

LOOKING GOOD

INDEPENDENT TV PRODUCERS

MOVING AHEAD

by Bruce Malloch

When the 100 percent Capital Cost Allowance was introduced as an incentive toward establishing a viable Canadian production industry, everyone assumed its greatest beneficiary would be the feature film industry; almost as an afterthought, the write-off was applied to television and non-theatrical production. Yet the feature film industry on a whole has not lived up to expectations, struggling with a one-step-forward-two-steps-backward approach to creating both an indigenous, recognizably Canadian product and to returning money to its investors, while the independent production community has used the CCA to produce some exciting, quality films that are selling abroad. One of 1981's most successful productions was not a feature film, but a half-hour children's drama produced by Atlantis Films' youthful triumvirate of Michael MacMillan, Seaton McLean, and Janice Platt, *The Olden Days Coat*, which won the Bijou Award as best Canadian independent production and sold to virtually every available market.

Perhaps it's time some people in the industry stopped considering films produced for television as somehow second-class citizens to films produced for theatrical release. While industry sources estimate that one in 25 features has returned money to its investors in the past two years, nearly all the independently produced television and non-theatrical films have generated returns.

While features disguising Canada as California, New York, or Boston have failed at the box office, a Canadian produced children's series, *The Kids of Degrassi Street*, which makes no excuse its kids are from Toronto, received a distribution guarantee from an American non-theatrical distributor simply because it was good. In terms of steady, ongoing production, the companies outside the «mainstream» of feature film – the makers of television films, documentaries, shorts, children's, educational, and industrial films – are this country's film industry. Janice Platt speaks for many small independents when she says, "Feature film is not the pot of gold at the end of the rainbow, the be-all and end-all of filmmaking."

Broadcast structures around the world are generally not made to accommodate independents, and most Canadian independents quickly learn their own country is no different. The Canadian Broadcasting Corporation, which buys less than 5 percent of its programming from independents, is virtually the only domestic television market at the moment (Canadian pay-TV will be licensed later this year). Non-theatrical producers must compete with government-funded film groups like the National Film Board and the Ontario Educational Communications Authority, whose total budgets exceed any amount an independent can reasonably hope to

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raise. This forces the independents to sell to foreign markets, which means they must compete with international production standards. The successful independents survive by recognizing how their product must be adapted to the needs of the marketplace, in either television, non-theatrical film, or a combination of both.

Whatever their market, one fact of life all independents realize is they have to be export-oriented to survive. "For the Canadian independent, it's life and death to sell abroad. The independents will never get 100 percent of their costs from licensing to the domestic markets," says Bill Macadam, president of Norfolk Communications, one of Canada's largest independent television production houses. In 1979, Norfolk burst upon the Canadian television scene with *Connec-*

the television production industry.

Another high profile television house is Primedia Productions, owned and operated by Pat Ferns and Richard Nielsen. They formed Primedia in 1981 after their corporate backer, Torstar, pulled out of their previous company, Nielsen-Ferns International. Primedia's record shows a commitment to innovative, quality Canadian programming: *The Wars*, which technically remains a Nielsen-Ferns property, is an adaptation of Timothy Findlay's acclaimed novel featuring an all-Canadian cast; the company has an exclusive contract to adapt National Ballet of Canada productions to the screen; in pre-production for 1982 are *Billy Bishop Goes To War*, starring Eric Peterson, and a mini-series of Gabrielle Roy's novel *The Tin Flute*.



● *The World's Children - With Oscar in Peru: Asterisk*

tions: *An Investigation into Organized Crime*, an exposé of the Canadian underworld produced for the CBC, which aired to high ratings and rave reviews for its high quality investigative journalism. Since then, Norfolk has pre-sold a segment of another series, *The KGB Connections*, for prime-time use to ABC, the first Canadian independent to make a pre-sale contract with an American network (and one of the few to date); done co-productions with the British Broadcasting Corporation; and consistently turned out quality entertainment programming using Canadian and international talent.

