network for screening feature films in motion picture theatres, school halls, and other auditoria in order to provide a commercial outlet for films of cultural significance which existing theatres are unwilling or unable to exhibit."[20] That policy was a complete reversal from what the secretary of state had emphatically stated about films when the CFDC bill was passed: "Motion pictures are an important element in our cultural life. They should serve a national purpose and reinforce our Canadian identity."[21] Instead of doing something about the structure and the market relationships in the industry, which the government recognized as the main obstacles to development of a national cinema, it opted to shore up the private, commercial production sector in Canada.

The CFDC's role in the Canadian film industry was altered substantially after the introduction of the 100 percent tax shelter. One government study determined that private investors had over the years assumed a preeminent position in the film industry. Between 1958 and 1967, private investors or venture capitalists contributed only 18 percent of the investment in film production, with the balance coming from production companies, distributors, exhibitors, and foreign investors. With the founding of the CFDC in 1968, 37.5 percent of all the funds invested in films came from that agency, whereas the private investors' share dipped to 13.5 percent. With the 100 percent tax shelter, venture capitalists increased their share substantially as expected. Between 1975 and 1978, they contributed 47 percent of the total investment in Canadian films, while CFDC's contribution dropped to 15 percent.[22] With the emphasis placed on reaching international markets for profits, the CFDC changed its policy of providing equity financing to lower-budget Canadian features to one of providing interim or bridge financing to CCA films. It acted like a private bank looking to investment brokers for recoupment.[23] These were important policy shifts which gave rise to the problem of denationalizing Canadian-made films.

The policy of encouraging the capitalist production sector to grow was an outcome of the government trying to meet conflicting demands from the international capitalists (MPEAA member companies), the indigenous capitalists (investors, independent producers, independent distributors, etc.), and the workers in the production industry. The tax-shelter policy seems to have satisfied the international capitalists and a section of the national capitalists. Additionally, as there were more jobs in the production sector, workers were generally satisfied.

The national capitalists and the workers were not unified among themselves with respect to the CCA. A section of the national group sided with the international capitalists, and another section looked after its own national interests in opposition to the international capitalists. These divisions were apparent in a group such as the Canadian Association of Motion Picture Producers (CAMPP) which represented the production interests. A section of these producers believed that Canada could develop a viable film industry if it produced only internationally acceptable films, a view that was remarkably similar to that of the MPEAA. A smaller section of CAMPP argued that Canada should make films that are expressions of Canadian culture and pointed out that the so-called international films were merely imitations of Hollywood films (e.g., *City on Fire, The Silent Partner*). They further argued that such films may get distributed worldwide only when the American distributors do not have their own or other films to distribute. Canadian labor was similarly split but was customarily willing to side with whoever offered a job, and, in this case, it could only choose between the national capitalists and the international capitalists.

Independents' Dilemma

In this turbulent environment of the film industry, the independent Canadian distributors had become uncertain of their future. The sale of *Meatballs* in 1978 to an American major by Cinepix, a Montreal-based independent production and distribution firm, pointed out the problems faced by the independent distributors. The film cost $1.6 million to make, and Paramount bought the U.S. theatrical rights with an advance of $3.3 million.[24] In a separate deal, the producers sold the Canadian theatrical distribution rights to the same U.S. distributor with an advance of $300,000.[25] André Link, one of the producers of the film, stated that it was a difficult decision to make. Cinepix would have preferred to distribute the film by itself in Canada, but, with Canada's first-run market being almost inaccessible to the independent distributors, he had to make a pragmatic choice between potential loss and ensured profits. Link explained what the Canadian rights sale meant to Canadian independents: "It means hard times. Canadian distributors won't get the better pictures. There is not one Canadian company which could write a check for $300,000 today, and the

situation won't change until there is a point count for a distributor in the definition of Canadian film."[26] This controversy led to intense lobbying by independent distributors in Canada, who felt that if the trend continued the distribution rights of all big-budget pictures would be sold to the American majors. According to the independents, those big-budget pictures might have opened up the Canadian first-run market for them. They argued that unless they could distribute big-budget productions, Canadian content pictures were all they would have left to distribute. This, they contended, meant a further deterioration of their already weak position in the domestic market. The argument was weak, given the fact that American distributors monopolized screen time and would not relinquish their control in the absence of a screen quota. With the major circuits placing their allegiance with the American film industry first, Canadian-content films would not get wide distribution in the domestic market.

