

World Forum on Strategy and Finance for Cinema
2nd edition

UE/EASTERN COUNTRIES "EAST DORADO", 21 OCTOBER 2007

Conference Report



An event organised by



And



Opening remarks by Giorgio Gosetti, Gaetano Blandini and Alain Modot

The "World Forum on Strategy and Finance for Cinema" 2nd edition was born from the consideration that we do not know much of European Union neighbouring countries such as Russia and Ukraine and we do not know to what extent European cinema is known in the Eastern countries. Does the European Union have the capacity to implement a truly "European culture"? There are important bridges to be re-built between the European Union and the Eastern Europe, countries that used to collaborate more often in the past. Such relations and exchanges have not only a cultural dimension, but also an economic one, considering the big markets these areas respectively represent. Just before the Lisbon Conference at the end of October, the "World Forum on Strategy and Finance for Cinema" offers a platform of collaboration between Western and Eastern professionals.

Round table N°1 : *Production and co production with Eastern Countries. Do we need a political and legal framework? Are the existing agreements efficient? Bilateral/Regional/European: What are the right tools for developing both markets?*

Moderator: **GIACOMO MAZZONE**, Director of Strategic Audit - European Broadcasting Union

Sergey Lazaruk, Head of International Department - Ministry of Culture and Deputy General Manager - Federal Agency of Culture and Cinematography (Russia)

Does Russia need a co-production agreement with Europe?

Russian cinema industry has switched from a complete governmental dependence in Soviet times to an intensive digital production at present. A bill passed in 1996 opened up the rules of the game. Last year, the Russian Government - The Cinema Department, Ministry of Culture - has assigned around 100 million euros for film production, including the international co-production (animation, documentaries and feature films). However, regarding the financing available for the international co-production, certain restraints apply - the maximum governmental financing for an international co-production project does not exceed 1 million euros.

140 million cinema tickets were sold and 105 feature films were produced during the same year in Russia. Year 2000 was very successful for Russian cinema in terms of blockbuster production. The major part of cinema profits comes from Russia, Ukraine and Kazakhstan markets. The most important Russian overseas market is the Ukraine. The Russian Government has renounced the ownership of film studios with the exception of Mosfilm studios. Nevertheless, by the year 2012 the totality of the studios will become private and switch to the digital mode. As far as the Russian and European Union cinema relationship are concerned, the collaboration level is rather low. The European Convention on co-production has set the basis but it is not being fully exploited. Italy was the first European country to sign a co-production agreement with Russia, but the discussions were very lengthy. Also, the pace of collaboration has slowed down recently. At present Russia has some co-production agreements ready to be signed with France and Germany. Russia is a powerful cinema producer and has vast resources for that, therefore the cooperation with European countries must be put more into action.

Aviva Silver, Head of Media 2007 Programme - European Commission Program.
Europe as a new partner? Media 2007

MEDIA provides international action line and cooperation agreements are set up with third countries, but full participation in the programme is still limited and based on the acceptance of the European audiovisual *acquis* (country or origin principle, ratification of the UNESCO convention on cultural diversity, absence of audiovisual agreements in the GATT framework...). For 3rd countries that do not participate in the programme, there are possibilities of cooperation, but it depends on the action line concerned (for example "European films in the world" may interest non EU festivals and exhibitors).

Furthermore, the European Parliament is considering increasing MEDIA budget for international actions, particularly on the following action lines: training, support to sales agents and support to exhibitors. The vote will take place at the end of October 2007 in the culture committee of the European Parliament and may be available in the 2008 Media budget.

Clare Wise – Head of international UK Film Council (UK)
UK experience with Eastern Countries

The support to co-productions is a privileged activity of UK Film Council. The main co-production requirement is film conception, which should meet certain expectations. Usually co-productions are done because of artistic and creative reasons, but also to attract public support. However in the UK, notably with the tax scheme, films need to be qualified as British, which is restrictive.

In the last 2 years, 67 co-productions have been set up, 30% of which with Eastern Europe, under the European Convention on cinematographic co-production. Between 2003 and 2005, the UKFC has reviewed most of the existing co-production agreements and terminated most of them (yet the one with France still exists). Globally, the UKFC's policy is to act in a larger European perspective, under the sole scheme of the European Convention.

