

### Business surge felt across country

MONTREAL Careful optimism in the production and post-production communities seems to be the dominant attitude to the recent resurgence of film and television industry activity in Canada.

If some people are comparing the last year to the so-called "boom" years of 1978-79, others are a bit more skeptical about the present situation. Many do agree that there are positive signs, even if there are still problems in the Canadian production infra-structure.

"This year has not been bad at all," Liliane Lemaitre-Auger, secretary of Quebec technicians' union, the Syndicat des techniciennes et techniciens du Cinéma du Québec (STTCQ), told Cinema Canada. "Since 1984 there has been a very steady increase in the number of productions being done in Quebec. In fact we have at least one production planned for each week until the end of Fall. The increase has also been felt in all levels of production; feature films, television productions, advertisements and video. In fact, video productions have contributed greatly to the

growth of the industry. 1984-85 saw an increase of close to double the productions of 1983.

"The increase is also due to the effort of both levels of government to help the Canadian film industry, to co-productions, to the economy and to the improved excellence of the province's technicians," Lemaitre-Auger concluded.

The increase in production has also been felt by film laboratories and post-production services across the province.

According to Armand Cournoyer, assistant general manager of Bellevue Pathé (Québec) Inc., there has been an increase in business in certain areas of the company's undertakings, laboratory services in particular. But other areas have seen a slight decrease.

"This has been a strange year," Cournoyer told Cinema Canada. "In the early months we were not really that busy, but we have been doing a lot of work since July. Overall, though, 1985 will be as good as 1984, and that's not bad. The bulk of our revenue this year, however, will come from release-printing."

"The resurgence in overall production in Quebec is a lot more interesting this time than the boom of the tax-shelter years. There were perhaps more productions in 1979 but the films being made now have bigger budgets and are of better quality.

"With the emergence of video," continued Cournoyer, "we have had to take a serious look at our operations here at Bellevue. A lot of projects are having their post-production done on video. This is especially true for made-for-TV films. It is a lot cheaper and faster. As much as 20 to 40 per cent of post-production is now being done on video. We will, consequently, be installing post-production video facilities."

Cournoyer, along with many others, attribute a great deal of the recent rise in overall Quebec production to the financial involvement of Telefilm Canada and the Société Générale du Cinéma.

"Many projects are in preparation for the Fall and the present tempo should be sustained for at least a little while," Dov Zimmer,

cont. on p. 45

### TF revamps procedures for Broadcast Fund use

TORONTO Telefilm Canada has put in place new procedures to avoid repetition of this summer's funding crisis. By the end of June - its first quarter - Telefilm had committed its \$35 million 1985-86 allocation of funds for English-language production. The prospect of a nine-month freeze on Telefilm funding had private-sector producers alarmed. Subsequently, Treasury Board released an additional \$15 million to Telefilm from Broadcast Fund monies not used in previous years.

André Picard, director of the Broadcast Fund, told Cinema Canada that Telefilm "is trying to take a more rigorous approach to funding. We are trying to look at each individual project in terms of individual source of financing and we are trying to come to a compromise on our financial commitment. We are looking at each project to see what our participation should be. We won't be putting +9% automatically in any project."

The funding crisis has partly been attributed to new policies which allowed Telefilm to fund up to +9% of a project's budget. With many more expensive series tapping the fund at +9%, the Fund's expenditures rapidly mounted. One industry source estimated that, as of April 4, Telefilm had committed \$16 million to series renewals alone.

In addition to a harder look at individual projects, which in some cases has resulted in a decrease in the original amount Telefilm had suggested it may commit to a particular project, the Fund has implemented sunset clauses in its letters of commitment. Producers were requested to finalize financing arrangements for their projects by Aug. 1 or lose Telefilm commitment.

Picard said that, as a result of projects not finding financing, approximately \$6 million has been released. As Telefilm only provides a portion of the financing (which may be from 10% to +9%), producers have to look elsewhere for the remainder of their budget. Broadcasters may provide up to one-third through license fees. Often it is the last 10-20% of a project's financing that's the most difficult to come by.

Henceforth, Telefilm will allow producers six to eight weeks to find the rest of their financing before withdrawing its commitment. Until now, producers had essentially no time limit, with some projects taking up to a year to put into place.

Producers who have failed to

finance their projects can reapply to Telefilm. However, Picard made it clear that Telefilm commitment would not be automatic. "It is a new application," he said.

When asked how long the present funds will last, Picard said they are "trying not to run out. We are trying to maintain some amounts of available funds till the end of the fiscal year. We want to avoid the situation we went through in June."

