

Summative Evaluation of the Canadian Feature Film Policy

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Executive Summary

This document presents the findings, conclusions and recommendations of an evaluation of the Canadian Feature Film Policy (Policy). The evaluation was conducted for Department of Canadian Heritage (PCH) in 2005 by the Nordicity Group Ltd. in association with Bytown Consulting.

Context

Following a review of the feature film sector launched by the federal government in 1998, a comprehensive and integrated strategy was established in 2000 called “From Script to Screen” (Script to Screen). The strategy had the explicit goal of securing a larger share of the Canadian market: *“Now that the Canadian industry has come of age and the building blocks of a vibrant industry are in place, it is time to focus on securing a larger share of our own market. The Canadian Feature Film Policy therefore concentrates on filling cinemas with enthusiastic audiences for Canadian feature films. /.../ The challenge is clear. Having built an industry, it is now time to build audiences.”*¹

The Policy’s four objectives are to:

- develop and retain talented creators by investing in screenwriting and professional development for filmmakers;
- foster the quality and diversity of Canadian film by restructuring support programs to reward ongoing performance and by encouraging an increase in average production budgets;
- build larger audiences at home and abroad through more effective support for marketing and promoting Canadian films; and
- preserve and disseminate our collection of Canadian films for audiences today and tomorrow.

The federal government also established box office and foreign audience targets as key goals. The specific targets are:

- to capture 5% of the domestic box office in five years (by 2005-06), and to increase audiences for Canadian feature films abroad.

To achieve these audience goals, the Policy also set targets for production budgets and marketing budgets:

¹ Department of Canadian Heritage, From Script to Screen. New Policy Directions for Canadian Feature Film / Du scénario à l’écran. Une nouvelle orientation de politique en matière de longs métrages au Canada. Minister of Public Works and Government Services Canada, 2000, p. 5 http://www.pch.gc.ca/pc-ch/sujets-subjects/arts-culture/film-video/script_e.cfm

- to improve the quality of Canadian feature films by fostering an increase in average production budgets to at least \$5 million; and,
- to encourage more comprehensive national and international marketing strategies by promoting an increase in average marketing budgets to at least \$500,000.

Although the Policy is the responsibility of PCH, it is delivered through third parties. Specifically, three federal agencies and two non-profit organizations deliver the Policy under the following arrangements:

- MOUs with Telefilm Canada (“Telefilm”, which has the largest part of the budget), the Canada Council for the Arts (CCA), and Library and Archives Canada (LAC); and,
- contribution agreements with the Canadian Independent Film and Video Fund (CIFVF) and the Audio-Visual Preservation Trust (“A-V Trust”).

Success

Success was evaluated by assessing the extent to which of the Policy has met its objectives, without unwanted outcomes.

Develop and Retain Talented Creators

No specific performance targets were identified for this objective in the Policy. However, it is expected that Policy success would mean that Canadian producers have access to a greater “bank” of Canadian scripts and that more opportunities to work in Canada are generated for Canadian creators.

The SAP has generated a total of 366 scripts, 117 in French Canada and 249 in English Canada. It has assisted emerging as well as experienced writers. It seems, therefore, to have been successful in providing opportunities to Canadian scriptwriters. In English Canada, however, there is evidence to suggest that producers have generally not used the scripts. In French Canada, the SAP is seen to promote new talent and lateral mobility within the cultural industries in French Canada. Considering the relatively short period of time since the SAP has been implemented, compared to the usual production cycle of a feature film, it is still too early to reach definitive conclusions regarding the success of this program. Based on the experience in the French-language component, the SAP could be an effective mechanism to develop a “pool” of Canadian scriptwriters.

The professional development component of the Policy has provided incremental opportunities for emerging filmmakers to acquire experience or training.

- Between 2000-01 and 2003-04, IFAP has provided financial support to 40 low-budget feature film projects led by Canadian directors.
- From 2000 to 2004, CIFVF has supported 437 Canadians to develop their film, video and new media talent, of which 301 were emerging creators – 149 emerging producers, 75 emerging directors, and 77 emerging writers.

- With funding from CFFF, the CCA has supported over 50 co-ops across Canada to date. These co-operatives have provided training and various forms of support to filmmakers.

Overall, data on the level of Canadian content (the ten-point CAVCO scale) show that there has been a shift towards higher levels of Canadian creative content and higher production budgets. This suggests that more opportunities to work in Canada have been provided to Canadian creators as a result of the Policy.

Foster the Quality and Diversity of Canadian Feature Films

The Policy provided no explicit definition or criteria to measure quality and diversity of Canadian film although “quality” is implicitly linked to production value and audience appeal.

The Policy envisaged that the performance envelope approach would encourage producers to achieve box office success by rewarding box office success with funding for future projects.

- For producers of French-language feature films, the performance envelope worked in that by rewarding success, it led to more success. At the same time, however, many producers qualified for the performance envelope, and the small size of the envelope meant that producers with performance envelopes typically had to return to Telefilm to obtain funding under the selective component to complete their production financing. This continued the role of Telefilm in ‘green-lighting’ projects, which undermined the major advantage of the performance envelope approach to funding. This also means that the selective component was not achieving its expected outcome, because it was being approached by successful producers to complete the funding for their projects.
- For producers of English-language films, the ongoing limited success of English-language features resulted in few performance envelopes and a small overall amount of performance funding despite a restructuring of the component in 2003/04. Box office successes were not high enough to generate sufficient ‘rewards’ through the performance envelope. As in the case of the French-language features, the producers who did obtain performance funding typically had to apply also to the selective component to complete their project financing.

The CFF Policy included the target of increasing average production budgets to at least \$5 million. Across both linguistic markets, the average budget increased from \$2.4 million in 2000/01 (before the CFF Policy) to \$6.1 million in 2003/04. At the same time, however, a review of the median production budget of CFFF films indicated that the average budget was being raised by a small group of very large budget films. Across the board in both linguistic groups, the median budget was \$2.9 million in 2001/02, \$3.1 million in 2002/03, and \$3.7 million in 2003/04. A comparison of production budgets and Canadian box office for CFFF films indicated very little correlation between production budgets and box office earnings, however. At the same time, the evaluation found that most of the French-language films with box office performance of greater than \$2 million had budgets of higher than \$5 million.

Over the last three years, Quebec has produced about 50% of the total number of CFFF-supported productions (all the French films and some of the English films.) This concentration in Quebec constitutes a critical mass of production that is a key factor in the

relative success of Quebec-based producers (in English as well as in French). Achieving similar success for feature film productions outside of Quebec poses challenges to the creation of an infrastructure that can support quality production in other parts of Canada. Ontario has produced 21% of the total number of films, and BC has produced 9%. The rest of the productions are scattered across Manitoba, Saskatchewan, Alberta, Nova Scotia, and Nunavut. These latter productions were typically in the form of inter-provincial co-productions, and most of those with Ontario-based producers. More than one-third of feature film productions are in the French-language. Telefilm commitments to CFFF-supported French-language productions accounted for approximately 39% of total commitments.

Build Larger Audiences at Home and Abroad for Canadian Feature Films

Evaluation findings show that Canadian feature films have more than doubled their share of domestic box-office (from 2.0% in 2001 to 4.6% in 2004 – 4.9% by July 2005, after the evaluation cut-off date), which is very close to the intended target. There is, however, a significant difference between the English and French markets.

- While the market share of French-language products in French-language markets reached the 10% level in the latter part of the 1990s, it has shown substantial year-over-year increases since the Policy was implemented. For 2004, their box office share was 21.2%.
- The English market share increased from a low point in 2001 to reach and somewhat surpass the level of production that was achieved in 2000. For 2004 its box office share was 1.6%. The box office gains made by English-language Canadian films in 2004 were in a large part attributable to the performance of international co-productions.

In 2003-04, the average marketing budget of feature films supported by the CFFF reached \$385,000. At the time of the evaluation, information on non-CFFF supported films marketing budgets was not available. It is possible that this additional information could increase the average.

The various activities of the Complementary Activities Program support the marketing of Canadian films, but with differing results.

- The national English-language televised awards show (the Genies) is not very effective and does not draw well.
- The festivals generate broad interest in films, typically for specialized, independent, and Canadian films.
- Alternative distribution channels help educate audiences to Canadian films in communities outside the major centres, and make a modest but important contribution to overall box office results for Canadian films.

Preserve and Disseminate Our Collection of Canadian Feature Films For Audiences Today and Tomorrow

In the absence of clear targets regarding “comprehensiveness of the collection” and “increased awareness”, the evaluation could only present indications that the programs are contributing to the objective.

Funding provided by PCH helped LAC to acquire over 250 titles and preserve over 235 legacy feature films. Many notable titles, ranging from silent movies produced early in the 20th Century to more contemporary features, have been restored. In addition, various activities by LAC have contributed to making LAC's current holdings more accessible to Canadian and international audiences.

The Policy also provides a contribution to the A-V Trust to enrich Canadians' awareness of their feature film heritage. Until a few years ago, Canada lacked any coherent way to coordinate activities to showcase the national film heritage. With limited resources the A-V Trust and its partners have made a start at educating Canadians about this heritage.

Cost-effectiveness

There are a number of indications that the Policy has been delivered in a cost-effective and cost-efficient manner.

- With double the resources to the CFFF the industry tripled the box office for Canadian films. This means that, for every dollar invested through the CFFF, \$0.66 was earned at the Canadian box office as of the spring 2005, up 32% from before the CFFF.
- Annual revenues returned to the CFFF totalled \$12 million in 2004, an amount that could cover the entire costs of administration within the CFFF.
- While the dollar value of CFFF support for Canadian feature films and the budgets supported have approximately doubled with the implementation of the Policy in 2001, the overall rate of financial leverage has been maintained at a level of about \$3.11 for each dollar invested by the Government of Canada.

Evaluation findings identified a number of design and delivery issues that, if addressed, could improve the overall effectiveness of the policy including:

- The national overall box office target is a blunt instrument for measuring the policy's success. Separate targets or strategies would reflect the different states of maturity of the two industries, and the different levels of competition in each market.
- Evaluation findings show that in French-language market, the level of funding for the performance-based envelope seems to be insufficient, forcing producers to qualify also for the selective component to complete the financing of their project.
- To improve the quality of Canadian films, the Canadian industry needs more projects developed per project that is green-lighted for production.
- The feature film component of the CTF (some \$15 million) is not integrated within Telefilm requiring a producer to apply in two places for funding to access CFFF component still part of the CTF.
- The MOU mechanism to govern the CFFF is not as effective as it could be. Once signed, PCH does not have much leverage to provide policy direction to Telefilm. Although there are good reasons to maintain an arms-length relationship between

PCH and Telefilm, more flexible instruments could possibly be considered in the policy governance regarding Telefilm.

Finally, the evaluation considered possible alternative delivery methods: delegating the main funding programs to the provinces; the implementation of a public-private partnership similar to the Canadian Television Fund; and the direct delivery of the Program by PCH. After an assessment of the potential strengths and weaknesses of each alternative, the status quo emerges as the preferable situation.

Relevance

The 2000 Policy was a distinct departure from prior policies in terms of objectives as it recognizing that the film industry has to prove its relevance in terms of box-office or audience success, not just in the production of films. The achievement of the 5% box office target on a national level has broadly validated the comprehensive “Script to Screen” approach and the extra resources pumped into feature films.

In the French-language market, the proof has been made that the restructuring of support programs towards an approach “rewarding success” can be effective. It remains to be seen if progress can still be made in the French market and if the model can be effective in the English-language market.

Although not a perfect way to define the general goal of the Policy, it would be impossible to abandon the measure of audience appeal altogether as a target for the Policy. Evaluation findings showed that there is little correlation between box office and either production budget or marketing budget. However, an increase in the average budget has proven to be a condition for success in the French-language market. The same general observation could be made about average marketing budgets.

Recommendations

Considering:

- The continuing need for government support for production and distribution of quality Canadian feature films, and
- The success and relevance of the integrated script-to-screen approach demonstrated especially in the French-language market:

1) It is recommended that the Department of Canadian Heritage:

- a) Acknowledge the continuing relevance of the Canadian feature film policy orientation towards building audiences for Canadian movies and rewarding success.

Management Response: The Department acknowledges the continued relevance of the Policy orientation towards building audiences for Canadian movies and rewarding success. While the Policy's targets have generally been met, much work remains to be done. Canadians want high-quality films in which recognizably Canadian talent share stories that speak to them, wherever they live.

- b) Continue to define the expected outcome and impact of the Policy in terms of domestic box-office sales of Canadian productions and performance targets in terms of production and marketing budgets.

Management response: The Department will continue to define the expected outcome and impact of the Policy in terms of these established indicators. From a practical standpoint, box-office revenue share is the most reliable, measurable indicator of audience reach available today. Similarly, production and marketing budgets are effective means to establish that the conditions for quality and the capacity to reach an audience are being optimized. The Department recognizes that these indicators are not the sole barometers for gauging achievements and will review how the Policy's existing indicators of success could be enhanced. This analysis will be complete by Fall 2006.

- c) Refine the Performance monitoring framework for the Policy by

- i) Establishing specific performance targets so that impact can be monitored.

Management response: The Department appreciates the importance of establishing benchmarks for the measurement and future assessment of the Policy's objectives, where none are currently in place. To this end, the Department will establish performance targets, as appropriate, for the various components of the Policy by Fall 2006.

- ii) Providing clear definitions of Policy operating concepts such as "quality" and "diversity" of feature films.

Management response: The Department will clarify these operating concepts to the extent possible and will endeavour to establish criteria for their assessment by Fall 2006.

- iii) Exploring whether data sources can be developed for other market performance indicators (e.g. DVD sales/rentals).

Management response: The Department recognizes the increasing fragmentation of the feature film marketplace and evolving consumer behaviour patterns. In this context, it is important to develop performance measures that will accurately reflect the penetration of Canadian films on a broader audience scale. The Department will work towards establishing an effective means of tracking this performance data within emerging marketplaces, including the DVD sales/rental market. The analysis of the feasibility of this performance measure will be completed by Fall 2006.

- iv) Developing a strategy to measure audiences for Canadian films abroad.

Management response: The Department undertakes to develop a more effective measurement strategy, in cooperation with appropriate partners. This strategy will be developed by Fall 2006.

- d) Consider expanding the scope of the Policy in view of the audience potential presented by the long-form documentary and large format films.

Management Response: The Policy was established to support feature films intended for theatrical release, with a view to reaching audiences both in Canada and abroad. Canadian long-form documentaries and large format films reach audiences in theatres. As a consequence, they contribute to the pursuit of the objectives of the Policy. Further, in recognition of a long-standing tradition of Canadian excellence, innovation and achievement in these areas, the Department will consider expanding the scope of the Policy to provide support for these categories of theatrical film. The Department will examine this by Spring 2006.

- e) Build on the success of the Policy by refining and enhancing the development strategy.

Management response: Development cannot guarantee a production's success, and yet, without adequate development, success is unlikely. The Department recognizes that the development process is fundamental. Working within the constraints imposed by available resources, and in collaboration with Telefilm Canada, the Department will seek ways to enhance support for development. The Department will examine this by Spring 2006.

Considering:

- The different results achieved within both French and English market and the different context in which they operate, and
- The need for improved performance of English Canadian movies in the domestic market:

2) It is recommended that the Department of Canadian Heritage

- a) Explore, in consultation with Telefilm and industry stakeholders, the possibility of implementing specific strategies within the general framework of the Policy to take into account differences between French and English market.

Management response: The English and French markets are presented with distinct challenges in terms of development, marketing and distribution. The Department will consult with Telefilm and industry stakeholders on how best to address the issues specific to the respective markets. The Department will consult with Telefilm and industry stakeholders on how best to address the issues specific to the respective markets by Fall 2006.

- b) Engage all stakeholders (e.g. broadcasters, exhibitors) with an interest in the success of the feature film sector in English Canada to participate in its development.

Management response: The Department agrees that more collaboration on the part of all interested stakeholders could greatly improve the capacity of Canadian feature films to reach audiences. The successes currently enjoyed by the French market are testament to the effectiveness of a multi-faceted approach to the promotion of films. The Department will engage by Fall 2006 a broad range of industry stakeholders, to examine how they may bring added value to Policy objectives.

Considering the administration and delivery of the Policy was found to be cost-effective overall, but specific issues were identified that could improve the delivery and cost-effectiveness of the Policy:

- 3) It is recommended that the Department of Canadian Heritage:
- a) Seek to transfer the feature film funding from the CTF to the CFF administered by Telefilm.

Management response: The Department is in agreement with this recommendation and will propose that the CTF's feature film support be transferred to the Feature Film Fund. This issue will be considered as part of a proposal dealing with CTF long-term funding and governance framework in 2005-2006.

- b) Evaluate the appropriateness and relevance of its MOU with Telefilm

Management response: The Department agrees to evaluate the appropriateness and relevance of its MOU with Telefilm Canada by Fall 2006.

- c) Consult with Telefilm to:

- i) Ensure that the respective roles of the two funding streams (performance and selective) are clear.

Management response: The Department acknowledges the evaluation findings with respect to the use of performance and selective envelopes under the Canada Feature Film Fund (CFFF). The Department maintains that the two funding streams must be preserved, but recognizes that the purpose and intent of the two envelopes needs to be clarified as well as reflected in the administration of the CFFF. Telefilm Canada, as administrator of the CFFF, will be consulted to determine how best to accomplish this objective by Fall 2006 .

- ii) Review the guidelines and criteria for the performance envelopes taking into account the different situations between the two markets.

Management response: The Department will discuss with Telefilm Canada possible administrative measures to ensure that the guidelines adequately respond to the different situations found in the English and French markets by Fall 2006.

1. Introduction

This document presents the findings, conclusions and recommendations of a summative evaluation of the Canadian Feature Film Policy (Policy). The evaluation was conducted for Department of Canadian Heritage (PCH) in 2005 by the Nordicity Group Ltd. in association with Bytown Consulting.

The evaluation was undertaken to examine the whole Policy. Therefore, the scope of the evaluation encompasses all components and programs that contribute to the Policy objectives. The results of the evaluation are presented in the following sections:

- Section 1 includes an overview of the Policy and discusses the evaluation methodology;
- Section 2 examines the success and impact of the Policy in achieving the Policy objectives;
- Section 3 examines cost-effectiveness and considers some alternatives for design and delivery;
- Section 4 reviews the relevance of the Policy; and
- Section 5 provides conclusions and recommendations.

In 2005-2006, PCH has to report on the evaluation of the implementation of the Canadian Feature Film Policy. The results of the evaluation will provide input to the scheduled report on the Policy by PCH.

1.1 Profile of the Policy

1.1.1 Origin of the Canadian Feature Film Policy

The federal government has provided direct support to the production of Canadian film for over seven decades, including more than three decades of policies to build a Canadian feature film industry. In 1967, the federal government enacted the *Canadian Film Development Corporation Act*. On July 1, 1968, the Canadian Film Development Corporation (CFDC) – later named Telefilm Canada – began operations. CFDC's mandate was to “foster and promote” the development of the Canadian feature film industry by making investments and providing loans to Canadian filmmakers.