The government faced a difficult policy problem in this regard. If it supported the independent distributors who did not possess any play dates with the major circuits, the investors and producers of the films would be unhappy. The investment dollars would eventually dry up. It would mean that the government would have to do something about American film industry control of distribution and exhibition markets in Canada. The government chose to disregard the concerns of the independent distributors and pushed forward with its policy of encouraging the U.S. distributors to acquire domestically made films for distribution in the national and foreign markets.

The sale to Universal of another big-budget picture, *Running*, in 1979, further angered the independent distributors. The film was budgeted for $3.65 million in Canadian funds of which $500,000 came from the CFDC. It starred Michael Douglas and Susan Anspach, both Americans, and was shot in Toronto and New York. Clearly a film made for American audiences, it reflected CFDC's changed policy of making films suitable for majors' global distribution. Universal paid an advance of $2.25 million in U.S. funds plus a percentage of gross rentals. The producers, Robert Cooper and Ronald Cohen, had also negotiated a contract with the ABC-TV network for $2.25 million and U.S. cable, pay-TV, and world syndication rights to Viacom for $1 million. Total revenue from all these deals brought in $5.55 million, or approximately $6.4 million in Canadian funds.[27] This was the biggest deal yet for any film made in Canada. According to Mickey Stevenson, head of Astral Films, the largest Canadian-owned distribution company, no Canadian distributor could outbid one of the majors.[28] As the

government was following the policy of encouraging big-budget pictures made for international markets, the independent distributors were the losers.

Some critics argued that publicly financed films such as *Running* should be handled by a Canadian distribution company in the domestic market. Others claimed that if American companies were to become involved in distribution and production of films in Canada, it would amount to Canadian taxpayers subsidizing American companies. Critics pointed to *Silence of the North*, another film made in 1979 by Universal Pictures in Canada. It was the first Canadian film sponsored by a leading American company to get the CCA certification.[29] It was budgeted at $8 million (Canadian), half of which came from Universal's profits in Canada, and the rest raised through a public offering of limited partnerships.[30] Based on the true story of a pioneering woman in northern Alberta, the film was directed by Allan King, a noted Canadian documentary and feature filmmaker. Richard Leiterman, another award-winning Canadian, directed the photography. The film was shot on location in Alberta and at studios in Toronto. As a result, it was certified by the government as Canadian and became eligible for the tax shelter. Was this a subisdy to the American corporation from the Canadian taxpayer? Obviously it was. But the government may have intended that if a strong private production sector could be created, even if it amounted to subsidizing American corporations, it was the right policy.

The big-budget cinema set the pattern for film production in Canada. Because of the CCA, higher-budget pictures with box-office stars such as Elliot Gould, Sophia Loren, and George C. Scott were being made in Canada. Some were distributed by American major companies domestically and internationally. It meant increased potential for profits by the Canadian and other investors. It also meant that Canadian films, generally speaking, would be of high technical quality. But at the same time, it meant that they would look more like American films. *The Silent Partner* and *A Man Called Intrepid* just happened to have been made in Canada, but they could have been made anywhere in the world. The films of Canadian directors—Claude Jutra (*Mon oncle Antoine, Kamouraska*), Don Shebib (*Goin' Down the Road, Between Friends*), Jean-Pierre Lefebvre (*Les maudits sauvages*)—were personal visions and commentaries on living in Canada. They were thus relevant to the country in which they were made. These and other films that gave Canadian cinema a distinct identity became rare and, as in the past, limited to a specialized audience.