Macadam sees Norfolk's role as a catalyst, acting to bring together the finest available talent for each project. He does not believe in putting a lot of people on staff. Like all the independents, Macadam emphasizes the importance of teamwork: as president and producer-in-chief, he assumes creative control, but chairman Kitson Vincent is responsible for financial planning and development, chartered accountant Mark Moore handles cost control through a daily system of computer readouts, Paul Kent co-ordinates projects and distribution, and Duane Howard serves as production manager, on a team which has quickly achieved a high profile in



● *Sophie Minds the Store: Playing with Time*

As influential members of the Canadian independent production community, Macadam and Nielsen daily confront the problems which limit the independent producers, such as the need to sell abroad because of the small Canadian market, the difficulty in raising financing, and the government regulations which, whatever their original intention, hamper viable independent production. One essential deal for the producer of prime-time television material is the pre-sale contract. Macadam flatly states Norfolk won't handle

a project unless it has pre-sale possibilities. The reason pre-sales are essential, Nielsen explains, is that while independents abroad recover between 75-90 percent of their costs from their domestic markets, pre-sale revenues in Canada almost never reach 50 percent, forcing the Canadian independent to rely on foreign sales. Their strategy is to pre-sell a project to two or more markets, usually Canada and at least one foreign market, then sell to the rest of the world after the film is completed.

But the whole world is not an unlimited market for pre-sales. Except for pay-television, the American market is virtually inaccessible - they don't pre-buy from foreign suppliers as a rule. There aren't many commercially viable projects Canadians can co-produce with Asian, African, and South American television. Australia has its own production industry competing in the international market. The Canadian independent's best foreign pre-sale market is Europe, where programming demand is high, and where Canada has co-production treaties with Great Britain, France, Italy, and West Germany. Pre-sale funds from Europe can be substantial, often amounting to 50 percent of production costs. But even in getting 50 percent out of Europe, the battle isn't over. "The problem is, to the extent productions are tailor-made for Canadian and pre-sold European markets, it becomes harder to design the program for the American markets also," says Nielsen (an after-the-fact sale to one of the U.S. networks often puts a production in the black). "Unless Canada starts

"You cannot sell lowest common denominator product around the world. That's proven."

-William Macadam

to pay a larger percentage of the production costs, there will be no more independent production industry in Canada. We can't make the industry go unless conventional and pay-television cover 50 percent of the cost."

Nielsen and Macadam both cite the advantages Canadian producers have in the international market: English acceptable to the American audience's ear, co-production treaties providing money, expertise, and creative input, and a not-yet-fully-tapped wealth of Canadian talent. "People forget that Canadians have had a huge impact on world television," emphasizes Macadam. "The perception in Britain five years ago was that Canadians couldn't do drama, yet Sidney Newman, a Canadian, was in charge of the BBC drama department. One-fifth of the American television production community in Los Angeles is Canadian, and Canadians are behind those American shows 'imported' into Canada. Let's get them back by making top quality programming and selling it around the world."

Macadam sees no reason why Canada can't crack the world television export market dominated by the Americans. "The USA exports 87 percent of the TV seen around the world. They're exploiting a form of culture absolutely astonishing in its power. Every production

we do is seen by 100 million people around the world; 30 years ago, to think of reaching that number of people would have seemed impossible. As a nation, we cannot afford not to be a part of this." Presently, Canada exports less television product than Great Britain, France, or West Germany, despite its market advantage. Macadam believes increasing Canada's television exports will not only bring high amounts of foreign currency into the country, but also will give Canadians a perceived image abroad. "Until other people see us as different from the United States, we will have no perceived identity at home," he says.

Aware of Canada's role in the development of high technology, particularly the area of satellites, cable television, and the Telidon system, Macadam criticizes Canada's neglect of the high technology explosion's other factor, the production of software. "There is no sense in us being leaders in satellite technology if they are going to be filled with American television programs," he says, advocating incentives which would encourage Canadian producers to export their product and compete with the rest of the world as the only way to repatriate Canadian audiences, 80 percent of whom, he maintains, presently watch American programming.

"This country launched a great effort to establish a feature film industry with the expectation that the films would take only 10 percent out of the home market. Nowhere in the world does the home market only equal 10 percent," observes Nielsen, citing this as the primary reason Torstar withdrew its backing from Nielsen-Ferns. He feels the advantages of television production over feature film are its more controllable costs, more predictable returns, and larger audiences. "TV is the only sensible way to produce. There is a market: the demand for popular entertainment is insatiable. The world market is an 'honest' one, with only 2-3 buyers in each country, allowing a producer to reasonably predict his return."