(The tax scheme launched in the UK has had some negative consequences on co-productions and relations with European partners, therefore it will be modified soon).

UKFC also supports exports (support to the presence of talents and sales agents at Eastern festivals like Karlovy Vary, for instance), and on that matter, Russia is a priority territory of economic and cultural co-operation for UK. On the other hand, Russian production is also considered with interest, as illustrated the 1st Russian film festival recently organised in the UK.

Gaetano Blandini, Director General for Cinema, Ministry of Culture (Italy)
Is a fresh new Italian policy with Eastern countries possible?

It took a long time to discuss and finalise the co-production agreement with Russia but it has now been signed. Russia would be a very important partner of co-production, considering various factors such as lower labour costs. Nevertheless, at the moment there are no ongoing co-production projects with this country. Giuliano Montaldo's film "San Pietroburgo" (2007) could have been a co-production: in fact, only a service contact was involved.

Globally, Italy invests less in co-production than France does for example, but some steps are being taken, with eastern co-production partners like China and India. Italy is also collaborating

with many eastern countries: co-production agreements exist with Albania and Croatia, as well as with the Republic of Macedonia (but the last one is not applicable yet). With Bosnia, a proposal was sent in 2005 to update the previous agreement (1968) existing with the former Yugoslavia, but no answer has been received yet. With other countries such as Latvia, Lithuania, Moldova, Ukraine no agreement exists yet. Co-production is among the core activities promoted by Italian cinema policy, but more substance and concretisation should be given to these agreements.

What is missing in order to foster co-production, notably in Italy, is the lack of concrete experiences, to switch from simple service cooperation to real co-productions, which may eventually bring corrections and improve the current formal agreements. On the other hand, Italian producers have shown little interest in these co-productions and awareness may be improved towards them. It echoes the situation from the French perspective: Unifrance is active in the promotion of national films abroad, but the co-productions with Eastern Europe and Russia are quite rare.

CONCLUSIONS of ROUND TABLE N.1

The necessity of co-production between Europe and Eastern countries is a major issue for several European countries: some, like France and Russia have been already collaborating in cinema, however co-production must be intensified. Therefore it is of major importance to bring together different cultures and their filmmakers (Clare Wise) as well as to strengthen the public support (Aviva Silver).

Round table N°2: Financing co-productions between East/EU. Good deals, bad deals!

Moderator: **PHILIPP KREUZER**, Deputy Managing Director and Producer – Bavaria Pictures GmbH

Marina Pork, PR Director – CTC Network (Russia)
Are Russian channels interested in European Cinema?

The role of Russian broadcasters should be considered as an important issue in terms of cooperation between Russia and EU countries. CTC is a broad entertainment channel network, providing its viewers with a large quantity of feature films at prime time (starting at 9 pm) mostly Hollywood productions: romantic comedies and dramas of family values, etc. The film "What women want" is a good example. Still, 10% of the broadcasted films are European, some with remarkable rating success ("Paris Je t'aime" made 23%), yet it usually targets a more intellectual public. Popular French films, like "Taxi" or "Asterix and Obelix" are also highly appreciated by the viewers of CTC. Art-house films, the film festivals laureates are also available from 11 pm including film's brief presentation and a short discussion afterwards. There is a specialized channel devoted for culture and financed by the government, which also shows a considerable quantity of European films. This year 32 European films and 5 series have been broadcast: they represent 5% of the programming grid.

Speaking about the co-production opportunities: small projects with a minor financial risk should be considered. In any case, if European professionals want to co-produce with Russia, they should definitely take Russian broadcasters into consideration.

Olivier Zegna-Rata, Director External Relations– Canal Plus Group (France)
The place of Eastern films in Canal Plus policy

Canal Plus is both an editor-broadcaster and a distributor. Its channel specialised in Cinema, "CineCinema", broadcasts about 400 films per year. Cinema is a strategic asset for the Group, since it brings about 50% of its revenue. Canal Plus subscribers are not only interested in major US and French blockbusters, but also in discovering some other different cultures. In this context, there is room for Eastern productions (previously released in theatres), which have proved successful: Canal Plus will organise 2 special weekends on Russian cinema in 2008, and is developing projects, which are partially shot in Russia (Moscow, St Petersburg...). But Canal Plus's policy is also driven by the regulatory context, i.e. the obligation French broadcasters have to broadcast a certain quota of national and European films.

