



**12th Europa Cinemas
Annual Conference**

Bucharest
15th – 18th November 2007

Report of the debates

(With the collaboration of Pierre Eisenreich)

With 1 703 screens in 44 countries,
Europa Cinemas is the first international film theatre network
for the distribution and exhibition
of European and Mediterranean films.

With the support of
MEDIA Plus and Euromed Audiovisual II (European Union),
Centre National de la Cinématographie (France),
FFA (Germany)
Eurimages (Council of Europe),
and French Ministry of Foreign and European Affairs.

OPENING OF THE CONFERENCE

Donato Chiarini (Head of European Commission Representation in Romania)
Eugen Serbanescu (General Director, Centrul National al Cinematografiei, Romania)
Costas Daskalakis (Executive Agency, Programme MEDIA of the European Commission)
Claude Miller (Director, President of Europa Cinemas)
Claude-Eric Poiroux (General Director, Europa Cinemas)

Donato Chiarini:

This year, 2007, the Europa Cinemas conference is being held in Bucharest, paying tribute to Romania as a new Member State of the European Union and to a new cinematography, which is now enjoying undisputed international success. Romania is thus a focus of particular attention in the context of the MEDIA programme. Although Romanian production is enjoying significant growth, the situation in terms of existing film theatres is however worrying. There are too few screens across the country to show even only films produced nationally. The PHARE programme aims to offer a remedy to the falling number of cinemas by encouraging exhibitors to renovate and to open new cinemas, which will include European and Romanian films in their programming schedules.

The 12th Europa Cinemas Conference invites exhibitors and distributors to find new ways to respond to competition from new channels for dissemination of works, such as digital television, mobile telephones, DVDs, VOD and of course the move to digital projection.

The digital projection offers numerous advantages to facilitate circulation of prints but calls for significant investments to be made, which must not penalise those in the sector committed to promoting European cinema. Romania could seize the opportunity offered by renovation of film theatres to switch straight to digital.

Eugen Serbanescu:

The recognition Romanian cinema now enjoys both in Europe and internationally is mediated first and foremost through festivals, but must above all be the fruit of work in cinemas. The Europa Cinemas network now contains 9 film theatres in Romania located in 6 cities. With the accession of Romania to the European Union, the MEDIA programme must help to increase the number of Romanian film theatres in the Europa Cinemas network. This conference will enable exhibitors to continue to defend the primordial role of film theatres – the place where we can discover films. It must also benefit Romanian professionals in the film business as they develop their filmmaking.

Costas Daskalakis:

Without going so far as to say that Europa Cinemas is the best project in the MEDIA programme, I would like to underline that it is undeniably one of the most efficient: the market share of non-national European films within the network amounts to 36%, compared with 8.5% for the European market in general. The Europa Cinemas theatres play a crucial role for a large number of European – and Romanian – productions, which would be unable to reach their audiences without them.

Regarding digital projection, I'll come back to this point later: the Commission does not intend to finance the equipment of theatres. However several programmes, among them Europa Cinemas, are supported by MEDIA to help the diffusion of films in digital versions.

Claude Miller:

Bucharest was chosen as the venue for the 12th Europa Cinemas Conference for two good reasons: the first is to mark Romania's accession to the European Union and the MEDIA programme. And the second is to pay tribute to directors from this country and the emergence of a nouvelle vague, which has been winning the most prestigious prizes at international festivals. Their films are now showing in film theatres, in particular within the Europa Cinemas network. In addition, 400 participants from the network are attending the conference in Bucharest, which is very encouraging.

I would like to praise the network exhibitors for their efforts and their results. They have managed to attract larger audiences, and represent a vital economic force. With the support of the MEDIA and Eurimages programmes and the French Ministry of Foreign and European Affairs, we have created the sole network capable of positively effecting the future of European cinema in theatres. In pooling our means and our experience, this network has succeeded year for year in welcoming new countries, notably from Central and Eastern Europe. Now it is the turn of Romanian professionals to benefit from this aid, which will allow them considerable leeway in renovating and enlarging the country's screenage.

This Conference will permit us to reflect on the future of the network, at a time when we – together with the MEDIA programme – must mobilise the maximum of means to assure a balanced repartition to cinemas in the enlarged European Union.

Let me stress how important it is for Europa Cinemas exhibitors to demonstrate their dynamism, so as to incite Europe to continue its commitment.