Primedia concentrates its production on made-for-TV features and dramatic mini-series because they are what Ferns and Nielsen believe sell best in the marketplace. Nielsen analyses the market this way: "Single documentaries are almost impossible to do. Distributors hate them, unless it's a very hot topic. A documentary series must be tied to a successful genre, for example, wildlife. For some reason, variety just doesn't seem to travel in this country. Drama works well in the international market, but continuing dramatic series are unlikely to be sold abroad." He criticizes the Canadian industry's weak efforts to find and develop Canadian talent; one of the objectives of *The Wars*, he says, is to give worthy Canadian talent some international recognition. "We do have the stars in this country, but we haven't provided them with the vehicles to give them an international profile."

The independents have three basic means of financing projects with their investors: tax shelter, pre-sale, and co-production. All three systems have their difficulties. Co-productions and pre-sales require producers to raise only some part of the total production costs themselves, but such guarantees demand a proven track record and substantial industry contacts at home and abroad - things a young independent can't acquire overnight. Since tax shelter money must be at risk, a task shelter deal often precludes a pre-sale arrange-

ment, and vice-versa. The tax shelter's biggest drawback is that most units are sold from September to December, requiring the producer to take out some form of interim financing to pay the actual costs of production during the year. If a production has been shot with interim money, and the units in a tax-shelter offering don't sell, the interim financier may be left holding equity in a film he doesn't really want. This far-too-frequent occurrence two years ago in the feature film business left many investors sour; but Macadam feels investors should not group television producers in with the feature film people. "In film, you have to keep re-investing in several films to make money, but in television you can turn a profit first time out," he says, citing television's

ducers - developing projects, raising money, and overseeing production. But the people in charge of the smaller independent houses, MacMillan, McLean, and Platt at Atlantis, John Brunton at Insight Productions, and John Muller at M & M Films, see themselves not just as producers, but as filmmakers. It's the very nature of the independent production community not only to make the deals, but to make the films as well. "That's the fun, going out on a shoot. Missing out on that is like missing out on the dessert after a meal," says McLean, who thinks of himself as an editor before a producer. To produce films independently, a filmmaker must be versatile, flexible, and not above the most menial task; what David Springbett calls "hyphenates" - writer-directors,

involved, and know the mistakes which can quickly ruin an independent - growing too fast, over-estimating one's capabilities, and the biggest mistake, spending too much money. "We don't want to turn into a film factory," says Brunton. "I don't ever want to get too far from the project. It takes so long to make a film that I want to make sure the subject matter I deal with is something I have a strong feeling for. Right now, I'm comfortable with our size. We're small, but still capable of doing a big project."

As one of the few Canadian independents to have worked on a contract basis for an American network program, Brunton knows both the advantages and difficulties of doing big-time work on someone else's schedule. In 1979, George Schlatter, producer for NBC's

Gold, a three-part series of one hour episodes on the history of Canadian performers in rock and roll, is being financed by the CBC and a corporate sponsor, Labatt's Brewery. Brunton is critical of his fellow independents' dealing with the networks. "It's a misconception for independents to think the Canadian networks have an obligation to buy their shows simply because they're Canadian," says Brunton. "The independents have not been creative enough in bringing other people into the deal. The networks are open to deals being structured in a more inventive way, but the onus shouldn't completely be on the networks."

Right now, the focal point for Canada's independent production community is the CBC, which no doubt will continue

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smaller budgets and cheaper distribution costs - about 25 percent. The return on television, while not as high as on a successful feature, is steady and assured enough to keep investors happy.

Both Macadam and Nielsen feel their companies have outgrown the tax shelter as their primary means of financing production, and now rely more heavily on pre-sale agreements. Says Nielsen: "The rule is: if you can pre-sell, you don't need private investment; if you can't pre-sell, you shouldn't go looking for it." But if a project's shortfall is between 15-20 percent, both will use the tax shelter as a necessary means of raising additional money. Macadam also recognizes the tax shelter's worth to young production companies, stressing how it was instrumental in Norfolk's early years, until the company had built up its track record and co-production contacts.

With a change in the CCA scheduled for the end of 1982 (from 100 percent to 50 percent the first year, 50 percent the second), both Macadam and Nielsen urge that new incentives be established for the independent production industry. Macadam feels investment should be encouraged in production companies, as opposed to individual films, and proposes the establishment of a revolving pool of interim financing funds, cross-collateralized against a number of films, with equity in the production company offered as an incentive to investors. Nielsen would like to see government policy require the CBC to buy 25 percent of its programming from independents, give tax breaks to sponsors of Canadian programming, and alter the present Canadian content regulations, which now encourage low budget production, to encourage more drama, entertainment, and variety programming.