Discussions are currently underway with producers on how to deal with the problem of series, particularly series renewals. Picard noted that "we are looking to replace ourselves with other sources of investment." He raised the possibility of a certain sacrifice of revenues and Telefilm acting as deficit financier. However, no resolution has been reached.

Reaction among producers to the new initiatives has been positive. Sam Jephcott, executive director of the Canadian Film and Television Association, and Peter Mortimer, his counterpart at the Association of Canadian Film and Television Producers, have applauded the moves as sensible. Mortimer told Cinema Canada that the changes have been "done in a reasonably civilized way."

### Société Générale awards distributors

MONTREAL - The Société Générale du Cinéma is awarding a total of \$50,000 to three Quebec-based distribution companies for excellence in marketing some of the province's recent film productions.

For the first award, three distributors - Les Films René Malo Inc., Cinéma Plus Inc. and J.A. Lapointe Films Inc. - will share a \$25,000 prize based on total box-office receipts accumulated during the run of their product in commercial theatres in Quebec between Aug. 1, 1984 - Mar. 31, 1985.

During the Montreal World Film Festival, SGC president Nicole Boisvert will present \$10,250 to René Malo of Les Films René Malo Inc. for the distribution and marketing of Micheline Lanctôt's *Sonatine*, La Dame en couleur by Claude Juras and Denys Arcand's *Le Crime d'Ovide Plouffe*, \$13,450 to Cinéma Plus Inc. for *La Guerre des tuques* by André Melançon.

cont. on p. 44

### Cineplex Odeon buys chain, moves into US

TORONTO - Garth Drabinsky, president and CEO of Cineplex Odeon, announced in a press conference Aug. 15 that Cineplex has acquired the Plitt theatre circuit in the U.S. The Plitt circuit operates 574 screens in 209 theatres. The purchase will make Cineplex the largest chain in North America in terms of locations and second-largest, after General Cinema Corp., in terms of screens. Current expansion plans for Plitt and Cineplex will make Cineplex by far the largest theatrical chain in North America within 12 months.

Cineplex brought in a joint-venture partner into the deal - a New York based investor group comprised of Odyssey Partners and Furman Selz Mager Dietz & Birney Inc.

The purchase price consists of \$12.5 million US in cash and \$17.5 million US six-year 10% promissory notes. In addition, the selling shareholders will receive the proceeds to be realized from the sale of certain non-contributory properties owned by Plitt and previously designated for disposal. These properties have an estimated fair-market value of \$35 million US. Plitt has complete responsibilities for the disposal of those properties although Cineplex will continue to manage the theatres until they

are sold. Cineplex also has right of first refusal on the sale of those properties. Cineplex also has right of first refusal on the sale of those properties.

Cineplex will purchase its 50% interest for \$2.5 million US in cash and a guarantee of \$5.75 million US of the six-year notes. The investor group will provide cash in the form of senior equity and the balance of the guarantee of the notes.

Cineplex's cash contribution will come out of current operating lines at the bank. Drabinsky said "The company is in strong financial shape - there is no difficulty in financing."

Although Cineplex and the American investor group will own Plitt equally, Cineplex put up only 27.5% of the purchase price. Drabinsky explained that this was because "we brought the deal to the table. We have operating professionalism and know-how which was proven by the Odeon takeover. That showed what an on-hands, tightly controlled, centralized management could do. Cineplex has the highest return on equity in the movie exhibition industry in North America."

Cineplex decided to go in with a partner because, said Drabinsky, "We intend to go to the public marketplace in the near

future. We thought it prudent to bring in an American partner and significantly reduce exposure in the deal. We have taken a tremendous growth opportunity with a minimum downside. We really sheltered our downside."

Drabinsky said that at present Plitt is too highly levered with an imbalanced debt/equity issue in Plitt in the near future. The equity issue will be for roughly 25% of Plitt.

Plitt will remain a separate corporate entity although all accounting functions will be moved immediately to Toronto. Drabinsky said, "It is fatal to have decentralized accounting in this industry. We will let them concentrate on running the best theatres they can on a tightly controlled budget. Once we have a hand on the purse strings the rest falls in place."

Plitt's operational offices will be located in Chicago, Atlanta and either Dallas or Houston. The main buying-office will be in Los Angeles. All offices will report to Toronto which remains headquarters for the enlarged corporation.

Cineplex plans an immediate extensive tour of the Plitt theatres to examine operation in detail. Drabinsky noted, "We

cont. on p. 44