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THE CHANGING FACE OF THE
FILM INDUSTRY IN CANADA AND ITS PLAYERS:
INDUSTRY TRENDS AND BUSINESS STRATEGIES FOR THE 1990S

by

KARYN ANN RATHWELL WICHERS, B.A.

A thesis submitted to
the Faculty of Graduate Studies and Research
in partial fulfilment of
the requirements for the degree of

Master of Arts

School of Journalism and Communication

Carleton University

Ottawa, Ontario

January 11, 1993

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Thesis Supervisor, Vincent Mosco

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Chair, School of Journalism and Communication

Carleton University
January 11, 1993

Abstract

The main reason for writing this thesis was to begin to fill the gap in the literature on the economic aspects of the film industry in Canada. I have done this by exploring the foremost industry trends and business strategies of the 1980s and 1990s. I have argued that after a period of profound industry change, Canada finally has a true indigenous film industry. This is primarily due to the Canadian government's increased incentive policies for the production sector and the radical changes within the Canadian film companies themselves. Both recognized the importance of television production to the film industry. However, this is not to say that the process of building a Canadian film industry is complete. The government and the Canadian film companies must try to overcome many traditional obstacles, especially in regards to capitalization and domestic distribution, in order for the Canadian film industry to flourish.

Acknowledgements

A lot of people went out of their way to help me during the course of writing my thesis. I would like to thank my advisor, Vincent Mosco, for all of his assistance. A very special thank-you goes out to Katka Selucky who out of the goodness of her heart helped me, many times, as I was writing this thesis. Guy Mayson, my supervisor at the Department of Communications, was also an enormous help by offering some words of wisdom along the way. Talking with Guy was extremely important for my fourth chapter on government policies affecting the film industry. I am extremely lucky that I had these terrific people to offer guidance as I was researching and writing.

I would also like to thank Richard Borchiver, Pat Ferns, Jay Firestone, Daniel Lyon, Sheldon Wiseman and an executive at Cinephile who prefers to remain anonymous. These people took time out of their busy schedules to meet with me and discuss their film companies. Robin Jackson, former Chief of the Film Products Importation Office, also offered her time to discuss the film distribution dilemma in Canada.

Of course, I cannot forget my mother and father, my brother Billie and my husband Ted who all had to put up with my "hyper spazzs" many times during my university years, and yet, they all encouraged me to continue.

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INTRODUCTION

The film industry in Canada has undergone enormous changes within the past 10 years. Canada's indigenous film industry is a relatively new phenomenon. Up until the 1980s, there was a film industry in Canada, but a very limited one. Now, alongside the production, distribution and exhibition of predominantly American films in Canada, Canadian films are also being produced, distributed and sometimes even exhibited, as they have never been. This revolution was caused mainly by the Canadian government's increased incentive policies for the production sector as well as the radical changes that occurred within the Canadian film companies themselves. In the 1980s, the government and film companies recognized that the way to build and expand the Canadian film industry was predominantly through television production, a closely related and highly lucrative industry.

During the 1980s, many Canadian owned and operated film companies were either created or underwent significant strategic and structural alterations. Since that time, these companies have been able to achieve both cultural and economic success in the Canadian and international markets. However, this is not to say that the process of building a domestic film industry is complete. In fact, many of the same structural problems exist. What is different is that Canadians finally have a solid base to build on. This thesis will explain this industrial transformation and examine how it

has affected and been affected by six specific Canadian companies operating within the film industry. I will argue that the Canadian government has a vital role to play in the continuing development of the industry. Like the Canadian film companies of the 1980s and 1990s, the government cannot remain stagnant. These companies grew as a result of major strategic changes made on the part of company managers. Likewise, the government must reassess its role in light of these changes. The government's strong tradition of project funding for the film industry, is no longer enough. More innovative ways of dealing with this new industry must be examined in order for the industry to mature further.

Canadian film production and distribution companies have always had a difficult time trying to survive. Not only do they have to divide up the small Canadian market among themselves but, they must try to compete with the subsidiaries of the U.S. majors which operate in Canada. For over 60 years, the U.S. majors have considered Canada to be part of their domestic film market. Consequently, considering the competition, the smaller Canadian companies have found it difficult to strengthen themselves. The Canadian government has continually tried to solve the problems of the film industry, to no avail.

For example, in 1987, Communications Minister Flora MacDonald announced the Film Products Importation Act to help strengthen the Canadian film distribution sector. The Act has

not been passed. However, Telefilm Canada's Feature Film Distribution Fund, which was announced alongside the Act, was established in 1988. In 1992, NGL Consulting completed a report, for Telefilm, on the progress of the fund to date. The Evaluation of the Feature Film Distribution Fund is somewhat contradictory in that it praises the fund for some things and condemns it for others. One of the key changes identified by the study is the increased consolidation within the distribution industry. The report views this trend as appropriate in order for a few Canadian distribution companies to become more competitive. However, the study states that some limits should be placed on consolidation considering some of its drawbacks. The study also says that there is still not enough collaboration between Canadian producers and distributors. (NGL Consulting, March 1992: 127) Furthermore, the study states that "the position of Canadian distributors has worsened and the distribution fund has not been able to overcome all negative factors." (NGL Consulting, March 1992: 127) However, it is interesting to note that the Canadian market share of Canadian distributors has increased since NGL's study.¹ It is difficult to identify how much the distribution fund, and other government policies and programs, have altered the industry and how much is caused by other factors. Nonetheless, it is important to look at the transformations that are occurring in the production and distribution sectors and determine what those changes mean to

individual companies.

The problems of the Canadian film industry have been well documented and lamented for many years. Like any other industry, the film industry is subject to the laws of capitalism. Consequently, many of the answers to what ails the film industry can be found in the economic aspects of the industry. Unfortunately, the economic aspects have only been explored in general. Scholars have barely looked at individual companies involved in the film industry to arrive at a better understanding of the industry and its problems.

In order to begin to fill this gap in the literature on the film industry in Canada, this thesis will concentrate more on the economic aspects of the industry, rather than on the political. This means that my focus will be to examine the actual companies working within the industry rather than the government policies that affect them. The reason for this is that while recent policy proposals and changes are always necessary to explore, the political aspects have been addressed many times before. However, the economic aspects of the film industry in Canada have largely been ignored, mainly because of the difficulty in obtaining data. By economic aspects, I refer not only to financial data but also to the structure and business strategies of companies working in the film industry.

It is important to realize that since film is a cultural industry, there is more at stake than merely money.

Consequently, I will be taking a cultural nationalist viewpoint when arguing that economically viable Canadian companies are needed to produce and distribute films which are truly Canadian. Tradition has shown that non-Canadian firms are not interested in distributing Canadian films. Data from Statistics Canada shows that foreign distribution companies operating in Canada distributed only eight percent of the total amount of Canadian films and videos released in the country during the fiscal year 1989-90. (Canada, Statistics Canada, 1989-90) Therefore, the responsibility lies with Canadian companies to ensure that Canadians, as well as audiences worldwide, have the opportunity to view Canadian films. I am in favour of economically successful Canadian film companies with a cultural mandate. These companies are best able to produce and distribute truly Canadian films since they have the money and the will to do so. This is not to exclude many of the small Canadian film companies which also benefit the industry. However, these companies are finding it difficult to compete in the increasingly complex and consolidated film industry.

In this thesis, I aim to discover whether Canadian companies are really living up to these cultural objectives. To do this, I will explore what types of films Canadian companies produce and distribute as well as what position company directors take on Canadian cultural issues. I will argue that no matter what type of productions these companies

are involved in and no matter what position they take on Canadian cultural issues, their cultural philosophy is directly tied to their business strategies. However, regardless of the intent of these Canadian-owned film companies, it is important that they continue to be involved in films rich in Canadian content in order to help strengthen Canadian culture.

This thesis is about the political economy of the film industry in Canada, rather than about the political economy of the Canadian film industry. This distinction may seem insignificant, however, I do not think that one can discuss the Canadian film industry, in a vacuum, without mentioning the relationship that Canadian film businesses have with the foreign, largely American companies, operating in the film industry in Canada. Therefore, although Canadian film companies are my primary focus, their history of doing business in an industry that is largely controlled by foreign interests has greatly affected their structure and business strategies. Consequently, it is extremely important to discuss the operations of the U.S. majors in Canada, because of the enormous influence that they have over the economic, political and cultural aspects of the entire film industry in Canada. However, I will not go into great detail here because other authors, such as Manjunath Pendakur (1990), have explained how the U.S. majors have come to dominate the film industry in Canada.

This thesis will focus on the production and distribution sectors of the film industry. The exhibition sector will be discussed briefly, in reference to its relationship with the other sectors of the film industry. However, the exhibition sector is not of primary importance to this thesis for two main reasons. First, its inclusion would either make the thesis too lengthy or decrease the attention that is needed to explore the production and distribution sectors. Second, the focus of this thesis is on the economic aspects of the film industry with reference to case studies of individual companies. The largest Canadian exhibition company, Cineplex Odeon Corporation, has received a lot of press coverage and attention by other authors. For instance, in his book Canadian Dreams and American Control: The Political Economy of the Canadian Film Industry (1990), Manjunath Pendakur examines Cineplex Odeon in some detail. I do not have much to add to what has been previously published in regards to Cineplex Odeon and the entire film exhibition sector in Canada, at this time.

To begin, Chapter I will discuss the theoretical and methodological approach of my thesis. This will be followed by a chapter explaining the structure and trends of the film industry in Canada, as a whole. This chapter will look at the characteristics of the production and distribution sectors today and how they have changed over the past ten years. Trends similar to those affecting other independent film

companies from around the world, such as the continuing considerable power of the U.S. majors, vertical integration, horizontal integration, globalization, consolidation and various film financing trends, will be examined.

Chapter III will put this general industry information into context by focusing on six Canadian film companies. This has never been done before for the film industry in Canada. Economic information on specific companies is not as readily available as political information. However, this lack of data and research provides more reason to study this important area. Central to this chapter will be an analysis of each of the chosen firms' structure and business strategies. I have identified that the most common business strategies, of the late 1980s and 1990s, for Canadian film companies are the predominance of television production over feature filmmaking, distribution of others' products, vertical integration, globalization, utilization of government programs and internal production financing. The adoption of these and other strategies have contributed to the maturation of some of Canada's film companies. The companies which have made best use of these business strategies are the ones which have become industry leaders.

The final chapter will explore the political aspects of the film industry. Here, I will investigate some of the current public policy issues affecting the film industry. Obviously, I will not be able to go into detail about all of

the policies and programs affecting the film industry in just one chapter. The political aspects are not the focus of my thesis, but a final place to look for ways to address industry problems. I will argue that the Canadian government must take an active role in the continuing development of the Canadian film industry. In addition to its tradition of providing project funding for the film industry, the government must also address the important issues of capitalization and domestic distribution. These problems cannot be solved by funding programs, alone.

My decision to research this topic stems both from my profound interest in the subject of Canadian film and the realization that this is an extremely important area to study considering the lack of information that presently exists on the film industry, particularly relating to specific companies. I first became interested in the Canadian film industry and Canadian films probably the way most people do - by accident. It is easy for one to become interested in American films, since they are so accessible and dominate world cinema and television screens. Consequently, Canadians are very familiar with American films. It is hard not to be. By the same token, Canadians are very unfamiliar with their own national cinema. Ask a Canadian to name the last three American movies they saw and one would have no trouble obtaining an answer. Ask the same Canadian to name any three Canadian movies and you would hear a lot of grumbling and

moaning before one, if any, Canadian film titles were mentioned. In fact, those were two of the questions that I was asked at an interview for a summer job at Communications Canada's Film and Video Policy and Programs Division in 1990. I am embarrassed to say that at the time I had not even heard of Bye Bye Blues and I could barely remember the titles of "Jesus of something..." and "The Decline of something else...". I guess knowledge about the Canadian film industry is not prominent in university students, because surprisingly, I was hired as a researcher. Hence, my accidental interest in Canadian film.

After a summer at Communications Canada, I was hooked on Canadian film. I continued writing in the area once I returned to Carleton University and began to actively search for and watch Canadian films. In April 1991, I completed my Honours Research Paper (HRP) entitled, "Film Distribution in Canada". During my Masters' year at Carleton, my interest in the content of Canadian films, rather than just the industry, became intensified when I took the Masters level "Canadian Cinema" course. I learned about the rich history of Canadian film and realized that these films are really worth fighting for. Some very good films have been and continue to be produced in Canada, including some of my favorites: Drylanders, Goin Down the Road, Best Damn Fiddler from Calabogie to Kaladar, Bye Bye Blues and White Room. I believe that it is important that each nation be able to tell its own

stories though the medium of film. Consequently, my interest in the film industry and its problems is backed by a desire to continue to see Canadian films and the hope that many more Canadians may share my love for our country's cinema. Unfortunately, there are a lot of Canadians who do not share my sentiments for Canadian cinema merely because they are not exposed to it. This stems from industry problems, in particular, distribution problems which make it difficult for one to access Canadian films. Consequently, most fans of Canadian cinema are those who have happened upon the area quite by accident, not unlike myself.

CHAPTER I THEORETICAL APPROACH AND RESEARCH METHODOLOGY

i) Theoretical Approach

Based on my area of interest and the question that I will address, political economy theory is the best way to pursue my study of the film industry in Canada. By examining the film industry in Canada from a political economic point of view, one can come to a better understanding of the business interests involved and their relationships with other businesses and sectors of society.

Diversity within the Political Economy Discipline

Political economy is a discipline diverse in its traditions and history. It began in the 18th century when Adam Smith attempted to explain the growing capitalist system. In the 19th century, Karl Marx used political economy, but in a different manner. Marx, of course, was opposed to capitalism. When people mention political economy, today, they often refer to it as a Marxist theory. However, there is much more to political economy than merely the tradition that came out of Marx's work. In fact, several political economic approaches exist. For instance, institutional political economy, another critical approach, concentrates on institutions rather than other aspects of economic life such as markets and consumer preferences. This is not to say that this approach ignores such things, but that its starting point is institutions. Institutional political economy argues that

the size and shape of an institution matters and becomes a major constraining force in what gets produced. It does not say that either large companies or small companies are better. Rather, this approach recognizes that the key to success, for any company, is to choose the best corporate size, structure and strategies for the circumstances of the time. Another form of political economy exists which lies in opposition to Marxist political economy and is fully supportive of capitalism. It is generally known as the conservative approach.² The nationalist approach recognizes that there are strengths and weaknesses in capitalism.

Of course, this is a very simplified and inconclusive account of the various shapes that political economy has taken over its long history. What I want to stress in this brief account is that political economy theory is very diverse. In general, political economy is used to examine political and economic influences on the production, distribution and consumption of products. However, various political economists examine this in very different ways. Consequently, they will come up with very diverse conclusions as well.

In this thesis, I will be taking a critical communications approach which lies somewhere between institutional and nationalist political economy. I do not agree with the aspect of Marxist political economy which is opposed to large institutions. I believe that Canada needs some economically large film companies in order to compete in

the world market and to have a strong indigenous film industry. However, this does not mean that I am opposed to small companies. As will be explained later in this chapter, I am in favour of small or large companies that are able to become successful by foreseeing future industry trends and adjusting their structure and strategies accordingly.

Critical Communications Research in North America

Critical communications research, which includes the political economy of communication first aroused some interest in North America in the post World War II era. Some of the major critical thinkers in the field include Dallas Smythe, Herbert Schiller, Thomas Guback, Vincent Mosco, and Janet Wasko. Although these and other political economists have helped to build a significant body of work in the field of communications, a lot of research continues to be administrative. Administrative research, which is "conducted in the service of a particular organizational interest", (Mosco, 1989: 46) is predominant among studies done on the film industry. For instance, in Canada alone, there is an abundance of government and consulting reports on the film industry. These have become major tools for researchers since not much has been written from a critical communications perspective which "aims to uncover how and why the media serve those in power." (Mosco, 1989: 46) In Canada, the major critical political economic study of the film industry was completed by Manjunath Pendakur in 1990.

Critical communications research includes cultural studies research as well as political economy. Vincent Mosco says, "cultural studies research starts with media content and form, analyses the impact of these on consciousness and ideological production and links the production of media to the wider ideological system". (Mosco, 1989: 49) On the other hand,

political economy starts from questions about ownership and control of media institutions, identifies processes of media production, distribution and reception and analyses the connections between means of communication and more general means of production and reproduction in a capitalist world economy. (Mosco, 1989: 49)

Mosco believes that critical research would benefit from the collaboration between these two traditions. He says, "this would help us to address more thoroughly such questions as the implications ownership patterns have on the form and content of media products or the way media texts relate to ongoing social conflicts". (Mosco, 1989: 65) This is a difficult task.

Consequently, the theoretical basis for my paper does not come without problems. Akin to Mosco's ideas, I believe that a major flaw of political economy is its failure to address the pleasure that one gets from consuming cultural products. This type of analysis would come from a cultural studies tradition. As mentioned in the introduction, I derive a great deal of pleasure from watching Canadian films and assume that a great many other people do as well, or would if they were exposed to them. To look at both the text and the economics

of Canadian film would be a very difficult task. I will bring the two together, in a limited manner, by examining the case study companies' relationships to Canadian cultural products and why the production of these is important. In particular, I will examine which companies are involved with Canadian productions. By this I mean productions which have been defined as Canadian content by the Canadian Audio-Visual Certification Office (CAVCO), Telefilm Canada and/or the Canadian Radio-television and Telecommunications Commission (CRTC). For the purposes of this study, these regulations are the best way for me to determine which companies are involved with Canadian films. However, Canadian content productions are not necessarily Canadian in theme. Many companies are involved in Canadian content films merely for the industrial benefits they provide which help them to achieve economic rather than cultural goals. The Canadian content regulations of these agencies have been subject to debate at various times. Since this is a large issue, I will only briefly discuss Canadian content regulations in my thesis.

What is Political Economy?

Janet Wasko says that a common misconception about the political economy of communication is that it "is solely concerned with the questions of media ownership and control". (Dervin, 1989: 474) In fact, she says political economy goes beyond that. "It is the study of structure and policies of communications in their social settings." (Dervin, 1989: 474)

Basically, political economy is a set of tools by which one can come to an understanding of, in this case, the film industry and its relation to other forces in society. (Mosco, course 27.531*, 1992) Political economists are interested in the interaction between various sectors of society. These people examine who possesses power in society, to what degree that power is held and how that power influences what is produced and distributed in society. For this thesis, I am interested in the interaction between the film companies in Canada, the state and finance. I will argue that certain businesses have power over the Canadian state. This has a definite effect on the types of policies and programs which the Canadian government puts in place. Consequently, it also has an effect on the types of films that get produced and distributed in the country.

Graham Murdock and Peter Golding define political economy as the area of study concerned with the "control over the production and distribution of ideas concentrated in the hands of the owners of the means of production. As a result, the views of those who own the means of production receive publicity and come to dominate thinking." (Curran et al, 1977: n.p.) In the case of the film industry in Canada, it is the foreign, largely American companies, operating in Canada that own and control the majority of the Canadian film distribution market. Since they are predominantly interested in distributing American films, it is American ideas and values

that come to dominate thinking in Canada, through the medium of film. I believe that it is important for Canadian audiences to be presented with Canadian ideas and values as well. Like other information media, private ownership in the film industry does not always guarantee diversity. The diversity that I am concerned with is based on the nationality of the film product. Consumers must have an adequate opportunity to view Canadian, as well as foreign films.

The Broad View of Political Economy

Broadly speaking, political economy encompasses three main aspects: social totality, history and a moral or philosophical dimension. First, social totality refers to the fact that political economy is concerned with the relationship among institutional and class interests in society, which includes the state, industry, the family, class structure and the work force. I am interested in exploring the relationship between the film industry, the state and finance. Second, political economy is not only interested in the current situation, it is also concerned with history and how the current situation came to be. Consequently, Chapter II and III will examine the historical evolution of the industry and the film companies themselves. Furthermore, I have briefly outlined the history of Canadian government attempts to create and sustain an independent Canadian film industry in Chapter IV. However, in that chapter I have focused more extensively on recent public policy issues.

Third, political economy theory, like most theories, cannot dissociate itself from the moral or philosophical dimension of the subject that it is dealing with. Consequently, like other political economists, my prescription for the way society ought to be is sometimes value laden. For instance, like authors Thomas Guback (1989) and Peter Harcourt (1977), who have written about the importance of a film industry to a nation, I believe that we ought to have truly Canadian films. I am writing this thesis as a Canadian nationalist who believes that we should be able to watch stories about our own people, culture and heritage as well as stories from other countries.

Not only does domestic film production and distribution provide cultural and ideological benefits, it also provides economic benefits. The film industry is labour intensive, requiring a skilled labour force. (Guback, 1989: 491) Furthermore, the film industry indirectly creates many other economic benefits. For instance, a film production's cast and crew contribute money to the local economy, where their production is being shot, by consuming local products. Furthermore, the actual film production, itself, requires local services to help with things such as set construction. Therefore, because of the cultural and economic benefits that a domestic film industry provides to a country, I think it is important that Canada preserve and contribute further towards its film industry.

Consequently, I will be arguing from the normative, prescriptive style of political economy, similar to that of Herbert Schiller and Vincent Mosco. My aim is not merely to state industry trends and business strategies of specific companies operating within that environment, but to identify a value that is important to me, in this case, nationalism and the promotion of Canadian culture, and examine whether the tendencies that I have identified help or hinder the promotion of national interests.

The Narrow View of Political Economy

The narrow view of political economy states that the theory is concerned with social power through the production, distribution and use of resources. In the case of this thesis, I will be looking at the power within the film industry in Canada in regards to the American majors and some of the Canadian film companies. I will show the extent to which some companies control the industry and how this occurs. Political economy's concern with social power will lead me to ask questions about which companies are linked through common ownership. It will also lead me to examine interlocking director relationships between companies.³

Critical Political Economy and Mainstream Economics

Critical political economy, which includes Marxist and institutional political economy, is very different from mainstream economics. First, mainstream economists dissociate themselves from the moral aspects of the topic. Second,

mainstream economists emphasize competition and do not believe that the size of institutions matter to society, beyond the fact that they are able to make a lot of money, which is a goal of capitalism. An example of this opposition between the two types of economics can be seen in my opposition, as a critical political economist, to the views of mainstream economists, Steven Globerman and Aidan Vining. In their book Foreign Ownership and Canada's Feature Film Distribution Sector: An Economic Analysis (1987), Globerman and Vining argue that the distribution sector in Canada is doing fine economically and that if it is the economic situation of the film industry that worries Canadian government officials then this anxiety is unwarranted. Globerman and Vining dispute the film industry statistics provided by the Canadian government, which they say underestimate the level of film making in Canada. They say that the American majors are making a major contribution to the overall growth of the Canadian film industry, which the Canadian government does not admit. Although it is true that Statistics Canada figures are not entirely accurate, they do provide the opportunity to detect trends. By emphasizing an economic perspective at the expense of a view that takes cultural priorities into account, the book helps one to comprehend the antagonistic ways in which people examine the film industry.

Despite the opposition between mainstream economists and critical political economists, the two use many of the same

concepts such as concentration, diversification, globalization, conglomeration, consolidation, vertical integration and horizontal integration. These terms will be used extensively throughout this thesis. However, critical political economists view the results of these processes much differently than mainstream economists. Marxist and institutional political economists look critically at the effects that these processes have on a particular industry, while mainstream economists view these processes as positive signs that capitalism is working well.

Players, Stakes, Arenas and Technologies

Vincent Mosco examines the political economy of communication by looking at the players, stakes, arenas and technologies. In regards to the film industry in Canada, there are a wide array of players involved. First, there are the Canadian businesses involved in one or more sectors of the industry; production, distribution and exhibition. They must compete directly with and/or are affected by the operations of the U.S. majors in Canada. All of the U.S. majors have at least one distribution subsidiary located in Canada. These companies receive an overwhelming majority of the distribution revenues in Canada. Their control over the distribution sector, which is central to the film industry, allows them to control the entire Canadian film industry. In Canada, the interests of the American majors find support under the Canadian Motion Picture Distributors Association (CMPDA),

which is anything but Canadian, and the Motion Picture Export Association of America (MPEAA). The MPEAA has been the major reactionary force to the Canadian government's film policies since the 1940s. Jack Valenti, President of the MPEAA, is the leading force behind the opposition to any Canadian government policy which would jeopardize the powerful economic position that his association of American film production/distribution companies have in Canada.

The next group of film industry players includes the Canadian federal government, and its agencies such as Telefilm Canada, the National Film Board and the Canada Council, which operate at arms-length from the government. The various provincial governments are also involved with the film industry. The provinces have arms-length film agencies and arts councils such as the Ontario Film Development Corporation, BC Film Fund and Saskatchewan Arts Board. Public and private broadcasters are also very involved in the film industry, whether to produce, help finance or broadcast Canadian productions.

Private financing sources such as private investors, private companies and foreign investors are also important to the film industry. Other central players include foreign producers, without which Canadian co-productions could not be realized. Professional associations such as the Alliance of Canadian Cinema, Television and Radio Artists (ACTRA), the Canadian Film and Television Production Association (CFTPA)

and the Directors Guild of Canada also play important roles within the industry. Finally, the press is a player in the Canadian film industry because it can be an important source of advertising for Canadian productions through film critics' columns. Critical acclaim is very important for many Canadian films which are not considered to be mainstream but are intended for a more intellectual, adult audience.

The stakes that are up for grabs are both economic and cultural. In regards to the film industry in Canada, the stakes to be fought over are control over Canada's film market and the enormous amount of money that comes with that, as well as control over culture. Many of the players involved are unsure as to how to balance these two major stakes. The Canadian government is very confused and divided between its cultural and economic goals. The current Tory government is very economic in its outlook, however, certain government departments and agencies have very cultural mandates which the government cannot ignore.

Telefilm Canada is the most obvious example of the cultural/economic division. One can easily see in the operations of Telefilm that cultural and economic goals do not easily mesh together. Telefilm is confused as to whether it is primarily fighting over cultural or economic stakes. The Corporation's second chairman, Gratien Gelinas, says, "the hardest thing, for us, was to reconcile cultural and economic interests - in other words, identify projects of cultural

interest that would make a profit." (Canada, Telefilm Canada, June 1992: 5) In fact, the challenges facing Telefilm today are not very different from those expressed by Gelinas. However, Carole Langlois, an analyst for Telefilm's Festivals Bureau says "the famous debate between culture and the industrial aspect, seems less problematic. We now recognize that quality is not incompatible with success." (Canada, Telefilm Canada, June 1992: 5) Langlois' words may be somewhat optimistic. I do not think that the culture and economic debate has entirely subsided. It is true that quality cultural products can become economic successes, however, this is still very difficult to do.

The arena is where the players fight over the stakes. This too has an economic and cultural side to it. The economic arena is commonly referred to as a market in the film industry. Markets are often determined according to locale. For instance, there are domestic and international markets, or more specifically there is the European market and the North American market. Markets can also be determined by type of product. Consequently, there are feature film markets, non-theatrical markets and television program markets. Markets are one way to divide up the arena so that the stakes can be fought over. Markets can also refer to specific events, such as the International Films and Program Market for Television, Video, Cable and Satellite (MIP-COM) in Cannes, where producers and distributors try to make contacts to sell their

productions.

The cultural arena would include things such as film festivals, including those which take place in Montreal, Toronto and Cannes. Although markets and festivals often occur at the same time and location, the two are quite different. At festivals, nothing is being bought and sold. The films are merely being exhibited in the hopes of attaining positive press coverage and consequently, selling the product at a market.

No matter what media one talks about today, the arenas of the communications industries are becoming more intertwined. Consequently, it becomes impossible to discuss one communication arena without mentioning others. This is no different in the film arena which cannot be discussed without mentioning the television arena. The two have become increasingly interrelated. Film producers must produce for the lucrative television market, if they are ever going to survive. This amalgamation of the film and television arenas will be discussed, in more depth, in Chapter II. Finally, the technologies involved in the film industry include a myriad of film and video production and distribution technologies. For instance, distribution technologies such as television, cable and satellites have changed and will continue to alter the structure of the film industry.

Political Economy Literature

For my political economic analysis of the film industry

in Canada, I have consulted the works of Janet Wasko (1982), Thomas Guback (1969), Manjunath Pendakur (1979, 1981, 1985, 1988 & 1990), Asu Aksoy and Kevin Robins (1991) who have all written about the political economy of film. Janet Wasko's book, Movies and Money: Financing the American Film Industry is a political economic analysis of the American film industry which concentrates on the economic. This is immediately apparent in the title which makes reference to money and financing. Wasko is primarily concerned with the relationship between banks and film companies. In Canada, this relationship is less prominent because banks in Canada are not as willing to help finance Canadian production companies which are not as established and do not have the same access to the distribution sector as do the major American studios. Wasko says that the relationship between the film companies and the banks must be situated within the overall structure of the industry, finance and state relations. However, state relations take a back seat to finance in this study.

Despite the fact that the statistical figures included in Wasko's book are now out of date, the ideas which are brought to the forefront concerning the interaction between financial institutions and film companies are interesting and still relevant. Wasko's book is one of the few that considers particular film companies. She explains general trends in a specific time period and then she goes into a series of case studies to illustrate developments. A similar case study

format is used for this thesis on film companies in Canada with the aim of filling the gap that exists in literature on the film industry in Canada.

Asu Aksoy and Kevin Robins' paper entitled "Hollywood for the 21st Century: Global Competition for Critical Mass in Image Markets" is a very up to date political economic look at Hollywood. Its argument concerning the continuing considerable power of the U.S. majors despite what seems to be a growing independent film production sector, vertical re-integration and globalization is extremely interesting. Many people, like Michael Storper and Susan Christopherson, state that the power of the majors is lessening because of the growing independent production sector. However, Aksoy and Robins state that the independents merely present the appearance of diversity taking place in the film industry. (Aksoy and Robins, 1991: 15) Aksoy and Robins' paper is important because it locates recent trends in the film industry. In Chapter II, I will examine this paper in order to determine whether Aksoy and Robins' findings have any relevance for independent film production and distribution companies in Canada. I will argue that Canadian independent film companies are being affected by similar trends that are affecting the U.S. independents.

Manjunath Pendakur's book Canadian Dreams and American Control: The Political Economy of the Canadian Film Industry (1990) takes a radical political economic look at the Canadian

film industry with an emphasis on the political aspects. Pendakur devotes much of his book to the history of the Canadian film industry and how American interests became prominent at an early date. He discusses government policies relating to the film industry such as the Canadian Co-operation Project, Capital Cost Allowance, the Free Trade Agreement, co-production treaties and the proposed Film Products Importation Act. However, Pendakur fails to take into account the financial situation of Canadian businesses involved in the film industry. Again, what is lacking, that has been lacking in many other books on Canadian film, is a regard for the economic aspects of the film industry. This problem probably stems from the fact that finding data on film businesses is extremely difficult both in Canada and the United States. However, Pendakur does look at the economic aspects of Cineplex Odeon in chapter seven of his book. This kind of research is needed for more of the companies involved in this industry in order to conduct a comprehensive political economic examination of the film industry in Canada.

ii) Research Methodology

The theoretical approach of my thesis leads me to a certain research methodology. Secondary literature concerning the film production and distribution sectors in Canada from books, periodicals, journals and government reports have been explored. As well, secondary statistical information from Statistics Canada, Telefilm Canada and the Canadian Audio-

Visual Certification Office (CAVCO) are analyzed in subsequent chapters. Primary data from annual reports and interviews as well as secondary data from periodicals contain the bulk of the information for this study since there has not been much published in book form in this area.

Compiling economic data on the film industry, whether in Canada or the United States is difficult. Wasko mentions the problems experienced when searching for primary documentation because of the obstacles of corporate secrecy. She says that the difficulties in finding reliable data is probably "one of the reasons there are so few studies of this type". (Wasko, 1982: xxiii) Consequently, the main problem that I came across when researching this thesis was the lack of information, financial or otherwise, about the film companies operating in Canada. Most of these companies are small, privately-owned or foreign-owned. Consequently, most companies are not required by law to disclose financial information to the public. This makes sources such as annual financial journals virtually useless. In many cases, periodicals were the only source of information on the businesses, however, this source posed two additional problems. First, when compiling sporadic data from various publications, the figures often differ from one source to the next. Second, journalists often persuade private companies to disclose information by promising to write an article that makes the company look good. Therefore, most articles written

about private film companies profile the company as a success and read more like a public relations promotion.

