13th Annual
Europa Cinemas Conference

Paris
13th -16th November 2008

Report of the Debates

(With the Collaboration of Pierre Eisenreich)

With 1 945 screens in 43 countries,

Europa Cinemas is the first international film theatre network

for the distribution and exhibition

of European films.

With the support

of MEDIA and Euromed Audiovisual II (European Union),

Centre National de la Cinématographie (France),

FFA (Germany),

Eurimages (Council of Europe)

and French Ministry of European and Foreign Affairs.

Thursday 13 November 2008

PREVIEW SCREENINGS OF EUROPEAN FILMS

The Conference began on Thursday 13th with the screening of 10 European films

Bahrtalo! (Good Luck!) by Robert Lakatos (Hungary) - Europa Cinemas Label Karlovy Vary 2008
Hooked (Pescuit Sportiv) by Adrian Sitaru (Romania)
Bullet in The Head (Tiro en la cabeza) by Jaime Rosales (Spain)
Involuntary (De Ofrivilliga) by Ruben Östlund (Sweden)
Louise Michel by Gustave de Kervern & Benoît Delepine (France)
Machan by Uberto Pasolini (Italy / UK) - Europa Cinemas Label Venice Days 2008
No Pop-corn on The Floor (Une saison sans pop corn) by Gaël Mocaër (France)
Jerichow by Christian Petzold (Germany)
Revanche by Götz Spielmann (Austria) - Europa Cinemas Label Berlin Panorama 2008
Pranzo di Ferragosto by Gianni Di Gregorio (Italy)

Friday 14 November 2008

LAUNCH OF THE EUROPA CINEMAS CONFERENCE

Claude Miller (Director, Europa Cinemas' President)
Véronique Cayla (General Director, National Film Centre, France)
Christophe Forax (Member of the Cabinet of Mrs Viviane Reding, European Commission)
Peter Dinges (General Director, Filmförderungsanstalt, Germany)
Claude-Eric Poiroux (Europa Cinemas' General Director)

CLAUDE MILLER:

The 13th annual Conference demonstrates once again the loyalty of the network members who attend in ever increasing numbers each year. Let us congratulate the arrival of exhibitors from around forty different countries from Europe and far beyond. The underlying hope is that the ideas and conclusions from the debates at this year's conference should radiate far beyond this event.

For a director like me, each new film presents a risk; that of being ignored by the public. We realise that at the time of its distribution, our work is no longer in our hands. This is the time when you, the exhibitors, become our key allies. Stating the importance of the ties that bind us is what this Conference will highlight.

It is a euphemism to say that times are hard. Current global concerns outstrip the cinematographic sector. But in times of crisis people retain the need to dream and meet in the cinema like a place of refuge or rather a welcoming home which enables them to find again strength of spirit. In light of the problems audiences are currently going through, the professionals need to raise even higher the level of quality of the cinematographic offering. The three days of the Conference are going to demonstrate the concerns for creativity and innovation which matter through the work of the exhibitors of the network, which obtains such a dynamic, diversified and generous image of European cinema, thanks to their editorial line and their results. It is therefore this great solidarity, which binds the Europa Cinemas filmmakers and exhibitors around European films and I wished to celebrate this fact during this introduction.

VÉRONIQUE CAYLA:

The CNC depends greatly on Europa Cinemas. This partnership has been around since the network was first created just like the European Commission MEDIA programme. For the first time, the conference welcomes Peter Dinges, managing director of the FFA (Filmförderungsanstalt).

The CNC remains optimistic on the future of cinema: the more people consume images on their own private screens at home or whilst commuting, the greater they feel a need to get together in front of a big screen to share common emotions. Packed concert halls set against the ailing disk industry are also evidence of this phenomenon. It also comes from a willingness on the part of people to turn their backs on the formatting of television and Internet images in preference for watching different programmes, which have meaning and make people think.

Cinema is undergoing a period of complete flux at the prospect of digitalisation. Digital can have a good and bad effect. Digital copies will aid films' circulation, compared with 35 mm format. For each copy a large number of subtitles will be accessible. This benefit will be very significant for European cinema and the distribution of its works in Europe. But the move to digital technology can also lead to a segregation between modern cinemas dominated by US movies and weak cinemas which would hold on to non-digital format in order to show largely European film. It would be the worst case scenario with attendances biased towards *mainstream* productions leaving European cinema marginalized. A unique standard for digital projection is essential to avoid this segregation between film theatres. The 2K technical standard currently prevails. Interoperability between peripherals must also be effective. The CNC is constantly looking at this every day in collaboration with Peter Dinges from the FFA. This technical area now seems to be clarified.

The problems right now remain to find the right economic model for digitalisation of theatres. Three sources of finance offer the possibility of this move: the contribution provided by the exhibitor, the distributor and the public funds. The distributor will provide the most sizeable share to finance digital equipment since it benefits right from the outset from savings made on account of the disappearance of silver-based image. This sharing between the distributor and exhibitor to pay for the move to digital works very well in the USA. In Europe, the distributor will keep the same position in the financing process. However, this plan has a blocking effect at European level since the main distributors are those belonging to the majors' networks. Appealing to them exclusively for financing digital would reinforce their dominance and the American market share in Europe. We need to find a European system of financing, possibly index-linked to digital copy, backed by a banking institution, which could be the EIB (European Investment Bank). It is not a question of the European distributors and exhibitors financing the move to digital alone. Regional, national and European public funds can contribute to this effort. The mobilisation for this evolution to digital concerns all parties involved in European cinema and must take effect rapidly to foster this cultural and artistic diversity.

CHRISTOPHE FORAX:

European commissioner Viviane Reding passes on a message of friendship and admiration to Europa Cinemas for the role of exhibitors within the network, for their role as facilitator of cultures, for their involvement in a quality and diversified cinema. In 2007, the network programmed 63 % European films, 39 % non-national European films and 9 % non-European and non-Hollywood films. These are excellent figures. The partnership between the CNC and the European Commission has made it possible to create a high quality network. The 15 million euros invested by the MEDIA programme in 2007 have been put to very good use within the network. For the period 2009-2012, Europa Cinemas will concentrate its efforts on increasing the number of screens and theatres and the development of mini-networks in those

nations not yet covered by the network. Another priority remains the campaign targeting young audiences and introducing them to film theatre. There will also be a development in the diversity of European programming by strengthening the support already allocated to it. The Europa Cinemas Label is today well established and must be sustained. Finally, the strategy of Europa Cinemas for the move to digital will be facilitated by the European Commission. Amongst the latest measures by the European Commission, funding to the theatres has been safeguarded by the MEDIA programme until 2012. A new mini-programme has been established called MEDIA INTERNATIONAL in response to a need for cooperation between the European and non-European professionals from non-EU member states. This will favour distribution of European works on other continents and will make European cinema companies more competitive. It is a programme of competitiveness and not development. Next year, this mini-programme will receive a grant of 5 million euros in place of the current figure of 2 million. Europa Cinemas has won a further amount from MEDIA INTERNATIONAL, called MEDIA MUNDUS, financed to the sum of 700,000 euros. It develops cooperation between cinemas, notably from Brazil and South Korea, with the Europa Cinemas network. These two countries currently represent strong potential economically and in terms of progression for European cinema and conversely distribution of their films at the heart of the Europa Cinemas network. The current economic situation does not really make it possible to become familiar with the budget trend for this last phase of cooperation.
Digital cinema represents a debate, which is finally reaching a European level. The governments of member states are looking for an alternative to the Virtual Print Fee (VPF) economic model. The EIB is keen to issue an investment fund destined at financing digital in the theatres based on cooperation between the public and private sector with more advantageous borrowing rates guaranteed by the European Investment Bank.

PETER DINGES:

Some time ago at the Cannes Festival, Véronique Cayla had suggested that Germany be more of an integral part of Europa Cinemas since it is a European idea. Germany must and can assume greater responsibilities within Europe since its cinema is more present than ever before on the continent. Europa Cinemas currently benefits from partnerships with the MEDIA programme, the CNC and the FFA. But are there not other collaborations to be pursued and shouldn't Europa Cinemas extend beyond Europe? The quality and power of Europa Cinemas depend on the quality and power of its members. The FFA is therefore going to seek out other possible players across the globe and Europe to expand the network. The promotion of Europa Cinemas must be consolidated and better spread. There are still places at the heart of Europe whose cinemas know nothing of the existence of the network. To achieve this, we have to add a missing link, which is the collaboration with the distributors in order to facilitate access to European films. In 2007, 922 European films were made but many do not get past their national borders owing to a lack of European distributors. Europa Distribution has to become a cousin to Europa Cinemas. With the dynamic established by their work, it is possible to remain optimistic about the future of European cinema.

