

Expanding Competition in the International Market —An Industry Perspective

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Films and television programs are fragile creations. Perhaps that is why making a truly fine movie or television program is so very difficult to achieve. But it is the movie and television program that the customer wants. No family buys a delivery system, whether it be a movie theater, or a cable system, or a videocassette recorder. What the customer buys is a program—something exciting, something entertaining. Network television, VCRs, cable, direct broadcast satellite—these are conduits, transportation systems which convey the program to the customer. Often we, the industry, confuse conduit with program, but the customer is not confused. The customer knows precisely what is attractive and valuable.

An individual who loves to read, who is infatuated with the simple English sentence, who admires so warmly and greatly a superior movie, I view with respect the ability of a movie to hold an audience entranced. To transport a viewer to a distant, strange and enchanting place for a couple of hours, to cause that viewer to cry, to laugh, to be held in suspense, to share romance and tragedy, is the most exciting of all the art forms.

That is why I believe that the quality of the movie-going experience is responsible for the ascending curve of movie attendance in most parts of the world. A movie must be one that people want to see. The theater must provide that movie goer with the best in accommodations. In short, the theater must provide the viewer with an epic viewing experience that cannot be duplicated in the living room or the den. In a darkened theater, when what is happening on the screen collides with an audience and sparks fly up, you have a hit.

Since the time of the ancient Greeks whose playwrights captivated audiences in the great amphitheaters, people have sought to be entertained. This is an ageless, unchanging human desire. It is as alive today as it was 2,500 years ago. In spite of the ferocious competition for the attention and favor of the viewer, the cinema flourishes. That is why the American cinema box office rose to an all-time high in 1987, with approximately \$4 billion in box office receipts. Around 23 million people a week attend U.S. movie theaters. Obviously this cannot compare with the weekly attendance figures of 80 million before the appearance of television 40 years ago. But it is a monumental achievement today.

Generally speaking cinema attendance is up around the world, though there are some nations where there is no increase. But this is due usually to, first, the lack of attractive pictures produced by native producers, and second, the absence of a large number of first-class theaters.

Many exhibitors throughout the world have come to understand a simple equation: If you can fill the customer's needs by offering him or her a terrific viewing excitement, business will multiply. In the United States, there were 22,275 theater screens in 1987, an increase of 48% over the last 10 years. Most of these new halls are comfortable, clean, with large screens and four-track, six-track stereophonic sound, seating 250 to 700 people. As a result, when customers come to the theater, they are involved in a social experience that they find to be fun and wonderfully alive. We have seen the result of new "screen builds" in Great Britain. Some years ago, Britain was in the depths of a sour and draining loss of cinema attendance. With the new screens, however, there is a renaissance of cinema viewing in Great Britain. Wherever there is new building, or renovations of theaters, attendance rises.

But there is another reason also. The creative process is mysterious, strange, unfathomable. No government can order a great film to be made, or to coerce audience from attending a movie that people perceive to be good. Yet, the process is maddeningly imprecise. No one wakes up in the morning and says "today, I'm going to make a bad movie." Yet it happens. For between the idea and the finished print so much can go wrong and often does. Out of every 10 films produced by the major U.S. studios, only two ever recoup their total investment from theatrical exhibition in the United States. And six out of every 10 movies never retrieve their total investment in all markets in the world. That is a piece of humbling arithmetic, but it is a fact. Therefore a major cause of increased box office is the increased number of good movies in the marketplace. There are the kind of films that people want to see, and after watching, they tell their friends "you have got to see this movie, it's terrific." That is the best advertising.

But the industry does have long-term problems. The major pain we suffer is piracy. In the last 10 years, this contagion has surfaced in markets on every continent. It threatens the very fabric of our business. The MPAA has mounted a worldwide attack on piracy. We are spending many millions of

dollars to combat it. We have deployed antipiracy forces in over 41 countries. We have allied ourselves with other producer countries, joining with them in their efforts to bring piracy under control. While we are making progress, I cannot warrant we will succeed in demolishing this monster. Like violent crime and drugs, the best we can hope to do is bring it down to acceptable limits. To that end we are determined we will succeed.

