

QUEBEC MBA ASSOCIATION

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The Canadian audiovisual industry:

We mean business

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I'd like to thank you for being here today as well as thank the Quebec MBA Association for making culture a part of these lunch-time talks.

As an MBA graduate myself, I'm delighted to be able to use this forum to speak to you about a passionate and important industry for the economic and cultural future of Canada: the audiovisual industry.

I decided to join this industry over 21 years ago and I've never regretted it.

It has let me combine my passion for business with my passion for the arts.

Every day, I get to work with inspirational, dynamic people who motivate me.

There's been much talk of culture in the media these past few weeks as a result of the federal government's recent budget cuts. But there's also been much talk about the success garnered by Canadian productions.

One need only think of the tremendous box office success enjoyed by *Starbuck*. It was announced this week that DreamWorks has acquired the remake rights and that Ken Scott would be the director. Then, of course, there's *Monsieur Lazhar*, which made it all the way to the Oscars!

The Canadian audiovisual industry is a vibrant, active industry that touches us every day through our television screens, at the movies, and increasingly on our computers and phones.

It is an industry deserving of our attention, notably because of its contribution to the culture and economy of our country.

Here are some figures.

In 2010-2011, film and visual production in Canada increased by nearly 9% to reach \$5.5 billion – its highest level ever.

The audiovisual industry is a major source of employment:

- > 128 000 full-time jobs. And more than 38 000 jobs in Quebec.
- > A contribution of \$7.5 billion to the national GDP, including over \$4 billion from the activity generated in other sectors by leverage effect.
- > Its export value rose by 20% and has now reached over \$2 billion, its highest level these past 7 years.

In 2010-2011, Canada produced:

- > Nearly 600 television series
- > Approximately 90 theatrical feature films and several hundred short films
- > And over \$100 million worth of movie tickets were sold

All this in just one year!

In the province of Quebec alone, movie shoots represented \$121 million in 2010-2011.

Moreover, Quebec occupies top spot among the country's film production centres with 40% of the national volume.

As for Canadian box-office receipts, *Starbuck* took in \$3.5 million; *Incendies*, nearly \$5 million; and *M. Lazhar*, \$4 million. Not to mention the numerous awards that these films have won.

All this, of course, contributes to Canada's solid reputation on the international scene. We have talent and it is no longer just our secret.

Now let's have a quick look at what I mean ...

(2-minute video presentation)

Every time I see the work we can produce, I am very proud. Canada boasts many talented professionals.

And when we support them and let their talent grow and flourish, they can make their mark on the industry both at home and abroad.

Take the example of director Kim Nguyen, whose film *Rebelle (War Witch)* made quite the splash at the Berlin International Film Festival this February.

He received a Special Mention in the Ecumenical Jury Award, and the star of the film, Congolese Rachel Mwanza, won the Best Actress Award. I must admit I had shivers just listening to the broadcast of the ceremony on the Web. There were even a few tears in my eyes.

I'd also like to congratulate Pierre Even and Marie-Claude Poulin from Item 7 (producers of *Rebelle*) as well as Charles Tremblay, president of Métropole Films (distributor of the film in Quebec), who are with us here today.

Another example is director Philippe Falardeau.

His fourth feature film, *Monsieur Lazhar*, garnered numerous awards and has been sold in several countries. It has created a buzz worldwide.

The film also made the cut as finalist in the Best Foreign Language Film Category at the 2012 Oscars. Just like Denis Villeneuve's *Incendies* the previous year.

Two Canadian films in back-to-back years at the Oscars – that's no small feat!

Another example: director Anne Émond who won the Prix Claude-Jutra this past February for her film *Nuit #1*, an award that each year recognizes the exceptional talent of a first-time feature film director.

And that's just the beginning. The Cannes Film Festival is looking extremely promising for Canada, as there is a large selection of Canadian films in all categories. This is unprecedented, but more on this in a few minutes.