CLAUDE-ERIC POIROUX:

There will be nearly 500 network members coming together this weekend in Paris at the heart of the French EU presidency and Cultural Season in which Europa Cinemas is actively involved.
Last May, on the occasion of the previous Cannes Festival, Jeanne Moreau, who is honouring us today with her presence and her loyal support, presided over the launch of the Tour de France of the twenty-seven European

filmmakers. Since 1 July this initiative in the different network theatres in France has been a great success. Many of us - in Paris and the provinces – get the opportunity to welcome directors who come from across Europe to present their films to the press and public. In six months, nearly 150 meetings will have taken place like this in around sixty towns and cities, which are equally an occasion to meet Mike Leigh, Manoel de Oliveira, Andrzej Jakimowski, Béla Tarr, Ursula Meier, José Luis Guerín, Paolo Sorrentino and Steve McQueen or the 3 directors of *Rumba*... We have therefore wanted to show how France and, in particular, your film theatres know how to welcome films from throughout Europe and to open the debate with their audience. This has been a success and one, which, I hope, will be repeated in other European countries during the next presidencies.

A few words now on the main themes of this Conference: as always, it will centre on questions, which are at the heart of our practices and our daily preoccupations as exhibitors.

This afternoon, with the city and regional officials, we are going to consider and think about their undertaking to promote cinema. We all know the determining role played by several European regions in the financing of film production and increasingly we are accustomed to seeing their logos in the opening credits. Their campaign work to promote the cinemas is sometimes less visible and in certain cases non-existent. This depends on the countries but we are of course going to demonstrate this afternoon numerous positive examples of successful partnerships.

But today, with digital, a new opportunity is available to these local and regional bodies. As you are aware, the high cost of these new technologies risks weakening cinemas in an already fragile economy, notably in the small and medium sized towns and cities. They have a double role: to distribute films and it is in our interest that they continue to schedule European works; but they also play a key social role in those areas where leisure services are limited. There is therefore a double need for these cinemas not to disappear for simple economic reasons. It is up to us to initiate or to pursue a dialogue with the local councillors so that these exhibitors are successful in their move to digital. Collective action can thus reinforce the cinema professionals when it comes to maintaining a diverse offer both in terms of films and places of distribution.

So, digital is once again on the agenda at this Conference. What is there new to report in relation to last year? Several dozens more cinemas equipped with digital but more especially a realisation of the need to "join forces" to make this complicated move a success. The economic model which we had set out in this very spot two years ago, revealed the need for flexibility to adapt the "Virtual Print Fee" to distribution of films in Europe. It is an idea that has since come on a long way. But the complicated part remains of how to offer equal opportunities to all kinds of cinemas and films to ensure this new technology actually produces the effect we were expecting, namely to simplify dissemination of works and to increase European diversity. In several countries, preferably at national level, exhibitors and distributors have acted together, in particular in the independent sector where Europa Cinemas is well established.

We will get to hear a range of experiences and they will illustrate specifically what we hope to be the watchword of this Conference, which is the need for dialogue between exhibitors and distributors to spread equally the savings to be made, on the one hand, and the investments which we have to undertake on the other.

Finally, we also will consider the future of our cinemas and their audiences. We are now witnessing an ultra-rapid expansion in terms of circulation of images and this is forcing our hand. The questions are simple: what is the future of cinema in film theatres and more specifically the future of European cinema in our film theatres? When we look at the results you achieved each year in terms of the offering of European cinemas in our theatres (63% of your screenings), we feel bolstered and confident to confront these new formats. Let us turn the Internet and these new technologies very much to our own advantage to win a new audience, in particular young audiences who are big users of small screens. And to open this discussion, this year we are offering you the chance to listen to the eminent opinion of someone who is not in our industry, a philosopher who contemplates the contemporary issues, which affect us the most. His in-depth analysis can help us to stand back and distance ourselves from the mission that we accept gladly and determinedly, the mission to communicate the love of films, if possible on the big screen.

KEYNOTE SPEECH BY **GILLES LIPOVETSKY** (PHILOSOPHER, FRANCE) : "CINEMA FACES THE NEW CULTURE OF IMAGES AND SCREENS"

The Europa Cinemas network contributes to the diversity and vitality of European cinema and more widely to cultural development in the world. Cinema is an essentially modern art. There is no such thing as pre-modern cinema and it is the only art in this genre. As a modern art, cinema has never stopped evolving, transforming and experiencing changes and revolutions.

The history of cinema centres around four key moments to understand the immense upheaval, which is currently being played out today.

1) 1st moment. There is the inaugural phase of cinema, its pre-modernity with silent cinema using theatre as a reference.

2) 2nd moment. There is classical cinema situated between the 1930s and 1950s. The advent of talking movies, colour, wide screens and cinemascope. The narration of the film has to be transparent, fluid, continuous, building to a final dénouement.

3) 3rd moment. There is liberating cinematographic modernity carrying a deconstructed monologue. This period extends from the end of the 1950s to the 1970s. Removing the imposed structure of the screenplay to film out on the street favouring the actor's own natural game is what typifies the era. The cinema represents an individualist modernity with the elation of happiness, sex, youth, authenticity and freedom.

4) 4th moment. Since the 1980s, cinema has undergone a hypermodern phase. It does not have the same status as the first three. Today, it is the universe of cinema in its entirety, which is being shaken from top to bottom: creation, production, marketing, distribution, and consumption. Cinema has never before seen such a transformation on this scale. It is utterly wrong to say that cinema has been dead since the 1970s. Indeed, we have seen the emergence of a hyper-cinema.

a) With the development of high technology and in particular digital since the 1990s, it is possible to create hitherto unseen worlds for the very first time. Digital is going to completely revolutionise the design of scenery and special effects.

b) These new technologies also revolutionise the film distribution market. Video, DVD and now the Internet (downloading, VOD) contribute to the new ways in which films are consumed. This change is in its early stages. Film is set to disappear and be replaced by digital. One hundred years of cinema are going to be wiped out with the rapid expansion of this new high definition digital format, whose use extends from shooting through to distribution in the theatres via satellite.

c) This hyperbolic logic affects the whole economic system of cinema with the explosion in production costs in the region of 300 million dollars. European films are far from reaching these heights of Hollywood. The gap is widening between rich and poor films. There is a bipolarisation in production budgets. The most expensive films are also the most profitable. The explosion in costs comes from among other things the inflation of stars' fees.

d) Distribution costs have also exploded with the increase in the number of prints, up to €10,000 for a blockbuster released internationally. There is also intensification in advertising campaigns. These days, promotional budgets for Hollywood films are over a third of the production budget. There is hyper-marketing. The imperative is to flood the market, to create a media mega-event via a strategy of omnipresence of the film in the cinemas and in the media. Competition is such and the career of the films so shortened in terms of profitability that many fail to get past the first week of exhibition. The success of a film is now or never. We are also seeing an extension in the commercialisation of films with the sale of derivative products they generate. This leads to a concentration of success on an increasingly limited number of films.

e) Attendance rates are falling. Semi-collective consumption in the cinema has given way to hyper-individualist consumption of cinema, deregulated, desynchronised, be this in a plane, at home or on a mobile phone. We are talking about self-service consumption of cinema. But for all that the collective sense of cinema has not been wiped out. Going to the cinema is still regarded as a moment of conviviality and sharing of emotions. Never before have people gone out or travelled as much as they do now.

f) The idea of the death of cinema has to be rejected. More films and more heterogeneous works are still being produced alongside a formatted cinema. All styles of life are depicted in films. Increasingly, we are seeing feature-length films produced by women. Documentaries and animated films are having a revival. This is the advent of a global cinema.

To ensure the long-term survival of cinemas, exhibitors have to play the loyalty card with their audience, by means of pricing policies and programming in order to bring a plus point to just viewing film, by inviting celebrities from the industry, debating sessions etc. But this is still in line with a culture of film buffs, which is not commensurate with youth fun culture. European arthouse cinemas have been affected by a sense of disaffection among audiences in the 12 – 24 age range. To get these young audiences to come back, the cinema has to become a meeting place, where people can also get something to eat and drink, buy books, see exhibitions, in short a multi-cultural place which is in line with an era of dismantling and destabilising borders. Arthouse cinema should no longer be the reserve of some intellectual elite but has to sport a trendy and artistic look. The society of hyper consumerism is organised by the logic of fashion, image, and seduction. Theatre needs to adopt an environment in line with this new spirit.

Arthouse cinema must also play a supplementary role to the main screens and integrate the Internet by developing an information and forum site, creating a multimedia link for video games and amateur films. This kind of setup will be able to respond to the current enthusiasm for cinema with everyone making their own films and taking photos. This has already been demonstrated: when new services are offered, attendance rates increase.

Digital will bring a new age of enthusiast who will be different from the traditional cinemagoer whose relationship to the cinema is highly intellectualised. This new batch of cinemagoers will consider both consumption and production with viewers making their own recordings in their spare time. Another notable feature is that people are increasingly making their own art. Consumption fails to satisfy individuals entirely and there is a very marked desire of expression. Today's individuals are firstly interested by their ability to produce in response to hyper consumerism. The public also want to understand how films are made in the aim of producing one at their own level.

