

PAY-TV SPECIAL REPORT

by Lucie Hall

Pay-TV in Canada: It promises so much and yet, like so many other Canadian adventures, is riddled with controversy and fraught with doubts.

However, a recent survey by Cinema Canada of a dozen key players on the scene, reveals the emergence of a new kind of entrepreneurial spirit among independent producers, pay services and, of all people, the established networks.

As Joan Schafer, director of programming at First Choice said, "It's interesting because I can see by the level of people that come into my office; it's

like they're waking up and their eyes are like saucers and they're saying, "Yeah, Yeah, if I can get a sale here and a sale there, I can actually do it. I can actually make my product!"

In an age of fragmented markets, more and more exhibitions are required to deliver more product with less money. What results is a new spirit of co-operation among every level of producer and exhibitor. Daily precedents are being made as people, once rivals, now join forces to make deals.

There are no rules anymore, it seems. No rules other than sell the product.

The pay services

JOAN SCHAFER,
vice-president, director/programming, First Choice.

Schafer started her 15-year career in TV by working with Hobel-Leiterman

in the series, "Here Come the Seventies." From there she worked with CITY-TV and produced over 9,000 shows until she left to finance feature films. All along Schafer lobbied heavily on behalf of the independent producers, and co-produced a film with CFTA call-



● Joan Schafer

ed A Case for the Independents. We asked about her experience with independent producers coming to First Choice.

"There are three levels of independent producers that I deal with. The first level is the very experienced producer. We have here in Canada some very good producers like Denis Héroux. He has \$35 million dollars worth of pre-sold programming to offer me for next year, that's *Louisiana, Blood of Others* and things like that. Then you move over to Harold Greenberg who has got a ton of it as well. Then you have the expatriates like Norman Jewison coming home and presenting me with projects. This first kind of producer I have no trouble with at all. They say they want a two-year window, they want it exclusively; they know what else they want and bang: We make a deal.

"Then there's the second line of producers who know quite a bit and are capable of handling the negotiations once I tell them how to negotiate. I tell them that a 'window' is a period of play and that they have to look after the ACTRA payments and that residuals are their responsibility and that if they don't produce the promised show on the agreed date, then I will never deal with them again. But I feel that they are capable of delivering. And often they use a line of agents, lawyers and interim financiers who represent them and the producer does the talking with the agent. And then when we meet we end up with everybody happy.

"And then there's the third level of producers... This is by far the largest group. They are people who just don't know how to do it. They are usually the first ones in the door. They are very inexperienced but very keen and eager and they have energy. And they're hungry, very hungry. And I gave a lot of development money to these people, about \$400,000 worth. And we've also helped them along by working with them and helping them with their drafts and budgets. And when it comes time to make the deal, I have to tell them to go and get themselves a lawyer and an

agent because they don't know what I'm talking about and I could take them to the cleaners. And then we've licenced them.

"My advice to independent producers who need to learn more skills is that they should attach themselves to an experienced producer who has been around for a while producing successfully, who, in fact, have core companies in terms of the Canadian scene. These experienced producers can give the kind of financial assistance, creative and deal-wise assistance that just wasn't available when I was working in the business trying to learn it. Or they just wouldn't talk to you. I mean literally, they just wouldn't even talk to you. But now a lot of these producers in these core companies want to become studios and they've got big dreams and they're willing to help other independents with less experience. And so what we've got developing here is a grooming system with mentors... and it's very positive. It's terrific."

JON SLAN,
chairman and executive vice-president, Super Channel

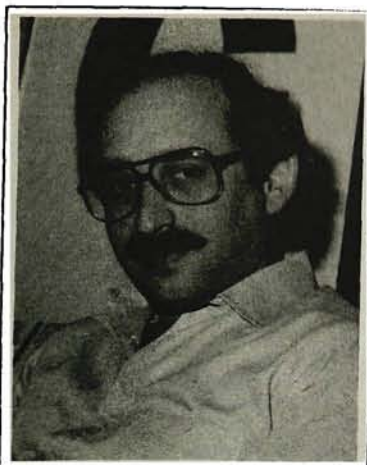
A former university lecturer with a PhD in Literature, Slan began producing feature films in 1977. His most recent projects were *Improper Channels* with Alan Arkin and *Threshold* with Donald Sutherland. With his wide and varied experience as a filmmaker and producer, he is overseeing programming and productions for the Super Channel network. He is also the second-largest shareholder of Ontario Super Channel.

"Super Channel has two centers: one in Toronto; one in Edmonton. But we're separate organizations. Sometimes independent producers will see me for a project and, if I don't like it, they'll go to Edmonton and see if they like it, which is possible. Often as well, producers come to see me from Edmonton with a project and we'll like it here. I mean we

Lucie Hall is an independent television producer working out of Toronto.

are truly separate organizations. We're both called Super Channel but the ownership is different. The Alberta organization is owned 100% by Dr. Allard. And he is also the largest shareholder of the Ontario Super Channel. He owns 46%. I'm the second largest shareholder, I own 26%, and there are four other shareholders as well.

"We have been accused by certain people of being a mini-national pay service because we have agreed with the other regionals (including Star Channel) to buy product, mainly foreign, with them. This does not mean in any way, shape or form that we are a national pay service. What it does mean is that we have combined our buying strength when we deal with a foreign studio, which is helpful because we'll be able to buy less expensively. And the less money we leave south of the border, the more we'll have to invest in Canadian productions. As well, we've had enough meetings about areas of production with Star Channel and my western associates to know that they are certain things that we'll buy in Toronto that won't play in Halifax and Alberta... tastes and viewing patterns are different around the country and so we'll be programming for each



● Shain Jaffe

val, general manager of Toronto free theatre and administrative director of Toronto's Theatre Passe Muraille. He has also served as controller of Saturday Night, Canada's oldest national literary magazine.

