

"The dearth of reliable facts and figures has been one of the main obstacles in the way of formulating a comprehensive policy on film. To rectify this deficiency, my department, in the summer of 1975, with the approval of the Treasury Board, commissioned the BMC to undertake a study of the Canadian film industry. This study was completed and reported on in April 1976."

— The author

draft film policy

It is not known who is the author of the following document, nor why it was leaked to the press just now. It would seem that it comes from the office of the Secretary of State, and was prepared for the Cabinet in order to finalize the federal government's film policy. It was obviously prepared before Mr. Faulkner was removed as Secretary of State.

*Because of the considerable length of the Draft Film Policy, only certain excerpts are printed below. The portions of the document which have been excluded are those which describe the actual situation — with which most of **Cinema Canada's** readers are already familiar and which is amply described in the Tompkins Report (properly called the BMC Report) — and the Recommendations which simply reformulate for the Cabinet the recommendations already contained in the body of the document. The italics are those of **Cinema Canada**.*

Background

...Total production of the Canadian film industry in 1975 is estimated to have been \$150 million of which \$115 million was either financed or produced by the public sector (Fifteen of the \$115 million was channeled through the private sector). The ratio is about 2:1 as between public and private production. The \$50 million attributed to the private sector includes \$20 million of television films for the CTV network. This last item distorts the picture of private sector production, however, when it is recognized that most, if not all, of the production for CTV is done by one company which is a subsidiary of CFTO Toronto, the CTV flagship station.

Of public sector production, \$65 million is accounted for by CBC-produced films and videotapes, \$17 million by the National Film Board, \$4 million through CFDC investment and \$29 million by the provinces, including \$7 million spent by the Ontario Educational Communications Authority primarily on in-house production, with an undetermined amount being work contracted out, and \$12 million sponsored by the Quebec government film office.

The element of Canadian production that includes industrial films and television commercials is estimated to have had a value in 1975 of \$6 million, the larger part of which was private sector business.

Figures on the sharing of the Canadian market for educational and television films and videotapes between Canadian and non-Canadian production are not firm but the best estimate based on available data is that in 1975, *about 2/3 of the holdings of educational material were of foreign origin*. If holdings are a reasonably true indication of expenditures, it would appear that of a total expenditure of \$11 million in 1975 by the educational sector (schools, colleges, universities and public libraries) \$7.3 million went for imported films and videotapes and \$3.7 million (shared about evenly between the private and public sectors) for Canadian products. Imported television films and tapes in 1975 are estimated at \$40 million.

Between 800 and 900 first run feature films are shown annually in Canadian cinemas; over 90% are foreign. Cinema box-office receipts total annually about \$200 million of which \$60 million in film rental revenue is drawn off by foreign-owned or foreign-controlled distributing companies...

Canadian Film Development Corp:

Options

... In my judgement, a number of steps taken since the 1972 Cabinet decision and other related factors, taken together with the changes in the CFDC Act proposed hereunder, weigh in favour of continued improvement in the feature film industry in Canada, and make the fourth option for the CFDC (Expanding the role of the CFDC) the only valid one ...

Proposed Legislative Changes Affecting the CFDC

The CFDC Act as it stands limits the Corporation to investment in feature films on a film-by-film basis. If it were able to invest in projects of companies engaged in all classes of film production including industrial films, television commercials and films and videotapes for television programs, it would be ensured of a better rate of return because such films are not as high-risk propositions as are feature films. For companies producing feature films as well, the revenue earned from other film production can be used to cross finance part of the cost of feature films. The CFDC would be able to concentrate its investments in the production of those films which show greatest potential for viability and profit. This type of investment behavior represents the industry approach it is now believed would be the most effective way the CFDC can function in providing financial assistance to the film industry.

I am proposing, therefore, that section 10 of the CFDC Act be amended by the *deletion of the word "feature" wherever it appears* and by eliminating paragraphs (1) (b), (1) (c), (1) (d), and (1) (e). (1) (b) authorizes the CFDC to make loans to producers and is recommended for deletion in line with the views expressed by the Department of Finance as mentioned below. The responsibility for carrying out the purposes of (1) (c) and (1) (d) would be assumed by The Canada Council. (1) (e) would be combined with (1) (a) in a new section as follows: "invest in the production and distribution of Canadian films in return for a share in the proceeds from any such productions, and to advise and assist producers of Canadian films in the distribution of such films and in the administrative functions of film production."