In 1986, the federal government established the Feature Film Fund through a Memorandum of Understanding (MOU) with what was by then called Telefilm Canada. Through the MOU, the administration of the fund was assigned to Telefilm Canada. The fund was initially created with a term of five years and an annual budget of \$30 million. With the creation of the Feature Film Fund, the federal government began to earmark one-third of funding resources for French-language films. The government also began to

articulate its goals of supporting the creation of high-quality and culturally relevant films that could be distributed to Canadians and be accessible for Canadian audiences.

Following a review of the feature film sector launched by the federal government in 1998, a comprehensive and integrated strategy was established in 2000 called “From Script to Screen” (Script to Screen). The strategy had the explicit goal of securing a larger share of the Canadian market: *“Now that the Canadian industry has come of age and the building blocks of a vibrant industry are in place, it is time to focus on securing a larger share of our own market. The Canadian Feature Film Policy therefore concentrates on filling cinemas with enthusiastic audiences for Canadian feature films. /.../ The challenge is clear. Having built an industry, it is now time to build audiences.”*²

Accordingly, the Policy makes it explicit that the purpose is to build audiences for Canadian feature films by refocusing public investment in the industry to cover all aspects of film production, i.e., from script to screen.

1.1.2 Key Features of the Current Policy

The Policy is designed to implement a comprehensive approach that covers and integrates the full range of activities: creation, production, distribution, marketing and promotion, and preservation. The overall logic of the Policy is to support filmmaking from script to screen in order to create the conditions for success.³

The Policy set out four objectives and some specific targets along with a new delivery structure and additional resources in order to pursue its main goal of building audiences for Canadian feature films.

Objectives and Targets

The Policy’s four objectives are to:

- develop and retain talented creators by investing in screenwriting and professional development for filmmakers;
- foster the quality and diversity of Canadian film by restructuring support programs to reward ongoing performance and by encouraging an increase in average production budgets;
- build larger audiences at home and abroad through more effective support for marketing and promoting Canadian films; and
- preserve and disseminate our collection of Canadian films for audiences today and tomorrow.

The federal government also established box office and foreign audience targets as key goals. The specific targets are:

² Department of Canadian Heritage, From Script to Screen. New Policy Directions for Canadian Feature Film / Du scénario à l'écran. Une nouvelle orientation de politique en matière de longs métrages au Canada. Minister of Public Works and Government Services Canada, 2000, p. 5 http://www.pch.gc.ca/pc-ch/sujets-subjects/arts-culture/film-video/script_e.cfm

³ Ibid.

- to capture 5% of the domestic box office in five years (by 2005-06), and to increase audiences for Canadian feature films abroad.

To achieve these audience goals, the Policy also set targets for production budgets and marketing budgets:

- to improve the quality of Canadian feature films by fostering an increase in average production budgets to at least \$5 million; and,
- to encourage more comprehensive national and international marketing strategies by promoting an increase in average marketing budgets to at least \$500,000.

Governance and Delivery Structure

The Director of Film and Video Policy and Programs, reporting to the Director General of Film Video and Sound Recording Branch within PCH's Cultural Affairs Sector, is accountable for the implementation of the Policy.

Although the Policy is the responsibility of PCH, it is delivered through third parties. Specifically, three federal agencies and two non-profit organizations deliver the Policy under the following arrangements:

- MOUs with Telefilm Canada ("Telefilm", which has the largest part of the budget), the Canada Council for the Arts (CCA), and Library and Archives Canada (LAC); and,
- contribution agreements with the Canadian Independent Film and Video Fund (CIFVF) and the Audio-Visual Preservation Trust ("A-V Trust").

Policy Components and Programs/Initiatives

The Policy has three components, each of which delivers support through a series of programs/initiatives. These components are described below.

Component #1: Creative and Professional Development

- **Financial Support to Film and Video Production Cooperatives:** New funds were allocated to the Canada Council for the Arts to be administered through its current program called the Annual Assistance to Media Arts Production Organizations. The funds are allocated under an MOU negotiated between PCH and the Canada Council for the Arts. Eligible applications by film co-operatives are assessed by a committee of peers recognized for their expertise in media arts and representing the various regions of Canada. Applicants are funded via an annual grant level.
- **Non-theatrical Production:** A contribution to the Canadian Independent Film and Video Fund (CIFVF), a non-profit private sector organization, allows the CIFVF to support the early careers of producers, directors and other creators by enabling them to gain real experience in filmmaking. Financial assistance in the form of non-equity financial participation (i.e., grants) for up to 49% of the direct project costs is provided to independent producers of educational and

informational film, video and multimedia productions (commonly referred to as non-theatrical productions).

- **Low Budget Independent Feature Film Assistance Program:** This segment of the industry had been traditionally under served because there were no programs dedicated to assisting low-budget productions of between \$300,000 and \$750,000. Therefore, the Policy set aside a special envelope of resources to fund director-driven, low-budget productions. Advances (non-interest-bearing) are given to independent directors who hold all creative and editorial control over their own productions. This program is considered part of the Canada Feature Film Fund (CFFF), which is administered by Telefilm Canada.

Component #2: Canada Feature Film Fund (administered by Telefilm Canada)

- **Screenwriting Assistance Program:** This program is dedicated to developing a pool of creative, talented and experienced screenwriters and a bank of promising Canadian screenplays. In conjunction with the other elements of the Policy, this program is to provide a continuum of vital support from script to screen. Assistance is given to screenwriters in the form of advances (non-interest-bearing) for both the treatment and the first draft screenplay stages. The aim is to foster excellence and innovation in Canadian creators by giving them the time, money and tools to develop their stories for the big screen.
- **Project Development, Production and Marketing Assistance Program:** This program is to help producers develop their projects more fully and to increase average production budgets. Two-thirds of the “production” resources are allocated to English-language projects and one-third to French-language projects. The program also aims to encourage distributors to increase their marketing budgets. Marketing support assistance is provided partly in the form of an interest-free loan and partly in the form of a grant. Resources are allocated to producers and distributors through two distinct components: the performance-based component and the selective component.
- **Performance-based Component:** This initiative is to reward the producers’ and distributors’ success in reaching Canadian audiences. Funding in the form of a performance envelope is provided to eligible producers and distributors based on a formula of annual allocation that relies primarily on ongoing success at the box office, but which also recognizes the degree of Canadian content in the film and critical acclaim achieved.
- **Selective Component:** This component is designed to allocate priority for funding to producers and distributors who do not have a box office track record sufficient to obtain a performance envelope, but who are submitting promising projects. It also provides funding to produce low-budget, innovative Canadian projects presenting culturally diverse points of view as well as to extend the distribution of Canadian feature films beyond traditional exhibition channels. Production assistance is predominantly in the form of conditionally repayable advances and/or investments. Marketing assistance is provided as interest-free loans.
- **Complementary Activities Program:** This is a series of initiatives/programs that support activities to promote audience access and to celebrate excellence in Canadian filmmaking. Examples include Canadian film festivals, participation in foreign film festivals and trade shows, Canadian film awards ceremonies,

versioning, and alternative distribution networks. These efforts are to ensure that Canadian films reach more Canadians in every corner of the country. Also, these efforts are to help raise the national and international profile of Canadian films with moviegoers, critics and the media.

Component #3: Feature Film Preservation and Access

- **Library and Archives Canada:** The Policy allocates funds to Library and Archives Canada, the federal agency mandated to preserve Canada's audio-visual heritage. The resources are used to support the acquisition of feature films and restoration projects.
- **Audio Visual Preservation Trust:** The Policy provides a contribution to the Audio-Visual Preservation Trust to enrich Canadians' awareness of their feature film heritage. The Audio-Visual Preservation Trust is a not-for-profit organization dedicated to promoting the preservation of Canada's audio-visual heritage and to facilitating access to and the use of regional and national collections. The Feature Film and Education Access Program has three components: Masterworks, Projects with Partners, and the Awareness Campaign.

Financial Resources for the Policy

The first fiscal year of operation for the Policy was 2000-01. In that year, the federal government added \$15 million in funding resources to the existing funding level of \$50 million in support measures for feature film and non-theatrical production. Beginning in fiscal year 2001-02, the federal government increased its annual commitment to industry support by \$50 million, for a total of \$100 million. Table 1 summarizes the federal government's financial resources for the Policy.

• Table 1 Canadian Feature Film Policy Resources – Including Administration Cost (\$millions)

	1999/00	2000/01	200/02	2002/03	2003/04	2004/05
Previous Resources	50	50	50	50	50 *	50 **
New Resources Committed		15	50	50	50	50
Total Policy Resources	50	65 ***	100	100	100	100
Creative and Professional Development						
Film and Video Production Cooperatives - Canada Council for the Arts	1.9	2.9	2.9	2.7	3.6****	2.7
Non-Theatrical Production - Canadian Independent Film and Video Fund	-	1.8	1.8	1.8	1.55	1.55
Low Budget Independent Feature Film Assistance Program - Telefilm Canada	-	1.8	1.8	1.8	1.8	1.8
Canada Feature Film Fund						
Screenwriting Assistance Program - Telefilm Canada	-	0.45	2.3	2.3	1.5*****	1.17
Project Development, Production and Marketing Assistance Program - Telefilm Canada	45	53.5	85	83.9	83.8	83.8
Complementary Activities Program - Telefilm Canada	3.1	3.3	4.95	6.1	6.0	7.0
Feature Film Preservation and Access						
Library and Archives Canada	-	0.6	0.6	0.6	0.55	0.55
AV Preservation Trust	-	0.15	0.15	0.15	0.15	0.15
Total Resources (including admin.)	50	64.5	99.5	99.55	98.25	99.25
Policy Monitoring & PCH Adm.	-	0.5	0.5	0.5	0.5	0.5
Total Policy Resources		65.0	100 [†]	100.05	98.75	99.75

Source: *Summative Evaluation of the Canadian Feature Film Policy: Terms of Reference*, Corporate Review Branch, PCH, November 19, 2004.

* TFC Parliamentary appropriation was reduced by \$3M. Reduction was partly compensated by \$2M additional revenues from prior fiscal year. (Anticipated revenues were \$7M vs. actual of \$9M.)

** TFC Parliamentary appropriation was reduced by \$2M. Reduction was compensated by \$2M additional revenues from prior fiscal year. (Anticipated revenues were \$7M vs. actual of \$9M).

***2000-01 was a transition year, especially for Telefilm Canada. Differences between 2000-01 and 2001-02 figures represent new money committed mid-year by the government.

**** Funding for The Canada Council for the Arts increased to \$3.6 million in 2003-04 due to a one-time infusion of funding from PCH's Cultural Spaces Canada program. The one-time infusion was used to help cover the costs of equipment purchases in the film and video co-operatives.

***** Although the initial budget allocation was higher, the amount finally committed was reduced at the recommendation of an independent jury of peers, as a direct result of a lack of creatively competitive script submissions. Resources were redirected to other oversubscribed program components.

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1.2 Summary of Methodology

The overall objective of the evaluation is to provide evidenced-based answers and conclusions to a series of evaluation questions addressing the three issues of success, cost-effectiveness, and relevance.

1.2.1 Evaluation Questions

Data collection and analysis for the evaluation were conducted based on the following questions:

- (1) To what extent have the targets identified in the 2000 Policy been met?
- (2) To what extent has the Policy been successful in meeting its expected outcomes?
- (3) To what extent has each Policy component contributed to the outcomes?
- (4) Has there been any unexpected (positive or negative) impact of the Policy since its inception?
- (5) Has the Policy been a cost-effective tool to help build audiences for Canadian feature films?
- (6) Is there still a need for a federal policy to help build audiences, or should the focus be changed?
- (7) How does the Policy contribute to PCH strategic outcomes and government priorities?
- (8) Is PCH the most appropriate organization to carry out the Policy or could it be transferred to another federal, provincial or private organization?

1.2.2 Data Collection and Analysis

The data collection for this evaluation relies on two main lines of evidence: key informant interviews (n= 56), and a document review. The document review included program strategic documentation, an analysis of Canadian theatrical box office data, and other program data from Telefilm, the Canadian Audio-Visual Certification Office (CAVCO), and other sources. Key informants interviewed for this evaluation represented a cross section of major stakeholders of the Policy, including fund administrators, producers, distributors and exhibitors, directors and creators, representatives from film festivals, and others. The key informants interviewed and the documents reviewed are listed in Annex B.

1.2.3 Scope and Limitations

While the lines of evidence outlined above are sufficient to draw valid evaluation conclusions, the evaluation should be qualified in four important respects.

First, the evaluation was conducted when the Policy had been in operation for about five years. This is a relatively short period of time for this type of policy because the

development/production cycle of a feature film can have a timeline of three to four years or more. Also, the first year of the Policy was a year of transition. In addition, the data available at the time of the evaluation often ends in 2003 or 2004. Since many of the evaluation's findings are derived from only three years of results, some outcomes may not yet be documented or may not have occurred fully. For example, the number of scripts assisted by the Screenwriting Assistance Program may not have reached the full extent of their development into finished film productions at the time of the evaluation. Another example is that the full effects of the introduction of performance-based envelopes could become clearer with time. In this sense, the evaluation is somewhat limited by the relatively short period that the Policy had been in operation at the time of the evaluation.

Second, the Policy includes clear and explicit overall performance targets, for which reliable data have been collected. At the same time, however, an adequate performance monitoring system has not been put in place to document impacts related to all of the four policy objectives. In particular, objectives and performance targets are less clear regarding the first and fourth objectives of the Policy (i.e. to develop and retain talented creators; and to preserve and disseminate our collection of Canadian films).

Third, there has been a parallel review process – the study of the feature film industry in Canada by the House of Commons Standing Committee on Canadian Heritage – that has been receiving briefs and holding hearings on a somewhat broader feature film context. While some of the testimony, submissions, and interim reports have been examined for this evaluation, time and resources did not allow for a comprehensive mining of this material.

Fourth, the focus of the evaluation is on the Policy, as a whole. Therefore, the evaluation report is not a series of comprehensive evaluations of each component and/or Program contributing to the Policy. Individual programs and components are considered only from the perspective of the Policy objectives and performance indicators. More detailed work still could be done to evaluate the relevance, success and cost-effectiveness of the individual programs.

2. Success of the Policy

This Section examines the success and impact of the Policy by examining the extent to which it has met its objectives and performance targets. Although it is somewhat unusual to examine success before the issues of cost-effectiveness and relevance, the order used in this report follows from the order of the evaluation questions.

2.1 Develop and Retain Talented Creators

The first objective of the policy is *to develop and retain talented creators by investing in screenwriting and professional development for filmmakers*. Therefore, this objective is assessed by examining:

- the impact of the Screenwriter Assistance Program (SAP);
- the impact of the professional development component, which is composed of the Independent Filmmakers Assistance Program (IFAP – now called the Low Budget Independent Feature Film Assistance Program), the Canadian Independent Film and Video Fund (CIFVF), and the Film and Video Production Co-operatives (through the Media Arts program of the Canada Council for the Arts); and
- the overall impact of the Policy in generating more opportunities to work in Canada.

2.1.1 The Screenwriter Assistance Program

As of March 2005, the SAP had provided financial support to the creation of 366 scripts. Of these 366 scripts, producers acquired the rights to (optioned) 61 scripts (16.7% of the total), and 29 scripts (7.9%) ultimately received development funding. So far, only 6 projects (1.6%) have received CFFF production funding, but a few more are likely in the pipeline.

Whether this is a good, fair, or poor performance is not easy to assess objectively. International benchmarks appear to border on the anecdotal. For example, it is roughly estimated that, of the 10,000 film proposals that a studio in Hollywood might receive annually, about 100 (1%) go into development and only 12 will go into production.⁵ In the case of independent European films, the ratio of projects produced to those developed is one in eight – which is similar to the Hollywood ratio (12 produced out of 100 developed). The experience of Telefilm with the CFFF is that one is produced out of four developed. The ratio of one in four appears roughly similar to the emerging experience for the SAP-financed scripts as they move from development to production (six were produced out of 29 developed).

⁵ Peter Grant and Chris Wood, *Blockbusters and Trade Wars*. Douglas & McIntyre 2004, p. 63.

Comparison Between English and French-language Components

As shown in Table 2 , the probability of being optioned was almost three times greater for French-language scripts than English-language scripts, and the probability of making it to development was five times greater for French scripts than for English scripts. Although the percentages seem to reverse themselves in terms of actual production, there are a number of French-language productions in the pipeline that are relying on SAP financed scripts – so the relative success rate at this stage cannot yet be evaluated.

• Table 2 Progression of Screenwriters Assistance Program Scripts

	French-language	English-language	Total
Total SAP scripts	117	249	366
Number of scripts optioned	34	27	61
<i>Percentage of total SAP scripts</i>	29.1%	10.8%	16.7%
Number of scripts receiving Telefilm development funding	21	8	29
<i>Percentage of total SAP scripts</i>	17.9%	3.2%	2.0%
Number of scripts produced (not necessarily with Telefilm production funding)	1*	5	6
<i>Percentage of total SAP scripts</i>	0.9%	2.0%	1.6%

Source: Telefilm Canada.

* As of January 2005, one script had gone to production, however seven additional scripts were part of projects being evaluated by Telefilm Canada for feature film production funding in 2005-06.

While the overall take-up suggests that producers had some interest in the scripts generated by the program, most producers of English-language projects strongly maintained that SAP did not lead to new scripts being discovered and developed/produced by producers. In fact, they generally criticized the SAP program as being wasteful and isolated from the normal development and production process. When shown figures (i.e., those cited above) indicating some success, these producers claimed that the scripts that were funded would have gone ahead anyway because of some prior connection to producer interests. Producers in English Canada maintained that they never read scripts that arrived “across the transom” from writers having no connection with the producer. For them, it was not simply a question of obtaining better access to these scripts through a Website or some other mechanism.

Although not related to the SAP *per se*, the Writers Guild of Canada (WGC) noted that only 12 out of a total of 21 English-language Telefilm-funded features in 2003 were written by WGC members, and only six of them in 2004.⁶ The WGC claimed that Canadian producers were using less experienced writers to begin the process and then bringing in professional screenwriters to do a re-write – thus enabling producers to access WGC members at a far lower consultant rate. This practice is said to be lowering the number of opportunities for professional screenwriters to work in feature film in Canada and contributing to professional screenwriters leaving the country or the profession.

The better record for French-language SAP program scripts is consistent with the views of most French-language producers and Telefilm administrators. With one significant exception, producers interviewed for the evaluation generally supported the SAP mechanism as an effective means to increase the availability and quality of scripts. The SAP is also seen to promote new talent and lateral mobility within the cultural industries in French Canada. For example, the SAP was cited as a way for experienced television scriptwriters and theatre playwrights to move laterally into filmmaking. Even for mature talent, the SAP was mentioned as a way for experienced script writers to develop a script fully without pressure from any particular producer.

⁶ Writers Guild of Canada, *Submission to Heritage Committee Feature Film Review*, February 18, 2005

Contribution to Developing and Retaining Talented Canadian Creators

Interviews with stakeholders suggested that the SAP has contributed to developing screenwriters in the French-language market, by giving them a route for bypassing the producer in the process of completing a script. In the English-language market, however, stakeholders did not for the most part believe that the SAP has had any material impact on either the development or retention of feature film screenwriters in Canada.

