



Daring to Change

Notes for the speech by Michel Roy, chair of the board of directors, at *Prime Time in Ottawa*, Westin Hotel, Ottawa, February 19, 2010, at 8:35 a.m.
(Only the spoken text is authoritative.)

*A nation's cinema is too important
to leave it to develop on the sidelines.*

Michel Roy

Merci Monsieur Bolen,

Chers représentants et artisans de l'industrie audiovisuelle canadienne,

Bon petit déjeuner et bonjour.

Quand les responsables de *Prime Time* m'ont invité à venir vous parler au petit déjeuner, ils ne se doutaient pas qu'il y avait quelque chose de subliminal dans leur invitation.

Tous les médecins s'accordent pour dire que le petit déjeuner devrait être notre plus important repas de la journée. Ils ont même inventé un dicton pour nous le rappeler : « *nous devrions déjeuner comme un roi, dîner comme un prince et souper comme un pauvre* ».

Don't worry. I don't intend to give a long speech on the "*petit déjeuner comme un roi*." However, I would like to say that I'm honoured and privileged to be starting your day.

As we all saw on TV as the clock ticked over to the new year, 2010 provides a good vantage point for taking stock of the first decade of the new millennium.

This is particularly true for Telefilm, which is responsible for implementing the Canadian feature-film policy that was formulated ten years ago.

In addition, Telefilm is currently preparing a new five-year corporate plan, is about to take on administration of the new Canada Media Fund programs, and will welcome a new executive director within the next few weeks. So, as you can see, 2010 is truly a pivotal year for us.

This morning, I'd like to talk to you about certain key aspects of the assessment of our activities from 2000 to 2010 by reviewing and evaluating some of the objectives in our current corporate plan.

The first objective in our strategic plan was quantitative in nature. Ten years ago, the Canadian feature-film policy, which created the Canada Feature Film Fund, targeted a Canadian market share of 5%, expressed in terms of box-office receipts.

The second objective was to develop the industry's potential by increasing the proportion of private and foreign investment.

The third objective, which concerns governance of Telefilm Canada, focuses on making it an effective, transparent, and responsible administrator, committed to serving its clients better.

You will understand my hesitation, as chair of the board, to comment on this last objective. I'll leave that task to the minister responsible for Telefilm, and to our clients.

However, I can tell you that today, the agency whose mandate it is to foster and promote the development of the Canadian audiovisual industry is well governed, with a simplified structure, a skilled and devoted board of directors, and obvious enthusiasm among the employees who work there. In fact, I'll take this opportunity to acknowledge the people from Telefilm Canada who are with us this morning.

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So, let's look at our first two objectives, starting with the one of obtaining a market share for Canadian movies of at least 5% of box office receipts.

What you're seeing on the screen right now are the changes in these market shares from 2001 to 2009. Speaking strictly from a managerial point of view, while we've made some real progress since 2001, we didn't reach the set objective – we didn't hit the bull's eye. Clearly, no one likes to admit failure, even a partial one, but we have to look reality in the face. For me, it's a question of transparency. We have to acknowledge this reality.

We ended 2009 with a total market share of 3.3%. That was better than 2008, but still far from the 5% objective. As you can see, the curve barely moved for the period from 2001 to 2009, except in 2005, when we popped the cork on the champagne ... but the party didn't last very long.

When we separate out linguistic markets, we notice a contrast. English-language feature films finished 2009 with a 0.8% share of the English-language market.

French-language feature films, on the other hand, wrapped up the year with 18.5% market share of all French-language movies, an increase of 5% over 2008, and had an average of 17.1% for the decade. Over all, French-language feature films represent more than 66% of the total Canadian market share of Canadian films.

It is not easy to really make sense of these data because, due to the low percentages, they are extremely volatile. For example, when a movie such as *Avatar* arrives in theatres, it pushes the performance of all other movies down by a number of points. The release in late 2009 of this movie by James Cameron – a Canadian, by the way – may have kept us from achieving our target of 5% last year.

Also, we should keep in mind that revenues from the 0.8% share of the English-language market represent only 8% of total revenues for Canadian English-language feature films. For the producers and distributors of these films, international sales represent 65% of their revenues.

