

**Beyond Cultural Imperialism:  
An Industry Comes of Age**

*An address by*

*Robert Lantos, Chairman & CEO, Alliance Communications Corporation, to a  
joint meeting of the Canadian Club and the Empire Club*

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Thank you Nalini. Good afternoon, ladies and gentlemen. I'm honoured to be here. I really want to talk about two things today: first, Canadian storytelling matters to all of us; second, it's good business. In my experience, the two themes are intertwined, and we can all take great pride and pleasure in doing well by doing good.

Last week was a triumphant week for Canadian film, for Alliance, and for all Canadians: a Canadian film received two Oscar nominations.

A home-grown talent, Atom Egoyan, was honoured in Hollywood's inner sanctum for *The Sweet Hereafter*, a \$4 million personal film, without box-office stars, competing against Hollywood extravaganzas. Truly a case of David versus Goliath.

At Alliance, which has backed *The Sweet Hereafter*, as well as Atom's three preceding films, euphoria reigned supreme.

And then, just to cap all the excitement, something happened that seemed to me almost as much of a landmark as the nominations themselves. When Egoyan arrived at the press conference in our studio, a roomful of Canadian media actually applauded. This is something that happens for a Stanley Cup team, or a Tycoon of Industry. Never have I seen it for a Canadian filmmaker. Film? We're supposed to be losers.

Hasn't it been written thousands of times that Canadian films don't work? So when one does work, the standard journalistic angle has always been: What's wrong with this picture?

But last week, something magical happened. At the *Sweet Hereafter* press conference, the journalists forgot their history of professional skepticism. They checked their spears and arrows at the door. And as the media do in other countries all the time, they took a moment to celebrate, embracing our victory as their own. They applauded, they cheered, they smiled. They actually took communal pleasure in the accomplishment.

In classic Canadian tradition, it did take recognition in the U.S. to bring this about. Who even noticed that *The Sweet Hereafter* had won the Genie award for Best Picture? But no matter, they did cheer.

And so, last Tuesday was a dark day indeed for the naysayers. It's going to be that much harder to criticize and complain. I suppose some will still find a way.

They will focus on the film's box-office results, lamenting how it stacks up against Hollywood blockbusters. So let me take this opportunity to deprive them of this, their last refuge, by getting the financial picture straight, right now.

*The Sweet Hereafter* cost \$4 million. Like most films in this country, it was financed through a unique Canadian model of partnership between the public and private sectors.

As of last Friday, *The Sweet Hereafter* has grossed \$10 million (Canadian) at the box office worldwide. All the investors, including Alliance and Telefilm Canada, have earned their money back and more. By the time it completes its theatrical career around the world - and we have sold it in every country where movies are projected - it will have grossed somewhere between \$15 and \$20 million. (Canadian)

It will gross another \$15 to \$20 million via the ancillary markets like video sales, television, pay-per-view, and airlines.

This amounts to somewhere between 7 and 10 times its cost. Now compare that with the typical Hollywood studio picture. These days, they cost an average of around \$60 million dollars (Canadian).

In order to earn the equivalent of *The Sweet Hereafter's* return on investment, these films have to gross between \$400 and \$600 million.

Precious few ever do. It takes a *Titanic*, which is well on its way to becoming the biggest-grossing movie of all time, to make these maths work.

As for the vast majority of the others - not a chance. Yet even this weekend, an article in the Globe & Mail bemoaned *The Sweet Hereafter's* box office, saying it "pales in comparison with the cheesiest Hollywood fare".

This simply isn't true. The Globe chose to focus on the Canadian box office figure of one million dollars to date - and not the global figure of \$10 million. But a million dollars in Canada is a lot better than many American films achieve - most costing huge multiples of *The Sweet Hereafter's* budget.

Since Alliance releases some 70 movies a year, ranging from Oscar winners like *The English Patient* to teenage thrillers like *Scream*, and many of the top European movies like *Trainspotting* and *Il Postino*, we have lots of data for comparisons.

So let me share some unpublished numbers with you. Canadian box office for *Wings of the Dove*, with four nominations, is at par *The Sweet Hereafter*. The new Woody Allen movie, *Deconstructing Harry*, which cost five times as much as *The Sweet Hereafter*, has grossed only half as much in Canada.