Meanwhile, one shouldn't forget the companies behind these success stories.

micro_scope, Max Films, Cinémaginaire, Pixcom, Zone 3, Caramel Films...
The people at these companies all followed their passion and turned it into success.

This industry is truly thriving! Several projects are currently being shot in Quebec or will begin in the next few months.

The audiovisual industry is not just about talent – it also requires genuine business acumen to succeed.

Production houses are veritable research and development laboratories, centres of creativity and innovation where teamwork is the key to success.

As you know, and probably better than anyone, SMEs represent 90% of the Canadian economy.

Production houses **are** SMEs that create direct and indirect jobs, from the scriptwriter to the lighting technician through to the props person and even the caterer or the corner store during a movie shoot.

Just like other SMEs, everything starts with a vision, an idea... and the goal is success. Their challenge is to combine creativity and business savvy to achieve a vision, an idea and also to deliver content.

In the end, they provide content for our screens of all sizes which, when the chemistry is right, resonates with or brings laughter to Canadian audiences and the world.

The spinoffs of this success are varied ... and sometimes unexpected!

When Paul Giamatti, who received the Best Actor Award for his role in *Barney's Version*, spoke glowingly of Montreal and Canada in his thank-you speech at the 2011 Golden Globes, and said:

“ ... an incredible crew ... up in an incredible beautiful city,
Montreal, which I dream about.
An incredible place in a great nation, Canada... ”

Let's keep in mind that the Golden Globe Awards reach millions of viewers throughout the world. You're all business people so you know that you can't buy free advertising like this!

As Paul Giamatti pointed out, we have talent here in Canada. And we help support talented people every day in our work at Telefilm Canada.

Perhaps it is now time to tell you a little bit about us!

Telefilm has been around for 45 years. Its mandate is to support and promote the Canadian audiovisual industry.

We are present throughout the entire value chain: in development, production, distribution, and, increasingly, promotion.

Telefilm is 200 employees – true fans of the Canadian audiovisual industry working in four offices: Halifax, Montreal, Toronto and Vancouver.

Telefilm's annual budget: \$115 million last year, the equivalent of **one** feature film in the U.S.

And, with this budget, we support 60 Canadian feature films each year and must also fund their marketing campaigns!

Moreover, the feature films supported by Telefilm took home 127 awards from festivals in 2010-2011, the highest total in five years.

Along with our partner, the Canada Media Fund, we have also financed 1052 television projects since April 2010.

We manage our budget in an efficient manner (6% administrative costs) – so as you can see we’re putting our MBA expertise to good use! Our objective is to bring content to life on the screens.

Telefilm’s role is more important than ever before as the industry is changing its traditional business models to include digital platforms that give consumers greater freedom of choice.

Telefilm is supporting an industry that not only has a great deal of talent but also holds many challenges.

What are these challenges?

Our first challenge: stimulate demand

Despite our efforts, Canadian cinema holds a modest share of the national market (2.8% in 2011), while our neighbour, the United States, largely monopolizes our screens and our audiences.

On average, Canadians go to the movies three times a year. Once they have seen *Twilight*, *Transformers*, *The Hunger Games* or the latest romantic comedy, there is little room left for homegrown cinema.

Fortunately, Canadian content is viewed in places other than movie theatres: on DVD, on video on demand, on other digital platforms.

Thanks to all our partners, broadcasters and distributors, Canadian content can now reach even larger audiences.

In terms of percentage, Canada is the country where people watch the most videos online.

The globalization of markets also gives us access to new international audiences.

Last year, Canada's projects with other countries rose to over 60, representing foreign investments in excess of \$230 million.

Canadian companies are now highly sought after because of their creativity, entrepreneurial spirit and success.

Another way to stimulate demand: promotion!

The corporate plan Telefilm embarked on last year was based on two beliefs we strongly hold: first, that the industry has reached a level of maturity and production capacity which enables Telefilm to expand its role in promotion and audience building around the world.

And second, that our current environment of economic restraint and limited public resources requires us to embrace innovation in our funding approach.

