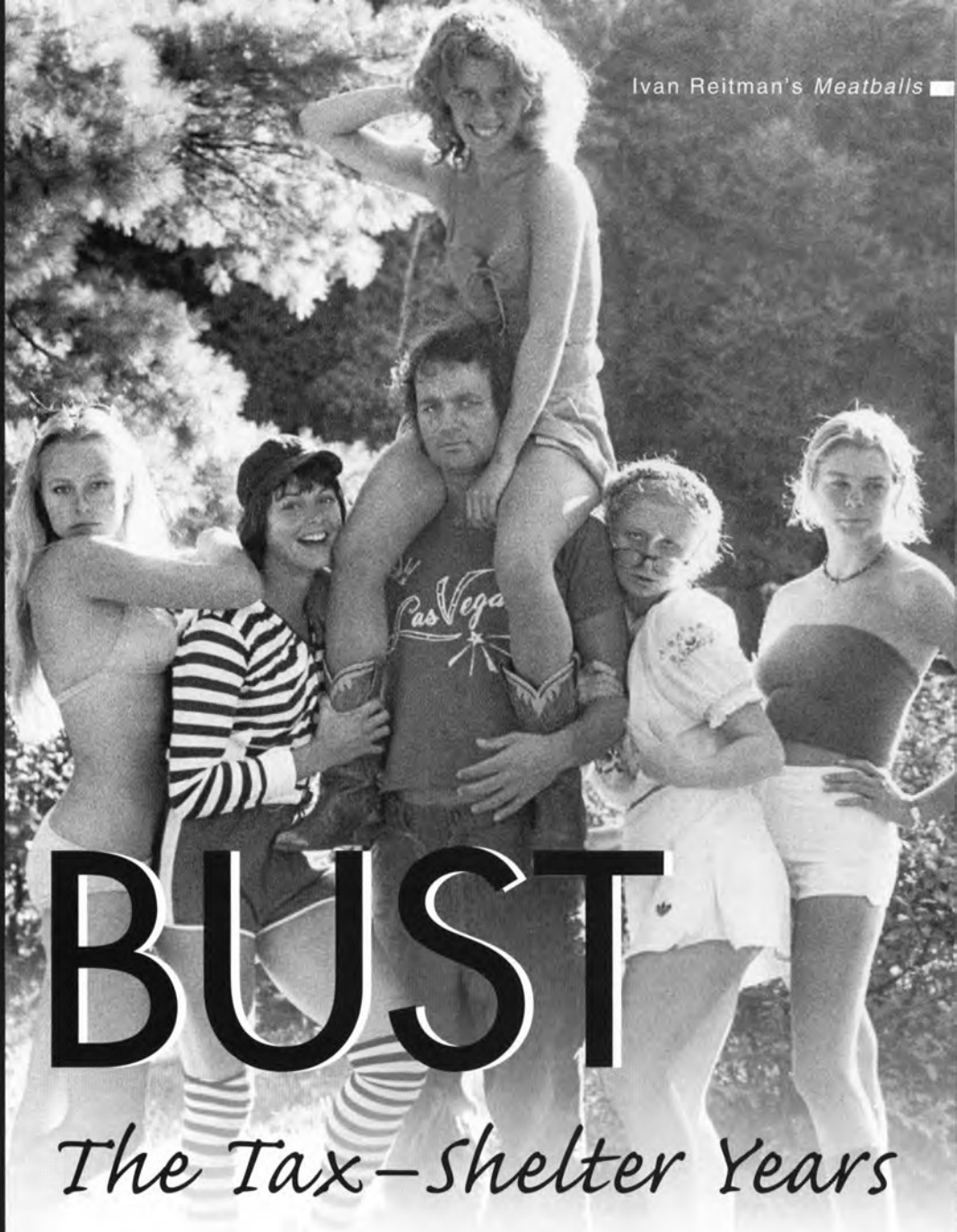


CANADIAN  
CINEMA

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# BUST

*The Tax-Shelter Years*

By Wyndham Wise

*"I think they squandered a grand opportunity and it's largely the fault of producers who were shameless and greedy, people of dismal taste, who were more interested in making deals than films and who made a lot of money for themselves. And so Canadian films do not enjoy a larger reputation anywhere and it's a pity...a lot of damage has been done." — Mordecai Richler, Cinema Canada, May 1985*

