

# Distribution: moviehouse of cards

A Canadian construction

# BY CONNIE TADROS

raditionally, the job of the film distributor – to lease a film from a producer and book it into a theatre – seemed straightforward. Questions cropped up about access to theatres, numbers of prints, dollars spent in advertising, but the goal was the same : to move people into the movie houses to watch a film.

In Canada, the government has always been involved in the film industry, just as it is involved in almost every other sector of business and industry. This involvement – first through the National Film Board and the Canadian Film Development Corporation, and now through Telefilm Canada – was usually geared to production. The justification was that dollars spent on film were cultural dollars, and production was considered the culturally creative end of the business.

Belatedly, governments – both provincial and federal – are beginning to admit that distribution is crucial to the production effort, though they seem perplexed about how to intervene and stimulate this sector.

Perplexed, not because they do not know what is needed; distribution has been studied time and again at all levels, and the federal department of Communications has built an impressive dossier and written appropriate draft legislation to deal with the matter (Cinema Canada, No. 147). No, the federal government is perplexed because of the implications and the magnitude of the measures which are required.

In 1988, there seems to be no excuse for half measures. One either insists that Canadians distribute most films in Canada, or one admits a terminal dependence on foreign distributors. With this dependence comes, of course, the loss of any opportunity to be creative about the distribution of films in Canada and, ultimately, to set the course of our own feature production.

In the article below, Cinema Canada spoke with André Link, vice-president of Cinepix Inc. in Montreal. Link, president of the Quebec association of distributors, gives an overview of the problems confronting distributors in general, and speaks of the evolving milieu in which they work. Producer, distributor and world sales agent, Link has served the association for several years, and is well-placed to monitor the government's resolve to deal legislatively (or otherwise) with film distribution.

In accompanying texts, two other distributors, both with different points of view, speak to other issues.

Peter Simpson, president of Simcom/Norstar, spoke to Cinema Canada from his Los Angeles office. With his headquarters in Toronto, Simpson has created the base from which to handle world sales (his original entry into the business), production and distribution.

Taking a different tack, Victor Loewy, president of Alliance Releasing /Vivafilm, speaks about pan-Canadian distribution and the potential markets Canadian distributors must develop to survive with the films which are available to them. Loewy's example shows that distribution can indeed be profitable even given today's constraints.

It is interesting to note that all three of these distributors are directly linked to production houses. The scope of the debate on distribution is not limited to the narrow confines of film distribution but concerns the future of independent Canadian production.

# THE CLIMATE

As governments continue to drag their feet, the job of the distributor is evolving rapidly, moving beyond the straightforward task of finding a theatrical home for a film.

The historical concentration of exhibition in the hands of two corporations, Famous Players and Cineplex Odeon, and the very size of Canada have compounded the problems of Canadian distributors. The chains, with their links to American distributors who also produced films, were not always enthusiastic about finding room for the independent films Canadian distributors carried in their catalogues. On the other hand, reaching the independent theatres which dotted the small towns across Canada was a costly procedure which yielded low profits, if any. So though those screens were available, the independent distributor was unable to use them to make up what he lost in the cities.

Although it has always been clear that farms

and lumber and trains and planes need government support to subsist in this huge country, the independent theatre and the independent distributor have suffered from gross neglect. The former, because less vocal and politically unsophisticated, has simply been allowed to lapse. All over Canada, local movie houses are boarded up as two or three video stores do business across the way.

So Canadian distributors move away from a preoccupation with theatrical release in the small centres. André Link describes the new environment.

"There are a few independent theatres left, but the booking department of every distributor, major or minor, is much smaller than it used to be. You either go with Famous or with Cineplex Odeon. You can reach 90 per cent of the country with a single phone call. The rest is not really meaningful. Gone are the days when we had five branches in Canada to distribute a film."

Today, distributors play on several fields at once. Selling to ancillary markets has come to be as important as booking into a theatre, and the daily concerns of Canadian distributors are less involved with guaranteeing a broad release of their films to each corner of the nation through theatres than they are with reaching that same public in new ways.

