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Chair

Mr. Massimo Pacetti

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• (0910)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good morning, everybody. Thanks for coming by.

Before we begin, I want to thank the logistical staff and the clerk's office. I understand that preparing or organizing something like this is never an easy task, and just the fact that we're all here I think is thanks to them.

So thank you, Richard and Christine, and all your staff.

I'm going to bring it up twice, I think, at the beginning of every session and at the end. We'll see how well they do at the end.

I also want to thank the members for coming by. Some of them are still on their way. I understand that one member is coming in from the airport.

We have a tight timeline, so I want to get started. I want to allow the groups their hopefully seven minutes—eight minutes, tops—but I don't want to interrupt when they're in the middle of a presentation. If we respect the time limit, then it's easier for the members to ask questions later, because they will want to ask some questions. I have a list of the groups who are here today, and I will follow that list for the order of appearance.

Pursuant to Standing Order 83.1, we're here for pre-budget consultations 2005.

From the Alliance for Arts and Culture, Ms. Redfern, please.

Ms. Heather Redfern (Executive Director, Greater Vancouver Alliance for Arts and Culture): Hi. I'm executive director of the Alliance for Arts and Culture, an organization that represents 340 organizational and individual members from across British Columbia, most of them focused in the GVRD. Collectively our membership represents over 30,000 individuals who work or volunteer in the arts on a regular basis. Those organizations serve over a million citizens in GVRD.

What we are here to talk about and to request from the finance committee is an increase in the funding of the Canada Council's budget by \$5 per capita. The alliance is asking for all-party support of this increase. I know that Minister Frulla will be bringing forward some proposal of an increase to the Canada Council for the Arts, and we would like to see that increase be \$5 per capita—essentially the cost of a doughnut and a coffee per Canadian.

I'd like to just read a quote from Kenneth Galbraith:

Those communities that are richest in their artistic tradition are also those that are the most progressive in their economic performance and most resilient and secure in their economic structure.

Increasing the government's investment in the Canada Council for the Arts will enhance productivity performance by the cultural sector. The agency puts the funding where it will have the most impact: into the hands of the individuals and organizations engaged in creative research and artistic development.

The Canada Council funds artists—cultural entrepreneurs—who in turn use those funds for creation and innovation. Much like the R and D division of any business, this art-making is at the core of the sector. However, years of chronic underfunding mean that the sector is operating at a fraction of its full potential, and the talent and drive of our artists are being dissipated and sometimes lost altogether. This is true for both emerging and established artists, who are often unable to innovate and market their work at home and abroad due to lack of resources. This is about an investment in research and development in creativity. Creativity is an essential part of our economy in every area, whether it be health care, education, or economic development.

The standing committee states in its theme document that actions to increase the ability and willingness of businesses to engage in research and development comprise one of the ways in which to enhance productivity performance. We need only look into Canada's past to see the productivity performance that is the result of adequate investment in artists.

In 1967 a visionary Parliament increased its grant to the Canada Council by 500%. The following year, the Canada Council was able to provide grants to André Prévost, Veronica Tennant, Michel Tremblay, John Greer, Ted Allan, Roch Carrier, Alanis Obomsawin, Margaret Atwood, David Cronenberg, Timothy Findley, John Metcalf, Joy Kogawa, Michael Ondaatje, and George Woodcock, to name just a few. Here we are, almost 40 years later, and we all know those names and we all know what they have contributed to our country to benefit our citizens and to make Canada not only a better place to live but one that is admired by other countries around the world.

We are reaping the benefits of Canadian authors. We're reaping the benefits because our children read books by Canadian authors at school. We're reaping the benefits because Canadian plays are being performed in communities across the country and abroad, because music by Canadian composers is touring schools, and because our visual artists are featured in major exhibits at important international galleries. It's an excellent return on investment.

I'd like to now read a quote from the Canadian Chamber of Commerce policy resolution:

Without a vibrant arts segment in the country, Canadian businesses are less able to compete for a good workforce at all levels. Investment in the arts is essential for Canadian businesses to compete in the global marketplace where knowledge exemplifies the new economy and ideas are its product. We need people who can think more creatively and people need a creative environment to develop and grow.

The federal government has stated that its agenda is to drive prosperity by supporting sustainable, competitive, and prosperous cities and communities. It's clear that culture, as one of the four pillars, is absolutely essential to achieving that goal, and funding the Canada Council is the best way to make sure that happens.

On Canadian identity, 93% of Canadians believe the arts define Canada's national identity. Developing artists and organizational structures to support artists is at the core of the cultural health and strength of the social fabric of our cities. Experience in the arts is one way we create an empathetic society, healthy communities where people understand, care, and invest in each other.

Currently the Canada Council has strategic priorities in three areas: cultural diversity, aboriginal arts, and arts aimed at young audiences. These are very important areas for us in British Columbia. In British Columbia we have the largest percentage of artists from first nations communities, and we also have the largest percentage of visible minority and immigrant artists. It's very important for the development of creativity in our province to ensure that these artists are funded properly. It's another reason why we feel that the funding should come through the Canada Council for the Arts—and adequate funding, not “oh, well, I guess we can go with this much and that'll be okay”. It has to be a significant increase.

Another area affecting productivity in the arts and cultural sector is the wage gap that exists between the average earnings of artists and that of the rest of the population. Between 1991 and 2001, the number of artists grew by 29%, close to three times the rate of growth of the overall labour force. However, the average earnings of \$23,500 per year are the lowest in any quarter, any occupational group. The gap between artists' average earnings and the overall labour force is about 26%, and that's even worse for first nations and visible minority artists.

The federal government would not expect workers in social sectors such as health care and education to work for free or for wages that are below the national average or below the poverty line. Why then would they have this expectation of artists? In 1970-71, the Canada Council decried the economic situation of artists; unfortunately, this really hasn't changed.

The arts are an economic driver. Canadians spend twice as much on the live performing arts as they spend on attending live sports events. Over one-half of performing arts attendees—people who go to the theatre, go to galleries—volunteer in their communities, as opposed to 30% of the rest of the population; and as we know, the volunteer sector is becoming vitally important to the Canadian economy.

The financial benefits of investing in the Canada Council for the Arts... There are many studies, and it would take a long time for me to quote them, so you're just going to have to go with me. There are

studies that show that investing in the arts reduces health care costs and gives people—an aging population—a higher quality of life, reduces social services costs, is one of the most effective ways to deal with teenagers with crystal meth or other kinds of addiction problems, reduces policing costs, teaches responsibility and tolerance. There's a theatre company that operates in a prison on Vancouver Island, and one of the things the participants say is that they understand now what it means to be a responsible person and to be responsible to others.

Students graduating from high school with higher skills levels who have had arts education have higher skills levels and are better able to cope with a world that requires flexibility, problem-solving, and creative thinking. Obviously there's employment growth, an increased contribution to the GDP, a growing technology sector that needs creative partners. Electronic Arts here in British Columbia is the largest employer of artists, and that company was founded by artists and computer technologists working together.

● (0915)

Just to conclude, we urge all parties to support a \$5 per capita increase to the Canada Council for the Arts.

Thank you.

The Chair: Thank you, Ms. Redfern.