Cinema cannot replace school and programming must not answer to education; this is not its role. Cinemas must on the other hand show works and develop programming of relevance to young people. This is a hard task since the question of choice has become antagonistic: the range of films has become excessive whilst the number of titles which hold the public's support has become even more limited.

One of the tendencies of individualism is retreating to a private sphere. But the new technologies push paradoxically to practise communal activities outside one's own home. An evening out no longer follows a traditional model. The evening out and the cinema area as an aesthetic environment go hand in hand. The setting plays a key role as making the experience of consumerism more aesthetic.

CLAUDE-ERIC POIROUX :

Paradoxically, faced with the hyper individualism characterised by non-stop consumption of images at home, cinemas offer a human alternative that is crucial, to break the isolation and to meet other people. The cinema is the place where it is possible to see films in their entirety and to experience deep emotions since these are shared.

SPEECH OF **MRS CHRISTINE ALBANEL**

(MINISTER OF CULTURE AND COMMUNICATION, FRANCE)

(This text is a summary of the speech given by Madame Albanel. The speech in its entirety is available in French on the website).

With the increase in the number of domestic screens and the rapid spread of films on the Internet, more often than not having no regard to copyright, the viewer is becoming the consumer of culture. 450,000 films are pirated every day in France equalling the figure for admissions to cinemas. The Creation and Internet law aims to stem this worrying trend.
It is therefore necessary to remember at all times that cinema, the place of dialogue, sharing and socialising in the heart of the city, is the birthplace of film. The, what I might add, exemplary action undertaken by Europa Cinemas, highlights the role played by film theatres to promote diversity and sharing of cultures.
With 921 films produced in Europe last year, or double the American figure for production, there is a conscious desire for cinematographic creation throughout the entire continent. There is no doubt regarding the fact that there is a specificity of European cinema, a tone, an approach to subjects, a manner of firmly anchoring histories in national realities, which explains the universality of European films and their success outside their own national borders. A sensitivity, hard to define, is currently emerging, a sensitivity which we need to encourage and foster by facilitating the circulation of works. And yet the dissemination of non-national European films, if it is on the rise, at 8%, remains inadequate. We have to uphold the systems in place, which have made it possible for European production to enjoy a resurgence and salute the decision taken by the European commission to extend licence conditions for this funding until 2012. Let us also salute the action of Eurimages, which under the presidency of Jacques Toubon funds nearly 60 co-productions every year. According to the Observatory, co-productions circulate better outside their borders than national films.
In terms of distribution, digital can constitute a tremendous opportunity for the dissemination of European works. But we are very aware that this technological change can threaten those cinemas with a fragile economy, which release more difficult films sometimes on a single screen. If these cinemas were to disappear, it is cultural diversity and access to this diversity, which would disappear. This is why digital has been made an agenda item on the next European Council meeting of the Ministers for Culture. It is critical that the member nations adopt a joint position in this matter. It is also essential to ensure there is a genuine range of European films in digital which may require funding for their digitisation. Recently, the Independence Arena demonstrated that, when it comes to culture, it was necessary to preserve the sectorial right of competition by offering easy access to credit for the SMEs in the cinematographic industry, via the EIB, as well as cut-rate VAT on cultural products.

At media level, European cinema might be able to strengthen by developing a festival of cinema throughout the European Union by making the European Films Awards the equivalent of the Oscars. And I would like to point out again that since 1 July, 27 European directors have been touring France to showcase their films and this will continue to the end of the year. It is my intention to propose that each country holding the Union presidency pursue this campaigning work promoting European cinema.

I would like to end by touching on this other dimension, which is the cooperation with the non-EC member states. 2008 was marked by the launch of preparatory action for MEDIA International. It is set to lead on to the implementation of a new programme, MEDIA Mundus in 2011. Believe me when I say I take particular delight in the fact that Europa Cinemas has been accepted within the framework of the call for tenders issued this year and can extend its operations outside Europe. A wonderful prospect for your own work.

SESSION I - WHAT ARE THE LOCAL AND REGIONAL PUBLIC POLICIES TOWARD CINEMA VENUES?

• An overview of local and regional public funding policies towards cinemas across Europe.
• How can local and regional policies guarantee the diversity of cinemas and films?
• Transition to digital technology: what are the local and regional measures in place to support cinema investments?
• Developing new audiences: a matter for both exhibitors and the public sector?

Led by **Michael Gubbins** (Chief Editor, Screen International, UK)

Susan Newman-Baudais (Analyst, Information on Markets & Financing, European Audiovisual Observatory)
Paolo A. Rebaudengo (Deputy President, Education/Training/Employment, Province of Bologna, Italy)
Sylvie Robert (President of the Commission for Culture, Association of French Regions, France)
Calle Nathanson (Officer at the Growth and Community Development Division, Association of Local Authorities and Regions, Sweden)
Martin Soukup (Deputy Mayor for Culture, Education, Healthcare and Social Affairs, Hradec Kralove, Czech Republic)
Claudia Droste-Deselaers (Deputy Director, Filmstiftung NRW, Germany)
Jean-Marie Hermand (Exhibitor, Churchill - Le Parc - Sauvenière, Liège, Belgium)
Dr. Elisabeth Vitouch (Coordinator, EDUC Commission for Culture, Education and Research, Committee of the Regions, Austria)
Pierre Godin (Policies Analyst, DG REGIO, European Commission)
Lene Løken (General Director, Film & Kino, Norway)
Jacek Wilczyński (General Secretary, the Polish Audiovisual Chamber of Commerce, Poland)
Roger Tropéano (Chairman, Les Rencontres - Association of European cities and regions for Culture)
Ignasi Guardans (Member of the European Parliament, Committee on Culture, Spain)

MICHAEL GUBBINS:

Having established the technical benefits that digital technology represents for film distribution, we will try to determine if the tax relief measures, which can be offered by the regions for digitalisation of cinemas can simultaneously support cinematographic diversity.

SUSAN NEWMAN-BAUDAIS:

The European Audiovisual Observatory is a unique centre for the collection of information. The question of public financing is handled there by our different departments. In 2005, there were 199 public finance institutions in Europe. This figure has risen in particular for regional funds. 21 % of European public aid is earmarked for the regions. Out of the total figure for European regional funding, 71 % is earmarked for production, 10 % for distribution and 10 % for exhibition. The main funding for European cinemas comes from the regional and local authorities. In Germany, local financing for exhibition purposes represents 25.3 % of the total financing for film theatres. In France, national financing for exhibition purposes represents 22.4 % of the total. 15.5 % of French cinemas are managed by public authorities. There is currently a lack of information on European local and regional interventions for cinema funding. This information is necessary for contemplating new kinds of partnership in the move to digital.

CLAUDIA DROSTE-DESELAERS:

The Film Foundation NRW (North Rhine Westphalia) already finances major productions: *Good Bye Lenin!*, *Perfume: The Story of a Murderer*… 40% of its funds are held by the Land and 60% by television channels. Production agreements are sometimes hard to establish between these two parties.

It is also involved in funding cinema renovation projects, access to prints and the programming of cinematographic events (meetings, debates). Today, this funding encourages the dissemination of German films outside Germany. It also supports the promotion of European films and Young Audience screenings. It awards grants for professional training with distributors and exhibitors. One study had found that the multiplexes would one day make up 90 % of total screenage in NRW. On the contrary, the number of arthouse cinemas has increased.

Aside from the multiplexes, NRW only has 4 small theatres equipped with digital.

100 million euros in public funding are going to be set aside to finance digital in Germany.

CALLE NATHANSON:

Salart represents 20 Swedish regional authorities. This body is 100 % financed by its members. It is fully independent of the government and does not receive any state grants. It carries out lobbying work for equality of access to culture. The regions all offer support to film production. The country therefore has 19 agencies offering funding. Local authorities also favour an educational approach to cinema with Young Audiences and school screenings. In Sweden, cultural development via cinema is just as important as sustainable development.

Digitalisation of cinema is in its early stages. At present, Sweden has 5 cinemas equipped with 2K projectors. The local authorities are to participate in financial support for digital equipment. The government is also interested by a participation in digitalisation.

SYLVIE ROBERT:

The French regions, local authorities and departments operate freely in accordance with the clause of competence and investment in the cultural sphere is very much aligned with this approach. The status of these participations, however, remains uncertain. Government reforms and priorities risk calling into question these different methods of support to cinematographic exhibition. In the face of these questions on the future, the topic of choice of an economic model must be asked at a European and a national level. Public regional-based investment must endure and facilitate filmmaking, production funding, how films are received, programming at cinemas and festivals, equipping cinemas and education to image. These regional programmes contribute to regional planning and development and pluralism, i.e. the model of tomorrow's society.