At relatively large scale companies like Norfolk and Primedia, Macadam and Nielsen essentially serve as pro-

ducer-editors, even producer-drivers - their function not limited to a fixed and limited role.

In Toronto, where many successful independents are based, there is a spirit of co-operation among the independent production community. Everybody seems to either be working or have worked with everybody else. Last year, Atlantis did a co-production with M & M, *Vincent Price's Dracula*, on which all five of the companies' principals (MacMillan, McLean, Platt, John and Henia Muller) produced; Muller directed and McLean edited as well. David Springbett did the sound on another Atlantis project, *Chambers: Tracks and Gestures*. Kit Hood, who produces children's drama, edited Springbett's children's documentary series, *The World's Children*. "The general philosophy of the small producers is that when one works, we all work," says Heather MacAndrew, Springbett's wife and partner at Asterisk Films. "There's a good feeling among us, that we're all in this together."

Companies like Atlantis, Insight, and M & M have worked hard to earn themselves some financial and creative security within a volatile industry, and they work equally hard at keeping it. They want to continue exploring different areas of production without being overwhelmed by the mechanisms in-

Real People and *Speak Up, America*, was impressed with a film Brunton had made with Peter Shatalow, *Beaver River Rat Race*. Calling Brunton in Toronto, Schlatter suggested they "talk sometime"; Brunton flew to Los Angeles the next day, appearing in Schlatter's office that afternoon. "We made the deal right there," Brunton recalls, "a handshake, I had a cheque in my hand that afternoon, and we began shooting the next week." Brunton and his Insight team of Ian Patterson, Cathy Gulkin, Ann Mayall, Susan Hutt, and John Brooke hit the road for Schlatter, criss-crossing North America to shoot short "documentary-entertainment" pieces for his two shows. "Flying by the seat of your pants production," is how Brunton describes the experience, which saw them handling such diverse topics as heavy-weight skiing and the Love Canal issue often in the same week. "As exciting as it was, it was frustrating not to be able to pre-plan," says Brunton. After producing between 30-40 short films for Schlatter, Brunton ended the deal because he felt Insight had learned enough. It's an issue all successful independents inevitably face. "Do you dig deeper into one area in which you have gained a lot of expertise, or do you go on to something else?" asks Brunton. "We decided to look for a new direction."

Brunton's latest project, *Heart Of*



● Director John Muller works with Vincent Price's *Dracula*: Atlantis/M & M Productions



● McLean, MacMillan, and Platt of Atlantis

to be an important buyer even after Canadian pay-TV is introduced. Often, an independent's success is directly proportional to how well he or she gets along with the CBC. John Brunton feels the keys to dealing with the CBC are both communication and patience. "Often seven or eight people are involved in a deal, and each of them has to know what's going on. The people who get upset with a deal's progress at the various stages of the negotiations don't understand the CBC's internal system, its checks and balances. Even the most powerful person in the organization must go through a process that requires a lot of other people's input." Brunton stresses the importance of carefully planning a project. "A proposal isn't even close enough. You must approach

them with a project well thought out in all respects, financial, technical, and legal. The CBC is an extra-careful organization; filmmakers, as a rule, are almost diametrically opposed. They lean to the spirit of the film, rather than all the other details necessary to make a deal with the CBC."

In April 1980, the CBC created an office for independent production, headed by lawyer Roman Melnyk, to establish an access point for independents. Melnyk's job is to co-ordinate CBC programming with independent production; last year his office bought 20 series and several individual programs for mainstream television use. "I see myself as the independent's advocate," says Melnyk. "I'm not here to make a deal off the independent, but to help him with his product."

From experienced producers with proven track records, to aspirant filmmakers with an idea but little expertise, many people approach Melnyk's office proposing everything from a short documentary to a network series. Developing an idea that Melnyk's office likes generally entails first working it into a proposal or script, then examining the viability of the production itself - who would star, what the market would be, where it would fit into the schedule, etc. Once this is satisfactory, the producer and the CBC negotiate the financial package. But Melnyk emphasizes his office is not the only place independents can make deals with the CBC. "My office does not pre-empt or preclude any other department head within the CBC in their relationship with an independent," he says. *Playing With Time's* Kit Hood and Linda Schuyler negotiated their sale of three *Kids of Degraffi Street* episodes mainly with Nana Harcourt, head of the CBC's children's department.

