

# Strong pressures put on Tories to revise tax measures

## • Toronto: Three year grace period • Misunderstandings

TORONTO — An ad hoc Canadian movie industry group wants the federal government to delay for three years its proposed reduction of the tax shelter for private film investors.

The three-year delay is one of the proposals of a group opposed to film investment tax changes outlined in Finance Minister Michael Wilson's June 18 white paper on tax reform.

The National Ad Hoc Screen Industries Committee (NAHSIC) is also asking that productions completed near any deadline for tax change be given "favorable treatment," group co-ordinator Peter Mortimer said.

The Canadian film and television production industry was caught by surprise with proposals to reduce the capital cost allowance for some investors by a large margin. Private investors with nonfilm incomes have been able to write-off 100 per cent, over two years, of their investments in Canadian productions. The proposals would reduce that to 30 per cent over two years on the declining balance.

Mortimer said it's difficult to argue against the general thrust

of White Paper changes to broaden the tax base and create more equitable taxation. But Mortimer said the specific proposals for the film industry aren't acceptable.

"They seem to have been formed on some inappropriate assumptions," Mortimer said. The ministry of Finance seems to have assumed there is a lot of capital in the industry today and also that many investors are pumping money into a large number of productions each year, he explained.

"We are operating on the assumption that (the ministry of) Finance did not intend to damage the industry," he added.

After meetings with Finance ministry officials, Mortimer said, NAHSIC believes the government is prepared to listen and consider alternatives put forward. NAHSIC is made up of industry associations, unions, provincial film agencies, and professional groups from across Canada.

Using the system outlined in the White Paper proposals, a NAHSIC steering committee is developing comparisons between investments in the film industry and other industries.

The comparisons will be used to provide solid proof of the proposals' damage to the film industry, Mortimer said.

The committee said, in a recent news release, meetings with government officials have established that "interests in certifiable 1987 productions are unaffected by the new rules."

However, shortly after the proposals were announced, Atlantis Films in Toronto delayed production on the feature film **Holy Orders**. Atlantis spokesman Jeremy Katz said the tax changes were one of the reasons for the decision to delay the film that was at the pre-production stage when postponed. At press time, rumors of other film cancellations existed, but no others were confirmed.

Another problem with the proposed tax changes, Mortimer said, is the question of perception by the investment community.

Despite the fact that investors will continue to receive 100 per cent capital cost allowance in 1987, some groups have been put off by inaccurate ini-

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MONTREAL — The investment community must be given immediate assurances by the minister of Finance that a proposed reduction in the Capital Cost Allowance for investment in certified Canadian films is not engraved in stone, say Canadian film industry representatives.

Indeed, Charles Ohayon, chairman of a six-member committee, established by the Association des Producteurs de Films et de Vidéo du Québec to represent Quebec film industry opposition to the proposed CCA reduction, says brokers are already recommending that clients avoid film investments.

Although a grandfather clause in the White Paper on Tax Reform exempts films acquired and in production prior to January 1, 1988, Ohayon says the long lead time necessary for pre-production and financing means that many film projects looking at a 1988 shooting date will be scrubbed. He says the "grandfathering" of 1987 productions should be made clear to the film investment community and that clarification is also needed where capital gains carried into 1988 from these same productions will not be adversely affected.

"Not only do we need assurances (from Finance), we need a public declaration to say that, at least, there will be a transitional period during which nothing will change. If we don't

get this much, it will be a fluke if anyone invests in film this summer," says Ohayon.

A tax policy officer in the department of Finance has confirmed for *Cinema Canada* that the grandfather clause does protect films acquired in 1987 — a point, he says, that has not been clearly understood. He adds, however, that it is unlikely that Finance will make any statement prior to September and that it would be wrong to conclude that summer-long consultations with the industry will necessarily result in changes to the tax reform proposal.

"The desires of the film industry will be considered in the context of the tax reform, but whether anything will be done is up to the minister who has been placed in the awkward position of being asked to make an announcement when it is unclear what, if anything, should be announced," says the Finance spokesperson.

He says industry opposition was expected "as we are reducing the impact of the film investment incentive."

The reduction of the CCA on investment in certified Canadian films from 100 per cent to 30 per cent calculated on a declining basis and subject to the half year rule, is scheduled to go into effect January 1, 1988. It has been estimated that the

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## Reactions to Astral complex at CBC

MONTREAL — The announcement that a consortium led by Astral Bellevue Pathé (ABP) will build a mega-complex for film and television production in Montreal's east-end, in 1989, has left producers wondering what the future holds for low-budget French-language production.