"C Channel is going to be a very vital instrument within four years and at that point we hope to have 400,000 to 450,000 subscribers, which isn't big in the world of pay television. C Channel can operate very successfully at a base viability. And that is, to a great extent, why we are so confident because we have adopted a very realistic and conservative approach as to what our subscriber base is going to be.

"There's a unique feel to C Channel programming and part of it is the mix. About 40% performing arts, 40% movies and 20% kids. In films, the essential criteria is that they must have received strong critical support, certain qualitative standards and awards, but not necessarily strong audience support. We also have a performing arts programming which is unique to C Channel. If someone has the idea for a Las Vegas Special, this is *not* the place to bring it. But that doesn't mean we're into high culture either. What we're looking for is a certain style, or artistic attitude. Like, would you call Bob Marley Special on C? You'll see a Bob Marley Special on C Channel that is quite amazing. And a lot of jazz. The important thing is that the personality or the substance of the performer has to be center screen. Very little tinsel... no rah rah rah. Not too many chorus girls and boys kicking in the background.

"As well, an international perspective is a big plus. We're more interested in a piece that has an after-life potential, which precludes the very parochial, very provincial type of television programming ideas.

"When C Channel funds, it doesn't fund a 100%. Given the original investment, C Channel can put in anywhere from 40-70% of the budget. The top side for the cost of a production is \$600,000. The majority of productions that come in here range in cost from \$100,000 to \$250,000 for the entire show, not necessarily only an hour long.

"Our schedule is not filled. There are still production dollars available. And as far as proposals go, if they relate to what C Channel is trying to do culturally, if they relate to a certain economic base we've discussed, if they have international marketability as a plus, then you contact Audrey Cole for the performing arts programs and Debbie Bernstein for the children's program."



● Jon Slan

specific area, not nationally.

"We've also been accused of having a very slow start-up. Well, I was producing features in Canada in the years of the tax shelter boom when all you had to do to produce a movie was to go to a stock broker. And I was also there during the bust, trying to mop up after the damage was done. And what that taught me was that the first start-up was much too fast and at too high a level and that we didn't have the talent and technical pool here to sustain it. So my approach with pay-TV is to try to recreate that industry again, but this time in a more gradual, methodical and hence long-lasting way. And the independent production community might see this as indecision and sometimes it may be indecision. But, after all, this is a new business we're setting up and if we don't do it right this time we may never get another opportunity again."

SHAIN JAFFE,

programme co-ordinator, C Channel.

Shain Jaffe is in charge of business affairs and the co-ordinating of the activities of the program executives. Jaffe, who has an extensive background in arts administration, was executive director of the Toronto Theatre Festi-

The networks

IVAN FECAN,

director of program development, CBC-TV.

"This new position was created for Fecan in August, 1982. His basic mandate is to revitalize the look of the network in an era of declining funds. Among Fecan's many responsibilities is the requirement that he be involved in all discussions with independent producers who wish to discuss pay-TV with the network.

"I don't see the role of the CBC changing with the advent of pay-TV. We're a general audience public broadcaster with commercials. That's not going to change with pay coming in. The way that we perceive pay is there are benefits I hope pay will bring to the independent sector. I hope, everybody hopes, that pay will channel fresh money into that sector and I think that will benefit the CBC as well as anybody else in the country in the business. And we hope that, with some of the pay-TV operators, we might work out arrangements where there are rotating windows; that is, over number of projects we would get first play on some, they on others if we both put in money. But that's a very tender area right now because we're not sure who they are or how to react to something that isn't there yet. And so we have on-going discussions with many of the people in the different networks and I think that, in up-coming weeks, we'll set some precedents over projects and deals. Right now everything changes from day to day.

"As well, everybody is in the same position as the CBC - not having enough money to put on the air the kinds of shows we dream about. Everywhere money is drying up. People don't spend as much money on advertising and at the same time the competitive factor increases as more services are being licensed. We're being asked to do more with less and so we've got to get around our traditional thinking of how to do things. Traditionally, we'd put down all the money and produce the shows ourselves. Today, we must work in a situation where everybody contributes some below-the-line costs and everybody contributes some cash and together we can produce something terrific.

"And so the word of the day is co-productions. The trick to this is really in trying to get enough money together to either totally fund it outside of an Amer-

ican side or that less money without an American sale. For the American side, we've got to be being small enough so that it can be in advance you may sell it to the pay-TV services and we'll buy it. If the pay-TV is little chunks of money, they will be the big player putting up a whole movie, you've structured the deal where they can keep the editorial control of your property. And let's face it: if one big player puts in \$750,000 or even a million dollars into your property, you can bet they'll want the head of the studio and at least a vice-president sitting in on your casting and script development. And they're going to want something for that. Some American executive might decide that the show would be better shot in Cleveland, for example, instead of Winnipeg. When you're in that situation where the movie is really close to being made and you really want it bad, it's awfully easy to make compromises at the time. So the key is not to get yourself into that situation by trying to raise the money through some combination deal outside of the U.S. and then, if you need American money, pick up non-exclusive pay so that you may have a sale from Showtime and maybe one or two other general interest pay systems, all of them non-exclusively, so that the aggregate American sale is significant but the breakdown such that it doesn't allow anyone to have control.

"This is not unlike the wars fought on Wall Street or Bay Street. You just want to make sure that if you're the producer that you have enough control, however you add it up: that you have the power to control the casting and everything else about the production."

JOHN COLEMAN,

vice-president of planning and development for CTV Network.