The next group is the Forest Products Association of Canada, Mr. Lazar.

● (0920)

Mr. Avrim Lazar (President and Chief Executive Officer, Forest Products Association of Canada): I'm here with Jim Shepherd, who is the CEO of Canfor Corporation. It seems as though it's a uniquely British Columbia sort of hearing, where we have the forest industry and the cultural industry coming together to talk to the government about productivity.

I'm not here to speak for the B.C. industry, but rather for the whole country's industry, for the national industry.

The forest products industry in Canada and the Forest Products Association represent almost one million workers across this country. We pay wages that are way above the average. We represent 300 rural communities in which there are few other job opportunities. I represent the industry that employs more aboriginals than any other industry in Canada, an industry that's bigger than oil and gas, bigger than auto manufacturing, an industry that is the most successful exporter of forest products in the world, and it's an industry of which Canadians and the Canadian government can be proud.

I know you hear many submissions, and it must seem routine to you sometimes, but for us, for the almost one million Canadians in the 300 communities, what we are going to talk about is extremely important. So I really appreciate you taking the time and paying attention.

The forest industry in Canada is facing an unprecedented confluence of factors, a perfect storm of challenges, which we have never faced before. We are used to dealing with low-cost competitors from places like Brazil and Indonesia, though it's not easy to do, but now we have to do that at a time when the Canadian dollar has increased by 34%. All of our inputs are made in Canada and we export 80% of what we make, so the rise in the Canadian dollar has put an unbelievable strain on the industry. At the same time, the Americans have taken \$5 billion out of our pockets and are holding it as an embargo tariff in the U.S. That's a lot of money that could have been invested in Canadian mills.

At the same time, energy prices have gone up dramatically and fibre prices have gone up, so our industry, which has a history of adapting and striving and finding ways to continue to be the best, is facing this unprecedented perfect storm of factors, and we are having a hard time finding out how to do it. We haven't been sitting around waiting for other people to help. We haven't waited for government help. We've improved productivity year after year, more than the rest of Canadian manufacturing. We've improved productivity in the softwood industry far more than even the U.S. industry. We have diversified our markets and have gone into Korea, China, and India, and no other Canadian manufacturing sector sells as much into those markets as we do.

So we've gathered ourselves together and have faced this perfect storm with entrepreneurial spirit, productivity, and seeking new markets. But no industry can adjust to a 34% rise in the dollar in such a short time without feeling its effects.

So we've come, Mr. Chairman, to respond to your question, the committee's question, which is, what can the government do to spur productivity increases? The answer to that question is pretty basic. First, the government needs to work with the industry to develop a strategy for the future of the industry, for the revitalization and renewal of the industry, and that strategy has to include regulatory reform; it has to include investment in research and development, in transformative research and development, so that the industry can leapfrog its competition and adopt new technology and continue to be competitive; it has to include more work by the government to represent us in international markets so that we can better penetrate China, India, and emerging markets; and it has to include a tax regime—and this is most important—that rewards investment in Canada instead of punishing it. Investment in the forest industry in Canada is taxed more than investment in any of our competing countries, and as you all know, the strongest, fiercest competition in the world is for capital. When a company is trying to decide where to put their money, they look at the return in Canada, the return in Brazil, the return in the United States, the return in Europe, and the return in the far east, and unless we have a competitive tax regime, unless we do something to make it a benefit to invest in Canada, we are going to slowly slip.

● (0925)

The key thing we're asking of the committee within your mandate is to look at improving the investment climate, improving the return on investment in Canada. There's a detailed proposal for investment tax credits in the brochure. If you want, during question period we can go into detail; otherwise, I'm certain you're going to want to read it.

The other thing the committee could do within your purview is improve the accessibility to measures in the last budget that are encouraging renewable power. Our industry is always ready to switch to renewable power. In the last budget there was an announcement of a renewable power incentive and an accelerated write-off, but the regulations and terms and conditions for those are so narrow as to be practically useless for the industry. We have mills in Ontario that are being threatened with shutdowns, and one of the reasons is the cost of power. Those mills could go to biomass, to renewable fuels, which would both clean up the air and help us meet our Kyoto commitments. They could do it economically if those incentives worked, but they don't. They're set up so as to make it difficult to get to them.

In summary, Mr. Chair, committee members, global markets are increasing by 3% a year. That's a huge market opportunity for Canada. Canadians have benefited from being the most successful forest exporting nation in the world, and that has meant jobs in rural areas that are not replaceable. The industry is running as fast as we can to become more productive and more competitive. It's time the government did what's necessary to make the investment climate more competitive as well, and reformed the tax system so people want to invest in Canadian machinery, in Canadian mills.

Mr. Shepherd, would you like to add anything?

Mr. Jim Shepherd (Board Member, President and Chief Executive Officer, Canfor; Forest Products Association of Canada): Thank you, Mr. Lazar.

Mr. Chairman, thank you for the invitation this morning.

I just want to make a few brief comments to add to what's already been stated here.

I'm representing a company that has over 12,000 employees in 25 communities across this country, primarily in British Columbia, Alberta, and the province of Quebec.

We have recently gone through a number of restructurings and shut down several facilities across Canada, affecting over hundreds of employees in several communities. Currently we have invested hundreds of millions of dollars in new technology and productivity gains and better efficiency in some of the most technologically advanced processes in the world. We have also been very active in encouraging development of international markets, all at a time when energy costs are going skyward, all at a time when transportation infrastructures and costs are a very big impediment to an export industry, and specifically our company.

Also, we have to concurrently deal with the punitive tariffs on softwood lumber, with over \$5 billion now on deposit that could have been used for reinvestment in a very competitive industry.

All this is happening at a time when international markets are not kind to those who are not low cost, and the rapid rise in the Canadian currency has put our industry at a very big competitive disadvantage. Unless this is addressed, we will see a restructuring across this country that we haven't seen for some time.

I just wanted to reinforce the comments made by Mr. Lazar, and to make sure that this committee understands that for the forest industry, with its export dependence, it is very much needed to have the tax and the financial structures around those facilities and encourage capital to be reinvested here in Canada.

Thank you.

The Chair: Thank you.

Mr. Lazar, you mentioned three items: regulatory reform of the industry, and the second one, which is not in your brief, and the third aspect was the fiscal policy of the industry. The first two are not in your brief.

Mr. Avrim Lazar: I very much welcome that question, because we're always very gratified when we find out parliamentarians actually read the brief.

The Chair: This is your chance; I'm looking at it now. I may never see it again.

Mr. Avrim Lazar: Investment in transformative R and D; regulatory reform; market diversification; and then there are the two that we put in the brief because they're within the direct purview of this committee—improving the incentives for renewable power in the last budget and the refundable investment tax credit.

These things don't work in isolation. They have to be part of an overall strategic plan. We assume that regulatory reform, R and D, and market diversification would be part of that plan.

● (0930)

The Chair: Great. Thanks.

From Keatley Films Limited, Ms. Keatley.

Good morning.

Mrs. Julia Keatley (Executive Producer, Keatley Films Limited): Good morning. We'd like to thank the chair and the members of the committee for the opportunity to appear today. My name is Julia Keatley, and I'm the president and head executive producer for Keatley Entertainment, a Vancouver-based company that produces drama—the series *Cold Squad* and, currently, *Godiva's* for CHUM.