The Board of Directors of the CFDC consists of six members, including the Chairman and the Government Film Commissioner (ex officio). I propose that the membership be increased to eight to facilitate better representation and that the selection of members reflect more in the future the commercial and industrial orientation of the CFDC role. I recommend also, that the Chairman serve at the same time as the chief executive of the Corporation and have supervision over and direction of the work and staff of the Corporation and preside at its meetings. *This change would dispense with the present provision for the appointment of an executive director.* Section 4 (2) and 12 would be amended accordingly...

Other Considerations

Consideration has been given to recommending amendments to the CFDC Act whereby the Corporation would be empowered to function as a banker and to deal with applica-

tions for loans from film production companies making all types of films or videotapes; and there have been strong representations from the industry favouring such amendments. The proposition was discussed with senior officials of the Department of Finance whose opinion is that *the role of lender or guarantor of loans would be inappropriate for the CFDC* since this would duplicate the function of existing government and private institutions.

Instead, Department of Finance officials, while advocating the continuance of the Corporation as an equity investor, in a broader range of film productions as described ... above, believe that loans or loan guarantees for film makers ought to be the business of the chartered banks or other lending institutions, but that the CFDC, because of its experience and intimate knowledge of the film industry, could properly and effectively play the role of an investment broker, providing leadership, counsel and expertise, rather than that of a lender of funds. Finance officials visualize the Corporation collaborating with film producers or groups of producers and investors in assembling investment packages which banks and other lending institutions might be prepared to look at with a degree of interest which normally they do not evince when examining applications from film producers for lines of credit. Finance officials supported the notion of exploring with the Federal Business Development Bank the possibility that it might provide working capital loans or other forms of assistance to film companies able to meet its criteria. This possibility was discussed between CFDC and Secretary of State officials and the management of the F.B.D.B.

The NFB, CBC and the Private Sector Sponsored Films

... The Sponsored Film Committee recommended in its report of March, 1976, to the Secretary of State that at least 50% of the money spent by federal departments on film production should continue to be directed to the private film industry, thus confirming a practice that had already been initiated by NFB and was encouraged by the Cabinet decision of May 11, 1972 on film policy. The situation is now that the private sector is getting about half of the business of a \$4 million program. The BMC report on film markets indicates that certain federal departments and agencies have internal audio-visual branches and undertake direct procurement, and *estimates that direct procurement expenditures outside the sponsored film program probably equal or exceed the \$4 million handled by the NFB.* Private filmmakers are still critical of the way the program operates, saying that the 50% they get are films the NFB is prepared to let someone else make. Moreover, they object strongly to the fact that under section 9 (b) the NFB is able to control the tendering by private film makers on films and prevent direct negotiations between the latter and client government departments. The private sector believes that through direct negotiations, it can encourage greater and more effective use of film by the government ...

Therefore, *in recommending that the sponsored film program be opened up further to the private sector, I am not, at the same time, recommending NFB's complete withdrawal from it.* It is my belief that there are films which are of particular national and cultural importance that should carry the label of the government's film agency. The combined cost of such projects should not in any one year exceed 30% of the total amount spent by sponsoring departments in the preceding year.

I am proposing with that Department's concurrence, that the Department of Supply and Services assume the present responsibility of the NFB for tendering contracts for films sponsored by government departments, and that *the awarding of contracts to the NFB be limited to 30% of dollar volume as indicated in the preceding paragraph.*

Transfer of NFB and CBC In-House Production to the Private Sector

A small percentage of the NFB and CBC in-house film production is now transferred to the private sector by way of commissioning whole films from the industry (\$1.7 million by NFB - \$2.8 million by CBC). The BMC report considers it essential that these government agencies redirect their functions 'in the spirit of market complementarity'. Ministers are aware of the recent petition to the House of Commons by film workers of the English Canadian Film Industry calling upon Parliament to ask the Secretary of State "to encourage both CBC and NFB to increase the amount of co-production with, and the number of films commissioned from, the private sector."

For the National Film Board, I propose that this intention be couched in precise terms by recommending that, commencing in 1978-79, *not less than one half of any increase in the annual production budget, exclusive of sponsored films, be earmarked for contracting or commissioning complete film projects by private film production companies.*

For the CBC, given the complexity of difficulties connected with such a transfer, in this case, *the recommendation is in general terms only.* The CBC is prepared, "as the private program industry continues to develop its production competence and its entrepreneurial skills... to call on it to help meet the growing program requirements of the future. The Corporation expects to assign increasing amounts of its production work to private industry subject to successful management of its commitments and responsibilities." The President of the CBC has agreed to keep the Secretary of State informed of progress.