And virtually no foreign film ever surpasses *The Sweet Hereafter's* numbers. That includes Oscar-winning hits like *Cinema Paradiso*. In fact, *The Sweet Hereafter* is running ahead of last year's multiple Academy Award nominee *Secrets and Lies*, or another nominee, *Marvin's Room*, which had the benefit of Leonardo di Caprio.

Of course *Scream II* has grossed \$6 million, and so has *Austin Powers*, but so what?

Let's compare apples to apples. The comparison being made by the diehards who are still resisting the applause is to *Titanic*, which cost approximately 75 times as much to make as *The Sweet Hereafter*. And it took two studios to finance it.

Imagine the business risks involved in making these kinds of movies all the time.

No wonder Hollywood only wants movies that can be franchises: spin-offs, sequels, animated versions, rides in theme parks and interactive games.

The bigger the amounts of money at risk, the greater the pressure to reduce creative risk. Car chases work? Let's make sure we put in a few every time. Subplots are too complicated? Let's strip them out. Focus groups don't like a sad ending? Let's make every director cut in a happy ending.

We are simply not in that business.

As the Hollywood studios go more and more into blockbuster overdrive, risking bigger and bigger budgets on safer and safer formulas, they leave the making of films that tell strongly felt stories, by filmmakers with a personal vision, more and more to us.

And as for comparing *The Sweet Hereafter* to *Titanic*- what better way to impoverish the senses than to compare cherries and watermelons, and then to find the cherries wanting on the sheer basis of size. What about flavour, texture, colour and sweetness?

Serious adults around the world are starved for films about human beings.

They may be fewer in number than the popcorn-munching teenagers Hollywood depends on to sustain its extravagant ambitions, but from the United States to Europe to Latin America to the Pacific Rim, audiences are paying to see Canadian motion pictures.

They may not justify hundred-million-dollar budgets, but we don't make hundred-million-dollar movies.

If you add up the total cost of every Canadian film made last year, you won't get to \$100 million.

Measured on the most viable yardstick, return on investment, *The Sweet Hereafter* is a commercial success. And it has managed to achieve this on its own terms, without the slightest artistic compromise, and without forcing its studio, in this case Alliance, to take outrageous risks and to bet the farm to finance it.

We are happy to trade the theme park rides and the lunch boxes for low financial risk and high artistic integrity.

When my friend Atom Egoyan did U.S. press interviews last week after his Oscar nominations were announced, he was struck by the fact that reporters kept asking him whether the honours will mean that he can now make the films he wants to make.

You see, in Hollywood, artistic freedom is something you have to battle for, and Oscar nominations are a useful weapon.

The vociferous spokesman for the American industry, Jack Valenti, always says Hollywood is open to talent from anywhere. And this is largely true, with one caveat: if you go to Hollywood, you have to make Hollywood movies, with all the restrictive formulas that implies.

In Canada, Atom has been free to make his films the way only he can, long before those interviewing him had ever heard his name. Which is precisely why I decided to make Canadian movies in the first place.

Let me give you a little background.

I arrived in Montreal at the age of 14. After growing up in two countries which were not exactly shrines of freedom and democracy - Hungary and Uruguay - Montreal felt like paradise. I felt embraced and welcomed, and I suppose I have been motivated lifelong by an immigrant's gratitude.

Perhaps because I had points of comparison - and unlike many native-born Canadians - I have always believed that this is the greatest country in the world. I believe that the inferiority complex that infects Canadians is the single largest factor that holds us back and prevents us from achieving our full potential as a country.

Some of you may have seen a column in the Toronto Sun recently by Peter Worthington. He was writing about a Canadian television show which he had screened only because someone sent him a cassette and insisted that he watch it. Surprise, surprise, he had found it excellent! Usually, he said, just knowing it's Canadian would be enough to make him avoid it completely. That's his loss.

I'd like to take a moment now to show you a tape. Here's what top-rated prime time television and critically acclaimed films look like in a lot of other countries around the world:

tape

Paul Gross is one of the success stories of our industry: a home-grown star who through a Canadian television series has developed a worldwide audience.