I'm joined here today by Trish Dolman, another colleague in the industry, who is president and producer at Screen Siren Pictures. My colleague who had submitted with me, Chris Bartleman, president of Studio B, is unfortunately out of the country attending an international market in Cannes called MIPCOM, so he will not be joining us today.

The written submission we tabled with the committee at the end of August provided several recommendations on how the federal government could help improve the overall productivity of the Canadian television, feature film, and new media sectors going forward.

In our brief opening remarks today we would like to reiterate the highlights of our submission.

First the general context. Canadian independent producers have long faced two major financing challenges: first of all, raising the necessary financing to complete their projects; and secondly,

capitalizing their businesses. These challenges have become considerably more difficult in the last number of years as access to foreign financing has significantly diminished. Over the last ten years, the Canadian production industry as a whole has become a huge success story, both in Canada and internationally, thanks in large part to good government policies.

However, while there has been overall growth in the industry, the situation is not as positive for the Canadian independent production sector. While foreign location shooting and broadcaster in-house activity has grown, the level of activity in the independent production sector has declined by 12.4% over the last five years. There's been quite a contraction in this industry. Moreover, little progress has been made in terms of fostering a healthier corporate capacity in the independent production sector.

In the current environment, independent producers are caught in a vicious circle. To attract greater investments they need to have stronger corporate capacity. To have a strong corporate capacity they require access to greater investments.

Trish will continue.

Ms. Trish Dolman (President and Producer, Screen Siren Pictures Inc.; Keatley Films Limited): As independent producers, we are now looking to the federal government for help to break this chronic and inefficient cycle, and it's particularly important at a time when our dependence in Canada on U.S. service production is not as viable given our dollar. So we feel a new national strategy needs to be pursued, one that focuses on increasing productivity; one that ensures better synergy between independent producers, the broadcasting system, and other markets; one that promotes a fairer balance between those who produce content and those who have direct access to audiences; and one that makes sure each element in the system makes a significant contribution to building social and cultural cohesion in Canada and to promoting diversity.

● (0935)

Mrs. Julia Keatley: While Canadian producers are better positioned today compared to a decade ago, they need a revitalized environment if their businesses are to have sustainable growth into the future. With the stronger corporate capacity, Canadian companies will be better positioned to compete more effectively nationally and internationally.

Now Trish will go through some recommendations specifically for the Canadian film and video production tax credit.

Ms. Trish Dolman: Most of you probably know that the Canadian film and video production tax credit is a key federal support program that was announced in 1995. It was supposed to help encourage a more stable financing environment and longer-term corporate development for production companies rather than focus simply on project-by-project financing. When our industry started, that's what most companies did; they moved from project to project. And as it's an industry that has grown and strengthened, we want to build a larger corporate capacity obviously so people aren't going hand to mouth.

Indeed, this important program has played a key role in helping to increase the industry's volume of Canadian content. However, given its current design and certain other financing realities, it has not been as effective or as efficient as it could be in terms of building stronger companies. Unfortunately, because of the difficulty in raising the necessary financing for a project and the limited amount of available direct public assistance relative to the high demand... Over the last 15 years we've seen a huge increase in television channels licensed by the CRTC, and our financing is a combination of public and private funds, so while we have a greater number of television stations, the financing mechanism hasn't kept pace with the demand. So we currently have systems that are very oversubscribed. Producers are often left, therefore, with no option other than to include both the federal and provincial tax credits in the project's financial structure if that project is to get made. This situation effectively eliminates a producer's ability to use the tax credit to capitalize their corporate growth and it largely relegates businesses to working from one project to the next.

To help better finance production companies, as originally intended with the tax credit program, producers should be encouraged to keep the tax credits outside the financial structure of a project. Moreover, expediting access to resources under the tax credit program would increase its efficiency, that is, less money would go to middlemen like the banks and more money would go into production. So just to clarify, with the tax credits, after a production is completed we submit our tax returns and the tax credit is paid much later, sometimes 18 months to two years. So at the beginning of a production we have to interim finance. We go to banks or other lending institutions to interim finance those.

What we would propose is a system of advances under the tax credit program, where producers who have historically utilized the tax credits and received them without problem would receive an advance, rather than having to interim finance and pay interest on the tax credit system.

We also recommend that producers be encouraged to keep the tax credits outside the financial structure of a project, allowing them to better capitalize their corporate activities, which was the intent of the tax credit program.

Mrs. Julia Keatley: As well, the annual resources allocated by the government to direct federal support programs has not historically been indexed to the rate of inflation. To sum up the problem, over time all costs related to the development and production of projects increase. There are increased labour costs and increased things we're responsible for as various union agreements go up, and the real value of federal support decreases if you consider both inflation and the direct cuts to base lending.

As Trish pointed out, over the last ten years the CRTC has licensed approximately fifty-plus channels, and that doesn't include any of the digital channels that were licensed. Actually, the support announced ten years ago was essentially the same base support on a dollar level.

By not indexing direct support, the sector's ability to keep up with growth is considerably hindered. In real terms, it actually slides further behind. In the ever-growing media world of choice, it is also necessary to help the Canadian production sector better meet the

increasing demand for quality Canadian content in the television, theatrical, and interactive media markets, improving their competitive position and facilitating the transition to new technology, including high-definition television, which has been a very costly thing. There is demand by the consumers to watch that, but that is specifically being passed on to the producers without other elements of the system, such as broadcasters, actually paying for it. That is just becoming an added cost. At one point, with the demand of audiences and when we all have our HDTVs, it's going to be difficult for Canadians to compete with that, because the cost of it is so high to produce. Canadians may not be able to even have HD choices because of that.

Significantly increasing the annual allocation to the Canadian Television Fund, the Canadian Feature Film Fund, and the Canadian New Media Fund and increasing the current rate of the Canadian film and video production tax credit program go a long way to addressing and achieving these objectives. To help address the challenges of inflation, the growing demand, and the need to transition to HDTV, we recommend that federal support allocated to the Canadian television fund be increased by \$95 million, the Canadian feature film fund be increased by \$75 million, and the Canadian new media fund be increased by \$15 million. Furthermore, we recommend that the Government of Canada make a firm commitment to these new resource levels, indexed at the rate of inflation for a minimum of five years.

We also recommend that the Government of Canada increase the rate of Canadian film and video production tax credit to 30%, as was recommended by this committee last year.

Finally, we recommend that the federal government develop and implement a new fiscal incentive to help attract greater private sector financing to large-budget Canadian productions in both feature film and television, the financing for which is now very difficult to secure.

In closing, we'd like to thank you once again for providing us with an opportunity to share our views with you today. Thank you.

The Chair: Thank you, Ms. Keatley.

The Pacific Baroque Orchestra, Mr. Durrie.

Mr. Tom Durrie (General Manager, Pacific Baroque Orchestra): I'm Tom Durrie. I'm the general manager of the Pacific Baroque Orchestra, the only professional period instrument ensemble west of Toronto, the orchestra that William Littler of the Toronto Star called "Vancouver's answer to Tafelmusik".