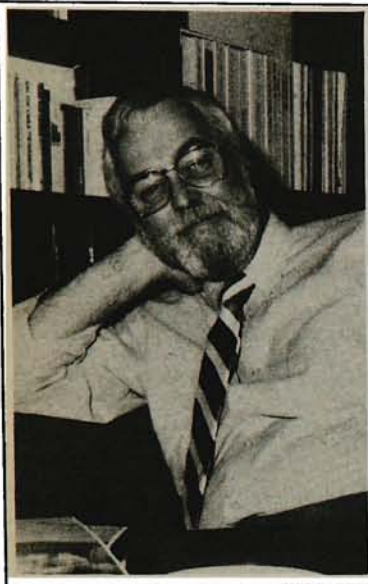
Coleman devises ways to ensure that CTV remain financially viable as new competitors yearly enter the Canadian market: competitors such as new stations in Edmonton, Vancouver, Calgary and Winnipeg, as well as the introduction of the Global Regional Service in Ontario and the proposed new satellite services for the North. Coleman is now pondering what could be the network's biggest challenge to date, the introduction in February of a multitude of pay services across Canada.

"At CTV, we're expected to contribute more and more to the political and social objectives of this country, yet we are being asked to do so in a more competitive environment. In short, we're getting less resources to do a bigger job. And we have no choice in the matter.

"My initial reaction to the CRTC decision to license two national pay services, as well as a host of regional services, is that they have licensed too many to be too competitive with each other and with too stringent regulatory conditions. I think the very large Canadian component of the pay services will not attract Canadian viewers. Further, I think that a discretionary service, like pay-TV, is an improper vehicle for government regulation because you interfere with the very thing it is supposed to be or presumed to be and you make it something

● Ivan Fecan





● John Coleman

DAVID MINTZ, president, Global Television Network.

Mintz is an American who made his broadcasting reputation by turning a small northern Washington television station into a ratings leader. Now he is expanding Global into a major production facility; working with independent Canadian and American producers on a wide-ranging number of projects for both the Canadian and U.S. pay services. Some of these programs are The David Steinberg and John Candy Hour for First Choice, Superchannel, and the Entertainment Channel in the U.S.; The Neil Sedaka Hour for First Choice and Superchannel; five one-hour dramatic shows for Showtime called 33 Brompton Place; a one-hour special with Tony Van Bridges playing author G.K. Chesterton for C Channel and Global; and Red Skelton and Marcel Marceau in Funny Faces for First Choice and HBO.

"Global is not an independent producer. It is a facility. Our obligation under our license is to work with independent producers and their material.

"We are involved with pay-TV in the sense that we are a catalyst working with independent producers in all kinds of different ways: Everything from acquiring product to working on financing and budgeting as well as being involved on the business side and the sales side.

"I think the stand that some of the other networks are taking with pay is absolutely silly. I do not consider any of the licensees in Canada, even those that are in competition with us for audience, as being enemies. We are all in this Canadian broadcasting scene together. The in-fighting that goes on I deplore.

"I think that with the new pay licensees coming on-stream, what we all should be doing, and what Global is doing, is to say, 'O.K., they're here. That's a fact, now how can we be stronger by working together?' instead of looking at them in an adversarial position. In fact, the CRTC has stated, both verbally and in writing, that licensees should be working with other licensees to build a better system in Canada. To build better programs. Therefore what we've done is to say that the facilities of Global and the financial commitment at Global is a finite amount. It can only go so high. So by working with the pay-TV people and together by jointly using our funds we can develop higher quality programs. Because the pay people can put in more dollars they will have the first window. But, in the end, by co-operating with the

● David Mintz



pay people, we will have better products for our own viewers, more quality product, a higher-budgeted Canadian product that can draw a bigger audience and compete realistically with the international shows. The reason for pay-TV in Canada is to help build and promote a world-class production industry here in Canada.

"We've looked at plant expansion for 1985. Right now you can't get another show into our studios until March because, along with pay-TV, we're doing a tremendous amount of work for ourselves,

including twenty-four half-hours with the Rovers, formerly the Irish Rovers from Vancouver. We're also doing a variety program with Monty Hall that we're shooting in February called *Something Funny*.

"Instead of seeing a threat with pay-TV, we're just seeing another opportunity for a market. An old boss for whom I used to work back on the west coast had a phrase which I'll always remember: When you're handed a lemon, squeeze it and you have lemon aid."

The independents

MAX ENGEL, president, Media Lab Television Inc., Toronto.

Media Lab is this country's largest domestic distributor of Canadian shows abroad. As well, Media Lab "packages" shows; that is, Max Engel secures financing for Canadian producers, not by using tax shelter money, but by negotiating pre-sale and co-production agreements with other countries.

"I don't think that there'll be all these pay-TV services two years from now. I don't think this country can support them all. There will be a shake-down. Only one will win and one other may barely survive, not more.

"The main thing about pay-TV is that all of them will show the same American movies because they aren't buying them on an exclusive basis. So the distinguishing characteristic of one pay channel over another will not be the movies but its Canadian content. And it's that Canadian content that in the end will determine who will keep the subscribers. If they make good Canadian content decisions, they will survive. If they are making bad Canadian content decisions after a while people will say, 'Wait a minute. I've got three pay services showing the same American movies.' So naturally, they will go with the one that has the most appealing Canadian content. But at this point in time, from what I can see, the distinctions in terms of Canadian content between all the pay-TV services are very blurry.

"In the U.S. the rule of thumb is that people keep a pay service for three months and then start disconnecting it if they don't like it. So here in Canada, we'll know very quickly, within six or seven months, that one pay service is doing okay, maybe two, and the rest are fighting like mad to keep subscribers.

