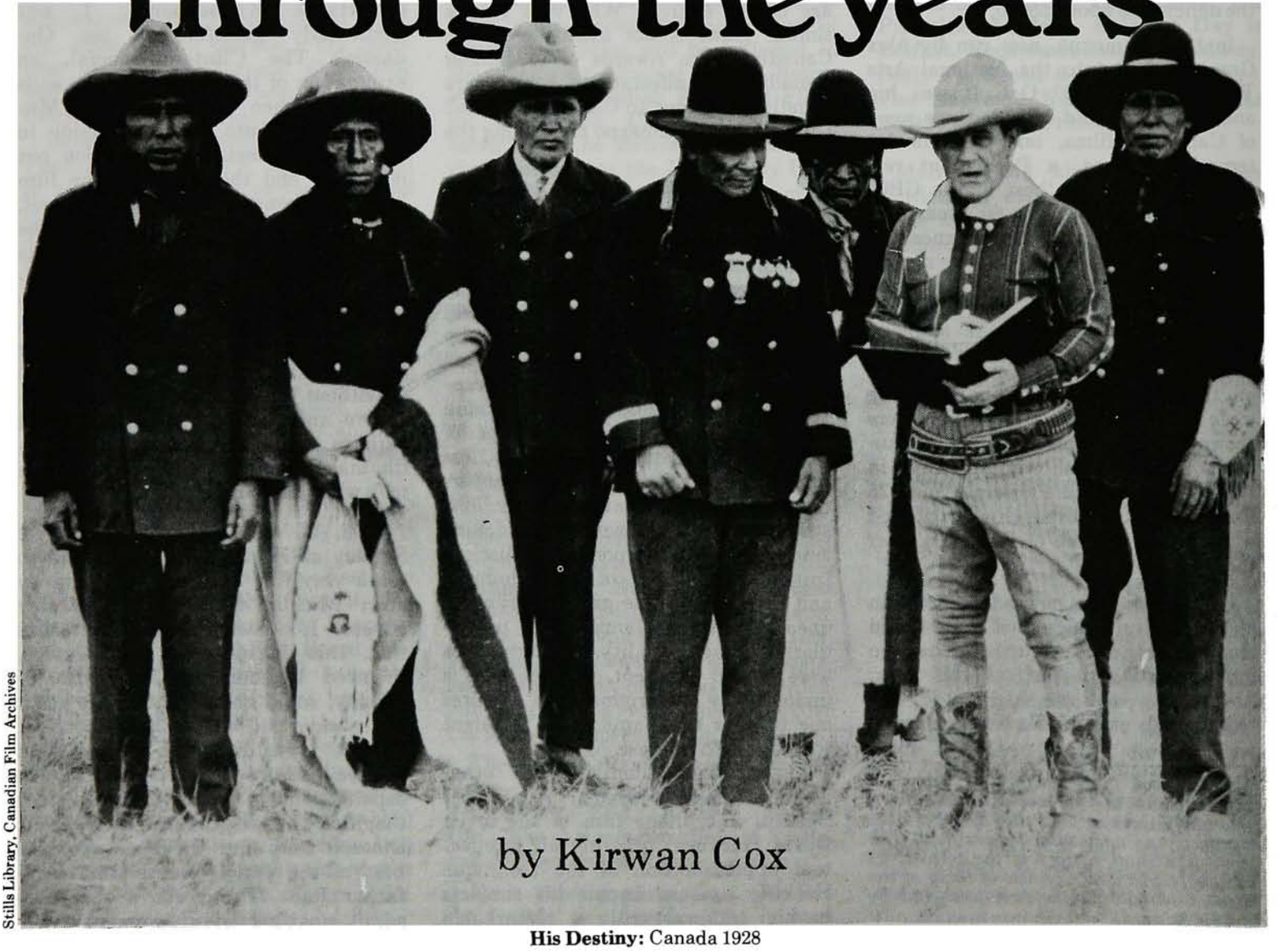
This documented history of the provincial and federal governments' concern about the Canadian film industry takes us from the First World War through the Second and on to the present day.

hollywood's empire in canada

the majors and the mandarins: through the years

by Kirwan Cox



Stills Library, Canadian Film Archives

His Destiny: Canada 1928

Canadian Government concern about the state of the film industry in Canada goes back almost as far as American Government concern. In 1909, the American Consul-General in Winnipeg, John Edward Jones, wrote an open letter in a New York publication exhorting American film interests to take over the Canadian market:

"In this new country where all forms of amusement are scarce, moving pictures are welcomed, and there is no reason why the manufacturers of the United States should not control the business."