*Due South* is the most popular Canadian series of all time, both at home and abroad. For example, last year it was the top-rated foreign series on the BBC.

So things are changing.

Another example: when Alliance began distributing films in Canada, all the Canadian distribution companies combined had less than a 5% share of the domestic market. Today, Alliance alone has 13%. The Hollywood majors still have the lion's share, but we have been able to gain a significant foothold with independent films from around the world.

Holding Canadian rights to films such as *Pulp Fiction*, *English Patient*, and *Good Will Hunting* gives us the critical mass to secure the best theatres for our Canadian films.

This is how we need to think about our whole industry: use our strengths strategically to leverage our presence and to increase the base. The good news is that we have the skill and the know-how to guarantee returns on investment through the excellence of our product and the growing audiences which it attracts.

The growth of our film and television industry has been staggering, especially in television. Today, more than 15 million Canadians are watching at least one hour of Canadian fiction on television every week: *Emily of New Moon*, *Due South*, *Traders*, *This Hour has 22 Minutes*, *Air Farce*, *Once a Thief*, *North of Sixty* and *Cold Squad* are a few examples. We are now the world's second-largest exporter of television drama.

In Quebec, all the top-rated shows are home-grown. Dramas like *L'ombre de l'épervier* and sitcoms like *La petite vie* all attract huge audiences, handily beating imported programs. A homegrown movie, *Les Boys*, is currently outgrossing *Titanic* with \$6 million at the Quebec box office since Christmas.

For the last three years in a row, our films - *Exotica*, *Crash* and *The Sweet Hereafter* - have won major prizes at the Cannes Film Festival.

Canadian music, magazines and books have never had such high market penetration. Our wines are winning international recognition. Increasingly, "Canadian" is becoming a mark of quality, evoking a sense of belonging.

We are developing a world-class film and television industry.... over \$2 billion worth of production in Canada last year, employing 80,000 people directly or indirectly across

many regions in the country. These are environmentally sound, high-paying, knowledge-based jobs. They are open to young people starting their careers.

Business guru Michael Porter used to call this kind of thing a “cluster”, the very basis for international competitiveness. Nurturing and expanding it should be a priority. This is an area where we can win, both at home and in a global context. The Canadian content industry is disproportionately important to Canada. In the 25 years since I began, we have come from humble origins to a multi-billion dollar industry. We can go much further and carve out a growing domestic and international market share.

Imagine the power of a true industrial strategy concentrated on our strengths in content production.

If you think that sounds unrealistic because of our proximity to the United States, think again.

Of course, if you’re facing the biggest army in the world, you’re not going to win a head-on battle. Guerrilla warfare is far more effective. Victory consists of finding the many pockets in the global marketplace which are receptive to our product – and securing them.

But we need to put our own house in order. Films and television programs are intellectual properties. They cost money, and they earn money through the sale of rights.

Nowhere else on earth do television audiences take for granted their access to foreign programming, to the detriment of their own domestic broadcasting system.

In Canada, not only do we get U.S. programs on Canadian services, we are pretty well alone in getting U.S. networks directly and legally. Now, we also get U.S. satellites illegally.

When I use the word illegal, I’m not referring to people buying dishes, but rather to the delivery services, like Direct TV, which are pilfering copyright by selling programs they do not own in Canada.

There is a certain paradox to the current situation. On one hand, American services are creaming off revenues that are rightfully owed to Canadians through violation of copyright. On the other, the U.S. is the world’s most vocal champion of copyright, and the Hollywood studios have the most to lose if the practices in our backyard become widespread. Remember the American threat to boycott Chinese goods unless China agreed to respect international copyright laws?

If you watch Direct TV in any given month, you will see hundreds of movies offered in Canada to which Direct TV and its programming services such as HBO have no

Canadian rights. Someone else does. For example, this month, Direct TV offers some 300,000 grey-market Canadian customers our movie, *Crash*, on the pay-per-view service.

That's fine and dandy, except that we don't get paid, even though we own the exclusive Canadian rights to *Crash*. This is no more acceptable than taking a stranger's car for a joyride.

As a result, vital consumer dollars which belong inside the Canadian broadcasting system leave the country, and a growing number of Canadians are electronically unplugged from their own system.

