

## Distributors look for production ties

MONTREAL – The future of Canadian film lies in a stronger business relationship between producer and distributor, says Gilles Bériault, manager of coproductions at Telefilm Canada.

Bériault is among many industry insiders who are currently rethinking the shape of the Canadian film and television industry in the wake of a severe reduction in the Canadian Capital Cost Allowance for certified Canadian film. The industry is also hurting from the failure of the Mulroney government to deliver on a promise to provide legislation which would give Canadian distributors access to more profitable U.S. independent films.

Indeed, film distribution is the weakest link in the production/distribution/exhibition chain, says Bériault. Canadian distributors must compete among each other for a mere three per cent of screentime left (after films distributed by the U.S. majors) for Canadian films and the independent films that U.S. distributors don't want.

There is no question of competition with the Americans because they control the market with big box-office productions. The most Canadian distributors can hope for, says Bériault, is breaking even over the long-term with one or two profitable films.

In fact, he explains, without regular access to profitable films there are few, if any, compelling reasons why Canadian distributors stay in the business.

"The Canadian distributor is used to just keeping his nose above water," he says. "Once he gets into the business, he can't stop because he has investments to protect (product inventory for a second-run release or eventual television/video sales). He is constantly looking for that one picture that will make him a lot of money."

The domestic box-office success of *The Decline of the American Empire* or even that of *Un Zoo la nuit* represents a rare opportunity for distributors to exhibit their films in key Canadian cities. Films that open in Montreal and Toronto and do not break-even at the box-office will invariably be ignored by exhibitors elsewhere in Canada. During a good year, barely one-third of Canadian openings will go further than Toronto or Montreal.

"It's very difficult for the Canadian distributor in French and English Canada. He has one chance with a release. If it works in Toronto or Montreal, outside theatres will play it. If it dies, nobody will play it, especially if it is coming from small distributors who cannot promise a *Fatal Attraction* down the line," says Bériault.

It is this sort of leverage with exhibitors – the

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promise of profitable films after lesser films – that Canadians don't have and that Americans can use if, indeed, there is need for inducement.

This leverage is what Bériault calls "the locomotive that pulls all the little wagons." Leverage equals bargaining power. It assures the distributor better play-dates, better settlements and a stronger relationship with exhibitors.

"The Americans also distribute smaller pictures in Canada but they are not as noticeable. They stay for two or three weeks and are bumped out of the theatre by the next U.S. blockbuster," he says.

Thus, without a distribution law enabling

Canadian distributors to acquire several "locomotives" per year, Bériault says Canadian distributors and producers must think in terms of combining their scant resources to create commercially exploitative films like *The Gate*, a recent international box-office success produced by Alliance Entertainment and distributed by Alliance Releasing. Money plowed back into production from the distribution of this type of commercial feature would support the less commercial *auteur* films that Canadian filmmakers excel in and that Canadian distributors are more adept at handling than the Americans.

Canadian companies with a strong producer/

distributor component will lead the Canadian film industry into the future, says Bériault, citing Alliance, Cinema Plus, Norstar, and the Malofilm Group.

For its part, Telefilm Canada covers promotional expenses with distributors on a 50/50 recoupment basis in its National Distribution Program.

"This helps to create a cash flow," says Bériault. "In effect, we are saying to exhibitors that there is promotional money available and that distribution will hold up its end."

Another loan program provides distributors

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with a maximum of \$500,000. It was used in some cases to provide a minimum revenue guarantee for private investors in film. Although the CCA tax shelter program is for all intents and purposes ineffective, the loan is still available and can be used for financial structuring rather than as revenues. It is questionable, however, whether anyone will apply for it this year, says Bériault.

Bériault argues that Telefilm is not engaged in a losing battle in its attempt to help distributors find a bigger share of the Canadian market.

"We are not throwing good money after bad. We are throwing good money after good films that do not have a chance to penetrate a small market."

The only solution, he says, is access to "big films."

Says the Telefilm representative, "Without this access the only thing we are doing is buying time."

## Changes in B.C. Film policy

VANCOUVER - B.C. Film is changing some of its policies governing distribution financing, script development funding and internships. Chairman Wayne Sterloff announced the revisions at the end of March.

B.C. Film's board of directors has decided to expand the Production Financing Program to include some distribution expenses; the costs of prints and advertising are given as examples. Sterloff says, "If a B.C. based producer and his partners would care to work with a B.C. based distributor, such a distributor can bring real resources to the mix. If having a distributor committed to your project is going to help you package, then, as a producer, this expansion of policy should help."

Ceilings on participation will not change and the guidelines require that producer and distributor apply separately and then enter into further agreements with the provincial agency.

Other rules changes allow B.C. producers a choice when applying for funding; Sterloff says they may now seek either a low-interest loan or equity participation.

"A producer or writer may find it advantageous to keep our involvement as a loan," says Sterloff. "However, if servicing such a loan presents a cash-flow problem... we are now in a position to consider advancing funds toward script development as an equity partner."

The third change is aimed at B.C. Film's internship program. Effective immediately the maximum contribution of \$300 per week can be paid to a "Master Writer" who has agreed to work with an intern. Previously the money was payable to the intern only.

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## MacDonald retains difficult ministry

TORONTO - With an election in the near future, Flora MacDonald's survival as minister of Communications in the recent cabinet shuffle is good news, according to Canadian Film and Television Association president Sam Jephcott.

"We don't have to worry about educating a new minister," Jephcott said.

The April shuffle, seen by most observers as a pre-election move to beef up the Cabinet, saw the more affable John Crosbie given Pat Carney's job of selling free trade, but MacDonald retains responsibility for pushing through - in this parliamentary session - the broadcast and distribution legislation affecting the film and television industries.

"Thank God we haven't got somebody new in Communications whose only interest is in planning for the next election, rather than dealing with the enormous agenda that is going through there," Jephcott added.

"I have no idea whether she is staying because Brian Mulroney loves her, or because there is no one else looking to go in there and face the barrage of attacks that her ministry has had to endure over the last little while. It's a particularly tough job at this moment."

A new minister, Jephcott said, might have held up Telefilm appointments or legislation in months of "further study."

"The PMO has decided that Flora MacDonald is not going to cost the government one vote anywhere. If Flora doesn't cost them any votes, that's the best thing I could hear."