should the CPTC be increased to reward the use of a greater number of Canadians?**

No comment.

**11. What can be done to encourage greater private investment in Canadian feature films?**

The addition of a provision and/or incentive for private investment in feature film production should be considered. The re-introduction of a tax shelter program is one option.

Changes could be made to the tax credit legislation and allow more private investment in productions, including investment from Canadian and foreign distributors and broadcasters. As the existing regulations ensure that only productions by Canadian-controlled companies can access the tax credits and require that productions receive six out of ten Canadian content points, there are sufficient safeguards in place to ensure that there is wealth retention and ongoing revenue streams for Canadian companies.

## **Distribution and Exhibition**

- 12. Do current ownership rules for film distributors inhibit access to Canadian feature films? If yes, what can be done?**

No comment.

- 13. Does the ownership of film exhibitors inhibit access to Canadian feature films? If yes, what can be done?**

No comment.

- 14. Are new financial instruments required to support the distribution and exhibition of Canadian films?**

No comment.

- 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?**

No comment.

- 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?**

No comment.

## **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?**

No comment.

- 18. Are there any ongoing training needs required for those who are currently working in the feature film industry? How might this be done?**

No comment.

## 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 industry?**

No comment.

## 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?**

An integrated feature film policy that considers all federal and provincial offerings is needed. As mentioned in the response to question six, all the funding agencies should have clearly defined roles and responsibilities that complement one another, rather than duplicating services or working at cross purposes to one another.

- 21. Does the Canadian content certification system (CAVCO) help foster, or hinder, the creative process that underlies the production of Canadian feature films?**

The Canadian content certification system helps to promote the use of Canadian talent in the production of feature films. Using and continuing to develop this talent can only serve to strengthen the industry as a whole, laying the groundwork for future generations of Canadian filmmakers.

- 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?**

A new organization to certify Canadian content would add another layer of complexity to an already complicated federal funding system. An integrated federal feature film policy would designate one agency to certify Canadian content and would ensure that the certification system met all the needs of the various funding and regulatory bodies.

- 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)?**

Equity recoupment that continues for an indefinite period of time involves ongoing administrative costs for both producers and for Telefilm. Equity recoupment should be limited to a fixed period after a film is released. Sufficient time should be built into this time period in order to ensure that the most benefit possible can be derived from the release of the film on DVD.

**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?**

No comment.

**b. What were its strengths and weaknesses?**

No comment.

**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.**

No comment.

### **Film Policy Questions**

**25. How should the policy define feature films?**

No comment.

**26. How should “Canadian content” be defined for the purposes of the feature film industry?**

No comment.

**27. What could be done to harmonize, modernize or simplify existing definitions of Canadian content?**

No comment.

**28. Should the feature film policy support the production of long form documentaries?**

The feature film policy should support the production of long form documentaries. Documentaries have become increasingly popular with audiences over the past few years and Canadian feature filmmakers who choose to work in this format should be eligible for the same types of support as their peers who produce Drama.

**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?**

The Telefilm Canada Feature Film Fund guidelines state that Telefilm will encourage diversity by supporting a range of genres, budgets and companies. This definition of diversity calls for the inclusion of many types of films, from comedies to documentaries, from a wide range of producers. With respect to diversity of regions, diversity is found in all regions of Canada, including the urban centres such as Toronto. These urban centres should not be disadvantaged by establishing regional

incentives that do not take into account the wide range of voices and stories that emerge from Canadian cities.

**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?**

Foreign location shooting in Canada is a reality of the industry that generates jobs and helps develop and support a corporate infrastructure that domestic producers draw on for the development of their own projects. Industrial objectives such as job creation and retention should not be ignored when examining the Canadian film industry, but a feature film policy designed to “offer an effective tool for connecting Canadians to one another and to the world through a kaleidoscope of Canadian experiences,” as it states in the *From Script to Screen* Policy, should be primarily focussed on the development of domestic production.

**31. Should different objectives, targets and measures be developed for the French- and English-language markets?**

No comment.

**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?**

A revised policy should place more emphasis on film audience measurement in all its forms, from theatrical release through to television broadcasts. It is only by taking all these measures into account that an accurate picture of the number of Canadians seeing Canadian films can be drawn. Collecting these data will also be of assistance to distributors who are trying to use marketing dollars strategically.