My idea to do case study research for my thesis came after reading Janet Wasko's book Movies and Money and realizing that nothing similar had ever been done for Canada. However, coming to a decision concerning which film companies I should profile was not an easy task. In the United States, it is easy to determine which companies are the largest because there is so much written about the majors. By consulting Variety, one can easily come up with the names of the eight majors. In Canada, the industry leaders are not as easily apparent. Consequently, I had to search the Canadian Business Index, Canadian Periodical Index and Canadian Newspaper Index as well as Playback collecting sporadic information on any film company operating in Canada before I was able to decide which companies were the industry leaders and which companies I thought would be good examples to use as case studies. Early in my research, it became apparent that Astral Inc. was a leading figure. It is easier to find information about Astral than some of the other Canadian companies since it is a publicly-owned company and therefore, discloses much more financial information to the public. Once I had made my decision concerning which companies I wanted to use as case studies, I obtained more information on those companies through interviews.

Structure and Strategies

Consequently, the case study companies chosen for this study were not merely picked out of a hat. There are many ways in which one could attempt to categorize Canadian film companies. However, I decided that the best way to do this is on the basis of their structure and business strategies. This type of information is much more interesting and much more telling of how the industry players work, than merely stating and explaining financial data. This case study method of examining the structure and strategies of a company has been used in one of the major business histories in the United States. Alfred D. Chandler, Jr.'s book, Strategy and Structure: Chapters in the History of the Industrial Enterprise (1962) provides case studies of DuPont, General Motors, Standard Oil and Sears, Roebuck and Company. Chandler examines how the strategy and structure of each company has changed over the years. He found that these companies were extremely successful because their managers were able to foresee trouble and make the necessary strategic and structural changes. One of the main points that Chandler makes, that is central to this thesis as well, is that a firm's size can be good or bad, depending on what the managers do with it. Furthermore, there is no simple structure or set of strategies that is best for any industry. (Chandler, 1962) Likewise, in the film industry, size does not necessarily guarantee success. Alliance has become a successful film

industry leader because its executives adjusted for future industry trends long before anyone else in the industry. This does not mean that a small firm like Lacewood cannot achieve success. As long as a firm remains abreast of new trends, it will be able to maintain its strong position.

Chandler also mentions that structure always follows strategy. This should be kept in mind when reading Chapter III. Although each case study begins with the structure of a particular company, that structure was preceded by a strategy of why the owners thought they should start such a company in the first place and what corporate structure they thought could help them achieve their initial goals.

For the purposes of this thesis, the structure of a company is the way in which a company is presently organized including its ownership, financial situation, whether or not the firm is vertically integrated and/or horizontally integrated and the degree to which it is globalized. Chandler defines strategy as "the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals." (Chandler, 1962: 13) In short, a corporate strategy is a coherent plan of action whose purpose is to attain specific goals. The strategy categorization encompasses all of the things within the structure category, but with an eye to the future. For instance, a strategy may be to alter the ownership pattern of

a company by selling public shares, the goal of which may be to increase capital which can then be put towards increasing the amount of productions that the firm produces. A firm's decision to vertically integrate, horizontally integrate and/or globalize are also strategies which can have very different goals, depending on the circumstances and the company involved. Furthermore, a company's strategy could include the degree to which it decides to become involved with Canadian content productions, its public position on Canadian cultural issues and why the company believes that such involvement and views are necessary to reach certain goals. The strategies of a company are a primary force in determining whether a company will survive and succeed.

In NGL Consulting's evaluation of Telefilm Canada's Feature Film Distribution Fund, a structural categorization is used. They state that there are three main types of Canadian companies involved in film distribution; Distributor-Producers, Producer-Distributors and Distributor-Distributors. NGL Consulting labels Distributor-Producers as "value-added intermediaries". Such companies are linked with one or a variety of the following activities: "production of feature films; production of movies or programming for television; exhibition, whether in theatrical circuits, pay-TV and TV, or video; services such as laboratories, post-production facilities, dubbing, cassette duplication; distribution of name product for TV or video; and import and export of films

and TV programs." (NGL Consulting, 1992: 76) Producer-Distributors are companies which have become involved in distribution after years of success in production. This model of having an in-house distribution arm was initiated by the American majors in the early years of cinema. The distribution subsidiaries of the Canadian film companies are usually much smaller than those of the Distribution-Production companies because they handle fewer films, often just their own productions. Consequently, they do not possess the advantages that larger distribution companies do such as increased contact with exhibitors and cost-efficiencies due to increased volume. Finally, in reference to Distributor-Distributors, NGL Consulting says,

These firms concentrate on distributing specialized types of film products. These include television series, children's films, art\adult film, educational film, and foreign language "cultural" films. This segment is the most fragile of the three, having had its previous strengths undermined by the development of the videocassette market, the decline in repertory theatres, increased consumer interest in main-stream high-budget films, and the financial crisis of television broadcasters. Such companies can play an important role in often providing first-time filmmakers with limited specialized distribution of their products. (NGL Consulting, 1992: 77)

Akin to Willis Consulting's A Report on Distribution in the Canadian Film Market (1990), NGL Consulting admits that its categories generalize the activities of Canadian film companies and that in reality "a firm may move between these categories through the year, or through its corporate evolution". (NGL Consulting, 1992: 77) Willis Consulting's

categorization of the distribution sector will be examined in Chapter II. These two examples of attempts to categorize the players involved in the film industry show how difficult such an endeavour is and that no matter how one decides to categorize the industry, problems will inevitably exist with the generalization process. Nonetheless, categorization is necessary in order to understand the industry and its players better.

Consequently, the Canadian companies included in this thesis as case studies have been chosen based on their structure and strategies that are characteristic of other Canadian film companies. All three structural categories of companies outlined by NGL Consulting will be examined below relating to specific firms. Various strategies will also be explored in regards to how they relate to specific companies. The firms that have been chosen for this report do not necessarily constitute a representative sample of the firms involved in the film production and distribution sectors of the film industry in Canada. What follows in Chapter III are corporate profiles of Alliance Communications Corporation, Astral Inc., Cinephile Films Ltd., Lacewood Productions Inc., Paragon Entertainment Corporation and Primedia Entertainment Inc. As will be explained below, my reasons for choosing each of these companies are as varied as the companies are themselves.

iii) Review of the Literature

Scholarly writing about film displays a curious imbalance that few people seem concerned about redressing. Even a superficial survey reveals that most studies deal with aesthetics, theory of one sort or another, genres, and personalities. Some studies also treat film historically, examine it as a social document, or conceptualize it as a medium that affects its audience. These approaches share more or less, the assumption that what there is worthwhile to study about film can be grasped with research tools and techniques not unlike those used in literature. Necessarily, differences do exist because of the natures of these media, but film ultimately is seen as a text. (Wasko, 1982: xi)

Thomas Guback's words in the foreword of Wasko's book Movies and Money accurately sum up the kind of scholarly research that is predominant in the area of film, not only in the United States, but in Canada, Europe and elsewhere, as well. He says that scholarly writing has not "come to grips with the basic character of film in capitalist society." (Wasko, 1982: xi) and that,

Film is a commodity, and exchange value sets the broad parameters that determine not only how the medium will be used, but also the shape of the industrial structure that makes, distributes, and exhibits it. (Wasko, 1982: xi)

Likewise, most books in the area of Canadian film are about the films themselves rather than about the industry. Some books begin with a history of the Canadian film industry in a chapter or two and then proceed to write about the text of the films. Most books about Canadian film are useful to outline the history of the Canadian film industry and the policies related to films. However, one must go beyond these to discover information on more recent policy proposals. Most books in the area of Canadian film do not provide much

information on the industry or the businesses involved. Manjunath Pendakur's book Canadian Dreams and American Control (1982) and Steven Globberman and Aidan Vining's book Foreign Ownership and Canada's Feature Film Distribution Sector: An Economic Analysis (1987) are exceptions to this rule. They both deal with the film industry rather than the texts of the films.

Like film books, most periodicals concerned with film are in the form of reviews or scholarly papers concerning the aesthetics or thematics of films. However, some periodicals do exist that are concerned with film as an industry, such as Playback and Variety.

Other Sources of Information

Important information for this thesis was found through various periodicals, annual journals, Canadian departments and agencies, corporate annual reports and personal interviews. Since economic information and data on the film industry in Canada is both minimal and sporadic, I felt that a section devoted to this major problem would be an important addition. Therefore, I have included Appendix I which will explain the many other sources of information, used for this thesis, in further detail. This section may prove to be useful for future researchers studying this area.

CHAPTER SUMMARY

This chapter has explained the theoretical approach and research methodology for my thesis. Political economy theory

is utilized in this study on the film industry in Canada in order to examine the relationship between the film industry, the state and finance while maintaining a Canadian nationalist perspective. The works of political economists Janet Wasko, Manjunath Pendakur, Asu Aksoy and Kevin Robins have been consulted. The research methodology section, in this chapter, explained the problem of trying to obtain information about film companies. The lack of research and statistical data in this area serves as an excellent reason for this study. Considering the enormous gap that exists within the literature on the film industry in Canada, the aim of this paper is to begin to fill that gap. Chapter II will commence this task by examining the structure and trends of the film industry in Canada.

CHAPTER II THE STRUCTURE AND TRENDS OF THE FILM INDUSTRY IN CANADA

The film industry in Canada underwent tremendous changes during the 1980s due to domestic and international economic trends and policies relating to the industry. This chapter will explain the overall structure of the industry and the complex relationships between the production, distribution and exhibition sectors. As mentioned in the introduction, the focus of this thesis is on the production and distribution sectors. Recent film industry trends, both new and recurring, will also be examined. They include the continuing considerable power of the United States major film production and distribution companies, vertical integration, horizontal integration, globalization and consolidation. As well, financing trends such as the banking industry's disregard for the Canadian film industry, the production and distribution sectors' continuing reliance on public financing sources, the growth of investment subsidiaries within film companies, and "basket financing" will be explored. One could argue that there are additional trends taking place in the industry, however, in my opinion, these are the main ones. After reading this, one may be led to believe that Canada's film industry structure and problems are exceptional. However, if one were to examine the characteristics of film production and distribution industries in other developed countries, one would find that Canada is more exemplary than exceptional.

However, the film industry that Canada is most often compared with is the one from which it is most dissimilar, the Hollywood film industry.

i. Similarities between the Canadian and American Independent Film Industries

The Canadian film industry and Canadian films are continually compared with their counterparts in the United States, especially Hollywood. Yet, this comparison is not fair for three main reasons. First, no two national film industries should be continually compared, for each has its own specific characteristics, contexts, merits and faults. Second, comparing any national film industry to Hollywood is unfair because of the enormous economic clout of the corporations producing these films. Third, comparison is made on the basis of one characteristic, that of money. This aspect is the strongest point of the Hollywood film industry. Comparisons could be made on technical, thematic or aesthetic considerations. This discourse is so concerned with the monetary aspects of film, that a comparison of the quality of the films themselves is often neglected. Consequently, when Canadian and Hollywood films are compared, it often comes down to money and budgets. However, a large budget does not guarantee a good film or even a popular film. For example, the top grossing film of 1990, Pretty Woman, was also one of Hollywood's lowest budgeted films of that year.

Comparing Canada's film industry with the American film industry is not always a negative practice as long as one

distinguishes between the two component parts of the American film industry; Hollywood and the American regional independent film industry. Although Canada's film industry is very different from Hollywood's film industry it is, at the same time, very similar to the American independent or regional film industry. During the course of this chapter, Canada's film industry will be examined in relation to its profound differences with the Hollywood film industry and its profound similarities with the American independent film industry.

David Rosen and Peter Hamilton's book, Off-Hollywood: The Making and Marketing of American Specialty Films (1987), provides a good definition of specialty filmmaking that can be used to compare the Canadian and American independent and specialty film industries. Although the authors do not directly use the term independent filmmaking, I argue that some of what they say in regards to specialty films applies to independent filmmaking, as well. Furthermore, I believe that the specialty film business is part of the independent film industry. I will expand on what Rosen and Hamilton say in order to explain and distinguish between two types of filmmaking: independent and specialty and two national independent film industries: Canadian and American.

Common to both national industries, is that they operate outside of Hollywood and without the assistance of the U.S. major film companies. In general, independent film companies do not have enormous amounts of money to spend on development,

production, marketing and marketing research like their Hollywood counterparts. Consequently, they must find cheaper means of filmmaking and hope for word-of-mouth promotion and critical acclaim of their films. Independent film companies are able to produce films less expensively by producing in regions outside of Hollywood, where film costs are much lower and unions are less prominent. Independent films are usually low-budget films produced for less than \$5 million. Financing for the independent film industry, whether in Canada, the U.S., or elsewhere, comes from a variety of sources ranging from public sources to presales to private investors. (Rosen and Hamilton, 1987: 6,7, 236)

The independent film industry includes specialty filmmaking, which is very common in Canada. Specialty films are often less commercial than most independent films because their audience is very specialized, and thus, limited in size. Specialty films are often characterized as "art films", as opposed to "mainstream films". They tend to "reflect the personal vision of the filmmakers, who retain complete control over their projects." (Rosen and Hamilton, 1987: 6) Furthermore, specialty filmmakers "are often seeking to express an original vision or point of view significantly different from Hollywood's mass-market standards". (Rosen and Hamilton, 1987: 230) Examples of Canadian specialty filmmakers include Atom Egoyan, Bruce MacDonald and Patricia Rozema. Rosen and Hamilton continue to further define

specialty films as those films which "share a common humanism, and are neither racist, sexist nor exploitive". (Rosen and Hamilton, 1987: 6) I argue that it would be extremely hard to prove this point since everyone has their own idea of what constitutes humanism, racism and sexism. Furthermore, it is hard to imagine that all Hollywood films are racist and all specialty films are not. Finally, the audience for specialty films "tend to be an older, more highly educated segment of the movie-going public." (Rosen and Hamilton, 1987: 6) Utilizing and expanding on Rosen and Hamilton's definition of specialty filmmaking helps to show how the characteristics of the independent and specialty film industries in Canada and the United States are quite similar. Note that as I continue to explain the independent film industry in Canada, in more detail in this chapter, its structure, problems and trends are not all that different from those of the U.S. independent film industry.

Consequently, although problems exist with the practice of comparing any two national film industries, especially one with the United States' film industry, one can also come to a better understanding of a film industry by examining more than one nation. Therefore, at the risk of directly comparing the Canadian and American film industries, Asu Aksoy and Kevin Robins' conference paper, "Hollywood for the 21st Century: Global Competition for Critical Mass Image Markets" (1991) will be referred to in this chapter in order to detect recent

film industry trends in Canada. I believe that this paper is important to use in order to better understand the situation in Canada in relation to the U.S. independents.

ii. Amalgamation of the Film and Television Arenas

As the title of this thesis suggests, my main concern is with the film industry in Canada. However, one cannot talk about the film industry, any more, without mentioning the television industry as well. This was not the case until the 1980s when cable television expanded and VCRs and pay-television gained popularity. Movie channels such as HBO and First Choice required an abundance of programming, some of which was bought from Canadian producers. Furthermore, the additional cable channels, worldwide, also required more programming to fill their schedules. Canadian film producers began producing for the lucrative television market in addition to the theatrical feature film market.

In response, to the film industry's growing alliance with the television industry, the focus of the Canadian Film Development Agency (CFDC) was changed to include television production and became Telefilm Canada in 1983. Despite the titles of the provincial film agencies, most deal with television production as well. For instance, in 1989, the first year of the Ontario Film Investment Program (OFIP), 75 percent of the projects were for television series', rising to 80 percent in 1990. (Ontario Film Development Corporation, request for information)

Not surprisingly, during the 1980s, the level of Canadian theatrical feature film-making declined, while at the same time, productions for the regulated television market were flourishing. Evidence of this can be found in CAVCO data which shows that in 1986, 42 percent of the money spent to produce certified Canadian productions went towards theatrical feature-length films. By 1991, that number had fallen to 26 percent. (Canada, CAVCO) The trend towards more television production and less feature filmmaking continues as Telefilm Canada lists only 24 feature films in its 1992 Feature Film Catalogue, compared with 30 in 1991. (Canada, Telefilm Canada, 1991 & 1992) In 1991-92, Telefilm invested \$20 million in feature films and \$74 million into 106 television productions. (Canada, Telefilm Canada, Annual Report, 1992: 19 & 32)

The economics of television and feature film production are very different. For instance, Canadian content television productions are virtually guaranteed a sale to Canadian broadcasters who require such programs to fulfil their conditions of license. Furthermore, television productions have better access to export markets. Consequently, most film companies, today, also produce for television since more money can be made by producing for this market. In fact, "Canada's top production companies couldn't make a living exclusively in feature films." (Enchin, September 10, 1992: B6) Rather, companies such as Atlantis Productions and Paragon Entertainment are succeeding by staying within the medium of

television. (Enchin, September 10, 1992: B6) Enchin says, "even Canada's largest film company, Alliance Communications Inc., depends upon its long-running television series such as E.N.G. and Counterstrike to pay the bills." (Enchin, September 10, 1992: B6)

Private investors are also putting their money into television series rather than feature films because the risks of feature film-making are too great. In 1990-91, distribution revenues from Canadian films in the three feature film markets (theatres, home video and pay television) was only nine percent of the total distribution revenues made in Canada. (Canada, Statistics Canada, 1990-91) On the other hand, television production provides lower financial risks, greater market access, better co-production and co-venture opportunities and revenue potential than feature films.

In recent years, Canadian television producers have made great advances in sales abroad, particularly to U.S. networks. After being relegated to the late-night schedules of the U.S. networks Canadian productions are now breaking into prime-time. President of CBS Entertainment, Jeff Sagansky, says that CBS has seven projects under development with Canadian producers. Furthermore, they have already invested approximately \$50 million U.S. in Canadian television programming within the past year. CBS has enjoyed success in the past with Canadian series such as Paragon's Forever Knight, Accent Entertainment's Sweating Bullets and Telescene

Film Group's Urban Angel. Sagansky says, "Canadian tv series such as Degrassi High, Street Legal and E.N.G. are as good as anything we do in the United States." ("Canadian shows score...", September 15, 1992: G5)

Producers often use the money made from television production to help finance their feature films. Although less profitable, feature film making is more prestigious and acts as a way of promoting the production company. For instance, Alliance Communications was able to partially finance the high-budgeted (by Canadian standards), feature film Black Robe with revenues made from its television programs. The production of Black Robe is an excellent way for Alliance to promote itself as a first-class producer of films and television programs. Interestingly enough, Alliance's major feature film success story still has not earned any money for the company.

A 1991 study by Paul Audley and Associates found that the Canadian film industry is pessimistic about the future of feature film production in Canada. They cited the lack of access to theatrical and home video markets by Canadian producers as a major problem. (Audley, March 1991: 19-42) According to Harvey Enchin, "the indigenous movie industry is moribund." (Enchin, September 10, 1992: B6) He says that there has been a misplaced sense of optimism in the film community based on an increased amount of production in film centres such as Toronto. What is actually taking place is a

lot of television production. (Enchin, September 10, 1992: B6)

However, reports in Point of View magazine are more optimistic. For instance, the Canadian Film and Television Producers Association predicts that new forms of distributing televised programming to the home, in the 1990s, will increase the demand for Canadian productions, much like they did in the early 1980s. Direct broadcast satellite (DBS) is expected to offer advantages to Canadian producers who will be able to form alliances with Skypix and others to provide programming for the additional broadcasting services. (Basley, Winter 1991: 13) Furthermore, Canada's cable operators will be looking for more distinctly-Canadian programs in order to distinguish themselves from the American networks. Considering these upcoming changes, many Canadian film and television producers are forecasting a production boom. (Grennan, March-April, 1992: 5)

iii. Structure of the Film Production Sector in Canada

a) The Players

The Canadian film and video production industry is predominantly Canadian owned. Production firms from the United States frequently come to Canada to shoot their films, however, they rarely establish permanent offices. The Canadian production industry is characterized by a large number of relatively small companies, with a total of 742 establishments reporting to Statistics Canada in 1990-91, up from 603 in 1986-87. The total revenue of the private sector

film and video production establishments in 1990-91 was \$700.7 million. (Canada, Statistics Canada, 1986-87 & 1990-91) Approximately 55 percent of Canadian production companies generate sales of less than \$250,000 annually and together account for less than 5 percent of total revenues. (Canada, Industry, Science and Technology Canada, 1990-91: 2) The 131 large production companies, with revenues over \$1 million annually, received 80 percent of the revenue earned by the industry in 1990-91. (Canada, Statistics Canada, 1990-91)

TABLE #1
REVENUES AND EXPENSES OF PRODUCTION COMPANIES,
BY YEAR

Year	Number of Companies	Revenues in millions	Expenses in millions	Profit/ (Loss) before taxes in millions	Profit/ (Loss) as a percent of revenues
1990-91	742	\$700.7	\$690.4	\$10.3	1.5%
1989-90	602	587.7	572.1	15.5	2.6%
1988-89	621	623.7	601.2	22.5	3.6%
1987-88	548	458.5	436.0	23.7	5.1%
1986-87	603	412.0	396.4	15.6	3.8%

(Canada, Statistics Canada, Culture Statistics: Film Industry)

TABLE #2
REVENUES AND EXPENSES OF PRODUCTION COMPANIES,
BY REVENUE GROUP, 1990-91

Revenue Group	Number of Companies	Revenues in millions	Expenses in millions	Profit/ (Loss) before taxes in millions	Profit/ (Loss) as a percent of revenues
Less than \$1 million	611	\$137.4	\$178.0	-\$40.6	-29.5%
Greater than \$1 million	131	563.3	512.4	50.9	9.0%

(Canada, Statistics Canada, Culture Statistics: Film Industry)

TABLE #3
REVENUES AND EXPENSES OF PRODUCTION COMPANIES,
BY PROVINCE, 1990-91

Province	Number of Companies	Revenues in millions	Expenses in millions	Profit/ (Loss) before taxes in millions	Profit/ (Loss) as a percent of revenues
Quebec	203	\$210.2	\$217.8	-\$7.6	-3.6%
Ontario	318	367.3	342.4	24.9	6.8%
B.C., Yukon & N.W.T	112	87.4	87.0	0.4	0.5%
Alberta	30	16.7	19.1	-2.3	-13.8%
Saskatchewan	23	6.5	5.9	0.7	10.0%
Manitoba	24	3.1	4.6	-1.5	-47.7%
Atlantic Provinces	32	9.4	13.7	-4.3	-45.8%

(Canada, Statistics Canada, Culture Statistics: Film Industry)

Statistics Canada does not divulge the names of the companies that are included in the various revenue group and

provincial categories because of its confidentiality rule. This makes it difficult to determine things such as the revenue category which a specific company fits into. Instead, one must make an educated guess as to which companies are included in the revenues greater than \$1 million category. One way of determining who the production industry leaders are, for a given year, is to use Playback's annual list of the top independent producers in Canada. In 1991, the top 10 producers were, in order, Alliance Communications, Atlantis Films, Nelvana, Transfilm, Velvet Star Productions, Paragon Entertainment, SC Entertainment International, Cresent Entertainment, Le Groupe Coscient and Primedia Entertainment. ("Playback's Fourth Annual...", March 16, 1992: 27-28) The production leaders differ each year due to the amount of production and development that a company is involved with. Alliance has remained one of the few consistent production leaders. In 1992, its annual revenues are expected to reach \$140 million. (Enchin, October 13, 1992: B1)

The few large Canadian film companies that do exist in Canada are nowhere near the size of their American counterparts. "The largest Canadian firm reported corporate revenues of C\$75 million from general motion picture activities in 1989, compared with worldwide revenues of almost C\$2 billion for the largest motion picture company in the United States." (Canada, Industry, Science and Technology Canada, 1990-1991: 3) The U.S. example used here would be one

of the U.S. major film companies. These film companies are owned by parent corporations such as Sony, Matsushita, News Corp. and Time Warner. To these enormous conglomerates, film is just a small part of their entire operations. Consequently, they can spread the risk, not only over a wide range of motion pictures, but over a wide range of industries as well. On the other hand, most Canadian companies involved with the film industry have no outside interests. Astral Inc. is an exception to this rule. Astral is involved with film and television production and distribution as well as exhibition through its broadcasting interests. Furthermore, Astral is horizontally integrated because it owns photo-finishing retail stores which operate outside of the film industry. More and more Canadian companies are beginning to follow suit by becoming vertically integrated, but, on a much more limited basis. However, the problem remains that the majority of Canadian production companies are small and underfinanced. They often do not even have enough money to promote their own films once they are produced.

b) Location

Most film production activity in Canada takes place in Quebec and Ontario, especially in the large urban centers of Montreal and Toronto. Consequently, Canadian film production revenues are also centralized in Ontario and to a lesser extent in Quebec. Profitability, however, remains a basic problem. The close relation between revenues and production

financing illustrates a chronic weakness in the financial structure of production companies. In 1988-89, after payment of production expenses, Quebec's profitability was the lowest of all the Canadian provinces. In that year, Quebec production companies reported a loss of \$12.0 million overall, despite the relative popularity of French Canadian films in Quebec. (Canada, Statistics Canada, 1988-89) The small size of the Quebec market and the limited opportunities for foreign sales hinder stronger sales for Quebec's French-language productions. However, in 1990-91, Quebec was not the only province experiencing a loss instead of a profit. In that year, Quebec's loss declined to \$7.6 million while Alberta reported an overall loss of \$2.3 million and Manitoba lost \$1.5 million. The Atlantic region's total loss decreased from \$27.5 million in 1989-90 to \$4.3 million in 1990-91. Ontario, British Columbia and Saskatchewan were the only provinces that experienced profits in 1990-91. (Canada, Statistics Canada, 1990-91)

In the period from 1984 to 1989, the value of production outside of Quebec and Ontario never exceeded six percent of the total film activity in Canada. (Northwest Research and Consulting, March 1991: II 1-3) However, regional production, which originates from production centres outside of these two provinces, is an important component of Canada's entire film industry for both cultural and economic reasons. First, regional production plays a unique and indispensable role in

making regions intelligible to one another. As well, it provides direct and indirect economic benefits to a region. It encourages economic diversification and requires a highly skilled and creative workforce. (Audley, 1989: i - ii)

Although the total budget of regional productions is low, it has been steadily rising since 1983. In that year, the total regional production budget was \$4.8 million, increasing almost ten fold to \$44.4 million in 1988. British Columbia experienced the most phenomenal growth with budgets rising from \$1.6 million in 1983 to \$23.8 million in 1988. Two main factors contributed to this regional growth. First, Telefilm Canada increased its financial contribution to the regions during this time period. During these years, Telefilm Canada was involved in 78 percent of all regional production activity, which amounted to an increase in regional budgets from \$0.6 million to \$41.1 million. Telefilm Canada made great strides in fulfilling its regional objectives in 1988-89.

The second reason for the increased level of regional production was the growth of provincially based film funding agencies. One of the central goals of the provincial agencies was and remains to attract federal sources of financing. The total amount of direct provincial financial assistance for the development and production of films has increased from \$6.9 million in 1984-85 to \$21.0 million in 1988-89. However, this regional production growth may level off or decline if the

Western and Atlantic provinces do not initiate a tax incentive similar to that of Quebec and Ontario. (Audley, October 1989: 24)

c) The Changing Face of the Players

Film production in any country is a high-risk industry. This is especially true in Canada where the already small market is further fragmented into English- and French-language markets. Consequently, it is not surprising that the industry leaders continually fluctuate and that the rates of entry and exit are relatively high. Two indicators of this are the increasing amount of industry bankruptcies and Playback's annual list of top Canadian independent production companies. ("Leaders on the Canadian...", 1989, "Canadian Independent Production", 1990, "Canadian Independent Production", 1991 and "Playback's Fourth Annual...", 1992)

First, as reported by Harvey Enchin in The Globe and Mail, the present recession has caused film and television company bankruptcies to increase. (Enchin, May 1992: B1) In 1991, 20 motion picture and video production companies declared bankruptcy, compared with 8 in 1989. Quebec experienced eight of the 1991 bankruptcies. (Interview with a Consumer and Corporate Affairs employee, May 5, 1992) The situation does not appear to be getting any better as bankruptcy figures for the first quarter of 1992 are well ahead of similar 1991 data. Enchin says that this downward trend includes mostly smaller production and distribution

firms, as big companies keep getting bigger. (Enchin, May 1992: B1) Micheline Charest, president of the production and distribution company, Cinar Group, says that "the survival rate of small independents is dismal and getting worse" (Enchin, May 1992: B16) as they become "eaten alive by the new giants that have been created". (Enchin, May 1992: B16)

All provincial film industries, except that of British Columbia, have felt the effects of the recession in the form of a major downturn in the amount of feature film production and film production in general. For instance, in the first eight months of 1991, Ontario-based producers shot only 8 feature films, compared with 14 during the same period in 1990. ("Ontario and Toronto Fest", September 1991: 50) Similarly, production nose-dived in Quebec where traditionally, there has been \$200 million worth of independent production per year. In August 1991, independent production was not expected to reach half of that figure by the years end. ("Quebec and Montreal Film Festival", August 19, 1991: 40) Large companies such as Alliance and Primedia have said that although they are aware of the dismal state of the production industry, they have not been affected. ("Ontario and Toronto Fest", September 2, 1991: 50) In fact, "Alliance has achieved growth while most industries have shrunk through the recession and remain fragile in a feeble economy." (Enchin, October 13, 1992: B1) This has been mainly because of Alliance's sales to U.S. broadcasters. Lantos

says, "they need us as an alternative supplier who can bring unique financing to the table to complement their own." (Enchin, October 13, 1992: B1) However, others have not been as fortunate. Even a company as large as Atlantis Films says, "The recession in 1980-81 pales by comparison to what we're going through now." ("Ontario and Toronto Fest", September 2, 1991: 50)

The second indicator of the industry's high rates of fluctuation, entry and exit is Playback's annual list of the top Canadian independent film and television production companies. For the last four years, Playback has compiled this list based on the total production and development expenditures of each production company. The names on the list change dramatically each year. For instance, a comparison of the 1990 and 1991 lists showed that the position of 20 companies dropped substantially while eight companies increased their ranking and 25 companies dropped from the list completely. Only one company, Alliance Communications, maintained its position. Alliance has stayed in the number one position for all four years. Furthermore, the second, third and fourth ranked companies of 1991 (Atlantis, Nelvana and Transfilm respectively) were not on the 1990 list at all. Some companies, such as these, are removed from the list for one year, but then return the next. Only seven production companies were ranked in the top ten for two years or more. They include Alliance and Primedia with four years, Nelvana,

Paragon, Coscient and Sunrise with three years and Velvet Star with two years. The finding that industry leaders change dramatically from one year to the next is quite surprising, yet, it is evidence of the industry's high levels of fluctuation, entry and exit.

One argument that could be made to explain the continually changing face of the independent production sector is the common practice of creating a new production company for a single production, due to the high level of risk in the industry. This means that if one production is a huge money loser, only that newly created production company is liable, rather than the entire assets of the producer and any other companies he/she may own. Consequently, some of the firms on Playback's annual list could be one of these "one-project" production companies. Although this practice of creating "one-project" production companies makes it difficult to detect trends in the production sector, it does not invalidate the above argument which uses Playback's list as evidence of the industry's high levels of fluctuation, entry and exit. It is difficult to determine whether the listed companies are "one-project" companies or not. However, the following five points serve to prove that the majority of the companies on the list are not.