"The critical problem for the independents has been that the marketplace has been basically confined to the CBC. This obviously creates a bottleneck effect of a wide range of ideas being funnelled into the CBC," says Melnyk. The most obvious difficulty for the independents is the CBC's primary obligation to its own creative departments. "If a department is planning a series on a certain topic, then the independents shouldn't expect us to be a market in that area," says Melnyk. The best advice Melnyk has for an independent is to know the marketplace. "A lot of producers have told me they don't even watch TV," he says incredulously. "You've got to know what is being produced, what is on the air, what the broadcasters can use, what they can pay for the product, where the alternative markets are. You've got to know the environment you are working in very, very well."

An example of a production getting the most out of its marketplace is Atlantis' *The Olden Days Cost*. Budgeted under \$150,000, it has sold to virtually every available market: CBC, Radio-Canada, U.S. network, pay, and educational TV, TVOntario, Access Alberta, and 15 countries around the world. Simpson's of Canada has sponsored its non-theatrical release; Air Canada has bought in-flight rights for both English and French versions; and the federal government purchased several videotapes which they gave as 1981 Christmas presents to Canadian embassy personnel around the world. Michael MacMillan of Atlantis says that sales presently have returned 60 percent of the production costs from Canada, 20 percent from foreign markets, and with the contracts

Atlantis has made, the production should be well into profit by 1983. "The lesson we learned is to really do it well, give it strong production values, use the best talent available - best director, best writers, best actors, best crew," says MacMillan. "It really pays off. It gives you a production which is marketable around the world. You spend more money initially, but you're better off in the final run."

Like MacMillan, John Muller of M & M feels that only by producing quality product will the production industry maintain investor confidence. He feels the deal-makers who have characterized some feature film production in the past three years "have left town" and now those producers whose concerns with filmmaking are both creative

"It's ludicrous that the government spends so much money trying to force feed the feature film industry, when a small boost to the independent market would get it so much more in the long run."

—Jerry McNabb

and financial should be encouraged. "We must turn around the negative attitude toward film investment. We should not be so feature film oriented, not so egotistical as to pressure a film into an investor's hands without a market," he says. Creatively, he would like to see a return "to the great Canadian tradition of drama, documentary, docudrama" before 1978, embodied in such films as *Goin' Down The Road* and *Why Shoot The Teacher*; to achieve this, he believes producers should lower their sights financially and produce films whose budgets are tailored to their



● The Film Works at the Casa Loma

anticipated financial return. "We must control content, be able to overlook the distribution area, make a marketing plan before the film is made, realistically check off a film's potential in the marketplace," says Muller. "Producers must assure themselves that the property can recoup, so as to create new trust in the investor market. We as producers should find a home market that is realistic, then build it from there."

Impressed by the solid industry effort to convince the federal government to roll back the proposed CCA changes until 1983, Muller urges the production industry to take advantage of the mo-

mentum. "This effort gives evidence that a solid industry is in place," he says, pointing to the \$148,445,000 in planned production and \$56.6 million worth of interim financing said to have been at risk by the original budget changes. He would like to "quickly educate the producers who want to produce this year and match them with the investors." His producer's education would include lessons in tailoring budgets, keeping overhead low to compete with the market, and sharing the financial risk with the investors. He feels strongly that producers and investors should work as teams. "If I can't control a property from A to Z, I shouldn't risk only my investor's money."

It bothers independents when investors consider their projects as risky as feature film ventures, because the producers feel most of their projects can assure investors a steady return over a long period of time. Small films may not make their investors rich quickly, but they do offer them a sound investment, according to *Playing With Time's* Linda Schuyler; she says many of the 12 to 14 investors in the *Kids of Degraffi Street* series were offered feature film investments, but declined in favour of her project, which has already made its money back on paper. Michael MacMillan says Atlantis has had a total of 65-70 different investors, including repeaters, in the company's history. He claims the success of *The Olden Days Cost* raised investor confidence enough to allow Atlantis to make *Chambers: Tracks and Gestures* without a big risk.