● (0940)

[Translation]

I will make my presentation in English, but I would first like to thank you for inviting me here today.

[English]

I was pleased to see that the arts were put in first place on today's agenda, and I'm hoping this will be reflected in your subsequent deliberations.

After you've heard the submissions from various representatives of the arts who are here this morning, you're going to hear of a number of other causes, all of vital humanitarian and social purposes. You will hear the need for support for care of the sick and disabled, for the education of children, for assistance for the homeless and disadvantaged—important causes necessary to the well-being of our society.

Why then are we here asking for increased support, in fact generous support, for the arts, which after all have traditionally, at least in North American society, been regarded as adornments to rather than as necessities of life? I'm inviting you today to think of the arts not as superfluities and decorations but as essentials of a civilized and humane society.

I know that by now you've heard, probably more than once, how the arts contribute to the economy by providing employment and multiple economic spin-offs in the form of babysitters, dinners out, and new gowns. While all of this is most certainly true and very well documented, I don't believe these are the reasons why art in all of its forms is such an important part of who we are. Just as the Parthenon tells us more about the people of ancient Athens than any study of the economics of the Golden Age, the arts define who we are as people today.

Perhaps I should say that we allow the arts to define us as people to the extent that we place value on the work of artists. If we see only economic value or if our leaders do not respond to the role of artists in our society, we will short-change ourselves, our culture, and the quality of our lives.

I ask you to look, for example, at the Parthenon or, say, Picasso's *Guernica*. I ask you to listen to *The Art of the Fugue*, or to Benjamin Britten's opera, *Peter Grimes*. Is the first thought that comes into your mind, how much money did it make? The very idea is laughable. Civilizations are remembered because of their art, not their economies. These works of art, and so many others, represent the highest aspirations and the most profound understanding of the human condition. This is the reason why we need our artists and why we need to support their work. They give meaning and relevance to life. They make us better people.

A number of years ago I had the honour of presenting a concert of the three string quartets by Benjamin Britten. As I sat in the audience, I was thinking that this is extremely difficult music, challenging to the ear and to the mind, and I was afraid that people would not like it. But at the conclusion of the third string quartet, I looked around me and I saw that several people were moved to tears, profoundly touched by the music they had heard. In spite of the unfamiliarity of its utterance, this music had given them an experience of the grief and joy from the depths of the human spirit, a look, if you will, into the soul of a fellow human.

This is why I am not presenting you today with graphs and charts and figures. The meaning of art cannot be measured any more than can the meaning of life itself. This we can only experience, and the

work of artists is to interpret that experience for us, to show us ourselves, to bring us insight into our best and our worst aspects. Artists need economic support in order to do this work.

We're fortunate to live in a country with a richly varied culture. Though the term "multicultural" is perhaps overused, it aptly describes Canadian society. For us to get along and to prosper we need a pathway to the understanding and appreciation of different cultures. The arts provide us with this pathway. A society that supports the arts supports humanity. It's that simple. Everything else, from the children's hospitals to the support of the needy, spins off from our humanity.

I ask you to take a leadership role in recommending increased support for the arts. The Canada Council is one of Canada's finest and, I might add, hardest-working institutions.

● (0945)

Just to digress briefly, I was mentioning once that the artists tend to work very inexpensively. As Heather Redfern pointed out, the average income of artists is extremely low. I said in a talk once that if the government had given us the gun control, we would have done the whole thing for \$500.

The Chair: We'll take that into consideration.

Mr. Tom Durrie: Without the support of the Canada Council, Canada would not be known around the world, as it now is, for our splendid writers, filmmakers, and musicians. All this has been accomplished with very limited means. Just think of what we are capable.

The sum of \$5 per person as a levy to support the Canada Council has been brought to you. This is a minimal amount, representing for many of us the price of a cup of coffee. The return to our culture, to our nationhood, and to our humanity would be vast and immeasurable.

Remember that the Canada Council was created not by public demand, but by people of vision, idealism, and leadership. I urge you to adopt these qualities.

Merci.

The Chair: Thank you, Mr. Durrie.

The Union of B.C. Performers, Ms. Watson.

Ms. Mercedes Watson (Chief Executive Officer, ACTRA - British Columbia; Union of B.C. Performers): We thank you for allowing us the opportunity to present to the committee. We'll do our best to keep to the time allotted to us so that your schedule does not fall behind right off the top of your day.

My name is Mercedes Watson. I am the chief executive officer for the Union of B.C. Performers, which is a local branch of ACTRA. I'm here with my colleague, Tom Tapley, the director of operations and communications for film, television, and digital media.

The Union of B.C. Performers is an independent local branch of ACTRA representing approximately 4,000 professional performers in the recorded media. UBCP is a trade union in the province of British Columbia and is dedicated to protecting the rights of professional performers to fair remuneration and the fundamental respect for their craft and artistry.

We are here, of course, to support the recommendations you have already heard from our national organization, ACTRA, but we wish to focus on the issue of financing as it relates to the domestic and indigenous areas of the film and television industry in Canada, and specifically in the province of British Columbia for independent filmmakers who utilize our members. You have already heard eloquently from Julia Keatley and Trish Dolman on that issue. We are in accord.

As you are aware, the government organizations such as the Department of Canadian Heritage, Telefilm, CTF, and provincial film commissions have provided much needed and appreciated financial intervention in the form of subsidies or low interest loans, providing tax credits for qualifying productions, which encourages cooperation with other countries through cooperative agreements, organizing films, and promotion through participation in markets. You've heard that MIPCOM is taking place right now in Cannes, at festivals and other events, and is providing help to promote filming in specific locations through film commissions. We encourage the continuation of these government efforts but fear that in the long term they will not be enough.

There are structural weaknesses in Canada's production financing, marketing, and distribution. The infrastructure they are in needs to be addressed for the industry to sustain itself and to grow in the long term. We have discussed this in greater detail within our submission. You have again heard from our colleagues, our producers, on that very same issue today.

While Canadians continue to flock to theatres and spend time watching programs scheduled by Canadian broadcasters, our theatres and television stations are dominated by programs that are created outside of Canada, predominately in the United States. We would like the finance committee to turn its attention to viable alternatives for production financing and domestic distribution of Canadian creative programming, and we have provided recommendations that could be fleshed out through, we are suggesting, a film industry financing round table.

Your question posed to each of us here today was, how can Canada prosper or increase its productivity? In this unique sector of our film and television industry, our answer is that within our industry greater efforts must be spent focusing on the only area where it has been demonstrated profits can be made: distribution. Herein lies our problem. Because we have yet to acknowledge that Canadian films are worth seeing or that Canadian stories are worth investing in, we are shocked when our creative stories achieve success. Imagine the financial successes that might be gained by giving these creative initiatives a fighting chance, by putting sustainable funding in place from the beginning, supporting marketing through broadcaster funding or profit sharing on box office revenues. Why, we continue to ask, is Canada so far behind so many other less experienced countries in our ability to arrive at a permanent financial model that bolsters our cultural initiatives?