First, most of the companies on the list have production and development expenditures which are much higher than the \$4 million average budget for a Canadian film. (Canada, Industry,

Science and Technology Canada, 1990-1991: 3) Only those companies which are ranked below number 20 could possibly be "one-project" firms. Below that rank, the production expenditures are \$5 million and lower. However, it is still unlikely because all of the companies list a few productions which they have produced or developed in the past year. Third, most of the companies can be traced to other references, from previous years, which means that they have been established for an extended period of time. Fourth, as mentioned above, many of the companies return to the list after a lowering in ranking. Fifth, many "one-project" companies are identifiable by their name which is similar to their one project. Consequently, although "one-project" companies frequently occur in the film industry, they exist in addition to Playback's list, rather than being a part of it. The majority of the companies on these lists are established Canadian independent production companies. Of course, in the film industry, "established" does not mean that they have necessarily been around for 10-20 years, nor does it mean that they will be around tomorrow. As mentioned above, this fact is due to the high rate of fluctuation in the industry.

d) Amount of Production

Statistics pertaining to the number of theatrical feature films produced in Canada during any given year vary depending on the source. Statistics Canada, the Canadian Audio-Visual Certification Office (CAVCO) and Telefilm Canada report

dissimilar quantities of films for each year because each utilizes different criteria by which to classify films. This makes it difficult to integrate data to arrive at one list of feature films produced each year. Furthermore, the types of features produced using Telefilm funds or private money through the CCA are quite different. Generally, the most "commercial" productions utilize the CCA. These are reported by CAVCO. Telefilm-assisted productions are supposed to have a more cultural dimension to them.

Regardless of the source, the number of Canadian theatrical feature films produced each year is quite low. According to Statistics Canada, approximately 54 feature films were produced in 1990-91 which is 28 more than in 1986-87. However, the increase was greater for English-language productions than for French-language productions. This led to an even greater margin between the amount of productions made in the two official languages in Canada.

In regards to the regional location of the films, the amount of feature films produced in regions other than Ontario and Quebec has remained relatively stable, since 1986-87, at six to nine productions. This amount is marginal compared to the much higher production figures in central Canada. In 1990-91, 15 feature films were produced in Ontario, while 30 were produced in Quebec. (Canada, Statistics Canada, 1986-86 and 1990-91) This trend of geographic centralization also exists within Telefilm Canada. Statistics show that only six

of the total 26 feature films that received production financing from Telefilm Canada in 1990-91 were produced by companies located in provinces other than Ontario and Quebec. (Canada, Telefilm Canada, Annual Report 1990-91)

TABLE #4
STATISTICS CANADA
NUMBER OF THEATRICAL FEATURE FILMS

Year	By Language		By Region			Total
	English	French	Ont.	Que	Oth.	
1990-91	38	15	15	30	9	54
1989-90	35	13	14	26	8	48
1988-89	34	12	18	20	8	46
1987-88	24	9	12	13	9	34
1986-87	16	10	5	15	6	26

(Canada, Statistics Canada, Culture Statistics: Film Industry)

e) Value of Production

It is difficult to determine the overall value of Canadian theatrical productions. However, one way to quantify the value of a film is to consider the average budget. The budgets of theatrical film productions certified by the Canadian Audio-Visual Certification Office (CAVCO) as Canadian increased between 1986 and 1991. The 1991 amount is still much lower than the \$180 million invested at the peak of the Capital Cost Allowance in 1979. (Canada, CAVCO) However, a high budget does not necessarily indicate a more valuable production. During this period of high average production budgets, some films were made which had no advance sales or distribution and were sometimes never seen.

When compared to the average budget spent on American productions, Canadian feature film budgets are very low. In 1988-89, Canadian film budgets totalled about \$3.8 million on average, while films produced in the United States had an average budget of \$15 million to \$20 million to work with. (Audley, 1989: 97) By 1991, the average U.S. film budget was up to \$27 million. (Grover, January 1991: 52) In that year, the average Canadian film budget was only \$4.9 million. (Canada, CAVCO)

TABLE #5
CANADIAN AUDIO-VISUAL CERTIFICATION OFFICE (CAVCO)
THEATRICAL FILM BUDGETS

Year	Number of Theatrical Films	Total Budget (millions)	Average Budget (millions)
1991	26	\$126.8	\$4.9
1990	44	104.8	2.4
1989	40	123.5	3.1
1988	40	174.7	4.4
1987	39	107.6	2.8
1986	36	94.7	2.6

(Canada, CAVCO)

For most years, budget figures reported by Telefilm Canada are lower than CAVCO's calculations. In 1989-90, the estimated average budget from both organizations was similar at around \$2.4 million. It is useful to examine Telefilm Canada's statistics concerning budgets since they divide the data into French- and English-language production. English-language productions generally have a larger budget, on

average, than French-language productions. This is due to the different realities of the English- and French-language markets which include lower broadcast license fees in Quebec and smaller foreign sale opportunities for French productions. In 1989-90, there was evidence of a more balanced average budget for English- and French-language films. However, this trend was short-lived as 1990-91 data shows that the average budget for English films has increased considerably more than that for French films. (Canada, Telefilm Canada, Annual Report, 1990-91)

TABLE #6
TELEFILM CANADA
FEATURE FILM BUDGETS

Year	Language	Number of Feature Films	Total Budget in millions	Average Budget in millions
1990-91	English	18	\$68.5	3.8
	French	8	22.7	2.8
	Total	26	91.3	3.5
1989-90	English	16	39.2	2.4
	French	9	22.0	2.4
	Total	25	61.2	2.4
1988-89	English	20	52.7	2.6
	French	14	28.2	2.0
	Total	34	81.0	2.3
1987-88	English	15	40.0	2.6
	French	8	16.6	2.0
	Total	23	56.6	2.4

(Canada, Telefilm Canada, Annual Report)

iv. Structure of the Distribution Sector in Canada

a) Importance of the Distribution Sector to the Film Industry

Distribution occupies a strategic position in the industry: it feeds markets and finances production, thus engendering the adage that 'whoever controls distribution controls the cinema.

--Government of Canada

Report of the Film Industry Task Force

Canadian Cinema: A solid base

Ottawa, 1985

The distribution sector of any country's film industry is extremely important because of the three key functions which it performs. First, distribution companies provide a continuous and dependable supply of films to exhibitors. Exhibitors usually look to the largest of these companies who provide commercially attractive films on a regular basis. Second, the distributor provides financial support to producers by reinvesting revenues into further productions. Third, it is the distributor's responsibility to promote and market the films it acquires. Consequently, distribution companies are placed in a very powerful position. They decide which films the public sees, by choosing which productions to buy from producers and sell to exhibitors. Furthermore, the success of a film is greatly affected by the amount of money which the distributor uses to promote a film. For instance, Hollywood "B" movies often receive higher box office revenues than the best Canadian films merely because of publicity.

b) The Players

In Canada, a few foreign-owned, vertically integrated, multinational conglomerates, commonly referred to as the

American majors, dominate the distribution sector. Each of the eight major U.S. film companies possess at least one subsidiary company, based in Canada, to distribute their films. In 1989-90, 13 of the 140 film distribution companies operating in Canada were subsidiaries of the United States major film companies. These American-owned companies comprise only 10.7 percent of the total number of distribution companies in Canada. However, they account for 53 percent of the distribution revenues and 85 percent of the profits. In 1989-90, the U.S. majors distributed 655 theatrical films in Canada, none of which were Canadian. This accounted for 37 percent of all the theatrical films distributed in the country. However, the U.S. majors received 86 percent of the distribution revenue earned from theatrical productions. (Canada, Statistics Canada, special request for further breakdown of data from Culture Statistics: Film Industry) The MPEAA members "continue to take \$300-\$400 million a year in revenue out of Canada." (MacDonald, October 12, 1992: 4)

The two largest theatre chains in Canada, Famous Players and Cineplex Odeon, maintain exclusive arrangements with these large U.S. owned production/distribution companies which are better able to provide the exhibition chains with a continuous supply of profitable films. Domestic distributors are unable to acquire the same inventory of films because of the majors' vertical integration in all aspects of the film industry in Canada. Canadian distributors also have a difficult time

trying to gain the rights to independently produced foreign films. When the U.S. majors buy the rights to independent films, the Canadian distribution rights are included because they consider Canada to be part of the North American market. This makes it impossible for Canadian distributors to acquire the same film for national distribution. The consequence of the American majors' dominance in the Canadian distribution market is that Canadian distributors are marginalized, undercapitalized and unable to behave in a manner that is normally expected of distribution companies.

The number of establishments involved primarily in film and videotape distribution decreased from 142 in 1989-90 to 129 in 1990-91, showing profound industry consolidation. Consumer and Corporate Affairs Canada reports that bankruptcies for the motion picture and video distribution sector increased from eight in 1989 to 33 in 1991. (Interview with a Consumer and Corporate Affairs employee, May 5, 1992) In 1990-91, 97 percent of the industry's revenue was accounted for by the 62 establishments with revenues in excess of \$1 million.

The great majority of distribution companies in Canada are Canadian owned, however, they are much smaller and much less profitable than the few foreign-owned, largely American companies that operate in the Canadian distribution market. The few non-Canadian firms operating in Canada control the industry to a large degree. However, compared to 1989-90, it

appears as if Canadian-owned companies are gaining some control of their own industry. In 1990-91, the 19 non-Canadian firms made 51 percent of the distribution revenues and 64 percent of the distribution profits. In comparison, these foreign distribution companies controlled 92 percent of the distribution profits in 1989-90. These companies made \$69.2 million in profits before taxes in 1989-90 and only \$41.4 million in 1990-91. The 1989-90 figure comprised 18.8 percent of their total revenue. However, in 1990-91, they were only able to make profits of 11.2 percent of their revenues. The profitability of Canadian distribution companies increased during the same period from profits of 2.0 to 6.5 percent of their total revenues. Although there have been increases in favour of Canadian distributors, domestic firms still receive lower profits, on average, than non-Canadian companies since the non-Canadian amount is divided among a smaller group of companies. (Canada, Statistics Canada, 1989-90 and 1990-91)

TABLE #7
REVENUE AND EXPENSES OF DISTRIBUTION COMPANIES,
BY YEAR

Year	Number of Companies	Revenues in millions	Expenses in millions	Profit/ (Loss) before taxes in millions	Profit/ (Loss) as a percent of revenues
1990-91	129	\$728.3	\$663.7	\$64.6	8.9%
1989-90	142	689.3	594.8	94.5	13.7%
1988-89	140	548.6	487.2	61.4	11.2%
1987-88	133	481.9	436.1	45.8	9.5%
1986-87	145	422.0	386.2	35.8	8.5%

(Canada, Statistics Canada, Culture Statistics: Film Industry)

TABLE #8
REVENUES AND EXPENSES OF DISTRIBUTION COMPANIES,
BY REVENUE GROUP, 1990-91

Revenue	Number of	Revenues millions	Expenses millions	Profit/ before taxes in millions	Profit/ as a percent of revenues
Less than \$1 million	67	\$20.1	\$18.8	\$1.3	6.5%
Greater than \$1 million	62	708.2	644.9	63.3	8.9%

(Canada, Statistics Canada, Culture Statistics: Film Industry)

TABLE #9
REVENUES AND EXPENSES OF DISTRIBUTION COMPANIES,
BY PROVINCE, 1990-91

<u>Province</u>	<u>Number of Companies</u>	<u>Revenues in millions</u>	<u>Expenses in millions</u>	<u>Profit/ (Loss) before taxes in millions</u>	<u>Profit/ (Loss) as a percent of revenues</u>
Quebec	41	\$90.7	\$85.6	\$5.0	5.6%
Ontario	72	630.3	570.6	59.7	9.5%
Other	15	7.3	7.5	-0.2	-2.2%

(Canada, Statistics Canada, Culture Statistics: Film Industry)

TABLE #10
REVENUES AND EXPENSES OF DISTRIBUTION COMPANIES,
BY FINANCIAL CONTROL, 1990-91

<u>Financial Control</u>	<u>Number of Companies</u>	<u>Revenues in millions</u>	<u>Expenses in millions</u>	<u>Profit/ (Loss) before taxes in millions</u>	<u>Profit/ (Loss) as a percent of revenues</u>
Canadian	110	\$357.9	334.7	23.2	6.5%
Foreign	19	370.4	329.0	41.4	11.2%

(Canada, Statistics Canada, Culture Statistics: Film Industry)

Most Canadian film companies are privately-owned, which means that they are not required by law to divulge any financial information to the public. Therefore, obtaining financial data on these companies is next to impossible. Astral is the exception to this rule. In 1992, Astral made revenues of \$287 million, of which \$228 million came from its communications subsidiaries. Astral's communications sector includes film and video technical services, distribution of films and other programming for theatrical, television and

home video markets, and pay television. Revenues from Astral's communications sector have risen by 6 percent since 1991, while revenues from its other sector, retail, have decreased by 10 percent. In 1992, revenues from the communications sector comprised 79.3 percent of Astral Inc.'s total revenues. (Astral Inc., 1992)

Because of the important role that distribution plays within the entire film industry, an economically viable distribution sector is necessary to ensure a economically viable production sector. "Healthy Canadian distribution companies are considered crucial to keeping the Canadian film industry alive since U.S. companies rarely invest in, promote or distribute Canadian films." (Godfrey, March 28, 1992: A1) An economically healthy firm does not necessarily connote a large company, although large companies usually have a better chance of surviving and remaining economically healthy. Some argue that a distribution company must handle a minimum of about 6-8 films annually in order to distribute effectively. Others say that smaller distributors who concentrate on fewer films each year are better able to provide each film with the attention that it requires to become financially successful. (NGL Consulting, 1992: 79) One thing for sure is that it would be a shame if, through the consolidation process, Canada was to lose its small, highly-specialized distributors who are small enough to care about distributing low-budget Canadian films, by relatively unknown directors and with unknown

actors.

A report prepared by the Willis Consulting Group, entitled A Report on Distribution in the Canadian Film Market (1990), divides the feature film distribution sector in Canada into four main categories; the Canadian Motion Picture Distributors Association members (the U.S. majors), Quebec-based distributors, English-Canadian distributors and Cineplex-Odeon Films. In their report, the Willis Consulting Group admits that a lot of diversity between companies within these four groups still exists, however, they have tried to simplify the feature film distribution industry as much as possible, for purposes of illustration.⁴

The first category, the U.S. majors, are studio-based distributors who become involved with film projects very early. These companies justify their enormous investment into projects, in this high-risk industry, with the hopes of achieving large blockbuster film returns. Not only do the U.S. majors spend a lot of money on the actual production of a film, but an enormous amount of money is spent on the film's advertising campaign, including pre-testing and researching to constantly monitor the public's attitudes to films. (Willis Consulting Group, 1990: 9-11)

The other three categories include Canadian distributors which become involved in projects much later, invest less money in production and marketing, have much more limited resources and expect much lower potential revenues than their

U.S. counterparts. The Canadian distribution sector operates in two distinct markets; Quebec and English-Canada. One of the main distinguishing characteristics of the Quebec market is the province's film legislation which allows only Quebec-based distributors and the U.S. majors to distribute productions in Quebec. All other Canadian firms must deal through a Quebec-distributor if they want their product distributed in that province. Furthermore, French-Canadian films are very popular with Quebec residents. In contrast, English-Canada does not have legislation in place to strengthen its distributors, nor do its films have a loyal following.

A sub-group of the English-Canadian distribution sector is Cineplex-Odeon Films. Cineplex-Odeon Films (COF) is in a class of its own because of the huge market-share that it holds. In fact, COF "accounts for approximately 2\3rds of the box office gross of films handled by Canadian distributors". (Willis Consulting Group, 1990: 30) In 1989, COF distributed 56 films which accounted for just over 40% of all titles distributed by Canadian distributors. (Willis Consulting Group, 1990: 28) Because of the company's enormous success in the Canadian distribution sector, it does not fit into the model of the average English-Canadian distributor. The Willis Consulting Group says that COF is a significant player in the Canadian distribution sector because it has the benefit of being part of a larger entity, with substantial resources and

links to the theatrical exhibition sector. (Willis Consulting Group, 1990: 27) Unlike other Canadian distributors, COF is able to adopt a broad release pattern for most of its major titles. This pattern, established by the CMPDA members, requires a large, upfront marketing budget that is generally too expensive for Canadian distributors. COF is able to do this with the assistance of Cineplex-Odeon Corporation's financial backing and access to theatres. On average, COF's theatrically distributes 28.7 prints per title, while most English-Canadian distributors can only afford an average of 7.6 prints per title. (Willis Consulting Group, 1990: 29)

In conclusion, Willis' report offers a gloomy forecast for English-Canadian distributors, other than COF. The U.S. majors and COF possess the financial strength to effectively compete in the industry, while the Quebec-based distributors are protected by provincial legislation. However, English-Canadian distributors lack both financial strength and protective legislation. (Willis Consulting Group, 1990: 44) The Willis Consulting Group says that the only way for these companies to survive and become viable in the long-term is by substantially increasing their capital base so that they may be able to properly support the expensive, but necessary, proposition of marketing their films. (Willis Consulting Group, 1990: 34-35) Furthermore, the study expects that only a few English-Canadian distributors will actually be able to do this. Consequently, the market will eventually consist of

only a few companies who were able to survive because film distribution is not their sole income source. (Willis Consulting Group, 1990: 44) The study concludes by saying that the reason why Canadian films do not receive proper distribution is not because they are not commercially attractive films, but because Canadian distributors, particularly English-Canadian distributors, do not have the financial resources to broadly release and properly market their films. (Willis Consulting Group, 1990: 45)

c) Location

The majority of Canadian distributors are located in Montreal and to a lesser extent, Toronto. With the demise of Nova Entertainment's distribution arm in March 1992, there are no longer any Canadian feature film distribution companies operating out of the Western provinces. This regional concentration of distribution companies in Montreal is not surprising considering Quebec's cinema law which states that only Quebec-based distributors can distribute films in that province. Consequently, Quebec distributors are the only Canadian companies that can distribute Canada-wide. Western producers are against this centrality since it means that they must deal with distributors from central Canada, which they say do not understand them or their products as well as distributors from Western Canada.

v. Film Industry Trends in Canada

Although the players in the Canadian film industry are

much different than their Hollywood counterparts, many are now following the trends of the U.S. film industry. In order to compete with other film companies in Canada and abroad, Canadian companies must restructure in ways that are similar to what the U.S. majors are doing. In their paper, "Hollywood for the 21st Century: Global Competition for Critical Mass in Image Markets" (1991), Asu Aksoy and Kevin Robins examine recent trends in the U.S. film industry. While maintaining my strong belief in the profound differences between the Canadian and Hollywood film industries, this article does mention trends affecting the U.S. independents which are similar to those affecting the Canadian independents. Trends mentioned in Aksoy and Robins' conference paper such as the continuing considerable power of the U.S. majors, vertical integration, horizontal integration and globalization will be examined in relation to the film industry in Canada. As well, some trends, more specific to the Canadian independent film industry, will also be explored such as the tendency towards consolidation in the Canadian distribution sector and various financing trends.

a) Continuing Considerable Power of the U.S. Majors

Aksoy and Robins disagree with those who argue that the power of the U.S. majors has eroded in recent years in favour of independent firms. (Aksoy and Robins, 1991: 2) They say "independent production companies are far from being in a position to challenge and compete against the majors" and that

although a lot of production, external to Hollywood, has taken place, it is still controlled by the majors who finance and distribute the products of many independent film companies. (Aksoy and Robins, 1991: 16-17) This continuing powerful presence of the majors can be seen not only in the United States, but worldwide. In Canada, the distribution subsidiaries of the U.S. majors affect Canada's production, distribution and exhibition sectors. In 1989-90, these subsidiary companies captured 85 percent of the distribution profits made in Canada. (Canada, Statistics Canada, special request for further data breakdown from Culture Statistics: Film Industry) Canadian distributors find it difficult to purchase Canadian film rights for popular non-Canadian films because the powerful majors are able to make deals which include the Canadian market. Canadian independent producers are also affected by the majors commanding presence, because money from the distribution of films in Canada flows out of the country to re-invest in American rather than Canadian productions. Furthermore, the U.S. majors affect the exhibition of films in Canada through their corporate links with Canada's two major theatre chains, Cineplex Odeon and Famous Players.

b) Vertical Integration

The continuing considerable power of the majors is possible through the corporate structures of these companies. Aksoy and Robins say the U.S. majors have vertically re-

integrated in recent years. (Aksoy and Robins, 1991) In the 1940s, the studios were forced to divest their exhibition interests. Recently, the companies have re-integrated themselves into this sector. Traditionally, the U.S. major film companies have been vertically-integrated through their ownership of production and distribution companies.

On the other hand, Canadian companies have traditionally kept the production and distribution sectors of the film industry separate. Common practice in Canada has been that producers make films on their own, and then try to find a company to distribute the final product. However, within the past few years, Canadians have found that in order to compete, they must vertically integrate, a phenomena similar to that happening in the U.S., but many years later. However, NGL Consulting's report on the Feature Film Distribution Fund found that the producer/distributor relationship is still too often an unproductive one. (NGL Consulting, 1992: 92) The report stated that "the results are typically negative when there is no collaboration during the production process, and the distributor only begins work when the film arrives on the distributor's desk in completed form." (NGL Consulting, 1992: 92) On the other hand, the relationship is better when there is an early commitment to the project by both parties. "This usually (though not always) occurs whenever the producer and distributor are corporately linked." (NGL Consulting, 1992: 91) The report concluded that there is a great need for

closer relations between producers and distributors, in all stages of development and production. (NGL Consulting, 1992: 92) Consequently, a Canadian film has a better chance of achieving financial success if a distributor becomes involved in the early stages of production because the project can become more market driven with the help of a distributor. In Telefilm's 1992-93 Action Plan, the corporation stated that it will encourage these very important co-operative partnerships between producers and distributors. (Canada, Telefilm Canada, Action Plan, 1992) Furthermore, in Telefilm's The Newsletter, Pierre DesRoches, executive director of the Corporation, said,

This year, we are changing some policies of the Feature Film Distribution Fund to attach greater importance to marketing and to enhance the distributor's role as marketing advisor. Producers and distributors absolutely must learn to work together more, otherwise we're going nowhere. (Canada, Telefilm Canada, June 1992: 2)

Canada may soon follow the trend to vertically integrate with the exhibition sector as well. Vertical integration of the film industry can be seen in the corporate structure of Astral Inc. which owns Astral Communications International Inc., an international programming company, and distribution companies such as Astral Films, Astral Video and Les Films Astral Québec Inc. Astral's exhibition interests lie in pay and specialty television channels such as First Choice Canadian Communications, Super Ecran and the Family Channel.

The move toward vertical integration is usually a positive move in the financial growth of a company. For instance, in order to become financially successful, film

producers and distributors must both become involved with a project from the earliest stages of development. However, what is occurring in some cases is that small production companies are opening up their own internal distribution subsidiaries, which are very small and distribute only their own productions. Furthermore, when they do distribute that limited amount of product, they act more as middle-men to larger distribution firms which have more expertise in and contacts with the exhibition sector.

As a result of producers creating their own distribution subsidiaries, "small Canadian distributors, especially those dealing primarily in Canadian product, are being forced to enter the production arena" (Grennan, March 5, 1990: 44). One of the problems with this is that neither producers nor distributors know a lot about each other's industry. The ideal set up would probably be a corporate merger of a production company with a distribution firm. If these smaller companies do not vertically integrate with another company, they may find themselves too small and too inept in one of the two sectors to compete effectively. Consequently, what will probably happen is that larger vertically-integrated firms will be the only ones that will be able to survive the changes in the industry.

c) Horizontal Integration

A second trend, that again occurs more in the United States than in Canada, is horizontal integration. This trend

also helps to explain why the U.S. majors are so powerful. The U.S. major film studios are all owned by large parent companies such as Time Warner. Consequently, not only are these companies vertically integrated but horizontally integrated as well through the ownership of various other communications businesses as well as some totally unrelated operations. This provides the parent company and the majors with the financial security that only a few companies are able to attain. Consequently, it is those few companies that control the industry. Astral Inc. is an example of a Canadian company that is structured much the same way as the U.S. majors. Not only is Astral Inc. vertically integrated within the film industry, but horizontally integrated with its outside interests in retail photo-finishing. This corporation continues to grow while many small firms struggle or declare bankruptcy in an increasingly competitive market. Astral is one of the few Canadian companies, of this magnitude, involved in the film industry. Most Canadian film companies are not vertically or horizontally integrated, to any great extent, since that requires a major injection of capital, something which most Canadian film companies do not have. ("Canadian independent production", March 1990: 32)

d) Globalization

Another trend identified by Aksoy and Robins that can be seen in Canada as well is globalization. Canadian production and distribution companies are increasingly finding that they

must compete on a global scale. In 1991, Sarah Anson-Cartwright of Playback identified this trend towards globalization in an article entitled "Everyone's playing the international game". In the article, Anson-Cartwright says that in light of an economically tight domestic market, Canadian film and television production companies are trying to secure opportunities in the international market more than ever before. She says that this is true not only for large firms but even for smaller, local production companies. The international market cannot be ignored any longer, since it is becoming increasingly difficult to recoup costs in Canada alone. (Anson-Cartwright, March 1991: 21)

Evidence of the trend towards globalization can be found in the increasing numbers of co-productions and foreign offices of Canadian companies. For instance, Telefilm Canada data shows that Canadian producers have substantially increased their co-production activity over the past year. In 1991, there were 43 official co-productions with other countries, compared to only 28 in 1990. These figures have increased mainly because of the lack of growth in domestic funding sources, such as Telefilm Canada, whose budget has been frozen for five years. ("Canadian joint ventures rise...", December 1991-January 1992: 3) Consequently, Canadians have had to look elsewhere for financing.

As a result of Canada's co-production treaties, most Canadian companies have found specific international markets

where they are particularly strong. For instance, Alliance is stronger in France than any other Canadian company while Atlantis is stronger in Australia and New Zealand. Furthermore, as world situations change, so do the markets that are popular. For instance, due to the revolutionary transformations in Germany, that country is starting to become an important partner for many Canadian companies. As television in Eastern Europe, in general, becomes privatized, the markets expand and demand increases. There is a great need for television product in Germany right now because new television stations are being created. Furthermore, these private broadcasters have a lot more freedom in what they broadcast than their public counterparts did. (Interview with Jay Firestone, Alliance Entertainment, October 8, 1992)

One territory where Canadians have recently found increased opportunities is the U.S. broadcast market. In a speech delivered by Jeff Sagansky, president of CBS Entertainment, Sagansky said that the terms of American-Canadian co-productions have changed. He argued that the American networks are now more willing to do business on Canadian terms and conditions than they were just seven years ago. The American broadcasters are not as concerned about the typical American viewers negative reaction to a program that is Canadian in theme, as long as it has been appreciated broadly throughout Canada. (Sagansky, September 28, 1992: 15)

The increased amount of film and television partnerships

between Canada and the U.S. has been partially caused by the increased demand for programming due to the proliferation of pay, specialty and basic cable stations. Furthermore, the declining market share of the three main U.S. networks has caused the networks to seek more cost-efficient programming. ("Canada", December 1991: 71&72) This has made Canadian productions especially appealing because they can be sold for less money than projects from their American counterparts. This is due to two reasons. First, Canadian productions can be produced for less money than similar projects produced in Hollywood. (Murray, September 1991: 22) Second, the license fees that Canadian producers receive from Canadian broadcasters allows them to sell their programs for less than they are actually worth. For example, two of Alliance's television series, Night Heat and Counterstrike, were purchased by a U.S. network. ("Canada", December 1991: 71&72) The trend continues as NBC Productions and Alliance Productions are currently producing a four-hour miniseries, while ABC and CBS have struck co-venture deals with Canadian partners, including Paragon. ("Canada, U.S. cross borders", March 1992: 66)

As a result of this increased international activity, many Canadian firms have established foreign offices in order to stay actively involved in the global market. Within approximately the last six years, Canadian firms such as Nelvana, Paragon, Alliance and Atlantis have all opened

foreign offices.

e) Consolidation

As mentioned in the section on the structure of the distribution sector, economically healthy Canadian distributors are necessary in order to promote a healthy production industry in Canada, since non-Canadian distribution companies are not interested in handling Canadian productions. Since the majority of Canadian distribution profits are earned by non-Canadian distribution companies, which re-invest in productions outside of the country, the Canadian production industry must rely heavily on public sources of financing.

With Canada's distribution woes in mind, the Department of Communications announced the Feature Film Distribution Fund (FFDF), in 1988, to be administered by Telefilm Canada. The FFDF provides financial support for the largest Canadian distribution companies. Telefilm believes that there are presently too many companies competing for the few good films in Canada. Therefore, the Corporation believes that consolidation in the Canadian distribution sector is necessary. The Corporation's 1992-93 action plan stated that "in 1992-93, Telefilm will maintain and reinforce this strategy and will encourage consolidation in the industry, where practical". (Canada, Telefilm Canada, Action Plan, 1992: 4) Likewise an evaluation of the Feature Film Distribution Fund, prepared by NGL Consulting for Telefilm, concluded that there was a need for further consolidation of companies in the

Canadian distribution sector. (NGL Consulting, 1992: 4)

In fact, Telefilm's wish for consolidation is becoming a reality since it is extremely difficult for a distribution company to survive if it does not receive Telefilm funding. Consequently, the number of distribution companies is shrinking. As mentioned above, there are now only 109 distribution companies operating in Canada, down from 184 in 1986-87. (Canada, Statistics Canada, 1986-87) Furthermore, in 1991, 33 motion picture and video distribution companies declared bankruptcy. Again, Quebec experienced the greatest amount of bankruptcies, with a total of 15. (Interview with an employee from Consumer and Corporate Affairs, May 5, 1992) Also similar to the production industry, is that these bankruptcies involve mainly smaller companies. (Enchin, May 1992: B16) For instance, in 1992, some of the distribution companies that disappeared included Nova Entertainment, Brightstar Films Distribution and Festival Films. These firms were "generally considered upstart companies having arrived on the scene after the five-year, \$85 million Feature Film Distribution Fund came on line." (Rice-Barker, August 3, 1992: 6) On the other hand, the loss of Cinema Plus Distribution was especially disturbing to the industry since it "had been a major player in the field for many years." (Rice-Barker, August 3, 1992: 6) "At its height three years ago, Cinema Plus had some 25 employees and had opened a fashionable office in Toronto. Industry sources estimate its annual revenues in

the \$4 million range." (Rice-Barker, August 3, 1992: 1)

John Lossing, president of one of the casualties of the trend towards consolidation, Nova Entertainment Inc., guesses that "the distribution industry will end up being two, maybe three, players". (Enchin, May 1992: B16) The control of the distribution sector, falling into fewer and fewer hands, can be partially attributed to Telefilm's distribution fund. However, consolidation is a trend that is happening worldwide as well. Canada has been forced into a position where its distribution companies must consolidate in order to survive in an increasingly global market.

Consolidation of the distribution sector does not come without its own set of problems. An unintended consequence of consolidation is that small, highly specialized distributors who often acquire films from first-time filmmakers find it difficult to survive. In the report on the Feature Film Distribution Fund, NGL Consulting acknowledged the importance of "such firms which form an important element of the ecology of the feature film industry." (NGL Consulting, 1992: 65) Without small, highly-specialized distributors first-time filmmakers will find it more difficult to get their films distributed. In a consolidated sector, niche market films are purchased by large distribution companies which are not interested in giving these low-budget films the degree of attention that they require. The small, highly specialized distributors say that since they handle fewer products each

year, they are able to pay more attention to the details of each film. (NGL Consulting, 1992: 65) Cinephile is the largest of these specialized companies. It previously received funding through the Distribution Fund. However, like other specialized distributors, it now remains outside of the Fund.

f) Film Financing Trends

The final group of trends that will be examined are those concerning financing. Trends common to the Canadian film industry since its beginnings include the Canadian banking industry's disregard for the film industry and Canadian film companies' consequent reliance on public sources of financing. Public funding will be discussed in more detail in Chapter IV. Other more recent financing trends include the establishment of financing arms within film companies and "basket financing".

The film industry is an extremely high-risk industry, in any country. This is mainly because of the sunk-cost rule which states "that nearly all the cost of making entertainment software is fixed and upfront." ("The Entertainment Industry", December 23, 1989: 4) The high initial cost of developing, producing and marketing a film is sunk. It can take up to five years or more for the film to make its way through all of the ancillary markets in the hopes of making some or all of that initial investment back. Furthermore, one is never guaranteed that a profit will be made. The hit rule states

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that most of a film company's profit comes from a small portion of its output. In the United States, "just three percent of the films released in 1988 accounted for close to a third of box-office receipts." ("The Entertainment Industry", December 23, 1989: 5) These market realities make it very hard for a film company to survive and succeed. These difficulties are even more pronounced for the much smaller Canadian companies than they are for the U.S. majors.