"I guess the CRTC thought that by licensing more than one pay service in this country there would be a more competitive aspect to the whole thing. But I think that all that has been done is that the money spent on Canadian content will be diluted.

"It will be further diluted by a gigantic loophole that I've discovered. It's called scaffolding. Scaffolding is when you have a U.S. pre-sale of your program to either Showtime or HBO that has been arranged by a Canadian pay service. They don't charge you anything for doing that, but what they do is make you run the Showtime or HBO money through themselves and they license from you not the Canadian rights but the North American rights. Therefore, if HBO is paying you 80,000 for your program and a Canadian pay is giving you \$20,000



● Max Engel

they can now show on their books that they're paying you \$100,000 and therefore claim that they spent \$100,000 on Canadian content when in fact they have only spent \$20,000. It's very clever but certainly not within the spirit of the law. I have no idea if the CRTC knows that this is happening. They must, they absolutely must.

"Scaffolding is like pyramid selling. It's not the cleanest thing I've seen in my life. But I'm not so sure it's a terrible thing, in a sense. It may not be such a terrible thing if it enables people to make shows and helps them get money from HBO or Showtime. I still haven't yet made up my mind about whether it is bad or not."

DONALD GINSBERG, independent producer, based in Toronto.

Ginsberg came to Canada from England in the '50s to work with the NFB. Eventually he branched out to work on his own as a writer, editor, producer and director on a multitude of projects. Currently, he is working as the executive producer of "Comedy Tonight", a series sold to First Choice.

"I was sitting in New Hampshire in February of this year, freezing cold, with some friends of mine and I said that I've got to think of something to do that will be good for Canada, good for First Choice, good for me and entertaining at the same time. I've always been fond of comedy and I said 'I've got an idea. We'll get a whole lot of comedians, comedy directors and comedy writers and inter-



● Dave Thomas, left, with beer in hand; writer Michael Short, center; Don Ginsberg, with hat.

view them all in N.Y., London, Toronto and L.A. and we'll throw them all together with exceptional film and TV clips from the funniest shows of the past and I think it would make a wonderful series!"

"My friends all looked at me and said I was crazy and that nobody wants an anthology show.

"I said 'Fine' and got together with Michael Short, the Emmy award-winning writer of SCTV fame, and we worked together on the concept and whipped it into shape and submitted the idea to First Choice. They loved the idea.

"They told me they'd give me a license. I said 'Fine' and had no idea what they meant. Having had no experience with pay-TV before, I had no idea that license meant that I was giving them in effect permission to air my show. So they gave me a license to produce one pilot and then 12 more shows if the pilot was successful. Well, after a lot of deliberation, I thought that if I was to do one pilot and then 12 shows, it would cost me nearly 12 times as much as going the 13 shows together. And you're not going to get a star like Bob Hope doing a pilot. So Michael and I went back to First Choice and convinced them. They said 'Fine' and now everybody's happy.

"First Choice has a license on the project for two years. I own it. I had to arrange outside financing of the project with interim financing. First Choice has guaranteed me a minimum, and a maximum fee will be paid back by them depending on the number of subscribers. There's no risk really because once you've sold it to Canada, you still have the United States, Britain, Australia, New Zealand and the rest of the world. It's practically guaranteed."

RICK BUTLER, president, Tapestry Productions Ltd.

Butler has had a diversified career as an academic at Carleton University, as a writer of three books; "Quebec: The People Speak," "The Trudeau Decade" and "Vanishing Canada;" as a documentary producer for CBC, TV Ontario and the NFB; and as a producer of records such as *An Evening With Stephen Leacock* and *Gilmour's Album*. In May 1982 Tapestry Productions Ltd. concluded a co-production agreement with Standard Broadcasting Ltd. to develop Canadian stage plays for television.

"A year and a half ago, it became obvious to me that we would see a new television business emerge in Canada with the advent of pay-TV. So I started to do some thinking and planning and I knew I didn't want to make documentary films because they bore me. I realized that what I really wanted to do was tell stories, do drama. I then got in touch with Don Harron because Don and I had produced a record together called Charlie Farquason's Bible Stories for Children, done last year and nominated for a Juno Award. So I told Don of my interest in drama and he agreed that the time was right and he put me in touch with Gary McKeehan who was once his senior producer on Morningside but was then an officer with the CRTC in Ottawa concentrating on pay-TV. McKeehan and I found we were interested in the same things and so he became my partner in Tapestry Productions. We both thought that, in order to be successful in this new area of pay-TV, it would be important to have a co-production arrangement with a major facility. And we knew that Standard Broadcasting Corp. was one of the 28 applicants for a pay-TV license and though they didn't get one, they still wanted to remain a major force in broadcasting. So Gary and I went to Standard and proposed this deal to them and right away they thought it was a great idea.

"So the way the deal works is this: One. They supply us with development funds. So far we've used these funds to buy rights to four shows and acquire six-month options on four others. We've also spent four months developing script treatments with the writers. Two. They supply us with interim financing. These pay-TV networks in many cases aren't

● Rick Butler, seated; and Gary McKeehan



photo: L. Renaud

paying up-front and in some cases they want two years to pay. Personally, I think they could be better financed from day one, paying as they go. But anyway, we will be getting our interim financing from Standard Broadcasting Corp. Three. We will be using the facilities of Standard's \$8 million CJOH complex in Ottawa for some of our productions. We also intend to use film for certain location dramas. I think that producers in Canada will find that in February, March and April, there's going to be real pressures on facilities and there aren't going to be enough facilities in Canada to go around. We won't have that problem.

"So ultimately, the way the deal will work is that we draw up a budget for a production, which includes the cost of facilities and once the costs of the production have been recouped, we then share the profits with Standard Broadcasting 50-50. Tapestry Productions will be responsible for distribution of the dramas to networks in Canada and Standard Broadcasting will be responsible for distribution in foreign markets.