But despite the success of Atlantis and *Playing With Time*, not every independent has confident investors knocking at their door looking for a sound deal: a lot of projects still get shot on deferred salaries and hope. Eric Jordan and Paul Stephens of The Filmworks have been making film together since 1975; they have a good track record producing documentaries for TVOntario and The Agency For Instructional Television in the United States. Their 1979 documentary, *Running*, was sold as a 30-minute prime-time special to the CBC, while a 10 minute theatrical version was financed by Famous Players and distributed by Paramount Pictures in 1980. When they decided to branch into dramatic production in the spring of 1981 with *A Time To Be Brave*, a 30-minute project they developed themselves about an Indian family living in contemporary Northern Ontario, they found the investment market had gone cold.

"We met some very nice people who were interested by the film, but said they were so badly burned in feature film that they weren't going to invest anymore," said Stephens of his long, frustrating, and fruitless quest on Bay Street. Now in 1982, still committed to making the film, Stephens and Jordan will finance the picture themselves. The only outside money in the \$100,000 budget is "a little bit of financing" from the federal bureau for multi-culturalism. "It's a tense feeling to risk the capital of the company, but I feel you've got to take those risks," says Stephens. "We think it'll pay off. It'll pay off artistically - it will make us grow. It will also pay off financially. We think we can make money off of it." Their plan is to shoot the footage this spring, then attract a distributor or a television buyer; Stephens says they already have strong interest from the CBC and an American non-theatrical distributor. "The main thing now is to do the best we can do

and then show people," says Jordan.

To the filmmakers sustaining themselves primarily through the non-theatrical market, such as Kit Hood and Linda Schuyler of *Playing With Time* or Asterisk's David Springbett and Heather MacAndrew, filmmaking is often more a lifestyle than a business. "We chose to be small," says MacAndrew. "We have a certain kind of filmmaking we want to explore." Springbett and MacAndrew, as the films they made last year reflect, are deeply interested in international development issues and social concerns. But financing these projects wasn't easy: while *The World's Children* was financed by private investors, Springbett and MacAndrew had to sacrifice to make the other two films. *A Moveable Feast*, funded through a grant by the Canadian Pediatric Society, had such a low budget that both producer's salaries were deferred, and Asterisk assumed Canadian distribution of the film to help recover costs further. *Old House, New House* was partially shot on spec (filmed without a guaranteed buyer at the producer's risk) in a co-production with another small independent, Fichman-Sweete; it wasn't until Springbett had put together a demo film that the government departments came through with some financing. "After a year of writing them letters, memos, and telexes and getting nowhere..." says MacAndrew.

Springbett endures the hardships of being a small independent because it lets him do what he's always been interested in, documentary. "When I was at the CBC they assigned me to the drama department," he recalls. "I think I was the only one in the company who wanted to get off the drama unit." Both he and MacAndrew are genuinely disinterested in becoming cogs in the feature filmmaking machine; they are happy working for themselves, doing one big, and maybe two or three small, projects a year. If their projects can't get off the ground, they meet ends by doing colleague's films or other media-related jobs. "It's definitely not slumming, you're using skills you've acquired," says MacAndrew, who has worked as a researcher, interviewer, and book reviewer between films. "Besides, it's a treat to just work for someone else and not have the worries that go with being producer or director."

At *Playing With Time*, Kit Hood and Linda Schuyler have developed an entire production attitude towards children's drama. With writer Amy Jo Cooper, they have produced tight, and appealing stories with characters who are neither too good nor too slick but refreshingly realistic. Their reward has been the security of guarantee from American non-theatrical distributor Learning Corp., which means they can complete 13 *Kids of Degraffi St.* episodes (six are already in the can or completed). But they are determined to do them on their own terms: four episodes in 1982, three in 1983. "If we had gone the pre-sale route, and had to do 13 episodes by the end of the year, I have every confidence we could do it," says Schuyler. "But we would have had no choice but to be more administrative, hire more crew, work faster, and we don't want to do it that way."

Careful financing, as much as good filmmaking, have kept Hood and Schuyler in production. "We've paid cash for every major asset we own," says Hood. The *Degraffi St.* budgets, now about \$65,000 per episode, can't go much higher or else the investors won't see a

return; Schuyler says the market simply will not pay more. "We don't have an office with carpeting halfway up the wall and 15 people on staff," says Hood. "We know work comes and goes. We've spent summers waiting for money to fall into place." Still, when they applied for their yearly bank loan in December, with a distribution guarantee and a CBC sale interest in place, they felt they were dealing from a position of strength. Yet the banks, overextended in feature film financing, wanted the company put up as security. Hood and Schuyler walked out. "It was scary," says Schuyler. "We had bills to pay, and people back at the office waiting for pay cheques, but we had to say no." Hood couldn't understand the bank's attitude. "For us to go under, it would mean Learning Corp. would have to go under, which would

the international market, to help them reach a point where they don't need it anymore," he says. Ironically, the small independents have had greater success than the feature film industry in cracking the features' most-sought-after market, the United States.