"Distances have shrunk. The road systems are better than they were 30 years ago when smaller theatres held their population. Today, people go shopping and drive 50 kilometres to have dinner and see a show. The major centres are going to survive but video concentration is so high that people only go to the theatres when they are travelling unless they are movie buffs, or kids who want to get out of the house, or unless the film is such a hit people don't want to wait for the video release.

"The business is changing. In the United States, pay-per-view is becoming quite important, what with satellite systems and all. This will eventually take away from the video market because pay-per-view will have a window ahead of video. Exhibition is changing. Wait until fiberoptics is pumped into your home and you can watch your favourite movie without going to the video store ! It's only five or 10 years away."

#### THE FILMS

Concomitant with the closure of so many independent theatres is the domination of the theatrical market by an increasingly small number of films. On a variation of the "rich get



André Link of Cinepix Inc.

richer" theme, the big hits are bigger than ever, while the smaller films go virtually unnoticed, victims of a media-advertising machine which they can't pay for. The phenomenon is true worldwide, as American films strike a responsive chord.

"A small number of films take a very large percentage of the box office. As advertising becomes more expensive, more and more people are attracted to a given film; the old cinema habit which translated as 'Let's go and see a movie' is gone.

"There are trends. American films are pleasing more audiences than ever and that's mainly because they have built up an important and profitable star system. They cater to popular tastes. The media is also very strong. "

It's not easy for a Canadian distributor to rival his American counterpart with advertising dollars to attract the attention of Joe Public. Link estimates that at the low end of the scale, a Montreal theatrical launch costs \$15,000; Toronto would be twice that. At the high end, the cost can rise to \$100,000 with television spots in Montreal running \$3,000 a half-minute. Generally speaking, the advertising budget for the first week outstrips the ability of the film to earn the sum back in that week. So it's a gamble.

"You really have to advertise over a period of time and calculate the benefits of that advertising to the secondary markets, like pay-TV or video sales. For a number of films, it



# Comments by Peter Simpson

# THE MARKET REALITIES

The main business is still theatrical, but since seven out of 10 films lose money, you're not going to be around too long if you don't have television and video rights. We don't pick up any Canadian films for distribution if we don't get all the rights. This year, our video sales will about equal our theatrical sales.

As for foreign sales, the action films go over well and the nonaction films don't. The foreign market is not interested in comedy and soft pictures. Countries make small personal dramas for themselves; they don't need to import them. The bigger films are what they're looking for.

You can't recoup on a Canadian picture at home. The best you can do is 20 per cent of the budget. That's the average.

# NEXT YEAR?

I'm worried about whether we're going to see any features. Between the problems of Telefilm, the Capital Cost Allowance, and the general government inaction over industry problems, it's hard for me to see that anybody's minding the overall store. The Feature Film Fund and the things I worked hard to help get in place have not had the happy, fairytale ending I had hoped they would have.

#### THE GOVERNMENT'S STANCE

If the initial thrust of the legislation cannot be achieved, then I would say the government should find other ways of addressing the problem and not, cosmetically, cover that up with watered-down legislation.

About the Telefilm loans, money is always part of some solution for a problem which is created because of lack of money. But I've already told those responsible that Telefilm's efforts on behalf of distributors are essentially bogus; they don't address the fundamental problem.

There are hundreds of millions of dollars spent on films every year, right? I figured it was about \$500 million last year. And of that amount, about \$5 million went to distribution. That's what the problem is. Until the government looks at the bona fide theatrical distributors as the means to get production done, they're all looking in the wrong direction. The Liberals proved that in the '70s. You can throw enormous amounts into production and get nothing. But money put into the industry in the proper fashion could greatly strengthen the industry.