"Now in my estimation no one in the private television industry has entered Canadian drama on the scale and with the technical resources we now have. Our objective is to bring the finest Canadian writers, directors, actors and actresses into living-rooms across the land starting next fall and every year after that. We are now in discussion with the broadcast and pay-TV networks on four exciting shows: *Balconville* by Montreal playwright David Fennario; *Maggie and Pierre* written by Linda Griffiths and Paul Thompson; *Rodeo*, a new play by Saskatchewan writer and actor Layne Coleman and *The Sun Never Sets* by Stratford, Ontario writer and actor, Paddy Crean. Over the next four years we would like to spend approximately \$1 million per year on productions in Canada."

RICHARD GABOURIE, independent producer, Richard Gabourie Productions Inc., Toronto.

Gabourie has been a writer, actor and producer. In 1976, Three Card Monte, a feature film he wrote and produced and acted in, won him an Etrog as best actor. In 1979, he produced Title Shot. Presently, he is producing three films for pay-TV, in association with Norm and Gayle Sedawie, two expatriate Canadians now residing in California.

"One year ago, Norman and Gayle Sedawie came to Toronto. They had an idea for a pilot and HBO was keen about it. The idea was to do a series of shows based on different 'treasures' found around the world. Now the word 'treasure' is really whatever a person or culture holds special and important. It's a very subjective word. But not things found in museums. So we're shooting a low-budget show for \$200,000. We have no advance sales anywhere but I'm confident that we have an exceptional product for the dollars.

"Another pilot we're doing was called 'The World's Great Museum' but we've just renamed it, *Time Machines*. Again, this is a one-hour documentary about three of the world's greatest museums, namely, the Topkapi in Istanbul, the Ford Museum in Dearborn, and the Royal Ontario Museum in Toronto. We've shot over five hours already. Again the



● Richard Gabourie

budget is \$200,000 per show. No pre-sales anywhere but we're confident we'll sell it to both U.S. and Canadian pay-TV.

"The third project is called *Showbiz Ballyhoo* and is budgeted at \$275,000. We have verbal commitments in the U.S. and Canada to buy this show. This show is about what Hollywood actors did in the years following the Second World War. The U.S. pay people are willing to pay us \$150,000 for a one-year lease of this film. The Canadian people are willing to pay us \$135,000 for a one-year lease. That right away gives us \$285,000 in the U.S. and in Canada and we still haven't mentioned what we will be getting in world sales as well as leases for future years in North America. So you can see all the gravy that we are in line to get!

"Drama, on the other hand, is much more expensive to produce. At least a half-million dollars when doing it for pay-TV and you don't get your money back on drama, not with one sale to Canadian and U.S. pay-TV.

"The reason that I can raise the money for projects like *Treasure*, *Time Machines* and *Showbiz Ballyhoo* is that you get exceptional film products for your dollar and investors get their profits right away."

JACK McANDREW, Jack McAndrew Productions, Toronto.

McAndrew is an independent television producer who specializes in productions for the international market. Prior to forming his own company two years ago, he was head of CBC Variety from 1975-80. Under his supervision, the CBC scored unprecedented successes both nationally and internationally. Highlights include three international Emmy Award nominations, the winning of an Emmy and the Golden Rose of Montreux for two consecutive years for the best variety programs in the world. Prior to his term at the CBC, McAndrew was producer of the Charlottetown Festival and the theatre director of the Confederation Center of the Arts in Charlottetown, P.E.I.

"I think the pay-TV decision by the CRTC to license so many competing pay services was dumb because it leads directly to 'back-end' deals with Canadian content product coming in from the outside. By 'back-end' deal I mean

because the financial security is there. It's infinitely more difficult for a Canadian producer to begin from scratch to try to get the Canadian leg in place and then to go out and try and sell it on the world market-place.

"But I do have three Canadian projects with C Channel. One committed on paper and two more which are committed verbally with little wrinkles attached to them which I'm trying to solve at the moment. The committed project is a two-hour version of the "Passion According to St. John" by J.S. Bach which we shall shoot in the Notre-Dame Cathedral in Montreal with the Studio de Musique Ancienne, meaning it will be sung in the style of the 17th century, using 17th-century instruments. It will be shot in February as an Easter special. The catch is I have to raise an additional \$50,000 in order to cover the budget to do it. And I'm like most other independent producers: I don't have a lot of financial resources behind me. So I literally stagger from project to project."

PAT FERNS, president, Primedia Productions Limited.

Ferns is recognized internationally for the quality and success of his programs over the past ten years. He is also the immediate past president of the Canadian Film and Television Association. Ferns has recently completed the television version of Billy Bishop Goes To War, a co-production with the BBC, and has many other projects currently underway. Among them, the National Ballet of Canada's production, The Newcomers, scheduled to be shown in the new year on C Channel.

"I think that over the past years we've seen a number of independent TV companies go down because of a lack of a market here in Canada. And now, ironically, I think that you'll see a couple more companies go down because of the emergence of the pay-TV market. This is because people have got unreal expectations of what is and isn't possible, and they may over-extend themselves.

