



Modernizing Telefilm in the multiplatform era

Introductory remarks delivered by

Wayne Clarkson, Executive Director of Telefilm Canada,

and

Charles Bélanger, Chair of Telefilm Canada,

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Mr. Chairman and Committee members, thank you for this opportunity to meet with you today.

My name is Wayne Clarkson, and I'm the Executive Director of Telefilm Canada.

With me are Charles Bélanger, Chair of Telefilm's Board; Elizabeth Friesen, our Chief Operating Officer; and Michel Pradier, Director of French Operations and the Quebec office.

Telefilm Canada is a Crown corporation reporting to Parliament through the Department of Canadian Heritage. Our headquarters are in Montréal and we serve our clients through four local offices – in Vancouver, Toronto, Montréal and Halifax.

As a federal cultural agency, our mandate is to develop and promote the Canadian audiovisual industry. The Corporation acts as one of the Canadian Government's principal instruments for providing strategic leverage to the private sector, supplying the film, television and new media industries with financial and strategic support. Our role is to foster the production of films, television programs and cultural products that reflect Canadian society, with its linguistic duality and cultural diversity, and to encourage their dissemination at home and abroad.

To administer its mandate, Telefilm operates with three main sources of funds: a parliamentary appropriation, contribution agreements and recoveries. The total value of the funds administered by Telefilm in 2006-2007 is \$134.9 million. And, since April 2006, we also administer the Canadian Television Fund, which will distribute approximately \$265 million this year.

I'd like to begin my remarks today by bringing you up to date on the key actions that Telefilm has undertaken in the past 12 months since we last appeared before this Committee.

On the TV front

Our most significant accomplishment this year has been putting into place a three-year agreement with the Canadian Television Fund.

With maximum use of Telefilm's services, financial and information systems, the administration of the Fund has been streamlined, and it is now operating with precise performance measures.

The annual savings of \$3 million, resulting from the consolidation of the Fund, are now being reinvested in the industry.

On the feature film front

Our first measure, taken last April, was to initiate an asymmetrical approach to the two language markets. We established English- and French-language Working Groups that brought together industry representatives from the production, distribution, exhibition, broadcasting and marketing sectors, as well as unions and guilds and provincial agencies. We asked these groups to work with us to improve program designs and develop new guidelines for the Canada Feature Film Fund.

Their input has been remarkable.

Last month we announced significant changes to the Fund, which have established an efficient and fair decision-making process for funding feature film production.

The new guidelines are transparent, sensitive to the realities of both the industry and the market, and specific to the two language markets we serve.

Our second measure on the Canada Feature Film Fund: we undertook a full evaluation of Canada Showcase – the program that supports Canadian film festivals. This evaluation is informing our redesign of the program to be more accountable and transparent, and aligned to our corporate objectives.

Third measure : This year, Telefilm refocused its investments on international marketing activities so as to better target the promotion and sales of Canadian feature films while at the same time increasing the value of sales and business deals achieved at international markets. We launched Perspective Canada, which has helped finance market screenings and develop promotional materials, DVDs and ads for Canadian films.

On the new media front

We face great opportunities. The Canadian new media sector has enormous untapped potential. Worldwide, this sector was worth \$25.4 billion dollars in 2004. By 2009, it's projected to hit \$54.6 billion.¹

¹ This statistic is from PriceWaterhouse.

Canada is recognized internationally for its highly-skilled game production talent, which is why this country is home to some of the world's largest multinational game developers. It's our loss – both economically and culturally – that for the most part this Canadian talent is working in salaried positions on commercial international game productions, rather than on Canadian-owned productions.

This fall, Telefilm partnered with several Canadian-owned video game companies to launch nation-wide The Great Canadian Video Game Competition. The Competition invites Canada's video game developers to compete for up to \$2 million in product financing.

Telefilm's new five-year corporate plan was released this year – *From cinemas to cell phones: Telefilm Canada responds to the multiplatform challenge.*

We've established performance measures for all of our programs.

We conducted our second biennial client survey.

We closed our Paris and Ottawa offices, and strategically reallocated those resources to offset new initiatives such as the Perspective Canada market screenings and film promotions.

Accomplishments on the box office front

The French-language market has been extraordinarily successful, and we are now beginning to see some results in the English-language market.

In fact, 2006 is proving to be one of the best years ever for the English-language box office.

Bon Cop, Bad Cop, financed by the English component of the Canada Feature Film Fund, is now Canada's biggest grossing film. *Trailer Park Boys: The Movie* enjoyed the one of the biggest grossing opening weekends in the history of English-language Canadian film.