JACEK WILCZYNSKI:

The Ministry of Culture invests in the economy of Polish cinema (€ 65 million per year). Three city and regional federations cooperate to funding of production and exhibition at local level. The digitalisation of the cinemas represents a constant challenge for Polish cinemas. A national programme has therefore been launched by the Chamber of Commerce and by the Association of Polish producers. It intends to help cinemas to become cultural centres, with digital certainly enabling them to diversify their programming. Takings from advertising films projected in digital might boost funding for equipment and programming.

LENE LØKEN:

Norway has a very well established network of small municipal cinemas. The Norwegian film institute is financed by the government to support production. Film&Kino for its part is a body managed by the municipalities which imposes a tax on admissions in order to fund distribution and exhibition. Next year we expect to see digital expand in Norway. Today 41 of the existing 400 cinemas are digitalised. The financing arrangements affect all cinemas. The economic model is based on participation by the distributors, Film&Kino and exhibitors. We are in talks with studios to implement the VPF. This investment in digital will make it possible to guarantee the diversity of programming and the sustainability of small cinemas as cultural centres.

ROGER TROPÉANO:

The important thing is to find a place between the different European institutions and local partners and private individuals for cinema funding. It is necessary to build bridges between the audiovisual policies of the local authorities and cinematographic policies. The MPs should consider the technological changes in order to make a proper assessment of any possible contradictions emerging between cultural public policies and economic models which digital can impose. However, this reflection must not drag on indefinitely and entails the need for European dialogue in order to establish a reasonable investment timetable.

MARTIN SOUKUP:

As mayor, the first unpleasant duty was to close down a cultural association for a municipal cinema. Today, the city provides a great deal of support to the film theatres. The 35 local municipal councillors strive to obtain public money for the cinemas. They cannot rely solely on private investments.

PAULO A. REBAUDENGO:

In Bologna, we pursue a policy of integration rather than cooperation. This involves both public and private resources and training and cinema education. In Italy, cinema has not entered the national curriculum as is the case in France. However, the region has suggested linking certain cinematographic programmes to school courses, thanks largely to the Bologna cinematheque and its important festival. Two other measures have been taken in favour of young people: Digicittà for digital apprenticeship and an alternating professional training programme taking place in a new cinema.

PIERRE GODIN:

The European Commission assures coordination with regional policies. Its aim is to reduce the regional disparities in terms of growth and jobs. Brussels does not finance directly at local level. It is the regions, which implement mechanisms for financial assistance, which will then be approved by the European Commission. Cinema can be part of the urban regeneration programme. A certain number of regional measures for innovation are likely to be of interest to the exhibitors in their move to digital. They can be part of the creation of a cinema in a new area, which will emerge with the establishment of other businesses for example. The forms of aid are mainly non-refundable grants. But to avoid market distortion the system of aid granted takes into account income collected via the company's business. European regional policy is not sectorial. It offers several framework measures for a contribution to economic development, which can incorporate different types of initiatives such as digitalisation of a cinema.

JEAN-MARIE HERMAND:

In Liege, the independent Churchill cinema has benefited from regional funding for we have permitted the creation of jobs by launching the construction of another 4-threatre cinema in the city centre. This project existed firstly to counter possible competition from the establishment of a UGC multiplex, which was ultimately behind schedule. Regional funds from the European Commission first yielded 1.25 million euros. The city bought the site for 1 million euros, given to the French-speaking community, which benefits from a 9-year lease and has invested 4 million euros into the project for construction of the building. The total amount spent on construction was 10.5 million euros. Overall attendances have risen by 30% and around fifty jobs have been created.

ELISABETH VITOUCH:

The committee of the regions in Vienna, Austria is an assembly of elected representatives. It defends the regional cultural identities via programmes approved by the European Commission. For the audiovisual sector, these measures highlight the competitiveness of the regions. The first areas of support are subtitling of prints and, of course, the move to digital, which remains a European solution. The creation of festivals and mobility of cinema professionals are encouraged. Particular attention is paid to cinematographic events for Young Audiences. Training of professionals also ranks among the priorities.

Only a limited number of national and European films are shown in Vienna and in Austria as a whole. This is why 4.5 million euros have been invested in the production of Austrian feature-length films. The Vienna cinema fund takes into consideration regional representation in the films that receive backing. Its geographical position at the heart of Europe gives Vienna an advantage for hosting European coproductions.

IGNASI GUARDANS:

It is essential to fight the cause at the European Commission to facilitate the move to digital, which calls for the implementation of a real policy. The market appears destabilised by this technological transformation, notably between distributors and exhibitors. It is about redevelopment of cinema. This move may involve the closure of cinemas, which will not be able to equip themselves. This would spell cultural and economic disaster.

But digitalisation can allow cinemas not to focus simply on cinema and transform themselves into cultural centres. It is an opportunity to be seized by the towns and villages.

We cannot expect to have "one-size-fits-all" general directives for the whole continent. However, tools are available. The strategy of Lisbon, by its approach to economic support to SMEs can allow exhibitors to switch to digital. Europa Cinemas has to establish this chain of information by helping develop these different economic and cultural projects. But these are tough economic times. The euro zone is in recession. Cinematographic exhibition is fighting with all the other industries for European funding.

2008 EUROPA CINEMAS AWARDS

On Friday 14 November, actress **Jeanne Moreau** and directors **Claude Miller** and **Radu Mihaileanu** presented the 2008 EUROPA CINEMAS AWARDS to 4 European network exhibitors during an exceptional evening event at Publicis Cinémas.

- Award for Best Programming: **Arthouse Kinos, Zürich** (Switzerland), run by This Brunner.
- Award for Best Initiative for Young Audiences: **Kino Centrál, Hradec Králové** (Czech Republic), run by Leoš Kučera.
- Award for Best Entrepreneur: **Light House Cinema** (Dublin, Ireland), run by Neil Connolly and Maretta Dillon, and **access>CINEMA** (Ireland), run by Maeve Cooke.

The presentation of the awards was followed by the digital projection of British film *SLUMDOG MILLIONAIRE* by Danny Boyle, winner of the People's Choice Award at the 2008 Toronto Film Festival to be released in the cinemas in the beginning of 2009.

Saturday 15 November 2008

SESSION II - KEYNOTE SPEECH BY **LAURENT CRETON**
(PROFESSOR OF CINEMA ECONOMICS, FRANCE):
"HOW ARE CINEMAS RESPONDING TO CURRENT CHANGES IN THE ECONOMY?"

Cinema has a stake in shaping the 20th century. And we are currently going through a very troubled time. There are no easy answers. It is nothing new.

On the other hand, what is new is the rhythm of the changes and the complexity and intensity of these changes. There is a difficulty in imagining the future, in making choices. In this context, what has become of the relationship to the cinema? Formerly, film only existed via the cinema. Nowadays, it is visible on a multitude of formats and via many different markets. Players in the cinematographic industry have shared interests. But their individual interests differ classically because of market competition in the face of innovations, sectoral changes and the effects of amalgamation.

To understand the future, here is a brief look back at cinema attendance rates.

In 1992, the admissions' figure for France was 116 million, the lowest ever figure. Attendance rates have since recovered over 50%.

Cinema was born as a festival activity. Entrepreneurs such as Gaumont and Pathé installed film theatres in magnificent rooms. The advent of sound in 1929 marked a major transformation which one might relate to the current situation. But sound brought in additional audiences into the cinemas in contrast with the modern technological innovations. The 1930s, following the economic crisis of 1929, saw the failures of Gaumont and Pathé, but filmmaking remained very rich thanks to the talent of independent producers. Exhibition during this time does not fare very well because of the costs involved in the advent of sound to the cinemas and high loan rates on equipment. In the middle of the 20th century, it is the height of cinema with more than 350 million admissions and for thirty years French cinema has more than 200 million film enthusiasts. The consumer society of the 1970s sees a radical change in behaviour and causes attendances to plummet.

During the 20th century, the technological innovations continued to transform cinema: colour, sound, Cinemascope, etc. and yet nothing could check the decline in cinema attendances. However, households continue to spend more and more on audiovisual programmes. Here, cinema only represents 14 % of expenditure on audiovisual programmes. The numerous tenders offered are the fruits of vast mergers: Orange (turnover: 54 billion euros) against Canal+ (turnover: 4 billion euros) and cinematographic production (turnover: 1 billion euros).

Cinema is experiencing an intensification of amalgamation, globalisation and innovation. The balance of power is overwhelming. However, it is necessary to present alternative European models since innovation often comes from small structures. Innovation managed by the conglomerates is itself immediately globalised out of concern for making a return on their colossal investments in production and marketing. The successful innovations are the ones that take into account the current situation and which respect traditions.

The purpose of a business is not competition but rather to avoid it. The effects of amalgamation are the best response. From now on, cinema film has become a loss leader to sell fast food in the multiplexes and derived products with brands such as "Tom Cruise". In France, cinema advertising costs have been multiplied thirteen fold in 15 years.