More feature films were made in a hectic 30-month period from the fall of 1978 to the spring of 1981 than at any other time in our short cinematic history. This essay, originally written as part of a master's degree program at York University, attempts to provide some insight into what happened when Canadian feature-film policy was made up by greedy producers, clueless politicians, bottom-line consultants and inventive lawyers and accountants. *It's not a pretty tale.*



Kate Jackson and Elliott Gould in Alvin Rakoff's *Dirty Tricks*.

The year 1978 was a watershed for the Canadian film industry. Several factors fell into place that year, which created an unprecedented growth followed very quickly by an equally unprecedented decline. Tax-shelter financing for feature-length films had existed prior to 1978. A 60 per cent tax write-off for investment in Canadian films was available as early as 1954. As the pre-1978 tax legislation did not distinguish between films with a significant degree of Canadian content and those without, there was no incentive to invest in Canadian productions as opposed to films made elsewhere. The idea of actually making features in Canada was simply not considered viable. There was little history and no feature-film industry to speak of in 1954. Certainly there was the talent and artistic energy to create the films, but without a financial base or production infrastructure in place, this talent was forced to work abroad. Directors such as Norman Jewison, Arthur Hiller and Daryl Duke, nurtured by the CBC in its television infancy, left for Hollywood. Sidney J. Furie went to work in England and Ted Kotcheff (who became known as the first Commonwealth director) made films in the United Kingdom and Australia. They became the lost generation of Canadian filmmakers.

In the early 1960s, a new generation grew up through the NFB to replace them. These young filmmakers were determined to remain in Canada and create films necessary to build a national cinema.

# CANADIAN CINEMA

Claude Jutra (*A tout prendre*, 1964) from Quebec and Don Owen (*Nobody Waved Good-bye*, 1964) from Ontario gained international recognition for their original work, while Allan King (*Warrendale*, 1967) pioneered the techniques of direct cinema. In response to this growing movement, the federal government of the day initiated certain policy changes. In 1964, the cabinet approved, in principle, the establishment of a loan fund to foster and promote the development of a feature-film industry. The cabinet, in accepting the recommendations made by an interdepartmental committee under the direction of Guy Robage, the film commissioner, charged the committee with the responsibility of preparing specific proposals. These proposals were made a year later by O.J. Firestone, a professor of economics at the University of Ottawa, in his *Report of Film Distribution: Practices, Problems and Prospects*. Firestone recommended an accelerated capital cost allowance (CCA) for producers, joint international film agreements, the establishment of a film development corporation and a film industry advisory committee. Most of his recommendations were eventually adopted in one form or another, but never as a comprehensive package.

The first step was outlined in the speech from the throne in 1965 and proposed that a Crown corporation be established with the responsibility of administering a \$10-million revolving fund. Legislation to establish such a corporation was introduced in June of 1966 and the Canadian Film Development Corp. (CFDC) was brought into being in February 1968, thus marking a significant change in government policy and providing much needed support for an underdeveloped private sector. Coproduction treaties were signed with Italy in 1970, the United Kingdom in 1975, and the one with France (which had originally been signed in 1963) was renegotiated in 1974. The CFDC was charged with the responsibility of administering the coproductions and determining which films would be

certifiably Canadian and therefore qualified for the benefits of the CCA.