Our recommendation speaks to reviewing such programs as contributions from the broadcast industry, tax levied on distribution and exhibition revenues, revenues from copyright collection, tax relief aimed at promoting investment, and preferential credits to Canadian producers. Other colleagues here today have spoken to other issues that continue to affect the film and television industry,

such as the rise in the Canadian dollar. It is an industry that over the years has focused far too much specifically in British Columbia on service production and has not spent nearly enough time on domestic or indigenous production or, as our colleague mentioned today, on making it easier for independent film and production companies to have long-term strategies and to build long-term goals for their organizations.

We of course have an invested interest in this simply because our members work for these same independent producers who spend their time creating projects that allow our members to flourish and to achieve their creative goals.

• (0950)

We thank you, and we are happy to take questions from the committee once we have come to that point in the program.

I might have my colleague add to what I've said already.

Mr. Thom Tapley (Director, Operations and Communications - Film, Television and Digital Media, ACTRA - British Columbia; Union of B.C. Performers): We can save that for the questioning. I think that would be more useful.

The Chair: Thank you.

We are doing well on time. We'll do probably two rounds. We'll start the first round at five minutes and then we'll see how it goes from there.

Ms. Ambrose.

Ms. Rona Ambrose (Edmonton—Spruce Grove, CPC): Thank you, Mr. Chair.

Thank you to all the presenters for being here today. I really appreciate hearing your presentations.

I have a question specifically for Mr. Shepherd and Mr. Lazar. Your industry has obviously been in the news of late, particularly with the softwood issue. I just wanted to make a comment and I have some specific questions for you.

It's obvious there's been some political rhetoric around the issue, and that can be helpful and it can be not so helpful. We all agree that we have to be firm with the Bush administration on trade negotiations. My concern is that one of the consequences—whether it be with our trade negotiations and potentially unintended escalation of rhetoric that might affect some of our other industry sectors—one of the direct consequences I'm seeing in the increased rhetoric is a move away from a focus of what we can actually control and what we can do domestically and some of the solutions you're talking about. Again, I say that in the context that these are solutions that we can implement today, and they need to be implemented today to make sure that your industry is sustainable. Specifically, I'm thinking about transition to green energy, because these are things that are long-term goals that we need to have.

I wonder if you could focus more on what we can do domestically in your industry, what recommendations this committee could make, whether on tax reform, regulatory framework, or the transition to green energy.

Mr. Avrim Lazar: Just quickly, on the threat to other industries by talking and standing up to the U.S. government, I think it works the other way. The bottom line is that if the law firms that now represent the U.S. softwood industry market their wares to other sectors, if it becomes clear that Canada doesn't stand up for itself, everyone's going to pay. It's not just helping the softwood industry by insisting that NAFTA work; it's helping the foundation of the entire Canadian economy, which is basically exporting stuff to the U.S.

You're completely right that we have to focus on the things under the control of Canada right now. We don't have to ask the Americans about our tax regime, about our regulatory regime, about our investment regime. We can do that for ourselves right now.

The things that we have suggested that could be done that would help keep the industry competitive are investment in research and development in transformative technology so that we can leapfrog competing nations; help branding Canadian products as sustainable and high quality in export markets; expanding the use of wood. Finland actually doubled the per capita use of wood by doing a campaign to increase wood use. In North America we could do the same thing and take a lot of pressure off softwood. We could grow the pie. And government funding to expand the non-residential use of wood can achieve this.

Probably most important is a tax regime that rewards investment and an incentive regime that speeds the switch off fossil fuels, off hydro, and onto biomass. The industry now produces enough electricity to fuel all of Vancouver. You could take Vancouver off the grid and put it onto our mills. That's how much we produce using 100% green energy through biomass. We could double that. What we do now is equivalent to three nuclear reactors. We could produce as much electricity as six nuclear reactors, all of it Kyoto-neutral, no greenhouse gases counted, all of it completely renewable.

What the government put in the last budget for incentives for that was exactly in the right direction. We actually issued a press release saying "government gets it right on green power", but our press release wasn't correct, because the regulatory regime that the bureaucrats are writing for this makes it inaccessible. It becomes a gesture rather than a program. Those regulations have to be rewritten so that the mills that want to transform to green power actually have access to it.

Jim, do you want to add anything?

• (0955)

Mr. Jim Shepherd: Mr. Chairman, I'll briefly add a comment.

In Canada we are fortunate to be with some of the most vibrant, productive, and high-quality forest baskets in the world, but we never lose sight of the fact that forest baskets are growing at a healthy rate globally. There is no fibre shortage in this world; if anything, the use of wood is underused. Developing new markets in the use of wood, especially for home construction and other jurisdictions, is a priority for this industry.

But at the end of the day, the softwood lumber dispute, which you make reference to, has been a dominant factor in industry thinking. It has taken away the energy in a lot of places where investment and creative thinking could in fact have been in place. One of the

fortunate offshoots of that particular dispute is that it's made the lumber industry in particular even more competitive than it was before this whole dispute started.

However, the industry is far more than just lumber. A big aspect of what we have, from the Maritimes through to the west coast of British Columbia, is the pulp and paper sector. A massive investment is needed in these facilities to keep current with technology, with competitiveness, and the cost structure that other forest baskets are enjoying today. In order to put that investment back into these facilities, it's going to take a tax regime that encourages and properly recognizes the amount of money that's going to be required to keep these facilities competitive.

Certainly in my world, when I come to the office in the morning and look at the current state of the industry and the opportunities available to companies like mine...is Canada the right place to invest that money? If there's no fibre shortage, why would we put it into a regime with a high tax structure and currently facing high energy costs the way we are here in Canada? It's a question of not only do we need these facilities, but how in fact we keep them....

The Chair: Thank you, Mr. Shepherd.

For the witnesses, we have five minutes for the members, but that includes the answers as well.

I'm going to go to Mr. Bouchard, Ms. Crowder, and then Mr. Bell.

[*Translation*]

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chairman. I also would like to thank each and every one of you for your excellent presentations.

My question is primarily for the representative of the Greater Vancouver Alliance for Arts and Culture.

In your brief, you mentioned that the average salary of artists was \$23,000, which, whether you take a single category of Canadians or Canadians as a whole, is below the poverty line. Moreover, you suggest that we should offer a government subsidy of \$5 per person in Canada.

Last week, we held pre-budget consultations in Quebec. A community of artists suggested to us that we should grant tax credits to purchasers of works of art, in an effort to promote artists and art producers' creation.

What do you think of that suggestion? Do you believe it would create a marketing dynamic for works of art, for the creation of artists in Canada?

• (1000)

[English]

Ms. Heather Redfern: First of all, I would say that would be something that would happen in addition to a \$5 per capita increase to the Canada Council. Certainly it is a way of increasing the investment that any kind of grant program or funding program can leverage from the corporate sector from other provinces. That, to me, is the next step, and we are still so far in the first step. I think in Quebec, because there has been a much greater provincial participation in funding for the arts, there is perhaps a more advanced understanding of how work can then be moved to a more commercial model, which is where tax credits would definitely be an asset.

I would say that at this point, because of the chronic underfunding in the council, we are not yet able to emphasize the commercialization of some of the cultural products. The aim of the Canada Council's funding is certainly not to create work specifically that can then become commercial. That is a portion of the arts and cultural industry, but it isn't the whole thing. It is something we need to do. We have the perfect example of Cirque du Soleil, an organization that was funded by council and by the Province of Quebec in its early stages and has gone on to become an industry all on its own. That kind of development is still down the road, although at this point in Quebec I think it's much more feasible.