On the French side, *Aurore* has grossed \$5.4 million since its release in July of 2005, and *Un dimanche à Kigali* has taken home \$1 million.

And, there are some real winners in the pipeline, including *Shake Hands With the Devil*, a dramatization of Roméo Dallaire's book, Denys Arcand's *L'Âge des ténèbres*, François Girard's *Silk*, and Sarah Polley's *Away From Her*, to name a few.

Challenges

The industry's successes, as well as Telefilm's contribution, are worth underlining. However, it's also important that we fully understand the major challenges that lie ahead, and that we prepare ourselves to take on these challenges.

The resounding success of Quebec feature films will only be sustainable if new sources of financing appear and are then injected into the production of French-language films.

Increasing box-office revenues

The movement to increase box-office revenues in the English-language market is still proceeding too slowly.

We need more flexibility, and we need to react more quickly to the new realities of the new-media market. There's no question we need to invest more money in this sector if it is to achieve its full potential.

The growth of the Canada New Media Fund is a crucial step to investing in the future of Canadian content for New Media.

Telefilm's budget should also be reviewed. There has been no increase to our budget since 2002, the Canada Feature Film Fund has had a permanent cut of

\$2 million, and our investment capacity has been further eroded by the impact of inflation. Meanwhile, production costs have increased significantly, average film budgets have gone up, and so has the demand on Telefilm's resources.

Dollars are only one issue. We will continue to be aggressive in seeking out new public-private sector partnerships. And, we will continue assessing how we spend, with a goal to finding more ways to make better use of the dollars already in the system.

In the last 12 months, the administration of the Corporation has been targeted and effective. I will continue to strive for a modernized, flexible Telefilm, which is grounded in a firm foundation of accountability to our stakeholders.

At this point I would like to introduce you to Telefilm's chair, Charles Bélanger.

//CHARLES BÉLANGER//

Thank you, Wayne,

Telefilm's Board is also concerned with the Corporation's increasing need for flexibility to meet its objectives and to improve its client service.

Admittedly, the *Telefilm Canada Act* passed by Parliament in March 2005 granted us the powers of a natural person—that is, all rights and the legal

capacity to exercise them—as well as a legislative mandate covering the audiovisual industry in its entirety (and not simply "cinema," as provided for in the original *Act* of 1967). However, these two fundamental recognitions are still tainted by significant and, in the end, paralysing administrative restrictions.

This situation was identified, not by us but by the Auditor-General of Canada herself in the report she submitted to Parliament in November 2005:

Allow me to quote two short excerpts from her report

Paragraph 5.60: "Today, in light of this new mandate and the government's proposals on the governance of Crown corporations, we question whether it is still relevant for Canadian Heritage to maintain the MOUs and contribution agreements with Telefilm Canada in their current form..."

Paragraph 5.62: "... some members of the Telefilm Board have expressed concerns about the extent of the oversight that Telefilm Canada is subjected to, which leaves the board with little leeway to interpret its mandate and determine the best way to accomplish it. None of the other eight Crown corporations in the Canadian heritage portfolio is subject to such a tight degree of oversight and monitoring. Moreover, no other Federal Crown corporation is evaluated and audited in this way by a department. This is a unique situation."

In other words, and to be perfectly clear, in order to overcome this situation Telefilm Canada seeks to be subject to the provisions of Part X of the *Financial Administration Act* and as such operate as a modern Crown Corporation. For us, "modern" means operating under the framework of present-day financial legislation whereby the roles, responsibilities and obligations of administrators and senior executives are as clearly identified and defined as are the obligations imparted to Crown Corporations in the matter of the preparation and presentation of their corporate plan and related budget, as well as the content of their annual report.

By being subject to the *Financial Administration Act*, not only would Telefilm Canada henceforth operate in a modern, that is to say, up-to-date, manner, but it would do so in a way that met the highest possible standards of current governance, corporate responsibility, and administrative transparency and clarity.

And all this to the benefit of its Shareholder as well as to the clients that it constantly strives to serve with the highest possible degree of professionalism. These changes and the modernization of the *Telefilm Act*, to bring it to the 21st century, will give us the desired flexibility. And for us, flexibility matched by accountability and transparency ensures the best value for the public dollar.

Flexibility also allows us to be leaders. Today's marketplace dictates a great leader must be a visionary, one who foresees opportunities and seizes them. For Telefilm, those opportunities must deliver great home-grown content to as many Canadians as possible, and be shared more and more with foreign audiences.

Mr. Chairman, we would be pleased to answer the Committee's questions about our role, mandate and priorities.