(Moving Picture World, 18-12-1909)

During the First World War, the Americans did take over the Canadian market. This was not a welcome event and the Ontario Government reacted to public pressure against American films which were recognized as propaganda. The Ontario Provincial Treasurer, T.W. McGarry, wrote an open letter:

"Whilst admitting the part taken by the American army in this war (particularly in the last few months of it), we must not overlook the fact that Great Britain and Canada have both been in it since its commencement, and it is unfair and unpatriotic to forget this. Hereafter, unless more films depicting the part played by Great Britain and Canada in this war are shown on the screen in the different theatres of Ontario, I will be obliged to instruct the censor to cut out much of the material such as that which has recently been shown throughout the province. I cannot see why the film exchanges cannot obtain material such as I have indicated, and certainly our Canadian citizens will not much longer stand for the exaltation of an army of another nation and forgetfulness of our own."

(Canadian Moving Picture Digest, 14-12-1918)

Finally, Ontario passed a law banning the American flag from Ontario screens, requiring that film industry personnel be British subjects, and topical weeklies be British Empire. A shortlived law, but very popular at the time. The long term problem was analyzed by the *Montreal Star* drama critic, S. Morgan-Powell, who thought control of the theatres was the key issue:

"Canadians want the best American pictures, of course, but they also want the best British pictures and they do not want the sort of propaganda that goes down in Chicago and Milwaukee as great stuff. In a word, Canadians want to control their own motion picture houses. The only way to insure such control is for Canadian capital to put its money into the motion picture houses. You cannot control if you are afraid of taking the steps that alone will entitle you to control."

(Moving Picture World, 17-1-1920)

Ironically, this exhortation was immediately followed by the organization of Famous Players Canadian Corporation by some of the largest financiers in Canada. Famous Players was set up with Canadian money, but controlled by Adolph Zukor's Paramount. Canadian theatres were never again in Canadian hands. Money from the Canadian box office went unhindered into New York to support American production.

Enter the lobby

Concern over this domination was an ongoing theme in government circles for the next fifteen years. It was expressed in terms of quotas for British Empire films and finally in an investigation and Combines trial against the Hollywood interests.

Kirwan Cox produced the film **Dreamland** *and is co-author of* **History of Canadian Film 1895-1941** *with Peter Morris to be published by Gage Publishing Ltd. He has been active with the Council of Canadian Filmmakers and lectures at McGill University.*

Col. W.H. Price, McGarry's successor as Provincial Treasurer of Ontario, wrote to Col. John Cooper, who ran the American film industry lobby in Canada until the Second World War:

"It was unfortunate that the market of this country was dominated by American concerns."

(May 28th, 1924)

and

"... would it be possible to start an industry in Canada providing Ontario insisted on a quota of Canadian pictures, say 25%."

(June 19th, 1924)

Cooper's feelings, and those of his bosses in Toronto and New York (the Cooper Organization was financed and directed by the Hays Organization, the American industry's lobby), were penned to Price's successor, J.D. Monteith, Provincial Treasurer of Ontario:

"To adapt a sentiment expressed by the richest man in the Motion Picture business in the United States [probably Famous Players' president, Adolph Zukor] I would unhesitatingly make this statement: 'The profits of the Motion Picture industry in Canada are in running theatres not in the making and distributing of Motion Pictures'."