[Translation]

Mr. Robert Bouchard: My second question is for the Forest Products Association of Canada. In my riding, Chicoutimi—Le Fjord, I witnessed the closure of the Abitibi-Consol plant. This obviously had a very significant impact on the workers. Six hundred and forty people lost their jobs. In my region and in my riding, we are also suffering from the softwood lumber crisis.

First of all, I would like to know if there are steps the government could take in order to avoid plant closures or, at the very least, to diminish the magnitude of such an event. I would also like to know if you have studied the situation in countries where measures have been taken to make the pulp and paper and forestry industries more competitive, and that avoid major impacts like plant closures.

Mr. Avrim Lazar: I thank you for that question. I will answer both in French and in English.

This is a fundamental issue. I have been working as an industry lobbyist for four years. When a plant closure is imminent, there is a great deal of interest created from all quarters. However, when we want to talk about prevention and setting up a competitive climate in a plant, we do not draw much attention at all.

[English]

To put it in English, when we close a mill, every MP and deputy minister comes after you: "What can we do?" When we come knocking on the door and say we want to prevent closing mills by having a competitive business climate, everybody says next year, or five years from now. The bottom line is when it's time for a mill to close there's not enough money in the federal treasury to stop it.

There's nothing that can be done when things don't work in the marketplace. But before that, when you're setting tax regimes and regulatory regimes, we can create a situation in which we can prevent it. It goes right to the key question the committee has put to us—"How do you improve productivity?" The answer is "new equipment".

The second question you put was whether we have done a comparative study. We have. The most successful industry in the world right now in terms of profitability, investments, and not having closures is Finland. What does Finland do differently from us? They have a comprehensive forest industry strategy. They don't do it one mill at a time. They don't do it one piece at a time. They have a comprehensive strategy that includes research and development, export development, technology development, and on and on and on.

So in an area in which government has so much involvement—transportation, fibre, energy, access to markets—you can't just leave it to the companies. We'll do everything we have to do, but we need a strategic plan for industry renewal that also comes in terms of business climate from the government.

• (1005)

The Chair: Thank you, Mr. Lazar.

Ms. Crowder.

Ms. Jean Crowder (Nanaimo—Cowichan, NDP): Thank you. I want to thank all the panellists for their presentations.

My riding of Nanaimo—Cowichan has a vibrant arts community and a somewhat less vibrant forestry community, unfortunately. We've been very resource dependent, and we are suffering because of some of the policies that have come down.

I have two questions, and I'm going to ask you to be succinct because I want to address both the arts and the forestry. I'm going to start with the arts. My question is directed to Ms. Watson.

First of all, I want to thank Mr. Durrie for his very eloquent statement around how important the arts are to the vibrancy of our communities. A number of years ago Microsoft did a study on the graduates they preferred, and they preferred graduates from liberal arts programs because they brought with them creativity and problem solving and all kinds of things. The arts community underpins our economic prosperity in ways that we often don't measure.

Ms. Watson, you talked specifically about two things. One was a round table, and I wonder if you could briefly say something about that. The other thing was around a preferential credit, and I wonder if you have considered NAFTA implications in the preferential credit recommendation. Could you succinctly address those two points?

Ms. Mercedes Watson: Sure. With respect to the round table, my thought is simply that there is never enough time spent with industry experts talking about the challenges that face independent filmmakers in Canada specifically. Programs are put in place and models are created without input from the actual stakeholders that end up trying to fit themselves into a model that sometimes doesn't suit them or is out of sync with the actual product itself or how that product is seen throughout Canada or in fact is distributed throughout the world. My round table suggestion is to bring together those industry experts that have that experience, have the history, such as people like Ms. Keatley, who spoke earlier, who are in fact in this conundrum that we're talking about today. Have sessions that will allow us to talk about the issues and try to come up with models that are specific to Canada by taking into consideration models that exist in other countries in the world that have somehow become successful, even though those in Canada have not.

Ms. Jean Crowder: With regard to NAFTA and the preferential credit, have you looked at if there's a NAFTA implication for that? Could we do it under the NAFTA agreement?

Mr. Thom Tapley: I think that would need further investigation. Obviously there's the ability to do certain things within the framework of NAFTA, tax incentives being an example, so we'd have to look at that further.

Ms. Jean Crowder: That would be an important consideration.

Mr. Thom Tapley: Absolutely.

Just to add, one of the things we think would be important to do would be a focused, short-term—but also long-term—concerted dialogue between the interested parties, including all of the interested parties, so that you can get an ongoing feedback mechanism by which you can form the types of policies that are put in place. This is wonderful to have the opportunity to do something like this, but we would suggest it might be more useful doing something of a more ongoing nature.

Ms. Jean Crowder: I absolutely agree, and it actually lends nicely to my second question to Mr. Lazar.

I think we're finding this across sectors, that when we talk about consultation, what we do is bring people in and ask them to tell us in five minutes or less the entire problems in their industry; we go away and we do something behind closed doors and we come up with something that doesn't meet anybody's needs.

With regard to forestry, as I mentioned, my riding has two pulp mills and a number of sawmills, and it's had a very vibrant history of forestry. But the sawmills are closing, and we're heavily impacted by softwood lumber. The export of raw logs is an enormous issue in my riding. We call it shipping the jobs south, and what we see crossing the border is truckload after truckload of raw logs.

When you talk about a comprehensive forestry strategy, a couple of issues come to mind. Does the industry have a mechanism or a willingness to look at how we can do manufacturing closer to home? Clearly, when we manufacture closer to home, we create jobs, we support the local economies, and we create a tax base. One of our municipal councils is heavily reliant on a local mill for most of its tax revenue. It's really important that we keep these things in our communities, operating and active. I wonder if you could comment

specifically on that, if the industry has some suggestions the government could use towards supporting local economies.

• (1010)

Mr. Avrim Lazar: Great question. The answer is yes, we do have a strategy, and it's clear, and we're certain it's the right strategy. Give us the business climate that makes it good to do business here and the jobs will stay close to home. Give us a business climate that isn't as good as the U.S. and the jobs will go to the U.S. There is no government policy, there is no government programming, that can fight that. We've seen over the last fifty years of history where you try, with marginal interventions, to keep mills open, or to try to bias the marketplace in this direction. It works for a little while, but in the end there's not enough money in the federal treasury to fight the marketplace. There is a simple answer, and we've done it many times: create a business climate where people can do business at home.

Mr. Jim Shepherd: Mr. Chairman, if I could just add, here we have a situation in the lumber industry—I can't speak specifically for your riding—where the industry in some cases can be termed almost super-competitive with the investment that's gone back into facilities on this side of the border. Because of that competitiveness, now we have a trade barrier.

So it's not just the investment climate in this country, it's access to markets as well. For those industries that are rewarded for improvements in productivity and efficiency, we don't want to see the walls put up and the doors closed because of that success in being competitive.

The Chair: Thank you, Ms. Crowder.