Caterina d'Amico, CEO - RAI Cinema (Italy)
Rai Cinema's co-production with Eastern Countries

Rai Cinema has existed for 8 years; it has already been involved in co-productions with Eastern European countries, but is mainly a financial co-producer rather than an executive producer. The cooperation with Eastern cinema exists, there are however no co-production projects "on stage", Russian producers showing no interest and rather preferring to provide services locally. Moreover, from the point of view of Italian filmmakers (and broadcasters) co-production is seen as increasingly difficult, where the return does not justify the investment. The film by Aleksander Sokurov "The Sun", a Rai Cinema co-production, has never been broadcast. Russian films such as Sokurov's or Sergey Bodrov's "Prisoner of the mountains" are films that Italian TV is not interested in broadcasting.

Roberto Olla, Administrator - Eurimages
Europe as a new partner?

Eurimages programme has 46 member countries, but countries are free to decide to participate financially to the fund. At the moment, 33 countries are taking part in the fund. Russia and Ukraine are not included. Eurimages disposes of an annual budget of 22 million euros and can provide up to 20% of total financing per film. It is possible for Russian or Ukrainian producers to be associated with the fund, yet their contribution must be capped at a maximum 30% of total budget, and there must be 2 other co-producers from countries financed by Eurimages. However, the financing support is a loan and must be returned from the film income, therefore Russian or Ukrainian producers will not be able to be direct beneficiaries. Eurimages also applies some positive discrimination criteria, which favour projects coming from other than the 5 biggest audiovisual European markets.

Viacheslav Telnov, CEO - Lenfilm studios (Russia)

Lenfilm studios are among the most ancient Russian studios. In its 90 years history these studios have been the venue for cooperation with Western producers, either by offering technical facilities or in the framework of real co-productions. These studios remain open to collaboration with European producers: Russian culture offers many stories and characters that could interest western producers. It is essential to strengthen the creative dimension as well as the financial aspect of cooperation.

Oleg Kokhan, President - Sota Cinema Group (Ukraine)
Ukraine, another frontier?

Considering the present controversial, transitional political situation in Ukraine, international co-production becomes more complicated; in addition there are several protectionist Ukrainian laws that make co-production even more complicated. At the moment, Ukraine is mostly known for the technical services, which can be offered to film productions. Much financing (10 million dollars in 2007, rising to 18 million dollars in the coming years) is provided by the public sector, which thus may impose its rules. The State contribution in films' budget varies from 50 to 70%, therefore it is possible to state that in Ukraine cinema is not made by independent producers but still by the State. There is no clear international co-production project, however Italy is the most considered co-production partner, along with Poland. The next Zanussi film will be a Ukraine-Poland co-production with a probable Italian participation. The 1st step in order to implement coproductions will probably be to get closer to the European audiovisual acquis.

CONCLUSIONS of ROUND TABLE N.2

Eurimages Programme does not directly benefit Russian and Ukrainian producers since these two countries do not participate in the Eurimages fund. Still, they can take part in co-production projects, but with a maximum of 30% of the total film budget (Roberto Olla).

In countries such as Ukraine, international co-productions are hard to organise due to the major government role in the national cinema (from 50 to 70% of the films' budget). In Russia, co-production examples exist with different European countries. In this framework, nowadays, the broadcasters' role should be seriously taken into consideration, offering opportunities notably to small projects (Marina Pork). European broadcasters such as Canal Plus are interested in Eastern films, even though the regulatory framework constitutes a restraint (Olivier Zegna-Rata); in Italy, the context seems to be less favourable since even Rai Cinema co-productions with Russia are not broadcast on Rai channels (Caterina d'Amico).