Claude-Éric Poiroux:

Above and beyond its economic results in diffusing European films, the Europa Cinemas network must now more than ever affirm the cultural dimension of its action. This conference will contribute to that aim by addressing two complementary topics: digital technology, which cannot be reduced to simple technical questions alone, and the future of the cinema, which involves a more sociological look at the behaviour of new generations of audiences.

Digital technology is not simply a new technology to be mastered, it is above all a grand opportunity for disseminating the works. This is why we will continue, as in past years, to give it an important place in our discussions.

It's important to point out that the situation has not changed enormously since last year. The number of theatres equipped with digital technology is progressing slowly, without major advances or events that catch the public eye. There have been some advances in terms of technical standards, in particular the adoption of 2K, but still no real economic model has been established which can be implemented across the sector.

What have we learned since last year?

The "UK Film Council" is nearing the end of its programme for equipping 250 theatres. What has changed in the distribution of "specialised" films, and what about the other theatres in the country?

Here and there in Europe, several networks of multiplexes have equipped 2 or 3 screens per complex. Some distributors are starting to offer films in 35mm and digital format. As for the day-to-day experiences of the cinemas equipped with digital technology, it shows that all the bugs have still not been ironed out, notably in terms of interoperability of equipment and material. But above all, nothing has really been settled in the transfers of investments between distributors and exhibitors, even if the Virtual Print Fee remains until today the most practised model in the USA, with or without a third-party investor. This model is far from being

adopted and adapted throughout Europe, which no doubt explains the delays in introducing digital technology on our continent.

These two days will allow us to address all of these questions, but also to reflect on the positioning of our theatres and the place of European films in this new economy. The network theatres, which are for the most part independent, must neither be penalized nor marginalized in the transition to digital technology. They must invent and impose an economic model, which is suited to them, without having to bend over backwards to comply with strategies established by the predominantly American majors. As to programming, the true force of our theatres, it must profit from the advantages offered by digital technology to diversify, but at the same time it must refuse any tendency to concentration and standardisation. We must deal with this on the European level, certainly, but we will also be led to join in debates on the national level, where much will be decided in terms of equipment and programming.

The other question we have decided to address for the first time – the future of cinemas – seems to impose itself in the context of accrued competition engendered by the new means of diffusion: how can our theatres come off victorious at the very moment when images are being dispersed through a multiplicity of competing supports? Audiences must increasingly see the cinema as the true location and the prime market for film: we are not faucets for images, we show works in their integrity under the best possible conditions. We must not let ourselves be overwhelmed by the Internet and new technologies. On the contrary, we must use them to attract audiences to our theatres and our films. It is no secret that the Internet is today's new word of mouth. So I invite you to put these two days to good use, exchange your experiences and define the perspectives of our action, while stressing that the advantage of our network lies above all, as Claude Miller has said, in our capacity to show our unity and to pool our means.

SESSION I – WHAT IS THE FUTURE OF CINEMAS IN THE AGE OF NEW TECHNOLOGIES?

- Will the new modes of film consumption change audiences' relationship to film theatres?
- Are new technologies changing young people's attitude to the cinema and their viewing habits?
- What economic impact is piracy having on cinema attendance?
- Digital cinema and online services: towards standardisation or diversification of films offered?
- How can independent theatres use the internet to conquer new audiences?

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

Cristi Puiu (Director, Romania)

Jeroen Boschma (Founder and Creative Director, Keesie, The Netherlands)

Pascal Rogard (CEO, SACD, France)

Stefan Paul (Exhibitor/Distributor, Passage Kinos/Arsenal Filmverleih, Germany)

Marie Bloomfield (Analyst, Screen Digest, UK)

Enrique Gonzales Macho (Exhibitor/Distributor, Renoir Cinemas/Alta Films, Spain)

Antonio Salvadori (Exhibitor, Circuito Cinema, Italy)

Penny Watson (MyFilms.com Project Director, Sledge, UK)

[We apologise that for technical reasons it was impossible to record the speech given by Stefan Paul and include it in this report.]