Mr. Bell.

Mr. Don Bell (North Vancouver, Lib.): Thank you.

Welcome to all of you. It's an interesting mix between the forest industry and the arts. I'll just keep the balance going and go to the arts, and then I have questions for the forest industry.

Heather and Trish, nice to see you again. Along with the comment from particularly the film industry on the need for help with independent film production, one of the advantages, I gather, of the industrial service production or the foreign films and the preponderance of it in British Columbia is that it's like tourism dollars as opposed to recirculating Canadian dollars. So we've got the advantage. In my riding, as you know, we have Lions Gate Studios, and we have three or four major production areas in B.C. The industry is very big. But I absolutely agree with you that it's important to develop that independent film production, because it then helps to cushion against the ups and downs of the Canadian dollar and the other things we're seeing with the other factors, the foreign factors.

You made reference in your presentation to film credits being short term. I think Mercedes' brief mentions, on page 3, that:

Mechanisms such as tax credits which offer rebates to productions based on the amount of money spent locally have limited long-term efficacy for as long as we continue to give preference to service production to build the industry in Canada, particularly as other jurisdictions have established competing tax credits.

Perhaps you would comment on how we strike that right balance. I know it differs from west to east within Canada.

•(1015)

Mrs. Julia Keatley: The tax credit system has actually been a very good one. What has happened is that we've actually set the bar, and in fact we're being copied around the world. So it is a good one. But in terms of actual.... I don't think it's not a long-term strategy; it's just that one of the actual ideas behind it was to help build corporate capacity, and some of the actual public government agencies, such as Telefilm, have actually forced Canadian productions to put them into their structures and not allowed them to keep them out, to capitalize their companies. There are sort of competing interests there.

I don't think Canadian productions have just Canadian dollars in them. In fact they have lots of foreign dollars. In my current project, a television series, my distributor is an international distributor, FremantleMedia. It's one of the biggest ones in the world. We're competing internationally. The question is, how do you grow the capacity so that companies like mine can continue to be based in Vancouver rather than move to Los Angeles or London?

Mr. Thom Tapley: We agree. Whatever alternative models we suggest in our brief that are possibilities for further discussion are in tandem with tax incentives. We think both are important. One of the problems we encounter, and we've seen over the last year specifically, is that, as Julia mentioned, other people are looking at the Canadian model and duplicating it, or in many instances improving upon it, from the tax incentive perspective. As a result, you then have a race to the ceiling, and there very much is a ceiling. If we are going to be dependent simply on that model, then that would create a long-term challenge.

So I think that's what we're referring to in the brief. We're saying that any alternative models would be in tandem with the tax incentive, but the tax incentive may have an inherent problem built into it long term.

Mr. Don Bell: Julia, I have one comment. When you read out your recommendations, which were different from those contained in the brief, you talked about \$95 million, plus an additional \$75 million. What was the \$95 million for?

Mrs. Julia Keatley: The \$95 million is for the Canadian Television Fund, for which the government contribution has stayed at \$100 million since 1996.

Mr. Don Bell: You have \$75 million in your brief. You've bumped it up \$20 million. It's running away, that's all I'm saying.

Ms. Trish Dolman: There was actually \$75 million for the Feature Film Fund and \$95 million for the Canadian Television Fund, two separate funds.

Mr. Don Bell: Yes, I see \$65 million for the Feature Film Fund and \$75 million for—

Mrs. Julia Keatley: It's inflation. Actually, what has happened since the original brief was submitted is that we have been looking particularly at new technologies and the cost of new technologies. A lot of that is to deal with how you pay for that new technology, specifically HDTV and such content and demand by Canadian audiences to have that available to them.

The cost of that across various genres of programming, be it children's programming or documentary programming or drama programming, is very different. I don't want to go into the details of

why it is. It's just that to compete internationally, which is what we have to do, we have to be able to create that content. There is a huge cost component that, frankly, the broadcasters are not paying for at this point, but which I think ultimately Canadian audiences will demand.

Mr. Don Bell: Thank you.

I have just one comment. Tom, I think you made reference—and Heather did as well—to the preference for the arts and culture. Richard Florida's book *The Rise of the Creative Class* really addresses what you're talking about. In my riding again, arts and culture are important.

Heather, you talked about the leverage factor on page 4 of your brief. You don't indicate a percentage. Quite often when we get briefs to our committee they talk about six times, four times, three times, or whatever it happens to be. Have you quantified that?

Ms. Heather Redfern: As always with statistics you can create them and look at them, but generally about eight times tends to be the going number.

Mr. Don Bell: And I gather you're happy with the Canada Council, but you just want it to be stronger than it is.

Ms. Heather Redfern: Absolutely. I've been on a couple of juries over the last few years and it's absolutely horrifying. It's like throwing away the best part of the steak. You can only fund a little tiny filet and all of the rest of it is being thrown out and chopped. It's incredibly wasteful.

Mr. Don Bell: As a final comment, my reference to Florida, of course, is to the effect that creativity has on effective economic development, and it shows that people.... There's the reference to Microsoft, for example.

Trish.

•(1020)

Ms. Heather Redfern: There's a great example in Chemainus, where the mill closed. The town is now called the largest outdoor art gallery in the world. It draws 400,000 visitors every year to see the murals that are painted on the walls of the businesses in Chemainus. That industry has replaced the economic vibrancy that was in that community originally from the mill. It has now been replaced by the art.

The Chair: Thank you, Mr. Bell.

Mr. Penson.

Mr. Charlie Penson (Peace River, CPC): Thank you, Mr. Chair, and I'd like to thank the panel members who are here today as well.

You will have noticed, I'm sure, that the theme of our pre-budget hearings this time is productivity. It seems like a dry term until you put it into perspective, in terms of how it affects our standard of living. It has been a concern of our committee for a while. It has been for the Minister of Finance as well, because he introduced it as a concern that Canada's falling productivity, versus that of some of our major trading partners, is really putting us in a tough position.

I'm not sure if you know this, but it relates to the standard of living. The average income per capita per Canadian is now \$9,000 less than that in the United States and \$20,000 less per person than that in Sweden. The concern is that this has all happened in about 25 years. Canada and the United States were numbers one and two in terms of productivity—about equal—25 years ago. Now we've fallen to 13th place and the United States still has stayed in its current position. When you bring it back to the fact that it relates to real things that we could be doing with that extra money, like paying \$2,000 a month more on our mortgage, it should be of concern to people.

I want to talk to the forest sector and then to the film industry, because I know you have identified a couple of areas such as tax credits, which I happen to agree with.

First, to the forestry industry, we've been hearing for some time that the corporate tax rate needs to be adjusted. It was in the budget in February. It disappeared with the NDP budget deal, as you know. The Minister of Finance had it back on for a stand-alone piece of legislation this fall and now it's disappeared again.

I think you made the point that capital is pretty mobile. Don't we have to really take this seriously in terms of getting our corporate tax rates in line in order that we can lure the kinds of investments we need to give Canadians the kinds of jobs that can be sustained?

Mr. Jim Shepherd: Thank you for the question.

