

Telefilm monitored "intensely" Tax relief in February

MONTREAL — "This is the showdown." The words were used by an Ottawa insider on Oct. 8 to describe Peter Pearson's attempt to safe-guard his job as executive director of Telefilm Canada (TFC) against increasing opposition from the members of TFC who constitute the board of directors, and their chairman Jean Sirois.

Staff defections and low morale, coupled with a precarious administrative and financial situation at TFC are some of the elements which have led to opposition to Pearson's continuing in the top post at Telefilm.

On Oct. 8, *Cinema Canada* was also told by various sources within TFC that a check on finances revealed the agency had fully committed its production budget through March 31, 1988 and would have no resources to back additional projects. Worse yet, some sources reported that the agency was over-committed.

Officially, deputy director Judith McCann told *Cinema Canada* that the financial check was simply routine, that "Telefilm is a crown corporation and crown corporations are well-run and don't overspend."

At presstime on Oct. 16, Jean Sirois held a meeting of the staff of TFC in Montreal to announce that Peter Pearson had resigned. Judith McCann will be the interim director while a replacement for Pearson is found.

In an agency which has been fueled by innuendo and rumour, and from which hard facts are difficult to obtain, news is leaked to the press in various versions.

Head of Communications Denise Melillo told *Cinema Canada* that a press conference had been planned, though never officially announced, for Oct. 7 at which time a public account of the financial situation was to be made. The announcement was postponed as accountants brought in from Thorne Ernst Whinney continued working to "get the figures right."

Rock Demers, president of the Association des producteurs de films et de vidéo du Québec, reported meanwhile that the amount of \$17 million, which TFC had been obliged to

return to the federal consolidated funds because it had not been spent in the last fiscal year, was, in fact, erroneous. Verification, says Demers, puts the proper amount which TFC should have returned at \$8 million. If TFC is unable to retrieve the \$9 million returned in error, it will not be able to meet its present commitments, Demers concluded.

While no one inside TFC seems to have a handle on the real figures, the above is indicative of the rumours spreading through the industry.

As for Pearson's status with the agency, he took a two-week holiday from Sept. 20 to Oct. 1 and was three days late returning to the office. During that time, the members of TFC spoke with Pearson, considering the question of his resignation.

Officially, "No one is asking for his resignation, nor is he offering it," says a department of Communications spokesperson. Unofficially, however, there is other news.

Pearson is reported to have spent time during the week of Oct. 3 and again on Oct. 12 in

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TORONTO — A federal budget in February may spell relief for the Canadian film industry.

Representatives of the Department of Finance and National Ad Hoc Screen Industries Committee are continuing their discussions about the impact of The White Paper on Tax Reform (June 18) on the film industry.

On August 31, Finance announced that the reduction of a 100 per cent capital cost allowance for certified Canadian film to 30 per cent will be subject to an extended grandfather clause initially set in place to exempt films acquired or in production prior to Jan. 1, 1988 from the CCA reduction.

The grandfather clause has been extended to July 1, 1988. Television series with principal photography completed before Jan. 1, 1988 will also fall under the 100 per cent CCA when certain conditions are met.

Finance Minister Michael Wilson also clarified, on August 31, that capital gains exemptions will continue in effect for films covered by the grandfather clause.

Peter Mortimer, NAHSIC coordinator, told *Cinema Canada* that the extended grandfather clause and ongoing meetings indicate a willingness by Finance to redress the issue of tax reform and its effect on the Canadian film industry.

"They are being very receptive and they now have an appreciation of how much the white paper would hurt us," says Mortimer. "What they know now (what they didn't know then)" he explains, "is the absence of internal capital in the industry."

Mortimer says he is hopeful that the NAHSIC proposals will ultimately find a place in the next federal budget.

Changes in the White Paper sought by the industry are:

- upgrading of the proposed 30 per cent level of CCA to 65 per cent exempted from the current half-year rule and 70 per cent if the half-year rule applies. This would be implemented in conjunction with refundable investment tax credits accruing to the producer or distributor.

- a change in the half-year rule to reflect a true half-year. Investments made in the first six months of any given year would be exempt from the half-year provision. This would provide an incentive for investors to move early and relieve the bunching of investment productions in the second half of each year.

- a change to the arm's-length rules governing distribution guarantees as long as the distribution company is a bona fide Canadian-owned company. This would replace the current proviso that the distributor's guarantee must come from a third party.

- allow investments in certified productions which achieve in excess of six out of 10 possible points, under the current certification system, to attract an increasing CCA rate above the proposed floor of 65 per cent CCA. This sliding CCA scale would have four steps from 6/10 points for 65 per cent CCA, 7/10 points for 70 per cent CCA, 8/10 points for 80 per cent CCA, 9/10 points for 90 per cent CCA, 10/10 points for 100 per cent CCA.

Mortimer says the proposals are aimed at the eventual development of a strong self-generated capital base within the industry.

Meanwhile, Telefilm Canada has introduced emergency interim financing measures in an effort to shore up flagging investor confidence.

Larry Pilon, executive in charge of legal and financial services at Telefilm, told *Cinema Canada* that "problem productions" are being considered for assistance on a case-by-case basis. These are the productions with anticipated private investment capital which failed to materialize.

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CBC restructures for CanContent

TORONTO — In an effort to focus and streamline the work of key creative personnel a senior organizational shakeup has taken place at CBC's English television network.

One of the main changes is that program departments have been moulded into six "all creative" development areas.

Ivan Fecan, director of television programming, said the main idea was to split creative from administrative duties. He said that it doesn't make a lot of sense, for example, to have key creative personnel worried about problems like proper office temperatures or taxi chits.