"Up to now, the market has simply not been here in Canada and I'm not sure that pay-TV will necessarily change that. For example, we, at Primedia, have been sitting on literally \$15 million worth of developed Canadian drama which had 50% of costs guaranteed in pre-sales to other countries and yet we couldn't move any of it in Canada because there wasn't a market to support the other 50%. I'm lucky if I can get 20% of my costs here, say, with the CBC. So if I want a

● Pat Ferns



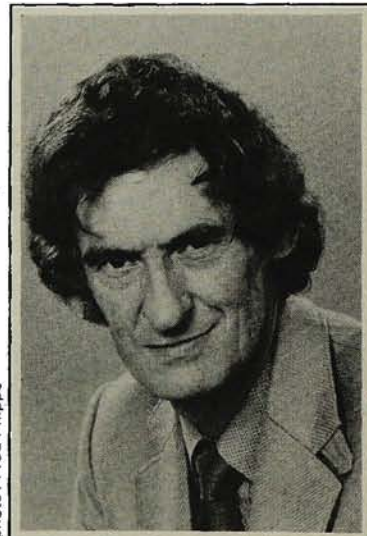
photo: Fred Phipps

show to happen I have to arrange at least a three-way co-production. Once you get into three-way things it all starts to get too complicated legally. This in turn makes it too costly and the kinds of artistic compromises that have to be made all start to emerge.

"So I think that the test for the future of pay-TV is how many more dollars we can get out of the First Choices of this world causing Canadian productions to happen. And what I know is that if we could get 50% of our costs on average, we would have a burgeoning production industry in this country. What the Germans, French and British have long since recognized is that, if there are co-productions, they have to come up with at least 50% of the budget if they are going to make the production happen. So if we, as Canadians, could put in 50%, whether it's by pay-TV or free TV, lots and lots of stuff would happen."

MICHAEL MACLEAR, president of Cineworld, an independent production company.

Maclear established his company in 1978, after an illustrious career as a foreign correspondent for both the CBC and CTV networks. Between 1960 and 1978 he reported from both North and South Vietnam. Presently he is producing a 10-part documentary on General Douglas MacArthur for the First Choice pay-TV network and Channel 4 in England. Based on William Manchester's book, "American Caesar," the programs will feature interviews, archival footage and relevant stills, all structured around the on-camera presence of John Huston as the "voice of MacArthur." John McGreevy, responsible for the "Cities" series, is directing the project which will be completed in June.



● Michael Maclear

"As an independent producer, I've had to sell to foreign markets as well as Canadian markets in order to survive. And as an independent production company we decided to stick to making what Canadians are noted for, documentaries. I have found that producing a good documentary based on international appeal has as good a return, sometimes better, than many other forms of pure entertainment. We've got a company on a really sound basis by doing documentaries. I think that too many independent producers have

made the assumption that they had to stampede to other forms of pure entertainment and that is not, in my opinion, the easiest area to compete in internationally where the British and the Americans, for instance, are very sophisticated.

"I think that there is also a problem here in Canada, inasmuch as there are many good independent producers with good ideas for shows but who don't have the expertise to carry those ideas off on a budget and on time for a customer, be it pay-TV or network TV. I think there's merit to the argument that independent producers should feel comfortable associating with established companies in order to help each other build a healthy independent production industry. I'd certainly be interested in assisting producers get their projects off the ground."



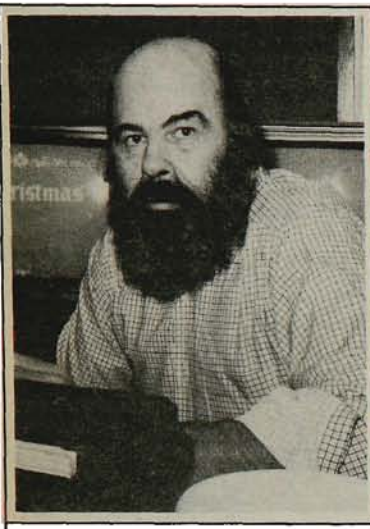
● Jan Platt, standing, left; Mike Macmillan, standing, right; and Seaton McLean, seated

JAN PLATT, MIKE MacMILLAN and SEATON McLEAN

are three young partners in a successful independent production company, Atlantis Films Ltd. in Toronto. Featured in last month's Cinema Canada magazine, they are most noted for having produced Margaret Laurence's The Olden Days Coat which will be shown on Christmas Eve on CBC-TV. Presently they are working on six half-hour dramas aimed for family viewing as well as a seven part half-hour series of kid's variety shows for C Channel.

"We don't think that Canadian pay-TV is the pot of gold that some people think it is. First, as Canadians, we are already the most heavily cabled country on earth and a lot of people don't think the penetration of pay-TV will be all that high. And second, for the first year or two, the pay services are going to be stabilizing themselves and producers are going to have to wait until late '83 or even '84 before significant programming will be contracted. Until then, they'll be buying a lot of American stuff and Canadian product off the shelves.

"Nonetheless, we are producing a seven-part half-hour series of kids' enter-



● Jack McAndrew

that American producers come to Canada with 80% of their financing in place from commitments they have with Showtime, say, and then make a deal with First Choice based on the fact that the programs will qualify as Canadian content. And you have to make a distinction between Canada content and Canadian programs; they tend to be two different things. In other words, a program that has very little relevance to Canada *per se* can qualify as Canadian content. And now Canada has become the happy hunting ground for American producers who come here to make deals in this way.

"For example, I worked on such a series, a show called "Romance", six two-hour soaps, and each two-hour was broken into five 'storials' as they're called. A 'storial' is like a serial really, with each plot being played out in five pieces. In "Romance" I got taken on as the supervising producer and I ended up doing a lot of the writing because the writing was so bad. A company called PKO out of New York produced the show using Glen Warren facilities. I was the Canadian production company. I also worked on another one called "Something's Afoot." Again, an American production company came into Canada with Jean Stapleton and Andy Gibb and then hired an additional eight or nine Canadian performers. This was shot at the Elgin Theatre and qualified as Canadian content. Again, a Showtime project and sold to First Choice. Again back-end financing. And they save 20 cents on the dollar. As well, because the shows are shot here the value of their product is inflated by a factor of four or five because if they sold it here directly, the series might be worth only \$50,000 a show but, qualifying as Canadian content, it's worth \$250,000 a show.

