A second bust in view if White Paper not amended

• Toronto: *"It's a wipe-out"* • Montreal: *"No more industry in Quebec"*

TORONTO — Confusion, concern and cautious hope that detailed study would reveal a brighter picture were the responses to the federal tax reforms affecting Canadian film and television productions.

Finance Minister Michael Wilson announced that the tax write-off for investment in Canadian television shows and movies would be reduced from 100 per cent over two years to 30 per cent.

In a move that caught most of the film industry by surprise, Wilson announced the change in his June white paper on tax reform.

"Right now you can see the bodies littering the streets - almost," said Samuel Jephcott, acting executive director of the Canadian Film and Television Association. Jephcott said almost everyone in the Canadian film industry will be affected by the changes one way or the other.

"Its a wipe-out," said Jephcott about the changes that will affect private financing of the Canadian film industry either by corporations or individuals.

Following on the footsteps of delays in promised Canadian film distribution legislation, Jephcott said it tends to suggest that either Ottawa doesn't have the willpower or the means to protect the Canadian film industry.

"Presumably they can't be abandoning culture in terms of film and television *carte blanche*," Jephcott said. He said there must be a trick up the sleeves of Ottawa politicians or that the changes will have to be completely revamped.

The tax shelter bust of 1980 meant production dropped from about $175 million to $15 million and these changes could signal a similar drop in production, he said.

"The only difference between today and the dreadful 1980 collapse is that today there are so many American productions on location here there are segments of the industry that will remain at work."

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MONTREAL – A proposed reduction in the federal Capital Cost Allowance for film has raised a firestorm of protest from the Quebec film industry.

Finance Minister Michael Wilson's White Paper on Tax Reform, released, June 18, could bankrupt the Quebec-based film industry, according to film producers.

Rock Demers, president of the Association des producteurs de films et de vidéo du Québec (APFVQ) says that bankruptcy among APFVQ members (representing over 80 producers) is inevitable if Wilson does not amend his proposal.

This dire prognosis on an industry which is dependent on private financing is shared by Daniel Proulx, vice-president, finance, administration of SDA Productions Ltd. who told *Cinema Canada* that failure to make change the proposal would mean "no more industry in Quebec."

"We have to assume that the minister of Finance didn't realize how much we depend on private financing. We want to make sure (by meeting with the department of Finance) that they, at least, know what they are doing to us," says Proulx.

Bernard Boucher, senior executive, Institut québécois du cinéma, the agency set up by the provincial government to suggest policy for the industry, says implications for the film industry are not good with this reform coming so soon after the Quebec government reduced its film CCA from 150 to 100 per cent, last spring.

Boucher and the producers say that the Quebec government should not be allowed to follow the federal government's lead and further reduce the provincial tax shelter.

To this end, a Quebec-producer's task force will urge both levels of government not to undermine the Quebec-film industry at a time when it is beginning to win back (following the overall investment fiasco of 1980) the confidence and support of the private sector.

Demers told *Cinema Canada* at press time that a task force will bring together producers, industry tax specialists and legal advisors to meet the minister of Finance in early July.

"We are hoping for full support from the minister of Communications," says Demers, who was advised of the contents of the reform paper by a representative of the department of Communications during the annual meeting of the APFVQ, (June 19- 21).

Demers says APFVQ members were advised during the general meeting that Finance had realized "its mistakes or wrong judgement in evaluating the impact of the tax reform."

"We were told not to react too severly before we heard what changes might be acceptable (by Finance) in the white paper," says Demers.

On Monday, June 22, a telex signed by the executive of the APFVQ was sent to the minister of Finance containing three major recommendations for changes in the white paper – to delay the CCA reductions for two years, re-evaluate all other film related tax measures and meet with the task force during the first week in July.

"We know that if the minister can't save face he is not going to make any changes," says Demers. "We are saying that, if the reduction is coming, give us at least two years to find other way to finance our films and avoid bankruptcy."

Demers followed the APFVQ telex to Ottawa for a meeting with Communications Minister Flora MacDonald where, he says, he was given assurances that on-going consultation between Comunications and Finance would get results for the film industry.

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DGC/DGA in agreement

TORONTO — With a promise of business as usual in Canada, the executive of the Directors Guild of Canada has approved an agreement with their American counterparts in case of a strike south of the border.

Under the terms of the draft agreement, Canadian directors and their assistants won't work in the United States should the rumoured Directors Guild of America (DGA) strike begin.

The draft agreement, which was approved by the executive on June 15, has been sent out for ratification by the Canadian guild's 1400 members.

Robert Fry, DGC national executive secretary, said he hoped a response from the membership would be received by the end of June.

The agreement also states that Directors Guild of Canada (DGC) members won't replace American directors on a struck DGA movie. Also, DGC members won't work on "runaway productions" that head north during the strike. Fry defined runaway productions as productions by American companies that have shown no previous interest in Canada that arrive here to avoid the strike.

The DGC, however, emphazied it will be "business as usual" in Canada with the level of film activity maintained here during a possible American strike.

Canadian producers and their qualified affiliates and U.S. producers with a history of filming in Canada will continue to receive DGC support. Only Canadiain directors will be allowed to work on these films, a DGC press release states.

Fry said the door is open, as always, for good U.S. "clients." He explained that each production will be judged on a case by case basis.

