

COUNCIL OF CANADIAN FILMMAKERS

Michael Spencer,
Executive Director,
Canadian Film Development Corporation,
111 Avenue Road,
TORONTO.

Dear Michael:

When the Council of Canadian Filmmakers appeared before the Standing Committee on Broadcasting, Film and Assistance to the Arts, I read the following statement into the record:

Mr. Chairman:

We commend the government for its bold concept in establishing the first steps toward a feature film industry in Canada.

We realize the taxpayers have committed \$20 million in expectation of seeing Canadian films for the first time in their neighbourhood theatres. These films have seldom appeared.

In six years we've learned that the system doesn't work for Canadians.

The film financing system doesn't work. Thirteen major features were produced in English Canada in 1972. Six in 1973. Only one so far in 1974.

The film distribution system doesn't work. In 1972, less than 2 per cent of the movies shown in Ontario were Canadian, less than 5 per cent in Quebec, the supposed bedrock of Canadian cinema.

The film exhibition system doesn't work. The foreign dominated theatre industry grossed over \$140,000,000 at the box office and is recycling only nickles and dimes into future domestic production.

Clearly something is wrong.

It is no wonder then that the Canadian Film Development Corporation can't possibly work.

And neither can we.

In the light of the directive by the committee that the Council and the CFDC cooperate in submitting some joint remedies, we offer the following proposals:

1. QUOTAS:

Three members of the committee suggested that the federal taxation system could be used to institute a quota system to encourage the exhibition and distribution of Canadian films.

If true, and parliament were willing, we believe this to be a radical advance in the thinking to develop an indigenous cinema industry.

We suggest that 10 per cent or five weeks of each year for every commercial cinema in Canada should be the

minimum initially.

We also recommend that within ten years that figure be increased to 25 per cent or thirteen weeks each year for every commercial cinema in Canada.

We believe that until the exhibition and distribution wings of the industry have a financial stake in the success of every motion picture produced in this country, there is going to be neither proper outlets for the films, nor recycling capital for future productions.

2. INCENTIVES FOR INVESTORS:

Film Production, like that of oil, carries with it both high social benefit and high financial risk.

Accordingly we recommend that the federal government recognize this fact by providing attractive incentives for legitimate investors in film production.

It must be made abundantly clear that the Council never in the past supported the loophole that allowed previous productions to get made. We would not want to tacky our reputation by suggesting we are encouraging corporate welfare bummism.

3. THE CANADIAN FILM DEVELOPMENT CORPORATION

We believe that the CFDC has played a significant role in the development of the industry to this date. It has, with a great deal of virtuosity managed to balance the French against the English, the West against the East, the Artists against the Philistines and the low budget against the High Rollers.

Such dexterity unfortunately has still not established a stable bedrock.

The CFDC's usefulness has been limited by two principal factors:

a) an assumption that supportive financing in productions would provide a viable base for all aspects of the industry.

b) inadequate funds.

The CFDC will only be able to assist in the development of a feature film industry when its scope is both broadened and deepened.

Specifically we recommend that the CFDC continue its present programme of financial assistance to feature films that are, in the main, financed privately.

In addition we believe the CFDC can

better serve its mandate with the following recommendations:

- a) that the CFDC open a new category of funding which will provide investment up to 100 per cent of the costs under certain specific conditions. The most important of these being that the film is publically owned, that the talent are participants in the equity and that the film is fully Canadian.
- b) that the act governing the CFDC be amended to allow it to fund shorter films for primary theatrical release;
- c) that the act also be amended to enable the CFDC to take an active role in the distribution and exhibition of films.

We do not believe the CFDC has any role to play in the funding of films primarily destined for television.

However we assume that all films that receive CFDC backing will find a television market eventually.

We also assume that certain theatrical films will attract investment from television broadcasting organizations.

The CFDC will only be able to accomplish these expanded objectives with greater funding.

4. RETURNS TO PRODUCER

We recommend that an effective way be established to require that the first 15 per cent of all box office grosses be returned directly to the producer of the film.

5. FILM MARKETING BOARD

We recommend that the CFDC and the CCFM jointly organize a Canadian Film Marketing Board to promote and deal in the distribution of Canadian Films in international markets.

6. WITHHOLDING TAX

We believe the government should immediately increase its withholding tax from 10 per cent to 15 per cent on film revenues exported out of the country.

This argument has been often stated elsewhere, and although we realize such increased revenues could not come directly back into the Canadian film industry, we still believe it would be both profitable and valuable for the government.