2.1.2 Professional Development Component

The professional development component of the Policy is composed of three programs: the *Low Budget Independent Feature Film Assistance Program*, the *Canadian Independent Film and Video Fund*, and the *Film and Video Production Co-operatives*.

Low Budget Independent Feature Film Assistance Program

The Low Budget Independent Feature Film Assistance Program (IFAP) has had an incremental impact on the production of low-budget feature films in Canada, and this has contributed to the development (and to some extent the retention) of Canadian creators. Between 2000-01 and 2003-04, IFAP has provided financial support to 40 low budget feature film projects led by Canadian directors. As indicated in Table 3, this program component has been massively oversubscribed, particularly in English Canada.

• Table 3 Application Statistics for Low Budget Independent Feature Film Assistance Program

	2000-01	2001-02	2002-03	2003-04	Total
French-language					
Number of applications	8	4	19	13	44
Number of successful applicants	2	3	3	3	11
Percent success	25.0%	75.0%	15.8%	23.1%	25.0%
English-language					
Number of applications	72	63	85	75	295
Number of successful applicants	9	9	5	6	29
Percent success	12.5%	14.3%	5.9%	8.0%	9.8%
Both languages					
Number of applications	80	67	104	88	339
Number of successful applicants	11	12	8	9	40
Percent success	13.8%	17.9%	7.7%	10.2%	11.8%

Source: Telefilm Canada.

The IFAP has had a positive impact on the development of those involved with the supported productions. Most of the low budget features have been exhibited at festivals, and shown on television. Some have even been released theatrically. In fact, a survey conducted by Telefilm found that the majority of films supported through this program have secured broadcast licenses, most have been selected for multiple festival screenings, several have been released theatrically in Canada (e.g., *Le bonheur, c'est une chanson triste*, *Twist*, *Fubar*), and some have been released abroad. Although building audiences was not the primary goal of this program, these films have contributed to the overall audience objective.

At the same time, many stakeholders argued that the IFAP is unable to effectively contribute to the objectives of retention and development because it supports too few

projects each year. Stakeholders suggested that, in the absence of increased resources, the IFAP should look at other approaches. One producer suggested that fewer filmmakers should be supported, but the successful ones should be supported more often – not just for their first film, but also for their second and third projects. Another suggested that only experimental projects should be financed, and that the program was not the place to produce a scaled down project that would only be successful with a larger budget.

Representatives from the Directors Guild of Canada were strongly supportive of the director-driven approach of the IFAP, and wanted to extend the envelope for directors to cover development funding as well.

Overall, the IFAP does help emerging directors and other creative talent, and experimentation on the part of more established creators. It performs an important developmental function for creators who have to contribute a very big effort given the small budgets involved. In fact, some interviewees argued that it might be more useful to re-allocate some production funds from projects with limited audience potential to low-budget features. The large over-subscription rates for the program support such a direction. The reallocation could also generate a positive side benefit of additional regional beneficiaries.

Telefilm officials maintain, however, that supporting feature films in the \$2-4 million range also contributes to development. Some second-time filmmakers, who are not yet experienced enough to produce/direct high budget feature films in the \$5 million and over range, may be ready to progress beyond the realm of low and ultra low budgets of the low-budget program. As such, Telefilm maintains that the \$2-\$4 million budget range represents an important budget category for the on-going professional development of Canada's up and coming creative talent. Both low to medium-budget films are an important part of developing the talent pool – and ultimately leading to more films with larger audiences.

Canadian Independent Film and Video Fund

The Canadian Independent Film and Video Fund (CIFVF) enables creators to gain practical experience in lower budget filmmaking. The CIFVF has been able to allow entry of first time and emerging creators into the industry and assist them to gain real experience in filmmaking. The range of experience includes business skills such as securing financing, hiring crews and negotiating distribution agreements.

From 2000 to 2004, the CIFVF supported 437 Canadians to develop their film, video and new media talent. This total number of recipients includes 301 emerging creators, consisting of 149 emerging producers, 75 emerging directors, and 77 emerging writers (See Tables A19 and A20 in the Statistical Appendix). Since 2000, 34.1% of the successful CIFVF applications have been first-time or emerging producers, 17.2% have been first-time or emerging directors, and 17.6% have been first-time or emerging writers. In total, 69% of all applications supported by the CIFVF involved emerging talent.

Although the CIFVF has helped launch and grow careers, recipients have also continued to work in the audio-visual industry. In many cases, some of the emerging filmmakers have gone on to work in drama and/or feature film. Denys Arcand (*Les Invasions barbares*), Michel Brault (*Les ordres, Shabbat Shalom, Les Noces de papier*), Patricia Rozema (*I Heard the Mermaids Singing*), Sandy Wilson (*My American Boyfriend*), Anne Wheeler (*Bye Bye Blues, Better than Chocolate*), and Michael MacMillian (CEO, Alliance-Atlantis Communications Inc.) all started out in the non-theatrical field before moving on to become some of Canada's most notable creators of theatrical feature films. The CIFVF has also supported many award-winning projects and talent. For example, *The*

Corporation, which was partially financed by the CIFVF, won 20 awards and grossed more than \$1.8 million at the box office in Canada, \$1 million in the United States, and has been sold to Italy, France, and Brazil.

Film and Video Production Co-operatives

The Canada Council for the Arts (CCA) provides financial support to film and video production co-operatives. With funding from the CFFF, the CCA has supported over 50 organizations across Canada to date. These organizations are very active in the promotion of film productions and also in the cultivation and regeneration of talent among new artists or artists who are new to the medium of film. In the past two years these cooperatives have staged 2,772 well-attended workshops on a wide array of subject matter in order to assist new or established artists in the development of new skills or filmmaking technologies.

Interviews with filmmaker participants in the co-ops suggest that participants are very satisfied with services provided by these organizations, and that without these services they would have had a harder time finding the right kind of training and facilities support at an early stage of their careers. For example, one interviewee pointed out that because of the CCA contribution to organizations such as Cineworks Independent Society, British Columbia now has a critical mass in the industry. The support provided by the CCA helped grow a community of filmmakers in Vancouver in particular. The support provided to Cineworks for equipment helped the organization to run its show and provide different training programs for the creative and professional development of budding filmmakers in B.C. Furthermore, the interviews generally suggest that a large majority of the talent in Canada started out in an organization such as Cineworks, basically supported by government funding. The conclusion of interviewees is that there is a need for the CCA to provide stability to the system, to support the co-operatives that nurture creative talent.

2.1.3 Increased Opportunities to Work in Canadian Film Industry

The evidence cited above demonstrates that the IFAP, CIFVF, and CCA programs are very active in engaging talented Canadian creators. It is clear from the results that there are successes in the program from the perspective of developing talent. However, no attempt was made in this evaluation to survey Canadian creators and ask how many of them would have left the country (or the industry) in the absence of these three support programs. Also, no precise targets or performance indicators have been defined for the objective of retention. Therefore, no precise assessment can be made. In the absence of better information, the following three arguments can be considered.

- Over the last five years, a greater proportion of the movies produced in Canada have employed more Canadian creators than prior to the Policy. The data show that while the annual number of CAVCO-certified theatrical-release feature films has not increased substantially over the last five years (See Table A18 and Figure A5 in the Statistical Appendix), the composition of films has been shifting to higher levels of Canadian creative content. In 1996-97, 26% of the 58 produced feature films rated 10-out-of-10 points on the CAVCO scale of Canadian content. In 2001-02 and 2002-03, the percentages were 49% and 41% respectively. This means that the average feature film would be providing more employment opportunities for Canadian creators than in the past.

As Figure A5 in the Statistical Appendix indicates, treaty co-production feature film activity has remained fairly steady through the introduction of the Policy. However,

activity among productions with six, seven or even eight points on the CAVCO scale has diminished from about 20% of production activity to about 5%.

The CFFF, by providing funding only to feature films with at least eight CAVCO points or those that are treaty co-productions, has contributed to the increase in Canadian creative content. However, this shift cannot be totally attributable to the Policy. Other factors, such as the drying up of the international market for “B” films, contributed to the decline of six or seven point productions. In fact, the number of Canadian features produced at all might have declined without the Policy given the lack of foreign financing in latter years.

- One objective of the Policy is to increase the average production budgets for Canadian film. As discussed in Section 2.2.2, such an increase has occurred since the implementation of the Policy. As overall spending on production rises, so do the opportunities for Canadians to occupy secondary creative positions not itemized in the CAVCO scale. Therefore, to the extent that the Policy stimulates increased spending on feature film production in Canada, it is likely to be creating opportunities for Canadians.

The higher budget levels of some Canadian feature films also provide a different quality of opportunity for Canadian creators. This quality difference can be illustrated by the opportunity of Atom Egoyan to direct a feature film with a US\$20 million budget (*Where the Truth Lies*). The CFFF and Canada’s treaty co-production policy enable Canadian producers and creators to work with their counterparts in other countries on large budget projects.

- Another element to consider is how the Policy relates to the motivations and perceptions of Canadian creators. The opportunity to produce less commercially driven movies and to retain more of the creative control was publicly referred to by prominent Canadian filmmakers as a motivation to remain in Canada. While there are still barriers, as testified by spokespersons for the Alliance of Canadian Cinema Television and Radio Artists (ACTRA) in their appearance in front of the Standing Committee on Canadian Heritage, other producers and directors referred to the Policy as keeping them in Canada.

2.2 Foster Quality and Diversity of Canadian Film

The second objective of the Policy is to *foster the quality and diversity of Canadian feature films by restructuring support programs to reward ongoing performance and by encouraging an increase in average production budgets*. The evaluation examined this objective by:

- Assessing the two means identified to reach this objective: rewarding success, and increasing the average production budget; and
- Assessing the extent to which the Policy has been successful in fostering the quality and diversity of Canadian feature films.

2.2.1 Rewarding Success: the Performance Envelope

The Policy envisaged that the performance-based component would encourage producers to achieve box office success. “A funding envelope will be determined based on a formula of annual allocation to eligible producers and distributors that relies primarily on ongoing success at the box office, yet also recognises the degree of Canadian content in the films and critical acclaims achieved.”⁷ On the basis of success, the performance-based approach would award a budget to producers for future projects.

The selective component was designed to give priority to new players without the track record in the industry, in order to produce and distribute innovative projects and culturally-relevant Canadian feature films on a qualitative, project-by-project basis.

The MOU between PCH and Telefilm set out specific provisions for the operation of the performance envelope. It envisaged that about 50% of the CFFF production financing would be within the envelope, a percentage that would rise to about 75%, however. The MOU also allows for producers who are unable to fully finance their production via the performance envelope, to access the selective envelope.

French-language Performance Component

The appropriation for the performance vs. selective components has been at a ratio of 75:25 with respect to the CFFF funding received directly from parliamentary appropriation. A number of the smaller Quebec producers criticized the high ratio of performance to selective funding and the corresponding decline in the number of “films d’auteur” projects financed under the program. Telefilm recognized and responded to the French-language production community’s concern that an unintended consequence of the performance envelopes has been to limit production opportunities for up-and-coming filmmakers. In response, Telefilm decided to invest revenues earned from prior production investments into the selective component of the fund. The combined total of production resources and revenues results in a split of roughly 50:50 between the performance and selective envelopes over the five years of its operation. The amount directed to producers of French-language feature films grew slightly from \$10.4 million in 2001-02 to \$11.5 million in 2005-06.

One possible indication of whether the performance envelope system is functioning as intended is to consider whether producers are benefiting from this envelope on a relatively constant basis – in other words, to consider whether the rewards of success are leading to further success. Information provided by Telefilm shows that six producers qualified on a repeated basis for this envelope: four in all five years, and another two of them for all but one year. Although no expected numbers or targets have been defined, several factors suggest that this number can be considered to be relatively high.

At the same time, however, the intended impact of the performance funding has been severely hampered by the level of funding available. Many producers qualified for the performance envelope. Therefore, in about 75% of the cases, the producer had to return to Telefilm and be successful in the selective component to complete the production financing of their projects. This means that the selective component was not achieving its expected outcome because it had to provide funds to projects coming from the performance-based envelope. As well, some producers criticized the apparent development of a select group of commercially-successful producers “on the inside” who

⁷ Department of Canadian Heritage, *Form Script to Screen*, op.cit. p. 8

receive financing versus the majority of “film d’auteur” producers “on the outside” who do not receiving financing.

Because 72% of French-language films financed by the CFFF tapped the performance and selective envelopes, it is not possible to directly attribute the box-office success of French-language feature films to the performance envelope system. Between 2001-02 and 2003-04, 32 French-language projects accessed performance-component funding; of these, 23 also had selective component funding (see Table A6 in the Statistical Appendix). Results show that box-office results for the few films funded only under the performance component are in fact lower than for dual component funding or selective-component funding only. However, only a few features were funded only by the performance component (see Table A11 in the Statistical Appendix).

There have been other important constraints in the use of the performance envelopes. Perhaps the most important of these constraints has been the inability of envelope holders to move envelopes across fiscal years, as a result of Telefilm Canada’s fiscal spending requirements. This constraint is at odds with the realities of the feature film production cycle, which operates on a three to five year timeline from development to production. The result is a number of performance projects being rushed into production to meet government fiscal spending requirements at the expense of the film’s overall production values and audience success.

English-language Performance Component

The amount directed to producers of English-language feature films declined sharply from \$20.5 million in 2001-02 and 2002-03 to the \$7-\$10 million level in the following three years. This decline is the direct result of the decision by Telefilm to establish \$1 million as a threshold for box office success, in addition to the adjustments made for critical acclaim and Canadian content. Telefilm Canada established the \$1 million threshold to help generate sufficient box office to meet the overall market share target. In general terms, Telefilm reasoned that it should not be prepared to invest significantly more than \$1 million in a film if the film does not stand a reasonable chance of earning \$1 million at the box office.

The \$1 million threshold had the effect of cutting out many producers who had not achieved this level of box office success. At the \$20 million level, the performance envelopes accounted for about 50% of the production funding by Telefilm. At the \$7-\$10 million level, however, the performance envelopes represented only about 15-20% of the total feature film production fund budget of Telefilm.

Four producers qualified for the envelope in all three of the years that had the \$1 million threshold, and another three producers qualified in two out of the three years with the \$1 million threshold. Producer stakeholders criticized the \$1 million threshold as too blunt a success measurement, and said that other factors should be taken into consideration (e.g., box office in relation to size of production and marketing budgets). While 19 producers qualified for the performance envelope in the first two years, there were many cases where producers combined envelopes to finance projects. Some stakeholders believed this practice, although permitted explicitly in the MOU between PCH and Telefilm, led to the “trafficking” (a term used by interviewees) of performance envelope funding. The practice, as reported by producers to the evaluation team, involves one producer using his or her envelope funding to help finance another producer’s project – and taking back a fee as an executive producer on that project. While the individual film concerned would still need to meet performance envelope criteria, it is the executive producer’s take-back fee that was thought to be questionable.

Telefilm Canada initiated policies to address concerns about awarding a significant number of small performance envelopes and the potential for envelopes being traded as assets. Specifically, Telefilm Canada, at the recommendation of the CFFF-Advisory Group, implemented the \$1 million dollar box office threshold, and reduced the box office reference period, in an effort to reduce the number and increase the size of the performance envelopes awarded. Telefilm Canada also clearly outlined the conditions of when and how a performance envelope producer could support a project originating from an arms length production company, thereby ensuring the performance producer was meaningfully involved in the production.

Despite the restructuring of the English-language performance envelopes in 2003-04, the ongoing limited success of English-language features continues to result in small envelopes. As in the case of French-language films, producers generally need both the performance and selective components to complete the financing of their projects.

Therefore, the restructuring of support programs has not had the expected impact for English-language productions. Box office successes were not high enough to generate sufficient 'rewards' in the performance envelope, and producers are typically seeking additional funding from the selective component. This continued reliance on the selective component, which has Telefilm making the green-light decisions, nullifies the major advantage of the performance envelope from the perspective of the producers.

2.2.2 Production Budget Target

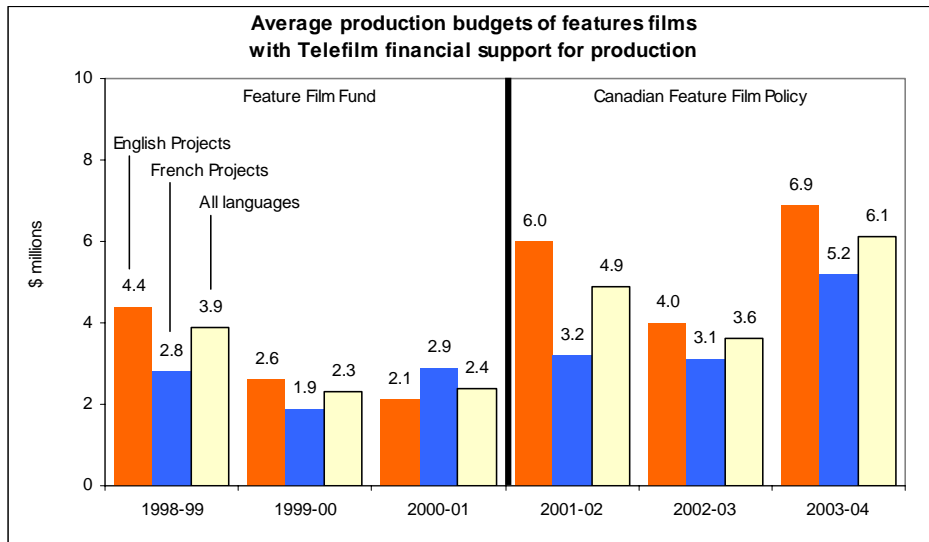
To reach the box office target of 5%, the Policy calls for "*encouraging an increase in average production budgets to at least \$5 million.*"⁸

Across both linguistic markets, the average budget progressed from \$2.4 million in 2000-01 (before the Policy began to have an effect) to \$6.1 million in 2003-04. The average budget of English-language feature film projects exceeded \$5 million in both 2001-02 and 2003-04. For French-language projects, the average budget exceeded \$5 million only in 2003-04.

Data from CAVCO also indicates that the number of Canadian feature film productions with total production budgets of \$5 million or more has been trending upwards since the introduction of the Policy. According to tabulations prepared by the Canadian Film and Television Production Association (CFTPA), using CAVCO data, the number of Canadian (all languages) theatrical feature films with a budget of \$5 million or more increased from nine (all nine were English-language) in 1996/97 to 24 (three French and 21 English) in 2002-03.