While discussions have been ongoing between the two groups for many years, recent talks leading up to the strike agreement lasted about 18 months, he said.

The DGC has been talking with their American counterparts with an eye to developing a positive long term relationship between the two groups that reaches beyond the issue of this particular strike, Fry added.

"It's our intention to recognize the fact we are part of an industry that reaches beyond our borders."

Eerie optimism on distribution legislation

TORONTO — Most Ottawa politicians support the proposed Canadian film distribution bill and now it's a question of convincing their Washington counterparts to do the same, distributor Daniel Weinzweig says.

Despite the fact the bill has yet to be introduced in the House of Commons, Weinzweig said he is optimistic it will pass.

"There doesn't seem to be a tremendous amount of opposition to it among the politicians in Ottawa," Weinzweig told *Cinema Canada*.

He said the minister of Communications Flora MacDonald and her department have stood behind the bill 100 per cent.

The bill would introduce for the first time a film licensing system in Canada. The major American studios would only be able to distribute movies they produce or to which they hold world rights.

As a result, Canadian companies would be given greater access to independent foreign movies with some of the extra money they earn to be poured back into Canadian productions.

One problem with the bill, which is stalled in the legislative process after first being announced in February, is a backlog of other legislation waiting to be reviewed in Ottawa.

Another problem is concern relating to its impact on free-trade negotiations, explained Weinzweig, co-chairman of the National Association of Canadian Film Distributors.

The message the Canadian film industry must get across to politicians is that there is no free trade in the film industry, Weinzweig said.

"This bill will give us free trade... because right now the American companies dominate 90 per cent of our film industry in this country. This bill will correct a historical imbalance and will finally correct the market so that we have free trade."

"I don't think that the politicians in Washington have gotten the straight goods from Jack Valenti," Weinzweig said. Valenti is the chief lobbyist and president of the Motion Picture Association of America, a group representing the major Hollywood studios.

Valenti is strongly opposed to the bill and has lobbied hard against it in both Ottawa and Washington.

Weinzweig said the facts and figures that Valenti is giving, stating that the bill will affect 25 per cent of the revenues of the American companies in Canada, are just not true.

He said the bill would only affect a small portion of the American companies' revenue.

"I think there is a sales job to be done in Washington," he explained. The film industry and the Canadian government are making efforts to explain

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Dozens of projects in limbo

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A spokesperson for the department of Communications told *Cinema Canada*, that although Finance consulted extensively with the private and public sector, the content of the final draft of the white paper was not made known prior to its release on June 18.

And although, at press time, the department of Communications had not taken an official position on the contents of the white paper, *Cinema Canada* was told that the department of Communications was acutely aware of the film industry's position.

"We are letting Finance know what the industry is telling us ...that these provisions will diminish the effect of private financing," says the spokesperson, who adds that it is prudent to wait and see what Finance does in the wake of a loud outcry by the film industry.

This wait-and-see approach was the reason why the department of Communications asked Telefilm Canada to cancel an emergency meeting, June 19, with Government Film Commissioner François Macerola, key industry representatives and financial experts from the community.

There is doubt, however, that the film industry was consulted by Finance for the white paper.

Says Demers, "There was no consultation with the APFVQ or the rest of the industry. The whole industry was taken by surprise. In fact, there were indications (from Finance) that this was not going to happen so we (APFVQ) didn't make any strong representation to the minister of Finance."

Neither was Telefilm Canada consulted, says Executive Director Peter Pearson.

The private sector, he says, will not wait long for Finance to to take remedial action. With dozens of Canadian film and television projects in development and seeking investment, a quick response by the minister of Finance is anticipated.

Uncertain about financial ramifications

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Jephcott said a letter sent to Wilson before the release of the white paper warned $100 million in production and 3,500 jobs would be affected if the capital cost allowance for Canadian productions was removed.

Also, with Telefilm Canada guaranteeing to complete financing of some productions, the crown corporation responsible for film financing may be left exposed if a lot of private investment fails to materialize, he said.

He added that if all tax shelters were cut by the same level then the film industry would be competing with other industries for private investment on an equal footing.

In an interview with *Cinema Canada* the general secretary of the Alliance of Canadian Cinema, Television, and Radio Artists (ACTRA) said the first task is to try and figure out exactly what the changes mean.

Garry Neil said with Canadian television budgets comprised of about seven to ten per cent in private investment and film budgets around 20 per cent, it is a comparatively small, although significant, amount.

"We are concerned about possibly negative impacts on the film and television production industry and that concern arises from that basic understanding that we have that even though it may be a small amount it's really criticial to putting projects together," Neil said.

He added it's a question of studying the changes closely. Neil said it would be a case of doom and gloom if it were strictly a straight cut from 100 to 30 per cent. But he said there appears to be other factors involved that require careful examination.

Neil Harris, a tax entertainment lawyer with the Toronto firm of Goodman and Goodman, said in an interview shortly after the changes that it's too early to tell what exact impact they will have.

Harris said when the impact is definitely set out it won't look that bad.

He said the 30 per cent level is still very high when compared to other industries listed in Wilson's white paper.

Still other production companies said they needed time to digest the tax reforms before commenting, while others in the film industry talked of having to head to the United States to find financing for productions.