CONCLUSION

We are firmly of the mind that minor tinkering with the ways of funding productions will not solve the major problems that afflict the Canadian film industry.

Until the system of funding, distributing and exhibiting Canadian films is radically altered, we do not believe there will ever be a viable film industry.

We would appreciate your response as soon as possible in order that these recommendations can be forwarded promptly to the Standing Committee and to the Secretary of State.

*Kindest regards,
Peter Pearson*

May 9th, 1974.

Mr. Peter Pearson
The Council of Canadian Film Makers
Box 1003, Station A.,
Toronto, Ontario.
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Dear Peter:

Thank you for your letter of April 28th, 1974.

You will appreciate, I am sure, that as it was hand-delivered last week to the CFDC meeting in Toronto, which already had a very heavy agenda, it was not given detailed consideration in the time that was available to us. Nevertheless, the CFDC has already considered many of the points you have raised and this letter is an interim answer to it. On the other hand, the members of the Corporation would have to reserve the right to modify their position in the light of further discussions with the film industry in Canada. We are impressed with the broad support which the CCFM can count on in Toronto among film makers and technicians but you realize of course that the Canadian film industry has differing needs in Quebec and that your suggestions would not necessarily find support among the distributors and exhibitors in English or French Canada.

Bearing this in mind, however, I should like to give you my comments on the proposals contained in your letter:

1. QUOTAS:

The CFDC believes that the progress it has made so far in getting Canadian

films shown in Canadian theatres, while admittedly limited, should be protected. At the Winnipeg Conference, I was impressed with some of the arguments in this connection and I hope the Provinces can be convinced to work with the Federal Government in this area. We do not necessarily agree that all theatres should be treated equally, though we are of your opinion that whatever quota is established, it should be increased as the industry's capacity to produce feature films expands.

2. INCENTIVES FOR INVESTORS:

We agree completely that the Federal Government recognize the high social benefit and high financial risk in investing in feature films by providing incentives for legitimate investors in film production.

3. THE CANADIAN FILM DEVELOPMENT CORPORATION:

So far as the CFDC is concerned, we have already taken steps to suggest that our line of credit be increased so that we can invest in short films. We are increasing our role in the distribution and exhibition of Canadian films and hope to add to our staff an expert in this area before too long. On the other hand, we do not agree that there should be any limitation on our powers to invest so far as subject matter or means of distribution are concerned. Motion picture films should be eligible for CFDC support if they are designed for use in theatres, on television, cable TV, pay TV, cassettes, etc.

We have considerable reservations about your new category of funding to provide investments amounting to 100 per cent of the budget under certain specific conditions. Since we have always understood that our mandate was to create a film industry in the private sector, we find it difficult to grasp how such a proposal would be helpful. If your council could give some thought to the specific conditions, we should be pleased to consider the idea at a future date.

4. RETURNS TO PRODUCER:

We assume that you are referring to an Eady plan or automatic return of a portion of the box office take to the producer. We are in favour of this and

we would hope that in any conversations which may be held with the provinces, this item would be high on the agenda.

5. THE FILM MARKETING BOARD:

A Film Marketing Board might be a useful tool to increase the distribution of Canadian films abroad, but we would prefer to see a consortium of public and private enterprise working in this area.

6. WITHHOLDING TAX:

This is primarily a matter of the Department of Finance. It has to balance a number of factors having nothing to do with the Canadian film industry in dealing with the United States, with which country we have a reciprocal tax agreement. The Department of Finance has been informed that the film industry would like to see the tax increased so far as major (U.S. owned) distributors in Canada are concerned. However, Canadian-owned distribution companies which import foreign films are not in favour of this increase because the foreign suppliers usually insist on the Canadian distributor adding the amount of the tax to the sale price of the film.

Some of these ideas have already been discussed at the Secretary of State's Advisory Committee on Film and may form part of the second phase of the Department's film policy. However, the Secretary of State has the responsibility of determining the kind of additional assistance (beyond what is now available through the CFDC, CBC, Canada Council and Film Board) which his Department will provide to the film industry. There are many options open to him in arriving at his conclusions.

So far as a joint proposal from the CFDC and the CCFM to the Parliamentary Committee on Broadcasting, Films and Assistance to the Arts is concerned (when it is re-convened after the election), I doubt if we could completely agree on a text. However, your recommendations and these comments on them may be useful to the Committee. I should add that we would be very pleased to meet with the Council to discuss this letter or any other matter of mutual interest.

*Yours sincerely,
Michael D. Spencer
Executive Director*