Educational Films

A basic problem facing educational film producers and distributors in Canada is the small size of the market which, combined with difficulties in breaking into foreign markets, restricts revenues and inhibits the growth of production and distribution companies. Companies making educational films have a marginal existence; intense competition in a limited market prevents growth which could lead to stability. Even a slight fluctuation in this market can have serious results for these companies. The pricing practices of the NFB can cause sporadic fluctuations in the market, particularly that agency's discounts. In the private sector discounts rarely rise above 10% and are given in nearly all cases for series purchases, for example, to encourage a customer to buy all ten titles in a series, say, on the environment. By contrast, the NFB gives much larger discounts for bulk purchases. These discounts can amount to 50% for large bulk orders. This has the effect of encouraging major customers who might have purchased from a variety of sources, including private distributors, to buy all or most of their films from a single source, the NFB. This aggravates the risk factor for a private distributor who may suddenly find that a regular customer has been drawn away by NFB prices which he, the private distributor, cannot match.

In the light of the difficulties facing the private sector producer and distributor of educational films, the NFB has

undertaken to reexamine its pricing practices with a view to their revision in relation to those of the private sector; and I am recommending Cabinet's approval of this proposed revision. It is not intended that the NFB's present practice of lending films free of charge to registered charitable organizations will be changed as a result of the review.

Canada Council's Role in Film

... There is a class of filmmakers whose experience is not proven to the extent where they would be able to qualify for funding by the CFDC, but who have demonstrated especially creative and technical ability. There are filmmakers also who normally would qualify for assistance under the heading of individual non-feature film projects, but whose productions, although of creative and cultural merit, would probably not have sufficient market appeal to ensure commercial success. It is proposed that Canada Council should assume responsibility for the support of these classes of filmmaking, essentially the lower-budget experimental, innovative but always professional calibre type film. It is from this field of film activity that some of the successful producers and directors of the future are likely to emerge. In this connection, the Canada Council is seen as having a key role in a government program for training filmmakers, including producers, directors, script writers, cameramen, etc. an outline of which program is given below under Training...

Reorganization of the Public Film Sector

At this time, in addition to proposing amendments to the Canadian Film Development Corporation Act, I am recommending that the National Film Act be amended for the immediate and specific purpose of giving legislative sanction to changes in the National Film Board's position regarding government-sponsored films. I would, at the same time, have wished to bring forward amendments affecting, among other things, the role of the Government Film Commissioner, but have concluded that such *other changes might better await a study of the possible restructuring of the entire public film sector,* embracing the film activities of the NFB, the CFDC, the Canada Council and the Department of the Secretary of State. The nature and scope and the need of the study will depend very much on what developments take place in respect of the private film sector as a result of the policy changes recommended in this memorandum. I believe that several years will be required to appraise such developments but the government should consider bringing forward *new global legislation within the next two to three years for implementation within five years from now.*

Training

... This situation has been reviewed jointly by the NFB, CBC, the Canada Council and the department and a proposal has been developed. *Participants in a course designed by the National Film Board and the Canadian Broadcasting Corporation* would work under the supervision of professionally qualified and experienced directing coaches, dramaturgists and script editors. They would get experience in handling actors, and would follow the editing, sound-mixing and entire film process to get as broad a base as possible...

Distribution

... Some way must be found, through moral suasion or by fiscal measures, to persuade the foreign distributors, who are drawing off about \$60 million annually in film rental

revenue, to assist the distribution and promotion of Canadian films in United States and other foreign markets. To this end, *my officials have entered into negotiations with the Canadian Motion Picture Distributors Association*. The possibility of fiscal measures to provide leverage in these negotiations has been discussed with Department of Finance officials, and several options are under consideration...

On the side of non-theatrical film, the situation is not dissimilar in that about *two-thirds of the market for educational films and other audio-visual educational material are occupied by imports* mostly from the United States, and a number of the larger distributors of such products are foreign-owned or controlled. It is considered that in order to assist purchasers and film users, and to offset the advantages enjoyed by foreign producers and their distributor organizations in Canada, an improvement is necessary in the system of distributing, promoting and providing up-to-date information on Canadian non-theatrical films. I have recently authorized a special study of the 16 mm film market in Canada, with particular emphasis upon these aspects.