⁸ From Script to Screen, p. 6; While Telefilm administrators consider this target to be more relevant to the English-language market, no such distinction was made in the Policy document or the MOU

• Figure 1 Average Production Budgets of Feature Films with Telefilm Financial Support for Production



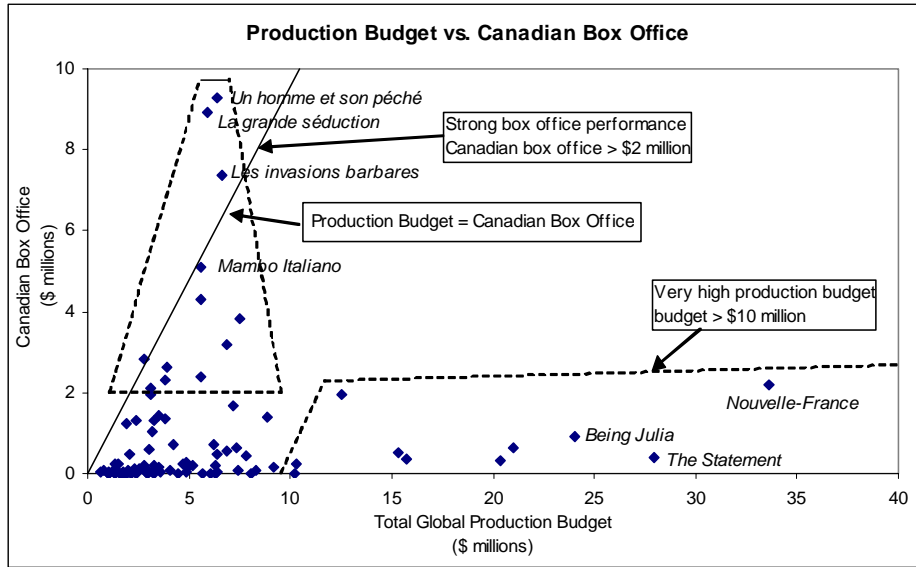
Source: Telefilm Canada.

Note: Statistics do not include foreign budget of international treaty co-productions, when Canada is a minority partner in the project.

A review of the median production budget of CFFF films indicates that the average was being raised by a small group of very large budget films. Across the board in both linguistic groups, the median budget was \$2.9 million in 2001-02, \$3.1 million in 2002-03, and \$3.7 million in 2003-04 (see Table A13 in the Statistical Appendix). In some cases the median budgets are considerably lower than the average budgets. This suggests that the average is affected by a few very large-budget productions that essentially boost the average. For example, in 2003-04, the average budget of French-language films was approximately \$5.16 million, while the median budget was approximately \$3.65 million. This means that half of the films produced had a budget of less than \$3.65 million.

The theory is that larger production budgets should increase the probability of gaining a strong box office performance. A simple comparison of production budgets and Canadian box office for CFFF films indicates, however, that there was very little correlation between production budgets and box office. Figure 2 plots each CFFF film based on its Canadian box office earnings (vertical axis) and the total production budget (horizontal axis). The diagonal line represents the point at which the Canadian box office was equal to the production budget. Between 2001-02 and 2003-04, only four films earned a domestic box office equivalent to or higher than their total budget. The four films were *Séraphin, un homme et son péché*, *La grande séduction*, *Les invasions barbares*, and *Dans une galaxie près de chez vous*.

• Figure 2 Production Budget vs. Canadian Box Office



Source: Compiled by Nordicity Group. Canadian budget data is from Telefilm Canada; box office data from Motion Picture Theatre Associations of Canada (MPTAC).

Figure 2 also shows that most of the films with box office performance of greater than \$2 million had budgets of more than \$5 million. Also, all but one were French, and the one that was English (*Mambo Italiano*) had a large French-language audience. At the same time, except for *Mambo Italiano*, there were no break-out English-language films financed by the CFFF at any budget level. There were 8 films with very high budgets – \$10 million or more – but none of the English-language ones (7 of the 8) made much more than \$1 million at the box office in Canada. The only one that reached the \$2 million level was the French-language film *Nouvelle France*, which did not perform well in relation to the other (much lower budget) Quebec films.

2.2.3 Quality and Diversity

No explicit criteria or targets are provided in the Policy to measure ‘quality’ or ‘diversity’. However, given the wording of the objective, it is implicit that quality is related to production budgets and audience appeal. In the context of the Policy, it is understood that “diversity” referred to sub-genre, region, language, and size of budgets. Therefore, for the purpose of the evaluation, quality and diversity were examined by considering the cultural relevancy, the range of sub-genres, the range of budget sizes, as well as regional and linguistic diversity.

- **Cultural relevancy:** The MOU between PCH and Telefilm states that cultural relevancy is to be considered “*where possible*” and that Telefilm should “*give priority to projects that present a distinctly Canadian point of view.*” Telefilm Canada has developed a tool to help prioritize films by Canadians and about Canadians, portraying visibly Canadian stories, settings and characters. A bonus mechanism is applied that ensures that, between two equally ranked projects, priority will be given to a film that is distinctly Canadian in its point of view. The decision grid takes into consideration the following factors: the source of the story, the story itself, the characters, the setting, and also the nationality of the lead producer, the writer and the director. Furthermore, Telefilm provides a bonus to the calculation of the box office of films that have more than eight points

on the CAVCO Canadian content point scale. Overall, as noted in Section 2.1.4, the share of feature films with ten points increased as a share of all Canadian feature films produced.

- **Sub-Genre of feature films:** Approximately one-half of CFFF films were in the drama sub-genre, and this level has not changed substantially over the three years for which data is available. Between 2001-02 and 2002-03, feature films in eight other sub-genres also received support from the CFFF. For example, feature films were produced in comedy, romantic comedy, romance, crime/mystery, action/adventure, fantasy, and horror sub-genres. While sub-genre breakdowns were not available prior to the implementation of the 2000 Policy, the increased funding made available has led to increased opportunities for Canadian filmmakers to produce in genres other than drama.
- **Range of budget sizes:** As discussed in Section 2.1.3, the IFAP has made an incremental contribution to the production of low-budget feature films. At the same time, the increased resources in the CFFF and the target of increasing average budgets have also led to increased activity for Canadian producers at the other end of the budget spectrum (see Figure A1 in the Statistical Appendix).
- **Regional and linguistic diversity:** The MOU between PCH and Telefilm calls for the encouragement of production from all regions, presumably to ensure there is more cultural relevancy in the productions. Figures show that over the last three years, Quebec has produced 50% of the total number of CFFF-supported productions, while Ontario has produced 21% and BC 9%. About five English-language features are produced every year in Quebec, so the high percentage is the result of the production of all French-language features plus some English-language ones.

Ontario does the largest share of inter-provincial co-productions, which would add another 12% to its total. The rest of the productions were scattered across Manitoba, Saskatchewan, Alberta, and Nova Scotia – typically in the form of inter-provincial co-productions (and typically with Ontario-based producers).

This distribution of feature films is not as indicative of regional diversity as the distribution of television programs financed by the Canadian Television Fund, for example. However, feature films are the most expensive film art form (per hour of original production). Montreal, Toronto, and Vancouver are the major production centres where the feature film skills and experience are most concentrated. Nevertheless, there is some occasional activity in the other production centres, particularly in partnership with producers from Toronto. As well, since the inception of the CFFF, increased production activity is occurring in the North and two films from Nunavut have been supported.

More than one-third of feature film productions are in the French-language (52 out of 131 over between 2001-02 and 2003-04). As well, between 2001-02 and 2003-04, Telefilm commitments to CFFF-supported French-language productions accounted for approximately 39% of total commitments (see Table A3 in Statistical Appendix). Approximately 47% of Telefilm commitments to CFFF-supported production went to producers located in Quebec (see Table A46 in the Statistical Appendix). This concentration in Quebec, reflecting production in English as well as French, constitutes a critical mass of production that is a key factor in the relative success of Quebec-based producers – in English as well as in French. Achieving similar success

for feature film productions outside of Quebec poses challenges to the creation of an infrastructure that can support quality production in other parts of Canada.

2.3 Build Larger Audiences at Home and Abroad

The third objective of the Policy is *to build larger audiences at home and abroad through more effective support for marketing and promoting Canadian films*. In the case of this objective, some specific targets were set that can be used to help examine the success of the Policy. Therefore the evaluation assessed the third objective by examining:

- the domestic box office target;
- changes in audience abroad;
- the marketing expenditure target;
- the performance envelope for distributors; and
- the Complementary Activities Program.

A total of 131 feature films were supported by the CFFF (the production component of the Policy) over the three years of 2001-02 to 2003-04. Table 4 breaks this total down by year and language,⁹ and compares it to the number of features produced prior to the Policy (see Table A1 in the Statistical Appendix for a breakdown of feature films by region and for additional tabulations).

• Table 4 Number of Feature Films Produced with Financial Support from Telefilm Canada (Feature Film Fund and Canada Feature Film Fund)

	Feature Film Fund				Canada Feature Film Fund			
	1998-99	1999-00	2000-01	Total	2001-02	2002-03	2003-04	Total
French-language	11	17	16	44	16	17	20	53
English-language	21	16	25	62	25	30	23	78
Total	32	33	41	106	41	47	43	131

Source: Telefilm Canada

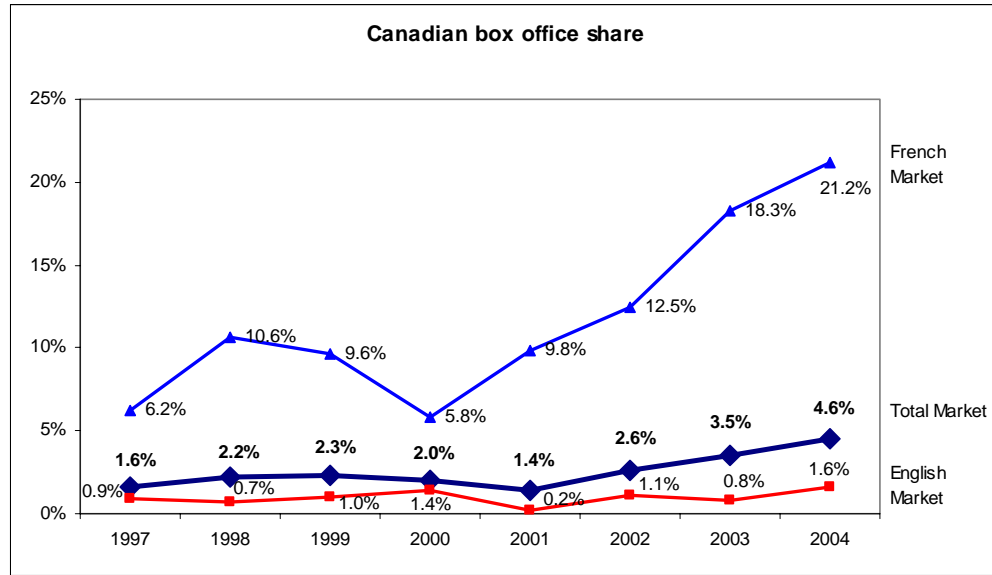
2.3.1 Domestic Box Office Target

In the 2004 calendar year, Canadian feature films captured 4.6% of the Canadian theatrical box office, which is very close to the target of capturing 5% of the domestic box office in five years (by 2005-06). In this respect, the Policy has practically achieved its intended target.¹⁰

⁹ * By language is meant the language in which the feature film was exhibited, not the language in which it was produced. For example, if *Les invasions barbares* is watched in English, it counts towards English market box office.

¹⁰ Indeed, information made available after the "cut-off" date of the evaluation research show that as of July, 2005 Canadian feature films had captured 4.9% of the domestic box office.

• Figure 3 Canadian Box Office Share



Source: Compiled by Department of Canadian Heritage based on data from Motion Picture Theatre Associations of Canada (MPTAC), Alex Films, Statistics Canada and the Institut de la statistique du Québec (ISQ).

As shown in Figure 3 that there is a significant difference between the English and French markets in terms of Canadian box office share. Although the market share of French-language products in the French markets reached 10% in the latter part of the 1990s, substantial year-over-year increases have occurred since the Policy was implemented. On the other hand, the English market share has increased from a low point in 2001 to reach and somewhat surpass the level of production that was achieved in 2000.

A number of Canadian films in the period under examination were international treaty co-productions, which are financed from sources in two or more participating countries. The creative participation and production location vary by individual co-production. Treaties between the governments of the participating countries allow international co-production films to receive national treatment in each co-producing country.

Table 5 Number of Domestic Production and International Treaty Co-production Feature Films with Financial Support from Telefilm Canada

	2001-02	2002-03	2003-04	Total
All languages				
Domestic	30	37	32	98
Majority Canadian co-production	7	8	9	24
Minority Canadian co-production	5	2	2	9
Total	41	47	43	131

Source: Telefilm Canada.

International co-productions give Canadian producers access to higher budgets and therefore arguably better access to star performers and globally accomplished creative talent. Canadian creative talent gain from working with foreign talent, but must share in the creative positions with co-production partners.

English-Canadian films require access to star talent and higher production budgets to keep pace with the market competition from Hollywood productions. Domestic CFFF films are required to have at least eight CAVCO points of Canadian content and can, as a result, obtain production financing of between \$5-\$8 million. Production budgets in excess of \$5-\$8 million require greater flexibility in the attachment of star talent. International co-productions allow for the attachment of star performers from 'third party' countries (typically the US) opening doors to higher levels of foreign financing. *Being Julia*, one of English Canada's box office successes of 2004, is an example of this practice. The attachment of actor Annette Benning was only made possible through the additional financing and third party talent clause presented by an international co-production agreement.

The box office gains made by English-language Canadian films in 2004 were in a large part attributable to the performance of international co-productions that were financed inside and outside the CFFF – mainly *Resident Evil: Apocalypse* (outside the CFFF), and to a lesser extent *Being Julia* (inside the CFFF). It should be noted, however, the results for 2004 were in contrast to the previous two years where the majority of English-language Canadian films' box office performance was due to domestic productions (See Figure A3 in the Statistical Appendix).

Overall, although international co-productions have contributed to the domestic box office target, historically the best performing films are those financed domestically. This is particularly evident in the French-language market, where domestically financed films, employing local star talent, successfully compete with Hollywood for audiences.

2.3.2 Increase Audience Abroad

There is very little direct evidence available to draw conclusions about how the exposure (i.e. audience figures) of Canadian films in international markets has changed since the introduction of the Policy.

Available film festival data seem to indicate that Canadian films have picked up some momentum in the last three years at major international festivals such as Cannes and Sundance. At Cannes, between 1995 and 2002, Canada placed (at its highest point) one film among the Golden Palm nominees in the official competition. That film, *The Sweet Hereafter*, won three awards at the 1997 Cannes festival. In 2003, two Canadian films appeared among the Golden Palm nominations. The two films were *Les Invasions barbares* (which won two awards) and *Tiresia* – and both were CFFF films. In 2004, one Canadian film, *Clean*, was nominated and won two awards. In 2005, Canadians were prominent in two films placed among the Golden Palm nominees: *The History of Violence* (a U.S. film, but directed by David Cronenberg), and *Where the Truth Lies*.

The results at Sundance also show recent success for Canadian films, although world cinema (including Canadian films) were eligible only for the audience awards up until 2005. In 2004, the feature film *La grande séduction* won an award. The other awards won in 2004 and 2005 were for documentary features (*The Corporation*, *Shaking Hands with the Devil*) made outside of the Canadian Feature Film Policy, although *The Corporation* did receive marketing funds support.

Even being selected for showing at major festivals is an accomplishment for a film. On average, Cannes receives 2000 entries annually, but only 100 films are selected for official competition. Having two or three Canadian films among the selected titles is a significant achievement. Some countries, such as Germany, have been without a film in Cannes'

official competition for as long as ten years. Also, the stature of films playing out of competition at the major festivals cannot be ignored. For many of these festivals, films chosen out of competition are selected through a rigorous jury process. Critical acclaim at a high level raises the international profile of Canadian feature films, and contributes to “brand development”, although there is no observed translation into box office success.

Telefilm tracks all international rights transactions for CFFF films which manage to sell rights to international territories. International rights transactions attract distribution guarantees and sometimes distribution advances. Over the last three years the percentage of films being successful in this way has been dropping – a total of 71% of films in 2000-01, 55% in 2001-02, and 42% in 2002-03 (see Table A 34 in the Statistical Appendix). The dollar value of these sales has also decreased on a year-over-year basis – from \$36.6 million in 2000-01 to \$12.7 million two years later (see A35 in the Statistical Appendix). Thus, it would appear that there is a downward trend in the exposure of Canadian films in international markets, in part a reflection of the highly competitive environment for the independent sector.

A few major foreign successes have occurred such as *Les invasions barbares*, *La grande séduction* and *Resident Evil*. Given the lack of available information, however, the evaluation was unable to assess the overall impact of the Policy on the audience for Canadian films abroad in terms of box office measures.

2.3.3 Marketing Expenditure Target

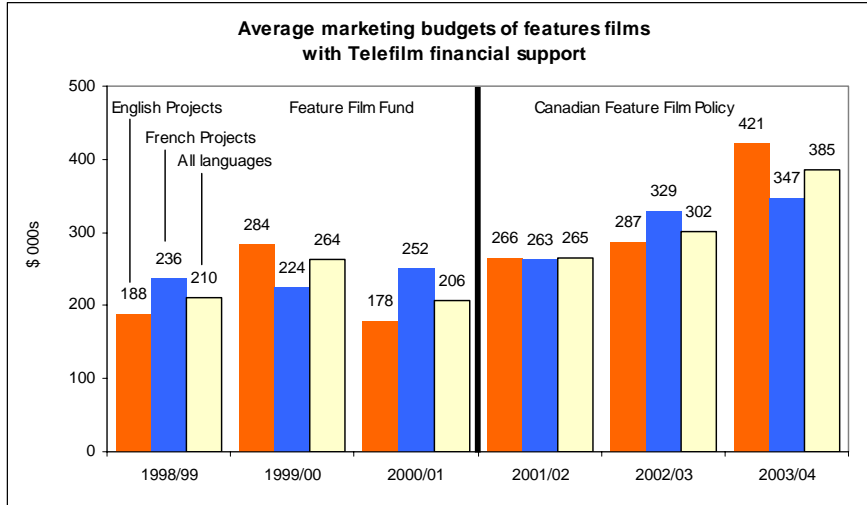
To reach the box office target of 5% market share, the Policy also calls for “encouraging an increase in average marketing budgets to at least \$500,000.” For feature films, the primary elements of the marketing budget are “prints and ads” (which refers to making film prints for release, and spending on advertising and promotion).

The average marketing budget for Canadian features for the three years before the Policy was \$226,000. For the three years after the introduction of the Policy, the average marketing budget rose to \$265,000 for 2001-02, \$302,000 for 2002-03, and \$385,000 for 2003-04. Figure 4 shows the progression of marketing budgets for each the two language groups. When considering these averages, there are two reasons to be cautious. First, Telefilm increased its overall support to distributors from \$10.1 million in 2001 to \$13.5 million in 2005. Second, when discussing average marketing budgets it must be noted that Telefilm receives final marketing budget numbers for only those films that request marketing assistance from the CFFF. The recorded increase in average marketing budgets is therefore understated, because certain distributors elected not to ask Telefilm for support for substantial marketing campaigns on Canadian films that were likely to be a hit among domestic audiences.

Until 2003-04, the average marketing budget for French-language feature films was typically the same as or higher than for English-language feature films. As indicated in Section 2.2.2, the production budgets for English-language features were typically greater than for French-language features. On a proportional basis, more money per production budget has been spent on marketing French-language feature films than on English-language films – with the exception of the 2003-04 when average marketing budgets for English-language projects exceeded those for French-language features. Furthermore, the Quebec market is smaller and more concentrated than the rest of Canada. That means that French-language productions likely achieve more market coverage with their marketing budgets than the marketing campaigns of English-language films. In short,

French-language films are more substantially marketed than is possible for English-language films given the differences in market structure.