In Japan, it is estimated that U.S. films are losing some \$200 million at retail value in the home video market due to piracy. This is the largest hemorrhaging we confront, except in the United States, which is the largest market in the world.

Internationally, we are fighting to stem piracy in the Philippines, in other nations in the Far East, in Latin America, and in western Europe. In the Middle east, piracy is almost out of control. We have a presence in Egypt, Kuwait, Jordan, Cyprus, and Turkey. Compounding the piracy problem is the lack of stern and effective copyright laws in too many countries. We are working closely with local producers and local lawyers to try to convince their governments it is in the best interest of that nation to refurbish copyright laws so that they work.

Next to piracy, our biggest problems are nontariff trade barriers. Through the most ingenious kind of trade hedgerows, some nations try to restrict the free entry of American visual material, under the theory that if the American movie can be suffocated or exiled, the local film industry will become healthy and robust. The fact the theory is spurious does not diminish its popularity.

Yet, if the American movie is popular in many nations, it is because local citizens make their own decisions about what movies they want to see. It is the local citizenry casting their votes, not the American film industry. Voltaire was right when he said he would put his reputation as a playwright in the hands of Parisians. If one of his plays failed, it was probably a bad play. If it attracted Parisians to the theater, it was doubtless a very good play.

All the American industry wants is a chance to compete. We will put our future in the hands of the local movie-going public. Let Canadians, Italians, Koreans, Belgians make their own decisions about what they want to watch. Japanese cars are selling in the United States for no other reason than Americans like to drive them. I tell my U.S. automobile friends, "you want to increase sales, then make better cars and Americans will buy them." Simple as that. That is why we have tried to convince the American Congress that we only ask for fair treatment. We want the same access to foreign markets that foreign businessmen find so alluring in ours. New trade laws emerging in the United States should put heavy emphasis on fair trade, and that is all that we ask.

Other problems stem from the new technological discoveries, as well as the incompatibility of new systems with old ones. New technology will have a radical effect on how people will see entertainment in their home, and in the theater.

In the past 15 years, the direct broadcast satellite industry has sprung up. When satellites jostle with each other 23,000 miles above the earth, in geosynchronous orbit, there will be a traffic jam in the sky. Each of these satellites will have the capacity to rain down programs by the thousands at the speed of light. In time, when satellites are riding in the Ku Band, the home viewer can have a little dish in his attic or a smallish rectangular stem on the roof enabling the viewer to fetch from the sky any one of a thousand programming options.

In a few years, a system will evolve which will allow a single motion picture print to be hurled to individual theaters where, in marvelous fidelity to sight and sound, the movie will be exhibited to cinema audiences. Think of the savings in print costs this will allow. Digital technology is waiting just over the horizon. No longer will a camera be needed. A computer will record the scene and the finished print will be projected to a screen with a million little crystals, each one lighting up on command from the computer, to display a picture absolutely impeccable in quality.

High definition television is also waiting in the wings. Currently, there are no worldwide accepted standards. Right now meetings are being held all around the globe seeking a solution to this problem. HDTV creates a compatibility problem. Right now the Japanese system does not allow a current television set to project a picture in HDTV. The new set is not compatible with the current system. With some 180 million television sets in American homes, lack of compatibility exposes a tough dilemma. How to have HDTV enter the home and still use the family television set—that is the key riddle that must be solved.

Then there is cable. We have some quarrels with cable right now, only because cable is a monopoly in the neighborhood with government-granted privileges, giving it a competitive advantage over other delivery systems. We are suggesting that cable be treated like its competitors and be shorn of its artificial advantages. Competition is the one element in the marketplace that is valuable. We believe that competition must be preserved in every market, in every delivery system, in every country.

How this all will affect our future, I don't know. But I do know that the cinema will not die, it will prosper. This is because of the human condition. No one wants to be umbilically connected to an electronic box in the home every night. Human beings want to get out of the house frequently. They want to participate in a social experience. That is why the cinema is here to stay. Human desires are stronger and more enduring than any technology.