Having stated this main likeness between the Canadian and American film industries, I will argue that financing the independent film industry is extremely different in Canada than in the United States, where financing through banking institutions is as common as it is for any other industry. To a bank, the film industry represents a high-risk industry that is revenue based rather than asset based. Banks are usually only willing to lend to low-risk industries or large corporations such as the U.S. majors. In the United States, the large U.S. majors, have developed a close relationship with the banking industry. Banks are willing to lend to these companies because of their proven track record and the large financial assets of the studio and the enormous parent corporation that owns them. On the other hand, Canadian film companies find it impossible to raise a permanent capital base. This combined with the low average rate of return of a Canadian film have kept banks away from the Canadian film industry. Variety identifies two exceptions to this rule; the

Royal Bank of Canada and the U.S. based Security Pacific Bank as the "two banks operating in Canada that are crucial to Canadian film and television production". ("Entertainment Finance", April 8, 1991: 54) These two banks provide interim loans for Canadian producers, however, this would be limited to the largest Canadian film companies such as Alliance and Astral. Consequently, the Canadian film industry's relationship with the banking industry is almost non-existent.

Rather, the government plays a more dominant role in the financing of films in Canada. Clark Hoskin reports that,

There is an astonishing array of government funding that supports independent producers. Most Canadian film companies rely on government funding, to some degree. Compared to other nations, Canada's governments take the most risk and dispense the largest sums of cash to the entertainment industry. (Hoskin, April 13, 1992: 20)

In order for the majority of Canadian producers to finance their films and television programs, they must prepare financing packages which include money from federal and provincial governments and government agencies, broadcast license fees, minimum guarantees from distributors, interim bank loans, private investors, private companies, production companies and foreign investors. Such financing arrangements often end up being complicated matters since investment money comes from such a wide variety of sources. Furthermore, a single financing model does not exist since each production is financed very differently. Independent filmmakers generally like receiving funds from a wide variety of sources because they are better able to retain control over their product if

one single entity is not providing a large majority of the budget. Especially when it comes to public money, these filmmakers want diversified funding sources so that agencies such as Telefilm Canada, the Canada Council, Société générale des industries culturelles (SOGIC) and the Ontario Film Development Corporation (OFDC) do not exercise much creative control over their project. Consequently, many Canadian filmmakers, including some from Quebec, would not like to see the provinces manage all film industry funds for fear that the provincial agencies would no longer respect the "hands off" approach to funding film projects. For instance, Quebec filmmakers say that SOGIC tries to control film projects much more than its federal counterparts. (Pomerance, Winter 1991: 16)

Private sources of financing for the film industry also play an necessary role within the industry. For instance, in 1991, private investors provided \$46 million towards certified Canadian productions. Total private financing for 1991's certified projects was \$107 million. (Canada, CAVCO) The private sector is also involved with financial support programs for the independent film and video industry through programs such as the Foundation to Underwrite New Drama (FUND), Rogers Telefund and Westcom Venture Capital Corp. However, as discussed later in Chapter IV, these funds would not have been established if it was not for the Canadian Radio-television and Telecommunications Commission (CRTC). A

new private sector fund that was not created on the insistence of the CRTC is the Canadian Independent Film and Video Fund (CIFVF). Established in 1991, the CIFVF is administered by the Canadian Non-Theatrical Film and Video Corporation, a private sector non-profit organization. The Fund is designed to foster the development and production of films and videos designed for the non-theatrical market.

In addition to these private and public financing programs, a relatively new trend in private sector financing has been the establishment of financial investment arms within large Canadian production companies. These investment subsidiaries provide investment funds for their own as well as other companies' film projects. Alliance and Paragon have their own film financing subsidiaries, Alliance Equicap and Paragon Financial Investments, respectively. Comweb is another such investment company dealing predominantly with the film industry. However, Comweb is different in that it is not owned by a single production company, rather, it is an umbrella organization of companies involved in related areas of the Canadian film and television industry.

The final private financing trend is "basket financing". Essentially, "basket financing" allows investors to help finance a group of film projects, rather than one specific project, by purchasing units in an investment pool. The benefit of this type of investment is that the risk is dispersed over a variety of projects. Consequently, the

chance of having one of the many films make a good financial return is more likely than if one were to invest in only one film. In April 1992, Alliance created a "basket financing" program called Diversified Media Ventures. (Mazurkewich, April 27, 1992: 1) Entertainment lawyer, Norman Bacal, predicts that there will be an increase in the amount of "basket financing" over the next couple of years, and that Alliance's Diversified Media Ventures will become one of many such programs. (Mazurkewich, April 27, 1992: 5)

CHAPTER SUMMARY

This chapter explained the structure and trends of the film industry in Canada. In the beginning of the chapter, I stressed the Canadian film industry's similarity to the American film industry and its difference from Hollywood. The amalgamation between the film and television industries was also emphasized. This chapter introduced the type of players involved in the industry, the structure that they must work within and recent industry trends which confront them. Chapter III will look at these general industry findings in more detail through the use of six case study companies. The focus will be on the strategies that these film companies use in order to become industry leaders and perhaps cultural leaders, as well. It will be argued that based on these strategies and their outcome, some companies have responded better to industry changes and consequently, have become more successful. In fact, some companies have responded so quickly

that they have become the initiators of some industry trends.

CHAPTER III CASE STUDIES OF CANADIAN FILM COMPANIES

Chapter II explained the structure of the film production and distribution sectors in Canada. This was followed by an examination of some current trends taking place within the industry. This chapter will put this general industry information into context by looking at six specific Canadian companies involved in the film industry. This type of case study approach has never been done before, for the film industry in Canada. Chapter I explained the theoretical approach and research methodology that will be used in order to investigate these six companies.

A Gap in the Literature on the Film Industry in Canada

As explained in Chapter I, information on the film industry in Canada, whether it be from books, reports or periodicals, almost always explores the economic aspects of the industry in general, rather than looking at the individual companies involved. This gap in the literature exists mainly because of the difficulty in obtaining financial and other data about these companies due to corporate secrecy. Even a report which evaluates a government agency's fund for the Canadian film industry, such as the Evaluation of the Feature Film Distribution Fund (1992), is unable to obtain a lot of information about Canadian film companies. Only 45 percent of the distribution companies which were sent a questionnaire for that particular study actually responded. The government has

no way of enforcing compliance with such studies regardless of the fact that it is granting money to these same firms. This is unfortunate because information on these firms is necessary in order to make sound government policies that affect the industry. NGL Consulting's evaluation of the distribution fund recommends that, in the future, Telefilm demand that certain reporting schedules must be filled out by those firms which receive Corporation funding. Another reason for the gap in the literature is simply that no one has ever collected what limited information there is available on specific Canadian film companies and then proceeded to find additional information from company owners and executives. This is what has been done for this chapter.

A 1990 study by Ekos Research Associates Inc. for the Program Evaluation Division at Communications Canada is an exception to the above rule that information concerning the film industry is about the industry in general rather than about specific companies working in the industry. The report, Canadian Cultural Industries International Marketing: Sixteen Case Studies (1990), compiled case studies of companies involved in the cultural industries, of which five were film and video companies. The information in this study came from interviews with company presidents. However, this document does not address the problem of the gap in the literature on Canadian film companies since it is to be read by Departmental employees only. Confidential company data were provided to

Ekos Research on the condition that "the contents of this report should not be circulated outside of the Department without the prior consent of the participants." (Ekos Research, 1990: 3)

Difficulty in Determining Which Companies to Use as Case Studies

Since all of the Canadian companies involved in the film industry are very different, it is not easy to select a handful of firms to serve as models to explain the rest of the industry's players. A report prepared by the Willis Consulting Group, entitled A Report on Distribution in the Canadian Film Market (1990), says "it is easier to analyze the studio-based distributors (U.S. majors) because there is a similarity in size, resources and approach. The Canadian distributors, on the other hand, have a much greater variety in their size, scope, resources and approach" (Willis Consulting Group, 1990: 4) For instance, a single case study of any one of the U.S. majors would allow one to understand the majors, as a group. However, Canadian film companies cannot easily be explained through the use of one or two models. Instead, one has to understand many individual Canadian companies, in order to understand the diversity that exists within the Canadian film industry. As explained in Chapter II's distribution section, the Willis Consulting report tries to simplify the distribution industry as much as possible, into four main categories. However, one must realize that a lot of diversity still exists between companies

within these groups, and any other categories that one may come up with.

Reasons for Choosing the Case Study Companies

As mentioned in Chapter I, I am interested in examining the structures and strategies of Canadian companies involved in the film industry. Therefore, the main reason for choosing the case study companies is that they are useful examples to explain some common structural characteristics and business strategies of such companies. The common business strategies, which will be explained in further detail in reference to specific companies, include the predominance of television production over feature filmmaking, distribution of others' products, vertical integration, utilization of government programs and policies, globalization and internal production financing. I found that these are the most common business strategies presently being utilized in the Canadian film industry. However, the specifics of how each company uses these strategies, to better their own business, is very different. For instance, all of the companies utilize government policies and programs, but to varying degrees. Consequently, some common strategies do exist, however, at each company, they are realized in different ways. Furthermore, the identification of these common strategies does not mean that each company uses all six, nor does it rule out other strategies. These are merely the most common strategies. Other strategies, more specific to each case

study company, will also be discussed below. Consequently, although similarities can be found between companies, my reasons for choosing each of the case study companies are as varied as the companies.

To begin, I chose to profile Alliance Communications because of the phenomenal success that it has achieved in just seven years of operation. Alliance Communications is a Producer-Distributor that has adopted all six of the common Canadian film industry strategies. This has allowed it to become the leader of the Canadian film and television production sector.

Astral Inc. was chosen because its structure and strategies closely resemble that of the U.S. majors. Not surprising then, Astral is one of the largest Canadian corporations involved in the film industry. Astral is an example of a Distributor-Producer. It is vertically-integrated within the film industry through its ownership of subsidiaries in the areas of post-production, distribution, videocassette wholesale and exhibition in the form of broadcasting. Astral Inc. is also horizontally-integrated through its ownership of a photo finishing retail chain. This structure is unusual for a Canadian film company.

At the other end of the financial spectrum from the industry leaders are small film companies such as Cinephile and Lacewood Productions. These companies were chosen, partially because of their small size, so that one could get

an understanding of the smaller players in the industry. Cinephile fills the final structure category of Distributor-Distributor. More importantly, it is a specialty film distributor and as such has traditionally been very involved with the distribution of Canadian productions, including those of first-time filmmakers. This fact has caused it to adopt very different strategies from the other case study companies. Consequently, Cinephile is an interesting company to explore because it has a very cultural mandate. However, small distribution companies like Cinephile are becoming extinct as the distribution sector becomes increasingly consolidated in the hands of large companies. In fact, Cinephile itself has been experiencing some tough economic times lately.

My fourth choice, Lacewood Productions, was also selected in order to gain insight into the very different realities of animation production. Another interesting point to make about Lacewood is that it is located outside of the major production centers of Toronto, Montreal and Vancouver, unlike all the other case study companies. Lacewood is situated in Ottawa, the film industry periphery.

The final two case study firms are similar in the amount spent annually on production and their interest in globalization. However, they radically differ in their position on Canadian cultural issues. Paragon Entertainment and Primedia Entertainment are both Production-Distribution companies. In 1991, they both made Playback's top 10 list of

Canadian film and television production companies. Furthermore, they both made a very short list of six production companies that made it on Playback's top 10 list at least three years out of the four years that the list was published. ("Leaders on the Canadian...", 1989, "Canadian Independent Production", 1990, "Canadian Independent Production", 1991 and "Playback's Fourth Annual...", 1992) However, the similarities between the two companies stop here. Paragon is involved with Canadian productions, but not necessarily Canadian in theme. Paragon's strengths lie in its alliances with American broadcasters. A lot of Paragon's recent strategies can be traced back to similar ones which worked for Alliance Communications. It seems as though Paragon is trying to use Alliance as a model.

On the other hand, Primedia's owner, W. Paterson Ferns, was a leader in the attempt to establish a Canadian film industry in the 1970s. Primedia pioneered co-productions, in areas other than feature films. Ferns' company is a good example of a company that is involved in very different types of productions, rather than just drama. The firm is very involved in arts programming for niche markets. For instance, Primedia has produced productions on the theatre and ballet. It is a much more nationalist oriented company than Paragon.

The case study companies were not chosen to act as six models that the remainder of the Canadian film industry's players can easily fit into. On the contrary, these companies

have been chosen on the basis of some structural and strategic characteristics which are common to some other Canadian film companies. Consequently, Nelvana may be similar to Lacewood because they are both animation companies. However, Nelvana is also similar to Alliance in that it is much larger than Lacewood and involved in more than merely production. The case studies are used to explain the common structures and strategies found in Canadian film companies, rather than act as models. It is hoped that these profiles will begin to fill the gap that exists in the field, as well as provide one with a better understanding of the industry.

Grid of the Canadian Film Industry's Players

In order for one to gain a quick sense of the companies chosen for this study, a grid of some of the Canadian film industry's players has been included. By looking at the following grid, one can see where the case study firms lie in relation to each other and some other Canadian film companies. The grid places each company in regards to its financial size and commitment to cultural goals. It is important to note that this grid oversimplifies the industry and its players. Furthermore, it is extremely difficult to place a company exactly on such a grid. Different people will have very different ideas about where to place Canadian film companies on this grid. Consequently, the purpose of the grid is to merely give one an idea of the case study companies' positions in relation to other industry players. I have included it

because I think it is useful as an introduction to the case study companies.

The placement of firms along the horizontal axis is extremely difficult to judge. Of course, every private company operating in a capitalist system has a very strong economic mandate. However, since the film industry is a cultural industry, I will argue that film companies have cultural mandates as well, although to varying degrees. A firm's cultural mandate may, in fact, be a business strategy, the goal of which is to fulfil an aspect of the firm's economic mandate. Consequently, I have placed Alliance closer to the cultural mandate because it is more interested in producing and distributing Canadian-theme productions than Paragon and SC Entertainment. However, by placing it there I do not mean to suggest that it does lack a strong economic mandate. Rather, it is merely more involved with Canadian cultural products than some other Canadian film companies.

TABLE #11
GRID OF THE CANADIAN FILM INDUSTRY'S PLAYERS

i. ALLIANCE COMMUNICATIONS CORPORATION

a) Corporate Structure

Alliance Communications Corporations was formed in 1985 as a result of a merger between RSL Entertainment Corp., led by Robert Lantos and Stephen Roth and ICC International Cinema Corporation, run by producers John Kemeny and Denis Heroux. At the time, RSL and ICC were considered to be Canada's two leading production companies. Alliance has been able to

maintain that leading status under the direction of Chairman and CEO, Robert Lantos. The original plan of the newly formed members was to build a large, internationally-based Canadian company, diversified in all aspects of the film and television-program business. Since its incorporation, Alliance has grown, diversified and restructured in the hopes of achieving that goal.

Alliance Communications is a privately-owned Canadian company. Its primary shareholders now include Robert Lantos, Victor Loewy, Jay Firestone and Cineplex Odeon Corporation, with Lantos being the major shareholder. Cineplex owns 20 percent of Alliance. Alliance is a vertically-integrated communications company involved in all aspects of the film industry, with its four main subsidiary companies; Alliance Productions, Alliance Releasing, Alliance International and Alliance Equicap. Alliance is Canada's largest film and television production company. In 1989, the company's production budget doubled that of the next-ranking independent Canadian producer, Nelvana. Harvey Enchin of the Globe and Mail, calls Alliance "the closest thing Canada has to a major studio, with 15 feature films and 400 hours of television production (20 programs) to its credit since 1985." (Enchin, February 24, 1992: B1 & B2)

TABLE #12
CORPORATE STRUCTURE OF ALLIANCE COMMUNICATIONS

Alliance Communications			
Alliance Productions (production)	Alliance Releasing (domestic distrib.)	Alliance Inter- national (foreign distrib.)	Alliance Equicap (production financing)

Since Alliance is a private company, it is not required by law to disclose financial information to the public. Only a minimal amount of financial information is divulged by the company in newspaper and magazine articles. Harvey Enchin says, "compared with many other Canadian production companies - which are forever struggling - Toronto-based Alliance is a relative powerhouse." (Enchin, February 24, 1992: B2) In October 1992, Enchin reported that "Alliance Communications Corp. has shown again that it is one of the most prolific, powerful and best-connected entertainment companies in Canada, weighing in with a mighty \$90 million production slate for the year, 30 percent higher than in 1991" (Enchin, October 13, 1992: B1) Alliance's total 1992 revenue is expected to reach \$140 million. (Enchin, October 13, 1992: B1) "Sales to Canadian broadcasters this year are roughly \$20 million." (Enchin, October 13, 1992: B1) In 1992, Alliance Communications had a full-time staff of 100 people. (Alliance Communications, 1992: A2) "Yet for all its successes and stability, Alliance has no hard assets." (Enchin, February 24, 1992: B2)

b) Business Strategies

It is interesting to note that Alliance is the only company which utilizes all six of the common business strategies identified above. The adoption of these strategies has helped it to become an enormous success in the Canadian film industry.

Predominance of Television Production Over Feature Filmmaking

Although Alliance began as a film company, it is now predominantly involved with television production rather than feature filmmaking. About 80 percent of the company's production projects are for television. Alliance is presently producing four television series including ENG and Counterstrike. The corporation will only produce two or three feature films per year.⁵ (Interview with Jay Firestone, Executive Vice-President and Chief Financial Officer of Alliance Communications, October 8, 1992) Like other Canadian production companies, Alliance's feature films are not nearly as lucrative as its television productions. Alliance can only make back 20 percent of a film in Canada, while a maximum of 50 percent can be made back from a television program, if it meets Canadian content regulations. (Mallet, March 1992: 66) However, Alliance did have one major feature film success story for 1991, which was the high-profile Canadian-Australian co-production, Black Robe. Black Robe became the highest grossing English-language Canadian film since Porkys. Canadian box office receipts for Black Robe reached a record

\$3 million, while \$7 million was collected at U.S. box offices. (Mazurkewich, April 27, 1992: 1&6)

Distribution of Others' Products

Jay Firestone says that Alliance's production figures are not a good way to measure the company's success. A better way to understand Alliance's success is by looking at the corporation's distribution and brokerage subsidiaries which are very actively involved with product from other producers, as well as their own. (Interview with Jay Firestone, October 8, 1992)

Alliance Communication's domestic distribution arm, Alliance Releasing was created in 1987 when Alliance acquired Victor Loewy's Quebec distribution company, Vivafilm. Alliance Releasing, now run by Loewy, is the leading Canadian-owned film distributor and the leading distributor of Canadian films. Alliance Releasing controls up to ten percent of the Canadian theatrical market, while "all the other Canadian distributors combined have less than three percent." (Enchin, October 13, 1992: B1) In 1990-91, Alliance Releasing distributed seven Canadian films and 194 foreign films. (NGL Consulting, 1992: 75) However, according to Gina Mallet of Canadian Business, Alliance Releasing released 68 films and grossed about \$23 million, in 1991. (Mallet, March 1992: 67)

Alliance's financial strength lies in its control over the majority of independent foreign films released in Canada. ("Spotlight...", July 18, 1990: 28) Alliance recently

negotiated exclusive deals with U.S. distributors such as New Line Cinema, Fineline Films, Sony Classics, and Samuel Goldwyn to distribute their productions in Canada. (Alliance Communications, 1992: A6) However, Victor Loewy, President of Alliance Releasing, says that it is very difficult to be a Canadian distributor because Canadians control only a fraction of their domestic market. In other countries, local distributors are able to acquire economically-profitable independently-produced blockbuster films such as Terminator 2. Alliance was able to make one of those rare deals in Canada by purchasing the rights to distribute Teenage Mutant Ninja Turtles which grossed over \$15 million. This was a record for a Canadian distributor. (Mallet, March 1992: 67)

Alliance is also involved with international distribution of films and television programs through Alliance International. Alliance International markets the corporation's feature films and television programs. "It also acquires and sells international distribution rights to third party product." (Alliance Communications, 1992: E) Alliance International calls itself Canada's leading exporter of filmed entertainment. (Alliance Communications, 1992: E) The firm usually distributes about three or four television series from other producers, besides Alliance's own television series'.

In the future, Alliance plans to expand in the areas of development and distribution. The company will be putting more resources towards other producer's product rather than

increasing their own amount of production. Alliance plans to make itself less dependent on its own and Canada's production capabilities. This is not to say that Alliance will not be involved with Canadian production, but that it will not be restricted to it. By doing this, the company will be able to protect itself from uncertain times ahead. Firestone believes that a distributor is not as prone to the ups and downs of the industry for two main reasons. First, a distributor does not have to worry about trying to finance a production. Second, a distributor can build up a library of product, so that in the tough times, it can sell the inventory and live off of the profits. (Interview with Jay Firestone, October 8, 1992)

Vertical Integration

A long standing strategy common to many industries is vertical integration. Alliance executives decided early on that they would expand vertically into related film industry businesses. To achieve that goal, the company had to take risks along the way in order to build the divisions that it has today. By vertically integrating, the company could reduce the need for outside middlemen who take a percentage off the top. Alliance decided that if someone was going to take a percentage of money off the top, it might as well be them. Consequently, a Canadian distribution company, a foreign distribution company and a brokerage firm were added to the company's initial production business. These are the areas where mark-ups are made. So, for instance, instead of

selling a product to someone for two units who will mark it up to four units, Alliance sells it for four units. Firestone says that becoming their own middleman is what makes Alliance different from their competitors. (Interview with Jay Firestone, October 8, 1992)

Overwhelming Utilization of Government Policies and Programs

Since its inception, Alliance has taken full advantage of all government policies and programs affecting the film industry such as the CCA tax incentive, Telefilm funding, provincial programs (OFIP), Canadian broadcast regulations and international co-production treaties.

For instance, Alliance is quite involved with Canadian content productions. In fact, the majority of Alliance's own productions are Canadian content productions. (Interview with Jay Firestone, October 8, 1992) Data from the Canadian Audio-Visual Certification Office (CAVCO) shows that Alliance produced 6 certified Canadian feature-length productions between the years 1989 and 1991. (Canada, CAVCO)

**TABLE #13
ALLIANCE'S INVOLVEMENT WITH
CERTIFIED CANADIAN FEATURE-LENGTH PRODUCTIONS**

Year	Produced by Alliance	Distributed by Alliance	Total Productions	Total Budget* (millions)
1991	0	1	1	
1990	2	6	7	\$32.3
1989	2	5	5	\$14.2
1988	2	4	4	\$21.2

* Total budget amounts are only included for those productions which were produced by Alliance. (Canada, CAVCO)

Like other Canadian companies, Alliance receives production funding from Telefilm Canada and on occasion, from the provincial film funding agencies. In 1990, approximately 12-15 percent of Alliance's production budget came from Telefilm or a provincial film agency. In 1989-90, Alliance received \$4 million from Telefilm for television production. Alliance only goes to Telefilm for assistance with projects with exceptionally high indigenous Canadian value or what Firestone calls "five star maple leaf productions" meaning those which are very hard to finance outside of the country because they are very Canadian in theme. ("Spotlight: Alliance", July 18, 1990: 26 and Interview with Jay Firestone, October 8, 1992) The reason for Alliance's overwhelming involvement with Canadian content productions is to attract private investors through the CCA, receive Telefilm funding, and to have a product that Canadian broadcasters require to fulfil their conditions of license.

TABLE #14
ALLIANCE AND TELEFILM CANADA'S FEATURE FILM FUND (FFF)

Year	Production of FFF Projects		Distribution of FFF Projects		Total Involvement with FFF Projects	
	Eng.	French	Eng.	French	Eng.	French
1990-91	1	0	4	0	4	0
1989-90	0	1	5	1	5	1
1988-89	1	0	1	1	1	1

(Canada, Telefilm Canada, Projects financed in ... (Films and television programmes), 1988-89 to 1990-91.)

TABLE #15
ALLIANCE AND TELEFILM CANADA'S
CANADIAN BROADCAST PROGRAM DEVELOPMENT FUND (CBPDF)

Year	Production of CBPDF Projects		Distribution of CBPDF Projects		Total Involvement with CBPDF Projects	
	Eng.	French	Eng.	French	Eng.	French
1990-91	2	0	0	0	2	0
1989-90	2	0	0	0	2	0
1988-89	3	0	0	0	3	0

(Canada, Telefilm Canada, Projects financed in ... (Films and television programmes), 1988-89 to 1990-91.)

Furthermore, Alliance Communication's distribution arm, Alliance Releasing, has received money from the Principal Fund of Telefilm's Distribution Fund, since the fund's inception in 1988-89. In 1990-91, \$10.3 million worth of Alliance Releasing's activities were assisted through Telefilm's Distribution Fund. (NGL Consulting, March 1992: 78) In 1991-92, Alliance Releasing received \$2.3 million for the

distribution of Canadian and foreign films in Canada. Almost all Canadian films handled by Alliance Releasing have been produced by the parent company. (Canada, Telefilm Canada, 1991-92: 41)

Although it would be difficult for Alliance to see Telefilm gone, it could survive without it. Firestone does not think that too many other Canadian production companies could say the same thing. In the future, Alliance plans to rely less on Telefilm. (Interview with Jay Firestone, October 8, 1992)

Strong Canadian Cultural Philosophy

Within the past few years, Alliance has shifted its philosophy from a pure business outlook to an increased concern for the cultural aspects of producing and distributing Canadian films. Although Alliance remains involved with a lot of productions which are not Canadian in theme, it is no longer happy with just being an industry leader. It now wants to be a cultural leader, as well. Alliance's owners are now publicly committed to the Canadian film industry and believe that it is important to preserve a Canadian identity through film and television.

Although Alliance's new cultural mandate may not be written in stone, Alliance has used the money that it has made in its more international productions to fund Canadian content programming such as Black Robe. Furthermore, Alliance is now interested in the films of well-known and respected filmmakers

such as Atom Egoyan and Patricia Rozema. Alliance has the money to keep such filmmakers in Canada longer than they would have if there were only small Canadian distributors such as Cinephile. Although Cinephile played an important role in getting the careers of these filmmakers started, Canada must be able to offer them enough money so that they will continue to work in the country. Alliance is able to do that. Although such successful Canadian filmmakers may inevitably leave the country to reap even larger financial rewards, at least Alliance is able to prolong that departure and allow some very good Canadian films to be made by those filmmakers while they are here.

Furthermore, Alliance has changed its philosophy towards marketing Canadian films. The company has become more aggressive and innovative in that regard by spending more money on buying and releasing Canadian films. (Interview with Jay Firestone, October 8, 1992) Alliance's Alliance Insider for spring 1992 stated,

Rather than limiting the potential of Canadian films by "ghettoizing" them in fringe theatres with marginal marketing support, Alliance has targeted flagship urban and suburban multiplexes. Our Canadian films are receiving more marketing back-up and media fanfare than the best films from around the world. This calls for a great deal of commitment and tender loving care, and it ensures that our films get the best possible shot at the marketplace. (Alliance Communications, Spring 1992: 3)

Firestone says that this change has occurred because Canadian films are no longer thought of as obligations. Rather, they are becoming profitable, in some cases. (Interview with Jay

Firestone, October 8, 1992) For instance, "a bold marketing campaign for Black Robe, which included a strong television and outdoor buy in key markets, resulted in a remarkable \$2.8 million at the box office." (Alliance Communications, Spring 1992: 3)

It is interesting to analyze Alliance's new cultural philosophy. The main reason seems to be that Robert Lantos believes that if Alliance becomes a cultural leader, as well as a financial leader, in the Canadian film industry, he will have greater access to and involvement with government policy makers. Therefore, in order to gain credibility with government officials as an industry spokesperson, Lantos attempts to speak on behalf of the industry. Lantos wants the government to view Alliance as a company that is benefiting the entire Canadian film industry. This explains why Alliance has recently become interested in distributing films such as Atom Egoyan's The Adjuster and Patricia Rozema's White Room. Alliance is using prestigious cultural projects such as these and its own Black Robe as a way to get into the government policy making door. If this happens, Lantos has a better chance of getting invited to luncheons and other meetings with government officials where inevitably public policy concerning the film industry will be discussed. By getting closer to policy makers, Alliance is presented with the opportunity to influence policy decisions for the entire industry. Obviously, Lantos will favour policies that will benefit his

own individual company. Consequently, if a company can earn the respect of government and become closely tied with it, it will be one up on the competition. Alliance's new cultural philosophy is in fact a business strategy, the goal of which is to make the company look good in the eyes of the Canadian government and from that become involved in the policy making process.

This type of intimate relationship between industry leaders and government officials is not new. In fact, the U.S. majors forged relationships with the U.S. government in the early years of cinema. The MPEAA often finds support for its lobby efforts, in Canada and other countries, through the Department of State. An example of the MPEAA's close ties with the U.S. government occurred in April 1987 when U.S. President Ronald Reagan visited Prime Minister Brian Mulroney. Among other issues, the film industries of the two countries were discussed. Reagan spoke on behalf of the MPEAA by denouncing Canada's proposed Film Products Importation Act on the grounds of freer trade between the two countries. (Austen, June 1987: 54) On the other hand, Canadian film companies traditionally have not been involved with government to the same degree as their American counterparts. Alliance is blazing the way in this new trend in the Canadian film industry.

Consequently, although Alliance is providing the Canadian film industry with many cultural benefits, it is in its own

best interest to do so. However, regardless of their intentions, it is hoped that Alliance will remain committed to the Canadian film industry. Considering Alliance's financial successes in the past and the way that it is positioning itself for the future, it seems almost certain that Alliance will remain a leader within the Canadian film industry. It also seems clear that if Alliance wants to remain an industry leader and retain the close alliances that it is now building with Canadian government officials, it must remain committed to the cultural aspects of the Canadian film industry.

Globalization

Despite Alliance's insistence that it is a very "Canadian" company and its involvement in Canadian content productions, the market realities of film and television production have forced the company to globalize in order to remain an industry leader in Canada, and abroad. More than half of Alliance's revenue comes from outside of Canada. In 1990, Lantos told a reporter for Variety that future plans for the company included "strengthening our American operation and a significant expansion of our L.A. office, and working harder to establish linkups with Germany, the U.K., Italy and Australia." ("Spotlight...", July 18, 1990: 26) Furthermore, Lantos said he wanted to do "more non-Canadian-content productions". ("Spotlight...", July 18, 1990: 26) Since that time, Alliance has been working towards and achieving some of those goals. The company has become a major player in the

game of selling to the all-important U.S. market. The firm now has five productions airing on the U.S. networks. By the end of 1992, Alliance expects that it will have done what no other Canadian film company has done, by having its productions aired on a U.S. network during prime time. Lantos says, "our ability to sell to the U.S. is way ahead of the rest of the world." (Mallet, March 1992: 66-74) Alliance has been able to make these advances into the U.S. television market due to the fact that the three conventional U.S. networks can no longer afford to pay high prices for programs. Consequently, low-budget Canadian programs are a viable alternative. (Mallet, March 1992: 66-74) In order to better facilitate the firm's growing involvement in the international market place, Alliance has set up offices in Montreal, Vancouver, Los Angeles and Paris as well as their head office in Toronto.