The fledgling corporation had some early successes under the directorship of Michael Spencer. Don Shebib's *Goin' Down The Road*, 1970, Bill Fruet's *Wedding In White*, 1972, Peter Pearson's *Paperback Hero*, 1973, and Ted Kotcheff's *The Apprenticeship of Duddy Kravitz*, 1974, among others, drew critical acclaim, if only modest returns at the box office. There was a growing sense of real excitement about the future possibilities of the industry; however, it soon became apparent that the CFDC, with its small, rotating budget, was proving inadequate to the challenge of stimulating growth in production. There was a call from an *ad hoc* industry lobby group, the Council of Canadian Filmmakers (CCFM) and others, for an enforceable quota system placed on the major exhibition chains. The CCFM's "Winnipeg Manifesto," issued in October 1973, called for "the development of practical methods for the distribution of Canadian films to the Canadian public including an immediate quota system with a minimum objective of approximately 20 per cent screen time being given to Canadian films." In a related brief presented to the CRTC by the CCFM during the 1974 licence-renewal hearings for the CBC, Peter Pearson, then the chairman of the CCFM, made the point that, "of the 101 completed feature films the CFDC has invested in over the past five years, only two have been screened by the English network." Despite the best efforts of the CFDC, between the dominance of the American distributors in the Canadian marketplace and the indifference of the CBC, very few Canadian feature films were being seen by Canadians.

The federal government was not insensitive to the issue of quotas as Gérard Pelletier, then secretary of state, indicated in the *First Phase of a Federal Film Policy*, issued in July 1972: "We are aware of the problem and we have begun studying closely the system of distribution in Canada and abroad. I can only say that we are...looking into quota systems...and the problem of foreign ownership of our

# FROM M O O B

distribution companies and film theatres." When Hugh Faulkner replaced Pelletier, he promptly commissioned the Bureau of Management Consulting to do a study of the industry in Canada for the arts and cultural branch of the secretary of state. The Tompkins Report, as it became known, reaffirmed Pelletier's earlier view: "The production of Canadian feature films will continue to be constrained until something is done to break the hold of the foreign-owned distribution chains that prevents Canadian films from being seen by larger audiences both in Canada and



Donald Sutherland and Suzanne Somers in George Bloomfield's *Nothing Personal*.

abroad." The report also confirmed what the CCFM had been saying all along: "93 per cent of total distribution rentals from the Canadian box office were being paid to the Hollywood majors."

In 1975, Faulkner negotiated a voluntary agreement with the two major theatre chains, Famous Players and Odeon, where the chains were to guarantee a minimum four weeks per theatre per year to Canadian films, and invest a minimum of \$1.7 million in their production. This policy initiative was accompanied with an announcement by John Turner, minister of finance, in his budget speech that a new income tax regulation would allow investors to deduct in one year, against income from all sources, 100 per cent of their investment in certified feature films. This provision was retroactive to include film productions begun after Nov. 18, 1974. The Faulkner/Turner "two step" is a classic example of the federal government's compromise on arts policy. In response to the cultural nationalists, the secretary of state introduced a watered-down system of voluntary agreements which were ultimately unenforceable, while the minister of finance offered tax subsidies which help to create an artificial industry based on dubious "international" (i.e. American) standards.

The 60 per cent write-off had become a farce, not unlike Zero Mostel's wheelings and dealings in Mel Brooks's classic, *The Producers*. Investors were assured of a profit even if the film was a total failure. In one such dubious financial arrangement, an investor would put up a small amount of money against an obligation to invest a much larger sum later, but only out of the profits (if any) of the film. If the film never

made any money, the investor never had to come up with the total cash investment while profiting from a significant tax saving. Of course, it was in the investors' best interest if the film never got released. This tax loophole brought into play a new type of film entrepreneur—the tax lawyers and accountants—who could make their way through the complicated tax laws and "lever" such investments on the basis of the original down payment. This new breed of "producer" was not concerned with the priorities of the CCFM and its "Winnipeg Manifesto." They were deal makers and representatives of large investment groups. They were adept at legally exploiting a grey area over which there was very little regulation and no substantive government policy directive. By 1974, the abused CCA scheme had already established the widespread notion that Canadian films were made to lose money and were box-office poison.