Over the past year, Telefilm has worked very hard to emphasize its role as a promoter. We have refocused our promotion strategy both at home and abroad.

More specifically, we have made good use of our brand image and our communication channels on the international scene to give greater visibility to our Canadian talent and to our industry's success stories.

Each year, we are present at several festivals in Canada and across the world.

Beyond the red carpets and movie stars, these events are great for showcasing Canadian talent and productions as well as for acknowledging our creativity and business acumen!

For example, no less than 19 Canadian films were shown at the prestigious Berlin International Film Festival this past February.

And there is excellent news for the 2012 Cannes Film Festival!

Four Canadian directors will walk on La Croisette as part of the Official Selection of the Festival: David Cronenberg (*Cosmopolis*), his son Brandon Cronenberg (*Antiviral*), Xavier Dolan (*Laurence Anyways*) and Juan Andres Arango (*La Playa*).

Canada will also compete for the short film Palme d'or. Quebec director Chloé Robichaud's *Chef de meute* was selected among the 4500 shorts submitted this year. Fanny-Laure Malo, Sarah Pellerin, Laurent Allaire and director Chloé Robichaud are all here with us today. Congratulations!

Yesterday, we found out that a Canada-Belgium-France coproduction, *Beyond the Walls (Hors les murs)*, directed by David Lambert, coproduced by Daniel Morin and starring Mélissa Desormeaux-Poulin (who lit up the screen in the film *Incendies*), will be in competition in the 2012 Critics' Week. In addition, the short film *With Jeff (Avec Jeff, à moto)*, from director Marie-Ève Juste, will be screened in the Directors' Fortnight.

At Telefilm, we believe that the success of a film goes beyond the box office.

And in order to take into account the many factors that make up a film's success (foreign sales, DVD sales, awards at festivals, etc.), we developed and launched a new Success Index last fall.

This innovative tool, which provides a different approach from what is being done in other countries, gives us a more complete picture of a film's performance. It will help producers stand out in a changing industry by measuring the success of a film on three levels: commercial success, cultural success and industrial success.

Let's go back to the challenges of the industry. While the first challenge is to stimulate demand for our productions, the second is **funding**.

As you know, the economic situation is not in great shape.

- > The European Union is facing the biggest crisis in its history.
- > The U.S. is slowly climbing out of a deep financial crisis that has now lasted five years.
- > Economists are even worried about China now.

In Canada, it seems like we have a seat in the lifeboat – but economic restraint is a fact of life in this country as well.

Moreover, as I mentioned in the introduction, during the last federal budget the government required certain federal agencies, including Telefilm, to undergo budget cuts of 10% over a three-year period to help reduce the deficit.

This difficult economic situation is also affecting the audiovisual industry.

In terms of funding, Telefilm is an important player among many others: provincial agencies (SODEC in Quebec), partners of the provinces, banks, companies like Astral, Vidéotron, Rogers, Quebecor, Bell, TVA Films, Métropole Films, Entertainment One, Alliance Films, etc. And there are also tax credits.

Canada, like many other countries, is investing in support to its audiovisual industry.

In addition, all western nations are subsidizing their cinema, including the U.S., which now offers tax credits in several states.

The period we are going through, with its economic constraints and limited public funds, challenges us to show creativity. I know it's a paradox, but fundamental change and growth are most likely to occur when we're out of our comfort zone. Another thing I learned from my MBA.

Telefilm has made a commitment to work with the industry in order to redesign its funding model and help it diversify its financing partnerships so as to be even more solid and less dependent on any one source of financing.

The Canadian audiovisual industry needs greater support from the private sector.

Our corporate plan is also committed to finding and developing new sources of financing for the industry.

We recently launched a new private donation fund, which will allow Canadian corporate and individual donors to support audiovisual content through a donation to film production.

When we get the fund up to full operating capacity, we plan to inject about \$5 million per year in two programming streams: one stream supporting first films by emerging filmmakers, and another stream supporting films by our experienced and award-winning filmmakers to extend their global reach.