"Now we can't do the same in the U.S. because the U.S. market is different. It tends to have a distinct bias towards American product. As well, Americans tend to think that they know how to do it better than anybody else and, therefore, if you are a Canadian trying to sell into the United States, your credibility is of the absolute extreme importance or they won't look at you. One of the reasons that I did these jobs was to build up some credibility in terms of Showtime. If you work with Showtime you have the chance to prove that you know what you're doing.

"What has been happening in Canada is largely a matter of circumstance and convenience. It's relatively easy for First Choice to make those kinds of deals

tainment shows for C Channel called 'Troupers'. We're doing it in conjunction with Usher Sharpe Productions. Bill Usher, who has a background as a record producer for kids, was the original producer for Sharon, Lois and Bram. It will be a variety show with singers, musicians, clowns, and mime artists. We found C Channel very eager, helpful and forthright with us. They don't have much money, which is a problem, and they'll tell you that right up-front. But working with them has been a pleasure.

"From our vantage point, given the fact that there's a retrenchment in the film and television industry, we've found a new spirit of co-operation between broadcasters, pay people and independent producers. Out of necessity, I guess. People are suddenly willing to participate in projects with others and if you put enough pieces together, you can make the pie, make the project. Outside Canada, pay-TV is very successful. There are failures like CBS Cable, but by and large they are doing well. And it's the only thing that Canadian producers have relatively easy access to. They want programming and yes, they'll buy Canadian or anybody else's for that matter, if it's good and if it's what they want. While U.S. networks are virtually closed shops, on U.S. cable you can actually sell your stuff."

CHRISTOPHER DEW and TOM CHERONES, Lorimar Productions, Toronto.

Lorimar Productions of "Dallas" and "Knot's Landing" fame is currently producing, in association with Global Television Network, a series of half-hour dramas under the working title "Loving Friends and Perfect Couples." Hired to produce the series in Canada are Christopher Dew, who produced "The Littlest Hobo" at CTV for four years, and Tom Cheronos, an American freelance producer up from L.A. for the duration of the project. Showtime in the U.S. has bought the series together with a group called the STV's, which are independent over-the-air pay subscribers. In Canada, negotiations are still under way between First Choice and Super Channel as to who will carry the program.

"We are currently contracted for 36 episodes of 'Loving Friends and Perfect

Couples' but if the show is successful, we'll do 80 between now and April. David Jacobs, the executive producer of 'Dallas,' created the concept for this series by sitting down with the people from Showtime who have had the experience of producing, not successfully, cable "adult" entertainment. So Showtime is after a new direction and created this series with David because he's been so successful in prime-time TV. This series came out of a series of conversations about Showtime's previous failures and successes.

"As producers we have the opportunity to do two things that we don't think have been well done yet. One is to produce quality drama with a multiple camera television studio situation, trying to give the show a film look. The other thing is to produce it on a schedule which is a back-breaker, that is, four half-hour shows a week. We've got 17 sets built for the first 15 shows and they are as big as houses. Some of our sets are standing sets, they remain; but there are a number of satellite sets that must be changed at night in order to bring in new ones. The logistics of changing the sets is one of the biggest problems we have. So we intend to work 24 hours around the clock getting the sets and lights ready. We've got good scripts. All the writers come from L.A. David Jacobs hired them a long time before he even knew that he would be shooting in Canada. They come from a pool of writers who have been working in dramatic television for years. It was our intention to have 100% Canadian cast, however. So we offered all the roles to Canadian actors. We were refused by some and so have three American actors.

"The budget for the 36 shows is in excess of three million dollars. If the series is prolonged, it will be over seven million. It's a lot of entertainment for the money... 36 shows for three million dollars Canadian compared to the average half-hour situation comedy in the U.S. which is \$275,000 American. So we're doing three or four shows here for the price of one in the U.S. We're saving a lot of money. As well, we're certified as Canadian content by the department of Communications in Ottawa which guarantees us sales in both countries.

"This drama that we are shooting for pay-TV will be different from what you see on free TV because we have to pay less attention to the kinds of words used. We can be a little freer with the language as well as with the amount of clothing someone might wear around

their home... or not wear. Our lingerie budget is very good and all our performers are going to feel good when they're on the set. We would say that the adult themes dealt with on our show are honest. The last thing we want to be on our show is cutie or naughty or risky or coy. Those are not the values we are interested in at all. Our characters are going to be able to talk much more honestly and frankly and naturally on this pay-TV show than if we were doing this for free TV with censor boards looking over our shoulders saying we mustn't entertain these thoughts because it would not be seemly for our audience.

"On January 21, we'll know if the series will be extended. The STV's will start showing it in December. Showtime starts in early January. In Canada, it starts in February. The show will be played only three or four times before the executives decide whether to extend the series or not. I hope they say we've got a winner here."

JOHN BRUNTON, president, and **IAIN PATERSON,** producer, Insight Productions.

These two up-and-coming producers have a half-dozen projects with the pay television operators, including a musical special called "Indigo", a comedy feature film, a 26-part rock and roll series, a 26-part comedy series, two special-effects specials, and an adventure movie. Over the past five years they have sold scores of shows around the world and especially to the American pay services, HBO and Showtime, as well as to the major American networks. They've just completed work on a three-hour rock'n roll show, "Heart of Gold," that was broadcast on the CBC on Dec. 12, 13 and 14. It is no exaggeration to say that their output in the past five years has been prolific. Brunton, 29, and Paterson, 32, are undoubtedly part of a new, thriving generation of Canadian super-producers.