(October 1st, 1927)

Cooper was a professional lobbyist paid by American companies and his opinion is not surprising. However, civil servants were also of the opinion that Canada couldn't compete with Hollywood films and shouldn't try. One was the head of the Canadian Government Motion Picture Bureau in Ottawa, Ray Peck. On March 3rd, 1926, Peck wrote a letter to a man in Vancouver who complained that there were too many American films in his local theatres:

"We are attempting at all times, as Canadians, to induce American capital and manufacturing interests to come into Canada and establish branch factories. I look on the American film industry much as a branch factory idea in so far as it affects Canada. American motion picture producers should be encouraged to establish production branches in Canada and make films designed especially for British Empire consumption. I do not entirely agree with the thought expressed in your letter that the experiment of allowing American producers to get a footing in Canada would be a dangerous one. We invite Americans to come over to Canada to make automobiles and a thousand and one other things, and why not invite them to come over to make pictures, but make them the way British markets demand?...

I believe that really worth-while American producers would be glad to make typically Canadian pictures if they can secure the right co-operation, assistance, and technical advice..."

We were to give Hollywood that type of co-operation in the forties with the Canadian Co-operation Project. But first, back to another Canadian who thought it was folly to make movies in Canada. Ben Norrish ran the largest Canadian production company in Canada, Associated Screen News. ASN was owned by CPR and N.L. Nathanson, who was Zukor's right hand man in Canada and ran Famous Players. Norrish thought it made as much sense to make feature movies in Canada as it did to grow grapefruit in Ontario. He felt Canada didn't have a large enough population and the climate was wrong (but not wrong for the shorts he made).

Quota system scotched

While Canadian civil servants, lobbyists, and business leaders agreed that Canadians couldn't make feature films, one voice from the United States said the opposite. In 1926, D.W. Griffith told the Canadian Club in Toronto:

"You in Canada should not be dependent on either the United States or Great Britain. You should have your own films and exchange them with other countries. You can make them just as well in Toronto as in New York."

However, despite the expert opinion on the subject from the men who benefited from the branch plant situation, some politicians reacted to the realities in the movie houses. There were no British Empire movies in the American-owned exhibition and distribution industry and the only solution seemed to be legislation. In 1927, England had been forced to legislate a quota when its own production had fallen to under 5% in its theatres which were also controlled by Hollywood.

In Canada, the theatres were a provincial responsibility so quotas were up to the provinces. One quota which was imposed in Canada was the Ontario newsreel quota. The Provincial Treasurer, J.D. Monteith, told the American companies that 40% of each newsreel had to be on the British Empire with at least 25% on Canada – about two out of five items. He wrote to Charles Roos, head of the Cinematographers and Motion Picture Craftsmen of Canada on February 11th, 1930:

"I have discussed already with the Chairman of the Censor Board the desirability of British and Canadian items in the talking newsreels. The Exchanges have been notified that provision must be made for this."

Canada finally had a quota – for newsreels in Ontario. This lasted as long as newsreels were in theatres and no company was thrown out of business because of it.

On the other hand, British Columbia was a more serious problem because it aimed a British quota at feature films, not newsreels. Exactly what happened is reflected in the following telegrams:

January 25th, 1929, to Col. John Cooper from W.R. Marshall, Vice-President for the Vancouver Film Board of Trade:

"Reliably informed that government bill to be introduced immediately present session local legislature in which quota law to be established making it compulsory for exhibitors to play 20% Canadian [British] produced pictures stop... Heavy lobbying will be necessary attain results and start should be made on Monday stop... Adequate financial appropriation from your office urgently required and suggest same be wired immediately stop..."

January 29th, 1929, to Col. Cooper from J.R. Muir, Regional Manager of Famous Players in BC:

"Patriotic and British quota features eliminated from bill we think we have censoring of advertising well in hand will report to you further after our next interview with Attorney General tomorrow."

Attorney General R.H. Pooley presented the British quota bill, spoke to the representatives of Famous Players, and four days later withdrew the bill.

And what happened that made Attorney General R.H. Pooley withdraw his bill in those four days? During the White investigation into a combine in the Canadian film industry,

"Col. Cooper testified under cross-examination Famous Players Hays Association paid $8000 to kill British quota bill British Columbia."

(telegram Ray Lewis to Mrs. John Cameron, March 12th, 1931)

White himself, in his report, scaled this outlay down to the cost for Famous Players alone:

"The evidence also established that this lobbying cost Famous Players in the neighbourhood of $5000..."

