

***Alliance Atlantis Communications:
The Emergence of a Canadian Contender in
the North American Media Industries***

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Abstract

Using a combination of case study and historical methodologies, this study examines the development of Toronto, Ontario-based Alliance Atlantis Communications, Inc. within the context of a globalized media environment. Specifically, the study identifies and analyses key factors that helped Alliance Atlantis to emerge as a viable competitor in both the North American and international television marketplaces. The in-depth investigation of Alliance Atlantis Communications, Inc.,--one of Canada's most successful integrated distribution-exhibition-production companies to date--illustrates the complex interrelationships between domestic and international economics, government policies, technological innovations, as well as entrepreneurial skills in shaping the development of a modern-day media corporation.

By highlighting key stakeholders, productions, and mergers over the course of Alliance Atlantis' and its predecessor companies' history, the study also considers how the above-mentioned factors have forcibly changed Alliance Atlantis' corporate strategies and its entertainment products. In a broader sense, the examination and analysis of Alliance Atlantis Communications, Inc. provides insights into the transitioning North American and global mediascapes and may prove helpful to other foreign-based production companies struggling to compete within a global market traditionally dominated by Hollywood-based companies.

Overarching Question

What have been the experiences of Canadian-based film and television production companies in the increasingly globalized media economy?

Theoretical Framework

- **Predominantly derived from political economy theories, most notably from the critical tradition.**
- **Policy basis for framework stems from:**
 - The strong long-standing commitment of the Canadian government to protect Canadian cultural interests.
 - The recognition of the economic imperative to take advantage of the demand for media content in both traditional and new formats not only in Canada and North America but globally as well.
- **Also predicated upon the notion that corporations, governments, and populaces still can exert influence upon globalization and allied processes.**
 - Acknowledges the fact that the extent of these various actors' individual and collective influence is situational and may vary widely across cases.

- **Case study**
 - Examination of the development of Alliance Atlantis Communications and its predecessor companies within the Canadian, North American, and global media milieus
 - *Time Frame: Early 1970's to December 2005*
- **Historical research**
 - Selected evidence analyzed:
 - CRTC decisions, hearings, notices, and orders
 - Ontario Film/Media Development Corporation and Telefilm Canada documents
 - Alliance Atlantis Communications' annual and quarterly reports
 - North American media industry trade papers
 - *Cinema Canada, Film & TV World, Playback, Variety, Hollywood Reporter*
 - Newspaper articles

Rationale Behind the Selection of Alliance Atlantis Communications for the Case Study

- **Canadian owned and operated company**
 - Not a U.S. or other foreign subsidiary
- **Company publicly traded**
 - Public status affords greater access to the firm's financial data
- **Company actively involved in the Canadian, U.S. and other foreign markets**
- **Company's history spans 1970's-2000's**
 - Period marked by numerous regulatory, market, and technological changes

Guiding Questions Addressed in the Study

- 1. What role have Canadian, foreign, and international regulatory policies played in shaping the development of Alliance Atlantis Communications and its predecessor companies?**
- 2. What role has the structure and performance of the Canadian, U.S. and international media markets played in Alliance Atlantis and its predecessor companies' development and production activities?**
- 3. How successful has Alliance Atlantis Communications been in the emerging global media economy?**

Canadian Film and Television Landscape

- Cultural and economic mandates
- Relatively small domestic market size
 - English and French language submarkets
- Geographic proximity to the United States = *“Sleeping with an elephant”*
 - “Cultural spillover” from the United States
 - Television, radio, feature films, books, magazines
 - Hollywood-centric global media market
 - Vertically integrated multinational media companies