But in general terms, the Canadian movie industry suffers in comparison to other cultural sectors. For example, in 2008 Canadian music artists captured 21% of market share in Canada. The last official data, which dates back to 1997, shows that Canadian publishers occupied 45% of the market. While we know that figure has declined somewhat, it is likely still between 30 and 40 % on a yearly basis.

These are painful observations, but they must be made.

The idea is not to point fingers or find who's at fault. It's not to pity ourselves for being the neighbour of a global cultural empire. It is simply to observe – objectively, calmly, and matter-of-factly – that the status quo in the way we do things is no longer viable.

Now, normally, when everyone agrees that the status quo is no longer viable, the stage is set for a change.

In fact, the choice is simple: change or stagnate. I don't have to tell you which option I favour!

And so, as a new corporate plan is about to see the light of day, it's time to step up and be daring. We must dare to change how we do things. We must dare to change certain rules of the game that govern the funding of feature films so that the quest for audiences, especially on the English-language side, gives more encouraging results.

A nation's movie industry is important for both its collective memory and its underlying values. In fact, a nation's cinema is too important to leave it to develop on the sidelines.

This morning, it is too soon to give specifics on exactly what we will have to change, but the wheels are definitely in motion.

I've recently chaired a number of roundtables bringing together representatives from the audiovisual industry in half of the provinces, from one end of the country to the other. There have also been regular consultations with the Feature Film Fund Working Groups, an instrument that is simply indispensable to the formulation of strategies and policies that respond to the industry's needs.

A number of paths for thought and change have arisen from these discussions – from your own discussions, to be honest.

They deal, among other things, with subjects as varied as ...

- International development, including co-productions and networking with American filmmakers
- National distribution of feature films and how to measure their success
- Tax credits for investors
- The diversity of production genres

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- Marketing efforts
 - The transition toward digital platforms
 - And more

Another subject up for discussion was the relaxation of rules governing participation of foreign stars in Canadian productions in order to counter the absence of a well-established star system, particularly in English Canada.

Of course, not all of these areas for reflection involve Telefilm. Some must be taken up by the industry itself. For its part, the Department of Canadian Heritage has already announced that it will be reviewing the feature film policy, and this review will certainly take into account the same observation regarding the last decade.

As for us, as I have said, the status quo is no longer viable.

For the members of a board of directors who see themselves as responsible and acting as trustees of public funds, a decade of support for feature films represents almost 1 billion dollars of investment. I understand that, from the industry's point of view, it may not seem like enough, but the fact is that it is a great deal of money, especially in a context where the film industry seems to lag behind other cultural sectors such as music and books.

On the other hand, and very fortunately, all of this financial effort poured into our movie industry has not been in vain.

It has made it possible for Canadians to emerge and hold their own with the best in the world in their respective disciplines, whether they are producers, directors, screenwriters, actors, directors of photography, or technicians. It has made it possible for these people to fulfil their dreams and achieve international acclaim in their fields.

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Our second objective was to develop the industry's potential by increasing the proportion of funding from private or foreign sources. Here again, the results could have been better, and here again it is important to acknowledge this reality.

The first observation to make is that productions are getting more and more expensive. So, it takes more and more money to shoot and distribute them.

Telefilm Canada funded 41 productions during its 2008–2009 fiscal year, for production budgets totalling 175 million dollars.

The charts that you see on the screen show the different funding ratios for these budgets.

As you can see:

- Telefilm Canada provided 37% of the funding
- other governmental sources, 36%
- broadcasters, 1%
- private investors, 10%

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- distributors and exporters, also 10%
 - and foreign partners, 7%.

When we add Telefilm's investments to those from other governmental sources, Canadian producers balance almost ¾ of their budgets – 73% to be precise – with public funds.

And, as you can see, due to a larger number of co-productions, English-language productions drew a smaller proportion of their budgets, 68%, from public funds, while for French-language movies this proportion reached 77%. It should be noted, however, that although there is a greater contribution of public funds to French-language films, Telefilm's participation in French-language films, at 33%, is lower than in English-language films, at 40%.

An analysis of funding sources over the last five years shows that public funds have always represented, overall, between 50 and 75% of production budgets.

Of course, Canada is far from being the only country to support its movie industry. Except for the United States, India, and South Korea, from what I am told, most countries must protect their movie industries from the American juggernaut.

