

interest and is at risk for a significant portion of production costs.<sup>76</sup>

Over 60 per cent of the feature films produced in the United States were made by independents, which generated close to \$1.6 billion for the United States economy. The independent sectors of the industry consists of individually financed projects with ownership retained by the producers, who license the property to independent motion picture, home video, and television distributors in each country world wide.<sup>77</sup> The American Film Marketing Association (AFMA), founded in 1908 as a non-profit trade association, represents many of the independents. The AFMA is now comprised of 130 member companies, including ones from the U.K., the European Union, Canada, Australia, New Zealand and the Pacific Rim.

Independents have had success in the United States. Their interests are different than those of the majors. It is the success of these feature films that should be of most interest to Canada. Canada's success in the global film market will be based more on its ability to compete with the independents than the majors. This does not mean that independents can never compete with the majors. *The Full Monty*, a relatively low budget independent film, competed against the majors. However, the *Full Monty* was distributed through Fox Searchlight. Most independents, that have garnered significant success, have done so through a major distributor or a subsidiary of a major distributor.

Some of the cost issues that have concerned the Canadian production industry are also relevant in the United States. The cost of film production has risen dramatically in the United States. In 1988, production and distribution costs from major studio films was on average about \$26.5 million; by 1995 this number had almost doubled to \$50 million. The cost of recognized talent has increasingly inflated production costs. These higher production costs present a challenge to a country like Canada, where production budgets are on the decline. While budget is not the only factor that determines success, it certainly has an impact on success.

### iii) *Distribution and Exhibition*

The business of licensing movies for exhibition in cinema houses historically has been handled by distributors, many of whom were operated by major film production studios. By the 1930s, the industry in the United States was vertically integrated. Beginning in the 1940s, the Antitrust Division brought a series of cases against the eight major studios alleging various horizontal and vertical violations of the Sherman Antitrust Act. In 1948 Supreme Court *Paramount Decrees* required that five of the major film producers separate their production and distribution activities from their exhibition activities. In response, between 1948 and 1954, Loews (MGM), Paramount, RKO, Twentieth Century Fox and Warner sold off their theaters.<sup>78</sup>

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<sup>76</sup> AFMA website

<sup>77</sup> Ibid.

<sup>78</sup> Christine Ogan, "The Audience for Foreign Film in the United States," *Journal of Communication*, Autumn 1990, 59.