Alliance Communications' Corporate History

- **Early 1970's:** Robert Lantos and Victor Loewy form **Vivafilm** in Montreal
 - Lantos purchases rights to winning films at the New York Erotic Film Festival
 - Films screened during McGill University's Winter Carnival
 - **Following year:** McGill University declines to sponsor screening of sequel films → Lantos and Loewy opt for commercial release (i.e., birth of Vivafilm)
- **1975:** Lantos partners with Stephen J. Roth to form ***RSL Films (later renamed RSL Entertainment)***
 - RSL initially focuses upon the production of:
 - **Films for theatrical exhibition**
 - **Films for direct-to-video market**
 - **Movies for U.S. premium cable channels**
 - **Television series for U.S. broadcast networks and others**
 - Company specializes in production of low-cost sex-romps, erotic thrillers and mysteries

Alliance Communications' Corporate History

1985: RSL Entertainment merges with Montreal-based International Cinema Corporation (ICC) to create *Alliance Entertainment Corporation*

- ICC specialized in production of English and French language 'hybrid' feature films and television miniseries
 - Company headed by Denis Heroux (Montreal) and John Kemeny (Los Angeles)
- Heroux, Kemeny, Lantos, and Roth are equal partners in the newly formed company

Atlantis Communications' Corporate History

- **1978:** Atlantis Films formed in Toronto by five Queen's University graduates:
 - Janice L. Platt, Michael MacMillan, Seaton S. McLean, Andy Rednick, and Nick Kendall
- Atlantis initially focuses upon producing film adaptations of short stories and other literary works.
- **Mid 1980's:** Atlantis expands into producing television series for U.S. broadcast and premium cable networks.
 - Examples: *Ray Bradbury Theatre* (HBO, USA Network), *Airwolf* (CBS, USA Network)

Major Factors that Influenced the Developmental Trajectories of Alliance Communications and Atlantis Communications During the 1980's and 1990's

Government Regulations and Programs

- Cultural exemptions from CUFTA, NAFTA, and GATT
- Canadian content requirements placed upon Canadian broadcasters and cable networks
- Canadian federal and provincial subsidy programs
- Telefilm Canada and Ontario Film Development Corporation (OFDC) marketing and promotional initiatives
 - *Example: Marketing Assistance Program (MAP)*
- **1995:** Canadian federal regulations changed to allow Canadian media companies to issue up to 1/3 of their voting shares outside Canada
 - **Previous limit = 20%**
 - **New regulations also allow unlimited number of non-voting issues to be issued internationally**

Major Factors that Influenced the Developmental Trajectories of Alliance Communications and Atlantis Communications During the 1980's and 1990's

Technological and Other Miscellaneous Factors

- Growth of cable networks in North America
- Expanding global audiovisual marketplace
 - VHS and later DVD technologies
- Lower overall production costs in Canada than in the United States
- Alliance and Atlantis' ability to produce films and TV shows that are comparable to U.S. productions
 - Productions garnered U.S. and global audiences

Alliance Communications and Atlantis Communications' Activities During the 1990's

Both Firms:

- Involved in production, distribution, and other activities
 - **Production = Primary activity**
- Assume majority/minority interests in Canadian cable networks
 - *Alliance* = 55% ownership of Showcase
 - *Atlantis* = Controlling interest in the Life Network; 28% ownership of YTV
- Expand partnerships with U.S. and other foreign media companies
 - **As of November 1995, New York-based Interpublic Group of Companies owns 19.99% of Atlantis Films**
 - **1987: Alliance merges with Canadian-owned, Los Angeles-based Robert Cooper Productions**

Television enters the “New Millennium”

- ***The Digital Revolution***
 - International growth of Internet-based services
 - Impending North American changeover to digital television broadcasting
- **Deregulation and trade liberalization**
 - 1991-1995: Relaxation and later elimination of the Financial Interest and Syndication Rules (Fin-Syn) in the United States
 - Rules originally implemented in 1970, prohibited networks from:
 - **Holding a financial interest in the television programs they aired beyond first-run exhibition**
 - **Creating in-house syndication arms, especially in the domestic market.**
- **Global media consolidation**
 - Multiple mergers and acquisitions within domestic markets and across borders
 - Vertical and horizontal integration