Alliance is also very involved in co-productions, both for television and feature filmmaking. Firestone says that international co-production is the most fundamental thing for a successful Canadian producer. Without them, he does not think that Canada's production industry would exist. Canada is the biggest co-producer in the world and Alliance is the biggest of the Canadian companies involved in international co-production. France has been Alliance's biggest co-production partner. However, other co-production partners include companies from Italy, Israel, New Zealand, and

Australia. Alliance is also involved with foreign partners which lie outside of Canada's co-production treaties. For instance, Alliance has American partners for almost all of its productions. (Interview with Jay Firestone, October 8, 1992)

Internal Production Financing

As mentioned above in regards to film financing trends, Alliance and Paragon have recently opened their own financing arms in order to stimulate investment in film and television projects of their own and others. Alliance was the leader in this trend when it created Alliance Equicap in 1989. The aim of this new subsidiary was to reduce Alliance's dependency on third party brokers. Alliance Equicap's role is to provide tax shelter financing by bringing private investors and producers together through the CCA mechanism. Firestone says, "Alliance Equicap's success is based on the fact that we have more respect for our investors than anyone who has ever done the tax shelter business before, we give them a little more in return, and take a little more from the producer." (Interview with Jay Firestone, October 8, 1992)

Only productions with a budget over \$1 million are eligible to receive financial assistance through Alliance Equicap. However, the average budget for Alliance Equicap-assisted productions is \$5 million. In 1990, Alliance generated \$25 million worth of investments in film and television projects. ("Alliance extends bank arm", May 27, 1991: 1) In 1991, that number increased to \$50 million for

approximately 10-15 productions. In 1992, that amount is expected to double, again. (Interview with Alliance Equicap employee, July 30, 1992)

Jay Firestone does not believe that other Canadian production companies will join Alliance and Paragon in creating their own brokerage companies. Alliance is the largest film brokerage company in Canada, by several factors, and does not feel any threat from Paragon's investment arm. Firestone says it does not make sense for other production companies to start investment subsidiaries because Alliance now controls the market. Alliance has been successful in doing investment work for Primedia, Accent, Sunrise, Cinepix and IMAX Corporation, among others. (Interview with Jay Firestone, October 8, 1992)

Alliance was also on the leading edge of a new trend when it announced the creation of Diversified Media Ventures, "a private, multi-million dollar investment fund designed to attract investors interested in long-term financing." (Mazurkewich, April 27, 1992: 1&6) Using the Capital Cost Allowance, the venture allows investors to help finance a group of productions, rather than just one. This form of financing is good for investors whose risk is reduced over a variety of projects. It is also a positive undertaking for the producer who remains autonomous. (Mazurkewich, April 27, 1992: 1&6)

Exploitation of the Exhibition Sector

Alliance is the only Canadian production company which is corporately linked to the exhibition sector. However, the relationship between the two is not as close as one might think considering the fact that Cineplex Odeon owns 20 percent of Alliance Communications. "While Alliance Releasing product gets exclusive access to the chain's theatres, it has no priority as does Cineplex Odeon Films." ("Spotlight...", July 18, 1990: 6) Consequently, like other Canadian distributors, Alliance Releasing must fight for limited theatre space for its films. It must deal with the fact that Canadian films often get pulled from theatre screens in favour of films from the U.S. majors. For instance, since MCA, owner of Universal Studios, owns 49 percent of Cineplex Odeon, its films can easily override those of Alliance.

Furthermore, Quebec legislation, which does not allow non-Quebec based companies, such as Cineplex Odeon Films, to distribute in the province, has also not brought the two companies closer together. Cineplex Odeon Films distributes in Quebec through Malofilm, rather than Montreal-based, Alliance Releasing. Although not as strong as they could be, Alliance's ties with Cineplex Odeon are still very important since they provide Alliance with an advantage, over other Canadian distributors, in the exhibition sector.

Despite Canadian distributors problems finding screen time for their products, the theatrical market share of

Canadian distributors has risen in recent years. Alliance is a good example of the successes that have been made in theatrical distribution. For instance, in 1991, Alliance set a Canadian box office record with an unprecedented \$25 million. After theatrically distributing approximately 60 films in 1991, "Alliance's share of the domestic theatrical market is now more than double that of all other Canadian-owned distributors combined and is at par with several U.S. 'majors'." (Alliance Communications, Spring 1992: 2) Other Canadian distributors which have also improved their market share include Cineplex Odeon Films and C\FP Distribution.

ii. ASTRAL INC.

a) Corporate Structure

Astral Inc. is a large integrated communications company which is wholly Canadian-owned and publicly-traded. Astral has two main divisions: Communications and Photographic. Its photographic division includes retail sales of photographic equipment and retail film processing. The communications division includes film and video technical services, distribution of films and other programming for theatrical, television and home video markets, and pay television. (Astral Inc., 1992) This thesis is solely concerned with Astral's communications division which itself encompasses two branches: broadcasting and entertainment. Astral Inc. owns numerous subsidiary companies. Its main broadcasting subsidiary, Astral Broadcasting Group, owns 100 percent of First Choice

Canadian Communications Corporation, 50.1 percent of Viewer's Choice Canada, 54.3 percent of Premier Choix: TVEC Inc., and 50 percent of The Family Channel Inc. Super Ecran and Le Canal Famille are included under the banner of Premier Choix. Astral Film Enterprises Inc., the Corporation's main entertainment subsidiary, owns distribution firms such as Astral Films and Astral Video; video wholesale and duplication companies such as Bellevue Home Entertainment; technical service companies such as Bellevue Pathe Quebec Inc.; and international programming companies such as Astral Europa Communications. Astral is also involved with Entertainment Programming Services Ltd. (EPS), a joint venture with 20th Century Fox and Columbia Pictures Television. EPS is the largest supplier of English and French programming to the Canadian broadcast industry.

TABLE #16**ASTRAL INC.**

Note: ICVS InterCanadian is a joint venture with Columbia Tri-Star Home Video.
BVA Video is a joint venture with Buena Vista Home Video.
EPS Entertainment is a joint venture with 20th Century Fox and Columbia Pictures Television.

Source: Astral Inc., 1992 Annual Report, p. 2.

Astral initially began operations as a camera store, called Bellevue Pathe Limited, in 1963. In 1973, Bellevue Pathe amalgamated with Astral Communications, a Toronto theatre and television distribution company, to form Astral Bellevue Pathe Inc. Motion picture production and distribution were then added to the company's list of activities. In the beginning, the company was owned by the Greenberg and Bronfman brothers. The four Greenberg brothers, Harold, Harvey, Sidney and Ian, still maintain control of the company. Harold Greenberg is the Corporation's Chairman, President and Chief Executive Officer. Each of the other brothers holds a vice-president position. Edward and Peter Bronfman, through Hees International Bancorp Inc., still own shares in Astral. However, the Bronfman's share of the Corporation has declined within the past five years. The Greenbergs presently own 28 percent of Astral, while the Bronfmans own 14 percent. Astral's public shares are largely controlled by three major shareholders: Abgreen Holdings Limited, Bellevue Photo Labs Inc. and 654625 Ontario Limited. Rogers Communications also has an investment in Astral.

Astral Inc.'s board of directors come from a wide variety of backgrounds. Two of the company's directors come from high federal government positions. Andre Bureau, vice-chairman, president and CEO of Astral Bellevue Communications is a former chairman of the CRTC. Francis Fox is a former Minister of Communications. Harold Greenberg, himself, is a former

member of the advisory board of the Canadian Film Development Corporation, Telefilm Canada's predecessor. It is also interesting to note Astral's close ties to financial institutions through its directors' positions on the boards of directors of numerous other corporations. For instance, George A. Cohen's interlocking position on the board of directors for both Astral and the Royal Bank of Canada could be an immense benefit to Astral. Cohen is also the director for the Council for Canadian Unity. Other Astral directors, Jack L. Cockwell and Andre Bureau, also sit on the boards of financial institutions. Furthermore, since June 1991, Astral has had a director on its board from Rogers Communications Inc. This could provide Astral with distribution outlets for its programming.

Unlike the other case study companies, Astral is a public company which is required to file its annual financial reports with Consumer and Corporate Affairs Canada. In the fiscal year ended February 28, 1992, Astral Inc.'s revenues were \$287.4 million while its net earnings were \$5.6 million. The communications division at Astral was responsible for \$228.0 million of the Corporation's total revenues. Astral's pay-television holdings provide much of the company's strength. In fact, in the past few years, the Corporation's profits have increased partially due to Astral's increasing holdings in the pay-television market. (Astral Inc., 1992) In 1991, Astral Inc. was ranked number 254 for sales in Canada, while its

subsidiary, Astral Bellevue Communications Inc., was ranked as the 83rd largest subsidiary company. (Blue Book of Canadian Business, 1991 and "Subsidiaries 500, June 1992: 146)

b) Business Strategies

Internal Production Financing

One of the most interesting aspects of Astral Inc. is that, unlike all other Canadian film companies, its corporate structure and strategies closely resemble that of the U.S. majors. Like the majors, Astral is not heavily involved in the production sector. In fact, Astral does not produce itself. Rather, it helps finance productions which it can later distribute and exhibit on its pay and specialty television stations. Astral's decision to remain outside of the production sector was based on its desire to become involved in what it believed to be a more lucrative sector; broadcasting. Astral's broadcasting interests limit it from becoming involved in production because a broadcasting company cannot receive funding through Telefilm Canada.

Consequently, Astral does not own a production company. Rather, it is involved with the financing and packaging of other producers' films and television programs through Astral Film Enterprises Inc. When approached with a project, Astral will go to potential domestic and foreign financiers asking if they would like to participate in this particular production. Daniel Lyon believes that Astral is in a good position to make these deals because it is such a large company. Large foreign

companies want to deal with another large company that has stability, that has been in business for a long time and that can be trusted financially. (Interview with Daniel Lyon, Director of Business Affairs, Distribution Group, Astral Film Enterprises Inc., October 8, 1992) In 1991, Astral's Entertainment Group had more than 20 co-productions in various stages of development. (Astral Inc., 1991)⁶

As a production financier, Astral's job is to help the producer structure the deal. It does not merely write a cheque to help finance productions. Rather, it is involved in the normal type of approvals that a financier has in terms of the budget, cast, crew and director. Astral helps the producer put all of these things together. Astral tries to put projects together which will qualify not only as Canadian productions but as European content as well. In that way, the co-producers can take advantage of funding programs that are available through both Canada and the co-producing country. The producer that Astral is working with may apply to Telefilm or the provincial agencies for production funding, but Astral is not directly involved with that.

Unlike other Canadian film companies, Astral has a good banking relationship because of the enormous size of the company in relation to other industry players. Astral has bank financing for its entire company and a company line of credit through the Royal Bank of Canada and the National Bank of Canada. Furthermore, Astral's positive relationship with

these banks is transferred to production companies which it becomes involved with because a bank will give a producer money based on a written commitment to the producer from Astral for a certain amount of money to be paid on a certain date. (Interview with Daniel Lyon, October 8, 1992)

Vertical and Horizontal Integration

A second main reason why Astral resembles the U.S. majors is its early strategy of vertical and horizontal integration. When Astral was first established, Harold Greenberg wanted to distinguish his company from its competitors by becoming the biggest and the best in the business. His aim was to become a vertically-integrated company. Astral has achieved that goal by being able to offer one-stop shopping for producers. Astral is involved with technical services, distribution, and financing for the film industry. (Interview with Daniel Lyon, October 8, 1992) Astral is also horizontally-integrated through its involvement in the photo-finishing retail industry.

Canadian Distribution Only

Unlike the other case study companies, Astral is not involved in the foreign sales business. Therefore, it only purchases Canadian rights to films. This fact is surprising considering the importance that other distribution companies place on foreign distribution. One reason for this may be tied to the fact that Astral is a sub-distributor, in Canada, for many of the U.S. majors. In an effort not to jeopardize

that relationship, Astral may not want to infringe on the operations of the majors in other countries.

Utilization of Government Policies and Programs

Astral utilizes some government policies and programs, but not to such a great degree as Alliance. For instance, Astral receives financial assistance from Telefilm Canada's Feature Film Distribution Fund. In 1990-91, \$9.8 million of Astral Inc.'s budget of activities was assisted through the fund. (NGL Consulting, 1992: 72) Daniel Lyon says that Telefilm's distribution fund has been very helpful to Astral's distribution operations. However, at the same time, the company would like to rely less upon Telefilm. (Interview with Daniel Lyon, October 8, 1992)

As Table 17 shows, Astral has become involved with some certified Canadian feature-length productions in order to reap the benefits of the CCA. Since Astral does not own a production company, it does not receive production funds directly from Telefilm's Feature Film Fund. However, it has distributed eight feature films which received Feature Film Fund funding in the years 1988-89 to 1990-91. (Canada, Telefilm Canada, 1988-89 to 1990-91.)

TABLE #17
ASTRAL'S INVOLVEMENT WITH
CERTIFIED CANADIAN FEATURE-LENGTH PRODUCTIONS

Year	Produced by Astral	Distributed by Astral	Total Productions	Total Budget* (millions)
1991	0	1	1	
1990	0	3	3	
1989	0	3	3	
1988	0	2	2	

* Total budget amounts are only included for those productions which were produced by Astral. (Canada, CAVCO)

TABLE #18
ASTRAL AND TELEFILM CANADA'S FEATURE FILM FUND (FFF)

Year	Production of FFF Projects		Distribution of FFF Projects		Total Involvement with FFF Projects	
	Eng.	French	Eng.	French	Eng.	French
1990-91	0	0	1	0	1	0
1989-90	0	0	3	1	3	1
1988-89	0	0	2	1	2	1

(Canada, Telefilm Canada, Projects financed in ... (Films and television programmes), 1988-89 to 1990-91.)

Globalization

Although Astral does not distribute internationally, it is still very involved with the global market. In 1990, Astral expanded internationally by opening offices in Paris and Los Angeles. A year later, the corporation purchased a five percent interest in a French organization that was to establish a children's pay-television network in France. (Clifford, June 12, 1991: B11) Astral's financing partners

are predominantly from France, the United States and England. However, the company is planning to expand into other locations, in the near future, including Germany and Japan. In terms of the future, Astral believes that the sky is the limit if one looks beyond Canada's small market. (Interview with Daniel Lyon, October 8, 1992)

Canadian Cultural Philosophy

Despite Astral's increasing involvement in the global marketplace, the company maintains that it is still a Canadian company, with Canadian interests. Astral promotes itself as an active supporter of Canada's cultural industries in very different ways and for very different reasons than Alliance. Astral is not as closely tied to the political sphere as is Alliance, nor has it tried to be. Harold Greenberg's name is never on the list of guests for a government luncheon. He is viewed more of a straight businessman, rather than a promoter of Canadian culture. However, the company's commitment to Canadian cultural interests can still be seen in Harold Greenberg himself who is very active in issues pertaining to Canada's cultural industries, but outside the realm of government. Evidence of this can be found in Harold Greenberg's presence on the board of the Canadian Cultural/Communications Industries Committee. This committee was formed by many top business executives in Canada's cultural industries to defend Canadian interests in the trade negotiations with the United States and Mexico. In Astral's

1992 annual report, Greenberg says,

I am fighting to protect the cultural sovereignty of Canada. The country's cultural industries must be kept out of the North American free-trade negotiations. The protection of these industries is important to the country's economic development and prosperity." (Astral Inc., 1992)

On the surface, it seems as though Astral's concern for culture in light of the North American Free Trade Agreement is for the good of the Canada. In fact, it is his own company's best interests that he is actually fighting for.

Astral says that it is committed to independent Canadian filmmaking which it is able to help in many ways. For instance, Lyon states that approximately half of the feature films that Astral distributes are Canadian. However, this statistic probably does not include Astral's subsidiaries which distribute the major's products. Secondly, Lyon says when talking to foreign companies, Astral continually tries to persuade others to treat Canada as a separate market. By doing this, Lyon believes that Astral is really supporting the people who are at the forefront lobbying for structural changes to the distribution sector. Obviously, this is in Astral's best interests, as well, since the firm is only interested in purchasing films for the Canadian market. Thirdly, Astral believes that the relationships that it creates with foreign partners helps to pave the way for other Canadian film companies because it tends to get the other party thinking about Canada, in general. (Interview with Daniel Lyon, October 8, 1992) If this does occur, it is an

unintended side effect of Astral's business that they use to publicly show that they are benefiting the Canadian film industry.

Finally, Astral says it is an active supporter of the Canadian film/video production industry through its broadcasting subsidiaries. In 1991, First Choice contributed \$1 million to the Foundation to Underwrite New Drama (FUND) which provides financial assistance to Canadian script writers. In addition, Viewer's Choice has made a commitment to FUND for \$3 million over the next three years for the production of Canadian feature films. (Astral Inc., 1992) However, Astral's forms of financial assistance to the industry are actually license requirements set by the Canadian Radio-television and Telecommunications Commission (CRTC) rather than being initiated by Astral. Furthermore, the amount of that financial assistance is not great considering the size of Astral and what it is able to afford. Astral's publicly stated commitments to the Canadian film industry seem like publicity for the corporation. The contributions that Astral has made to the industry were probably done because they were advantageous to the company, rather than to the country.

iii. CINEPHILE FILMS LTD. ⁷

a) Corporate Structure

Toronto-based Cinephile Films Ltd. was created by Andre Bennett in 1983 and incorporated in 1987. In 1989, Daniel

Weinzweig and Peter Haley purchased a controlling interest in the company which had become insolvent due to considerable market changes that were affecting the entire industry. After 1989, there was no longer a theatrical market for low budget and subtitled films, which had traditionally been the company's area of expertise. Furthermore, the pay television channels were not buying subtitled films any more, as they had been in the early 1980s when there was a lack of product.

Consequently, the new owners changed the direction of Cinephile from a distributor of films of first time Canadian filmmakers and of foreign, often subtitled films, to a distributor of Canadian films and a few selected U.S. films. (Interview with Cinephile executive, October 7, 1992)⁸ In the early 1980s, Cinephile called itself a specialty films specialist. It was known for its offbeat non-commercial films including many films by first-time filmmakers, like Atom Egoyan. (Quirt, January 1988: 16) Cinephile is still considered to be a specialty film distributor, but not to the same degree that it was at one time.

Cinephile's views on the state of the industry have changed dramatically since 1989. In an article written about Cinephile in 1988, Andre Bennett, president of Cinephile at the time, was quite optimistic when he said, "the future is looking good for modestly budgeted films, which is crucial to creating an indigenous film industry - one that isn't trying to compete with the Hollywood model of big-budget, star-laden

features". (Quirt, January 1988: 16) These smaller budgeted films are of the type that Cinephile has always been interested in distributing. For instance, Cinephile's 1987 box office hit was I've Heard the Mermaids Singing. The film grossed over \$600,000 in Canada between September 1987 and January 1988, which is an excellent return for a film that cost only \$270,000 to produce. Family Viewing is another example of Cinephile's successful Canadian films. Cinephile provided pre-production support for the film which after running four weeks in Toronto and six weeks in Montreal, grossed \$41,000 before being released across Canada. (Quirt, January 1988: 16) However, despite Bennett's optimism in 1988 concerning specialty films, the company became insolvent one year later. The company then began to choose more mainstream productions.

Cinephile is in a completely different category than industry leaders such as Astral and Alliance. It is not owned by a large parent company, nor does it own any subsidiary companies. The company's approximate gross annual revenues reach only \$2 million. Cinephile employs five full time people. That figure is down by two from last year. On average, the firm handles only seven to ten films per year. Even though Cinephile is experiencing some hard times right now, its owners believe that their firm will survive into the future considering the strong structure and personnel that they have to work with and build on. However, at the same

time, the company is finding that there is less room for small distributors, considering the trend towards consolidation. (Interview with Cinephile executive, October 7, 1992)

b) Business Strategies

Specialty Distribution

Cinephile's business strategies are directly tied to the fact that it is a specialty distributor, meaning that it is primarily involved with non-commercial or "artsy" films. Consequently, Cinephile has not adopted as many of the common business strategies as the other case study companies. The strategies that it has chosen are very different. For instance, Cinephile's main strategy of distributing only Canadian feature films is in direct opposition to many of the other companies' involvement with predominantly television productions. Cinephile's strategies partially explain why the company remains small, by industry standards. It also helps to explain why the company is experiencing tough economic times. Furthermore, it does not appear that the strategies that Cinephile executives have chosen are going to help the company get out of its unfortunate situation. This is unfortunate considering Cinephile's tradition of distributing product which is uniquely Canadian. However, the reasons for Cinephile's unfortunate state of affairs are not merely tied to bad decisions made by its managers. The changes that occurred within the industry over the past 10 years have made it difficult for small, specialty film companies to survive.

Distribution of Canadian Feature Films

Cinephile's decision not to distribute for the television market is probably one of the main reasons why it is facing difficult times. Rather, the company distributes certified Canadian films, most of which are feature films. In contrast, prior to 1988, approximately 70 percent of the company's revenues came from the distribution of foreign films. (Quirt, January 1988: 16) Economics led to the decision of dealing with Canadian films only. The owners found that the few U.S. independent films that they did acquire in 1990 were very expensive and ended up losing money. (Interview with Cinephile executive, October 7, 1992) The introduction of Telefilm's distribution fund probably also had something to do with the firm's decision to distribute more Canadian product.

Smaller is Better Philosophy

Cinephile believes that it is a benefit to the Canadian film industry because of the personal service that it is able to provide for each film, due to the small size of the company. Daniel Weinzweig spends an enormous amount of time chatting with producers, telling them who to call, suggesting how they might speak to Telefilm on a particular subject, etc. Cinephile believes that large distribution companies do not take the time to personally care about the producer and his\her product. For instance, most filmmakers want their films to make it to the big screen. If a broadcaster wanted to air one of Alliance Releasing's low budget films before it

was released in theatres, Alliance would probably tell the producer to take the money and forget about the theatrical window. On the other hand, Cinephile would probably take the time to cut a deal with the television network, and have the film appear in a festival before it aired on television, thus granting the filmmaker his/her wish.

Utilization of Government Policies and Programs

Cinephile is closely involved with government policy because it is partially owned by a very politically oriented person, Daniel Weinzwieg. Weinzwieg is very well known by government officials and was long before he purchased Cinephile. He understands the importance of having a good relationship with government. However, lately his views on the Canadian film industry have become diametrically opposed to Telefilm Canada's in regards to consolidation. For instance, in August 1992, Weinzwieg created a second distribution association after pulling out of the National Association of Canadian Film and Video Distributors (NACFVD). Weinzwieg says the NACFVD "'has attempted to reduce competition in the marketplace' by instituting high membership dues and supporting Telefilm Canada's rules." (Mazurkewich, August 3, 1992: 3) The new organization, called the Confederation of Canadian Distributors and Exporters (CCDE), will represent many of the smaller Canadian distributors who do not agree with the NACFVD's philosophy and are unable to afford the association's high membership fees. Weinzwieg,

through the CCDE, is making sure that the interests of smaller distributors are represented in the policy making process. However, his effectiveness as a lobbyist may be affected by taking a point of view that is in blatant contrast to the independent film industry's main government agency.

Cinephile is quite involved with the public funding agencies. It has received funding from the Ontario Film Development Corporation and Telefilm Canada's Feature Film Distribution Fund (FFDF). In 1990-91, \$3.2 million of Cinephile's total budget of activities was assisted through the Distribution Fund. (NGL Consulting, 1992: 78) In that same year, Cinephile distributed four English-language films which received funding through Telefilm Canada's Feature Film Fund. (Canada, Telefilm Canada, 1988-89 to 1990-91.)

Cinephile may be too dependant upon government subsidies. Unlike many other Canadian film companies, Cinephile has not made any plans to reduce its dependence upon Telefilm. However, in 1991-92, it was forced to when the firm did not receive funds through the FFDF. It is unknown at this point what effect this will have on a company that is already struggling.

TABLE #19
CINEPHILE'S INVOLVEMENT WITH
CERTIFIED CANADIAN FEATURE-LENGTH PRODUCTIONS

Year	Produced by Cinephile	Distributed by Cinephile	Total Productions	Total Budget* (millions)
1991	0	0	0	
1990	0	2	2	
1989	0	1	1	
1988	0	1	1	

* Total budget amounts are only included for those productions which were produced by Cinephile. (Canada, CAVCO)

TABLE #20
CINEPHILE AND TELEFILM CANADA'S FEATURE FILM FUND (FFF)

Year	Production of FFF Projects		Distribution of FFF Projects		Total Involvement with FFF Projects	
	Eng.	French	Eng.	French	Eng.	French
1990-91	0	0	4	0	4	0
1989-90	0	0	1	0	1	0
1988-89	0	0	1	0	1	0

(Canada, Telefilm Canada, Projects financed in ... (Films and television programmes), 1988-89 to 1990-91.)

Strong Canadian Cultural Philosophy

Cinephile definitely has a strong Canadian cultural component to it which is shown in the company's concern for the Canadian distribution industry, as a whole, and its concern for individual Canadian products, its sole revenue source. Furthermore, Cinephile has established a tradition of distributing the films of first-time Canadian filmmakers. However, with the economic pressures that Cinephile is now

facing and its rather unsuccessful 1990 fiscal year, the company is finding that it can no longer afford to be interested in the works of first-time filmmakers. However, first-time filmmakers continue to flock to Cinephile's door asking for assistance because of the firm's strong distribution tradition in this area.

Many of the unknown directors Cinephile took risks to support in the 1980s have now become successful and have gravitated towards a large distributor, such as Alliance, to represent their subsequent productions. The reason for this move has nothing to do with the kind of service that Cinephile provided, rather it has to do with the fact that Alliance can offer more money. Therefore, if Cinephile is losing its proven filmmakers to larger distributors, the only people they are going to attract are new filmmakers. Since Cinephile cannot afford to distribute the projects of these people, the company finds itself in a difficult situation. (Interview with Cinephile executive, October 7, 1992) First-time filmmakers also find themselves in a difficult position considering this turn of events. As specialty distributors quit the business of representing first-time filmmakers in favour of something less risky, or are forced to drop out of the business completely, many first-time filmmakers are left with no where to go.

Globalization

Despite Cinephile's small size and involvement with

solely Canadian product, it too is involved with foreign sales. Cinephile's 1989 business plan suggested that after two to three years, 50 percent of the company's business should be in foreign sales. Today, Cinephile's primary foreign sales markets include the U.K., Germany, Australia and Scandinavia. (Interview with Cinephile executive, October 7, 1992)

iv. LACEWOOD PRODUCTIONS

a) Corporate Structure

Lacewood Productions is a production company, involved primarily in animation for the television market. However, the company does produce some live action projects, as well. Lacewood has produced only one feature film. The company was established in 1983 by Sheldon S. Wiseman. Wiseman became involved in the business of producing animation by accident when he financed a television program in 1980. The show was the well-known series The Raccoons. The company that he set up to produce the series was called Evergreen Raccoons Marketing Corporation. Wiseman was also involved with an animation studio called Hinton Animation Studios which was owned by Lacewood Productions and Evergreen Raccoons Marketing Corporation. In February 1991, The Raccoons was finished. Co-incidentally, the Royal Bank withdrew its financial support for Hinton at the same time, causing Hinton to cease operations. Now requiring an animation studio of its own to produce its projects, Lacewood Productions established

Lacewood Studios Incorporated in the spring of 1991. Sheldon Wiseman owns both Lacewood Productions and Lacewood Studios.

Lacewood's annual revenues range from a low of \$3.5 million, in a bad year, to \$14 million in a good year. The fluctuation depends upon factors such as the price paid for license fees, the demand for product, the economic times and the amount of product they produce. (Interview with Sheldon Wiseman, President of Lacewood Productions, October 2, 1992) Lacewood made Playback's list of top independent film and television producers in 1989 when it was ranked number 17. ("Canadian Independent Production", March 5, 1990: 42)) However, it has not made the list since that time. On average, Lacewood produces approximately 18 half-hours per annum, all of which are certified Canadian. (Interview with Sheldon Wiseman, October 2, 1992)

It is interesting aspect that Lacewood is situated in Ottawa, outside of Canada's major film/video production centers in Toronto, Montreal and Vancouver. Wiseman said the decision to locate his business in Ottawa came as a result of two considerations. The first was for the personal reason of wanting to live in Ottawa after practising law in the city. The second was that there was an animation base in Ottawa with roots in the National Film Board. However, he does admit that the negative side to that decision is that he must constantly travel to Toronto to meet people from funding agencies such as Telefilm and the OFDC. The broadcasters are also located in

Toronto. Consequently, there is a higher cost of working from Ottawa than there would be if Lacewood was in Toronto. (Interview with Sheldon Wiseman, October 2, 1992)

b) Business Strategies

Production of High-Quality, Animated Television Programs

When Lacewood was established, Wiseman decided that in order to be successful, he would have to determine what voids there were in the market. He decided that in order to produce animation in Canada, where costs are higher than in the Orient, he would have to offer upscale, high-quality product. That continues to be the niche that Lacewood aims to fill. Wiseman says evidence of their high-quality product can be found in the amount of prizes that they win for the limited amount of product that they produce. Some of Lacewood's award-winning animated series and specials include The Railway Dragon and The Woman Who Raised a Bear as a Son. There are many larger companies producing more than Lacewood, but winning fewer prizes.

Smaller is Better Philosophy

Like Cinephile, Lacewood is not a vertically-integrated or horizontally-integrated company, nor does it plan to be. Lacewood is not planning to expand the company within the foreseeable future. Wiseman would like to maintain Lacewood's historical level of production and personnel size. Furthermore, he does not want to expand into the distribution sector, like many other Canadian production companies, because

Lacewood has a good relationship with a distributor which serves his company well. (Interview with Sheldon Wiseman, October 2, 1992)

Utilization of Government Policies and Programs

An examination of data from Telefilm's two main funds, the Canadian Broadcast Program Development Fund and the Feature Film Fund, may give one the wrong impression of Lacewood's involvement with the corporation. In the years 1988-89, 1989-90 and 1990-91, Lacewood produced two television programs which received funding through the Canadian Broadcast Program Development Fund. In those same years, it did not receive any money from the Feature Film Fund. (Canada, Telefilm Canada, 1988-89, 1989-90 and 1990-91) However, for the size of company that Lacewood is, it is heavily involved with Telefilm.

TABLE #21
LACEWOOD AND TELEFILM CANADA'S
CANADIAN BROADCAST PROGRAM DEVELOPMENT FUND (CBPDF)

Year	Production of CBPDF Projects		Distribution of CBPDF Projects		Total Involvement with CBPDF Projects	
	Eng.	French	Eng.	French	Eng.	French
1990-91	1	0	n/a	n/a	1	0
1989-90	0	0	n/a	n/a	0	0
1988-89	1	0	n/a	n/a	1	0

(Canada, Telefilm Canada, Projects financed in... (Films and television programmes), 1988-89 to 1990-91)

While Lacewood relies on public support for most of its

projects, the company's aim for the future is to produce more projects which do not require public support. Wiseman says that because of the solid reputation that his company has achieved, he hopes to get a more significant U.S. broadcast license and/or higher foreign participation for its products. This will help the company to do away with the necessity of Telefilm, although not completely. (Interview with Sheldon Wiseman, October 2, 1992)

Canadian Cultural Philosophy

Lacewood is definitely a company that wraps itself up in the Canadian flag. Wiseman is very quick to point out that his company produces only certified Canadian productions. The reason for this is probably because he finds it easier to finance his projects this way. However, Wiseman says that the reason is the higher quality product that he can produce in this country. He says that Lacewood is recognized as a high quality producer partly because it is Canadian. Of course this also depends on the final product that the company delivers.

Wiseman states that the realities of animation production make it hard to keep production jobs in Canada. "Most TV animation companies in North America send their work to the Orient for some part of the production process." (Atherton, September 1, 1992: D13) This allows the production company to have a product that is similar in quality but at a reduced price. Wiseman says that this practice will cause Canada to

lose its position as one of the foremost producers of quality animation in the world if entry level animation jobs are not kept in Canada. Although these financial realities have tested Lacewood, the company remains committed to keeping production work at home. Wiseman says that there is more at stake than money, that being the loss of creative control. If the less skilled animation jobs are all being done elsewhere, there will be no entry level animation jobs in Canada and eventually the animation skills of this country will be lost. Wiseman believes in exporting high-quality certified Canadian productions, rather than exporting jobs. (Interview with Sheldon Wiseman, October 2, 1992)

Despite Lacewood's noble reasons for producing Canadian content productions, one must realize that it is in the company's own best interest to produce this type of television programming. Again, what is happening is that this company is using the fact that it produces Canadian content programming to publicly promote itself as a company which is genuinely concerned with Canadian culture. However, these productions are not necessarily Canadian in theme. Rather, the Canadian content rule assures Lacewood, like other Canadian producers, a domestic source of income for their productions through Canadian broadcasters.