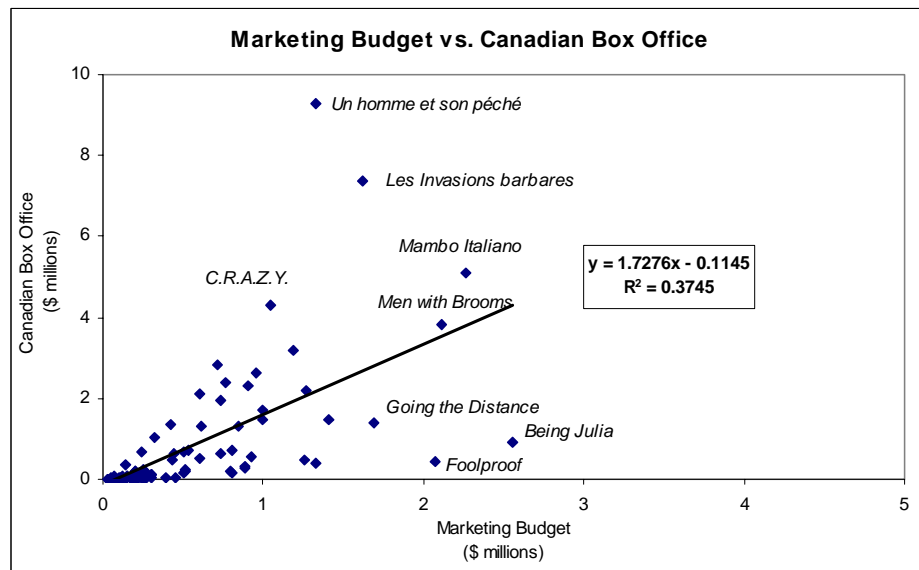
• Figure 4 Average marketing budgets of features films with Telefilm financial support



Source: Telefilm Canada.

Figure 5 plots the total marketing budgets of films that received marketing assistance from Telefilm (horizontal axis) and the Canadian box office earned by those films (vertical axis). In English Canada, four films had marketing budgets of more than \$1.5 million. Two of them (*Men with Brooms*, *Going the Distance*) earned Canadian box office revenues of more than \$1 million. One film, (*Being Julia*), earned just under \$1 million. The fourth film (*Foolproof*) earned only approximately \$400,000 at the Canadian box office.

• Figure 5 Marketing Budget vs. Canadian Box Office



Source: Compiled by Nordicity Group. Canadian budget data are from Telefilm Canada; box office data from Motion Picture Theatre Associations of Canada (MPTAC).
 Note: The plot excludes two high-box-office films, *La grande seduction* and *Camping Sauvage*; Telefilm data indicate that these two films did not receive marketing assistance through the CFFF.

The data also suggest that there exists some correlation between marketing budgets and box office earnings. A simple regression analysis of the 85 films in the plot diagram yields an R-squared¹¹ of 0.37 – a somewhat weak relationship. This relationship is illustrated by the film *Men with Brooms*. The theatrical release was supported by an aggressive and timely marketing campaign.

It should be noted that distributors typically apply for marketing support for their higher risk projects, and not for some Canadian projects (particularly in French Canada) that look more promising for box office performance. Therefore, the inclusion of Canadian films without marketing support in the regression analysis would likely yield a stronger correlation between marketing expenditures and box office.

2.3.4 Performance Envelope for Distributors

The Policy also restructured the way financial support is provided for distribution. With the implementation of the Policy, financial support was no longer provided to distributors for their commitment to minimum guarantees for Canadian films. Support is now granted for co-investment between Telefilm and distributors in marketing and promotional activities (particularly expenditures on “prints and ads”).¹² Thus, the Policy “ensures that both producers and distributors have a stake in the success of feature film projects through performance-based funding.”¹³ The expectation was that the level of marketing commitment and budgets for films would rise, thereby generating a higher box office for the film. Furthermore, in the English market, Telefilm insisted that distributors make a more concrete commitment to marketing expenses within their contractual arrangements with the producer.

The level of funding for distributor envelopes shows a high first year (2001-02) at \$9.5 million, declining to the \$6 million level in the last three years. However, the first year for the envelope calculation used a hybrid methodology, which took into account elements applied in calculating lines of credit (box office and Telefilm recoupment) and elements of the new performance envelope component (gross Canadian box office). Subsequent years moved exclusively to a performance envelope calculation based almost exclusively on the box office.

The number of distributors who have performance envelopes has declined from nine in the first two years to three or four distributors in the last three years. However, there has been a relatively stable group of 7-8 distributors who continue to tap into the marketing support draw-downs. While the terms of that access are currently under discussion between Telefilm and the distributors, there is a common perception among producers, distributors, and program administrators that there is insufficient funding in the marketing component to meet the marketing challenges in English Canada.

Distributor Experience in the French-language Market

For the Quebec distributors, access to Quebecois films is a critical component of the business in view of their popularity in the Quebec market. Alliance Atlantis Vivafilm in

¹¹ R-squared is a statistical measure of how well regression relationship fits the data. An R-squared value of 1 denotes a perfect linear relationship; a value of zero indicates that no relationship exists.

¹² Traditionally, particularly in the English Market, many distributors were able to fully finance their minimum guarantees and a limited marketing budget through guaranteed Canadian television pre-sales from pay-TV services (and sometimes to specialty-TV services). Distributors enjoyed, at little or no risk, full commissions on these sales without having to succeed at the box office.

¹³ Department of Canadian Heritage, *From Script to Screen*, p. 8

particular has been instrumental in assisting producers in selecting, financing and promoting film projects. The distributor is typically involved a year in advance in planning releases of films with producers and other stakeholders. There has been much discussion between distributors, exhibitors and producers of how to fine tune the release and promotion of Quebec films.¹⁴

A key factor in the success of Quebec films has been the relative longevity of play in the commercial theatres in comparison with English-language films. In the case of *Les Invasions barbares*, the film was in theatres for over a year, while even the best English-language films rarely are screened for more than a few weeks. The staying power of Quebec films has been a key reason why theatre owners and in particular independents (which own most theatres and almost all outside the larger cities in the province) are willing to keep and actively promote Quebec films in their theatres.¹⁵

The film's principal actors and creative talent are typically actively involved in promoting particular films through interviews and appearances on entertainment talk shows, variety shows as well as personal appearances in the various geographical markets. Accordingly, there is a virtuous circle in the relationships among Quebec-based distributors, producers, and creators – as well as with the exhibitors. All work together to help promote new Quebec feature films, aided by the very active star system in the French-language market.

Distributor Experience in the English-language Market

For distributors to the English-language market, access to the popular foreign titles drives the business for distributors, particularly the dominant one in the market (Alliance-Atlantis). The Canadian content provisions for Canadian pay-TV license holders ensure a ready market for Canadian feature films at higher fees than they pay for non-Canadian product. According to data from the CRTC, in 2003, Canadian pay-TV and pay-per-view networks spent \$28.6 million on rights for Canadian programming (feature films and television programs). However, while these pay-TV sales guarantee Canadian distributors some return on their investment (say \$100,000-250,000), distributors still rely on box office and DVD/VHS markets to obtain the bulk of their return for films with a six or seven figure investment. Basically, since English-language Canadian films have not succeeded very well at the box office, distributors show little enthusiasm to invest in Canadian films destined for the English-language market.

Key informant interviews in English Canada illustrate how much the experience of the distributor in the English-language market differs from the French-language case. Producers expect that their distributor partners to be fully committed to their projects; in contrast, distributors often reduce their commitments when they actually see how weak (in their minds) the Canadian production turns out to be. The submission of a marketing plan at the application stage is substantially a *pro forma* exercise, as the real marketing plan is developed when the distributor sees the film and reflects on the competitive environment that has developed in the meantime. Many producers tend to expend their budget in production and leave the marketing to the distributors; in contrast, distributors felt that their involvement in the project has not been early enough to influence its marketability.

With the exception of a few films, the English-language market has not seen the level of sustained commitment that exists in French Canada to reach audiences. In contrast to the

¹⁴ APFTQ Annual Conference, 26 04 05, in Gatineau - Workshop Presentation by Denise Robert, producer, Cinemaginaire and Patrick Roy, Alliance Atlantis Vivafilm

¹⁵ APFTQ Annual Conference, 26 04 05 in Gatineau -Workshop, Intervention by representatives of l'Association des propriétaires de cinémas et ciné-parcs du Québec

French-language market, conditions of the English-language market include the lack of a star system, a weak brand for Canadian films, a geographically dispersed and regional market, and a weak drama television sector. Given the availability of a variety of foreign English-language independent films, the behaviour of distributors towards the English-language market is understandable. While a large distributor like Alliance-Atlantis has a full service organization and national market stature, most of its revenues are derived from non-Canadian films. Although Alliance-Atlantis does and will support Canadian features, Canadian productions are not what drives the market in English Canada for one of Canada's largest feature film distributors.

The first critical market link in the exhibition value chain is theatrical release. Lack of access to screens has been a long term problem for the Canadian feature film industry in English Canada. Canadian films in English markets do not fare well in a context where movies have to succeed the first weekend to have a chance to stay in theatres for longer periods. Instances of raw commercial clout, with studio distributors taking screens away from Canadian titles, are one consequence of this basic economic picture. Yet, large and small Canadian theatre chains do work with Canadian distributors to place Canadian films, offering venues and advice on which theatres and competitive environments well suited to release their films. They also watch in frustration as a Canadian film will play to a packed house in a major festival, and yet fare very poorly in the same theatre when released commercially.

Anecdotal references from key informant interviews suggest that the record is spotty in English Canada – some innovative and culturally relevant films have been well marketed, but some have been virtually abandoned by distributors. For the first time, however, over the last five years there have been a few well financed marketing plans, with releases in many screens. *Men with Brooms* is an example, along with *Foolproof* and *Going the Distance*. At the other end of the scale, lower budget films like *The Corporation* (which was supported in marketing activities by Telefilm) were well marketed. However, producers and creators point to many films that were not properly marketed or sufficiently backed by marketing campaigns. The distributor (and exhibitor) respond by saying that these films would not have succeeded even if heavily promoted because the films were just not attractive to audiences.

English-Canadian producers contend that exhibitors do not run trailers for Canadian films. The exhibitors counter that Canadian producers and distributors often run out of money before they can make a trailer, and if they do make a trailer it is often delivered too late. Telefilm maintains that it is the distributor's responsibility and there is a provision in the marketing support component where the eligibility of such an expense is made clear. In any case, exhibitors suggested that trailers should be ready several months before the planned release of film, and that producers and distributors should not expect heavy running of trailers unless a significant print and advertising campaign goes along with the film. In the limited five slots for trailers before any feature presentation, exhibitors typically use two of them for the distributor of the feature attraction, leaving several upcoming films competing for the remaining three slots.

While key informant interviews and document review suggest that Canadian film has difficulty accessing the screens, Telefilm maintains that data show that Canadian films do not suffer from a lack of screen access, and that access has doubled in the last four years. Telefilm's maintains that its research shows that the screen access of Canadian films was at 3% in 2001, but currently is 6%. The problem may be more accurately characterized as Canadian films not always receiving access to the key screens in key markets, thereby limiting their audience success.

While exhibitors maintain that they try to accommodate Canadian films, and work with distributors on release dates and venues, they are under economic pressure to quickly replace poorly attended films. Exhibitors in French and English-language markets are also under commercial pressure to book films from major distributors that supply most of their high audience features. Indeed, final run week attendance results show that exhibitors do not often run Canadian or other independent films when major studios are releasing features at that time. According to Telefilm’s research, “exhibitors are more ‘patient’ with studio films than they are with other films.”¹⁶

The synergy and collaboration that is evident in the marketing, promotion, and exhibition of films in Quebec is only beginning to show itself in English Canada. Show Canada is the annual trade show for the English-language feature film sector. However, for years it was regarded as the trade forum for Studio distributors to market the upcoming Hollywood films to Canadian exhibitors. Only in the past two or three years has there been a growing presence of Canadian distributors showing Canadian productions. Although some producers, particularly Quebec-based ones (with their English productions in tow), have started to attend and network among exhibitors, the development of effective marketing and promotion is a work in progress. In the last couple of years, Telefilm has been a major sponsor, and the provincial agencies have recently become more involved. Although Show Canada is only one event, it builds on the successful campaigns of some Canadian film releases as signs of a more marketing oriented culture developing in English Canada.

2.3.5 Complementary Activities Program

To contribute to building audiences, the Policy supports initiatives that reward excellence in filmmaking and promotes Canadian films at home and abroad. This outcome is pursued through the Complementary Activities Program, which provides support to Canadian film awards ceremonies, Canadian film festivals, and the participation of Canadian filmmakers in international film festivals.

Film Awards Ceremonies

The data in Table 6 indicate the annual level of funding provided by Telefilm to Canada’s two major film awards ceremonies, as well as the estimated average television audiences to each program. The Genies are the national awards ceremony for both English and French-language markets, while the Jutra are for French-language films only.

• Table 6 Funding and Audience for Award Ceremonies

	2001/02	2002/03	2003/04	2004/05
Genies				
Grants	\$400,000	\$400,000	\$400,000	\$450,000
Estimated television audience	350,000	350,000	450,000	550,000
Jutra				
Grants	\$100,000	\$100,000	\$100,000	\$100,000
Estimated television audience	693,000	579,000	579,000	1,027,000

Source: Telefilm Canada.

¹⁶ Telefilm Canada . *The Canada Feature Film Fund: Meeting with the Advisory Group of the Canada Feature Film Fund.* March 23, 2004.

In the French-language market, the Jutra awards attract an audience comparable to the nationally-oriented Genie awards at one-quarter of the cost to Telefilm, and in a market about one-third the size of the English market. Such audiences reflect the relative strength of French-language productions, the star system, and the cultural relevancy of Quebec films to the average viewer.

In contrast, the Genies – while continuing to give recognition to the Canadian filmmaking community – have failed to attract significant television audiences to the awards show. In comparison, Canada's popular-music awards event – the Junos – has attracted audiences of 1.3 million to 2.0 million in recent years (about three to four times the Genies).

In addition, many stakeholders have suggested that the Genies are in some respects counterproductive to building audiences for English-language films because the prizes are often won by French-language producers. There is also a view that the Genies are not designed to promote films the way the Oscars are, for example. As a result, Canadian filmmakers are reluctant to participate because they incur costs by participating, but without much potential for marketing benefit. Whether a particular film wins or not, the awards ceremony should serve to raise the public's interest in English-language Canadian films and Canadian films in general. To improve the Genies' ability to raise the public's interest in English-language Canadian films, the event's structure should be closely examined.

Film Festivals in Canada

As part of the Complementary Activities Program, the Policy supports many film festivals across Canada – in small as well as large centres (see Table A30 in the Statistical Appendix). Many of these festivals produce awards, and Canadian winners add to the development of an appetite for Canadian cinema as well as the promotion of Canadian films. Many of the festivals are specialized, such as for Aboriginals, French language outside Quebec, Asian and other language communities. Others are specialized by their choice of format (such as short films) or genre (such as children's programming).

According to selected data provided by Telefilm, some 44 Canadian film festivals supported by Telefilm collectively attracted just under 1.5 million attendees in 2001-02 (see Table A31 in the Statistical Appendix). By 2002-03, overall festival attendance is estimated to have increased to about 2 million, although much of this increase was produced by an attendance estimate by the Montreal festival no longer supported by Telefilm. After omitting the Montreal festival, attendance appears to have been rising modestly in most cases over the last three years.

The Toronto and Montreal film festivals are the principal venues for generating significant media coverage of Canadian and international films. As well, some of the major regional festivals, such as Vancouver and the Atlantic Festival also attract attention to Canadian films in addition to supporting the development of a film culture generally.

It should be noted that Telefilm's support to festivals plays an integral role in ensuring that film-goers in all regions of Canada have the opportunity to screen Canadian films. This is particularly true in the English-language market. With respect to regional festivals, Telefilm requires that efforts be made to showcase local talent, strengthening the link between audiences and the film. In all cases, Telefilm requires that festivals meet minimum Canadian content requirements with respect to the festival's film program and promotional efforts. Finally, many Canadian festivals feature professional and industry components that are increasingly more comprehensive and popular. Workshops, panels

and other market activities facilitate knowledge sharing and foster important domestic and international partnerships.

Alternative Distribution Networks

The most well known alternative distribution network for Canadian films in English-language markets is the Film Circuit, an activity of the Toronto International Film Festival. The Film Circuit services participating cinemas by publishing on-line a list and description of available titles (e.g. about 250 for a season's catalogue). While the Film Circuit has three "consultants" helping its 160 Canadian venues across English Canada, the actual selection is up to the local community partner. As a matter of philosophy, the Film Circuit does not concentrate its films in universities or special venues. Instead, it uses commercial cinemas in the hope of developing an appetite among Canadians for independent and Canadian films. Over the last ten years, the Film Circuit has built up the formula for serving film-going communities in small to medium size communities across English Canada, and has a firm grasp of the limits in the marketplace for non-studio films.

Telefilm increased its budget commitment to alternative distribution networks to over \$1 million in 2002-03, growing from \$667,000 one year earlier and \$476,000 two years earlier (see Table A33 in the Statistical Appendix). The major growth two years ago was for increased support to the Toronto International Film Festival to \$250,000, and the main expansion in the last reported year was for new projects.

The Film Circuit's total box office is about \$2 million (2003) and about 25% of the selections made by local groups are Canadian films (while the rest are normally non-Canadian independent films). While their box office makes an important box office contribution to Canadian films, it is not substantial for any particular film. While the Film Circuit estimates that it could double the 160 screens in Canada over time, any individual market could not do more than exhibit about once per week (and not during the summer). While the Film Circuit is a success story in terms of distributing Canadian features in smaller communities; it will remain a small component of the total box office potential. The Film Circuit does make an important contribution to the Canadian feature film brand, however, by reaching many smaller urban communities and helping to pioneer the development of interest in films beyond Studio productions, including Canadian films.

The Association des cinémas parallèles du Québec – Réseau Plus is a well-established non-profit organization servicing 40 member organizations. In 1992, it began to offer a film booking service to its members through the Réseau Plus program, showing about 500 movies per year to 24 member cinemas or individuals. The movies are not first-run films, and one-third of them are Canadian. They are selected through canvassing the interests of members. Réseau Plus aggregates their requests and acquires exhibition rights from distributors, generating about \$400,000 per year in total box office. This sub-distribution model is not very popular with Canadian distributors, however. Even if a DVD copy is available, Quebec distributors are reluctant to release their movies to alternative distribution circuits, since they hope that the commercial window of first-run theatrical release will last longer. As indicated elsewhere, Quebec films are now popular in smaller as well larger centres, so this kind of conflict is perhaps inevitable. Clearly, there is less of a need for stimulating interest via alternative cinema networks in French Canada, since the main theatrical venues already provide the exhibition outlets.

2.4 Preserve and Disseminate our Collection of Canadian Films

The fourth objective of the Policy is *to preserve and disseminate our collection of Canadian films for audiences today and tomorrow*. No specific targets have been defined for this objective - only a very broad outcome statement:

- Comprehensive collection of feature films is preserved for future generations;
- Increased awareness of Canadian feature film heritage.