I would like the government to come at it in quite a different fashion: drop all pretenses of introducing a bill – or keep it in the background to keep everyone in line. What producers must recognize is that their only hope is to strengthen the distributor. Now, whether or not the government should give the distributors money to invest in films... Whatever it takes. One thing I have learned is that the government has its way of interpreting things. You can tell them what the problems are, but they have their own economic sense about how that can be translated into government action.

Take the idea of the Feature Film Fund. In my discussions with Marcel Masse, it was always going to be geared toward the distributors. By the time it got to Pearson, it was an abortion. It's been horrible. Peter Pearson should hide in shame for what he did with that fund in two and a half years.

We have to concentrate our efforts at home. I've been after Ivan Fecan at the CBC to get behind Telefilm's productions and just take one window, one run on the CBC, so that everybody in Canada could see what they're paying for. Just one run. I don't know what the numbers should be -how much they should pay – and I don't think it should be three runs over three years. Just one. That might build a national network, and that makes sense. We have yet to figure out how to harness our whole system domestically. works out. First, you have the mega-hits; that certainly pays. Then you have the marginal theatrical hits where it also pays. Then there are the marginal theatrical failures where the advertising helps you push the film in ancillary markets, making the expenditure worthwhile. Then there are the outright failures where it didn't help at all and only increased the loss."

Again, a distributor's preoccupation is increasingly turning to ancillary sales as all markets become interlocked in a general release strategy.

# QUEBEC'S PROVINCIAL ATTACK

In Bill 109, Quebec had the courage to recognize the source of the problem: the fact that foreign distributors (read: American) retained the right to distribute literally all foreign films which had any potential for broad success in the province. Obviously, the dollars which flowed to their coffers were the dollars Canadians needed to build a capital base from which to bid on both Canadian and foreign films for acquisition, and with which to support the launches of these acquired films.

Quebec, however, got nervous, and allowed the Motion Picture Association of America – through negotiations with the government – to weaken the original legislation, thereby enshrining the Majors' right to do business as usual with the films they distribute worldwide.

Nevertheless, Quebec's distributors now find themselves with a free hand to distribute non-English language films in the province. Unfortunately, the timing was bad. Non-American foreign producers, also in the throes of the video revolution, are having a difficult time.

"Right now, there is a collapse of foreign film distribution. Very few foreign (read non-American) films do any kind of business in Quebec at this point.

"The French films are in a major, major free fall because the French are making bad films. A good part of the French production is in the hands of the television producers, and they are making television films which the public can see for free. The French have their problems at home, just as their films are having problems abroad. Of course, there are a few exceptions every year; there are a few French films that do exceptionally well. But '86-'87 can be considered an exceptionally bad vintage."

As for the implementation of those regulations in the Quebec law which should constitute an important breakthrough – freeing up independent American productions for distribution through Québécois companies – its effects will be measured in two years' time. The regulations will only be in place this summer.

# THE FEDERAL WISH-WASH

The Canadian government, to date, has chosen to ignore the root of the problem and to throw money at its manifestations. Recognizing the under-capitalisation of Canadian distribution companies, it has encouraged Telefilm Canada to set up a fund from which distribution companies can borrow up to \$500,000 each. If a distributor is willing to divulge certain financial information, present a business plan and explain how it intends to use the funds, a distributor can tap into the money. It is then to be used to acquire foreign product, provide guarantees or advances for Canadian films, and generally to improve the company's financial standing. The monies must be paid back to Telefilm Canada within five years, starting in the third year from the receipt of the loan.

This scheme, coupled with additional funds available for the dubbing of both Canadian and foreign films, is helping certain distribution companies stave off the day of reckoning.

But that day will certainly come if policy and legislation do not right the current imbalances.

Curiously, distributors are less anxious today to see the Tories proceed with the long-awaited distribution legislation than they were. The government's credibility in this area has fallen to zero, and many fear that if the current government legislates now, the legislation will be so compromised by the tory free-trade stance that it can only be a charade. Better nothing than a bad something.