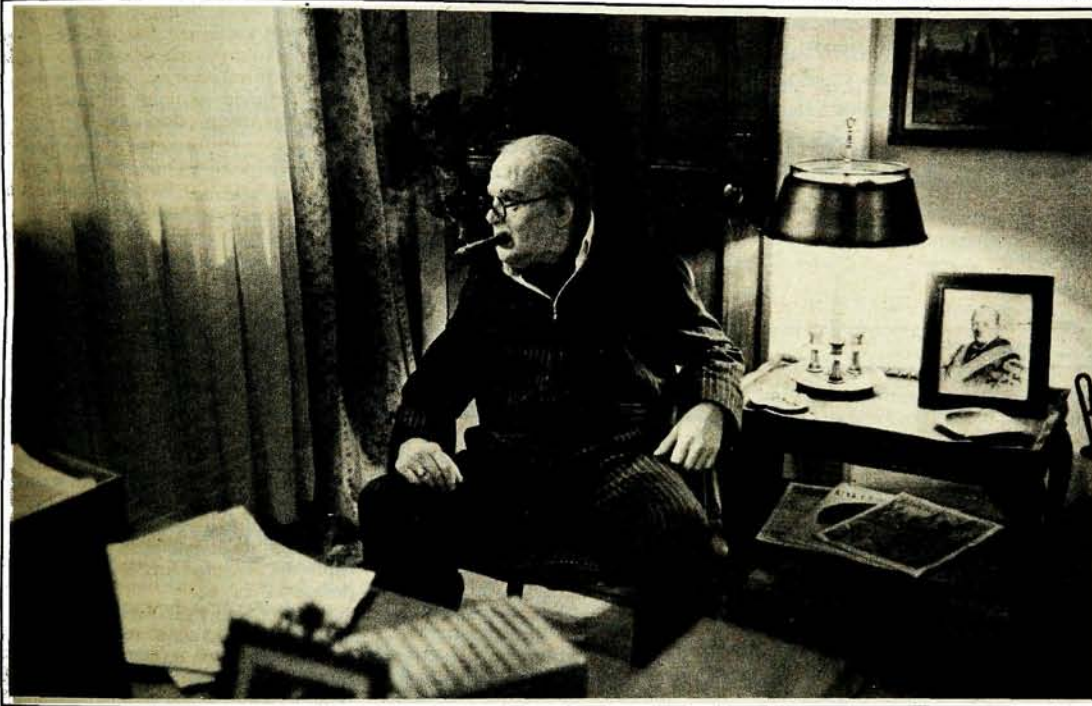
"I tell people if you're going to produce independent films, have the U.S. market in mind," says Jerry McNabb of Magic Lantern Films, a Canadian non-theatrical distributor. He points out the American market for non-theatrical productions is \$75 million annually, compared to \$9 million in Canada. But close to \$8 million of the Canadian market goes to buying American product and government subsidized material by the NFB or the OECA, leaving barely \$1 million for the Canadian independents. "Obviously, we can make a lot more money off

them (the Americans) than they can make off us," says McNabb, noting that since the Reagan administration has cut back on educational funding, there is less American production being done, subsequently opening up the markets for Canadian independent productions.

At home, a Canadian independent's product must be among the very best in its genre to succeed in the market. Where a *Degrassi St.* episode would cost \$500 to purchase, says McNabb, an equivalent half-hour NFB children's drama would cost \$250, and an equivalent OECA production \$30-40. To get buyers to pay more, the independent must offer them high quality. In McNabb's opinion, government film groups generally produce average material, rarely exceptional product, "which means independents who pro-

duce really superior stuff fit the buyer's need. But for people who want to produce learning materials on film, forget it, there is no discretionary money any more."