Globalization

A future strategy of Lacewood's will be to join the trend towards increased globalization. Already, foreign sales

account for over 50 percent of Lacewood's budgets. Lacewood presells its product throughout Europe and Asia as well as to the United States where the Disney Channel is their primary customer. In all, Lacewood has sold to approximately 40 countries. However, the company has not been very involved with international co-productions and co-ventures to date. This is now changing as Lacewood has recently had a number of discussions with companies from other countries. Within the next year or two, it is expected that Lacewood will do one or two joint ventures with France. They are about to do a joint venture with Malaysia. Wiseman thinks that it is extremely important to co-produce because of the nature of the final product which is certified in both countries. (Interview with Sheldon Wiseman, October 2, 1992)

v. PARAGON ENTERTAINMENT CORPORATION

a) Corporate Structure

Paragon Motion Pictures was first established in 1977 by Jon Slan. After a brief hiatus as Chairman of Superchannel in the early 1980s, Slan reopened his production entity in 1985. The company name was soon changed to Paragon Entertainment Corporation. (Interview with Richard Borchiver, President of Paragon Entertainment Corporation, October 8, 1992) Within a year, the company bought Isme Bennie International which became Paragon International, a foreign sales company. Paragon's second subsidiary company, Paragon Financial Investments, was established in 1990 as Paragon's answer to

Alliance Equicap. In 1992, Paragon hired Carol Reynolds as president of the newly created Paragon Productions (Canada). (Enchin, October 8, 1992: B15) Paragon Entertainment Corporation is a privately-owned Canadian film and television production, development and distribution company. It is owned by Chairman and CEO, Jon Slan and president, Richard Borchiver. Paragon owns a 7.3 percent share of YTV Canada Inc. This partial ownership could prove to be important for Paragon's sales since YTV Canada purchases program rights from independent production companies, as well as producing its own. (Paragon Entertainment, n.d)

TABLE #22
CORPORATE STRUCTURE OF PARAGON ENTERTAINMENT

Paragon Entertainment			
Paragon International (foreign distribution)	Paragon Financial Investments (production financing)	Paragon Productions (Canada) (production)	YTV Canada Inc. (youth pay tv network) (7.3% share)

Paragon Entertainment has grown in corporate maturity, within the past five years. Evidence of this can be found in Playback's annual list of the leading Canadian independent production companies which ranked Paragon as the sixth largest company. This ranking is based on production and development expenses, of which Paragon's were \$20.5 million and \$200 thousand respectively, in 1991. ("Playback's Fourth Annual...", March 16, 1992: 27) In the first half of 1992, Paragon's production budget was already \$40 million, double the amount for the entire previous year. (Enchin, March 11,

1992: B1) Richard Borchiver reports that Paragon's approximate annual revenues are somewhere between \$45 million and \$60 million. Paragon currently employs 29 full-time people. (Interview with Richard Borchiver, October 8, 1992) However, projects to be produced in the latter half of 1992 will allow then to employ 300 people. (Enchin, March 11, 1992: B1)

Some people working in the industry have suggested that Paragon publicizes itself to be bigger than it actually is by continually comparing itself to Canada's film production industry leader, Alliance. For instance, Richard Borchiver says, "Most Canadian companies are either producers or distributors, very few had the vision of becoming a complete entertainment unit like Alliance and Paragon did." (Interview with Richard Borchiver, October 8, 1992). Paragon tries to make people believe that it is a major competitor of Alliance. However, in actuality, Alliance considers Atlantis to be its closest competitor and is not overly concerned with Paragon. Unlike Paragon, Atlantis plays down its size.

b) Business Strategies

Utilizing Alliance as a Model

Although Paragon executives would probably not admit it, it seems as though Paragon has modeled itself after Alliance Communications by adopting similar strategies. For instance, Paragon was the only Canadian production company to follow Alliance's lead in establishing a brokerage company. However,

the one crucial distinction between the two companies is Alliance's overwhelming utilization of government policies and programs and Paragon's virtual disregard for them. When Alliance first began, it was very involved with producing and distributing films that were not necessarily Canadian in theme, in the international market, much like Paragon is doing now. Money made from the international market could then be used by Alliance to produce distinctly Canadian productions such as Black Robe. It is unlikely that Paragon will follow suit in this regard because of its lack of a strong Canadian cultural philosophy. However, by mirroring Alliance's other successful strategies, Paragon may be able to move up the list of top Canadian independent production companies. But, it will probably need to adopt some unique strategies if it ever hopes to surpass the well-established leader in Canadian film production.

Weak Canadian Cultural Philosophy

Paragon's one central strategy which sets it apart from the other case study companies is its lack of commitment to Canadian cultural goals. It is more concerned with producing programming that is as commercially and internationally acceptable as what the Americans produce, rather than producing anything that is truly Canadian in content. Harvey Enchin of The Globe and Mail accurately described Paragon's Jon Slan as one who is "determined to be a Canadian producer of television programming rather than a producer of Canadian

television programming." (Enchin, March 11, 1992: B1) This central strategy affects all other Paragon strategies.

Although most of Paragon's productions qualify as Canadian content under the CRTC's guidelines, this is done more for industrial than cultural reasons. Borchiver believes that as an independent Canadian production company, Paragon has enormous advantages over its American independent counterparts such as a guaranteed domestic television sale due to the Canadian content restrictions placed on broadcasters, funding available from government sources in Canada and Canadian tax incentives.

Borchiver believes that the Canadian content issue should be measured more in terms of its industrial rather than cultural mandate. He says that we cannot remove ourselves from the need for programming that is acceptable in the world market. Consequently, we need a system in place that allows us to produce more programming that is international in nature and will transcend borders. Borchiver says that in the future, it will become increasingly difficult for Canadian content programming about Canada to find a place in the world market. He says that we cannot dump shows about native Canadians in the hands of non-Canadians because the average viewer does not care about it nor do they understand it. Consequently, Canadian content programs do not travel very well outside of Canada's border. (Interview with Richard Borchiver, October 8, 1992) However, the owners of Atlantis

Films would disagree with Borchiver's line of thinking. They have found that programs that are uniquely Canadian do very well internationally. (Vincent, March 27, 1990: A21) Like Paragon, Atlantis is a very globalized company, however, it still produces many projects which are very Canadian in theme.

Paragon's cultural philosophy is along the lines of SC Entertainment Inc.. In 1991, SC Entertainment was ranked as the seventh largest Canadian independent production company by Playback. ("Playback's Fourth Annual...", March 16, 1992: 28) SC is a very commercially-minded company, involved with very market-driven projects. Consequently, it is not surprising to find out that it has received Telefilm funding only once. Owners Nicolas Stiliadis and Syd Cappe are the first to admit that their firm is a very "Hollywood style" company. They say that their company is taken more seriously in Los Angeles than it is in its own country. Therefore, they are not sure if they will retain their Canadian roots or whether they will move their entire operation to the United States where film is viewed more as a money-making industry. ("Canadian Independent Production", March 5, 1990: 34) Consequently, whereas Paragon continually compares itself to Alliance, it may actually have a lot more in common with SC Entertainment.

Predominance of Television Production Over Feature Filmmaking

Paragon is involved solely with television production, including series, mini-series and movies-of-the-week, rather than feature films. This is done because, like other

companies, Paragon realizes that television production and distribution reaps greater financial rewards than feature filmmaking. Paragon produces approximately two to three television series and five to six movies-of-the-week, per year.⁹ Paragon has spent money in the past developing feature films, however, none of them have been produced yet.

Another reason why Paragon has not been involved with feature film production is that it has had a difficult time trying to get its feature films distributed. Borchiver says that Telefilm's Feature Film Distribution Fund is hindering Paragon's ability to distribute feature films. The distribution fund forces Paragon to deal with Alliance if it wants to get a feature film distributed. The problem with this is that Paragon considers Alliance to be their biggest competitor in television. Borchiver agrees with Telefilm that consolidation in the distribution sector is necessary in such a small domestic market. However, he does not believe that it should be up to Telefilm to favour one distributor over another. He believes that this is being done through the distribution fund which is available for only certain distribution companies. (Interview with Richard Borchiver, October 8, 1992)

Distribution of Others' Products

It is interesting to note that like Alliance International, Paragon International, "claims to be the largest Canadian exporter of programming to the foreign home

video, television, pay television, cable and satellite markets." (Enchin, March 11, 1992: B4) Of the total productions distributed by Paragon's distribution arm, 25 percent of it is Paragon's own product while the rest is from other producers in Canada who are looking for Paragon's guarantees and advances against the European market. Like Alliance, Paragon would like to expand its distribution and financial network to as many other producers as possible. (Interview with Richard Borchiver, October 8, 1992)

Globalization

Paragon is extremely committed to the international market. Jon Slan says, "like other Canadian companies, we too realized there was a limit to the growth that we could have as a Canadian company operating solely for Canadian broadcasters." (Enchin, March 11, 1992: B1) Although Paragon's globalization is not unique to the Canadian film industry, what is unique is the manner in which Paragon has gone about this. Paragon chose to set up an office in the United States before it was successful in Canada. On the other hand, Alliance and Atlantis established themselves domestically before establishing offices abroad. Furthermore, Paragon has chosen to make alliances with broadcasters from the United States first, rather than take the traditional Canadian route of forming European partnerships before looking to sell to the U.S. Borchiver says that the reason for this is that the whole world is trying to produce programming that

the United States will find acceptable because the U.S. is home to the largest television viewing market in the world. Consequently, Paragon's strategy has been to build a U.S. base first because of Canada's cultural and geographic proximity to that enormous market. Once a U.S. foundation is built, then Paragon will move into Europe. (Interview with Richard Borchiver, October 8, 1992)

In fact, Paragon has been quite successful in the U.S. market. For instance, in March 1992, the company announced that it had signed deals to produce programs for ABC, CBS, Fox Broadcasting, TriStar Television, Spelling Television and USA Network. Paragon's Los Angeles office was established in 1986 in the hopes of achieving U.S. sales such as these.

Now that a good U.S. relationship has been forged, Paragon executives are now starting to build relationships with Europeans. They are spending a lot more time there now than they did a few years ago. Paragon recently opened an office in Hamburg, Germany in order to take advantage of German co-productions in the future. To date, Paragon has not been involved with many international co-productions. However, the company does want to get more involved in that area. (Interview with Richard Borchiver, October 8, 1992)

Internal Production Financing

In order to make Paragon different from other Canadian production companies, Slan and Borchiver initially decided they would bring in four or five wealthy investors that would

act almost as a bank to the company. It was hoped that this would allow Paragon to become a properly financed company that did not have to ride the cycles and wait for financing for each individual project. This initial goal of the company has worked to some degree, however, the company still finds itself faced with cash flow problems, just like other Canadian film companies. (Interview with Richard Borchiver, October 8, 1992)

This strategy of internally financing their own productions continues today. Paragon's newest venture, Paragon Financial Investments Ltd., was created in 1991 in order to find private investors to help finance productions, of Paragons and others, through the CCA incentive. In its first year of operation, the subsidiary hoped to invest in \$30 million worth of production. The firm succeeded at surpassing that initial expectation within its first few months of operation by raising \$10 million for outside production companies alone. (Enchin, March 11, 1992: B1 & 4) Approximately 15-18 percent of the financing for any project that Paragon produces comes from within Canada. (Interview with Richard Borchiver, October 8, 1992)

No Reliance on Government Funding Programs

Paragon has never received funding through Telefilm's Feature Film Fund. In the years 1988-89, 1989-90 and 1990-91, Paragon received financing through the Canadian Broadcast Program Development Fund only once. (Canada, Telefilm Canada, 1988-89, 1989-90 and 1990-91) This is actually quite

surprising considering the size of Paragon's production slate and the fact that most Canadian film companies rely on Telefilm for some sort of support. The reason for the lack of financial participation by Telefilm in Paragon's productions is that the two organizations have been unable to get along. Borchiver says that Paragon's one-time involvement with Telefilm was not good and that Paragon continues to have problems dealing with Telefilm. However, Borchiver says that his company is open to deal with Telefilm in the future. (Interview with Richard Borchiver, October 8, 1992)

In regards to Paragon's relationship with government and government programs, Paragon may be more like Astral, than Alliance. Neither Paragon nor Astral are overly concerned with building strong relationships with government officials. Since Paragon is not involved with Telefilm funding, it is not in a good position to influence government policy. Paragon's indifference to policy making is what will ultimately make it different from Alliance. If Paragon does not become more involved in the political arena, its chances of becoming as successful as Alliance will be greatly lessened. It will be interesting to see if Paragon does decide to become involved in prestigious Canadian content films to make alliances with government officials as its model, Alliance, has done.

Reliance on Government Tax Incentive Programs

Instead of public funding programs, all of Paragon's productions make use of Canada's tax incentives. For

instance, Borchiver says that the Ontario Film Investment Program (OFIP) has kept his company in business for the past few years. Paragon has good relationships with private investors. Borchiver says that the private sector is always very willing to buy their product. (Interview with Richard Borchiver, October 8, 1992)

vi. PRIMEDIA ENTERTAINMENT GROUP

a) Corporate Structure

Primedia Entertainment Group is a Canadian holding company with interests in film and television production and distribution. It was created in 1981 by W. Paterson Ferns and Dick Nielsen. Primedia Entertainment is now jointly owned by Pat Ferns and Doug Dales of PS Production Services, each of which have a 50 percent share. Ferns believes that Primedia Entertainment's new partner will greatly strengthen the company and allow it to expand. Primedia has always tended to expand through joint ventures in particular areas of programming. Ferns believes that this model is a good one because creativity is best nurtured in small groups, yet, by being owned by one large parent company, the small companies can still reap the benefits of economies of scale. Primedia's subsidiary companies, of which it has varying degrees of ownership in, include Primedia Productions Ltd., Les Productions Sept Avril, Comedia Productions, Soapbox Productions, Primedia-Heroux Productions Limited, Primedia Pictures Inc., Maple Leaf World Wide Distribution, and

Primedia Releasing.

Like most other Canadian film companies, Primedia is not required by law to publicly release any financial data since it is privately-owned. The only financial data that could be found on the company pertained to the firm's overall 1991 production and development budgets which were \$16.4 million and \$430 thousand, respectively. These expenditures positioned Primedia as the tenth largest Canadian independent production company, according to Playback. ("Playback's Fourth Annual...", March 1992: 28) Primedia Entertainment currently employs approximately nine people. (Interview with Pat Ferns, President of Primedia Entertainment, October 7, 1992)

TABLE #23
CORPORATE STRUCTURE OF PRIMEDIA ENTERTAINMENT

Primedia Entertainment Group						
(owned by Pat Ferns and PS Production Services - 50% each)						
Primedia Productions PEG 75% & PT 25%		Comedia Prods. PEG 51% & DT 49%	Soapbox Productions PEG & NO	Primedia \Heroux Prods. PEG 50% & CCH 50%	Primedia Pictures PEG 50% & AC 50%	Maple Leaf World Wide Distrib PEG, PT & RHC
Les Prods Sept Avril	Primedia Releasing PEG 100%					

Note: The initials and percentages under the name of each subsidiary refer to the companies or individuals which/who partially own these subsidiaries. The initials represent the following:

PEG - Primedia Entertainment Group
 PT - Primetime, a broadcaster in the U.K.
 DT - Don Taffner
 NO - Nick Orchard
 CCH - Communications Claude Heroux
 AC - Annette Cohen
 RHC - Ron Hastings Communications Ltd.

b) Business Strategies**Diversity of Productions and Production Subsidiaries**

One of the most distinguishing characteristics about Primedia Entertainment is its diversity of productions. The company has been involved with bringing the opera, ballet and theatre to television screens as well as producing historical dramas, dramas, mysteries, documentaries, situation comedies and game shows.¹⁰ (Nunes, April 24, 1990: A17) Furthermore, unlike many other production companies which broadened from documentary to drama, Primedia has remained committed to its documentary roots. In fact, Primedia Productions is one of the largest documentary producers in Canada with approximately 25 percent of its projects being documentaries. Primedia used to be one of the top two arts programmers in Canada, however, that is an area in which the company is shrinking very rapidly. Meanwhile, most other Canadian production companies, especially the larger ones, deal almost exclusively in drama. (Interview with Pat Ferns, October 7, 1992)

In order to produce this broad range of products, Primedia Entertainment has six different subsidiary production companies, each of which specializes in certain areas. First, Primedia Productions is Primedia Entertainment's main operating company. It has traditionally done drama, arts programming and documentaries. About 75 percent of Primedia Productions' projects are drama. Primedia Entertainment owns 75 percent of Primedia Productions while Richard Price of

Primetime, a broadcaster in the United Kingdom, owns the remainder. Second, Primedia Productions is involved with a venture called Les Productions Sept Avril which is a Franco-Ontarian company which does French-language production out of Toronto. Third, Comedia Productions was established to produce situation comedies but ended up doing game shows. Comedia is a joint venture, owned 51 percent by Primedia and 49 percent by Don Taffner. Soapbox Productions is a joint venture of Primedia Entertainment and Nick Orchard. Based out of Vancouver, Soapbox is the company that produces Northwood. In 1989, Primedia Entertainment and Communications Claude Heroux of Montreal joined to form a fifth production arm, Primedia/Heroux Productions Inc. The two independent producers, one from English Canada and the other from Quebec, joined forces to produce both English and French programming. Finally, Primedia Pictures, the company's feature filmmaking unit, is the most recent addition to Primedia Entertainment's group of production companies. It was formed by Pat Ferns and producer, Annette Cohen in 1990. Both Primedia and Cohen own equal shares in Primedia Pictures.

Predominance of Canadian Content Event Television Programming

Primedia is involved primarily in event television, meaning mini-series and movies-of-the-week, rather than continuing series. This is because the company finds it much easier to find subject matter to co-produce if the length is only two to four hours rather than 26 hours. Almost all of

Primedia's projects are Canadian content productions. Approximately two thirds of Primedia's productions are certified by CAVCO, while the rest meet CRTC content regulations. Often a project will qualify through the CRTC's content regulations but will not be certified through CAVCO if the tax shelter is not being utilized. (Interview with Pat Ferns, October 8, 1992) Primedia produced and distributed one certified Canadian feature-length production in 1991 with a budget of \$2.6 million. (Canada, CAVCO) The company is planning to do more feature filmmaking in the near future. Four projects are presently in the planning stages, including an adaptation of Margaret Atwood's Life Before Man. (Nunes, April 24, 1990: A17)

Non Vertical-Integration

Although Primedia presently owns two distribution subsidiaries, Maple Leaf World Wide Distribution and Primedia Releasing, this involvement in the distribution sector is presently being questioned by its executives. Primedia is considering that a future strategy may be to get out of this business and concentrate on what it does best: production. This is an unusual move considering the trend towards more Canadian production and distribution companies becoming vertically-integrated. Ferns agrees that in economic terms, this move may not seem to make much sense. However, he says that in a small company, such as his, one has to concentrate on what one does best. Ferns believes that his strengths and

interests lie more with production than with distribution.

Ferns has not yet decided whether he will hire someone from outside his company, with expertise in distribution, to manage Primedia's distribution internally or whether he will take his business to an outside distributor. When asked what he would be looking for in a distribution company, Ferns replied that since distribution is a volume business, he would be looking for a large distributor, along the lines of Alliance or Atlantis. He would want to be represented by a company that has the money to go to all of the major markets with his productions. Furthermore, if a broadcaster buys a series from a large distributor, they are likely to look at the rest of the distributor's product to find some fillers for their broadcast schedule. This would be a benefit to Primedia which produces predominantly non-continuing television programs.

Primedia also plans to work with the larger film companies when it comes to financing. Since Primedia does not have the volume to initiate its own financing subsidiary such as Alliance Equicap, the company will collaborate with Alliance for some projects. Again, Ferns says that one must concentrate on what one does best and he is not a financial person. Like many others, Ferns believes that the future will bring increased consolidation to the industry. Consequently, it will become increasingly difficult for smaller companies to remain in business. Therefore, Primedia plans to work under

the umbrella of larger companies, such as Alliance, because Ferns recognizes that without that support, Primedia will be unable to survive.

Primedia's indecision regarding its distribution activities brings to question the whole issue of vertical integration and whether or not it is actually a trend that works well for Canadian film companies. What is good for the U.S. majors is not necessarily good for Canadian firms. In a small domestic film market, such as Canada's, it may only be beneficial for a few economically strong companies to become vertically integrated while the rest of the players concentrate on whatever they do best.

Utilization of Government Policies and Programs

Primedia makes use of many government policies and programs. For instance, during the years from 1988-89 to 1990-91, Primedia's production subsidiaries received funding from Telefilm Canada's broadcast fund for four projects. (Canada, Telefilm Canada, 1988-89 to 1990-91) Like Alliance, Primedia's philosophy has been to use Telefilm only for productions with a strong Canadian cultural element. Primedia has a good relationship with Telefilm, however, like Alliance, it is trying to reduce its reliance on the public corporation. Ferns says that one cannot build a business based on the premise that public policy is not going to change. (Interview with Pat Ferns, October 8, 1992)

TABLE #24
PRIMEDIA AND TELEFILM CANADA'S
CANADIAN BROADCAST PROGRAM DEVELOPMENT FUND (CBPDF)

Year	Production of CBPDF Projects		Distribution of CBPDF Projects		Total Involvement with CBPDF Projects	
	Eng.	French	Eng.	French	Eng.	French
1990-91	1	0	n/a	n/a	1	0
1989-90	2	0	n/a	n/a	2	0
1988-89	1	0	n/a	n/a	1	0

(Canada, Telefilm Canada, Projects Financed In... Films and Television Programmes, 1988-89 to 1990-91)

TABLE #25
PRIMEDIA'S INVOLVEMENT WITH
CERTIFIED CANADIAN FEATURE-LENGTH PRODUCTIONS

Year	Produced by Primedia	Distributed by Primedia	Total Productions	Total Budget* (millions)
1991	1	1	1	\$2.6
1990	1	0	1	\$6.8
1989	0	0	0	
1988	0	0	0	

* Total budget amounts are only included for those productions which were produced by Primedia. (Canada, CAVCO)

Strong Canadian Cultural Philosophy

Primedia has been and is a benefit to the Canadian film industry largely because of its president, Pat Ferns' own personal involvement in the long term development of the Canadian film industry. Ferns has been an independent Canadian producer since 1972, when he was involved with Nielsen-Ferns, making him one of the pioneers of Canadian independent production. He is the former president of the

Association of Canadian Film and Television Producers, the Canadian Film and Television Association and the Banff Television Foundation and director of many arts organizations. Rather than just being involved with company building, Ferns has also been involved with industry building. Like Lantos, Ferns sees the advantages to becoming involved in the political area. He wants to help guide policy in ways that will be advantageous to his company. Ferns has been behind many industry changes such as the implementation of Telefilm's broadcast fund and leading the way towards European co-production.

Under the leadership of Ferns, Primedia has become a very Canadian company. Not only are most of Primedia's productions certified as Canadian content either by CAVCO or the CRTC, but the company is involved with some very distinctly Canadian productions, in theme. It is important that these type of productions are produced along with more industrial and international type of productions. Like Alliance, Primedia is involved with a few "five star maple leaf productions", most of which require assistance through Telefilm Canada.

Globalization

Unlike Paragon, with ties to the United States, Primedia has been traditionally known for its links with European companies. For example, Primedia has particularly strong connections with U.K. producers and broadcasters, due in part to U.K. broadcaster Primetime's minority interest in Primedia.

However, Primedia has not totally disregarded the U.S. market. Rather, it has tried to go into the U.S. through the back door. For instance, the company's European links have allowed it to become a member of Vision Group. Vision Group was created in 1986 by an association of producers from Britain, Germany, Italy, France and Canada who together wanted to compete with big-budget U.S. television programs. (Nunes, April 24, 1990: A17) Primedia has made some break-throughs in the U.S. market such as being the first Canadian company to produce a U.S. network mini-series and having the highest rate of product on the Turner Network. (Interview with Pat Ferns, October 7, 1992)

As mentioned above, Europe is where most Canadian companies have found co-production partners and buyers for their product. However, this was not always the case. Being a pioneer of the Canadian independent film industry, Ferns paved the way towards this trend in the early 1970s when he decided to look east rather than south where most people involved in the film industry were looking to, at the time. Since the Canadian film industry was not very strong during that period of time, many Canadians were being drawn towards the entertainment hub of Los Angeles. Ferns decided that in order to distinguish himself from others involved in the industry, he would co-produce with European partners and make something different. He made partners with companies which were the same size as his own so that he could retain creative

control over the project, something which most Canadians lost when working with Americans. (Interview with Pat Ferns, October 8, 1992)

CHAPTER SUMMARY

This chapter examined the structures and business strategies of individual companies involved in the film industry in Canada, in order to come to a better understanding of the industry, as a whole. I found that the case study companies are extremely different from one another because of their divergent structures and business strategies. In fact, the entire industry is like this. Therefore, it is very difficult to come up with a few models of Canadian film companies in which the rest of the industry's players can be fit into because of the diversity that exists within the industry.

It was found that the six most common business strategies, of the late 1980s and early 1990s, for success in the Canadian film industry are: predominance of television production over feature filmmaking, distribution of others' products, vertical integration, utilization of government policies and programs, globalization and internal production financing. Following these six strategies will not necessarily ensure that a Canadian film company will become successful. As mentioned throughout this thesis, success is difficult to achieve in the film industry. These are merely six strategies which have been used by the case study

companies. Not all of these strategies have been adopted by all of the firms. Furthermore, each company puts these strategies into practice in very different ways. This contributes to the differences between the companies involved in the industry.

As mentioned above, since the film industry is a cultural industry, I also examined the cultural philosophy of each case study company and the benefits that each company provides for the Canadian film industry. This discussion was included under the heading of business strategies because a company's position on Canadian cultural issues is in fact a business strategy. The grid at the beginning of the chapter attempted to place some of the industry's players according to their involvement in Canadian content productions and their position on Canadian cultural issues. It is in the Canadian film industry's best interest to have economically strong Canadian companies which have a strong cultural mandate because they have the money and the willingness to produce and distribute Canadian content productions. This is not to exclude many of the smaller companies which are also committed to the Canadian film industry. However, such companies are finding it increasingly difficult to compete. Considering the contributions that many of the smaller companies have made, it would be a shame to see them go.

After identifying some of the film industry's problems in Chapter II, I proceeded to examine how individual companies

have attempted to overcome these obstacles with their own set of business strategies. Chapter IV will briefly examine some current public policy issues relating to the film industry as a way to look for possible solutions to some of the industry's woes.

CHAPTER IV
SEARCHING FOR SOLUTIONS TO CANADA'S FILM INDUSTRY PROBLEMS:
A LOOK AT CURRENT PUBLIC POLICY ISSUES

After Chapter II's identification of some key trends and problems associated with the film industry in Canada, Chapter III examined how they specifically relate to the six case study companies. This chapter will look at how the Canadian government has and can continue to help the industry try to overcome some of these problems through its policies and programs for the domestic independent film industry.

Many of the Canadian film industry's woes have existed since the beginning of cinema. The Canadian and provincial governments have responded to these problems, such as undercapitalization and the lack of control over the domestic distribution sector, by establishing funding programs for the industry. While the Canadian government is to be commended for these important strides to help the Canadian film industry, there are many areas in which nothing has been done and/or a lot remains to be done. The Canadian government's weakness in regards to film policy has been its inability to make major structural changes, particularly in regards to distribution. This is mainly because no major opposition is heard when new funding programs are initiated, as occurs when the government attempts other changes. For instance, in regards to film distribution legislation, the Canadian government appears to have continually backed down to pressure from the Motion Picture Export Association of America (MPEAA).

Although the Canadian government would never admit it, it does not possess the power that it requires in the global film arena to initiate any strong policies to assist the domestic industry if these measures adversely affect the American majors.

Not all would agree that government is the place to search for solutions to the problems associated with the Canadian independent film industry. For example, Steven Globerman (1987) argues that the government should not be involved in the private film industry. Others might say that the government should be putting its monetary resources to other, more important things, such as feeding and providing shelter for the homeless. Although I agree that survival is of utmost importance, I also believe that the promotion and preservation of our national culture is also important because it contributes to one's quality of life. Consequently, since many of the Canadian film industry's decades-old problems cannot be solved by the private sector alone, it is important for the government to step in to preserve this part of Canadians' quality of life. Consequently, in this chapter, I will explore the interventionist approach to the film industry.

A thorough examination of public policy issues concerning the film industry in Canada would require an entire master's thesis. As mentioned in the introduction of this paper, my concern has been predominantly with beginning to fill the gap

in the literature about the economic aspects of the industry. Consequently, this fourth chapter will only deal with current policy issues as a way to search for possible solutions to Canada's film industry problems. Unfortunately, this means that many areas will only be examined briefly and some will be left out entirely.

The main areas of concern that will be addressed in this chapter include public funding, private investment, and the continuing distribution dilemma. I based my decision concerning which areas to focus on in this chapter to the public policy issues which I found to be of concern to the executives of the six case study companies. Since the focus of this thesis is on these players, I thought that the ideas for policy proposals should come from them as well. After identifying areas that were of interest to them, I conducted an interview with Guy Mayson, Chief of the Film Policy and Programs Division - English Market, at the Department of Communications. This was useful in order to determine the options that are presently being considered by the government and the feasibility of the industry's ideas for political change.

In order for one to understand current public policy issues affecting the film industry, it is necessary to take a brief look at the history of Canadian government initiatives to create and sustain a Canadian independent film industry. To do this, Table #26 provides a chronology of events which

outline many of the government's policies and programs for the film industry over the course of the last 62 years. It is actually not until the last 25 years that very important strides have taken place in this area and enormous progress has been made. However, there are still many things that the government needs to address in order to assist the continuing development of the domestic film industry that it has helped to build.

The following chronology includes events, policies, programs and reports that are important to the evolution of the Canadian film industry. One will notice that many of the events were unsuccessful attempts to assist the film industry. I believe that these are just as important to note as the successful events, such as the creation of the Canadian Film Development Corporation (CFDC), since they show how difficult it has been to develop film policies that are acceptable to Canadian companies and do not infuriate the American majors.