The minimum, acceptable legislation would be reflective of Quebec's Bill 109, applicable for all Canadian distribution companies, and concerned with films in both French and English. With an election on the horizon this fall, distributors are ready to be patient about new legislation. Common wisdom indicates that both the Liberals and the NDP would be willing to back stronger legislation than are the Tories.

# WHAT CAN BE DONE

Not to belabour a point, clarifying Telefilm Canada's policy objectives would go a long way to help from the distributors' point of view. They need to know just what kind of industry the funding agency is trying to nurture.

In an effort to increase the funds available to it and make an end-run around the Americans who were blocking Canadian distributors from access to many films, the Canadian Film Development Corporation became Telefilm Canada. The rebaptised agency had a new mission, to produce television programming. Link thinks this was an error.

"Television and feature films don't mix. Changing the name was a mistake, though perhaps from a political standpoint the government was able to justify bigger amounts of money for production because it was going to television. As for features, the little box is not the primary aim but really the last field where a film ought to be screened."

Moreover, the move increased the marginalization of the distributor. Once attention was focussed on television production, the distributor had no role to play. Producers were invited to deal directly with broadcasters, in



effect cutting out the middleman: the distributor. Instead of allowing the distributor to maintain a pivotal role, making the television sale, he ceased to be part of the new picture.

This only increased the ambiguity surrounding the production and distribution of theatrical features. What did Telefilm want?

Though Telefilm has never said it is not interested in backing commercial features ("They would never say that," says Link), it has not made clear what kinds of productions it did want to back. And, of course, from a distributor's point view, commercial features must be the backbone of the industry if the distributors are to have the capital to play the game.

"I frankly don't know what Telefilm is interested in. The limbo created by the management has made itself felt all the way down. I don't know where the priorities lie. And that money, plus the other government sources like the provinces, is the only real money around. Plus, of course, what the broadcasters are willing to put in.

"Once the broadcaster is on board, your chances of getting a good theatrical feature are diminished because, from the broadcasters' perspective, a project that would play well on television is more interesting than something that is not conceived for their particular audience."

For distributors, it's not necessarily clear that producers are committed to commercial films either. There is still a tendency to forge ahead and make a film without consulting distributors about the viability of the project, and some producers still underestimate the difficulties their pet projects will run into in distribution.

The movement, therefore, is for distributors to become their own producers, and vice versa. Hence, the creation of the Malofilm Group, Alliance and Alliance Releasing, the marriage of producers Rock Demers, Roger Frappier and Pierre Gendron with Cinema Plus, the two-headed Simcom/Norstar not to mention the sustaining relation between Cinepix, Dal Productions and Cinema International Canada (CIC). Even among the television producers we have Atlantis and Atlantis Releasing, and the creation of new distribution companies by production stalwarts like Primedia.

Nevertheless, it does happen – and it is a minor irritant – that the small movie gets past the establishment to make a big splash and unleash the hopes of other filmmakers across the country. Distributors are at a loss to deal with this phenomenon.

"The exceptions always encourage people to go that road. *Mermaids* has certainly raised expectations of people making unusual films. One out of 100 is going to click; 99 are not going to. The one that did is certainly great, but now it's making 99 little ones, and who knows how that is going to work out? I mean, this is basically the problem.

"How many German films, French films, Danish films really have worldwide audiences? Practically none. Now there is a Danish/French film that comes and gets the Oscar. It's a beautiful film, but it is the exception. You might have 200-300 difficult films, and one will be internationally recognized; and even then, you have to measure its commercial success.

"If we are striving to have an industry in Canada, you need a much broader perspective and a much more commercial product: the occasional esoteric film, versus a lot of esoteric ones and a few commercial films.

"The rewards are higher with a commercial film. If you have a hit, you get a much bigger hit than if you're dealing with a small art film. I think you have got to have a broad spectrum: small comedies and expensive comedies, small dramas and big dramas, and you have to have your off-the-wall, very difficult, totally innovative films and the routine stuff as well.