There's no question that the forest sector is a very capital-intensive industry, not only on an annual basis to keep facilities up to date, environmentally sound, and productive, but also with the rapid change in technology and the very quickly changing world, with very large, low-cost, and very competitive facilities globally today. The use of money is in fact a big decision in how we look at our industry and how we plan for tomorrow.

The investor today is very skeptical in many ways about how to look at the forest sector in Canada and what the future will be, based on some of the current challenges we have. Improvement to the tax structure is therefore always going in the right direction, in part because of the massive amount of money that's needed to go back into the sector itself.

Mr. Charlie Penson: Mr. Shepherd, if there was only one thing that could be done on that side this time, whether it was the lowering of the corporate tax rate or something on the capital cost allowance to allow you to write off your expenses more quickly, which would you choose?

Mr. Jim Shepherd: I like to choose everything to start with, but I understand the question. I think it's the amount of investment dollars, so the corporate cost allowance would be a big step in the right direction in terms of incenting the use of capital to go back into the facilities here; in making sure that we get proper recognition; and, in

large part, really catching up to what many of our competitors have already done and bringing us into the same league.

Mr. Charlie Penson: The other one I wanted to ask about involves the film industry, as well as the investment tax credits. We have had those at various times in the past, and they've been a good way of encouraging companies and individuals to invest. They actually have to spend the money before they can take that investment tax credit—in other words, write off some of the taxes they've paid—so there has to be an investment made. But there have been some problems with the program over the years. Are you aware of those? Do you have recommendations on how we can make that a better program if we were to decide to reintroduce or fine-tune it a bit?

• (1025)

Ms. Trish Dolman: I think the CFTPA, of which both Julia and I are members as independent producers, is very interested in private sector mechanisms for our industry. I spoke to Don about this at the B.C. federal Liberal caucus, because right now there are essentially no mechanisms to encourage private investment in film and television. If we're constantly looking to government, we need to be creating ways in which the private sector can invest in our industry.

Within the tax credit system as it exists now, there are ways to make that money work for us more efficiently. That's what I was laying out. Right now, for the largest part, we're being forced to put them into our budgets. A portion of that money is paid to finance that money, so if we can take that out we'll have more money actually working for us. If there could be a system of advances, as opposed to receiving the tax credits two years after the project is completed, and we're paying interest on that financing, then we could actually make this money work more efficiently for us.

The Chair: I think the question is how we do that. How do we get those advances?

Mr. Charlie Penson: Mr. Chairman, can I just follow that up? That was not quite my question, because what I would like to see is the investment made before you can deduct it off your taxes. In other words, it would have to take effect before tax time. There is actually a physical investment made or a capital investment made in something before it can be deducted, rather than some sort of prepayment to the industry.

Mrs. Julia Keatley: That is actually how it happens now. For instance, on a production, the money is raised, you do an estimate with your accounting firm of what a tax credit would actually be, and you bank that investment with whichever bank you're banking with. They discount that amount by about 15% to 20%, and then the production company defers fees based against that. When you come to your final audit, of which you do two, you then get your money.

What we were proposing was that with companies that are essentially in good standing—and we've actually already been specifically looking at this with the provincial government in B.C. as a way of getting advances—you are reducing the interim costs of financing that money. You base it upon the good measure of a company that has essentially been a long-term business in good standing, from which there have been no abuses within that system, etc.

Does that better answer your question?

The Chair: Thank you, Mr. Penson.

My question, Ms. Dolman and Ms. Keatley, was how we do that in the process. Doesn't the CAVCO issue the certificates, and then Revenue Canada audits and decides to give the credits? I think it's a problem with the bureaucracy or the red tape.

Maybe it's a question for Ms. Watson. I'm not sure.

Mrs. Julia Keatley: It functions differently across the country. In the province of British Columbia, Revenue Canada actually collects our taxes, so it's a very tied-in system, whereas in Ontario and Quebec it's different in terms of how you collect taxes and do the audits. But there would be ways to work toward getting that money to production sooner so that the discounts aren't so great.

As Trish was mentioning, we're trying to look at other ways. There used to be a capital cost allowance, which was essentially.... I mean, do we want to go back there? That's another whole discussion. I think we're looking at ways in which, for all industries, the tax system can effectively create and work toward greater productivity, and not have those dollars completely spent on the financing of those—

The Chair: No, I understand that, but that's where you guys come in and tell us what the recommendations are, because there's no way we would be able to recommend the—

Ms. Trish Dolman: I can add something. Right now we apply, at the beginning of our production, for what's called a CAVCO, part A. We fill out a form that tells the government how it fulfills all the Canadian content requirements, the budget, etc. It's at that time that an advance could take place rather than when we fulfill the part B, which is post-audit, at the time of tax return, when the project is finished, delivered, completed. If there was an advance of a percentage of the tax credit issued on the part A, that would utilize this money much more effectively.

The Chair: Right. I think the problem is that CAVCO is run through Heritage Canada, and Revenue Canada is the one that issues the refunds.

Ms. Trish Dolman: Exactly.

The Chair: Just quickly, I think Mr. Bell asked Ms. Redfern, and I think the question also goes to Mr. Durrie, about the Canada Council. So you'd be happy if we just increased the funding to \$5 per capita?

Ms. Heather Redfern: No, increased it *by* \$5 per capita.

• (1030)

The Chair: Okay. What is it now?

Ms. Heather Redfern: I believe it's \$4.92 per capita. It would effectively be doubling the Canada Council's budget.

The Chair: That's right, and that's what I thought, that it was at \$4.77. So this would be doubling it. Any idea of what that would cost?

Ms. Heather Redfern: Well, \$150 million.

The Chair: In your brief you mentioned that by increasing money towards the Canada Council, we'd be able to get more albums released, more books written. I'm not sure how that ties in. How does all that really fit in? We give more money, but how does that increase productivity in that sense? How do we fit it in?

Ms. Heather Redfern: All of those things generate spinoffs. If you have a great novel, it needs to be distributed, people purchase it, it travels to international book festivals, where the author does a reading, more books are sold, and Canada's reputation as a—

The Chair: So you're saying it just increases the pool. As you were saying, it's cutting out the good part of the steak.

Ms. Heather Redfern: Yes. It's not just about increasing the pool, either; it's actually about encouraging as well the up-and-coming and emerging artists. Artists don't spring full grown from the brains of their parents. As they move through their careers they need opportunities to experiment, to grow to the next level; hence the example of Margaret Atwood having her Canada Council grant in 1967. I mean, the woman's an industry, and she does a lot to contribute to the GDP of this country.

Mr. Tom Durrie: I might add very briefly that my acquaintance is mostly with musicians, and I know how terribly hard they work, how very poorly paid they are, and how much more we could do. I think that's what we're really asking for. We have so many people who want to contribute more and who are held back simply by the lack of money.

Just to address a concern of Monsieur Bouchard's, the Canada Council funds not only artists but also administration—such as me—and we are the ones who are responsible for the communication with the public and for making our product available and saleable to the public. It's important to remember that the arts are a product-driven industry. We don't sell to the market, we sell a product, and we generate interest and enthusiasm for it.

The Chair: You generate enthusiasm. All right, thank you.

Thank you to all the witnesses. We appreciate your taking the time to come out and give us your briefs.

The meeting is adjourned.

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