**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?**

Promoting and distributing Canadian feature films within the framework designed for Hollywood films places those Canadian films at a disadvantage. Hollywood studios have significant influence with distributors and exhibitors, produce films with huge budgets and recognizable stars and spend millions of dollars marketing those films. Canadian films, especially in English Canada, have smaller production and marketing budgets and struggle for attention. Audience development should continue to be a goal of the feature film policy, but it should be measured in a way that takes into account a variety of factors including awards and performance in ancillary markets.

**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?**

No comment.

**b. What would be the likely costs?**

No comment.

**c. How could such a system be developed?**

No comment.

**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?**

No comment.

### **Related Policy Questions**

**36. What specific changes, if any, need to be made to CRTC policies?**

In general, a broadcasting policy that is part of an integrated federal film policy should reflect and support feature film production. Conventional broadcasters could play an important role in the broadcast and promotion of Canadian films, and should be encouraged through the CRTC to be more involved in this activity.

The CRTC's 1999 television policy had a devastating impact on the production of Canadian drama. This policy should be re-considered with an eye to including more requirements and incentives that support Canadian film production. This should include imposing licence conditions related to investment in feature films and requiring broadcasters to honour their commitments with respect to Canadian feature films.

**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?**

The most important thing the CBC and Radio-Canada can do to enhance the viewing of Canadian feature films is to air them. This past winter the CBC aired *Movie Night in Canada* on Saturday nights to replace hockey. Unfortunately, very few of the movies shown were Canadian. This would have been an excellent opportunity to showcase Canadian films.

The role of the CBC in the Canadian feature film industry needs to be re-assessed and re-formulated so that the public broadcaster plays a much stronger role in the financing, broadcast and promotion of Canadian film.

**38. Do treaty co-productions have a positive or negative impact on the creation of Canadian feature films?**

Some of the most successful Canadian films in recent years have been international treaty co-productions. Financial resources for film production are scarce and so it becomes necessary for producers to seek financial partnerships wherever possible. Productions with international involvement could be further supported by Telefilm and CAVCO becoming more flexible on producer control and investment regulations.

**39. Are any specific changes to copyright law or policy required?**

There are currently changes being made to the Canadian content tax credit regarding copyright ownership, acceptable share of revenues from exploitation, and producer control. The Standing Committee on Canadian Heritage should consider changes to the feature film policy in conjunction with these changes in order to ensure that the two programs are complementary and help achieve the policy's goals.

**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?**

The target of 5% of Canadian box office is not an unreasonable goal. However, the adherence to a single benchmark only captures a small portion of the potential audience for a film. A more reasonable goal would focus on developing Canadian audiences in a sustainable way; perhaps by setting targets based on year-over-year increases in box office revenue.

**b. Is this a useful way to measure the extent to which Canadian films are reaching audiences?**

As mentioned in (a) above, measuring box-office success only captures a small portion of the potential audience for a film. A more useful measure would include revenue from DVD sales and other ancillary markets, broadcast ratings, international sales and the recoupment of any government investment. More subjective measures would include critical success, awards won, and international film festival profile.

**c. Should there be separate targets for the English- and French-language markets?**

Given the unique nature of each of these markets, there should 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?**

The policy should include all the ways that Canadian feature films may reach audiences listed in this question as appropriate performance measures.

**b. Should a revised policy recognize non-theatrical distribution and exhibition methods?**

No comment.

**c. Should a revised policy place a stronger emphasis on support for non-theatrical distribution and exhibition methods?**

No comment.

**d. Should performance measures include the viewing of feature films on television and through video sales and rentals?**

In recent years specialty channels have broadcast many Canadian films and pay-per-view channels have given viewers the opportunity to see Canadian films that may have been overlooked during their theatrical release. Therefore performance measures should definitely include the viewing of feature films on television and through video sales, rentals, and pay-per-view.

**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?**

As stated by the Committee in its interim report, the classification of independent films presents a major challenge when developing performance measures. This makes comparison extremely difficult. It is better to measure the success of Canadian films by the number of Canadians who see them, from theatrical release through to broadcast ratings.

**43. Who should be responsible for gathering and reporting on performance measures?**

As part of an integrated feature film policy, the federal government should oversee the process of reporting on performance measures.