The National Film Board, though the mechanism of a network of field offices, has been providing a distribution service for its own films; it has recently proposed a plan for enlarging the scope and improving the efficiency of this system through the development of a computerized information bank and booking system for handling all Canadian produced films, those of the private sector as well as NFB films...

What is not yet clear in the plan are the nature and extent of its benefits to the private film industry. While private producers do not object to the idea of a government agency, the National Film Board, operating a national catalogue and data centre for Canadian films, they would be opposed to any plan of the Board to handle the distribution by sale or rental of private sector films on the ground that the Board's record of performance in the marketing and promotion of its own films leaves room for doubt about its ability and willingness to "push" the private sector's product.

There already exists an efficient national information and booking service operated by the Canadian Film Institute, a private organization which receives some financial assistance from the Canada Council, the National Library and the NFB. The Institute has computerized its booking system. On the whole, the service provided by the Institute was well regarded by the private film sector. Pending more detailed study of the NFB proposal, *I am unable to make any recommendation on distribution in this memorandum*.

The Role of Provincial Governments

A wholly self-sustaining feature film industry is not feasible in any country except the United States; most governments with film industries provide them financial support through legislative arrangements whereby revenue earned at the box office is directed back into the hands of the film producer... Consultations with the provinces indicate that, for the most part, they are not prepared to introduce levies but are not opposed to the federal government's imposing a tax on theatre admissions provided, of course, the tax is clearly identified as federal. This is one of the possible fiscal measures being discussed with Finance officials...

Financial Considerations

It is proposed that the annual appropriation for the Canadian Film Development Corporation over the next five years, commencing fiscal year 1977-78, be increased to permit, in addition to the funds required for administration (\$608,000 in 1976-77) a net investment averaging six million annually.

Investments in 1976-77 on feature films only are forecast at \$4,189,000 with expected return of \$800,000 (see Annex "B" to this memorandum for the CFDC's five year investment plan).

To allow Canada Council to assume a greater responsibility for the support of the developmental class of film referred to above, the Council's budget for film production support should be increased by \$600,000 in 1977-78. Its 1976-77 forecast expenditure is \$450,000. This additional funding would permit Canada Council to assume the responsibility of the CFDC for the special investment program to help new directors and producers with their first films. It is equivalent to the amount budgeted by CFDC in the past year. To make awards for outstanding accomplishments in script-writing and production of Canadian films, a further amount of \$25,000 should be added.

The cost of a government-sponsored film training program has been estimated (1975-76 dollars) at \$4 million annually. The CBC and the NFB are able to provide \$2.2 million from existing budgets. Canada Council's participation in the program would require a \$200,000 increase in its appropriation. The balance of the new money requirement of \$1.6 million beginning 1977-78, would be allocated proportionally to CBC and NFB.

Conclusions

... On one side of the field of competition in non-theatrical film the private film sector finds itself facing a firmly entrenched, publicly financed industry and, on the other, a strong, competitive force in the form of lower-cost imported films and other audio-visual products. In its efforts to establish an environment in which the private film industry can operate relatively free of some at least of the conditions which, it seems clear, are restricting its ability to perform competitively and to develop, *the government is faced with choices that are not easy but probably should not be deferred much longer*.

There can be no certainty at the outset, in the event of the transfer to the private sector of a substantial portion of the non-theatrical film production now carried on 'in-house' by the NFB and the CBC, that the private sector will be capable of delivering a viable film industry in this country, even with the appropriate kind and measure of government support; that it will become competitive with foreign film producers and, at the same time, that it will serve the nation's interests in respect of film as a medium of cultural expression. *The most one can say at this time is that conditions ought to be such as to permit it to show what it can achieve...*

In this memorandum I am suggesting that the time has probably passed where the government can continue appropriately to occupy the share of the non-theatrical film market it has held for the past quarter century or more. *The domination of this significant informational and cultural medium by publicly owned enterprises is probably no longer a situation that best serves the national interest* or allows for the kind of environment best suited to the creative and professional development of Canadian film activity. As stated above, however, the elimination of all government-based activity in the non-theatrical film field is not contemplated; there will continue to be an important (if not indispensable) contribution to be made by the public sector, including training of promising filmmakers. The complementarity of the public sector to the private is probably the key factor in the proposed new disposition. The problem is one of finding the right balance between the public sector's role and share and those of the private side; where that point of balance is and at what point in time we should look to its attainment will be determined by experience.