Meanwhile, foreign investment has fluctuated greatly from year to year. There have been years when foreign capital represented as much as 35% of funding, as it did in 2004–2005.

The conclusion isn't very difficult to imagine: with increasing production costs and government participation already at 73%, we must seriously envisage other sources of funding.

Since our market is that of a small movie-producing nation, we must forge more alliances with foreign partners, especially through co-productions. This will enable us to attract new funding sources and also to offer greater market possibilities to our Canadian talent.

The time has come for our audiovisual industry to open up to the rest of the world. Some of the industry's players have already done this, while others just need a little push to get there.

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Speaking of co-productions, it should be noted that Telefilm Canada already grants one quarter of the Canada Feature Film Fund to co-productions. And we are working hard to highlight Canadian movies in international markets.

For the third consecutive year, we have recorded an increase in foreign sales.

As you know, we attend a number of markets, including the European Film Market in Berlin, the Hong Kong FILMART, MIPTV, the Cannes Festival's film market, and MIPCOM, also in Cannes.

At the end of 2008, total sales, pre-sales, and probable sales of Canadian films and television programs totalled approximately \$85 million, a 21% increase over the previous year.

Of course, this is a promising avenue, especially when you consider that each dollar invested by Telefilm enabled companies to realize \$11 in sales during 2008.

I would like to take advantage of this fact to underline the work of the International Business Development Group, which plays an essential role in this type of activity.

You see on screen right now the member institutions of this important group, and I would like to acknowledge the representatives of these organizations who are here this morning.

We are playing on an international field, as you can see, but we must do more and, especially, do things differently.

When I talk about doing things differently, if we take co-productions as an example, I think about our guidelines arising from treaties with other countries. These guidelines must be reviewed, relaxed, and adapted to current needs.

Furthermore, since the United States does not sign co-production treaties, we must find the means to facilitate linkages between Canadian producers and their counterparts to the south.

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Since there was much talk about the digital universe during your meetings in the last few days, I would like, in closing, to talk a bit about this subject. We are all facing this “New Brave New World,” and this is actually very good as it favours change, innovation, and productivity.

The multi-platform digital universe is no longer an ambition, but a reality. It's an extremely constrictive reality, which is in the process of closing print news organizations throughout North America and forcing everyone to venture down unknown paths.

It's a reality that brings its share of concerns, because no one knows exactly how this universe will evolve and what business models will be viable over the long term. But it's also a reality with its share of promise.

The entire production chain, from screenwriters to movie theatres, including producers and distributors, and also governmental organizations, will have to find ways to seize these opportunities.

Last month, Telefilm launched *Web-Ciné 360*, a pilot initiative aimed at distributors eligible for the Marketing Program for French-Language Productions. The project is aimed at encouraging the integration of distribution strategies for films through online marketing and the use of social media before films are released to theatres.

Distributors receiving this support will be able to use Web search engines, produce a Web site for the upcoming film, create content on social media through blogs, use

Facebook, Twitter, and YouTube, and place online advertising to publicize their film. These marketing strategies were impossible to imagine just five years ago.

Once we gauge the program's success on the Francophone market, we will, of course, extend it to distributors throughout Canada.

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The organizers gave me 15 minutes, and I think my time is almost up. I will leave you with one last thought.

As chair of the board of Telefilm, my concerns are often economic in nature, but I don't want to leave you thinking that numbers are all I care about. In real life, as those who know me are aware, I stand strongly with those whose hearts are in the expression and development of culture.

The first movies that I saw in my life and on which I worked were my father's. Creative works, such as literature, music, painting, sculpture, theatre, and movies, fire up the imagination, nourish memories, and sometimes shape great careers.

I'm not obsessed with numbers. I want you to know that before you leave this room. What I am obsessed with are the solutions that we must find together to bring Canadian cinema in from the sidelines.

We have so many images to show Canadians and to the whole world, we have so many emotions to communicate, so many top-notch creative artists, in both technical and artistic domains. The movie industry exists in Canada: it is alive, vibrant, and dynamic. A few adjustments could help it move from the sidelines to centre stage.

We have things to change, and things to improve. We have work to do, but I am confident that we will succeed.

Let's dare to change, to breathe new life into our film industry so that it gains the place it deserves in the hearts of Canadian movie lovers, and movie lovers all over the world.

Thank you for your attention. Have a great day!

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