Cristi Puiu:

In Romania, national filmmakers are faced with the fact that the public are deserting cinemas. Consequently, it is hard to comprehend creating a film specifically for cinema. Today, the audience for Romanian productions is primarily international, thanks to festivals and programming in European cinemas, which attract bigger audiences than those in Romania. Faced with this lack of convergence with the Romanian public, one has to accept the possibility of making films for hypothetical audiences who are just as likely to be in the cinemas as at home in front of their television screens or PC. It may seem provocative to present it this way in front of an audience of exhibitors, but a filmmaker has a duty to create for the widest possible audience and must rise above the crisis in the area of exhibition that he is experiencing in his own country. Of course, he will always appreciate and support the primary role of the cinema, but what can be done if, in the meantime, the cinema network is virtually non-existent? Before becoming a filmmaker, I started out as an artist and I am fully aware of the physical size the big screen requires, in the same way that one must choose the right size of canvas to paint on.

Jeroen Boschma:

Teenage audiences in Europe today represent a specific generation, dubbed the Einstein Generation, corresponding to those born from 1988 onwards. These individuals are shaped by the 24/7 information society and the consumer society. This constant availability is the result of the technological contribution made by the Internet, which also allows these young people to be more critical in the face of the high volume of facts they receive. It is as much about content as about quality of service, since – unlike their predecessors – young people have become one of the principal commercial targets of advertisers. Confronted with the same influences familiar to adults, they copy their cultural behaviour via their quest for identity: going to the cinema, watching a DVD in groups, playing. They also attempt to be in harmony with the family, to experience a feeling of “us”.

In view of the rise in prices, and in order to be able to participate in the consumer society, the Einstein Generation often carry out extra work that assures them of additional spending power. But one has to realise that this ease of access to information and cultural content has penalised cultural practices. Young people prefer to stay at home and go out to the cinema less. Unlike their elders, they primarily perceive an emotional significance in the technical function of new media, whilst adults attach importance to the potential of the resources offered. Faced with this new behaviour, European film distribution must take into account the predominance of word of mouth when it comes to releases, and avoid artificial effects of hype, as young audiences are attached to a spirit of authenticity. Above all, their sense of curiosity must be aroused.

Pascal Rogard:

The film industry is faced with the same problems of piracy as the music industry. Films are downloaded for free and illegally just like pieces of music. This widespread theft, which involves several million web users every day, has forced record companies to become event promoters. Concerts have become a means of curbing the economic losses due to piracy. Cinemas, unlike DVDs, and following the example of variety concerts, are managing to protect themselves from piracy.

According to the report by Denis Olivennes, the way to respond to film piracy is through a graduated penalty system. This system primarily makes the distinction between two types of crime: that on a professional level, which is directly punishable by means of a criminal conviction for the theft of a copy within a laboratory or mixing studio, and that involving the amateur Internet user who downloads illegally on a more or less regular basis.

For the latter, a graduated penalty system is anticipated, alerting him in the first instance by e-mail that he has been caught participating in piracy. If he reoffends, he will receive a written warning. Finally, if he persists, a sanction will ensue, ranging from the termination of his Internet subscription to the removal of equipment.

In order to curb piracy, it is necessary to increase subscription-based online film catalogues, since it is a lack of access to the latter which leads to people visiting sites that allow free downloading and committing illegal actions. The aim is to move pirates towards legal offerings.

Marie Bloomfield:

What is the future for cinema in the face of new technologies? This last study drawn up by Screen Digest shows that for the past ten years the proportion of revenues, which have doubled, has remained the same between cinemas, video rentals, video purchases, VoD, pay-TV and free television. When it comes to viewing films, the quality of domestic installations is gradually closing in on that of cinemas, accessibility to films is immediate thanks to, amongst other things, VoD, and films can be seen wherever you want, thanks to the flexibility and portability of these new technologies. 80% of the televisions sold this year in Europe are HD-ready, with the size of these screens increasing significantly. The same is true of those with Full HD. Europe today has 19 high-definition channels dedicated to cinema.

We are also witnessing a fierce rivalry between the two standards of high-definition DVD, which are Blu-ray and HD DVD. These two formats will represent 24% of the DVDs sold in 2011. They are likely to lead to an upwards revaluation of the price of purchased DVDs.

VoD is currently making a significant breakthrough, and this is set to become more pronounced over the course of the next four years. Germany, France and the UK rank among the European countries making most use of it. Download times are also set to be reduced, with high speed lines increasingly appearing in

European households. It is expected that in 2011 the revenue from European VoD will be equivalent to 1% of the revenue from pay-TV in Europe, or 450 million euros.

Although home cinemas are increasingly growing in popularity thanks to their practicality, the cinema remains the number one location for discovering a film, as well as the location where an event or experience can be enjoyed.