In the absence of clear indication of clear targets regarding “comprehensiveness of the collection” and “increased awareness”, it is not possible to reach well-established conclusions regarding the success of that component of the Policy. The evaluation can only present indications that the programs are contributing to the objective.

2.4.1 A Comprehensive Collection of Feature Films is Preserved

The Policy allocates funds to Library and Archives Canada (LAC), the federal agency mandated to preserve Canada’s audio-visual heritage. As such, LAC spends resources on the acquisition and restoration of feature films. Its budget was \$600,000 from 2000 to 2003, and \$550,000 from 2004 to 2005.

Funding provided by PCH allows LAC to ensure that a comprehensive collection of feature films is preserved for future generations. Since 2000, LAC has acquired over 250 titles and has preserved over 235 legacy feature films. Many notable titles, ranging from silent movies produced early in the 20th century to more contemporary features, have been restored. In addition, various activities by LAC (for example partnerships with many organizations such as the A-V Trust Masterworks program, the Toronto International Film Festival Group, the National Film Board, Sony Pictures, and Fédération Internationale des Archives du Film congress) have contributed to making LAC’s current holdings more accessible to Canadian and international audiences. LAC also invests additional funds of its own to add to the Preservation Fund MOU with PCH.

2.4.2 Increased Awareness of Canadian Feature Film Heritage

The Policy also provides a contribution to the Audio-Visual Preservation Trust (A-V Trust) to enrich Canadians’ awareness of their feature film heritage. The A-V Trust is a not-for-profit organization dedicated to promoting the preservation of Canada’s audio-visual heritage and to facilitating access to and the use of regional and national collections. The funding for the A-V Trust activities was \$150,000 per year from 2000 to 2005.

The A-V Trust’s Feature Film and Education Access Program has three main activities aimed at increasing awareness of Canadian feature film heritage. Each of these activities is described below followed by a brief report on the findings related to their achievements.

Masterworks

The objectives of Masterworks are: to raise awareness about the need for audio visual preservation; to highlight works particularly worthy of preservation and restoration where necessary; and to make these works available again to the Canadian public, where copyright and other conditions permit.

- The A-V Trust initiated the Masterworks program on Heritage Day, 2000. Each year on Heritage Day this program honours up to 12 significant audio-visual works, selected by juries that are expert in the fields of film, television, sound recordings/music and radio. The selected works will have received critical and popular acclaim in their field and possess unique cultural value in the opinion of the nominating and selection juries.
- One of the positive results of these events is that Masterworks has created very favourable media reviews and significant bonus traffic to the A-V Trust Website. Apart from the media coverage on and around the day of the event, the A-V Trust publishes a special edition of its PreserVision newsletter and distributes this nationally (in 2004 more than 9600 copies of PreserVision was distributed as part of the trade magazine *Playback*). After the journal was distributed, daily hits at www.avtrust.ca increased dramatically, as did the average length of time visitors stayed on the site.

Awareness Campaign

The A-V Trust initiates and manages projects especially designed to complement or showcase the work being done by its partnering organizations, promote its overall mandate, or fill some other particular niche in the terms of reference derived from the “Fading Away” study.¹⁷ In 2003-04, activities in these areas included the development of a public information and awareness campaign, highlighting the importance of audio-visual preservation activities and the A-V Trust’s role as both instigator and assistant. Elements of these activities include:

- open houses at studios and preservation facilities;
- participation and displays at trade fairs, conferences and industry gatherings;
- articles in newsletters and on websites of organizations interested in creating audio-visual works;
- distribution of informational/promotional videos to electronic media, cinemas, industry associations;
- guest engagements on radio and television and at industry conferences, by A-V Trust members, artists, collectors, technical experts and other enthusiasts;
- release of reissued films or film-related materials; and
- mass-distribution publication on taking care of old films and/or transfer of legacy materials to digital media.¹⁸

The awareness campaign has had some notable results. The audio-visual community has noticed that the number of new organizations applying for funding through FFEAP has grown. It is likely that this is largely because of the news, new information pages, and updates posted, bilingually, on the A-V Trust’s Website, along with strong media coverage

¹⁷ “Report of the Task Force on the Preservation and Enhanced Use of Canada’s Audio-Visual Heritage, ‘Fading Away...’”, created by National Archives and Department of Canadian Heritage, 1994-95.

¹⁸ “Feature Film Education and Access Program, Business Plan: 2003-2004”, prepared by AV Preservation Trust, July 2003.

of Masterworks. Use of the Website is also growing with nearly 6000 unique visitors each month.¹⁹

Projects with Partners

The A-V Trust's core mandate emphasizes its work in promoting education about, and access to, Canada's audio-visual heritage including works in film, television, radio and music/sound recording.

- Each year, the A-V Trust issues a national call for applications from organizations seeking support for film restoration, preservation, educational and public access initiatives.
- In addition, and on an ongoing basis, the A-V Trust works closely with many of the country's major media organizations and archival institutions in the following types of activities: film screenings, retrospectives, communications products, educational activities, Public Service Announcements for movie theatres, panels at film festivals or symposia, and other promotional and marketing projects. The A-V Trust particularly favours projects which take the above messages to new audiences and help to increase audience size by involving strong partnerships.

Until a few years ago, Canada lacked any coherent way to coordinate activities to showcase the national film heritage. With limited resources, the A-V Trust and its partners have made a start at educating Canadians about this heritage. Without a sense of history, and a means to celebrate earlier film works, it is more difficult to develop a cinema culture among Canadians. Thus, support of the A-V Trust as a component of the Policy is an integral part of the 'Script to Screen' concept.

While it may seem to some that digitization of the cinema heritage will 'solve' the problem at some future point, in fact, it complicates the preservation challenge. Different formats that evolve over time and degradation of digital storage will become major issues in the future. The A-V Trust should play a leadership role in this regard, working with other cultural institutions with video holdings to ensure Canada truly preserves the film heritage.

¹⁹ Correspondence of December 22, 2004, from Sandra Macdonald, AV Trust, to Lyn Elliot Sherwood, Canadian Heritage

3. Cost Effectiveness

This section presents evaluation findings concerning the efficiency of the means used to achieve objectives, relative to alternative design²⁰ and delivery approaches.

To address the question of whether the Policy is being delivered in the most cost-effective manner possible, the following issues are examined:

- cost-effectiveness and cost-efficiency measurements;
- design and delivery issues; and
- delivery responsibility alternatives.

3.1 Assessment of Cost-Effectiveness

Measuring the cost-effectiveness of the Policy is mostly about assessing whether the results achieved are worth the investment of public funds. Clear criteria and objectives for such an assessment do not exist. In the absence of such criteria and objectives, the evaluation assessed the following performance measures:

- return on investment (ROI) as measured by box office revenue returns from the investment in the production of a film;
- financial leverage of public funds as indicated by the amount of production triggered by public investment; and
- administrative cost-efficiency as indicated by program overhead as a percentage of the total component budget.

3.1.1 Return-on-investment From the Box Office

Cost effectiveness can be measured in terms of 'return on investment' for the federal government's investment in the industry. For the Canadian feature film industry, the "return" is measured in box office results. Telefilm maintains that, in general, with double the resources to the CFFF, the industry tripled the box office sales for Canadian films. Put another way, for every dollar invested through the CFFF, \$0.66 was earned at the Canadian box office as of spring 2005, up 32% from before the CFFF.

Telefilm recovers some of its investment in Canadian feature films through equity investments in feature films. Annual revenues returned to the CFFF totalled \$12 million in 2004. This amount is roughly equivalent to the entire costs of administration within the CFFF. These revenues are reinvested into CFFF supported productions, which typically

²⁰ The examination of alternatives to Program delivery is a requirement from both the Treasury Board policy on evaluation and the Expenditure Review Committee seven tests.

leverage additional production funds in excess of \$23 million, as discussed in Section 3.1.2. According to Telefilm, this recovery allows for an additional six or seven films to be made.

3.1.2 Financial Leverage of Public Funds

The CFFF has been able to maintain its financial leverage with respect to its investments in feature film production. From 1998-99 to 2000-01, each dollar of Telefilm production support led to an additional \$3.16 of other project financing. During 2001-02 to 2003-04, the leverage rate was \$3.11 (see Table A37 in the Statistical Appendix). This means that, while the dollar value of Telefilm commitments and the budgets supported have approximately doubled, the overall rate of financial leverage has largely been maintained.

During the last six years, the composition of the other financial components of feature film financing has shifted substantially. According to Telefilm data for CFFF-backed projects, for example, the distributor's share has declined from a high under the Policy of 17% in 2001-02 to a low of 5.2% in 2003-04 (see Table A 38 in the Statistical Appendix). However, this decrease can be attributed to the movement away from the CFFF supporting minimum guarantees in favour of marketing and promotion. Distributors have not substantially changed the amount they invest in film projects.

Because of the effect of international co-productions in 2004-05, the foreign participation in project financing jumped to 33.4% from a low of 7.5% the year before. Despite such shifts in the composition of financing from year to year, the CFFF component has been able to leverage other financing as a result of the new money injected into the Policy.

In terms of financial leverage, there are differences in the leverage depending on whether the projects were financed through the performance or selective components. Overall, the films that were financed purely from the performance component delivered the most leverage on the dollars invested by the CFFF.

- Films using only the performance component attracted more outside financing than films only using the selective component. Between 2001-02 and 2003-04, Telefilm invested \$29.6 million in films that only received performance-component funding. These films attracted another \$3.09 for every dollar of Telefilm investment (see Table A 40 in the Statistical Appendix). During the same period, Telefilm invested \$74.9 million purely through the selective component. These films leveraged only an average of \$2.19 from other financing sources. Such a result could be expected since films financed through the selective component included experimental projects or were aimed primarily for the domestic market.
- Numerous CFFF films were hybrids in that they obtained Telefilm funding through both the performance and selective components. These films actually fared less well in terms of financing leverage. Telefilm invested \$69.5 million in hybrid films between 2001-02 and 2003-04. These films only attracted an additional \$1.66 from other sources (see Table A 11 in the Statistical Appendix).

3.1.3 Administrative Cost-Efficiency

The Policy is delivered for PCH by several agencies and non-profit organizations. These agencies have the following administrative expense ceilings:

- Telefilm administers incremental CFFF resources within a 5.5% ceiling as indicated in the MOU between PCH and Telefilm.
- Other delivery organizations operate with somewhat arbitrary administrative expense ceilings: 10% for LAC; 10% for the A-V Trust; 14% for the Canada Council; and 20% for CIFVF.

With respect to Telefilm, it is important to recognize that this fee is based on the total dollar value of the funds managed and is not tied to the number of applications received and assessed. For example, during the last CFFF selective deadline, 45 eligible English-language applications were received. Funds available only allowed for the financing of seven projects – for a rejection rate of 85%. In the French-language, 43 applications were received and only four will be financed, for a rejection rate of 90%. Telefilm Canada takes great care to document the rationale behind its decisions and to follow-up one-on-one with all applicants, whether the response is positive or negative. Since the administration expense ratio is calculated only on the total funds managed, it does not take into consideration the high administrative costs of managing both productions that are funded as well as those that are turned down. Therefore, the administrative expense ratio is an imperfect performance indicator.

With respect to the other delivery organizations, the figures are influenced by allocation of overhead that can be somewhat arbitrary. Since there is a mandated ceiling for administrative costs, these organizations manage incremental costs up to that ceiling.

Benchmarking overhead is difficult, given the different challenges facing administrators. The most similar organization, the Canadian Television Fund (managed by the CTF and Telefilm), has operated with an administrative expense ratio of 4.3% to 6.4% over the past several years. However, there are significant administrative differences between Telefilm and the Canadian Television Fund, which lead to higher overall administration costs for Telefilm. In particular, Telefilm undertakes a creative analysis of each file received in development and production. This creative analysis includes preparing a written assessment of the strengths and weaknesses of the script as well as participating in meetings with the production team. The Canadian Television Fund has no hands on involvement in the assessment of feature film files. In addition, Telefilm operates regional offices. For these reasons, Telefilm's 5.5% ceiling appears reasonable in comparison with the administrative expense ratio of the Canadian Television Fund.

Managing a modestly funded program where the individual grants are small (such as the the Film and Video Co-operatives, the non-theatrical projects, and the SAP) is more expensive (in administrative terms) than managing larger budget project investment via the production fund. In the case the production fund, costs also differ by type of production component because the cost of managing the selective component of the CFFF are higher than in the case of the performance component. Thus, the expense ratio is useful primarily as a performance measurement tool on a year over year basis for a given program.

Selected Alternatives to Increase Administrative Efficiency

Whether the programs could be administered at less cost depends in part on how they should be delivered. Telefilm officials for the English-language CFFF program suggested that placing the SAP and low budget IFAP components within the CFFF program would streamline the review process. In the case of the French-language market, Telefilm officials and stakeholders in general did not share this suggestion and wanted to keep the components separate.

The jury system involved in the SAP and CIFVF process can be more expensive than selection by agency (or non-profit organization) staff. Some agencies, like the Canada Council, are more geared to deliver jury or peer-review selection processes. Possibly, handing the SAP to the Canada Council, for example, would make for administrative effectiveness. However, the rationale for placing the SAP program in Telefilm was to achieve more effective linkages to the film development and production process. Putting the SAP into the Canada Council might be more efficient, but could be less effective.

Previous evaluations of the CIFVF have examined whether the program could be more effectively administered by the National Film Board, given that the projects that the CIFVF funds are all non-fiction. Presumably, the funds could be transferred to the NFB, or to a private funding organization supporting non-fiction, as alternatives to the status quo. While CIFVF's overall performance is good, as discussed in Section 2.1.3, integrating its operations with the NFB or a suitable private funding organization could reduce some of the overhead costs. Such a reduction might not be worth risking the performance of the CIFVF, however. For example, there is a fair amount of user loyalty to the "early investor" role of CIFVF as it currently operates.

3.2 Design and Delivery Issues

The evaluation identified a series of design and delivery issues that, if addressed, could improve the overall effectiveness of the Policy.

3.2.1 Refinement of Box Office Targets

The national box office target is a very simple, if somewhat of a blunt instrument for measuring the policy's success. Nevertheless, with one exception among the creative guilds, none of the stakeholders wanted to abandon this form of measurement. However, stakeholders felt that setting different targets for English and French-language films would be an obvious improvement. Separate targets would reflect the different states of maturity of the two industries, and the different levels of competition in each market. The actual target setting should be done carefully, taking into account the competitive environment and the public and private investment that could reasonably be expected.

There are some further considerations to be taken into account. First, box office market share could be counted in terms of share of admissions rather than the dollar share – which might improve the Canadian number since it is assumed that the average ticket price to see a Canadian film is lower than the average ticket price (because the alternative distribution circuits are priced lower and Canadian films seem to attract a higher share in that exhibition venue). There is a practical problem in that reliable box data is only available on a dollar basis, however.

Second, additional revenues (and audience) are generated through home video (DVD and VHS rentals and sell-through) and television. Many stakeholders believe that total revenues should be counted toward the “box office” targets, since Canadian films can be more available from these post-theatrical distribution channels. Their availability is certainly greater with respect to pay-TV, VOD, and other channels showing movie content, because of Canadian content rules and broadcaster condition of license requirements. Whether it is true for home video is uncertain, because box office results generally drive home video sales and rentals. Once again, however, there are measurement problems. It is virtually impossible to track home video rentals, and even DVD sales present a data collection problem. Assessing TV revenues would be easier, but whether a TV audience should be counted the same as a theatre audience or even purchased DVDs is debatable.

Since box office success is generally necessary to achieve reasonable DVD sales, a market share target (whether 5% or another number) is still market share. If DVD sales are added to the numerator, they should also be added to the denominator, which means 5% of DVD sales in the case of the DVD market. Therefore, while expanding the measurement to include other revenue sources would be a more accurate reflection of overall market share, it will not necessarily improve the performance numbers.

3.2.2 Performance and Selective Component Redesign

As discussed in Section 2.3.4, the performance component of the CFFF has encountered many issues since its inception. Examples of these issues include shifts in eligibility criteria in terms of box office achievements, differences between French and English markets, envelope trafficking, and fiscal year end constraints. Accordingly, guidelines for establishing eligibility criteria and allocating funds need to be reviewed.

A number of strategies should be considered. For example, several stakeholders in English Canada proposed a more graduated box office measurement for eligibility – the box office requirement would rise proportionately to the budget of the feature film project to equalize the chances of a lower budget film competing with a substantially larger budget project. Evaluation findings also show that, in French-language market, the level of funding for the performance-based envelope is not sufficient to provide all qualifying producers with enough funding to undertake new projects - thus causing producers to compete for funding in the selective process to complete their financing. Some stakeholders argued for greater funding of fewer producers in the performance component, so that those producers would not need to dip into the selective component as well.

A review by the project team of a sample of selective component decisions for development and production funding illustrated how complex the process is and the number of elements that need to be considered. Producers in English Canada tended to complain about the intrusiveness of Telefilm officials in the script, talent, or other creative elements of the project. They also tended to scoff at what they perceived to be a lack of experience/expertise within the Telefilm staff and to express the view that there was no accountability for green-lighting bad films. However, those in Quebec recognized the expertise of Telefilm as essential to generating quality projects. This finding does not necessarily lead to a conclusion that one set of administrators is more skilful than another. As indicated in earlier findings, there are many factors affecting the success rate of films in the two linguistic markets.

When the question was posed as to why Telefilm decisions on the English side had not delivered box office results, stakeholders had different explanations, including the following:

- There is a lack of vision in the expectations of Telefilm for excellence in projects and applications. Telefilm selects the best of the applications before them, but does not articulate well the kinds of projects that should be submitted.
- It is only in the last couple of years that Telefilm has inserted box office expectations into the evaluation process. It was too long a preserve for the self-styled “auteur” films.
- Many projects were simply not ready, particularly the script but also the packaging. Too many of the projects receiving development funding passed through to the production fund.

Each of these comments opens avenues for discussion on improved Telefilm processes and guidelines.

Whatever the process, stakeholders generally believed that Telefilm had to be the judge in any selective-based process. However, producers tended towards a preference for performance-based funding where Telefilm’s role would be one of compliance monitoring only. This suggests that the issue of improving the selective component in English Canada is related to the need to review the performance component.

3.2.3 Development

Development funding is granted in three stages, with the third stage really pre-production financing which involves producers lining up foreign financing or other packaging arrangements that need to be resolved. This third stage is considered by producer stakeholders as very useful as a bridge to the production stage. However, some producers felt that fewer projects should be advanced past stage two in the development process. In this way, it would be tougher to get approved, which might improve the success rate of the productions supported by production funding.

Similar comments were made by distributor stakeholders. For example, while producers may start with good intentions, they are often forced to make too many compromises along the way. This suggests that extra funding in the development phase would be useful for the producer to “do another round” of developing the elements (script and packaging). This type of feedback re-enforces the notion that a review of the development guidelines would be appropriate.

As Wayne Clarkson, the Executive Director of Telefilm Canada, pointed out in his remarks to the Standing Committee on Canadian Heritage, to improve the quality of Canadian films, the Canadian industry needs to have a higher number of projects that move into the development stage, relative to the number of projects that eventually go on to be produced.