TABLE #26
GOVERNMENT INITIATIVES TO CREATE AND SUSTAIN
A CANADIAN INDEPENDENT FILM INDUSTRY

- 1930 Federal government inquiry into Famous Players
 - federal government conducted an inquiry under the
 Combines Investigation Act concerning the exclusionary
 relationship between the large American distributors and
 Famous Players
 - found that this combine operated in detriment to the
 Canadian public
 - it is believed that the case was dropped because of
 effective lobbying and pressure by the MPEAA
- 1947 Canadian Co-Operation Project
 - at the end of World War II, Canada, like many other
 countries, was experiencing a balance of payments
 problem
 - decided to restrict the export of foreign currency
 reserves
 - in the case of film, limits were imposed on the amount
 of box office revenue that could be taken out of the
 country
 - the MPEAA proposed the Canadian Co-operation Project
 instead of compulsory reinvestment of Canadian box
 office revenues into Canadian production
 - the aim of the project was to bring American tourist
 dollars to Canada, to offset the deficit caused by
 American film imports
 - the promises made by the MPEAA were never fulfilled
 - the project was merely a public relations scheme to
 make the public think that the Canadian government and
 the MPEAA were doing something in the interest of the
 Canadian film industry
- 1954 60% Capital Cost Allowance (CCA) introduced
- 1960 Canadian content rules for Canadian television stations
 are introduced by the Board of Broadcast Governors (BBG)
 - these have been altered many times over the years
- 1965 Firestone Report
 - looked at the possible development of feature film
 production in Canada
 - recommended the establishment of a Canada-U.S. film
 agreement which would force U.S. major companies to
 invest 10 percent of their Canadian film revenues into
 Canadian independent productions
 - the majors responded negatively
 - the report was changed to recommend instead, the
 establishment of the Canadian Film Development
 Corporation (CFDC)

TABLE #26 (continued)

- 1968 Creation of the CFDC to develop a independent film production industry in Canada
- 1970 Davey Report, Special Senate Committee on the Mass Media
  - severely criticized private broadcasters in regards to Canadian content
- 1973 Examination of film quotas and levies
  - consultations between the Secretary of State and the provinces, however, an agreement was never reached
- 1975 Voluntary quota agreements between the Canadian government, Odeon and Famous Players
  - both exhibition chains were to run one Canadian film for one week every three months in all of their theatres
  - unsuccessful
- 1976 Capital Cost Allowance (CCA) increased to 100%
  - in order to stimulate private investment in Canadian film production
  - resulted in a tremendous increase in Canadian production, however, many were low quality films that were never distributed
- 1978 "The Best Film Policy This Country Never Had" (Gathercole, March 1983: 30)
  - proposed by Secretary of State, John Roberts
  - recommended that the taxation powers of the federal government should "be applied to exhibitors' revenues in negative proportion to the screen time allocated to Canadian films" (Gathercole, March 1983: 30)
- 1981 Creation of provincial film development corporations
  - Alberta Motion Picture Development Corporation in 1981
  - Ontario Film Development Corporation (OFDC) in 1986
  - B.C. Film Fund in 1987
  - Canada-Manitoba Cultural Industries Development Office (CIDO) in 1987
  - Société générale des industries culturelles (SOGIC) in 1988 (as a result of a merger between the province's film agency and cultural agency)
  - SaskFilm in 1989
  - Nova Scotia Film Development Corporation in 1990
- 1981 Task Force on Film Distribution, Exhibition and Marketing
  - created in an attempt to deal with the problems which the U.S. majors' new classics distribution division posed for Canadian distributors
  - the "classics" division would include foreign and art

TABLE #26 (continued)

- films which had been the major source of income for Canadian distributors
- the entry of the majors into this particular market forced a number of Canadian firms out of business
  - recommended the adoption of a National Cinema Act which would regulate distribution & exhibition in Canada
  - report was not released until 1984, was not acted upon
- 1982 Applebaum-Hebert Report, the Federal Cultural Policy Review
- Gathercole argues that if the recommendations by Applebaum-Hebert concerning film policy were accepted, it would have led to the complete Americanization of the Canadian film industry, eg. dismantling the NFB's production capacity and redirecting its sources to the private sector, through the CFDC
- 1983 Province of Quebec initiates legislation governing distribution activity Quebec
- 1983 CFDC becomes Telefilm Canada
- inclusion of television in its mandate
  - explosion of Canadian television productions
- 1983 Telefilm Canada's Canadian Broadcast Program Development Fund (CBPDF) is introduced
- 1984 Changes to the CRTC's Canadian content rules
- 1984 National Film and Video Policy
- formulated in response to the growing concern about new delivery technologies in the 1980s and how these would affect the motion picture industry in Canada
  - the policy proposed another in a long series of negotiations between the Canadian government and American film industry representatives
  - the aim of the discussions was to assure greater access of Canadian audiences to Canadian productions and greater access of Canadian films to markets abroad, as well as to assure that Canadian owned and controlled distribution companies receive greater theatrical market revenues
  - the negotiations were conducted over a year and were abandoned in 1985 since the parties could not agree
- 1985 Report of the Film Industry Task Force, Canadian Cinema: A Solid Base
- declared that the lack of Canadian control over film and video distribution is a major problem
  - recommended that the government create a policy

TABLE #26 (continued)

- affirming that Canadian ownership and control of film distribution is essential
 - in response to this report, film distribution legislation was drafted (Bill C-134)
- 1986 Telefilm Canada's Feature Film Fund (FFF) is introduced
- 1986 Quebec's cinema law amended through an agreement with the MPEAA
 - allows MPEAA member companies to distribute English-language films in Quebec, while Canadian distributors based outside of Quebec cannot
- 1986 Report of the Task Force on Broadcasting Policy (Caplan-Sauvageau Report)
 - repeated the same message that came from Fowler (1965) and Applebaum-Hebert; the government's emphasis should be on content, not technological distribution
- 1987 Communications Minister, Flora MacDonald announces new bill to license the importation of films into Canada
 - gives Canadians priority over American distributors to distribute independently produced films in Canada
- 1988 CCA Reduced from 100% to 30%
 - resulted in an increased demand for funding programs such as Telefilm's programs
- 1988 MacDonald announces revised film distribution policy
 - tables Film Products Importation Act (Bill C-134)
 - announces Telefilm's Feature Film Distribution Fund
- 1991 Cultural Industries Development Fund (CIDF) commences
 - the fund's aim is to promote the growth, vitality and viability of the cultural industries that have difficulty obtaining conventional forms of credit
 - the fund will provide financing to businesses involved in the publishing, film and sound recording industries so they may achieve a stable financial base
 - however, its capital base is so small that it is virtually useless
- 1992 Building Partnerships: Television in Transition. Reports produced following the Television Industry Summit of December 1991
 - "Report on incentives for Canadian independent television production" commented on the ineffectiveness of the present CCA tax incentive program and recommended that the government consider other options to assist Canada's film and television production sector

i. The Public Assistance Tradition for the Canadian Film Industry

The basic market realities of film production and distribution make it difficult for Canadian producers to raise financing and for Canadian distributors to sell their products in a market of Canada's small size. Furthermore, Canadian feature films find it difficult to compete directly, with the high budget and widely publicized foreign feature films, for audiences. High quality foreign feature films are readily available for Canadian screens. As well, imported television programming can be acquired for a fraction of the cost of producing it domestically. Furthermore, the weak Canadian-controlled distribution sector lessens the opportunities for Canadian productions to be effectively distributed, if at all.

The government has responded to these basic market realities by creating an incentive rather than a restrictive approach towards the film industry. Federal government policies for the film industry have traditionally developed within a framework of encouraging the growth of a domestic production and distribution industry without restricting access to foreign productions. There are seven main federal agencies/departments which have financial support programs for the independent film industry in Canada. They include Telefilm Canada, the National Film Board of Canada, the Canada Council, Communications Canada, the Canadian International Development Agency, External Affairs and International Trade Canada and the Federal Business Development Bank. Public

sector financing, from these departments and agencies, has always been a necessary component of Canada's film industry. In fact, the industry could not survive without it. In 1991-92, Telefilm alone contributed \$172.5 million to the Canadian production and distribution industry (Canada, Telefilm Canada, 1991-92: 11)

In recent years, the provinces have also played an increasingly important role in public sector funding. Seven Canadian provinces offer support programs for motion picture and television production through the Société générale des industries culturelles, the Ontario Film Development Corporation, B.C. Film, the Alberta Motion Picture Development Corporation, SaskFilm, the Canada-Manitoba Cultural Industries Development Office and the Nova Scotia Film Development Agency. Most of these provincial programs were established at a time when the federal CCA program was being provided at an accelerated rate and when Telefilm Canada funding was being expanded. It was hoped that provincial funding would attract additional funding to the provinces through federal government programs. Then, as the CCA program declined in importance in the regions, the provincial funding programs helped to fill the gap between these two main sources of financing. These agencies have succeeded, to some degree, to attract Telefilm Canada dollars to provincial projects which they have produced. In 1990, two to four dollars of Telefilm Canada money was invested for every one dollar of provincial money.

A modest increase in the number of films produced in regions outside of central Canada coincides with the establishment of provincial film programs

The government's many funding programs are predominantly for film and television development and production. However, there are also smaller funds for things such as marketing, versioning and participation at festivals. Until recently, both federal and provincial film policies focused on production, to the exclusion of distribution and exhibition. There are no Canadian content requirements for the distribution and exhibition sectors of the film industry except for the Canadian Radio-television and Telecommunication Commission's (CRTC) minimum Canadian content programming requirements for broadcast companies. However, these were created to increase the demand for domestic production, not to assist the distribution sector. Within the past five years, the federal and provincial governments have come to realize that the distribution sector of the film industry is extremely important. Consequently, funds have been initiated for it. The production sector is now not the only sector of the film industry that relies upon the public sector. With the establishment of Telefilm's Feature Film Distribution Fund, Canadian distribution companies are now finding it almost impossible to survive unless they have access to the Fund.

Although the CRTC does not provide direct financial support like the above mentioned government departments and

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agencies, it has played a very important role in the development of the Canadian film and television industry. Through general broadcast regulations and specific conditions of licenses, the CRTC requires each Canadian broadcaster to air a certain amount Canadian content programming and spend a certain amount of money on such programming. This ensures Canadian producers a sale to Canadian broadcasters, if they meet the requirements.

Furthermore, the CRTC helped to create many of the private sector financial support programs for the independent film and video industry which are actually conditions of licenses. For instance, the Foundation to Underwrite New Drama (FUND) is a CRTC license requirement placed on Astral's First Choice. In order to retain its broadcasting privilege, First Choice was required to establish FUND, to foster the creation and development of new scripts for dramatic feature films for theatrical release or made-for-Pay programming.

What is interesting about the CRTC's Canadian content regulations lately is that industry leaders, such as Alliance and Primedia, want to see changes made to the regulations which they say are being abused. Many productions are receiving the Canadian content stamp when in fact they are not really filling all of the requirements. For instance, American companies, producing mainly in British Columbia, are trying to produce projects which will qualify as Canadian content. These pseudo-Canadian content productions pose a

dilemma for Canadian companies who benefit from selling true Canadian content productions to Canadian broadcasters. Total Canadian broadcast hours are limited. Therefore, if these hours are taken up by Canadian content programs which are actually produced by Americans, then there is a definite problem with the policy that is intended to benefit Canadian-owned companies. This is actually an old problem that reoccurs every so often.

These same Canadian companies are also upset because Canadian broadcasters are paying approximately 50 percent less for Canadian content programming than they were two years ago. Richard Borchiver says that broadcasters are abusing the licenses that they have been granted by investing far fewer dollars in Canadian content programming than the Commission would like. He says "we are getting license fees for high quality Canadian programming that are embarrassingly low." (Interview with Richard Borchiver, October 8, 1992) These companies state that the future of the industry will be in trouble if independent Canadian producers cannot rely on Canadian broadcasters.

By speaking out in favour of Canadian content, companies make themselves look good in the public eye as promoters of the Canadian film industry. It seems as though these companies are genuinely concerned with the entire industry. However, it could be argued that the bottom line to their concerns over the Canadian content regulations is that without

change, their position in the industry could be jeopardized.

ii. Private Investment

The whole issue of how to encourage private investment in the Canadian film industry is recognized as a major issue by the federal and provincial governments. This issue has two main components to it, both of which will be addressed. First, there is the encouragement of private participation in individual projects. This has been done through the Capital Cost Allowance (CCA) which allows accelerated allowances to people who invest in a film production. Akin to the above mentioned public forms of financing film production, one thing that this sort of private investment has not done is help build companies. Investment in film and television companies themselves is the second form of private investment.

Finding private investors for the Canadian film industry, whether for project financing or for investment in a company, is extremely difficult. Film production and distribution is a high risk industry in any country. This is especially troublesome in Canada because the governments' tax incentives are not very consistent or reliable. For instance, Quebec changes their tax rules regularly and while Ontario's OFIP rules have remained fairly consistent, the program is unreliable because it can be cut at any time.

The private investment issue has become very important lately in light of the realization that the CCA is becoming increasingly ineffective. The only thing that the CCA is

doing now is providing a relatively small portion of the production budgets of larger budget films. Consequently, there is a huge body of production that does not even consider the CCA. However, private investment is important considering the fact that many public sources of financing have been declining or just maintaining their amount of investment.

The private investment issue was recently dealt with in one of the working groups at the Television Industry Summit of December 1991. As a result of meetings between the industry and government, the working paper report entitled, "Report on incentives for Canadian independent television production" within the publication Building Partnerships: Television in Transition (1992) was produced. The working report states that if the amount of capital available to Canadian producers continues to be insufficient, Canadians will lose their share of the world marketplace in film and television as their production capacity decreases and the rest of the world's increases. (Canada, Communications Canada, 1992: 81) Furthermore, the report stated that "steps are urgently needed or Canadians could lose both their ability to reflect their cultural identity adequately over the air waves and their competitive position in the international program production marketplace." (Canada, Communications Canada, 1992: 79) The task force members generally agree that "it is vital that the federal government review the present program in light of the current economic realities of the industry with a view to

modifying or replacing the CCA program." (Canada, Communications Canada, 1992: 79) The working report leaves the issue of private investment very open ended. It proposes three options in order of the industry's preference, one of which they would like to see implemented by the government. The option that is the number one pick by the industry is a refundable investment tax credit (RITC). Basically, it is a reward system for Canadian expenditures. Unlike the CCA, the RITC will flow directly to the production company. It essentially puts money back into their pockets which can be used for future development and/or production. If a production company meets certain Canadian content criteria, it will automatically qualify for RITC benefits. Second, is a re-configuration of the existing CCA. If the CCA is to remain intact, the industry would like to see the 100 percent incentive reintroduced. Third is direct funding through a new, independent, non-profit financing and marketing corporation which would be jointly managed by industry and government. (Canada, Communications Canada, 1992: 86) This organization would be more market-oriented and take on a more industrial role than Telefilm Canada. The report states that regardless of the incentive that is chosen, the government's purpose is "to make funds available for Canadian production companies and to develop product needed by the Canadian broadcast industry to fulfil its conditions of license." (Canada, Communications Canada, 1992: 83)

Project Financing

Since 1974, the primary private investment incentive for the Canadian film industry has been the Capital Cost Allowance (CCA). To be eligible for the CCA program, a production must be certified as Canadian, by the Canadian Audio-Visual Certification Office (CAVCO), and meet the criteria set out in subsection 1104(2) of the Income Tax Regulations. The CCA mechanism is very different from the government's film funds because it is a very market-oriented incentive while the public funds have a very cultural mandate. Consequently, the CCA treats producers as business people.

It could be argued that the CCA is as significant as Telefilm because it has also generated a lot of film activity. In fact, relatively speaking, the CCA was much more important as an incentive for production than Telefilm was in the early to mid 1980s. Since 1983, the total certified Canadian production budgets have experienced a continual growth. In 1983, certified production budgets amounted to \$60.6 million. By 1988, that amount had risen to \$480.4 million, dropping slightly to \$449.0 million in 1989. (Audley, March 1991: 31) Due to a general tax reform in 1988, the 100 percent CCA was reduced to the present rate of 30 percent. At the time of the CCA reduction dire consequences were predicted, but the industry did not collapse. Instead, the result of the 1988 tax changes was a reduced role for private investment which placed a greater demand on public funding programs.

The CCA has become a source of grievance to the industry since its reduction. One distribution executive says that before the 1988 tax changes, his former company had forged a good relationship with a group of investors that could be tapped regularly. He is sure that this group would have expanded had the CCA not been reduced. When that happened, the relationships between the film industry and private investors virtually died. As the private sector moved farther and farther away from the film industry, Telefilm's contribution became extremely important. He believes that the industry would have had a better chance of maturing had the industry not come to rely on Telefilm so much. (Interview with a film industry executive, October 1992)¹¹

As mentioned in Chapter III, many Canadian film companies, such as Alliance and Paragon, are very interested in shifting their reliance back upon private sources of financing after years of being dependent on Telefilm. However, in order to do this, relationships with private investors will have to be forged. The government can help in this regard by reassessing its tax incentive policies for the film industry. However, the distribution executive does not believe that the answer to the private investment problem is to reinstate the 100 percent CCA. Rather, the government should survey the investment community to see what investment schemes work now, considering the fact that investment is probably much more sophisticated than it was in the early

1980s. (Interview with a film industry executive, October 1992)

The CCA is not a mechanism to build film companies. It merely is a way of getting money generated for production. A producer allows a broker to find private sources of financing for a particular project. To do this, any pre-sale and revenue guarantees have to be passed on to the investor. The production sector is very fee oriented because the producer usually sells any possibility for future revenue in order to get the project financed. Consequently, the producer merely gets paid a fee for his/her role in the production but is left in the same position after each production, ie., with no future revenue to help finance the next production. However, despite its shortcomings, there is still an interest in the CCA mechanism on the part of the industry. The CCA approach will always be attractive because there will always be a need for project financing. However, there is also a need for some other mechanism which allows for more permanent financing for Canadian film companies.

Capitalization and Company Building

Capitalization has always been recognized as a problem in the Canadian film industry because of the peculiar nature of film companies which tend not to be asset oriented but revenue oriented. Jay Firestone of Alliance Communications says that the Canadian government is still not addressing the issue of capitalization which he considers to be the industry's most

important problem. He says that most industries that the government supports, in this country, get money through grants, equity investments and loans to a particular company. For some reason, the film industry gets passed by on all of these programs. Firestone believes that Canada needs a program to capitalize its production and distribution companies. If this were done, he feels that the government would save a lot of money on its other film programs. In this way, he says, the companies that the government helps to build financially would eventually take care of the country and its cultural needs.

Firestone's argument is not a new one to the film industry. In fact, the government's role in company building has been discussed for years. However, traditionally the Canadian government has provided funds for individual film projects rather than for specific companies. Telefilm's Feature Film Distribution Fund is an exception to this rule. It provides funding for a select group of distribution companies based on their corporate size and history of Canadian feature film distribution activity, rather than on the merits of a particular project. However, the level of support they receive is based on project commitments.

What has now become clear is that film companies are looking for different kinds of private financing mechanisms. Project-to-project financing is less relevant to them. They are now seeking things like pre-bank financing and extended

lines of credit. For instance, some companies would like a \$10 million line of credit rather than individual financing. In this way they can do what they want with the money, they can retain the rights to their projects and they do not have to deal with private investors which may complicate matters. In response to this need, a number of loan programs have recently been created. For instance, BC Film and the OFDC each have their own loan guarantee program. Telefilm is considering the implementation of one. It already has an interim loan fund in place. Many of these loan programs have done extremely well, financially.

The capitalization issue was dealt with, to a very limited degree, in 1991 when the Cultural Industries Development Fund (CIDF) was established. The CIDF is a first step to extending interim financing loans to companies rather than projects. Managed by the Federal Business Development Bank (FBDB), the CIDF's aim is to promote the growth, vitality and viability of the cultural industries that have difficulty obtaining conventional forms of credit. In most cases, the CIDF will provide funds for working capital, expansion programs, research and development initiatives, or other long-term viability.

The CIDF has attempted to deal with the capitalization problem, but it is nowhere near what is needed. Its budget of \$33 million which it receives from the Department of Communications, over next five years, is small. It amounts to

only \$5-7 million per year which is further fragmented regionally and industrially to the sound recording, publishing and film industries. This means that only \$2.5 million, at the most, is available to the film industry each year. This is marginal considering that most Canadian film budgets are about \$4 million each. Consequently, there are a lot of industry players for which the CIDE is useless. In fact, none of the business executives interviewed for this thesis even mentioned it because the case study companies are too large to receive assistance through the CIDE. However, the case study executives did mention the capitalization problem and the need for investment in their company rather than in their projects. The idea behind the CIDE is good, and one which needs to be expanded.

In order to do that, the government is considering various options to spur private investment in film and television companies. First, the budget of the CIDE could be increased and the ceiling on individual funds could be expanded so that larger companies could gain access to the fund. The second option is an organization which would assist film companies to improve their relationships with banks. The organization would merely provide a guarantee. This might ultimately be a better choice since the industry really needs a bridge mechanism, such as this, between film companies and banks to provide a better level of comfort for extended financing. Hopefully, this would encourage further contact

between these companies and banks that could perhaps be done without the help of the organization. Guy Mayson says that the government may favour something like this which would improve the relationship between the industry and banks.

Third, a separate institution might be created which deals solely with financing film companies. This would be separate from Telefilm which has traditionally tended to avoid corporate loans. However, a fourth option would be for Telefilm to break from this tradition and initiate a company-building mechanism within the Corporation itself. Fifth, as stated above, there has been increased interest in a tax credit approach, like the RITC.

The government realizes that a lot more attention is required to address the issue of private investment, whether it be for project financing or capitalization of a company. Financing alternatives to the CCA must be examined due to the fact that the CCA is not nearly as effective as it once was. There is a lot of interest in different types of alternatives. The problem seems to be just getting people focused and deciding the best way to solve the industry's problems. It is the government's role to pull together some key players and do some strategic planning for the industry. (Interview with Guy Mayson, October 30, 1992)

iii. Canada's Distribution Dilemma

For over 60 years, film distribution has been a problem in Canada. During that time, the Canadian government has

attempted to strengthen the industry, thereby perhaps increasing the access of Canadian audiences to Canadian films. Many initiatives have been proposed to attempt to redress the imbalance in the film distribution industry, all of which have proven to be unsuccessful. This is in part due to the fact that much of Canadian distribution policy is determined outside of Canada through the continuous intervention and lobbying by the Motion Picture Export Association of America (MPEAA). The Canadian government and provincial governments, fearful of the wrath of the MPEAA, have been unwilling to impose legislation, like that of many European countries. For instance, in 1983, the Quebec government initiated distribution legislation which would limit film distribution activity in the province to firms owned by Quebec residents. After pressure and the threat of a boycott of films produced by the American majors in Quebec, the Quebec government lessened its restrictions. Now, the American majors are able to distribute English-language films in Quebec, while Canadian distributors residing outside of Quebec cannot. (Austen, 1987: 53)

The distribution problem is not just one of economics and the flow of money out of the country into the hands of American corporations. Distribution is also a cultural problem. Canadians are not being given an adequate opportunity to see Canadian films about Canadian people and ways of life. The majority of Canadian citizens do not even

have access to these films which only appear in the major cities, for a short period of time. Many other countries devote much more of their domestic screen time to domestic films. For instance, in Spain, screen quota legislation states that for every three foreign films screened (dubbed in Spanish), one Spanish film, which cannot be more than four years old, must be shown. ("Spain", September 1990: 70) These quotas are imposed upon the theatres in order to stimulate and maintain a domestic film industry.

Pendakur points out that Canada is perhaps the only capitalist country that allows free access to its feature film market and ownership of its screens without maintaining any control over the market. (Pendakur, Winter 1981: 56) Successive Canadian governments have declined to intervene with quota systems on grounds that this would limit the choice available to the Canadian film public. The irony, however, is that the choice of available films is already limited because of the American control over the distribution and exhibition sectors. Pendakur notes it is commonly heard that Canadian consumers freely choose American films over domestic films, because of the former's superior qualities. However,

This myth of consumer sovereignty masks the film distributing companies' ability to create demand through massive advertising. Moreover, audiences can only be formed for films that are effectively available to them. The free-choice argument is hollow because it assumes a free and open competition between American and Canadian film production and distribution companies for theatrical markets. (Pendakur, Winter 1981: 48)

Canada's distribution dilemma continues to this day.

From the interviews that were conducted for this thesis, I found that most Canadian film executives believe that the distribution sector will never be able to prosper unless the government makes some sort of structural changes, like the enactment of the Film Products Importation Act. However, at the same time, many of these executives have lost their faith in the government ever doing anything to structurally assist the distribution sector. When the importation act was first announced, it was not passed by the Canadian government mainly because of pressure from the U.S. majors. This remains a problem. However, the main obstacle to the distribution act now is that Canadian companies are very divided on the issue of what they want from government legislation, for the distribution sector.

The Film Products Importation Act

The Film Products Importation Act is essentially an import program designed to give Canadian distribution companies a better chance to acquire the rights to non-Canadian films. ("Film bill gets...", June 1988: 1) Rather than restricting the availability of foreign films to Canadians, the legislation aims to bolster the industry and thus increase the amount of choice available to the consumer by expanding the range of choice to include more Canadian films. The implementation of the bill will simply mean that the manner in which films are imported into and distributed in Canada will change.

The purpose of the act, as stated in section 3 is:

to regulate the importation of film products in order to establish Canada as a separate national market for the distribution of film products, to promote the distribution of film products in Canada by Canadians and to promote the production, distribution and exhibition of Canadian film products. (Canada, The Minister of Communications, June 8, 1988)

By establishing Canada as a separate and distinct film distribution market, it is expected that the proposed system will enable Canadian distributors to have fairer access to their own market in terms of screen time and market revenues by allowing them to bid fairly for the rights to non-Canadian independently produced films. Increased access to foreign films and the resulting growth in revenues will give Canadian distributors increased leverage when dealing with Canadian exhibitors to exhibit their Canadian as well as foreign films. The bill deals only with commercial feature film products. Regulations within the bill allow for the exemption of "most television programming; non-commercial distribution; industrial films; films for institutional and educational use; and ethnic language films." (Canada, Communications Canada, 1988)

The Changes That The Bill Has Undergone

There are two versions of Bill C-134. The first version was announced in 1987. The second version is the one which was tabled in the House of Commons on June 8, 1988. When changes to the bill were made, many journalists accused the government of backing down in the face of pressures from the

U.S. majors and weakening the bill drastically. What MacDonald called "tough" and "ground-breaking" legislation, the press labelled as "weak", "radically altered" and "docile".

The major difference between the 1987 and the 1988 versions of the Film Products Importation Act is the licensing scheme. The proprietary license, whereby the importer has acquired world distribution rights or has at least a 50 percent investment in the film, still exists. However, the general right of Canadian distributors to import any film for a period of one year was abolished. Instead, a non-proprietary license has been established which means that the importer has acquired the Canadian distribution rights separately from all other distribution rights. This alteration removes the obligation of foreign producers, who do not own world distribution rights or have at least a 50 percent investment in the film, to sell the Canadian rights to Canadian distributors. Instead, the 1988 bill simply provides for a bidding process whereby the Canadian distributors would have a chance, but not a guarantee, of obtaining the Canadian rights to such films.

In regard to the changes that the bill has gone through, Robin Jackson, former Chief of the Film Products Importation Office, says the bill may not be as strong as it once was, but that it will definitely help the Canadian film industry. She says that although stronger, the 1987 version of the bill

allowed for the expropriation of foreign products owned by non-Canadians. A nation cannot blatantly expropriate other people's property in this way and get away with it. In this respect, the bill was unworkable.

The other problem with the initial form of the bill was the effects that it would have had on other countries, such as Australia and Italy, which complained to the Canadian government. The majors were threatening to take away the film rights of other countries within their domestic market in order to qualify for the proprietary license in Canada. (Interview with Robin Jackson, former Chief of the Film Products Importation Office, March 5, 1991) The first draft of the bill would have meant that the U.S. majors would have had to acquire world rights to films which they did not produce themselves, in order to distribute them in Canada. This would not have been too much of a problem for them because of the powerful position they hold in the world film market. They would have been able to buy the rights to independent films in all countries to obtain the required world rights. The unintended effect of the Canadian legislation would have been to hurt small distribution companies in other countries which would not be able to compete with the majors to obtain rights to films even within their own domestic market. As it stands now various distribution agreements are drawn up for each film, for a region or a country. The initial bill would have reduced the

players who could compete as the American majors aimed to possess world rights to films. (Conversation with Guy Mayson, April 17, 1991)

Although Jackson admits that the Film Products Importation Act is not as strong as it once was, and like all other laws, it is not perfect, she maintains that it is an essential first step. She says that the government has to start somewhere to address the distribution problem and trying to separate the market is a good place. "When you aren't anywhere, you have to begin somewhere", Jackson says. (Interview with Robin Jackson, March 5, 1991) Samuel Jephcott, President of the Canadian Film and Television Association, agrees:

Even a bad law that's moving in the right direction, like the federal film distribution legislation, is better than no law at all. At least you can say let's build on something. The problem is we're building on nothing without it. ("Election Countdown", November 1988: 15)

Telefilm Canada's Distribution Fund

With the changes to Bill C-134 in June 1988 came a second element of Communications Minister Flora MacDonald's distribution policy designed to strengthen the domestic distribution sector. An \$85 million Feature Film Distribution Fund to be administered by Telefilm over the following five years was also announced. The purpose of the fund is to financially assist Canadian distributors to acquire the distribution rights to domestic and international films. Funds were also allocated to market Canadian films.

The fund is divided into two parts: the Principal Fund provides predetermined lines of credit to established Canadian distributors which have shown a commitment to the distribution of Canadian films in the past. The Contingency Fund provides project-by-project assistance to developing Canadian distribution companies to acquire Canadian films. (Canada, Telefilm Canada, 1990-91: 39)

The distribution fund has caused controversy. The government has been accused of initiating it solely to quell the reactions of Canadian distributors to the watered-down importation legislation. Some people in the industry have said that the temporary financial boost will not compensate for the government's failure to take legislative action concerning the distribution sector. (Fraser, May 1988) As well, many small Canadian distribution companies are opposed to the formula under which the funds are to be allocated. For instance, Pierre Latour, President of Max Film Distribution argues that:

This will effectively put the control of distribution in the hands of six big Canadian companies. All the smaller companies will be totally wiped out because they will not be able to compete. ("Survey Canada", November 1988: 36)

Latour says that the eligibility requirements are discriminatory and unfair. Many distributors are unable to meet the requirement of having 10 years of distribution experience with the same firm in order to be eligible for funding through the principal fund. Latour argues that these companies will be unable to compete with other companies who

can meet this requirement. Therefore, many distribution firms will be forced out of business. Competition will be restricted by allowing only a certain few firms have access to the public funds. He says that this situation will not work in the interests of the film industry as a whole.

However, others such as Andre Link and Daniel Weinzwieg are in favour of the fund, saying that it merely provides money for those who have been in business longer without total disregard for companies just starting. New firms can receive assistance through the fund's "contingency component". (Latour, December 1988: 5)

Economic Consequences That the Legislation May Have on the Film Industry

It is difficult to predict the probable consequences that the proposed bill will have on the film industry in Canada. Over the past few years, many government officials, people working in the industry and journalists have attempted to judge the effects of Bill C-134 if it is passed. These are very difficult to determine because Canada has never imposed similar legislation, nor has any other country. This makes much of the work done in this area speculative. The statistics cited on the issue differ depending on the source. For instance, Toronto Star former entertainment editor Sid Adilman has calculated the revenue loss that the American majors will face if the legislation is passed. He says it works out to be seven per cent of the approximately \$365.5 million pre-tax revenues that the majors make from Canadian

box office, video and television. (Kelly, September 1987: 14) He says, "in short, Canada's intended law is a seven per cent solution; not much of a real loss to Hollywood's major studios and other American companies." (Kelly, September 1987: 14) Dan Weinzwieg says that this seven per cent loss for the American majors will result in a 45 per cent increase in revenues for Canadian companies. This he says would trigger approximately 18 to 20 additional Canadian produced feature films per year. (Wright, August 1987: 4)

On the other hand the American majors claim, "Hollywood's six major studios would lose 50-60 percent of pre-tax revenue if the law was passed." (Kelly, September 1987: 15) Robin Jackson maintains that the resulting financial loss by the majors will not be as high as they predict, especially in light of the 1988 changes to the bill which merely provide Canadian distributors the opportunity to compete with non-Canadian companies to acquire distribution rights to films. Under the previous proposal, film products crossing the Canadian border without the ownership of worldwide rights or a 50 percent investment by the non-Canadian distributor would automatically be placed into the hands of Canadian firms. Therefore, with the 1988 changes, the majors will see less of a financial loss. (Interview with Robin Jackson, March 5, 1991) It is important to note that these estimates of the possible economic consequences may change when or if new legislation is drafted.

Some Criticisms of Bill C-134

Not everyone agrees that the bill should be passed as is. Besides the American majors, some Canadians such as lawyer Michael Bergman believe that Canada would be better off with no law governing distribution than with the one proposed. He says that Bill C-134, as is, will bring about the decline of the Canadian film industry rather than strengthen it. Bergman questions the government's attempt to create a separate market. He says that the American majors will still possess financial clout in the world market because their products are in exceptionally high demand. Independent producers benefit from dealing with one large American distribution company rather than a small Canadian firm. The American distributor can promise American penetration and marketing for films of independent filmmakers, in exchange for the film's world rights. Despite the proposed bill, American major companies will still be able to work out deals with independent producers to receive Canadian distribution rights.

Bergman also doubts whether the \$17 million per year fund will be enough for Canadian distributors to compete with the majors, mini-majors and other countries' independent film distributors. He does not understand how this will help Canadian distributors to make the additional revenues, that the Canadian government is talking about, to help finance Canadian films. (Bergman, 1988: 10)

As well, Bergman says that the monitoring system of

filing affidavits can only hurt Canadian distributors. It will be impossible to prove that negotiations taking place between companies in other countries will actually negotiate the rights to the Canadian market separately from the United States. On the other hand, "it will be much easier to prove Canadians are violating the law since they are right here at home." (Bergman, June 1988: 11) Therefore, the law may work to the detriment of Canadian companies who will have to stringently abide by the rules while non-Canadian companies will be able to quietly get away with practices deemed unlawful by the Act.