"It's a feeling that more attention ought to be paid to the creative side and it's also a feeling that if we're going to Canadianize the schedule in the next few years we need a massive amount of development work done," Fecan said.

To replace shows you need to have other ideas and shows "in the bull pen" that are ready for use, Fecan told *Cinema Canada*.

The new system will allow more flexibility to move money and resources to specific areas as need arises, Fecan explained.

The new structure also means that in-house and independent producers are on equal footing, Fecan said, because in the drama department there will no longer be a separate unit for independent production.

"People are equal and they are judged on the ideas."

Under the new system, producers from inside and outside the CBC will take projects for consideration to one of the six heads of development. But Fecan stressed that in future the new administrative structure will be flexible as audiences and television change.

"I'm not really interested in building another bureaucracy here; I'm just trying to shake this one down a bit."

Details of the new setup at CBC are as follows: — Dave Martin becomes director of operations and reports to corporation vice-president Denis Harvey. Martin is responsible for co-ordination of the English television network; — Ivan Fecan is director of television programming and has the six heads of program development

reporting to him. Fecan also will handle the administrative, financial and production parts of the departments; — John Kennedy is head of development for movies and mini-series; — Nada Harcourt is head of development for dramatic series; — Angela Bruce is head of development for children's shows; — Carol Reynolds is head of development for variety; — Hugh Gauntlett is head of development for arts, music and science; — the head of development for sitcoms has yet to be announced; — Roman Melnyk is deputy director of television programming with special responsibilities for long-range scheduling and acquisitions; — Jean-Claude Tanguay is director of program production and administration; — Ed Robinson is head of program administration; — Bob Bleasby is head of production; — Rick Field is manager of television planning; — Jim Foster continues as television network production manager; — John Dimon is manager of administration and finance in the drama department.

The reorganization was done by switching personnel. No new staff were added.

Unions determine B.C. project

VANCOUVER — A proposed 14-acre film production complex in North Vancouver is one step closer to completion. The municipal council has given permission for the rezoning required to construct a shopping mall and film studio.

Cannell Studios of California is planning six sound stages and auxiliary buildings on the site. There will also be a Cineplex Odeon Theatre and shopping centre. The overall responsibility for the project lies with B.C. Economic Development Corporation.

However, at presstime, it was still unclear whether Cannell would proceed with the complex. The U.S.-based company is trying to negotiate a long-term agreement with various Vancouver film unions. If unsuccessful in that effort, the company says it may pull out of the project.

Quebec B.O. hits 10%

MONTREAL — Films "made-in-Quebec" occupied 10 per cent of the screen-time in the province this year for the first time since 1974. As a result, seven Quebec-based distributors of Quebec films have shared a total of \$150,000 from the Société générale du cinéma du

Québec as a result of its "automatic aid" program.

The provincial funding agency for film and television has invested this money in companies that have used SGCQ Film Funding.

The money is divided according to percentage of box

office returns from films in which the SGCQ has participated.

The recipients are: Cinéma Libre (\$277.54), Cinéma Plus Inc. (\$39,488.79), Ciné 360 Inc. (\$6,699.29), Les Films René Malo Inc. (\$86,706.15), Prima Film Inc. (\$167.73), Provifilms Inc. (\$1,465.44), Viva-film Inc. (\$15,195.06).

The films which garnered the largest box-offices were *The*

Young Magician and *Bach and Broccoli* for Cinéma Plus, *Anne Trister* for Ciné 360, *Le Déclin* for René Malo, and *Pouvoir intime* and *Le Matou* for Viva-film.

Two Quebec films currently in production have received a total of \$618,346 from the SGCQ.

Duluth et. Saint-Urbain, the second feature co-directed by François Bouvier and Jean

Beaudry (winners of le Prix de la Société générale du cinéma du Québec, 1986) has received \$600,000 while *Dans l'ombre de nous*, an experimental black-and-white short film written and directed by Guylaine Roy, has received \$18,346.

Kid Brother launches new prod/dist co.

MONTREAL — Claude Gagnon, director of *The Kid Brother*, a Canada/Japan co-venture which won top prize at the Montreal World Film Festival (1987), has announced the formation of Aska Films International Inc and Aska Films Distribution Inc.

Formerly known as Yoshimura-Gagnon Inc., the new production/distribution company will expand its activities in the production of feature films, shorts and documentaries for theatrical and television release. The company will also concentrate on foreign sales and the promotion of Japanese cinema in Canada and Canadian cinema in Japan.

Company principals are Claude Gagnon and Yuri Yoshimura. Jean Colbert, formerly of Ciné Maison Bellevue and Films Mutuels, will head the distribution operation.

The company is currently involved with the Canadian distribution of *The Kid Brother*. More than 12 countries have requested rights to the film including the U.S., China, U.S.S.R., France, Germany, Australia, Yugoslavia, Korea and Bulgaria.

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Tax relief

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"We are covering the shortfall where it exists," says Pilon, who did not know how many productions, to date, have applied for assistance.

Interim measures include a temporary suspension of the administration fee charged to clients on all transactions (retroactive to Aug. 1, 1987 until March 31, 1988) and additional investment in Telefilm-funded productions up to and not exceeding 49 per cent.

Telefilm is also studying ways to prop up the capital base within the Canadian film industry. Means of achieving this end might include corporate loans for producers and distributors, non-voting minority interest equity shares in production companies which would facilitate proper lines of credit from lending institutions, and the funding of distribution companies to trigger production as opposed to production-oriented funding.