

III. TWO DISTINCT INDUSTRIES FACING DIFFERENT GLOBAL REALITIES

A: The Canadian Industry

The Canadian feature film industry is characterized by a considerable amount of government involvement. There exists policy, legislative activities and a variety of financial programs to support the film and video industry. Both the Department of Canadian Heritage and Industry Canada make policy and address legislative issues. The Department of Canadian Heritage, Telefilm Canada (also called the Canadian Film Development Corporation), the National Film Board of Canada, the Canada Council, and the Canadian Television and Cable Production Fund constitute the financial programs that support the industry.²⁸ There also is support for the industry at the provincial level.²⁹

The Canadian film and video industry can be divided into three parts: production, distribution and exhibition. The Canadian film and video production industry is characterized by a large number of relatively small companies. These include: Cinar, Malofim Communications, Nelvana and Paragon.

i) *Canadian Support Measures*

The Canadian government has tried three main approaches to supporting private industry: tax incentives, direct investment, and international co-production treaties. Over the last decade, this emphasis has shifted from tax incentives to direct investment and support for international co-productions.

Traditionally, tax incentives constituted an important means of support for the Canadian film industry. The Capital Cost Allowance (CCA) was in effect from 1974 to 1987. The CCA allowed for a special capital cost allowance rate of 100 per cent, with a right to apply the allowance as a deduction against taxable income generated from other sources. The CCA was reduced to 30 per cent in 1988 and eliminated in 1995.³⁰ The problem with the CCA, according to the recent DCH report, is that the fund, although partially successful in attracting private financing to film production, did not address issues related to distribution or exhibition.

In 1995, the federal government introduced a new film and video tax credit: The Canadian Audio-Visual Certification Office (CAVCO) administers the Canadian Video Production Tax Credit. The Credit is available only to Canadian controlled productions. This credit amounts to 25 per cent of eligible labour expenditures for a Canadian film or video

²⁸ Statistics Canada, *Canada's Culture, Heritage and Identity: A Statistical Perspective 1997 Edition*, catalogue 87-211, 55.

²⁹ These provincial measures are beyond the scope of this paper.

³⁰ Colin Hoskins and Stuart McFayden, "Telefilm Canada Investment in Feature Films: Empirical Foundations for Public Policy," *Canadian Public Policy*, XXII:2; 1996, 152.