"Why couldn't one make Fatal Attraction here? It is a North American story. What is strange about American filmmaking is that they take a

# Comments by Victor Loewy

# A FILM IS A FILM

The nationality of a film doesn't make any difference to a distributor as long as the film works. We were lucky this year because one of the films which did very well happened to be a Canadian film. *The Gate* grossed \$1.85 million in Canada, which is a respectable gross.

We had many high grossing films, mostly with My Life as a Dog which did \$800,000 at the box office and many French and European films which have been huge at the box office. Wings of Desire is in its 24th week and still playing; it has grossed \$.5 million in Quebec and will be opening in English Canada soon. Au revoir les enfants has also grossed \$.5 million in Quebec as well.

Our access to these films had nothing to do with the Quebec legislation, but the difficulty in getting *Au revoir les enfants* for English Canada had everything to do with there being no legislation at the federal level. When I bought the film in French, they didn't want to sell it to me in English because they thought that would jeopardize their American sale. At that point, Orion didn't even know the film was being made; later, I had to go to Los Angeles and spend a lot more money to buy it back from Orion Classics. That affected me a great deal.

# **VIVE LA DIFFÉRENCE!**

Life for a distributor in English Canada is very difficult. In French Canada it's better simply because the kind of specialty film to which we



have access works very well. I also think my company has been extremely blessed because we've had all the hits this year, including La Vie est une longue fleuve tranquille which will probably do over \$1 million in Quebec.

This is proof that there's money to be made between the raindrops. This doesn't mean that distribution's in a healthy state.

In English Canada, where Alliance Releasing has a larger operation than it does in Quebec, it's very difficult and we're not making money. We have had to pay a premium price on too many films. Like the John Sayles movie *Matewan* where we had to pay an important price; the film hasn't recouped its investment. Just now, our Quebec operation is subsidizing our English operation.

Unfortunately, English Canada is a very large market: we have nine people there compared to six in Montreal. Buying media in English Canada is a different thing than buying in Montreal where you can call up the CBC directly. In Toronto, you have to go through an agency, and then you have to buy for all those different markets. They may be little and unimportant markets, but you have to buy for them.

On paper, Quebec is only 15 to 20 per cent of the market, but English Canada is a very large territory to cover and so you have to have a very large staff. There's no choice. You must have offices in Montreal and Toronto to run a business across the country. Take Norstar which is opening a Montreal office now. It's just a different country, basically. We've managed to create a demand in Quebec for the films to which we have access and so it's a viable business. If you ask me what's going on in English Canada, I'll tell you I don't know if it's viable.

# **BUILDING A MARKET**

We know the public's there because these films work in other urban centres like New York and Boston. What I've noticed in the year and four months that I've been running an operation in English Canada is the horrible reluctance on the part of the critics to support anything which is not mainstream and American. This is the greatest difficulty. Almost as great as the fact that we have no product. The critics are scared to give their own opinion. Or they're smug and think they have to be critical and everything is panned right away. Unless, of course, there's a good review in the *New York Times* and then it has the stamp of approval. It's a tragic situation.

In terms of the smaller markets, we always lose money in Winnipeg as well. Unless you have a *Rambo*-type film, there's no market in Winnipeg. But there are other good markets: Ottawa, Edmonton and especially Vancouver. They can deliver important sums of money. We won't even talk about the Maritimes; they don't exist.

We did a nationwide release with *The Gate*. There were 80 prints in English, which is saturation in this case. It played coast to coast: from Quebec to Vancouver simultaneously. That allows you the impact of national television. If we create something by bringing in the filmmaker to a national talk show, then it goes across the country, which is important. Sometimes national media buys. Papers like *Macleans* and *The Globe and Mail*, which are national papers, hit everywhere at the same time. We want to take advantage of that.

# THE GREAT DECEPTION

We are extremely disappointed that the government has no intention of passing legislation: or would pass something drastically watered down. It's dying a slow death.