Members of Télécopro, a consortium of six independent production companies, say that French-language independent producers cannot hope to afford rates (technicians and services) competitive with those offered by larger foreign productions likely to be attracted to Montreal by the new complex.

Aimée Danis, president of Les Productions du Verseau Inc. founding member of Télécopro and an executive member of the Association des producteurs de films et de vidéo du Québec (APFVQ), explains that French-language production "does not have the market open to En-

glish-language production" and thus will not be able to afford market-driven rate increases if more foreign production is attracted to Montreal.

"In Vancouver, all they produce are American films. In Toronto there is more money for Canadian production because of pre-sales to the U.S. Here, we have very little money," says Danis.

At a recent board meeting of the APFVQ, many producers suggested a more moderate approach to industry expansion by using existing facilities at, it follows, more competitive rates. The producers, who are already concerned about the uncertainty surrounding federal and provincial tax shelters for film investment and the possibility of U.S. production becoming the artificial basis for industry expansion, say the Astral/CBC project darkens the future scenario for culturally relevant and low-budget French-language films.

One of Canada's largest film and video distributors and producers, Astral will head a development consortium which will build a one-million sq. ft Centre de production de Montréal on a five-acre parcel of land west of the Maison de Radio-Canada building on Dorchester Blvd.

This project, estimated at a cost of \$175 million, will include nine studios ranging in size from 15,000 sq.ft to 2,500 sq.ft., office and retail space and parking. The CBC will lease the land to Astral and will not be a shareholder in the project. However, this arrangement does not preclude CBC and other government agencies from renting the use of studio facilities. CBC/Radio-Canada, Telesat Canada, Radio-Québec and Télémétropole Inc. are currently located in the CBC (Maison de Radio-Canada) building.

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## CBC Centre nears 'go'

TORONTO — A new \$550 million CBC broadcast centre in Toronto has moved a step closer to reality with the announcement that Cadillac Fairview Corporation has been selected to develop the project.

CBC president Pierre Juneau announced the decision in June after development proposals from Campeau Corporation, Trizec Equities Limited and Cadillac Fairview were received in January and reviewed by the corporation. Although details were not released, the CBC said "The Cadillac Fairview response included the strongest financial proposal."

CBC and Cadillac Fairview will negotiate a letter of intent on details of construction of the

mixed-use facility, that is to be built on Front Street, immediately north of the Metro Toronto Convention Centre.

The CBC broadcast centre is a massive project that will include almost 4 million square feet of commercial, office and residential building space. Part of the facility will be leased by the CBC for use as headquarters for its English-language service.

CBC's 3,000 employees in Toronto currently work at almost two dozen separate corporation facilities spread around the city.

Construction of the Broadcast Centre Development Project is scheduled to start by the fall of 1988. The CBC, however, must still seek final approval for the project from Cabinet.

# Astral Centre to Mtl East-End

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The Astral/CBC project is entirely financed by the private sector. Consortium members include the Alexis Nihon Group (a Montreal developer), Réseau Pathonic Inc. (television production), Hawco Construction Canada Ltd. and 153088 Canada Inc. (controlled by the Greenberg family and the majority shareholder of Astral Bellevue Pathé Inc.) and Astral Bellevue Pathé Inc.

In November 1986, CBC invited the private sector to submit proposals to build the complex. By March 1987, four groups including the winning consortium had responded to the call. They were: Canderel/SNC, Construction Chateau St-Marc Inc., Prodevco Lavalin Inc.

A regular client of Astral's lab, Bellevue Pathé, Robin Spry of Telescene Productions says the 10-year-old production house is fortunate to have moved recently to larger office and studio facilities close to the site of the Astral/CBC complex.

"As we don't have a lab or a large studio, the major part of the operation is of great interest to us," says Spry.

He adds, however, that there is a danger of too many production facilities growing too big, too fast given the rush of U.S. productions in Montreal. The Canadian industry must resist becoming dependent on U.S. productions as a service industry, he says.

"I have seen, in other countries, what happens when the Americans pack their bags and go home. In England, the industry went from boom to bust overnight. We in this country are terribly vulnerable to that, which I find a bit scary."

Spry shares the general concern in Montreal that U.S. productions have increased production costs beyond what the local market can bear, particularly the French-language market with a extremely limited viewing audience.

"I suppose that if Astral puts in facilities that attract even more foreign work, that problem will be increased but I think we are at the top of that cycle anyway," he says.

Says Stuart Cobbett, president of Astral Film Enterprises Inc.: "There is no doubt that the Americans are a large part of the industry but they are not going to leave tomorrow." Besides making the new studios available for Canadian production, Cobbett says Astral is also banking on British and European productions.