With the new 100 per cent write-off, four films were made at the end of 1975 that, for the first time, had budgets in excess of the \$1-million mark. This represented the beginning of a trend that would have significant impact on the growth of the industry. Interestingly, just as Canada was making tax-shelter investment in film more attractive, the U.S. government enacted the 1976 Tax Reform Act which effectively closed the tax-shelter loophole for film production. In Canada, the tax-shelter game continued to be played, albeit with slightly tighter rules. As in the United States, the Canadian Department of Revenue was investigating a number of film deals and there were a couple of cases pending before the courts. In the spring of 1976, the tax laws were once again amended in response to industry criticism





that the definition of what made a Canadian film was too loose. A point system was established by the Certification Office and the 60 per cent write-off on foreign film investment was dropped to 30 per cent. At 60 per cent, it was still more advantageous in the long run to invest in foreign efforts than Canadian films allowing 100 per cent. The 1976 federal budget also removed tax incentives from traditional shelters such as airplanes, boxcars and livestock, thereby leaving only three shelters—multiple-unit residential buildings, oil wells and film production.

Secretary of State Faulkner reaffirmed that "the principle focus (for feature-film production) would be a new mandate for the CFDC" and for the first time short films could be certified for the CCA. *The 1976-77 Annual Report* from the CFDC, however, makes it clear that his voluntary quota system was proving to be a failure: "Tabulations for the first year's performance of Famous Players under the quota system show that, if the programme is to be literally interpreted, this company has not met its commitment.... As for Odeon...the programme was not a success." In addition, the Tompkins Report alerted the government to the dangers "of committing the CFDC to a role which duplicates the functions of other institutions," a notion that Faulkner reaffirmed in a *Draft Film Policy* which he had prepared: "The role of lender or guarantor of loans would be inappropriate for the CFDC since this would duplicate the function of existing government and private institutions.

Loans or loan guarantees for filmmakers ought to be the business of the chartered banks (and not the CFDC)."

The 100 per cent tax shelter stimulated production and the following two years saw a resurgence of feature filmmaking. There was renewed confidence in the industry with the critical success of films like Silvio Narizzano's *Why Shoot the Teacher?*, produced by Fil Fraser, and *Who Has Seen The Wind* produced and directed by Allan King (both released in 1977). Simultaneously, the new style producer/entrepreneurs were making their presence felt and losing, to a certain extent, the earlier disrepute associated with the abuses of the 60 per cent write-off. They developed ambitious financial packages for more than one film and probed the outer limits of what the Department of Revenue would allow.

By the beginning of 1977, the feature-film industry was finally struggling to its feet and there was a new secretary of state in Ottawa. In November of that year, John Roberts presented his *Memorandum on Film Policy* to the cabinet. It confronted directly the problem of foreign control of distribution in the Canadian marketplace. It proposed a 10 per cent tax on distribution revenues, with a rebate that would have functioned as a quota for Canadian films. Sandra Gathercole, in her insightful article for *Cinema Canada* in June of 1978 ("The Best Film Policy This Country Never Had") outlines in great detail what happened to Roberts's *Memorandum*. Without going into detail here, as the result of intense lobbying by the American Motion Picture Export

Association, and the indifference of the minister of finance, Jean Chrétien, Roberts watered down his proposals in 1978. Despite its lack of success, he recommended that the system of voluntary quotas should be continued and that the CFDC was yet again to receive a broader mandate and a greater infusion of capital. Roberts and Chrétien essentially repeated the policy (or lack of same) initiated by Faulkner and Turner in 1975. Roberts couldn't break the dominance of foreign-controlled distribution nor the logjam created by the fact that theatrical exhibition and distribution are within provincial jurisdiction.

Chrétien's 1978 spring budget did tackle the problem of revenue guarantees, and with legislation enacted in December of that year, the regulations were amended to deny the taxpayer full CCA on that portion of his investment in a certified film that was effectively covered by a "guarantee." However, much was still left to the discretion of the Department of Revenue, and this issue (which translated to mean that if a film had a distribution guarantee, then it would be disqualified for any CCA benefits) more than any other became the backbone upon which the artificial tax-shelter "boom" in feature production was created. In a separate but related move, the Ontario Securities Commission, in a landmark decision, ruled that investments in film were securities under the meaning of the province's Securities Act thereby requiring film producers to comply with provincial securities laws. The active involvement by two federal government departments (the Certification Office and the Department of Revenue), a federal Crown corporation (the CFDC) and provincial securities commissions emphasized the fact that feature-film policy was unduly complex and confused. Despite the repeated pronouncements that the feature-film industry should be culturally relevant, the thrust of the 100 per cent CCA and the CFDC was toward more costly "Hollywood-style" films. As the executive committee of the Association des Réalisateurs de Films du Québec noted in a letter to *Cinema Canada* in May 1978, "This strictly commercial orientation which Ottawa proposes for its film policy is, in fact, confirmed by the permissive and quasi-fraudulent 'tax shelter' which is just as American as it is Canadian."