Round table N°3.: Distribution and sales

Moderator: **ALAIN MODOT**, Vice President – Media Consulting Group

Dennis Ivanov, CEO - Art house traffic (Ukraine)
The place of European films in Ukraine

If there is to be an "East dorado" for European films, not all of them will be successful. In the last 7 years, recovering from the crisis, the Ukrainian market has boomed: from 1,5 million \$ box office in 1999 to 45,5 million \$ in 2006; the number of cinemas has been multiplied by 10 in 5 years, to reach 145 in 2006. There is also evidence of Ukrainian audience loyalty towards European films: viewers declare preferences to Russian films first (43 %), US films (16%), Ukrainian films (15%), and then European ones (8%). Among the 240 films released in 2006, 5 were Ukrainian, 134 American, 32 Russian and 20 from Western Europe (18 French, 1 Italian, 1 German). The good French performances are linked to the efforts of French organisation like Unifrance to promote their films.

Main tendencies for the future of European films in Ukraine:

- Number of direct deals between the EU-countries and Ukraine is increasing.
- Extending network of multiplexes in the largest cities allows screening of progressively more independent films.
- Growing foreign distribution support encourages showcasing of foreign films in the local film market.

Armen Dishdshyan, CEO - Central Partnership (Russia)
Selling European films on Eastern market: keys of success?

A brief overview of theatrical distribution in Russia shows an increasing number and a good box office for Russian films, whereas the share of foreign non-US films has decreased. The box office (2006) is divided up as follows: 74% US, 23% Russia, 3% Europe. The box office returns show a real boom: from 20 million \$ in 1998 to 455 million \$ in 2006 (106 million\$ on Russian films), with projections indicating 840 million\$ (605 million\$ on foreign films) by 2009.

Several keys of a successful distribution of European films in Russia can be identified: sequels and prequels of successful films have good chances of success along with a well recognized brand, a well planned and executed promotion, support from producers/distributors and countries' film organizations and /or the support of film festivals (international and local). In order to bring back European cinema to Russia there are the three key-factors: more film festivals and film retrospectives, a close collaboration with local distributor in promoting the films and co-production with Russian producers.

Laurent Danielou, Managing Director - Rezo Films International (France)
What marketing: where are the markets? The best selling organisation

Beyond the boom in admissions, Russian cinema is famous for its richness and great variety, the quality of its production as well as its organisation according to "genres" (different from the European "author" touch). The market is so big that there is room for more European art house films. Co-production is more likely to flourish in art cinema. In terms of approach, today it is still better to sell the film to one Russian distributor, who will cover all of the CIS.

Raisa Fomina, General Director – Intercinema (Russia)
The art of selling Eastern programmes on EU markets

The most important task of Intercinema is the promotion of Russian cinema abroad. It is important to underline that having one large agreement that covers all Europe is always better than to have plenty of local deals.

Russia is a powerful cinema producer. However the majority of Russian films are only interesting for local audiences. Local success does not automatically mean success abroad, and the experience shows that "average" eastern film works better internationally. To be able to successfully introduce a Russian film abroad, very high artistic film quality is necessary and there are very few Russian films that meet this requirement. There are several examples when very high budget Russian films did not get any recognition internationally which only confirms the importance of artistic film aspect.

Film festivals play a very important role in achieving an international success and acknowledgement for Russian cinema; prizewinning films rapidly gain popularity internationally. It must be noted that the Russian Ministry does not support film exportation. As far as TV broadcasting is concerned, films only reach European TV when broadcasters have co-produced the movie.

Considering the risks taken, Intercinema usually does not work with MG, but mainly mandates, and only on a few movies.

Alessandro Battisti, President – Cinecittà holding (Italy)
For a better distribution of Italian films on Eastern markets
(Extract from Mr. Battisti written account, distributed to participants)

Eastern countries have offered significant opportunities for European cinema in the past years: in fact they have been showing a deep interest for the main European cinematographies, among them Italian cinema. The role of festivals is essential to support and promote our cinematographies, for instance the Moscow Film festival or Karlovy Vary: the latter hosted in its last edition 13 Italian movies, among which "Centochiodi" by Ermanno Olmi and "Mio fratello è figlio unico" by Luchetti.