McNabb says some independents expect to make more money on a film than is possible. He says the return to the producer is as low as 18 percent and as high as 25 percent in the U.S., while the Canadian market ranges from 20 to 40 percent. "A Canadian producer can only do a \$80-100,000 film if there is a sale to television as well," says McNabb, "only the top 2-3 percent can get a return in the educational market alone on that kind of budget." He would like to see the 100 percent CCA retained for non-theatrical productions, and also feels the independents themselves, not just the NFB-based independents, should

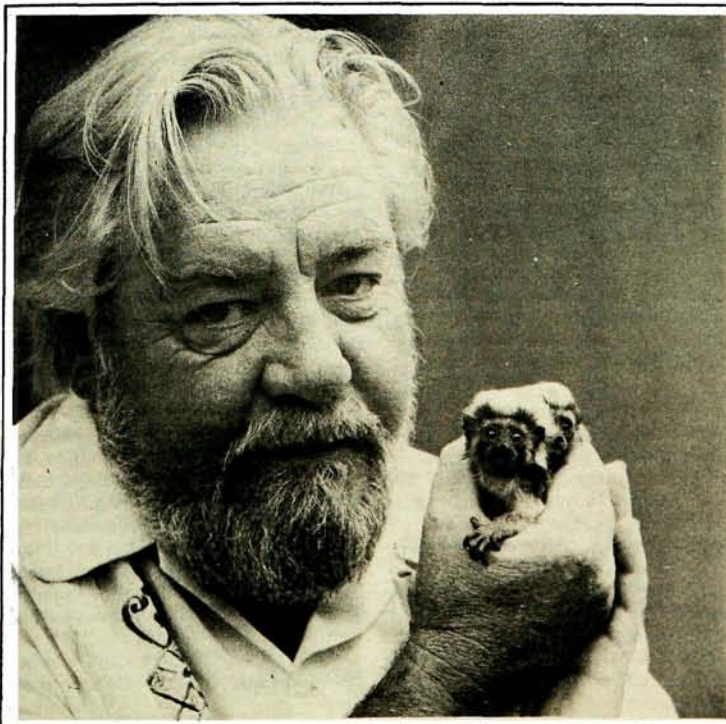


● Churchill reincarnated by George Merner for Norfolk Communications' *Winnie*

mean Mobil Oil would have to fold." The bank relented and gave them their loan without the company as security, but Hood and Schuyler both admit they were lucky to have been in a strong enough position to wait the bank out.

At the peak of the CCA film investment boom two years ago, many small independents were putting together feature film deals to try to cash in on the investor demand. Hood and Schuyler admit they consciously avoided that. Feeling they weren't ready to make a feature film, they saw it not as a good business proposition, but a bad creative move. They have no regrets. "We're aware that we've built something up here, and we don't want to make that bad decision that will ruin it. We're at the point now where we're in control—we can grow and still do the things we want to do," says Schuyler. They plan to start a children's feature in the middle of 1983.

Many of the smaller independents would like to see the 100 percent CCA retained after 1982 for non-theatrical productions. David Springbett credits the CCA with allowing Asterisk to break into the American schoolboard market and become a major educational producer in the United States. "The small companies are really the ones who use the CCA in its original intention—to give Canadian producers a stepping stone to



● Two by two: Gerald Durrell gathers tamarins for *Ark on the Move* by Nielsen Ferns



● William Macadam, head of Norfolk

have more effect on government policy. "I'd like to see the government talk to private independent producers and see how it can help in exporting film."

With the 100 percent CCA scheduled for change after December 31, 1982, companies like Atlantis and Playing With Time are preparing for next year this year by learning the basics of financing by pre-sale now. According to Michael MacMillan, Atlantis will try to pre-sell two half hour dramas in 1982, "so that next year, when we have to, we'll know how to do it." Playing With Time's goal is to cover 50% of their 1982 production costs through pre-sale generated revenue. Says Linda Schuyler: "That's the good thing about this year of grace. We can try to do without it (the CCA), and if we can't, we know it's still there, and we can ease ourselves into '83."

But Schuyler adds "I don't know what some of the other small producers are doing (about the future). They just can't walk into the CBC and expect a pre-sale." The 100 percent CCA gave most of the successful small independents their start, and allowed them to reach a point where they could support themselves not through government regulations but by the industry itself. If after the elimination of the 100 percent CCA, another investment-incentive mechanism is not put in its place to stimulate production in areas outside of feature film, it will be very hard for existing small independents to grow and new ones to start up, since most financial packaging would be dependent on a producer's track record. Let's hope during this year and re-assessment for the Canadian film industry, the small independent production houses are not forgotten. It seems unfair that those who stand to be hurt most by the reduction of the 100 percent capital cost allowance are those who have abused it least.