Another effect of amalgamation: the first 20 films at the French box office represent 45 % of admissions out of 580 annual releases. The profusion of programmes and films does not lead to a loss of focus.

The history of cinema shows that there is no inevitably in the balance of power and market shares between Hollywood and Europe. The evolution of the cinematographic industry rests first and foremost on audiences. They are the guarantee of rises in takings. Since the 1980s, the television channels have become the main financier and broadcaster of cinema films. Jobs in the industry are re-examined when we see distributors bolstered up by a television channel, which is itself going to implement VoD. Today the general interest channels are losing audiences which leads to a fall in the dissemination of cinema films due to the major development of the Internet economy.

The current situation is far more contingent and uncertain that it appears. Culturally and symbolically, cinema retains a strong identity despite the decline in its relative economic position and a tendency towards uniformity and intensive exhibition made by other sectors. The cinema must always reaffirm a difference and, even more so, a distinction. Cinema is an invitation made to the viewer to take a different look, to find another place. The theatre itself retains the privilege of being a parenthesis in time and space, giving complete availability and attention to the film, unlike the constant channel hopping inflicted by the everyday. Faced with the profusion and excessive rotation of films in the theatres, it is now essential for the exhibitor to establish an editorial line. It is about making choices first, establishing a form of mediation, to carry out the role of facilitator. This is the mission of the exhibitor today.

Digitalisation of cinemas is undergoing the start of this process. Financing from these investments and securing a return can weaken the exhibitors some of whom are already in debt. The interprofessional solidarity must prevent future failures which might ensue. We will have to focus very carefully on future contracts offered by third party investors in terms of guarantee of investments, reimbursements and freedom of programming.

SESSION II - WORKSHOP 1:
DISTRIBUTOR - EXHIBITOR: WORKING TOGETHER IN THE TRANSITION TO DIGITAL TECHNOLOGY

- Towards which economic models is the cinema sector orienting itself? A European review.
- What are the solutions being developed by the independent sector?
- What initiatives should producers take in the transition to digital technology?
- How can digital projection facilitate the distribution of European films in small markets?

Led by **David Hancock** (Head of Film and Cinema, Screen Digest, UK)

Peter Dinges (General Director, Filmförderungsanstalt, Germany)
Rolv Gjestland (Technical Director, Film&Kino, Norway)
Patrick Brouiller (President of the French Association of Arthouse Cinemas, France)
Phil Clapp (Chief Executive, Cinema Exhibitors' Association, UK)
Harri Ahokas (Head of Domestic Distribution, The Finnish Film Foundation, Finland)
Fiona Deans (Head of Digital Cinema, Arts Alliance Media, UK)
Serge Plasch (CEO and Managing Director, XDC, Belgium)
Jean Mizrahi (President Chief Executive Officer, Ymagis, France)
Patrick Vanhoudt (Economist, European Investment Bank, Luxembourg)
Gerald Miersch (Acting Head of Unit Antitrust & Medias, DG COMP, European Commission)
Thierry Delpit (Head of Development, CN Films, France)
Christine Eloy (Distributor, Cinéart, Belgium)
Carole Scotta (Producer, Distributor, Haut et Court, France)
Rita Linda Potyondi (Coordinator, Proton Cinema Ltd, Hungary)
Roberto Bassano (General Director, Microcinema SpA, Italy)
Antoine Virenque (General Secretary of the FIAD and President of the European Digital Cinema Forum, France)

DAVID HANCOCK:

The deployment of digital slowed down in the USA in 2008. 3D is responsible for this situation with the advent of new equipment. In Europe, the launch of digital has been delayed. Germany has recently seen the biggest growth in digital equipment. But we are also going to have to think about integrating the possibility of 3D projections which the public like. The move to digital must be a shorter process and public funding can help this. Its contribution will make it possible to cut investment costs with the implementation of a VPF which is revealed as being tomorrow's European economic model. The continent has more than 7,000 single-screen cinemas whose continued existence is in jeopardy in the move to digital.

PETER DINGES:

The German economic model has the quality of simplicity. It can be adapted to other European countries. It advocates recourse to public funds.
It is difficult to quantify the savings to be made by the distributors thanks to digital copy and the loss incurred by the exhibitors in the move to digital. The FFA plays a role of mediator between the exhibitors, distributors and public authorities. It has decided to adopt a large scale approach. All exhibitors irrespective of their size can participate in the programme. The quicker the conversion to digital, the less significant the economic costs. This presupposes a certain degree of solidarity which occasions the obligation to adopt a single international norm and technical interoperability of this. This justifies state involvement. Today the technological problems have been overcome but Europe still has to officialise this norm and this interoperability.
The German economic model bears the name "100er Modell". The cost for equipping every screen in Germany is estimated at 60,000 euros. Costs are set to fall 3 % per year. The total budget represents 211 million euros for 3,700 screens. The distributors will pay the hybrid costs and the exhibitors will pay the peripheral costs (servicing,

equipment). 100 million euros will come from the distributors (350 euros of VPF for 57,000 copies distributed each year and over five years). The exhibitors will spend 100 euros a month for each digital projector. The public authorities will pay 12 million euros a year (60 million in five years). Both the FFA and the third parties will inject 20 million. 40 % of the finance comes from the distributor, 13 % from the exhibitor and 47 % from third parties. This plan will make it possible to retain diversity. What remains is to persuade the public and private financiers to get involved in this.

ROLV GJESTLAND:

The Film&Kino plan adopted by Norway provides for complete digitalisation of all cinemas over the next two years. The agreement has not yet been signed and may be subject to modifications in future. It is in negotiation with the major companies and will have to draw on a VPF that is favourable to Norwegian territory. The VPF will be formalised by contract for a commitment of 8 years. Alternative fees are envisaged if the exhibitor projects alternative digital content. VPF is scheduled for a period of 90 screened digital films. If a digital *film d'auteur* is rarely distributed in one cinema the exhibitor will be able to replace the fee represented by VPF by an alternative fee. The entire project is estimated at 29.6 million euros for 428 screens. Distribution will pay 40 %, exhibition 20 % and Film&Kino 40 %. The exhibitors will have the freedom to choose equipment and the integrated systems. Film&Kino will be the owner of the equipment and will lease it out for the period paid for by the exhibitors and distributors. This finance plan includes the 3D system.

HARRI AHOKAS:

There have been 6.5 million admissions in Finland, for 320 screens. 21 % of cinemas are in the multiplexes. Today there are 14 digital screens in Finland. The Finnish cinema foundation is financed by the lottery. Public financing is set to motivate cinema digitalisation. All Finnish productions are currently available in digital. Alternative content and especially opera are highly prized in digital cinema. The state subsidy allocated to the cinema must not exceed 50% of the equipment costs. The real figure is around 35%.

The Finnish foundation has made provision for a training programme for digital which takes into account the new methods of management resulting from this change.

PHIL CLAPP:

The UK has 280 digital screens for 3,600 cinemas. Five companies share digitalisation of the screens. The digital network functions but a mere 40 additional screens have been installed this year. The economic crisis has slowed down this expansion. The majority of small exhibitors will not be able to access digital even with a VPF agreement. Public money must therefore intervene but the government has refused to contribute to digitalisation since we need to pay for the Olympic Games. The accepted economic model is a grouping of private investors which maintain competition levels. The investment risk is there among independent exhibitors.

The attempt is therefore to develop a unique economic model. We would like to benefit from a pan-European approach to digitalisation. There can no longer be a wait and see approach to digital.

SERGE PLASCH:

XDC decided to help distribution enter into digital. This business does not have a financing operation but is a multi-brand equipment manufacturer and even so it is implementing two VPF models. We started with the major US brands but their participation was not entirely compulsory in Europe. Agreements were signed with 6 American studios. VPF contracts are scheduled for a period of exhibition of 10 years. The exhibitors pay 25% of the total cost which is put at 100,000 euros. According to XDC, the advertising sector will not make a sizeable contribution to the VPF system.

FIONA DEANS:

The economic model of Arts Alliance has made it possible to install 400 digital screens whose equipment comes from a range of suppliers. This third party company offers a catalogue of several digital films and alternative programmes such as operas and ballet. Its VPF model is working well. Interoperability is effective. The agreement with the distributors is based on levying a percentage per digital copy. The contract signed with the exhibitor is scheduled for a period of ten years in practice which corresponds with the guarantee period for equipment provided by the manufacturer. It is a shame that the VPF is only calculated depending on the cost of replacement of 35 mm print.

The independent exhibitors benefit more from digital since they programme a large number of films.