A number of Quebec-based companies – Alliance, Cinema Plus and even René Malo – have expanded in anticipation of federal legislation. We have acted very positively. We wanted to be there, to be set-up if opportunity knocked.

I feel particularly disappointed because we were not told the truth. We were called to Toronto and we all went down for Flora MacDonald's press conference and we thought we had something. We went to foreign suppliers and said, 'There's pending legislation. There's no point in making an American deal because it will end up with us anyway.' And basically, we didn't tell the truth.



universal subject and make a very American film into a very international film.

The days of Meatballs and Porky's seem far away as critics bask in the light of the more esoteric Decline, Mermaids, and, to a lesser degree, Night Zoo. But in the heart of the Canadian distributor, the chance of cashing in on a North American success is still the motivating element. They would even say that the Canadian ability to provide commercial successes is the only way to reasonably create room for auteur films.

"Do you believe that outside French-speaking Quebec, the cultural expectations of Canadians are that different from other North Americans? Sure, we have Maclean's, but is it that different from Time? The public doesn't expect to be spoonfed. Films that are small, auteur films, are interesting to a very small public. To base an industry on that would be not only suicide but sheer folly

"It's true, it's not an easy business to make films in Canada. It's a hostile geographic area in which we live. We only have a few months in which to shoot, though in Vancouver it may be different. The investment climate has traditionally not been good to films and the tax

advantages are withdrawn. The market is small. And you don't have access to talent for two reasons: first, because of the money; and second, because of ACTRA's restrictions. You're really competing with a lot of negatives.

"But it can be done. It's a miracle when you connect. I don't know why there is a sort of reluctance in recognizing that commercial filmmaking can be just as positive a factor from an industrial and cultural standpoint as some of the other activities the government pumps huge amount of money into.

"Look at agriculture. If the government didn't support prices, we'd be getting all our grain, chickens and whatever from the U.S. They've got it and it's cheaper. Why can the government not see that we could get our culture from Canada if we subsidize it? Why should farmers be better treated than filmmakers? There are more farmers than filmmakers, and they are concentrated in certain areas so, yes, from that standpoint, I think it's more defendable but I don't think government support is any more logical."

### SAME TIME, NEXT YEAR Day after day, month after month, Canadian

newspapers fail to announce the openings of new Canadian features in our movie houses. There are few to be seen. After all the money spent by Telefilm and all the dollars added by provincial agencies, the Canadian theatrical feature seems all but non-existent.

What has happened to the 79 theatrical features which were produced in this country last year? In theory, three films could open each month, all year 'round! So why do Canadian distributors seem to have so little to work with? The most optimistic scenario about a possible future for Canadian distributors will be in vain if Telefilm policy does not help to rectify the current situation.

Telefilm acknowledged the problem when it created the Feature Film Fund but, according to producers and distributors, the amounts available are far below the amounts required to shore up the theatrical industry and compete in a shrinking market full of American blockbusters

"Next year, production is going to be very minimal. Distribution companies are not going to have Canadian films at their disposal unless something magical happens. The phenomenon of foreign films doing generally less business is

universal too, so most companies are touched by it.

"But remember, just one film a year can put a distribution company in a very positive cashflow position. It's the same for the Majors. Universal hasn't had a hit in three years. But one of these days they are going to zing one, and it's going to make them king of the hill again. It's the same thing in Canada. There are some companies that have a better streak than others, but, generally speaking, the lack of product is very significant."

Meanwhile, distributors wait for a government which is willing to take risks and move forcefully. If Canada is about surviving, the distributors have been a model. By this time, they deserve better. The difference between theatrical distribution and television sales is not simply a difference of venue. There is a basic difference in the quality of the film produced. We do not yet know how the public would react, were it offered a steady stream of viable, Canadian features. We do know that on television, the more Canadian programming is shown, the more the public demands. Like the grain and chickens we consume, Canadians might find the homegrown stuff palatable indeed, given a chance. A last chance. •



CINEMA CANADA