# TO T S B B

This "strictly commercial" orientation was equally evident in the changes invoked at the CFDC that year. Executive director Michael Spencer was replaced by Michael McCabe. Spencer, 10 years at the head of the corporation, was a veteran of the NFB and respected by the film community at large. McCabe was a career civil servant with a marketing and investment background. One of his previous jobs with the federal government had been executive assistant to the minister of Trade and Commerce, Mitchell Sharp. His knowledge of Canadian film was limited but he understood the investment community very well. He set about to exploit that financial base for the benefit of the new-style producer/entrepreneurs.

Despite the earlier warnings of the Tompkins Report and the recommendations of Hugh Faulkner, the mandate of the corporation was almost immediately changed. From previous equity investments in modestly budgeted



Tatum O'Neal and Richard Burton in Jules Dassin's *Circle of Two*.

films, the CFDC moved to create an interim pool of money that would act as "bridge financing" until the producer/entrepreneur could raise the money in the private sector. In other words, the corporation took on the role of a high-risk banker. The producer/entrepreneur was not slow to take advantage of the situation. In the absence of a federal film policy came the creation of a full-blown branch-plant industry. The producer/entrepreneurs, without any history of Canadian cinema (what history they understood was the history of box-office failures), used the American industry as their model. They were determined to make "international" films for the American market, which in the words of film critic John Harkness (who was then writing for *Cinema Canada*), was rather like "trying to compete with Ford by building cars in your basement."

Robert Lantos's tax-shelter-financed production of *In Praise of Older Women*, released in 1978, was a limited critical and commercial success and both *Who Has Seen the Wind* and *Why Shoot The Teacher?* brought respectability back to the industry even though they were both relative failures at the box office. It was Garth Drabinsky's production of Daryl Duke's *The Silent Partner* (shot in Toronto in 1977 and released in 1978) that set the tone and style of the new producers and their fuzzy vision of "Hollywood North." Financed only in part (about one-third) by tax-shelter investment and without the assistance of the CFDC, *The Silent Partner*, with its clever casting of a major Canadian star (Christopher Plummer), an American (Elliott Gould) and a British star (Susannah York), was that special blend of success peculiar to very few Canadian films at the time—both critical and commercial. Drabinsky's flashy entrepreneurial style (he was 31 at the time) attracted a lot of public

attention to the business. With the upswing in the economy after the oil crisis of the early 1970s, the producer/entrepreneurs, with their corporate partners, tax accountants and lawyers, brokerage houses, CFDC and the banking community behind them, set the stage for the tax-shelter "boom" over the next 18 months.

The final spark that ignited the "boom" was a modest production shot in a summer camp in Haliburton, Ont. Ivan Reitman's production of *Meatballs* in the summer of 1978 (released by Paramount Pictures in 1979) was the first feature to demonstrate that investment in Canadian films was viable and lucrative, grossing over \$70 million worldwide on an original budget of just over a million. Reitman, who had previously coproduced the very successful *National Lampoon's Animal House*, applied the same formula to his summer camp comedy. And even though he is credited with only directing *Meatballs* (it was produced by Dan Goldberg and financed by Larry Neiss, king of Canadian interim financiers, using CCA and CFDC assistance) it was his drive and vision that was instrumental to the film's success.