Television Enters the “New Millennium”

Major Changes Occur in the North American Television Market:

- **Networks emphasize low cost, high margin programming**
 - **U.S. broadcast networks drastically reduce or stop airing “movies of the week”, miniseries, and other “event” programming**
 - **Growing popularity of “factual”/reality programming with viewing audiences**
- **Change of ownership and “rebranding” of numerous cable networks**
 - **Rebranding efforts affect the types of programming aired**
 - **Attempt to make networks profitable**
 - **Narrowcasting = Smaller audiences**

1998: Merger of Alliance Communications and Atlantis Communications

Atlantis Communications

- Production expertise in:
 - Children's programming
 - Science fiction-themed programming
- Television distribution expertise (Atlantis Releasing)
- Ownership interests in Canadian cable networks (e.g., Life Network, HGTV Canada) as well as other Canadian media companies (e.g., Great North Communications, Salter Street Films, Soundmix)

Alliance Communications

- Production expertise in:
 - Drama programming
 - Movies-of-the-week, miniseries
- Selected programming aired on U.S. "Big 4" network primetime schedule (e.g., Due South, various miniseries, MOWs)
- Film, television, and video distribution expertise
- Ownership interests in Canadian cable networks (e.g., Showcase)

1999-2000: Initial Repositioning and Re-engineering of Alliance Atlantis Communications

- Refocus company from a *production-centered* media enterprise to a *distribution-centered* (i.e., broadcasting) enterprise
- Emphasize branding, packaging, marketing of audiovisual products
 - Enter into partnerships with well-known “brands”
 - National Geographic
 - BBC
 - Food Network
- Actively pursue “attractive” broadcast assets
- Concentrate in-house production upon children’s programming and non-fiction documentary programming

"We expect that our Broadcast Group, by virtue of our clearly defined and vertically-themed channels, will be the most important engine of growth for Alliance Atlantis in the years ahead. It is in this core business that management's time and the Corporation's capital will be concentrated."

(Michael I. M. MacMillan, "Letter to Shareholders," in *Alliance Atlantis Communications Inc. 2000 Annual Report*, p. 12).

2001-2006: Alliance Atlantis Continues Repositioning and Re-engineering Efforts

- Alliance Atlantis' changing focus is reflected in name changes within the company
 - *Television Group* renamed *Entertainment Group*
 - *Motion Picture Group* renamed *Motion Picture Distribution Group*
- FY 2004 "Strategic moves"
 - Alliance Atlantis largely ends in-house production activities
 - *Exception: U.S.-produced CSI franchise*
 - Launch of the Movie Distribution Income Fund
- Emphasis upon "improved shareholder returns"
 - Engage in low-cost, high-margin activities

Alliance Atlantis Communications in 2006

- **Leading vertically integrated media company**
 - **International presence**
 - **Active in the United States, United Kingdom, Spain, and other foreign markets**
 - **Film and television library marketed globally**
 - **Strategically positioned for the next phase of the *digital revolution***
- **Remains a Canadian-based and Canadian-controlled media enterprise**
 - **The Company has successfully competed head-to-head with U.S. and other foreign media companies**

Impact of Alliance Atlantis' Reorientation for Canadian Culture

- Loss of significant producer of Canadian-themed drama produced for the Canadian domestic market
- Alliance Atlantis' response = *Contribution to Canadian culture through our channels*

We are very proud of the important contribution Alliance Atlantis makes to Canadian culture. Nowhere is this more evident than in the programming we commission from a wide range of Canadian producers and offer the viewers of our broadcast channels. While we have largely exited the in-house production business, Alliance Atlantis continues to make a significant and increasing financial and creative contribution to the Canadian production community every year by acquiring, commissioning and airing of original Canadian programming for our specialty television channels.

(Michael I. M. MacMillan, Message to Shareholders, Alliance Atlantis Communications Inc. 2004 Annual Report, p. 8).