In the battle to develop films that attract the attention of Canadian movie-goers, Canada develops only four productions for every one produced. This is compared to a ratio of eight to one in Europe and, of course, nine to one in Hollywood. With a pool of promising scripts, we believe we can have a healthy and solid foundation for success.

Wayne Clarkson, Executive Director, Telefilm Canada, Meeting of the Standing Committee on Canadian Heritage, June 7, 2005

It should be noted that the re-design to the current three stages of support (scriptwriting, packaging and green-light) only occurred into 2003. Telefilm followed up with the industry in the fall of 2004 regarding the effectiveness of the policy in allowing producers more time and adequate resources to develop a production ready script. Feedback at that time indicated this aspect of the Policy was still too young to determine whether it would have the predicted impact, given that the timeline of a project in development can be three or more years. Generally speaking, however, the industry indicated that the staged development model provided a needed increase in per project development funds and allowed for a longer development cycle. While it may be premature to redesign the staged development policy, the concept of moving to a higher ratio of projects developed to projects produced should be explored further.

3.2.4 Complementary Activities

In English Canada several problems were raised with respect to the complementary activities, including those not under the Policy. With respect to the festivals, although Canadian features are showcased, producers noted that the emphasis is increasingly on the US (especially at Toronto International Film Festival) and other foreign productions. As well, festivals entailed extra costs, and exposure was not necessarily useful for a release date several months in the future. With respect to awards ceremonies, as discussed in Section 2.3.5, there is disappointment especially in English Canada with respect to the value of annual showcasing of Canadian films.

While Telefilm cannot control a festival's programming, its support is contingent on Canadian productions being represented in a festival's line-up in terms of both number of films screened and level of promotion. From a cost-benefit perspective, Telefilm's two million dollar investment in Canadian festivals ensures that the Canadian public has access to a large number of Canadian films and that the industry benefits from a wide range of strategic professional activities. While there were positive comments regarding the contribution of the festivals to the Policy, these complementary activities should be more accountable for how they support the objectives of the Policy.

Some technology issues arise in any discussion of alternative delivery systems. Issues were raised in different ways, including the following.

- There was little mention of digital-cinema as an alternative delivery system for Canadian feature films. However, the NFB, SODEC, and a Montreal-based exhibitor/digital systems company announced the creation of a trial e-Cinema network for the distribution of Canadian documentaries and feature films.
- There was concern expressed in French Canada in particular that the Canadian industry needed to prepare for digital-cinema. They feared that Canadian films could be locked out of theatrical distribution if they were not compliant with the technical standards of Studio-backed digital cinema.
- The larger chains have already installed digital networks for the pre-shows of advertising and other features. While not capable of providing quality equivalent to 35mm projection, exhibitor stakeholders maintain that they could be more effectively used to promote Canadian cinema or specific films.

- As noted earlier, home video via DVDs was considered by some stakeholders as potentially a more effective distribution avenue for Canadian films. If more research concluded that this was the case, marketing expenditure guidelines could be altered to reflect such an orientation.

The prevalence of DVDs and inevitable introduction of digital-cinema delivery systems will have substantial repercussions on the business of feature films. Accordingly, it would be reasonable to consider revisiting the existing marketing program guidelines to encourage distributors to avail themselves of alternative distribution systems that may provide more promise to Canadian films.

At the same time, it is difficult to consider expanding the scope of activities for which distributors could obtain support. Telefilm maintains that to properly market some 30 films per year would require \$1 million each, which would correspond to Telefilm support of \$22.5 million. This is about \$9 million less than the current Telefilm budget for this activity. Thus, any expansion beyond theatrical release would need to take into account the implications of putting further pressure on a funding shortfall.

3.2.5 Other Issues

An issue often mentioned during the stakeholder interviews is the fact that the feature film component of the Canadian Television Fund (some \$15 million) is not integrated within Telefilm. At present, a producer needs to apply in two places for funding to access CFFF component still part of the Canadian Television Fund. One advantage is that the Canadian Television Fund's license fee program (LFP) is effectively a grant (vis-à-vis the Equity Investment Program – EIP – administered by Telefilm), and therefore not subject to the “grind” at the level of federal tax credits. If transferred to the CFFF to eliminate the duplication from the perspective of the applicants, there is a possibility that it would be considered equity investment and thereby subject to the tax credit “grind”. The tax credit constraint does not seem to concern English-language producers, however, according to the stakeholder interviews.

Another issue that was raised through document review and key informant interviews was the shortcomings of the MOU mechanism to govern the CFFF. Once signed, PCH does not have much leverage to provide policy direction to Telefilm. While Telefilm has the flexibility of an independent agency on how to administer programs assigned to it, the agency is still charged to manage public funds - under the policy purview of the federal government.

The feature film sector, like other cultural areas, needs constant refinement in guidelines and mechanisms. Sometimes these changes are simply fine-tuning and sometimes they require substantial revisions (e.g. changes in the thresholds for the English-language performance component). More flexible instruments could possibly be considered in the area of policy governance with Telefilm, in order for PCH to provide more effective policy direction. For example, the MOU could spell out the policy areas (e.g. significant changes to the guidelines) that would require Telefilm to seek concurrence with PCH prior to coming into force.

3.3 Delivery Responsibility Alternatives

Three alternatives are examined to assess the possible transfer of delivery:

- delegating the responsibility to the provinces;
- establishing some form of public-private partnership mode; and
- placing more direct delivery of the program in the hands of PCH as opposed to the agencies.

3.3.1 Delegation to the Provinces

Most stakeholders, particular producers, do not see moving the main funding programs to the provinces as feasible. Stakeholders believed that the feature film policy would lose its national focus. Some even expressed the fear that provinces would re-allocate the extra financial resources for other issues like healthcare. Even provincial film agency stakeholders believed that critical mass was important, rather than to scatter the funds to the provinces.

Where the provincial role was raised, the issue was more related to provincial complementarity or program alignment. This issue was mentioned most specifically in Quebec, where the SODEC plays a much larger role than comparable agencies in other provinces. Historically, there has been good cooperation and complementarity between SODEC and Telefilm, including an effort to streamline the administrative burden on applicants by adopting some of the same qualification parameters. While there seems to be issues with respect to the meshing of the Policy and SODEC, there is very much alignment on the support of the feature film industry. In general, respondents agreed that it was prudent to have two government levels and funding agencies involved in the development and success of the industry.

With the exception of the North, there is a high level of satisfaction with Telefilm's regional offices. This situation was cited by stakeholders as another reason to not shift the main programs to the provinces.

3.3.2 Public-private Partnership Model

Given the prominent existence of the public-private model for TV production (namely the Canadian Television Fund), a similar concept could be considered. However, there is no equivalent proxy for the market as there is with respect to the Canadian Television Fund (i.e. the broadcasters), or a source of private funding (i.e. the broadcasting distribution undertakings – cable and satellite). Some form of tax or levy on box office revenues and home video rental and sales would need to be instituted by the provinces. History and provincial focus on economic benefits indicate that such a measure is unlikely to be considered by the provinces.

Although a public-private partnership model does not appear to be a feasible option, stakeholders discussed the history of the feature film advisory group. If a private sector advisory group that represented the interests of the “marketplace” were made to be effective, it might deliver some of the benefits of a public-private partnership model. Many stakeholders, including producers, creators, and public officials, considered the advisory

group as not having been effective. If re-activated in an improved form, it might provide a more organized market feedback loop to the management of the CFFF program. In Quebec, the public-private partnership (PPP) model was viewed with particular suspicion due to an ongoing debate in the provincial political area on 'PPP's at the local level of government.

3.3.3 Program Delivery Directly by PCH

Five different organizations deliver the Policy. While four of them are specialized organizations delivering relatively small components of the Policy, PCH has delegated the delivery of the largest share of the Policy to Telefilm Canada. This was a natural extension of Telefilm's role in the delivery of the feature film and distributor funds, and complemented Telefilm's television production delivery responsibilities. Nevertheless, the option remains for PCH to deliver these aspects of the Policy directly.

PCH has the mandate to deliver cultural programs, which it does in several areas including museums, books, and now music (note the recent decision to bring the Music Entrepreneur Program (MEP) into the department). The rationale for providing support to commercial organizations directly from the department arises primarily from the nature of that support. If the financial support is provided according to some objective formula – such as last years' sales figures (as in the BPDIP program for books) – then program delivery is more of an administrative responsibility. In fact, CAVCO administers the film and video tax credit programs for PCH. If funding was to be awarded to filmmakers and producers strictly based on objective criteria, it might be possible to make a case for moving the delivery of Policy programs to PCH.

As discussed in Section 2.2.1, the performance component has encountered many issues as a means of allocating public funding for feature films. Also as reported, stakeholders foresee the continuation of the selective component as very much part of the CFFF program, even if the problems in the performance component are resolved. In this case, the federal government needs an agency that is solidly rooted in the film world, from a business and artistic perspective. A formula approach would not do justice to the qualitative assessment required for Canadian creative elements, including Canadian stories, characters, settings and themes.

4. Rationale and Relevance

The rationale and relevance of programs or policies in the federal government have to be assessed as to whether they constitute an effective response to an actual need and to correspond to department and/or government-wide priorities. The evaluation considers the rationale and relevance of the Policy by examining:

- the continuing need for the Policy; and
- alignment with federal priorities and PCH strategic objectives.

4.1 Continuing Need

The need to be addressed by the Policy was identified explicitly in the 2000 *From Script to Screen* document. “*Having built an industry, it is now time to build audiences.*”²¹ The document explains “*while increasing numbers of Canadians are watching more movies on more screens, Canadian films are earning a meagre share of the domestic market — only \$13.8 million or 2.1 percent in 1999. This is the lowest at-home performance of any comparable country and a clear call for a fresh and decisive public policy approach.*”²²

While the rationale for supporting the production of feature film for cultural reasons remain the same, the 2000 Policy was a distinct departure from prior policies in terms of objectives. The policy recognized that the film industry has to prove its relevance in terms of box-office or audience success, not just in the production of films. It was recognized that the box office was needed to validate whether the Policy was successful in delivering quality Canadian films that resonated with Canadians enough for them to attend showings. The doubling of resources allocated to the Policy was predicated on achieving tangible evidence to that extent through progress towards the box office target of 5%.

Evaluation findings have showed that after four years of operation Canadian films have climbed to a 4.6% box office share of the domestic box-office for all of 2004 – and 4.9% as of July, 2005. Since the industry is on track to meet the box office target, it is timely to ask whether building audiences is the appropriate objective, or whether the focus should be changed. Implicit to this question is the continued relevance of the approach embodied in the 2000 Policy.

4.1.1 Building Audiences

The near achievement of the 5% box office target on a national level has broadly validated the Policy and the extra resources allocated to Canadian feature films. Of course, this success has occurred more in French Canada than in English Canada, but the target was specified in national terms, not segmented by language group.

²¹ *From Script to Screen...* p. 5

²² *ibid.* p. 4

Appropriateness of Targets

Box office targets are used for measuring progress toward a more competitive feature film industry as well as for allocating performance-based funding. With respect to the former, various problems have been identified with the use of a single target like box office market share. Chief among these problems is the lumping together of French and English markets. Another problem is that some box office hits, especially in English Canada, owe their creative direction to foreign producers and creators – and so possibly inflate the success of Canadian cinema.

Nevertheless, if building audiences remains an objective, it would be impossible to abandon the measure of audience appeal altogether as a target for the Policy. Although not perfect, no better alternative has been uncovered by the evaluation. It is very difficult to develop some form of “quality” criteria that could substitute for audience appeal and maintain the relevance of the Policy. There may be public support for downplaying market success on the grounds that feature films are an art form. For example, some form of peer review assessment could be established to allocate subsidies, thereby sustaining a “national cinema”. Without some marketplace performance measurement, however, it would be difficult to justify that Canadian filmmakers should continue to receive double their historical level of federal support for feature films accorded in 2000. The box office target, or some refinement of it, is still very relevant to the Policy.

Given the need for a box office target, the question becomes what should constitute an appropriate level of box-office. Evaluation findings do not suggest a clear direction as to specific target, and the level of public funding would be a major factor in the ability of the industry to achieve targets. For example, there is still room to grow the French-language box office results if more funding were available to finance more feature films. Achievable targets would be very much a function of extra funding.

Setting a target for English Canada requires a more cautious approach. More money would not guarantee success or by itself justify a higher target, and more refinement of Policy components is required as discussed earlier. Clearly, however, there is room to grow in English Canada, as even reaching 4% or 5% of theatrical box office revenues would be more than doubling the current track record. That audience level (or its equivalent in a more refined accounting of audience success) would represent a real achievement in the context of English-language production.

With respect to the other targets, namely average budgets and average marketing expenditures, they are of a lesser order. Both measures have increased as a consequence of the Policy, but as shown earlier, there is little correlation between box office and either production budget or marketing budget.

Average production budgets have increased as the result of the Policy and as well as a result of treaty co-production. In the English-language market, certain kinds of projects need larger budgets of \$8 to \$10 million plus to be within striking distance of competing with foreign productions (not the \$50 to \$100 million plus blockbusters, however). Some producers maintained that budgets for some projects should be sufficient to engage international talent, while other projects should be super low budget – similar to the low budget program productions. Spending \$2 to \$4 million, for example, was too expensive for experimentation and too little to have a realistic box office potential. Thus, the average budget as a Policy target is less meaningful except as a directional signal that to achieve box office success would likely require more of the larger budget projects.

The same general observation could be made about average marketing budgets. It is important that average market budgets have increased, reflecting a wide release and substantial promotion for a few films in which distributors are prepared to invest. However, a target for an average marketing budget is not very meaningful if all the other elements are not in place for making a successful project. Those elements of success – known star talent, a mature production industry, plus broadcaster, distributor and exhibitor support – are in place in the French market. In the case of the French market, these partners all work together to promote a film's theatrical release. While this synergy has not been well established in the English Canadian market, part of the solution does lie in well financed marketing campaigns to continue to build audience awareness for Canadian feature films.

4.1.2 Validity of the Script to Screen Concept

The evidence indicates that the comprehensive “Script to Screen” approach is on the right track. The lessons learned from the short experience in French Canada underscore the need for an integrated approach. Though there remain program component design issues, the various components of the approach seem to have been successful as an integrated package in concert with the activities of other stakeholders, e.g. provincial support programs, Radio-Canada and private broadcasters, and print and radio media. Without specific performance targets for some components, however, such as the professional development and preservation, it is difficult for the evaluation to draw detailed conclusions regarding their success or to demonstrate the extent of their contribution to the overall success of the Policy. Nevertheless, the chief concern for the French-language market is the maintenance of a critical mass of feature films that needs to be sustained to continue and grow the success the sector has enjoyed.

In English Canada, some of the components have performed better than others. The evidence indicates that there are many issues relating to the SAP support for scriptwriting. Also there are fewer issues, but still some concerns with the low budget feature film and development components of the Policy. In addition, there are concerns about the workings of the performance-based envelopes, the criteria by which production green-lighting decisions are made, and the spotty performance of the marketing/promotion support program. These issues are intertwined as breakdowns in one area and are partly the result of problems in another. For example, distribution breakdown are also a function of the quality of productions in terms of audience appeal.

At the same time, there has been some progress in box office results in English Canada, and there has been a demonstration of the effectiveness of wide release and substantial publicity for Canadian films. Canadian films can be found among the top in their genre in competition with foreign non-Studio productions. Industry stakeholders also perceive some improvement in the technical quality and diversity of English-language feature films.

The overall market apathy toward Canadian feature films should also be considered as a significant handicap to the realization of box office objectives. As with the case of drama programming on television, some would argue that the association of Canadian productions with audience appeal is not a strong one. Once this was the case with drama programming on television and feature films in French Canada, but obviously is no longer. As indicated earlier, for English Canada it will take more years of nurturing and development to gain additional, positive enthusiasm for Canadian films.

4.2 Alignment with Federal Priorities and PCH Strategic Objectives

The current government's Speech from the Throne (introduced to Parliament on October 5, 2004) laid out its goals and directions for this session of Parliament. In the speech, the government's only reference to culture was the following.

What makes our communities vibrant and creative is the quality of their cultural life. The Government will foster cultural institutions and policies that aspire to excellence, reflect a diverse and multicultural society, respond to the new challenges of globalization and the digital economy, and promote diversity of views and cultural expression at home and abroad.

Speech from the Throne, October 5, 2004

In the federal government's 2005 budget, the federal government did not announce any changes to its financial investments in the film production industry. The federal government did announce an increase of \$60 million in funding for the CBC in 2005-06, and a five year extension to the Tomorrow Starts Today program. Tomorrow Starts Today provides funding to programs that support the arts, publishing, sound recording, and the export of cultural goods. Finally, the government announced that it will increase funding for the Canada New Media Fund by \$5 million to help support innovative projects. While none of these programs were directly related to feature films, it does indicate a strong commitment to Canada's cultural heritage.

In a speech by the Minister of Canadian Heritage to the CFTPA in February, 2005, Minister Frulla referred to the department's evaluation of the 2000 Feature Film Policy as well as the Standing Committee's public consultations on the role of the Government of Canada in the Canadian feature film industry. She reminded the audience that the federal government had been the first to announce an increase in tax credits for films produced in Canada – followed recently by Ontario, Quebec, Nova Scotia, and British Columbia. She ended the address with the following commitment of the continuing role of the federal government in the film industry.

"But the (film) industry is vulnerable. And it is the duty of Government to create a supportive environment for it and to ensure sustainability, so it can use its potential to reach Canadian and foreign audiences with quality products, including drama programs and feature films.

It is time to ensure that our policies and our institutions keep pace with new technology and new trends. Or rather, that we anticipate them.

I invite you to work with me to strengthen the foundations of our country's audio-visual sector. Together, let us ensure that Canadian films and programs are featured widely on both the large and the small screen. Across the country and around the world. Together, let's make sure that the film and television industry can make a strong contribution to the strength, visibility and longevity of Canadian culture.

Because it's good for business.
Because it strengthens our identity, sovereignty and influence.
Because it makes us feel good.
Because it's the expression of our passion, our creativity, our expertise and our excellence. "

Thus, the current government has proven generally supportive of cultural development, although there has been no explicit commitment to Feature Film Policy. Since the “Script to Screen” policy is under review, however, there has been no occasion to restate the government’s commitment at this time. The government will be required to do so in response to the Standing Committee in the near future.

With respect to the first of PCH’s strategic outcomes, feature film is one of the best mediums for Canadians to “*express and share their diverse cultural experiences with each other and the world.*” The more successful they are in audience terms, the more they would re-enforce their contribution to this objective.

5. Conclusions and Recommendations

This Section presents conclusions and recommendations based on the evaluation findings.

5.1 Conclusions

This Section presents the conclusions of the evaluation in the areas of success, cost-effectiveness and relevance.

5.1.1 Success

Success was evaluated by assessing the extent to which of the Policy has met its objectives, without unwanted outcomes. The evaluation findings were grouped according to the four objectives and lead to the following conclusions.