By the fall of 1978 the "boom" was on, full-tilt. The Canadian financial community became aware of the industry and sensitive to the possibilities of tax shelter as an attractive vehicle for wealthy individuals and corporations. According to Toronto tax lawyer Michael Levine in an article he wrote for the *Journal of Canadian Studies* ("I Never Heard Them Call It 'Show Art': The Business Side of Film Production"): "1979 was a very special year—the honeymoon—for the producer and his financiers in Canada. Interim financing was widely available and virtually all film units offered to the public were purchased. The result was that \$150 million of feature-film



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production was funded in Canada that year." The CFDC, which led the way with its interim-financing policy, made this clear in the 1979-80 *Annual Report*: "The 1979-80 year witnessed a spectacular jump in the production of Canadian feature films. Some 70 Canadian motion pictures, with budgets totalling more than \$150 million, were produced in 1979, compared to 40 films with budgets amounting to over \$60 million in 1978.... The increase in production reflects the significant impact of the tax incentive offered by the 100 per cent CCA provided to investors in certified films."

Several chartered banks, trust companies, private interim lenders and individuals all became involved in the financing of the tax-shelter "boom." Brokerage houses would underwrite the public or private issue while the CFDC lent the money to the producer/entrepreneur until full financing was in place, usually at the end of the year. The issue itself, either a public prospectus or private offering memorandum, constituted a sizable amount of "legal art" and the

new provincial securities commission regulations obliged the producers to spend as much (if not more) on a prospectus than they would on a script. Then there were the "soft costs," the money that was not seen on the screen but crucial to "closing" the deal. Such "soft costs" would include, among other things, interest on interim financing (sometimes as high as 30 per cent per annum); finder's fees (sometimes as high as 15 per cent); cost of issue (often \$150,000); legal fees for the prospectus (often as high as \$75,000); overhead expenses; certain publicity expenses; broker's commission (which ranged from seven per cent to nine per cent); as well as associate producer fees and the executive producer's fee. Such financial requirements reduced the number of "players" in the industry to a few wealthy individuals, well-connected to the CFDC and the established financial community. In addition, the Department of Revenue's ruling on revenue guarantees freed the producer/entrepreneur from the responsibility of making a marketable product while allowing him to act as his own sales agent, thereby creating another source of revenue "off the top" of any future distribution deal.

Michael McCabe's aggressive, personalized style of leadership at the CFDC ran roughshod over the cultural nationalists ("it's the doubters and small thinkers that have kept the industry back") while lavishing praise on the efforts of the producer/entrepreneurs ("Bill Marshall is one of the leaders because he says 'I want to be judged by world standards.'") Critics charged that McCabe was destroying one of the most distinctive cinemas in the world, while Bill Marshall claimed that producers were not "guardians of Canadian culture and national identity." Robert Lantos added to the controversy by telling a *Toronto Star* reporter that as far as he was concerned, "no Canadian director is worth much." With the blessing of the CFDC, the independent producer/entrepreneurs became the leading spokesmen/power brokers within the industry.

The major problem that the producers of such dreadful films as *Circle of Two*, *Dirty Tricks*, *City on Fire*, *Nothing Personal*, *Agency* faced was that of trying to create an industry without the know-how or the production infrastructure in place. In competing with the Americans, as they were encouraged by the CFDC to think they could, they faced the insurmountable task of competing with one of the most voracious and culturally imperialistic industries in the world which had been in existence for more than 70 years. International Cinema Corp.'s Canadian/French

coproduction of Louis Malle's *Atlantic City*, 1980, and Peter O'Brian's production of Phillip Borsos's *The Grey Fox* (released in 1983) stand out as exceptions that proved the general rule that the tax-shelter films made between 1978 and 1982 were horrible, terrible and never to be seen again.