(White, p. 160)

No one seemed to ask who received all that money.

The Combines trial

The 234 page White Report came out April 30th, 1931, after an exhaustive investigation under the Combines Investigation Act. White reported to G.D. Robertson, Minister of Labour, that:

"1) A combine exists in the motion picture industry in Canada within the meaning of the Combines Investigation Act.

2) This combine exists and has existed at least since the year 1926..."

(White, p. 230)

A trial followed the report in the Ontario Supreme Court with 109 defendants – all individuals or companies


TORONTO 2, ONTARIO.

Passing of Famous Players To Control in United States Meets Disapproval of Public

(As Reprinted from The Financial Post)

DIRECTORS CLAIM COMPETITIVE ERA AHEAD MAKES CHANGE ADVISABLE

Allied in Backing Brookhart Remedy Bill

Canadian Moving Picture DIGEST

Published by Canadian Moving Picture Digest Company, Limited 259 Spadina Ave., Toronto

RAY LEWIS Editor and Managing Director

TORONTO 2, CANADA

"Travesty of Justice"

The Canadian Film Probe

Moving Picture DIGEST

Published by Canadian Moving Picture Digest Company, Limited 259 Spadina Ave., Toronto

Headlines during the Combines Trial

associated with the Hollywood exhibition/distribution machine. However, the ubiquitous Col. Cooper was still active during the trial. F.S. Ravell, Canadian representative of British International Pictures, cabled Prime Minister R.B. Bennett on June 2nd, 1931:

"Had interview with Col. Cooper at St. John who informed me that Senator Robertson, Minister of Labour, was his personal friend and would pull the necessary strings to prevent any adverse legislation concerning Paramount Publix or other American film interests in Canada under recent government legislation."

The political problems that politicians had with the film industry and its control by the Americans was a constant lament. R.B. Bennett wrote to none other than Mr. Pooley about this problem on September 16th, 1931:

"Dear Mr. Pooley,
... For years I have been convinced that the film situation is one of very great danger to this Dominion and have done my best to rouse public opinion, but you must realize that the Federal Government alone cannot deal with the situation, the provinces must do their part, and I regret to say that I find in many instances the film companies are so entrenched that it is difficult, if not well nigh impossible, to rouse public opinion to take action. Have you any suggestions?

Yours faithfully,
R.B. Bennett."

On March 9th, 1932, Ontario Supreme Court Justice Charles Garrow found all 109 defendants not guilty on all three counts of conspiracy and combination.

All was quiet and one of the defendants in the trial, N.L. Nathanson, was appointed to the first Board of Governors of the Canadian Broadcasting Corporation in 1936. He became a close friend of C.D. Howe. Col. Cooper did not suffer either. In 1940, he was appointed acting film commissioner while John Grierson was in Australia looking for work.

No quid pro quo

After World War II almost every country in the world had a balance of payments problem except the United States. Most of these countries passed laws restricting the export of foreign currency reserves. This meant film money could not be taken out of Britain, France, Italy, Mexico, etc. Canada was discussing similar measures and debated whether film would be included. In 1947 $17 million crossed the border from film revenues.

On January 14th, 1948, Famous Players president, J.J. Fitzgibbons, met at the Rideau Club with C.D. Howe, Donald Gordon, Lester Pearson, Ernie Bushnell, Sol Rae, and Herbert Richardson from the Bank of Canada. They discussed the problem and the need for a solution to this huge part of Canada's dollar drain.

On January 24th, Fitzgibbons passed on an offer from Eric Johnston of the Motion Picture Association of America (successor to Hays) to the Canadian Government. The MPAA suggested a "Canadian Co-operation Project" if Canada let Hollywood money leave the country unhindered. This project would give Canada:

1) a film on Canada's trade dollar problem
2) more complete newsreel coverage
3) short film about Canada made in Hollywood
4) release NFB films in the United States
5) place Canadian sequences in Hollywood features
6) make radio recordings by Hollywood stars extolling Canada
7) make a more careful selection of films shown in Canada
8) supply a staff man in Hollywood to coordinate the project with Ottawa.