Develop and Retain Talented Creators

The first objective of the policy is *to develop and retain talented creators by investing in screenwriting and professional development for filmmakers.*

No specific performance targets were identified for this objective in the Policy. However, it is expected that Policy success would mean that Canadian producers have access to a greater "bank" of Canadian scripts and that more opportunities to work in Canada are generated for Canadian creators. In the absence of clear performance targets, it is not possible to reach definitive conclusions regarding the extent to which the Policy has met this objective. However, evaluation findings provide a number of indications of the Policy's contribution in the area.

The SAP has generated a total of 366 scripts, 117 in French Canada and 249 in English Canada. It has assisted emerging as well as experienced writers. It seems, therefore, to have been successful in providing opportunities to Canadian scriptwriters. In English Canada, however, there is evidence to suggest that producers have generally not used the scripts. The take-up rate for SAP supported projects was substantially higher for French-language films than English-language ones – 30% vs. 18% optioned, and 11% vs. 3% developed. In French Canada, the SAP is also seen to promote new talent and lateral mobility within the cultural industries in French Canada.

Considering the relatively short period of time since the SAP has been implemented, compared to the usual production cycle of a feature film, it is still too early to reach definitive conclusions regarding the success of this program. Based on the experience in the French-language component, the SAP could be an effective mechanism to develop a

“pool” of Canadian scriptwriters. At the same time, however, it seems that the English component needs to be much better integrated with development and production.

The professional development component of the Policy has provided incremental opportunities for emerging filmmakers to acquire experience or training.

- Between 2000-01 and 2003-04, IFAP has provided financial support to 40 low-budget feature film projects led by Canadian directors.
- From 2000 to 2004, CIFVF has supported 437 Canadians to develop their film, video and new media talent, of which 301 were emerging creators – 149 emerging producers, 75 emerging directors, and 77 emerging writers.
- With funding from CFFF, the CCA has supported over 50 co-ops across Canada to date. These co-operatives have provided training and various forms of support to filmmakers.

Overall, data on the level of Canadian content (the ten-point CAVCO scale) show that there has been a shift towards higher levels of Canadian creative content and higher production budgets. This suggests that more opportunities to work in Canada have been provided to Canadian creators as a result of the Policy. It was not possible, however, to precisely measure those opportunities or to determine what would constitute a success.

Foster the Quality and Diversity of Canadian Feature Films

The second objective of the Policy is *to foster the quality and diversity of Canadian film, by restructuring support programs to reward ongoing performance and by encouraging an increase in average production budgets to at least \$5 million.*²³

The Policy provided no explicit definition or criteria to measure quality and diversity of Canadian film although “quality” is implicitly linked to production value and audience appeal.

The Policy envisaged that the performance envelope approach would encourage producers to achieve box office success by rewarding box office success with funding for future projects.

- For producers of French-language feature films, the performance envelope worked in that some six producers consistently benefit (i.e. reward for success leading to more success). At the same time, however, many producers qualified for the performance envelope, and the small size of the envelope meant that producers with performance envelopes typically had to return to Telefilm to obtain funding under the selective component to complete their production financing. This continued the role of Telefilm in ‘green-lighting’ projects, which undermined the major advantage of the performance envelope approach to funding. This also means that the selective component was not achieving its expected outcome, because it was being approached by successful producers to complete the funding for their projects.
- For producers of English-language films, the ongoing limited success of English-language features resulted in few performance envelopes and a small overall amount of performance funding despite a restructuring of the component in

²³ *From Script to Screen...* p. 5

2003/04. Box office successes were not high enough to generate sufficient 'rewards' through the performance envelope. As in the case of the French-language features, the producers who did obtain performance funding typically had to apply also to the selective component to complete their project financing.

The CFF Policy included the target of increasing average production budgets to at least \$5 million. Across both linguistic markets, the average budget increased from \$2.4 million in 2000/01 (before the CFF Policy) to \$6.1 million in 2003/04. At the same time, however, a review of the median production budget of CFFF films indicated that the average budget was being raised by a small group of very large budget films. Across the board in both linguistic groups, the median budget was \$2.9 million in 2001/02, \$3.1 million in 2002/03, and \$3.7 million in 2003/04.

The theory is that larger production budgets should increase the probability of gaining a strong box office performance. A comparison of production budgets and Canadian box office for CFFF films indicated very little correlation between production budgets and box office earnings, however. At the same time, the evaluation found that most of the French-language films with box office performance of greater than \$2 million had budgets of higher than \$5 million.

The evaluation also examined quality and diversity by looking at a set of indicators.

- **Sub-Genre of Feature Films:** The increased funding made available by the Policy has led to increased opportunities for Canadian filmmakers to produce in genres other than drama. Between 2001/02 and 2002/03, approximately half of CFFF films were in the drama sub-genre. At the same time, feature films in eight other sub-genres received support from the CFFF, including comedy, romantic comedy, romance, crime/mystery, action/adventure, fantasy, and horror sub-genres.
- **Range of budget sizes:** The low budget assistance program has made an incremental contribution to the production of low budget feature films. At the same time, the increased resources in the CFFF and the target of increasing average budgets have increased activity for Canadian producers with larger budgets.
- **Regional diversity:** Over the last three years, Quebec has produced about 50% of the total number of CFFF-supported productions (all the French films and some of the English films.) This concentration in Quebec constitutes a critical mass of production that is a key factor in the relative success of Quebec-based producers (in English as well as in French). Achieving similar success for feature film productions outside of Quebec poses challenges to the creation of an infrastructure that can support quality production in other parts of Canada. Ontario has produced 21% of the total number of films, and BC has produced 9%. The rest of the productions are scattered across Manitoba, Saskatchewan, Alberta, Nova Scotia, and Nunavut. These latter productions were typically in the form of inter-provincial co-productions, and most of those with Ontario-based producers.
- **Linguistic diversity:** More than one-third of feature film productions are in the French-language. Telefilm commitments to CFFF-supported French-language productions accounted for approximately 39% of total commitments.

Build Larger Audiences at Home and Abroad for Canadian Feature Films

The third objective of the Policy is *to build larger audiences at home and abroad through more effective support for marketing and promoting Canadian films.*

The Policy's target was to capture 5% of the domestic box office within five years and to increase audiences for Canadian feature films abroad. Based on the assumption that more effective support for marketing Canadian film will lead to larger audiences, a related specific performance target was defined to promote an increase in average marketing budgets to at least \$500,000.

Evaluation findings show that Canadian feature films have more than doubled their share of domestic box-office (from 2.0% in 2001 to 4.6% in 2004), which is very close to the intended target. There is, however, a significant difference between the English and French markets.

- While the market share of French-language products in French-language markets reached the 10% level in the latter part of the 1990s, it has shown substantial year-over-year increases since the Policy was implemented. For 2004, their box office share was 21.2%.
- The English market share increased from a low point in 2001 to reach and somewhat surpass the level of production that was achieved in 2000. For 2004 its box office share was 1.6%. The box office gains made by English-language Canadian films in 2004 were in a large part attributable to the performance of international co-productions, however the majority of English-language Canadian films' box office performance was due to domestic productions in the previous two years.

The \$500,000 target has not been met for CFFF supported movies. In 2003-04, the average marketing budget of feature films supported by the CFFF reached \$385,000. At the time of the evaluation, information on non-CFFF supported films marketing budgets was not available. It is possible that this additional information could increase the average.

The logic of the Policy is to involve distributors earlier and more substantially in movie projects and to ensure that they have a stake in the success of feature film projects through performance-based funding. In French Canada, the evidence indicates that distributor involvement has been successful, as distributors work well with producers, creators, exhibitors, and broadcasters to promote and market French-language productions. The perception in French Canada is that these films were well marketed. In English Canada, however, access to popular foreign titles drives the business for distributors. With the exception of a few Canadian films, the English-language market has not seen the level of sustained commitment that exists in French Canada to reach audiences.

The various activities of the Complementary Activities Program support the marketing of Canadian films, but with differing results.

- The national English-language televised awards show (the Genies) is not very effective and does not draw well.
- The festivals generate broad interest in films, typically for specialized, independent, and Canadian films. While festival audiences are growing steadily,

the festivals have multiple agendas and support for Canadian films is only one part of their agenda.

- Alternative distribution channels help educate audiences to Canadian films in communities outside the major centres, and make a modest but important contribution to overall box office results for Canadian films.

Preserve and Disseminate Our Collection of Canadian Feature Films For Audiences Today and Tomorrow

The fourth objective of the Policy was *to preserve and disseminate our collection of Canadian films for audiences today and tomorrow.*

In the absence of a clear indication of clear targets regarding “comprehensiveness of the collection” and “increased awareness”, it is not possible to reach well-established conclusions regarding the success of this component of the Policy. Therefore the evaluation could only present indications that the programs are contributing to the objective.

Funding provided by PCH helped LAC to acquire over 250 titles and preserve over 235 legacy feature films. Many notable titles, ranging from silent movies produced early in the 20th Century to more contemporary features, have been restored. In addition, various activities by LAC have contributed to making LAC’s current holdings more accessible to Canadian and international audiences.

The Policy also provides a contribution to the A-V Trust to enrich Canadians’ awareness of their feature film heritage. Until a few years ago, Canada lacked any coherent way to coordinate activities to showcase the national film heritage. With limited resources the A-V Trust and its partners have made a start at educating Canadians about this heritage.

5.1.2 Cost-effectiveness

Although no precise criteria or targets have been defined, there are a number of indications that the Policy has been delivered in a cost-effective and cost-efficient manner.

- With double the resources to the CFFF the industry tripled the box office for Canadian films. This means that, for every dollar invested through the CFFF, \$0.66 was earned at the Canadian box office as of the spring 2005, up 32% from before the CFFF.
- Annual revenues returned to the CFFF totalled \$12 million in 2004, an amount that could cover the entire costs of administration within the CFFF. These revenues, when reinvested into CFFF supported productions leverage additional production funds in excess of \$23 million.
- While the dollar value of CFFF support for Canadian feature films and the budgets supported have approximately doubled with the implementation of the Policy in 2001, the overall rate of financial leverage has been maintained at a level of about \$3.11 for each dollar invested by Telefilm.
- Telefilm administers incremental CFFF resources within a 5.5% ceiling as per the MOU between PCH and Telefilm. Other delivery organizations operate with

somewhat arbitrary administrative expense ceilings that range from 20% for the CIFVF to 10% for LAC and the A-V Trust.

Although it is possible to conclude that, overall, the Policy is being administered in a cost-effective manner, evaluation findings identified a number of design and delivery issues that, if addressed, could improve the overall effectiveness of the policy including:

- The national overall box office target is a blunt instrument for measuring the policy's success. Stakeholders felt that setting different targets for English and French-language films would make sense. Separate targets or strategies would reflect the different states of maturity of the two industries, and the different levels of competition in each market.
- The performance component of the CFFF has encountered many issues since its inception. These issues include shifts in eligibility criteria in terms of box office achievements; differences between French and English markets, and fiscal year end constraints. Accordingly, guidelines for establishing eligibility criteria and allocating funds need to be reviewed. Evaluation findings also show that in French-language market, the level of funding for the performance-based envelope seems to be insufficient, forcing producers to qualify also for the selective component to complete the financing of their project.
- To improve the quality of Canadian films, the Canadian industry needs more projects developed per project that is green-lighted for production. Development funding is granted by Telefilm in three stages. Some producers felt that fewer projects should be advanced past stage two in the development process. In this way, it would be tougher to get approved, which might increase the hit rate of the productions supported by production funding. Similar comments were made by distributor stakeholders.
- The feature film component of the CTF (some \$15 million) is not integrated within Telefilm requiring a producer to apply in two places for funding to access CFFF component still part of the CTF.
- The MOU mechanism to govern the CFFF is not as effective as it could be. Once signed, PCH does not have much leverage to provide policy direction to Telefilm. Although there are good reasons to maintain an arms-length relationship between PCH and Telefilm, more flexible instruments could possibly be considered in the policy governance regarding Telefilm. For example, the MOU could spell out the policy areas that would require Telefilm to seek concurrence with the department prior to coming into force.

Finally, the evaluation considered possible alternative delivery methods: delegating the main funding programs to the provinces; the implementation of a public-private partnership similar to the Canadian Television Fund; and the direct delivery of the Program by PCH. After an assessment of the potential strengths and weaknesses of each alternative, the status quo emerges as the preferable situation.

5.1.3 Rationale and relevance

The 2000 Policy was a distinct departure from prior policies in terms of objectives as it recognizes that the film industry has to prove its relevance in terms of box-office or audience success, not just in the production of films. The near achievement of the 5% box

office target on a national level has broadly validated the Policy and the extra resources pumped into feature films.

The comprehensive “Script to Screen” approach appeared to have delivered the expected results. The results achieved in the French-language market are a clear demonstration of the relevance and value of an integrated approach. The proof has been made that the restructuring of support programs towards an approach “rewarding success” can be effective. It remains to be seen if progress can still be made in the French market²⁴ and if the model can be effective in the English-language market.

Although not a perfect way to define the general goal of the Policy, it would be impossible to abandon the measure of audience appeal altogether as a target for the Policy. Evaluation findings showed that there is little correlation between box office and either production budget or marketing budget. However, an increase in the average budget has proven to be a condition for success in the French-language market. The same general observation could be made about average marketing budgets.

5.2 Recommendations and Management Response

Considering:

- The continuing need for government support for production and distribution of quality Canadian feature films, and
- The success and relevance of the integrated script-to-screen approach demonstrated especially in the French-language market:

1) It is recommended that the Department of Canadian Heritage:

- a) Acknowledge the continuing relevance of the Canadian feature film policy orientation towards building audiences for Canadian movies and rewarding success.

Management Response: The Department acknowledges the continued relevance of the Policy orientation towards building audiences for Canadian movies and rewarding success. While the Policy’s targets have generally been met, much work remains to be done. Canadians want high-quality films in which recognizably Canadian talent share stories that speak to them, wherever they live.

- b) Continue to define the expected outcome and impact of the Policy in terms of domestic box-office sales of Canadian productions and performance targets in terms of production and marketing budgets.

Management response: The Department will continue to define the expected outcome and impact of the Policy in terms of these established indicators. From a practical standpoint, box-office revenue share is the most reliable, measurable indicator of audience reach available today. Similarly, production and marketing budgets are effective means to establish that the conditions for quality and the

²⁴ At the moment of writing this report (July 2005), box office successes of French-language Canadian movies (e.g. C.R.A.Z.Y., Aurore) seem to be stronger than ever.

capacity to reach an audience are being optimized. The Department recognizes that these indicators are not the sole barometers for gauging achievements and will review how the Policy's existing indicators of success could be enhanced. This analysis will be complete by Fall 2006.

c) Refine the Performance monitoring framework for the Policy by

- i) Establishing specific performance targets so that impact can be monitored.

Management response: The Department appreciates the importance of establishing benchmarks for the measurement and future assessment of the Policy's objectives, where none are currently in place. To this end, the Department will establish performance targets, as appropriate, for the various components of the Policy by Fall 2006.

- ii) Providing clear definitions of Policy operating concepts such as "quality" and "diversity" of feature films.

Management response: The Department will clarify these operating concepts to the extent possible and will endeavour to establish criteria for their assessment by Fall 2006.

- iii) Exploring whether data sources can be developed for other market performance indicators (e.g. DVD sales/rentals).

Management response: The Department recognizes the increasing fragmentation of the feature film marketplace and evolving consumer behaviour patterns. In this context, it is important to develop performance measures that will accurately reflect the penetration of Canadian films on a broader audience scale. The Department will work towards establishing an effective means of tracking this performance data within emerging marketplaces, including the DVD sales/rental market. The analysis of the feasibility of this performance measure will be completed by Fall 2006.

- iv) Developing a strategy to measure audiences for Canadian films abroad.

Management response: The Department undertakes to develop a more effective measurement strategy, in cooperation with appropriate partners. This strategy will be developed by Fall 2006.

d) Consider expanding the scope of the Policy in view of the audience potential presented by the long-form documentary and large format films.

Management Response: The Policy was established to support feature films intended for theatrical release, with a view to reaching audiences both in Canada and abroad. Canadian long-form documentaries and large format films reach audiences in theatres. As a consequence, they contribute to the pursuit of the objectives of the Policy. Further, in recognition of a long-standing tradition of Canadian excellence, innovation and achievement in these areas, the Department will consider expanding the scope of the Policy to provide support for these categories of theatrical film. The Department will examine this by Spring 2006.

- e) Build on the success of the Policy by refining and enhancing the development strategy.

Management response: Development cannot guarantee a production's success, and yet, without adequate development, success is unlikely. The Department recognizes that the development process is fundamental. Working within the constraints imposed by available resources, and in collaboration with Telefilm Canada, the Department will seek ways to enhance support for development. The Department will examine this by Spring 2006.

Considering:

- The different results achieved within both French and English market and the different context in which they operate, and
- The need for improved performance of English Canadian movies in the domestic market:

2) It is recommended that the Department of Canadian Heritage

- a) Explore, in consultation with Telefilm and industry stakeholders, the possibility of implementing specific strategies within the general framework of the Policy to take into account differences between French and English market.

Management response: The English and French markets are presented with distinct challenges in terms of development, marketing and distribution. The Department will consult with Telefilm and industry stakeholders on how best to address the issues specific to the respective markets. The Department will consult with Telefilm and industry stakeholders on how best to address the issues specific to the respective markets by Fall 2006.

- b) Engage all stakeholders (e.g. broadcasters, exhibitors) with an interest in the success of the feature film sector in English Canada to participate in its development.

Management response: The Department agrees that more collaboration on the part of all interested stakeholders could greatly improve the capacity of Canadian feature films to reach audiences. The successes currently enjoyed by the French market are testament to the effectiveness of a multi-faceted approach to the promotion of films. The Department will engage by Fall 2006 a broad range of industry stakeholders, to examine how they may bring added value to Policy objectives.

Considering the administration and delivery of the Policy was found to be cost-effective overall, but specific issues were identified that could improve the delivery and cost-effectiveness of the Policy:

3) It is recommended that the Department of Canadian Heritage:

- a) Seek to transfer the feature film funding from the CTF to the CFF administered by Telefilm.

Management response: The Department is in agreement with this recommendation and will propose that the CTF's feature film support be transferred to the Feature Film Fund. This issue will be considered as part of a proposal dealing with CTF long-term funding and governance framework in 2005-2006.

- b) Evaluate the appropriateness and relevance of its MOU with Telefilm

Management response: The Department agrees to evaluate the appropriateness and relevance of its MOU with Telefilm Canada by Fall 2006.

- c) Consult with Telefilm to:

- i) Ensure that the respective roles of the two funding streams (performance and selective) are clear.

Management response: The Department acknowledges the evaluation findings with respect to the use of performance and selective envelopes under the Canada Feature Film Fund (CFFF). The Department maintains that the two funding streams must be preserved, but recognizes that the purpose and intent of the two envelopes needs to be clarified as well as reflected in the administration of the CFFF. Telefilm Canada, as administrator of the CFFF, will be consulted to determine how best to accomplish this objective by Fall 2006.

- ii) Review the guidelines and criteria for the performance envelopes taking into account the different situations between the two markets.

Management response: The Department will discuss with Telefilm Canada possible administrative measures to ensure that the guidelines adequately respond to the different situations found in the English and French markets by Fall 2006.