It is perhaps worth briefly examining *Bear Island*, 1979, since this film is generally regarded to be the worst-case scenario for the industry. Produced under the Canadian/U.K. coproduction treaty, and therefore approved for certification by the CFDC, *Bear Island* had the dubious distinction of being the most expensive "Canadian" film during this period. Dubious, because the film was an unqualified failure, described by *Variety* as "dull," "feeble," "trite" and "may prove to be useful when the marketplace hits a dull patch." Producer Peter Snell, an expatriate Canadian who had some success in the English film industry, stated that his aim was "to sell the picture on the American market." To this end he convinced Selkirk Holdings to put up \$3 million, and he secured \$1.8 million from the Toronto Dominion Bank, \$1.2 million from the Bank of Montreal, \$3.3 million from Columbia Pictures, and \$200,000 from the CFDC as an interim loan. The \$9.3-million budget was used to secure the services of an international cast (Vanessa Redgrave, Richard Widmark, Lloyd Bridges, Christopher Lee, Donald Sutherland), a second-rate British director (Don Sharp) and a screenplay based on the Alistair MacLean novel. Canadian actors appeared in *Bear Island*, but there were no Canadian characters. British Columbia made an appearance as Norway and six million Canadian dollars went into an international embarrassment. The film failed to sell on either the Canadian or the international market and now occasionally makes an appearance on late-night TV.

All this would have been irrelevant and mercifully forgotten but for one important factor—the bank's involvement in the financing of this disaster. Banks in Canada, with their Scots/Presbyterian background, traditionally looked askance at most aspects of the entertainment business, but with the CFDC's involvement as an interim lender, they too became directly involved with film financing. Consequently, when they got "burnt" by their experience with *Bear Island*, it sent a ripple throughout the financial community, reconfirming widely held suspicions that film was a bad



ICC's Canada/France coproduction of Louis Malle's *Atlantic City* (above) and Phillip Borsos's *The Grey Fox* (left) stand out as exceptions that proved the general rule that the tax-shelter films were horrible, terrible and never to be seen again.

investment. This ripple effect lasted well beyond the tax-shelter period and closed the doors on many legitimate filmmakers with modest, sensible projects.

The CFDC slogan for the Cannes Film Festival in 1980 was "Canada Can and Does." In fact, Canadian films couldn't and didn't. After 18 months of intense activity, the bubble burst. Although the 1980-81 *Annual Report* offers a rosy picture (some 50 features were produced in 1980 with total budgets estimated at \$165 million) by May 1980, the tax-shelter "boom" was effectively over. It began with bad press from Cannes concerning films such as *Fantastica*, *Out Of The Blue* and *Mr. Patman*. The general view was that the industry in Canada had grown too quickly and that, on a world scale, its product was inferior—the quality of cheap Hollywood imitations. Of the film units offered in 1980, somewhere between \$40 and \$70 million were left unsold at year's end. The entire edifice of the tax-shelter financing of feature films was in jeopardy, largely, but not wholly, the fault of producer irresponsibility and a deepening recession that would take its toll in the early 1980s. Ian McLaren, director of cultural industries for the Department of Communications, summed it up this way in 1981: "What the film industry has gone through in the last two years has been disastrous and the state of the industry now is unbelievable, just unbelievable. There is no investment out there. It's really a bad scene, and I feel the producers brought it on themselves. I also think that government did not have

the capacity to administer the CCA as tightly as it should have been administered."

The producer/entrepreneurs were not inexperienced, as some apologists for their failures have claimed, simply greedy. Aided and abetted by the CFDC, they walked away from their films with a great deal of money "off the top," no matter how much the film lost at the box office. They demonstrated an almost callous lack of concern for the damage they were doing to the future of the industry, preferring instead to sell out the cultural values of their country for the lure of easy money on the American market.

Alvin Rakoff, an expatriate who was hired to direct *City On Fire* and *Dirty Tricks*, two tax-shelter "bombs," made the point very clear in an interview with *Cinema Canada*, in January 1980. "You'll have developed an industry purely dependent on tax-shelter money. No self-expressive directors or filmmakers will have evolved and the moment that 'external' thing—money—is gone and there is nobody who will have achieved worldwide recognition, the industry has to collapse." And it did. One hundred per cent tax-shelter financing continued into 1982, but production in 1981 was down almost by half from the peak in 1979.