Whereas the American majors are opposed to the Canadian legislation because it may act as a precedent for other countries to impose similar measures, Bergman sees this opportunity to act as a precedent as the only "spark of possibility" in the new distribution policy. He says that if a sufficient number of countries were to implement similar policies, the hold which the American majors possess over the international film industry could be broken in favour of national distributors. (Bergman, June 1988: 11) This may be a favourable situation for Canada and many other countries but it is also a very optimistic point of view. The Canadian government's position on the precedent issue is that other countries will not follow Canada's lead because of the fact that Canada is unique and is the exception in the international film industry because it operates as part of the

extended domestic market of the United States. (Interview with Robin Jackson, March 5, 1991)

A main criticism of the bill from the U.S. majors is that there is nothing in the proposed legislation to ensure that Canadian distributors will actually reinvest in Canadian productions. The Canadian government may be too naive in presuming that Canadian distributors will automatically reinvest a portion of their revenues into Canadian productions. Provisions must be made so that the government will be able to check whether funds are actually being redirected back into Canadian productions.

Current State of the Distribution Dilemma

The distribution dilemma is still considered to be a very important issue with the Canadian government. In fact, in the Spring of 1992, the Canadian government met with Canadian distributors in order to determine what it was that they wanted. More discussion is required and more changes will have to be made. This is because although the industry has encouraged the government to proceed with the Act, privately it is not very enthusiastic about it, in its present form. However, the key goals of implementing distribution legislation in Canada remain clear. They are the delineation of Canada as a separate market, allowing some proper negotiation for Canadian rights for independent product and the encouragement of investment into the Canadian production sector. However, government officials are still unsure as to

what is the best way of achieving these goals in a manner that is acceptable to the industry.

Consequently, it now looks as though if distribution legislation is going to be passed, it will probably be some sort of compromise between the first and second versions of the importation act. It is hoped that an amalgamation of the two, combined with some further changes will result in better legislation since problems have arisen with both versions of the act. (Interview with Guy Mayson, October 30, 1992) For instance, the 1987 version of the act would have created a false economy within our own country, that is, that domestic companies were given enormous advantages that were unfair to other competitors. The 1988 version attempted to correct this, but it became clear that the changes had caused the response on the part of the Canadian distributors to become lukewarm. The support of the Canadian distribution sector is necessary in order for the government to proceed with whatever legislation it finally decides upon.

At first glance, it may seem as though this support should be fairly easy to obtain. The Canadian film distribution sector is made up of a small number of companies which all know one another. However, the size of the industry has not allowed it to form any sort of consensus on any issue. Guy Mayson says that this division within the domestic distribution sector is one of the biggest problems in proceeding with distribution legislation. (Interview with Guy

Mayson, October 30, 1992)

A second main reason why the industry may not be supporting the government in regards to distribution legislation is that several key Canadian distributors have very beneficial relationships with the American majors. For instance, three of Astral's distribution subsidiaries are joint ventures with one or two of the U.S. majors, such as Columbia, Buena Vista (Disney) and 20th Century Fox. With such powerful alliances, Astral would not want to rock the boat for fear that these relationships may break down.

Guy Mayson says that it is a myth that some sort of distribution legislation cannot be initiated in light of the present free trade environment. However, to some degree, the Canadian government must also consider possible repercussions from the majors as well as formal challenges through the General Agreement on Tariffs and Trade (GATT) and the North American Free Trade Agreement (NAFTA). (Interview with Guy Mayson, October 30, 1992) Since culture is exempt from NAFTA, the Canadian government can do what it wants in regards to film distribution legislation. However, at the same time, the government must consider that the United States and Mexico can retaliate against another industry if the Canadian government does so. The "equivalent commercial effect" clause of the free trade deal allows the United States or Mexico to penalize Canada, by imposing a tariff to protect another industry, should Canada decide to initiate new steps to assist the

domestic film industry. (Mosco, May 1990: 50) Consequently, what is being sought is a fairly equitable environment where there is a level playing field for all participants, whether they be Canadian or foreign. Presently, that is not the case. The U.S. majors have a predominant position. The 1987 legislation did not allow for a level playing field either. It gave more benefits and power to Canadian companies.

It is difficult to say when, or even if, some sort of distribution legislation will ever be passed. Getting any legislation passed is a very lengthy process. Since the 1988 legislation is not strongly supported by the industry, changes will have to be made and new legislation will have to be proposed and drafted. In a best case scenario, a modified act could be passed in late 1994.

Regardless of whether film distribution legislation is ever passed, the distribution fund will remain intact since it is a permanent fund. Furthermore, the March 1992 evaluation of the Feature Film Distribution Fund, by NGL Consulting was basically content that the fund has been working effectively. There are ways that Telefilm is now working on to improve the fund, but basically the fund is important and is likely here to stay. Guy Mayson believes that the distributors are more interested in the fund than they are in distribution legislation, on a day-to-day basis. Officially, they are concerned about the legislation, but the fund is their day-to-day bread and butter that enables them to make acquisitions

and improve their position.

It also difficult at this point to say exactly what types of changes will be made to the importation act. Many different options are being considered. One thing that could be included in a new act is a licensing system. This may be similar to what was proposed in 1987 but less restrictive in terms of its world rights definition. A second change could be that the new legislation provide Canadian distributors with a right of first refusal to independent product which means that they have the first opportunity to bid on the Canadian rights for independent productions. In this way, the bill cannot be criticized for being overly discriminatory.

Third, a requirement may be instituted for all distribution companies licensed to distribute in Canada which would compel them to invest a percentage of their revenues, made in the Canadian market, into Canadian production. However, considering this third possible change, it is interesting to note that Canadian production companies have never been major supporters of distribution legislation. This idea, having companies invest in production, was an element in the 1987 bill. However, it was only for Canadian distributors. Since the government had set up an artificial playing field that favoured domestic companies, these firms were then expected to reinvest in Canadian production. However, a new idea is that in order to ensure an equitable situation in Canada's distribution sector, all distribution

companies must operate under the same rules. Consequently, if reinvestment in Canadian production became a component of the legislation, then that would apply to both domestic and foreign firms.

Canadian distributors would not be affected by an reinvestment stipulation because they already reinvest significantly in Canadian production. However, it might be a way of addressing the thorny issue of getting the major foreign distributors to actually reinvest effectively. Consequently, the reinvestment factor is a contentious issue. It would probably provoke a strong response from the majors, but at least the Canadian government could argue that it is equitable, unlike the proposed 1987 legislation which gave Canadian distributors the upper hand. (Interview with Guy Mayson, October 30, 1992)

Possible Resolutions to the Distribution Dilemma

Many countries erect cultural screens, such as feature film quotas in their national theatres, as a means to protect and nurture their cultural and national autonomy. Since Canada does not possess a natural cultural screen from its neighbour, such as a different language, it must protect itself in other ways. (Smythe, 1981: 217) The following five possible resolutions are cultural screens, in that they attempt to protect the Canadian film distribution sector, in order to safeguard Canadian culture expressed through film.

In 1987, the MPEAA recommended four possible alternatives

to the proposed film distribution policy to strengthen the Canadian film industry. The Canadian government has disregarded these proposals in favour of Bill C-134. However, these recommendations should be considered because they do possess some potential to work to the advantage of the Canadian film industry. The MPEAA has suggested a screen quota, a box office levy, a video levy and a negotiated agreement. A negotiated agreement is not advisable in light of the numerous previous Canadian government attempts, between 1947 and 1985, to negotiate with the American majors to no avail. Agreements of this type are not possible when dealing with another party which possesses so much power, and thus has the upper hand in making sure the negotiations serve their interests, first and foremost. However, the other three recommendations, as well as the possibility for provincial or national distribution legislation will be considered below. A combination of one or more of these recommendations could prove beneficial to the Canadian film industry. However, they come laden with problems as well.

a) Screentime Quota

A screentime quota would prescribe a number of days per year in which Canadian films must be exhibited in theatres in Canada. Many academics, such as Audley (1983) and Pendakur (1979), have expressed their support for screen quotas despite the fact that they are an extremely hard sell politically. For instance, Audley recommends the implementation of a ten

per cent screen quota. (Audley, 1983: 249)

There are four main reasons why the federal government is opposed to screen quotas and box office levies. First, exhibition and taxation are predominantly provincial jurisdiction. Second, the rationale for broadcast regulation differs from the rationale to support the regulation of private companies operating in the area of film. Quotas are familiar in Canadian broadcasting and have worked extremely well. (Crean, 1976: 107) The government is able to regulate in the area of broadcasting for two reasons which can not be applied to film. First, the spectrum scarcity doctrine states that because access to the airwaves is limited by the finite number of usable frequencies, the government must regulate this scarce resource in the public interest. Second, the public ownership theory asserts that since there is a limited number of commercially usable frequencies, those available are considered public property and subject to government regulation. (Finkelstein, 1988: 221 & 230) The same rationale to regulate film, which is a private enterprise industry and not a scarce resource does not exist.

The third reason for the government's reluctance to pursue a screen quota is that they evade the root of Canadian film industry problems, which lies in the distribution sector. This may be true. However, if legislation is not going to be introduced, screen quotas may be the next best thing. Fourth, the government believes that most Canadian consumers would

oppose the quotas. This is unfounded because numerous surveys have shown that Canadians agree with Canadian content regulations. If they do not want to view the Canadian films, they have the choice of going to see non-Canadian films.

Of course, the implementation of quotas would bring heat to the federal government from exhibitors who are business people and are primarily interested in commercially viable films. They are not concerned about where these films come from as long as they are provided with a steady supply. Consequently, they are not concerned with Canadian content issues. The Canadian film industry is also fearful of a quota system that would ghettoize Canadian films because exhibitors would probably exhibit Canadian films in off peak periods.

Crean points out that quotas are not a radical measure; screen quotas have been used in many other countries for years and continue to be used. (Crean, 1976: 107) However, quotas have been tried in many countries without much success. For instance, Brazil's exhibition quota currently stands at 140 days per year of national films at each theatre. However, in 1986, it was reported that at least 70 percent of the Brazilian theatres no longer complied with the regulations because they were not supplied with a sufficiently large selection of domestic films. (Informations CNC, 1986) Furthermore, Jackson says that other countries which have quotas have had them for a long time now, so they do not contravene international treaties. She thinks that quotas

would probably contravene the Free Trade Agreement. Jackson says that many countries, such as Switzerland, are now loosening their film restrictions rather than imposing or strengthening them. (Interview with Robin Jackson, March 5, 1991)

b) Box Office Levy

A box office levy is an additional tax on box office receipts which is used to help finance the production and distribution of Canadian films. Such levies are used in many other countries such as France, Germany and Austria. Like the screen quota, levies have been praised by academics and rejected by the government. Both Audley and Pendakur believe that a tax on box office receipts to help fund domestic productions is an excellent idea. However, politicians do not want to implement a box office levy because taxes are always unpopular with the Canadian public. Exhibitors do not like the idea of box office levies because they maintain that it will result in a decreasing theatrical audience. However, Canadians pay to see films at theatres despite continually rising prices.

c) Video Levy

Video levies have also been used by other countries. A video levy is similar to the box office levy in that it is used to create revenues to recycle back into production and distribution of Canadian films. The government's position on video levies is that they would be somewhat more difficult to

administer than a box office levy because of the complexities of the video market which includes both sale and rental of product. Furthermore, video levies have been used in other countries to compensate copyright holders for lost revenues due to home-taping. The government believes that if it were to implement a video levy, it would receive pressure from the film community to use this money as a compensatory measure for copyright holders rather than to use the money to assist in the structural problems of distribution or to reinvest in Canadian productions. (Canada, Department of Communications, 1988: 7) Furthermore, video retailers, like exhibitors, are business people who are concerned with having a steady supply of commercially viable films. They, too, have no concern for Canadian content issues. Video retail is an extremely lucrative industry which could handle an increase in price to reinvest in Canadian productions. However, the federal government would probably hear a lot of protest from the retailers.

d) Provincial Legislation - The Quebec Example

Since distribution comes under provincial legislation, it seems on first glance that the reasonable way to solve the structural problems of the distribution sector would be to have the provinces implement provincial legislation on the matter. However, Quebec has been the only province willing to do so. The Quebec Cinema Act prohibits any distribution company from being licensed to distribute films unless the

company's head office is in Quebec or the majority of the company directors are Quebec residents. The sole exception to this licensing scheme are the American majors who can distribute films in Quebec while their Canadian counterparts cannot. (Harris, October 1988: 1) This allows the majors to acquire full Canadian market rights, while many Canadian companies cannot because they do not have the same access to the entire national market. This law creates a barrier to inter-provincial trade which some say will divide the country and may be unconstitutional.

To date, Quebec's provincial legislation has not acted as a precedent for other provinces. If other provinces follow suit, it will result in a deeply fragmented distribution sector. The irony of the situation is that the Canadian market would be broken up for Canadian distributors while American companies could still do as they pleased. Canadian distribution companies will have an extremely difficult time trying to break even, let alone make a profit, if they are only able to distribute in only one or a few of the Canadian provinces. The Canadian market is small without fragmentation. Rather than further fragmenting the country through provincial legislation, the national problem of distribution must be dealt with nationally, in consultation with the provinces.

e) The Film Products Importation Act: An Approach With a Possibility

As stated above, academic writers are often in favour of

quotas and levies. These solutions seem like plausible solutions to a very difficult situation, despite the problems of jurisdiction and a rationale for government intervention in film distribution. However, after considering the history of failed attempts by the government to alter the structure of the film distribution sector, it seems that these solutions may look good on paper but hold few possibilities for practical application. The practicality of these solutions must be questioned since government officials consistently refuse to consider such recommendations. Therefore, there is not much use in adding myself to the list of academics who favour quotas and levies if they are never going to be implemented. It is much more useful to advocate a policy which could be helpful to the industry and actually has a chance of being initiated by government.

The history of government attempts to solve the film distribution problem in Canada helps to show how complex the difficulties really are and how unwilling the Canadian government is to make tough decisions. Following Canada's film production tradition, Canada's distribution policy has primarily consisted of a distribution fund. At this point it seems as though federal legislation is the most viable distribution policy, since quotas and levies are politically unpopular and provincial legislation will only intensify the present situation by fragmenting and thus impairing the financial well-being of Canadian distributors, even more. As

mentioned above in reference to comments made by Guy Mayson, an amalgamation of the best aspects of the first and second versions of the Film Products Importation Act, with a few additional changes, is probably the best way to deal with the distribution dilemma. After waiting for over 60 years, now is the time for the Canadian government to do something to alter the film distribution sector and as a result, strengthen the entire Canadian film industry. The Film Products Importation Act is a good start on this process.

CHAPTER SUMMARY

The Canadian government needs to reevaluate its film policies in regards to three main areas; public funding, private investment and distribution. In order to assist the growth of Canadian film companies and, as a result, the entire Canadian film industry, obstacles in each of these areas must be overcome. A strong national film industry is made up of economically strong film companies which are committed to promoting their national culture through the medium of film. The Television Industry Summit recognized that "without a healthy industrial base, we will not be able to deliver any kind of cultural policy; both cultural and industrial strategies must work together." (Canada, Communications Canada, 1992: 18) Company building is as important as industry building. The two should go hand in hand. That is why this thesis focused so much on individual companies. The government must understand and work with film companies in

order to come up with viable solutions.

Traditionally, the Canadian government has been strong in regards to providing funds for specific projects. These types of programs have been very successful, however, something else is needed. I strongly believe that incentives for both project and company financing should be available, whether from the private or public sector. Canada is now home to many successful film companies. We need to build on that base. The Canadian government can assist in that process by initiating a program to help capitalize companies and by trying to resolve the distribution dilemma once and for all.

CONCLUSION

This thesis has addressed an important gap in the literature on the film industry in Canada: the lack of information and examination of the economic aspects of the industry. Consequently, I decided to begin to fill that gap by taking an institutional/nationalist political economy approach to my study. In order to understand the industry as a whole, I examined the specifics of the industry by choosing six case study companies, from the wide array of Canadian film production and/or distribution companies, to explore in detail.

I have argued that prior to 1980, Canada did not possess a viable indigenous film industry. However, after a period of profound change in the 1980s, a Canadian film industry now exists. Although many factors have contributed to this, the major reasons for the transformation are the Canadian government's increased incentive policies for the production sector as well as the radical changes within the Canadian film companies. Both recognized the importance of television production to the Canadian film industry during that time.

In this thesis, I identified and examined some recent trends in the film industry in Canada. I then examined how the case study companies have adapted to these trends and what types of business strategies they are using to survive the changes. I found that the trends affecting Canada film companies are not that different from those being experienced

by the American independent film companies. The five main trends that were examined include the continuing considerable power of the U.S. majors, vertical integration, horizontal integration, globalization and consolidation. Various financing trends were also explored, such as the banking industry's disregard for the film industry and the film industry's consequent reliance on government, basket financing and the establishment of financing arms within film companies.

The fact that I was unable to come up with categories in which all or most Canadian film companies could be fit into is not a shortcoming of this thesis. It merely shows how diverse are the Canadian companies operating within the film industry. The case study companies that were chosen do, however, give one an idea of the various structures and business strategies that can be found within Canadian film companies. The most common business strategies for Canadian companies operating in the film industry include the predominance of television production over feature filmmaking, distribution of others' products, vertical integration, globalization, utilization of government programs and internal production financing. It is important to note that these are not the only business strategies being utilized by the companies. Each company has its own set of strategies, some of which are quite unlike those being planned by the rest of the industry. Although a company's adoption of one or all of these business strategies will not necessarily ensure a successful business, they have

been very important aspects of the case study companies' overall business plans. Together they have allowed the companies to adapt to recent changes within the domestic and global film industries. For the most part, the companies which have adopted strategies closest to the six most common strategies are the industry leaders.

As mentioned in Chapter I, since film is a cultural industry, I was concerned with more than merely the economic aspects of the film companies. Table 11 placed a few of the Canadian film industry's players on a grid according to their financial size and cultural versus economic mandate. I found that some companies, such as Paragon and SC Entertainment, are much less committed to the cultural aspects of the Canadian film industry than others, such as Cinephile and Primedia. I found that a company's commitment to culture does not correlate to its size. For instance, a company as large as Alliance is very publicly committed to producing and distributing Canadian content productions. However, the reasons behind that decision are much different than the decision behind a small company's commitment to Canadian content productions (eg. Cinephile). By being publicly committed to Canadian culture, Alliance is able to become both an industrial leader as well as a cultural leader. In this way, it has a better chance of influencing government decisions concerning the film industry. Since government is very involved in the film industry, this is an advantageous

position to be in.

Consequently, what was found in regards to the cultural aspects of the case study companies is that the reasons behind the companies' decisions to become involved with Canadian cultural products is not always for the good of Canada, as they may lead the public to believe, but rather for the good of their company. There is nothing wrong with this. I believe that both economically strong and culturally strong companies are important to the Canadian film industry. Although it is good to understand the motives behind the film companies, what is of utmost importance is that Canadian content productions continue to be produced.

The final chapter of this thesis examined the role of the government in creating and sustaining a Canadian independent film industry. This chapter acted as a place to search for solutions to the industry's many problems which were addressed in chapters II and III. I found that the Canadian government is strong in regards to providing funding to the film industry, however, it is very weak when it comes to establishing structural measures to assist that same domestic industry. As shown above, the Canadian government has repeatedly backed down to pressure from the MPEAA. The government must work on this major weakness. The industry desperately needs distribution legislation and a program to help capitalize companies, rather than merely their projects. These are two main areas which the government has been

discussing for years, however, nothing worthwhile has been accomplished in either area.

In conclusion, one can see from this thesis that Canada now has a few strong domestic film companies which are beginning to compete effectively in the international market. Many of these companies are still very involved in producing and distributing Canadian content productions. There are many Canadian companies which are committed to that goal, for various reasons. However, it is important that the government continue to provide policies and programs which ensure that that continues to be the case. The government has helped to create a Canadian independent film industry. However, the job is far from complete. The Canadian and provincial governments, as well as the companies themselves must all adapt to recent industry trends, if Canada hopes to build on the film industry that it now has in place.

APPENDIX 1

SOURCES OF INFORMATION

As mentioned in the "Review of the Literature" section of Chapter I, information on the film industry in Canada, particularly the economic aspects of it, is difficult to locate. The little amount of information that does exist is very sporadic and requires a lot of digging to locate. For this reason, I have included this appendix, on the sources of information that were consulted for this thesis, for two reasons. First, it will allow the reader to understand where my information came from. Second, this appendix may prove to be useful for future researchers in the field.

Books

The few books that do exist concerning the film industry in Canada or the political economy of film, that were consulted for this thesis, were explained in Chapter I.

Periodicals

As mentioned in Chapter I, the two main film industry periodicals that are relevant to the Canadian film industry are Playback and Variety. Playback is known as Canada's broadcast and production journal. Playback articles concerning current issues affecting the film industry, including federal and provincial policy issues are very useful. However, financial data on large Canadian film companies is minimal.

In the United States, Variety is the major trade magazine

for the film industry. This periodical is also useful, but to a lesser degree because it is an American publication. Variety concerns itself with the worldwide film industry, rather than just the film industry in the United States. Consequently, articles sometimes appear on the film industry in Canada, especially in reference to how a problem, policy or issue may affect American film companies, particularly the majors. However, this type of information on Canada is minimal.

Variety also publishes weekly box-office reports and market share statistics of distributors for the North American market. Distribution market share statistics rank the distributors in regards to the percentage of the North American market share they were able to acquire and the number of films released by each of these companies. It is not surprising that the Canadian market is contained within these charts because Canada is considered part of the U.S. market by distributors in the United States. However, it is unfortunate that separate figures cannot be found for the Canadian market which would give one a better understanding of the majors operations in Canada.

Variety purchases such data from Entertainment Data, Inc. (EDI), a company which gathers data for the motion picture industry. After consulting with the Senior Vice President and Chief Operating Officer of EDI, Phillip Garfinkle, I found that they have never considered separating the Canadian and

U.S. statistics because they never had a clientele interested in obtaining such data. Traditionally, EDI's clients have been the major studios and exhibition chains in the United States. Obviously, these companies are not concerned with separate Canadian data since they consider Canada as part of the entire North American market. In order to obtain separate Canadian data regarding box office figures, one would have to subscribe to EDI for weekly box office figures. The cost is approximately \$70 to \$100 per week. Obviously, because of the cost, this type of information could only be purchased by a large organization or government department.

Other film periodicals that on occasion contain information concerning the film industry in Canada are Screen Digest and Screen International. Academic communication journals such as Canadian Journal of Communication, Journal of Communication, Media, Culture and Society and Current Research in Film: Audiences, Economics and Law contain a few useful articles pertaining to my topic.

Annual Journals

Canadian annual journals such as Survey of Industrials, The Blue Book of Canadian Business and the Canadian Key Business Directory are important sources of financial information. Probably the most important of these is the Canadian Key Business Directory since it includes information on some smaller companies that cannot be found in other sources. Since one of the main difficulties of researching

for my thesis was determining the key Canadian companies involved in the film industry, this reference was extremely useful because it lists companies by line of business, using the SIC codes. Therefore, I looked under #78 (motion pictures) to locate the companies that I was interested in. For instance, Alliance Communications Corp., Astral Inc. and Nelvana are included as Canadian production companies. The drawback of this reference is that it does not provide detailed financial information like some of the other annual journals. However, it is a good guide to compile a list of Canadian film companies which I could then use to look up in other references.

The non-Canadian annual financial journals, such as those published by Moody's Investors Service were not helpful for this thesis. Information on Canadian film companies, except Cineplex Odeon Corporation, is non-existent in these foreign publications. On the other hand, The International Motion Picture Almanac and The International Film Guide are useful for their sections on the Canadian film industry which include their own lists of film companies operating in Canada and their key personnel.

Who's Who books, such as Who's Who in Canadian Business and the Financial Post Directory of Directors, are useful to determine the directors of each corporation and how these directors interlock with various other corporations and associations by sitting on various boards of directors. By

determining these interlocking directors, one can identify potential conflicts of interest and predict possible effects on the content of a media company's output.

Canadian Departments and Agencies

Canadian departments and agencies such as Statistics Canada, Consumer and Corporate Affairs Canada, Investment Canada, Communications Canada and Telefilm Canada all house information relating to the film industry in Canada. However, information from some of these organizations is easier to gain access to than others.

Statistics Canada's Culture Statistics: Film Industry is a good source of information to get an overall view of the film industry in Canada. Each year, Statistics Canada publishes statistics on the production, post-production, distribution and exhibition sectors of the film industry. These statistics are examined in Chapter II. Statistics Canada only makes its information available in aggregate form because of the confidentiality rule of its surveys. The confidentiality rule states that,

Statistics Canada is prohibited by law from publishing any statistics which would divulge information obtained from this survey that relates to any identifiable business without the previous written consent of that business. The data reported on this questionnaire will be treated in confidence; they will be used for statistical purposes and will be published in aggregate form only. The confidentiality provisions of the Statistics Act are not affected by either the Access to Information Act or any other legislation. (Canada, Statistics Canada, 1990)

To tailor Statistics Canada's information specifically to

the American majors operating in Canada, I made a request to Statistics Canada on this particular group of companies. I did this by sending them a list of the companies which I was interested in. The data was provided in aggregate form to respect the confidentiality rule. This information is useful to get an idea of the impact of the majors in Canada, as a whole. Statistics Canada's distribution figures are broken down by foreign and Canadian ownership. One could assume that the figures for foreign distribution companies are American companies and predominantly the majors. However, to gain a more accurate assessment of the majors activities in Canada, the above mentioned data is better.

A useful Statistics Canada publication is Intercorporate Ownership which provides limited data on specific companies operating in Canada rather than just general industry figures. This publication is useful, as the title suggests, to detect intercorporate ownership patterns. Federally or provincially incorporated corporations with gross revenues over \$15 million or those whose assets exceed \$10 million are included. (Canada, Statistics Canada, 1990: xvi)

Annual financial reports for federally incorporated corporations with revenues over \$5 million are filed with Consumer and Corporate Affairs Canada. After some arduous searching only a few relevant annual reports were found. The annual report for Astral Inc. was quickly located, along with some of its subsidiaries. However, some of these subsidiaries

such as Astral Films Ltd. and Astral Film Enterprises Inc. have not filed statements since 1989.

The type of information which Investment Canada has in regards to acquisitions and investment within the film industry would be extremely useful to a paper on the political economy of the film industry in Canada. For instance, information concerning which Canadian companies have been directly or indirectly acquired by large foreign corporations would be very valuable. One would be able to find out the revenues, expenses and assets of these individual companies in Canada, if such information were available to the public. However, the records of Investment Canada are confidential. Manjunath Pendakur says that this "cloak of secrecy exists because the government fears potential embarrassment". (Pendakur, 1990: 43)

Reports prepared by Communications Canada and/or Telefilm Canada are another good source of information and statistics. Examples of such documents include Canadian Cinema: A Solid Base (1985) and Vital Links: Canadian Cultural Industries (1987). The statistics within these documents quickly go out of date, however, they are still useful to gain an understanding of the Canadian government's position on Canadian film industry issues.

As well, documents are often prepared by external consultants for Communications Canada and/or Telefilm Canada. Examples include the Canadian Theatrical Exhibition Study

(1989), and The Structure and Performance of the Canadian Film and Video Distribution Sector (1985). NGL Consulting's 1992 evaluation of Telefilm's distribution fund is a good source of recent information on trends in the distribution industry. Such documents are often useful to comprehend the industry's point of view. However, when consulting external reports, one must remember that since some of these studies are prepared for the government or receive government funding, they may tend to support the government's position.

The lack of statistical data on the film industry in Canada is actually quite surprising. Part of this problem stems from the fact that Canada does not have, but desperately needs, a national database for the film industry. Many film industry reports, including the Ontario Film Development Corporation's study entitled A Socio-Economic Impact Assessment of the Ontario Film/Video Industry: Phase I (1990), have strongly recommended the implementation of such a database. Presently, data is collected from the various government agencies involved with the film industry such as Telefilm Canada, the Canadian Audio-Visual Certification Office, Statistics Canada and the provincial film agencies. As well, data comes from the various studies on the film industry, as mentioned above. Merging the data to form one coherent national data base is problematic because of the divergent ways in which these agencies and studies collect their data. For instance, a figure as simple as the number of

feature films produced in any given year is almost impossible to determine. The figures given by Telefilm, CAVCO and Statistics Canada are all different and do not easily mesh together to come up with the total Canadian production amount in any one year. Until there is some sort of national data base, researchers must deal with these problems themselves when trying to compile data.

Annual Reports

Corporate annual reports to shareholders for public companies, such as Astral Inc., are available free of charge upon request to the particular corporation. These reports include information such as the corporate structure, financial figures and plans for the future. However, this source of information is of limited value considering the fact that most Canadian film companies are privately-owned. However, privately-owned Alliance and Paragon have each published a booklet explaining the structure of their company and boasting their achievements. These were useful pieces of information.

Interviews

Information gathered from interviews with film company executives and government officials was extremely important for this thesis since very little has been written about the economic aspects of the film industry and the film companies themselves. Personal interviews were conducted with Richard Borchiver, President of Paragon Entertainment; W. Paterson Ferns, President of Primedia Entertainment; Jay Firestone,

Executive Vice-President and Chief Financial Officer of Alliance Communications; Daniel Lyon, Director of Business Affairs, Distribution Group at Astral Film Enterprises Inc.; Sheldon Wiseman, President of Lacewood Productions and an anonymous executive from Cinephile Limited. An interview with Robin Jackson, former Chief of the Film Products Importation Office helped to shed some light on the distribution dilemma. Finally, an interview with Guy Mayson, Chief of the Film Policy and Programs Division, English Market at the Department of Communications helped to provide some insight into public policy regarding the film industry.

Endnotes

1. See Chapter II's section on the "Structure of the Film Distribution Sector" for an analysis of Statistics Canada's data which shows how the market share of Canadian distributors increased, while the market share of foreign distributors in Canada decreased in 1990-91.
2. The terms conservative political economy and mainstream economy are often used interchangeably. When I describe people who come from these points of view, I will use one or the other terms.
3. Definitions of the broad and narrow views of political economy came from Vincent Mosco in the course 27.531*, however, the expansion of these ideas in relation to this thesis are my own.
4. It is important to note the distinction between feature film distributors and other film distributors. The feature film market is a much more difficult market to break into. On the other hand, Canadian distributors do quite well in the broadcast and non-theatrical distribution markets.
5. For instance, in 1991, Alliance produced Black Robe and The Adjuster. In 1992, the corporation produced On My Own and Buried on Sunday.
6. Examples of these co-productions include Diamond Fleece, The Final Heist, Picture Perfect and The Myth that Wouldn't Die. It is interesting to note that although these productions, that Astral is involved with, are considered to be Canadian content, they are much less high profile Canadian content productions than the ones which Alliance produces.
7. On January 8, 1993, during the final stages of editing this thesis, the press reported that Cinephile was being sold to Norstar Entertainment. Daniel Weinzweig, co-owner of Cinephile, "blamed the structure of the domestic film industry, current government film policy and the recession for the decision." (Harris, January 8, 1993: A9) This announcement was not very surprising considering the tough times that the firm had been facing. The following case study of Cinephile, which was written prior to the company's closure, explains the structure and strategies which ultimately led to the firm's demise. This turn of events makes the inclusion of this case study even more important as it is a good example of the difficult times facing small Canadian feature film distribution companies. In fact, Cinephile is the eighth such company to close its doors in the past five years. (Harris, January 1993: A9)

Weinzweig was probably right when he referred to the sale as "the end of an era." (Harris, January 1993: A9) There is no doubt in my mind that Cinephile will be sorely missed by the Canadian film industry, especially in regards to the role that it played in distributing films of many first-time filmmakers who went on to become world renowned, such as Egoyan, Rozema, McDonald and Maddin. Weinzweig hopes that Norstar will keep Cinephile's strong Canadian film tradition alive. Andy Emilio, Norstar's executive vice-president, has "pledged that Norstar will maintain Cinephile's commitment to culturally-significant Canadian cinema." (Harris, January 1993: A9) However, that remains to be seen.

8. The Cinephile executive requested anonymity.

9. Examples of some Paragon productions include Lamb Chop's Play Along, Beyond Reality and Held Hostage.

10. In 1991, Primedia's subsidiaries produced Northwood, First Circle, Ustinov on the Orient Express and Stage on Screen.

11. This executive requested anonymity for these comments regarding the CCA.

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