Violation of copyright originating from U.S. soil is intolerable. Policing it is Washington's responsibility. And of course, many other Canadian industries stand to lose if we cannot enforce sovereignty of copyright.

The integrity of the Canadian broadcasting system is essential to our national prosperity. The point is not to curb American product, but rather to ensure adequate shelfspace for our own product, here at home. We have every right to that, and an obligation to ourselves to guarantee it.

Some free market advocates ridicule the CRTC for preserving shelfspace for Canadian content. They demand so-called "freedom of choice" in the name of the consumer. The point is precisely to offer the consumer freedom of choice by ensuring that the choices include Canadian voices.

In fact, Canadians have more choice than anyone on earth in terms of television programming... and certainly more than Americans, who are offered almost exclusively their own domestic product only.

Let's take pride in the accomplishments of our industry: from the public sector, National Film Board and the CBC to the private sector, like Alliance, Atlantis, Cinar, Nelvana, Coscient and IMAX, to the hundreds of small independent production companies which are telling stories that attract audiences at home and abroad. None of this would have happened without a favourable political climate and without government support through agencies like the CRTC.

Some of our Canadian free-market champions believe you shouldn't protect yourself. It seems necessary to state the obvious: only idiots don't take measures to ensure their own survival and prosperity.

Americans favour themselves all the time. For example, foreigners are not allowed to own TV stations or networks. When the Japanese grab too big a piece of the U.S. car market, they are slapped with tariffs.

The success of our Canadian industry results from a blend of ingredients: artistic inspiration, business know-how, a willingness to invest and take financial risks, framed by supportive public policy. And in that context, let me take the opportunity to applaud the Minister of Finance, Paul Martin, and the Minister of Heritage, Sheila Copps, for getting their priorities straight and partnering with the private sector to advance Canadian television and film.

Which brings me to the fundamental question: why is this so important?

Canadians spend more than 20 hours a week in front of their television sets. It is their third most important activity, after working and sleeping. The average Canadian 12-year-old spends as many hours watching television as going to school.

English-speaking Canada is the only industrialized country where domestic television is not – by a long shot – the primary source of supply for viewers of all ages.

The people of my industry, as creators of two of the most dominant forms of mass culture, film and television, can provide leadership and inspiration. We can provide shared experiences and images that reinforce our identity.

We can ensure that Canadian kids grow up with stories that are set in a familiar society, with its own geography, climate, politics and values on issues like race, guns, medicine and capital punishment – issues where we don't share the values of our neighbours to the south, and don't aspire to their way of life.

Yet that is the way of life shoved down our throats and, more importantly, our children's throats, on television and in the movie theatres – more so in Canada than anywhere else in the world.

I'm sure many of you have had experiences, as I have, that bring home the problem. Ask your kids to name Canadian prime ministers, without counting Diefenbaker, the dog on *Due South*. They will probably be able to name more presidents of the United States.

Have you ever grilled them on their whereabouts the night before, and had them put up their hands and "plead the Fifth"?

It's this slow suffusion of assumptions, based on a foreign culture and institutions, that will make it difficult to keep and develop all the things we cherish about Canada. We have a right to create a climate which embraces who we are.

We can ensure that our creators have a platform to express themselves, to tell our stories, both at home and around the world.

This does not come cheap - although it's significantly cheaper than maintaining a standing army whose ability to defend our vast country from attack by a superpower is, to say the least, highly questionable.

The really effective defence system is our distinctness. If we value our way of life, we owe it to ourselves to ensure our cultural vitality.

Unquestionably, it would make more economic sense simply to join the United States and forget all this anxiety about who we are. But for me, and I believe for most of you, that's too big a price to pay.

If we are going to remain a country, and I am convinced that we will, then we must have pride and dignity. This we can only have if we have our own identity. Mass culture is the currency of national identity. It's not something static, to be stored in a museum. It's a living, breathing, organic thing, part of our daily lives.

And it costs money. If we are to continue as a nation, then we must have the resolve to invest in our culture, and the heart to protect it.

That heart is beating more strongly all the time. We have proven that we can speak a language that links us. We have proven that we have something to contribute to the world.

And we have proven that we can compete, on our own terms, and win.

Thank you.