After a good deal of public money had been spent and a great deal of bad will created in the private sector, the Canadian film industry had come back full circle. The dilemma created by Faulkner/Turner in 1975 and Roberts/Chrétien in 1978 was one



# CANADIAN CINEMA: *the tax-shelter years*

of sustained and determined avoidance of the central issue of control over domestic distribution and exhibition. The 1981-82 *Annual Report* from the CFDC makes the point once again: "While the corporation has been effective in stimulating production, on-going problems in domestic distribution have restricted Canadian audiences for Canadian films." With production off drastically and investor confidence all but destroyed, the tax laws were again modified in 1982 to reflect an accumulated 100 per cent write-off over two years (50 per cent each year). Pay TV was the big issue of the day and the tax-shelter years began to fade like a bad memory. Francis Fox, minister of communications, initiated a new policy that emphasized TV production and virtually ignored the feature-film industry. And the

\$35-million Broadcast Fund shifted the focus of the CFDC (renamed Telefilm Canada in 1984) to made-for-TV productions, a tacit acknowledgment of the theatrical distribution blockade. As Sandra Gathercole notes in "The Best Film Policy This Country Never Had": "The only indication that the authors (of the new policy) recognized a problem with the performance of the CCA is unintentional. In a list of critically successful Canadian films, the hundreds of productions financed under the CCA are conspicuous by their absence."

It is perhaps appropriate that we can draw some conclusions from an article ("The Coffee-Boy Syndrome") by Allan King, one of Canada's most respected filmmakers and a survivor of the tax-shelter years, who wrote in the *Journal of Canadian Studies* (Spring 1981): "We watch Mr. Michael McCabe spend a couple of years at the CFDC and express the view that films like *Why Shoot the Teacher?* and *The Apprenticeship of Duddy Kravitz* are not really worth doing because films like *Benji* are doing much better here in Canada than our own product.... When [he] says that what he did was to create a film industry the two years he was in office, and I hear other people agreeing that was the

case, I find it all a little laughable. I wonder what the rest of us have been doing for the past 25 years? Those of us who have been making features for the last 10 years, what have we been doing in all that time?"

It is certain that the majority of tax-shelter producer/entrepreneurs were not prepared to deal with the established Canadian directors of merit. Major talents such as King, Robin Spry, Don Shebib, Don Owen, Peter Pearson and Zale Dalen were ignored in favour of directors with much less experience, or worse, imported hacks for certified Canadian coproductions. The producer/entrepreneurs didn't want troublesome directors who were likely to attempt to

impose a personal vision on the film at hand. It is ironic, and almost tragic, that Don Owen and Claude Jutra, two directors whose fresh and original films in the early 1960s were the *raison d'être* for the creation of the CFDC, became the victims of a badly mismanaged film policy. Canadian writers and actors fared no better. According to ACTRA, less than one per cent of the \$150 million invested in Canadian films in 1979 found its way to Canadian writers, while talented actors filled in as support for aging American stars, the producer/entrepreneurs fearing that Canadian talent wouldn't guarantee, at minimum, an American TV sale.

The justification most frequently put forward by the CFDC, producers, economists and policymakers for this travesty was that at least employment was generated for crews, technicians and the laboratories. E.R.A. Consulting Economists, in its report on the performance of the CCA for the secretary of state in 1979, concluded that, "Since its inception in 1974, it is reasonable and conservative to estimate that the CCA regulations and the related influx of investment into the feature-film industry have created approximately 550 man years of direct employment.... In conclusion, it appears that the economic benefits derived from the 100 per cent CCA program far outweigh the costs." The fact that this relegated Canadians to their familiar role of "drawers of water and hewers of wood" seemed not to worry the consultants and certainly not the majority of the public or politicians.

However, it should be pointed out that David Cronenberg did thrive and grow into a major talent during those years and Ivan Reitman, whose film *Meatballs* led the way, developed into one of Hollywood's most successful producer/directors. It is also undeniable that certain producers cheated on Canadian certification requirements while others inflated the costs of production to their own advantage. A handful of unscrupulous tax-shelter producer/entrepreneurs, with the assistance from short-sighted policymakers and indifferent politicians took a distinctive, yet fragile national cinema, and in less than a year-and-a-half turned it into a full-blown, branch-plant industry. A great deal of damage was done. ■



Christopher Plummer in Daryl Duke's *The Silent Partner*.

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***The Silent Partner* was that special**

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