JEAN MIZRAHI:

Ymagis counts on the advertisers' contribution to finance, with the distributors, the move to digital among exhibitors. VPF is supplementary to public financing. This company provides solutions to cinematographic establishments of all sizes. Depending on the expenditure of the exhibitors the financial partnership will change. No intervention is made with regard to the exhibitor's programming schedule. The equipment projects try to be as open as possible. A private server has been set up for downloading films and trailers by exhibitors. Our company has been in existence for a year and we have signed distribution agreements with three US major companies. We equipped our first cinema in July 2008. Since then we have signed with 12 other independent art house exhibitors.

CAROLE SCOTTA:

Haut et Court decided to release *The Class* on digital. Thanks to Cannes and the Palme d'Or, we had time to prepare a European release. The film was available exclusively via download in the theatres, the most cost-effective solution for the exhibitor in relation to digital copy sent on hard disk. Around thirty cinemas downloaded this feature film. CNFilms served as intermediary for downloading and issuing keys. These keys licensed projection for a period of four months. Exhibitors were therefore able to stop screenings after three weeks and recommence film projection later on as they wished. This experiment revealed the importance of finding a VPF standard based on a common fee method. It will therefore be possible to overrun the phase of financial negotiations between the exhibitor and distributor to allow the exhibitor to focus properly on programming.

The savings brought by digital copy to distributors are indisputable. The price of the copy is on average halved compared with 35 mm.

PATRICK BROUILLER:

Access to digital will not be easy for all cinemas and arthouse cinemas in particular. They programme films 70 % of which are released in France on fewer than 50 copies, generating fewer than 50,000 admissions. In this context, the AFCAE devised an economic model which would exclude third party investors since arthouse exhibitors will not have the means to reimburse them.

All French cinema is based on mutualisation. And before the change to digital occurs we have to create a sustainable structure since technology is going to evolve still further and competition between the cinemas will heighten. The contribution to digital will be tripartite and will include producers, distributors and exhibitors.

Digital provides immediate savings on the transfer of copies, film editing in projection rooms and flexibility of programming. Today we cannot ask local authorities to part finance digital on the pretence that it is a new technology. Advertising executives, on the other hand, can play an undisputed part in VPF. In France, where close on 200 films are produced and where 580 feature films are released every year, it is not possible for total screenage to be reduced. This is why the move to digital has to be managed with extreme care.

LINDA RITA POTYONDI:

Proton Cinema Ltd has taken care of the Hungarian release of *Delta* which has realised 20,000 admissions, a significant figure for Hungary. This feature film has also benefitted from its prize at the 2008 Cannes Film Festival. The film was released at the time when cinemas started to be equipped with digital. *Delta* was released on 4 copies and toured rural areas and large towns and cities.

Programming of cinemas is weekly in Budapest whilst it is monthly in the rest of the country. Digital makes it possible to manage these timings.

CHRISTINE ELOY:

Cineart, a Belgian distributor, has already released on digital *Max & Co.*, *Female Agents*, *Funny Games*, *The Silence of Lorna* and *The Class*. *The Silence of Lorna* was distributed on 10 digital copies and *The Class* was distributed on 7 digital copies. These two films were also released in Luxembourg on one digital copy.

We are currently in an adjustment period to digital. This has been an empirical process thus far. Several directors do not want their work distributed on digital for a variety of reasons especially out of qualitative and technical ignorance which shows that most filmmakers are not fully aware of this format. Cineart has always had to edit the master itself which has proved very expensive on occasion (up to an estimated 48,000 euros) if the film is only released on a few copies, and at any rate is a lot more expensive than 35 mm.

In Belgium, digital is mainly installed in commercial network cinemas. Cineart hands over the copy to the cinema for 3 months.

This format greatly facilitates management of copies and makes it possible to supply an exhibitor in very quick time. The technical system works very well: no screening has suffered any problems. It is desirable in future for international producers and vendors to provide distributors with the source equipment (master).

THIERRY DELPIT:

The first problem encountered by an independent distributor for a digital release is the costs of the master (7,000 euros). The price ought to be spread between the producer and international vendor. Today just a few independent cinemas offer access to digital releases which makes the task of the independent distributor harder. The latter also has to cope with learning this new digital technology on the job. D-PLATFORM is an alliance of 11 European distributors to help them implement digital releases and to manage them in the most effective and flexible way possible. It is based on a three-year pilot project supported by the MEDIA programme up to 50% of the digital release costs including encoding, hard disks, KDM keys and deliveries. D-PLATFORM also provides information to analyse the quotations, the value of different equipment, etc. This body has mutualised the costs of digital releases between distributors. D-PLATFORM has funded the digital release of 10 titles. The aim of the distributor is to ensure symbiosis between logistics of copies and programming. To support it in this move, D-PLATFORM has created Cinego, a software which manages both the technical part of digital and the programming by calculating the release costs for each cinema. This software will trigger transfer of the film file to the cinemas. It will devise all the billing side having gathered the different data regarding programming times. Cinego has been used by Haut et Court for the release of *The Class*.

ROBERTO BASSANO:

Microcinema is an Italian body offering producers a transmission server for digital copies in film theatres. This transmission is via satellite. This way cinemas can open up to other markets such as opera. This technical communication project came about thanks to the ESA (European Space Agency) which expected this kind of technical initiative. Microcinema supports investments by exhibitors in their move to digital. It is a global vision for digital and the hope is to expand this across Italy and export it. As far as Microcinema is concerned, a town without cinema is a blind town. We offer a digital catalogue of around one hundred films. We managed to secure 250,000 admissions for digital screenings in one year.

GERALD MIERSCH:

The antitrust is a European coordination among businesses to achieve effective competition notably between distributors and exhibitors. In terms of horizontal agreements, it avoids the effects of price-fixing cartels between several distributors in respect of several exhibitors and arbitrary copy access restrictions to facilitate a mutually beneficial system. With regard to vertical agreements, it is the pressure applied by a distributor on an exhibitor for access to a copy to be dependent on programming of one or other films.
The antitrust law does not impose an exclusive VPF integrator on the distributor. The latter can pass agreements with any number of desired third parties.

PATRICK VAN HOUDT:

The EIB can offer loans for digital equipment at reduced rates. The public money should be supplementary to this and bring down loan rates via its funding. This public contribution will bring equilibrium between the small and large cinemas in terms of access to digital. The EIB might invest up to 45 million euros in a European digitalisation scheme. The leasing also allows the exhibitor better redemption of his investments. The level of payment by third party VPF is not yet known.

We would have to create a third party non-profit investment fund that is transparent, public and less costly. This final measure would make intervention by the EIB easier and faster in funding digital equipment in theatres.

ANTOINE VIRENQUE:

European Digital Cinema Forum is a forum of exhibitors and distributors who are in conversation with each other and other national technical bodies in the aim of arranging assessment of the cinemas equipped with digital. This body is charged with disseminating information. It does not sell anything. It edits guides and glossaries. A study is currently being led looking at the compatibility of keys.

Eurimages has a current budget of 500,000 euros to fund master copy production of films. This sum appears low but demands on the part of European producers are much reduced. For 3D, there is no standard norm and interoperability between the 4 suggested models. Vis-à-vis digital, the professionals are still assuming a wait and see stance which must be transformed into a concrete action plan. The situation is becoming urgent so as not to miss the digital train.

SESSION II - WORKSHOP 2:
THE PLACE OF EUROPEAN CINEMA IN THE ERA OF IMAGE-FLOOD AND INTERACTIVITY

• How to modernise the image of our cinemas? New concepts and identities.
• Are audience choices conditioned by market saturation and the shortage of films?
• How can cinemas join forces to better promote and tour European films?
• Developing young audiences' "taste for cinema": the role of theatres, film libraries, festivals and DVD editions.

Led by **Michael Gubbins** (Chief Editor, Screen International, UK)

Thierry Decuypere (Architect of the Cinema Sauvenière, Liège, Belgium)
Maretta Dillon and Neil Connolly (Exhibitors, Lighthouse Cinema Smithfield, Dublin, Ireland)
Rickard Gramfors (Project Manager, Digital Cinemas, Folkets Hus & Parker, Sweden)
Andre Ceuterick (Exhibitor, Cinema Plaza Art, Mons, Belgium)
Barbara de Wijn and Dagan Cohen (Project managers, Upload Cinema, The Netherlands)
Eric Vicente (Exhibitor, Distributor, Sophie Dulac Distribution, France)
Andrea Occhipinti (Producer, Distributor, Exhibitor, Lucky Red Distribuzione, Italy)
Thomas Matlok (Distributor, Pandora Filmverleih, Germany)
Rob Kenny (Operations Director, Curzon Artifical Eye Cinemas, UK)
Jean-Yves Bloch (General Director, Universciné, France)
Ian Christie (Film Historian, Europa Cinemas' Vice-President, UK)
Mark Higham (Chief Executive, Filmclub, UK)

MICHAEL GUBBINS:

The purpose of this session is to recount the most recent initiatives adopted by the Europa Cinemas network exhibitors to highlight the strength of European cinema.