"As soon as the decisions came down from the CRTC as to who got the pay-TV licenses, we made a point of learning as much about it as we could. Then we proposed a number of projects based on our anticipations of what direction they would be going in. It took the pay services a while to get their houses in order and it now appears to us, through our negotiations, that they are ready to start making some solid commitments. Based on our experiences, this is how we think all Canadian producers should deal with pay:

"One of the things we feel is that we look at Canada in the North American context and there's an enormous market in the U.S., which if you're creating your projects mainly for Canadian pay, you won't be able to take advantage of, and that's not really logical - in the context of this total market - to derive a 100% of your funding in Canada. It just isn't possible. So what we've done is try and look at the sales potential of a picture off the top and to look at pre-sales with HBO, and Showtime and the Entertainment Channel in the U.S., while satisfying the needs of the pay operators up here.

"For the independent producer, selling a show to HBO will guarantee you money on delivery, whereas selling a show to the Canadian pay operators is a matter

of really taking a risk because you're depending on the number of subscribers they can attract to their service in order to look at your long-term recovery of costs. There's no guarantee of an upside or a downside, although now they are beginning to look at minimal guarantees. We've had guarantees from two pay operators here in Canada and I guess we're hoping that it won't be too long, once they begin to get into operation, before they'll be able to put some money up-front. But I can understand their problems right now.

"We've run into producers who have not been able to make deals with the U.S. and have not been able to put together strong packages, and they feel that, whatever their financing, they should be able to be funded 100% off the top out of Canada. But what Canadian producers have to start realizing is that they are not competing against Insight Productions down here on King Street or Atlantis Films on Church Street, but you're competing against the fucking world and people don't realize that. They still have a small-town mentality about the world of entertainment. And it is the world of entertainment when it comes to variety entertainment and feature films.

"And when I say, strong financial package, I mean that there are Canadian producers, who because of their relative inexperience in the U.S. marketplace, have not been able to get into HBO or Showtime or the entertainment Channel or PBS or the networks and say, "This is who I am. This is what I am currently in production on. Are you interested?" We found that the key thing to selling to the U.S. markets is getting into that psyche, for starters. To be able to feel the same way when you fly on an airplane to Ottawa or Montreal as you do when you fly to New York and not be frightened, not be scared that they know more than you do. The whole thing is that everybody believes, or a lot of people believe that the Americans will beat your ass at what you do. And as soon as you get down there and into the network situation or HBO you realize very quickly that they're playing in the same game that you are. If some of these Canadian producers would just take the step to go into the American market-place, they would find that they would gain a lot of confidence immediately, that they are really not that far behind.

"I think that there's one thing that Canadian producers can do if they want to create some American experience for themselves and I think that it's very positive. It might seem initially that you might lose a lot of control by doing it, and my experience has been reasonably positive, that is to get a project which you think is a good international project and to go down to L.A. and to talk to a dozen strong U.S. production companies and say, "Look, this is a project that I have, this is what I can bring to it, now you bring all of our strength to it and you take it to the networks. Let's do it together and you take it to HBO." I think that we can look at positive co-production arrangements with American hitters to create vital experience for Canadian producers.

"What I think pay-TV has done is add new players to the game so that now, instead of having to go to the CBC, CTV and Global to get your money, you now go to pay-TV first, then you go to the free broadcast, then you go to syndication. So it really does represent a great deal more revenue for the producer.

"I'd also like to say that the people at



• Christopher Dew, left, and Tom Cheronos



● Iain Paterson, standing, and John Brunton

and everybody loses and I advise anybody not to do that. We have been totally up-front with the pay people. That means we've told First Choice exactly what Super Channel is saying to us. And we've told Super Channel exactly what First Choice is doing. And we've talked the numbers over freely and everything's above board. We don't try to do any side-runs around anybody. We'll expose openly to all the players because each project needs co-operation between these people. Even the networks are going to have to start co-operating with pay-TV. And not enough producers realize that everything is negotiable, including how you put all the parts together. You've just got to go in there and keep trying to get what you think your project is worth.

"One last bit of advice. A lot of Canadian producers don't have a lot of experience from a business stand-point. And if that's the case, then they need an agent. Until you come to grips with how to make a deal on a financial basis you won't win... and as a lawyer who once acted for me a long time ago when I was very stupid and very young and very dull said that 'the only creative people that get anywhere are people who understand the money. And if you don't understand the money, you're going to get hit every time. Somebody is going to take you to the cleaners - no matter how great you are.'"

Conclusion

The biggest untold story about the television revolution taking place in this country is perhaps not pay-TV at all but rather what is coming in its wake - namely, special event, pay-per-view TV.

Pay-per-view TV began with championship fights and in the future will include the whole spectrum of sports, blockbuster movies, star-studded specials and international happenings. The latest in cable technology, the Zenith Z-Tac converter, makes pay-per-view TV possible. The Z-Tac is electronically addressable from a central computer which means that cable billings become automatic. If the customer doesn't pay, the signals to his set will revert to a scrambled image or will be turned off.

Some industry experts are calling pay-per-view TV the bonanza of the future. This serves to illustrate very clearly the dilemma of our times. No sooner do we learn how to deal with one hell of an upheaval to the system, than another, even greater one, beckons, commanding our attention.

pay-TV here have been most aware of the producers' problems with different kinds of financing and they have been very sympathetic and helpful in working our problems out with theirs. And I think that's tremendous. There's nothing that says that you have to accept their first offer. We have to dialogue and get

to a meeting-ground where we can all work together in a co-operative way. And pay is more than eager to help you work out problems. A lot of people don't see it as that. They think of it as combat. We've heard of stories where some producers are trying to work them off against each other. That can be a disaster

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