Not bad for $17 million per year and there was no promise to shoot Hollywood features in Canada which Howe seemed to think they would do. He explained this project in the House of Commons on February 12th, 1948:

"Negotiations are going on with the film industry which promise a substantial quid pro quo to offset the drain of dollars caused by the industry. I am not prepared to make a full announcement this evening, but I think I can say Canada will get good value from the industry to take Canadian dollars across the line."

M.J. Coldwell had a better grasp of the situation as evidenced in his statement in the House February 23rd, 1948:

"We should endeavour to get a quid pro quo so that in this country, either through the national film board or if you like through the enterprise of Canadian people, we should make a few films dealing with Canadian life and thereby save the drain on United States dollars... until we make up our minds that we are going to do something to deliver ourselves from the control of the moving picture industry exercised by a single group of people in the United States through their ownership of numerous theatres, and to protect the drain on American dollars, we shall not have accomplished much."

One problem many opposition parliamentarians couldn't understand was the apparent special treatment of film money compared to vegetable money or machine tool money. The withholding tax on money crossing the border was set at 15%, but film money was set at only 10%. On February 20th, 1948, Howe's thinking on film was made clear – do not interfere:

Howe: "It is not the present intention to interfere with the distribution of films in Canada..."
Jackman: "... Now we come to films and we find that the government have not followed that formula at all... I think the government should give some very good reason why we have followed such a different course in respect to this one product, namely United States films, from the course we have followed in connection with every other product normally imported into this country... Why do we make such a difference between films and other matters?"
Howe: "The film industry does not, in our opinion, lend itself to quotas."

Hollywood money was never frozen and Howe explained the Canadian Co-operation Project to his colleagues in cabinet. On July 14th, 1948, he wrote to the Minister for External Affairs, the future Prime Minister and future member of the Board of Directors of Famous Players, Louis St. Laurent:

"My Dear Colleague,
As you are aware, the U.S. motion picture industry has given evidence that it recognizes a responsibility in connection with its continuous withdrawal of U.S. funds from Canada, and is undertaking a quid pro quo arrangement of substantial value.

Among other things, the U.S. industry is increasing its output of films on Canadian subjects. This will help us in two ways. It will result in the spending of some production funds in Canada and it will publicize Canada in the U.S. and elsewhere...

C.D. Howe."

The project seemed to result in some shorts on Canada as a tourist playground, some Hollywood stars doing commercials for radio on Canada, and some reference in Hollywood movies to this bird or that aunt coming from Canada. That is what Howe got for $17 million per year plus. Finally in 1958 the Project was quietly terminated.

Business as usual

How important was the Canadian Market to Hollywood? In 1953, Eric Johnston (of the MPAA and soon to be Ei-

senhower's economic advisor) told Congress:

"It's a little known fact that 9 out of 10 United States films cannot pay their way in the domestic market alone. It is only because of revenue from abroad that Hollywood is able to turn out pictures of high artistry and technical excellence."

Canada's role has become more important each year. According to Variety, film sales in Canada by the seven top Hollywood Majors (excluding Disney) have increased 134.5% from 1963 to 1973. Canada moved in those years from 6th most important foreign market to 2nd with billings of $39.5 million. In 1974, Canada became the top foreign market for U.S. films with billings of $54.4 million. This is an increase of 98.9% since 1970 in money taken out of the country by major American distributors.

And what do we do?

In 1966, the Canadian Film Development Corporation Act was written to solve the investment problem for a Canadian feature film industry. Like the National Film Board before it, the CFDC would be involved in production but not in distribution or exhibition. These were the domain of the American branch plant companies and the Government didn't want to interfere. However, Secretary of State Judy LaMarsh warned Hollywood of its responsibilities in the House of Commons on June 20th, 1966:

"Many countries, in order to encourage the distribution of their own films, have applied quotas. We have chosen, however, not to introduce this kind of restriction in the [CFDC] Bill at this time. Canadian films must, therefore, make it on their own merits. But in rejecting quotas we are counting on film distributors and cinema chains to give more than ordinary support to the aims of this program."