THIERRY DECUYPERE:

A cinema establishment must not be content to have a functional role only; its architecture can play a cultural role. This idea was applied to Liège for the city-centre construction of the Sauvenière des Grignoux cinema. The basis of the project was the importance of creating a feeling of space around the fixed and opaque volumes that are film theatres. Our aim was to improve spatial quality of the reception area by making a public space like this interior garden. We also wanted to make this building a waiting area unlike the multiplexes where everything is purely functional: the multiplexes just create a flow of consumerism. We had to create tools for representation to interest, sometimes in metaphorical fashion, the exhibitor and distributors in this architecture. It was important to make a space where people entering and leaving the theatres can meet.
The film is an intangible element which is seen in a material space. It is important not to dissociate the two as is the case in the multiplexes.

MARETTA DILLON, NEIL CONNOLLY:

The first architectural drawing heralding the future Dublin Lighthouse cinema was made in 2006 following four years of discussions with the promoter and local authorities who really wanted this establishment to be a cultural centre too. From this point on it was necessary to be at the technical level of the 21st century with good audio quality in the theatres. The Irish cinema council gave funding to the tune of 750,000 euros to initiate the project since the developer was reticent early on. In total, Lighthouse received 5 million euros in public money. This initiative was really motivated by a passion for cultural development. The Lighthouse has since been a success story but has to face competition from the UGC multiplex which also programmes *films d'auteur*.

ANDREA OCCHIPINTI:

These days we encounter real problems when it comes to distributing independent European films in Italian cinemas which have seen a 40 % drop at the box office. In order to survive, we have opened up to acquisition of independent US films and genre-specific cinemas in order to diversify the catalogue and to make it economically viable. Funding for distribution of the MEDIA programme is fundamental. We do however maintain the quality in our various acquisitions. Sales of rights to television channels have become scarce, especially for independent European productions.
Today word of mouth no longer plays a role since the career of a film in cinemas happens from the first week-end.

THOMAS MATLOK:

Pandora Film tries to pursue an editorial policy based on quality which is why this company distributes only a few films. For a release to be viable in Germany a feature film has to be distributed on 30 prints. Germany shares the same problems as Italy when it comes to programming European films. It is easy to encourage young audiences for arthouse productions. Things are more difficult with adult audiences. German exhibitors tend to be fatalistic. Only close cooperation with the distributors can curb this sense of resignation. Public funding makes a proper contribution to facilitate small-scale releases of independent European films at local level.

ERIC VICENTE:

Sophie Dulac carries out production, distribution and exhibition activities in 15 cinemas. The success of a release relies on the choice of the cinema networks matched with the number of prints. Increasingly, independent films are resorting to communications using point of sale advertising and totem window displays to go beyond the restrictions of billboards and trailers. Internet-based communication for the purposes of promoting a film is developing quickly. Here, competition and exhibition costs are already very expensive and that is why this kind of communication has to be well targeted. The press officer has become a crucial role for the launch of a *film d'auteur*. By dedicating time well upstream it can ensure column inches in the written press to ensure the existence of the feature film. The AFCAE and the ADRC assist with the visibility of arthouse films among independent French exhibitors. Within Paris, for the most part exhibitors had to resort to the unlimited card offered by UGC/MK2. It generates 20 to 25 % of admissions in independent cinemas. With this card, viewers want to take risks to see relatively unknown cinematography. This has made it possible to stabilise attendance rates in independent theatres but also brings about a radical fall in entry prices.

ROB KENNY:

Artificial Eye has 8 digital screens, six of which have been financed by the Film Council. Audiences are attracted by digital screenings. Because of the language, British audiences prefer US productions rather than non-national European productions. In the UK there is a resistance to foreign languages. Artificial Eye has tried simultaneous cinema and VOD releases. The experiment was a success with the screening of *The Edge of Heaven* by Fatih Akin. This made it possible to capture 145,000 viewers. VOD represents a potential of 9 million subscribers. We need to view the cinema and VOD as one and the same distribution market.

RICKARD GRAMFORS:

The cultural cinemas we manage have 50,000 seats. It is a proper network which operates as a cinema club programming screenings for six months. It offers debating sessions and training for new exhibition and marketing tools. A professional trip to Hollywood is organised as well every two years for the exhibitors. The current situation in Sweden as far as exhibition is concerned offers a monopolistic picture. There is nevertheless great attendance potential in rural areas. To change this, Sweden is the first country to have developed a network of digital cinemas. This yielded 7% higher audiences in the first week of exhibition. Public bodies are now expected to fund digital equipment. Alternative contents such as opera have made it possible to regain adult audiences in cinemas via the intermediary of digital.

ANDRE CEUTERIK:

In Belgium, arthouse exhibition is quite distinct from commercial channels. In order to intensify, three years ago a network of independent arthouse cinemas was created. This has made it possible to mutualise costs with a public contribution of 100,000 euros a year. Communication of the network runs along very similar lines to that of Europa Cinemas via publications, realisation of a clip, etc. This initiative has also allowed digitalisation of several cinemas. Studies have been conducted within the network to evaluate the type of public financing to which it might have recourse and a technical audit has been carried out to make cinemas more successful. It is the CST in Paris which has worked on this. To respond to the crisis, a 2-euro admission charge at certain periods has been proposed with the funding of public authorities in order to attract young people to arthouse cinema.

BARBARA DE WIJN, DAGAN COHEN:

A project for Upload Cinema is to attract Internet users to cinemas by projecting on the big screen what is more unusual and more interesting on the Web, like the film *Star Wars Kids*. Themed projections are organised such as a programme of the best public address. Membership of the association of Upload Cinema Internet users is mandatory to take part in these screenings. We would like to export this kind of event and why not to Paris? The organisation is like a club to preserve this originality.

JEAN-YVES BLOCH:

Universciné is a VOD platform specialising in *cinema d'auteur*. 50 French producers and distributors comprise its body of shareholders. It programmes 750 films every year, funded by the MEDIA programme and the CNC. It has been operating commercially since summer 2008. As well as films, this platform offers genuine editorial content by presenting a multitude of extras and also provides filmography-based and themed programming. We hope to achieve 3% market share in VOD, a difficult objective to attain faced with operators such as Orange and with this choice of niche of *cinema d'auteur*. The Ministry of Foreign Affairs acts like a genuine partner since Universciné provides works targeting ethnic communities. Internet constitutes a genuine response to win back young audiences and to get them back to the cinemas. Universciné therefore intervenes in crossover promotional campaigns to inform about the release of a film or programming of festivals.

MARK HIGHAM:

Filmclub is an organisation which programmes school screenings or performances by supplying analysis tools to schools. Communication of regional cinema clubs is based on websites which have adopted the viewpoint of young people. They can grade the films and write the critiques. This educational initiative is accompanied by a filmmaking training programme. These sessions have been honoured by the presence of Prime Minister Gordon Brown and director Alan Parker. Filmclub is in the process of becoming a bona fide movement.

IAN CHRISTIE:

The Europa Cinemas network affords rich diversity, as much via the programming in the film theatres as their own particular economic situation.

The workshops of the Festival of Bologna offer the chance to ponder the future desires of cinema audiences. There has already been some response studying the effects of the multiplexes which sprang up in the 1980s. Now these establishments are experiencing a decline. The development of home cinema now constitutes competition to film theatres as does the nightlife consumed by young people in clubs and bars. We therefore have to think about the competitive environment of the cinemas to perhaps incorporate new services. But the main competition is one of time: cinema only makes it possible to do one thing at once and this can be in conflict with the rhythms of modern life.

Cinemas Le Balzac and Watershed have developed a real modern and social scene by their programming of debating sessions and the use of personalised communication on the Internet.

TRAILER'S PRESENTATION:

In the end of the afternoon, the participants had the opportunity to watch a program of European films trailers. It was a chance to have a look on latest productions from all Europe: *33 Scenes from Life, The Broken, Berlin Calling, Just Another Love Story, A Woman in Berlin, Il Divo*...

Sunday 16 November 2008

WORKSHOP CONCLUSIONS BY **DAVID HANCOCK** AND **MICHAEL GUBBINS**

DAVID HANCOCK:

We have dealt with the public and private finance models for the move to digital cinema. With regard to public investments, we have been able to understand what the motivations of the state sector could be to support this technology. Today there is a general consensus that swift action is required. This makes solidarity necessary between the different economic players in order to take commercial decisions whose interests will be shared. The VPF has already demonstrated its functionality in Europe. This model needs to become more transparent. There is an antipathy towards VPF because this system comes from the USA and is not of European culture. It is forecast to take ten years to make digital pay. It is still conceivable to extend this period which implies an extension of the warranty of projectors.
A disagreement remains on the possibility of involving advertising experts in the VPF system but the Poles have now started to incorporate producers in the cinema digitalisation plan with immediate effect. There are economic reasons in Europe which make implementation of a financing structure such as VPF difficult. But the EIB already offers alternative options.

