

Distributors crucial for Feature Fund Tax changes endanger shoots

MONTREAL — A month had not passed since her appointment as federal Minister of Communications and already Flora MacDonald was wooing the Canadian film industry with the July 17 unveiling of the annual \$33 million feature-film fund.

The former Employment & Immigration minister and long-time political stalwart of the Progressive Conservative party, officially set-forth the Feature Film Fund guidelines at a gala gathering of Canadian film industry representatives in Montreal and Toronto. Following a lunch-time address in Toronto, MacDonald flew to Montreal for a repeat, French-language performance at the Ritz Carlton Hotel where she also introduced the Prix France-Canada to be awarded every two years as a \$10,000 or 50,000 Fr. prize for a "particular contribution" to Canada-France co-productions in film and television.

Sharing the spotlight with the new Communications Minister in the Ritz's Oval Salon was Canadian artist Charles Daudelin, who presented a maquette version of the Prix Canada-France sculpture, and Jean Sirois, newly appointed chairman of Telefilm Canada (see story), the administering body of the Feature Film Fund.

In her brief address, MacDonald emphasised that the fund — established after a recommendation of the Report of the Film Industry Task Force (December, 1985) — will im-

prove investment, production and distribution prospects for French- and English-language Canadian films destined for commercial theatrical release in Canada and overseas.

MacDonald said the fund represents part of a continuing effort by the Canadian government to counter the foreign domination of Canadian movie screens where only three per cent of films shown in Canada in theatrical venues are Canadian.

The five-year Feature Film Fund will provide \$30 million annually and \$3 million for dubbing and subtitling will be available through a Versioning Assistance Fund.

Feature projects that meet eligibility criteria, including a Canadian distributor's guarantee of release in Canada within one year of completion and a national distributor's plan for both language markets, could receive up to \$2 million in equity investment, loans or advances per project for production costs. Telefilm funding will not exceed 49 per cent of total production costs.

Staying true to its mandate to encourage private-sector investment in Canadian productions, Telefilm will, in administering the feature-film fund, give special attention to first works, projects with particular relevance to Canadians and projects with participation from other federal and provincial government agencies, notably the National Film Board.

MacDonald announced that the NFB can now join in co-

productions with the private sector and Telefilm. She explained that this arrangement, previously disallowed, will enable the NFB "to contribute to the creative and production facilities of the industry from its own excellent resources."

One greatly welcomed aspect of the fund, according to Kathy Avrich, executive director of the Association of Canadian Film and Television Producers (ACFTP), long-term loan plan in which eligible distributors can defray marketing expenses with loans of up to a maximum of \$500,000 as a revolving line of credit.

Avrich, whose association together with distributors drew up guidelines for the feature fund in an effort to allay frustrations while having to wait for the July announcement, explained that earlier this year, producers seeking Telefilm investments were told to wait for the feature film-fund guidelines. The ACFTP decided to get a consensus with the distributors on appropriate guidelines and the extent of Telefilm involvement in administering the fund.

"There are many definite differences and similarities. We did not have the corporate loan in our guidelines and we were looking for stricter Canadian content regulations," Avrich commented.

The overall view, she said, is that the guidelines are fair if

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TORONTO — Strictly enforced federal tax regulations could drive many American film production companies planning work in Canada south of the border, industry experts say.

But Revenue Canada says it will collect a 15 per cent withholding tax on out-of-pocket expenses as well as taxing salaries of non-resident performers working in Canada.

As the groups involved work to gain a better understanding of the issues, a committee of entertainment and tax specialists has been formed to keep abreast of efforts to collect the withholding tax on out-of-pocket expenses or per diems given non-resident performers and other film industry workers.

Committee member Mark Prior, president of Bulloch Disc Inc. of Toronto, a company that provides payroll services to the film industry, said the group was formed to clarify the impact of the regulations on the film industry.

"It is very tricky and very complex," Prior said of the regulations. He said the committee, which consists of tax lawyers, the province's film development corporation and others, wants to develop a response to the regulations and present them to Revenue Canada. Prior said the committee hopes to find areas in the regulations that are open to interpretation and outline concerns to Revenue Canada.

Although it is difficult to judge the total impact at present, Prior said some American film producers are now examining more closely the prospects of filming in Canada.

"They are saying they are re-considering shooting their projects up here," Prior said.

The regulations, outlined in the U.S.-Canada tax treaty, will probably not effect short-term or current American films already booked to be shot in Canada, Prior said. But the long term could be more of a problem, he explained.

"There are hundreds of millions of dollars spent on foreign production in Canada."

Prior said many American companies consider Canada an excellent location for film production for several reasons, but now face being required to collect a withholding tax on per diem expenses, such as hotel bills, food and air fare. It means not only a loss of money, but it also acts as an irritant, he said.

Prior said many American producers look at the 15 per cent withholding tax as a "slap in the face." He said they wonder if this is what is being done today, then what plans are being made for the future.

Brian Villeneuve, executive-director of marketing for the Ontario Film Development Corporation, said American film producers view the tax regulations as not only having a financial impact, but also as an infringement. It is not a welcome sign, he said.