And, in this regard, I'm very pleased to announce that Micheline Bouchard, corporate director and board member of Telus, has agreed to act as champion of this Fund on behalf of Quebec.

Now that I have told you that the Canadian audiovisual industry has reached a level of maturity and production capacity and have spoken to you about our success stories and new financing solutions, you might be wondering why the Canadian government should continue to use your tax dollars to fund this industry?

For **three** reasons.

First, this industry contributes to the Canadian economy, provides a livelihood for many people and creates full-time jobs!

The share of the arts and culture sector in the Canadian economy is three times greater than that of the insurance sector and twice that of the forest industry.

The audiovisual sector alone has created twice as many jobs as the fishing, hunting and forestry sectors.

To preserve these jobs and the pool of expertise that we have developed, a critical mass (a constant volume) must be maintained, which requires government support.

As is the case in other industries, like aeronautics for example.

In addition, this critical mass has helped companies grow and has given us more business opportunities.

In the special effects industry, specialized Canadian companies are now recognized for their great expertise.

A good example is the film *Avatar*, for which the Quebec company Hybride contributed as a special effects supplier.

Moreover, economically speaking, investing in culture has a snowball effect. It has been proven that culture leads to spending that would not otherwise have taken place.

When it comes to cultural goods, the principle of diminishing marginal utility is turned upside down!

The more we consume cultural goods, the more we enjoy them.

And it is government investment that gets the ball rolling.

Second reason: the future is full of opportunities for the taking, with regard to both **content** and the development of **new markets**, and Canada is well positioned.

The adoption of other digital platforms by Canadians, particularly the Internet, is gathering momentum (new products such as the iPad).

More and more Canadians are watching television programs on the Internet.

Here in Canada, some eight million homes have broadband Internet connections. And Netflix now reaches 1 in 10 Canadians.

These new broadcast platforms are creating new needs in terms of content! As a result, content distributors are also adapting the products they offer (e.g. iTunes' movie section).

It is the quality and diversity of content that will drive consumers toward the new platforms.

I therefore believe that efforts must be centred on the content, which must be financed, made available and promoted.

There are also opportunities when it comes to **globalization**, opportunities for opening up markets.

Other countries, like India, are looking for different and diverse content.

Canadian productions are increasingly sold abroad in new and diverse territories such as countries in the Middle East.

Sales are also on the rise in Latin America.

As well, Canadian children's shows have built a solid reputation and have been successfully exported to several European countries.

I can assure you that Canada is very well positioned for the future, and Telefilm will focus on assisting Canadian companies to seize and take advantage of all these business opportunities.

Examples: *Les Invincibles*, *Breakaway*, *Starbuck*, *Les Parent*, *Aveux*, etc.

The third reason why the government must continue to support the industry: for reasons of the **heart!**

Because audiovisual works tell us stories that we can relate to and that often unite us.

Homegrown productions sustain our culture and our brand image as a country.

When travelling, why do people line up for museums? To see the expression of talent from a country, from a region. Sculptures, paintings and so on.

The audiovisual medium is another way of expressing talent.

Canadian content offers alternatives to American blockbusters. Our productions are independent works that Canadians can identify with, and they also resonate strongly with viewers throughout the world.

At the Sundance Film Festival last year, I saw people crying while watching the film “Le vendeur,” also a Canadian production, shot in Dolbeau-Mistassini.

Therefore, we can and must be proud to help sustain and preserve the cultural asset that the Canadian audiovisual industry represents – an industry that is constantly being renewed by emerging young talent.

We must not let this talent down!

I would therefore like to invite you to add at least one Canadian film to your “must see” lists this year. Many good films will hit the big screen soon.

You can start with the films found in the DVD on your table: *Starbuck* and *Breakaway*.

If you haven’t already seen them, both films are terrific examples of Canadian success stories that make us all proud.

I also encourage you to find out more about our new private donation fund and see how you can play a part in it.

Thank you very much.

Thanks again to the Quebec MBA Association for welcoming me here today.

Have a good day!