Business went on as usual, as it has for 70 years. On June 21st, 1968, the Toronto *Globe and Mail* reported:

"Secretary of State, Judy LaMarsh, yesterday served notice on Canadian cinema owners and operators that the Government expects them to show more Canadian made feature films in the future. If this is not forthcoming, she indicated the Government may have to impose quotas on imports of foreign films."

At the CFDC hearing on May 7th, 1971, before the Commons' Standing Committee on Broadcasting, Films, and Assistance to the Arts, quota was in the air again:

Michael Spencer, Executive Director of the CFDC:
"I think the feature film distribution could be increased substantially if there were some kind of Canadian quota, or some kind of subsidy scheme put in place to encourage more films to be produced."
Mark Rose, (NDP, Fraser Valley South):
"They [Famous Players and Odeon] have a quota in effect which says... 90% of ... films in our theatres are going to be produced outside Canada, and that we will occasionally allow one or two of yours. So if they have got a quota, then we need a quota."

During the next two years a Film Advisory Committee set up by the Secretary of State studied the film industry. In the meantime Famous Players and Odeon offered a "voluntary quota" which would play every Canadian film in the three major cities and elsewhere if they do well. In December, 1973, the Advisory Committee Report said:

"The Secretary of State should inform the provinces that if the voluntary agreement does not give the desired results after a test period of one year, a quota system should be put in place with their collaboration."

The next official statement about the voluntary quota was made by Secretary of State Hugh Faulkner on May 9th, 1975, before the House Standing Committee:

"In 1973, I negotiated a voluntary quota agreement with Famous Players and Odeon... Under the terms of the agreement, Canadian films are guaranteed at least two weeks theatre time in Montreal, Toronto, and Vancouver... I am not satisfied with the results of this agreement since adequate exposure for Canadian films, particularly in theatres with favourable locations has not been achieved. It has been evident for some time now that a more effective system must by found. I need hardly tell the members of this Committee that the constitutional authority for licensing and regulating theatres lies with the provinces, and that any action in this area will have to be undertaken by their governments."

One reason for the failure of this agreement might be divined from a statement made by Paul Morton, president of Odeon-Morton Theatres in Manitoba and head of the Canadian Theatre Owners Association. On August 19th, 1974, he was quoted in the Toronto Star:

"Canada's film industry would be destroyed if Canadian theatres were forced to show Canadian films."

While Government dithered with the Hollywood interests, what were Canadian filmmakers saying? On February 8th, 1974, the Winnipeg Manifesto was written and signed by many prominent filmmakers including Tom Shandel, Frank Vitale, Jack Darcus, Don Shebib, David Acomba, Peter Pearson, Denys Arcand, and Colin Low. It said in part:

"We, the undersigned filmmakers and filmworkers, wish to voice our belief that the present system of film production/distribution/exhibition works to the extreme disadvantage of the Canadian filmmaker and the Canadian film audience. We wish to state unequivocally that film is an expression and affirmation of the cultural reality of this country first, and a business second... It is now clear that slavishly following foreign examples does not work. We need public alternatives at every level in the film industry. We must create our own system to allow filmmakers the option of working in the creative milieu of their choice..."

Then on April 25th, 1974, Peter Pearson, Chairman of the Council of Canadian Filmmakers, told the Standing Committee during the CFDC estimates:

"We commend the government for its bold concept in taking Canada into the feature film industry.

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 have learned that the system does not work for Canadians.

The film financing system does not work. Thirteen major features were produced in English Canada in 1972. Six in 1973. Only one in 1974 (to date).

The film distribution system does not work. In 1972 less that 2% of the movies shown in Ontario were Canadian, less than 5% in Quebec – the supposed bedrock of Canadian cinema.

The film exhibition system does not work. The foreign-dominated theatre industry, grossing over $140 million at the box office in 1972, is recycling only nickels and dimes into future domestic production.

Clearly something is wrong.

It is no wonder then that the Canadian Film Development Corporation cannot possibly work and neither can we."

And on August 5th, 1975, Secretary of State Hugh Faulkner announced yet another "voluntary agreement" with Famous Players and Odeon, and the process of accommodation between the Government of Canada and the foreign movie moguls began all over again. There is little cause to think the results will differ from those of the past. □