Astral had been working on a proposal to build on the CBC site since 1984 when the Liberal government proposed a

private/public-funded studio complex. This cité du cinema project which also included Quebec government participation was delayed (indefinitely) on both government fronts - in Ottawa by a change of government and in Quebec where the project was given a low priority for treasury board approval.

Apparent reluctance by both governments to move on the cité du cinema project was explained, in part, by the initia-

tive taken in the private sector to build several state-of-the-art studios, in Montreal, without the proposed government assistance.

One of the most outspoken critics of the government's lack of resolve on the Cité du cinema issue was Mel Hoppenheim, president of Panavision Canada, who recently opened two sound stages, editing and lab facilities in the former Expo Theatre in Cité du Havre.

"Fantastic," is the word he uses to describe the Astral/CBC announcement. Referring to the fact that there are over 30 studios in Toronto compared to less than 10 (private sector) sound stages in Montreal, Hoppenheim says the Canadian industry has a long way to go in Montreal before it is overextended.

"The American industry is gravy," says Hoppenheim. "I didn't build my complex based

on the American industry. I built it to secure a place for commercial producers and to get back business lost to Toronto."

Hoppenheim has just signed an agreement with the Toronto-based Alliance Entertainment Corporation to provide a studio (for an eight-month period) for the production of **Mount Royal**, a 17-part CTV television series.

## 11/11

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### Competition



#### Charles et François Director: Co Hoedeman

A sensitive film about aging and death traces the lives of an old man and a young boy to the age of 100.



#### George and Rosemary Directors: Alison Snowden/David Fine

A romantic comedy about two golden agers who prove that passion is not exclusively for the young.



#### Si seulement...If only... Director: Marc Aubry

A computer-assisted animated film, rich in sound, image and humor, in which two characters wile away the hours dreaming of the good life which, in fact, is theirs for the asking.

### Panorama Canada

#### Train of Dreams John N. Smith

#### Nos derniers jours... à Moscou Martin Duckworth

#### En dernier recours Jacques Godbout

#### L'Homme renversé Yves Dion

#### Itinéraire/Itinerary Bernard Longpré

#### Diploma Dilemma George Geertsen

#### Future Block Kevin McCracken

#### Where are you my lovelies Louise Lamarre

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National Film Board of Canada

Office national du film du Canada

→ "Another six stages in this city and we will have 60 more producers vying for business. That is when the industry will grow. You couldn't build a large enough sound stage in this city," he says.

Ron A. Weinberg, executive vice-president of the Montreal-

based Cinar Film, which will be opening new studios in Montreal's east-end before Christmas, also welcomes the Astral/CBC project.

He says overextension is possible if a complex of this size deals only on a local and Canadian level.

"If that is the case, then the

concern about this project is real," says Weinberg, who expects that the Astral/CBC project will place Montreal on the map as an international centre for production services.

"As a new studio owner in Montreal, I do not feel threatened by the project but rather encouraged that it is

going to attract a much broader base of clientele than Montreal has ever seen before just to support its own existence. This will be good for the whole industry," says Weinberg.

"It is not just the Americans who are out there," says Weinberg whose company does 70 per cent foreign business. He ar-

gues that if the Americans do pull out tomorrow, a large part of the Canadian industry will have gained from the experience in terms of profits and expertise. These companies that will keep their foreign clientele, he says.

"Exchange rates are a minor variable in the sense of who gets the production. We use it as icing in making a pitch to U.S. clients because the propaganda of the value of the U.S. dollar in Canada precedes us. Everyone looks for the best job for the best value," says Weinberg.

## Council backs distribution law

OTTAWA — The Canada Council is backing Communications Minister Flora MacDonald's proposed licensing system for film and video imports.

At the council's quarterly meeting in June a motion supporting the proposal was unanimously approved.

Under MacDonald's proposals American distributors would only be able to distribute movie and videos in Canada to which they hold world rights or which they had actually produced. The U.S. majors currently distribute other movies in Canada and are strongly opposed to the changes.

The proposal would mean Canadian distributors could acquire distribution rights for independent films and videos in Canada in much greater numbers. In announcing the policy in February, MacDonald said part of the increased earnings of Canadian distributors should be pumped back into the production of Canadian movies.

Although the proposals were originally to be tabled in the House of Commons before the summer recess, it now appears that fall will be the earliest the film licensing system can be introduced. Parliament rose June 30 for its summer recess.

In announcing its support of the policy, the Canada Council said "A strong Canadian film production industry is an essential component of Canada's cultural fabric."

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