The OFDC, responsible for attracting foreign films to Ontario, is very concerned, he said. Attracting film shoots is highly competitive and Canada stands the chance of losing productions in the future to U.S. states hungry for film dollars, Villeneuve explained.

Villeneuve said the new tax regulations wouldn't mean all American-based productions would be lost, but he added it could be a large number.

In 1985 about \$46 million was spent by U.S. film produc-

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Le Permanent and Cinévidéo for \$5 million

MONTREAL — Cinévidéo, the Montreal-based producers of the popular feature *Le Matou*, and *Le Permanent*, one of the largest real-estate brokers in Quebec, have joined forces to create a multi-million dollar film and television production package.

Paul Legault, vice-president and general manager for *Le Permanent* in Quebec said "several million dollars" will be spent over the next five years on three Cinévidéo projects.

Unable to give specific dollar figures, Legault said a large portion of *Le Permanent's* \$4 million annual advertising budget will go towards sponsoring film and television productions planned by Cinévidéo.

The first project is the television broadcast of *Le Matou* on Radio-Québec this November, followed by the mini-series of the same story on Radio-Canada in early 1987.

Legault said that with close to 1,000 agents, 16 kiosks and 37 branches across Quebec, the real-estate broker can effectively promote a film or mini-series. It is the increased exposure that *Le Matou*, seen by more than 1.5 million people in Quebec cinemas, will bring to *Le Permanent* that makes the arrangement feasible, Legault said.

"Some companies sponsor sports events, we're supporting Quebec cinema," said Legault.

As well as being prime-sponsor for the television broad-

cast, *Le Permanent* is also supporting the production of two theatrical films produced by Cinévidéo — the movie version of Anne Hébert's novel, *Les Fous de Bassan*, in production through July to mid-August, and *Flagrant Délit* in December. Both films are Canada/France co-productions with Les Films Ariane.

Producing all three projects is Justine Héroux who, under the Cinévidéo umbrella, has several strong credits to her name including *Le Matou*, *Les Plouffe* and *Le Crime d'Ovide Plouffe*.

In an interview with Cinema Canada, Héroux said the assistance from the private sector is always welcome involvement always welcome. Involvement by *Le Permanent* represents a film industry, Héroux said.

Cité funding on back burner

MONTREAL — Although reasons for the delay are still uncertain, a spokesperson for the Quebec Ministry of Cultural Affairs told *Cinema Canada* the government contract to build a \$20 million Cité du Canada film studio complex will not be awarded on the date previously disclosed by the same ministry.

The spokesperson said the Quebec government is currently evaluating the feasibility of the project and that reasons for delay could be related to budgetary restraints placed on government-subsidized construction in Quebec.

According to the Canada-Quebec Subsidiary Agreement on Cultural Infrastructure, it is the Quebec government which is responsible for implementing the jointly financed project.

In early May, *Cinema Canada* was told by an assistant to the deputy minister in the Quebec Ministry of Cultural Affairs that a call for public tenders would be advertised in June and that the contract would be awarded on Aug. 16.

The ministry denied in late July that this working schedule exists.

Distributors prime players in Fund

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Telefilm is willing to be flexible "according to circumstances" where the specifications of the distributor's guarantee are concerned.

The \$3 million per year Versioning Assistance Program will be spent primarily on dubbing or subtitling English-language films into French. However all projects in the feature film fund must be subtitled or dubbed and are eligible for the Versioning Assistance Program.

"This will reduce long delays which induce Francophone audiences to watch first run productions in English to the detriment of Canadian French-language cinema, broadcasting and indeed the French culture itself," said MacDonald.

Foreign films, videos and programming distributed in Canada by Canadian-owned and controlled companies will also be eligible for the Version-

ing Assistance Program.

This "linguistic balance" will also be supported by assuring that Telefilm maintain a 2 to 1 balance between productions originating in English and French, respectively.

Rock Demers, president of

the Association des Producteurs de Film et de Vidéo du Québec (APFVQ), says the effects of versioning assistance will go beyond increasing box-office receipts and "will mean a greater relationship between Quebec and Ontario."

Demers said that one of the most promising aspects of the Feature Film Fund, which is bound to increase Canadian filmmaking activity, is that the fund is being administered by "highly competent individuals."

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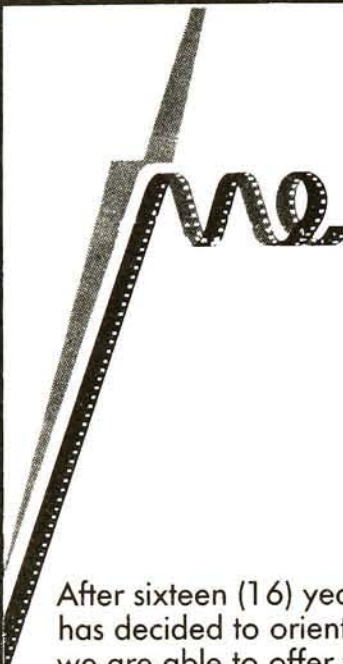
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