MICHAEL GUBBINS:

Today the network is aware that the financial means will be lacking because of the current economic circumstances. The exhibitors are realists and a little fearful of the future. The banks are going to become more and more demanding when it comes to allocating funds to new productions. However, quality is still in evidence in the exercising of good competition. There is a sense of solidarity and teamwork. It can be strengthened further to attract the audience in a more appealing cultural practice. Other forms of production can be presented in the cinemas. This can be seen in the contribution of the various small films realised by young people for the Internet. Other measures, such as the modification of chronology of media, can breathe new life into cinema programming: the launch of a film in a cinema could benefit from funding via its simultaneous programming in VOD.

INTERVENTION BY **FREDERIC DELACROIX**
(Chief Representative, ALPA, Association de lutte contre la piraterie audiovisuelle - Association Against Audiovisual Piracy)

FREDERIC DELACROIX:

The ALPA is an association of private rights established in 1985 to combat unauthorised audiovisual piracy, presided over by Nicolas Seydoux. It brings together virtually all professionals in the audiovisual and cinema domain. Today pirating continues thanks to the era of digital cloning instead of video copy. Every day, 450,000 films with a French sound track are pirated in France. Most involve US productions. European films represent 9 % of illegal daily downloads. France is the champion of film pirating in Europe thanks to its high speed Internet development and the lowest subscription rates on the continent. The phenomenon is not an irreversible one. A bill proposes implementing a graded response against Internet piracy. It is a question of changing the behaviour of Internet users without having to recourse necessarily to penal sanctions. In fact, the number of illicit users is so high that no single legal device can handle such a volume of convictions. The graded response alerts the Internet user to their illegal use, firstly by sending an email then a registered letter. After the third time, an authority has the power to cancel the subscription or confiscate the equipment. This measure is not very well understood in Europe. The European Parliament is opposed to this, preferring to defend a very libertarian stance to the detriment of the interested parties. This graded response needs to gain European consensus in order to be effective.

The legal proposal, i.e. subscription-based, will be effective when the graded response has made it possible to put a stop to the majority of piracy.

IGNASI GUARDANS (in the audience):

Piracy will only diminish when the interested parties have implemented a system of pan-European legal proposals. Today one of the main reasons for illegal downloading comes from the lack of availability of these titles on the lawful market. The crackdown will not resolve all problems, far from it, and the graded response will never be able to be a European response since the Internet is like running water in a home. It cannot be cut off. We still must explain to European citizens the importance of intellectual property and continue to outline this. This is very much an educational task.

CLAUDE-ERIC POIROUX:

As far as cinema is concerned, the true and proper place of the legal proposal remains the film theatre. This is where the work is the most respected since it is screened in its entirety and under the best technical conditions. It is also the film theatre, which observes in the most scrupulous way possible intellectual property since every ticket sold is shared with the rights holders. It is via the exemplary nature of their approach that exhibitors participate in the education of citizens.

SESSION 3 - EUROPA CINEMAS: PERSPECTIVES AND KEY DATES IN 2009

• MEDIA Programme: Network evolution and perspectives for the Guidelines, Joint Activities and support 2009/2013
• MEDIA MUNDUS / MEDIA International: Opening to outside MEDIA countries, including Asia and Latin America / support to distribution and exhibition
• Eurimages - Euromed Audiovisual II: Results of the support activities in Eastern and Central Europe and in the Mediterranean area
• Miscellaneous and debate

Led by **Claude-Eric Poiroux** (Director General, Europa Cinemas)

Costas Daskalakis (Head of Unit, EAC Executive Agency, European Commission)
Aviva Silver (Head of Unit, MEDIA, European Commission)
Fatima Djoumer (Head of International Relations, Europa Cinemas)
Menem Richa (Responsible for Euromad Audiovisual, Europa Cinemas)
Claude Miller (Director, Europa Cinemas' President)

COSTAS DASKALAKIS:

All the cinemas have been funded by the MEDIA plan despite an increase in their numbers with the admission of new European nations. The European Union has accepted the call for proposal of Europa Cinemas based on a partnership agreement which will be signed for four consecutive years therefore guaranteeing funding for this period with an increase in the budget of 10 % annually. This flexibility will allow countries like Romania to rebuild independent cinemas. Its total screenage being very modest, the question of digital can also be posed right away: do we have to install digital projectors immediately? But 35mm and digital are expected to exist side by side for the next eight years.

AVIVA SILVER:

One of the aspects of the call for proposals concerns a partnership between Europa Cinemas and non-EC member states. This project is called MEDIA INTERNATIONAL and this year's budget amounts to 700,000 euros for the network. It is set to increase next year.

Another programme is under development. It is called MEDIA MUNDUS. It is about the continuity of MEDIA INTERNATIONAL and an initiative geared towards young audiences for cinema education.

The digital question has been posed among a group of European experts which includes Europa Cinemas, involving the regions, the CIP (a framework programme for competitiveness and innovation) and commercial banks.

CLAUDE-ERIC POIROUX:

The question of the technical quality of digital projection is now well and truly over. The current question is one of financing this technological move and its high cost for exhibitors. We are awaiting the agreement of the European distributors, mainly the independent ones, on the different economic models presented here. Without this solidarity, European cinema risks lagging behind and our film theatres will suffer. The expected effects of digital, namely improved distribution of works, will be repelled, to the detriment of the diversity of the European offering in favour of the mainstream US films.

It is also lamentable and unfortunate that the producers are conspicuous by their absence in the debate on digital. And yet they are an inevitable link in the chain when it comes to supplying digital master copies to the distributors.

35 mm prints will not disappear overnight. So, our current model is not at risk. But this is not a reason to waste time. Europa Cinemas, in this domain, has been very responsive because for the past three years we have obtained from

MEDIA the funding for distribution in 2K digital. In certain countries, in the UK in particular, this funding has been very useful to network exhibitors to diversify their European programming. Thus the proof that digital can signal progress for us.
For our part, we are active in the digital expert group in Brussels, in the discussions conducted with the EIB or among the groups of independents.
2009 is set to be a pivotal year for equipping cinemas with digital and we hope, of course, this includes the ones in our network.
Having successfully developed a European network with nearly 2,000 screens, including Russia, the Balkans and even Turkey thanks to Eurimages, Europa Cinemas, in the context of MEDIA Mundus, is starting to integrate film theatres in Asia and Latin America. It is a matter of involving these new countries on the basis of reciprocity, promoting their cinematography in our European cinemas and European films in their own cinemas. This reaffirms that the funding from Europe for circulation of its own films is already benefitting the distribution of films from the rest of the world in our cinemas. A tremendous prospect and we are engaged in this work with the Commission.
Finally, two pieces of practical information. In the new guidelines we want to offer a bonus between 600 and 1,400 euros to those cinemas who increase their European percentages. There will perhaps be a surcharge or small penalty for cinemas, which decline over a minimum of two consecutive years.
As for the development of mini networks bringing together several cinemas in a single region, this remains a priority for us, particular in countries where film theatres are not managing to meet Europa Cinemas criteria on their own. It is a way for the network to extend its influence further without relinquishing its European character.

FATIMA DJOUMER:

The programme to the non-MEDIA countries has provided funding for European productions for their dissemination in cinemas in Latin America and Asia, in terms of distribution and exhibition. In 2009, funding for distribution will amount to 50 % of the release costs (15,000 euros maximum).
As far as funding for exhibition goes, it will be increased with the MEDIA International programme. Each exhibition company will be able to receive up to 10,000 euros per year. Furthermore, the Europa Cinemas network will benefit in this programme from programming funding for films from non-EC Member States (up to 4,000 euros per year and per exhibition company).

MENEM RICHA:

EUROMED AUDIOVISUAL 2 presented its closing balance sheet in Cairo following three years of operation. Its budget was 15 million euros. Europa Cinemas was involved in two of its twelve programmes: Euromed Cinemas and Medscreen. Euromed Cinemas funded 187 film releases and concerned 29 countries, really opening up or improving new Euromediterranean communication in terms of distribution and exhibition. Medscreen is a programme of promotion for Arab films in Europe by giving them a presence at the film fairs in Cannes and Berlin.
Between EUROMED 1 and EUROMED 2, there has been a gap of sixteen months, and this has proved to be catastrophic for continuation of operations. Today EUROMED 2 will conclude and will not be succeeded by a EUROMED 3. This is why we have put the Mediterranean region within the framework of MEDIA MUNDUS. This partnership must be

pursued. Europa Cinemas will see to this and continue to forge links between cinemas in Europe and the Mediterranean region.

CLAUDE MILLER:

In these times of crisis and uncertainty, the 13th Europa Cinemas Conference brings hope. It has reaffirmed the effectiveness of the network and I am personally very pleased to see it develop beyond our continent towards the Mediterranean countries and countries in Asia and Latin America. It is a great promotional trailer, which augurs well for a particularly productive Conference next year. See you again next time.

End of the Europa Cinemas Conference