CONCLUSIONS of ROUND TABLE N.3

In Ukraine, the market boom of the last 7 years allows an increasing number of direct deals with European countries. Moreover, the extending network of multiplexes in the big cities allows screening of progressively more independent films, even though at the moment, US films have the biggest market share (Dennis Ivanov). In Russia, the 2006 box office shows a similar situation: 74% of US films *versus* 3% of European ones. Several keys of success for a better distribution of European films can be identified, among which a good support from countries' film organisations and also well planned film promotion (Armen Dishdishian). The film festivals role is important for Russian cinema acknowledgement as well: a local success does not automatically mean a success abroad (Raisa Fomina).

Round table N°4: Promotion and advertising movies. Key festivals

Moderator: **DEBORAH YOUNG**, Director – Taormina Film Fest

Roberto Stabile, Head of International Department – ANICA (Italy)
Italian and European Films promotion on Eastern Markets

Italian Films take the 4th position in Russian box office, but far below US, local and even French films. For example, 8 Italian films were bought in 2004, but only 4 distributed, without great success (Italian films are distributed with a maximum of 10 prints). An opportunity has been missed, but some moves are being made, since not only films are presented at the Moscow festival, but the film commission also attend the event today, in order to attract production and promote facilities in Italy.

Sitora Alieva, Programme Director – Open Russian Film Festival Kinotavr (Russia)
Promotion of European movies in Eastern festivals

The international Film Festival Kinotavr gives an opportunity also for small non-commercial film festivals to reach cinema screens. It's a major gateway to reach moviegoers, for films that do not reach mainstream theatres. European cinema is only popular in Moscow and St Petersburg where cinemagoers are more educated. Moscow also organises a European Cinema Week. The expansion of Eastern cinema worldwide is also complicated from an economical point of view: only stabilized economies can permit themselves to intensively promote their cinema abroad.

Mirsad Purivatra, President -Sarajevo Film festival (Bosnia)
Small countries/ good festivals

Sarajevo film festival is one of the most important regional festivals in the South-Eastern Europe, emphasising regional cinema (from Austria to Turkey). Since the Balkan war, the Festival has developed significantly especially because of a proper exploitation of creativity. (e.g. buildings damaged during the war serve as screening venues). It is also aimed at presenting Eastern films to the West. Today, it attracts about 10 000 visitors, and 1000 professionals. It is now organised in 3 sections, the competition (the programming of which has widened, to include not only feature films but also documentaries and short movies), the industry section (with co-production meetings, work in progress workshop, Cinelink, which proved successful since 70% of the presented projects have found financing and entered into production); and finally the education section, with Sarajevo talent campus. Efforts are now being made to attract the attention of public TV channels, so that they buy the rights of the films in competition for screenings at prime time.

CONCLUSIONS of ROUND TABLE N.4

Film festivals play a very important role in film promotion and have tremendously developed in the last 15 years thus increasing the opportunity of multinational cinema exchange. Film festivals such as Kinotavr in Russia or Sarajevo in Bosnia give the opportunity to small non-commercial films to reach the screens. Sarajevo Film Festival is trying to draw TV channels attention towards European films, in particular towards films coming from the Balkan area (Mirsad Purivatra).

FINAL CONCLUSIONS

- Eastern markets should not only be reduced to Russia: other territories are showing incredible vitality and appetite for foreign cinema.
- The legal framework (notably concerning co-productions agreements) must be developed, and not only rely on bilateral treaties that do not always have a concrete existence. Europe already offers opportunities, in the framework of MEDIA 2007 and Eurimages programmes but also in the framework of the European Union's neighbouring policy.
- Awareness and use of the different existing funds could be improved.
- Broadcasters are playing a key role in promoting diversity and foreign cinema. They should be more involved, notably thematic channels focused on cinema and culture.
- Distribution and sales are key factors for success. Public support to encourage a better marketing and promotion should be reinforced.
- Film festivals play an important role in film promotion and facilitate the distribution of Eastern films in Europe as well as of European films in Eastern countries.
- If it is too early to mention an "east dorado" on the financial aspect, yet there is room for improving cultural exchanges.
- Cooperation and exchange between Europe and Eastern countries is a necessity not only for economic or financial reasons but also for democracy, culture and peace.