Enrique Gonzales Macho:

Last year, film distribution problems resulting from the diversity of the autonomous communities in Spain were explained. Today, this specifically Spanish problem is being joined by another stumbling block shared by the nations of Europe: what we are talking about here is the increasing importance of new technological media, which are in competition with cinema. We can therefore see a distortion in the areas of distribution and diversity, as the new technological format insidiously dictates cultural content. It seems that the new high-definition DVD standard, Blu-ray, favours the distribution of major films to establish its market. These new media are created without taking into consideration the diversity of current cinematographic content.

Antonio Salvadori:

The Italian network Circuito Cinema was started in 1996. Its mission is to offer programming based on diversity and cultural quality that contrasts sharply with ordinary commercial cinemas. At the time, the cinema market was not offering favourable conditions for this kind of cultural enterprise, the crisis already being well-established. Over the years, Circuito Cinema has brought together producers, distributors and exhibitors to improve the quality of the film offering and ensure that we do not content ourselves with things that the public is likely to be expecting.

Restricting oneself to satisfying the public amounts to having a strictly commercial vision of distribution and represents – both in the past and today – the effects of vertical concentration experienced by the film sector. With this vision, the theatre is happy to be a supermarket geared towards selling snacks and drinks, with the film being nothing more than a loss leader.

Faced with this phenomenon of the multiplex, Circuito Cinema, which boasts art house programming, is confronted with the difficult task of enabling single-theatre cinemas to survive. Unifying them remains a complicated task, since Italy is a compartmentalised territory without any homogeneity. Moreover, it is becoming increasingly rare to find spaces in city centres where film theatres can be accommodated.

In future, in terms of their revenue, distribution and production will not be able to make do with box office receipts in the theatre. Other cinematographic channels need to participate in the art house cinema economy. The new distribution media might offer a solution.

Penny Watson:

Myfilms is a British website created to support the distribution of films d'auteur. It is run on a non-commercial basis. Here the Internet user can find information on all kinds of cinema releases and the theatres where these are being shown. However, Myfilms also offers exposure to art house productions – exposure that is just as substantial as it is for blockbusters. A further aim of this site is to offer visitors works which they would not have gone to see on their own initiative, to suit their own tastes. The role of Myfilms is therefore to enable people to discover films d'auteur. It makes it possible to select between the 260 films showing in theatres every week and raises the profile of the productions with the most limited audiences. It also links the choices of Internet users to promote the forum idea and increase word of mouth publicity.

SESSION II – WORKSHOP 1:

DIGITAL CINEMA: HOW TO PRESERVE THE DIVERSITY OF CINEMAS IN EUROPE?

- The state of digital distribution and projection in Europe.
- What economic models are offered today?
- Is the "Virtual Print Fee" compatible with the diversity of cinemas and the circulation of films in Europe?
- Do independent distributors and exhibitors have the means to face the transition to digital technology alone?
- How to share risks and ensure solidarity among all participants?

Led by **David Hancock** (Senior Analyst, Screen Digest, UK)

Kim Ludolf Koch & Thomas Pintzke (Consultants, RMC - Rinke Medien Consult, Germany)

Peter Buckingham (Head of Distribution and Exhibition, UK Film Council)

Rolv Gjestland (Technical Director, Film & Kino, Norway)

Chris Marcich (Vice President and Managing Director, Moving Pictures Association of America's European Office)

Gwendal Auffret (Managing Director - Southern Europe - Arts Alliance Media Digital Cinema, UK)

Jean Mizrahi (President, Ymagis, France)

Alain Besse (Engineer, Commission Supérieure Technique, France)

Chris Koppelmeier (Ex-Manager German Roll Out, Germany)

Paul Corcoran (General Director, Kino Cinemas Holding, UK)

Monika Weibel (Distributor, Frenetic Films, Switzerland)

Nick Varley (Distributor, Park Circus, UK)

Thierry Delpit (Head of Project, Digital Platform - CN Films, France)

David Hancock:

Nowadays European cinema recognises the DCI as the valid standard for digital cinema. That is now an established fact. However, at present the question of flexibility in programming films also arises. Will the move to digital foster circulation of films? Europe needs to become better organised to maintain this diversity, which obviously entails fitting digital equipment in film theatres.

The United States have already made headway compared with Europe. 3D projection is available today on 21 % of American digital screens. This option is almost entirely missing in European film theatres, as an economic model has not been developed. In contrast to the United States, there is no Virtual Print Fee here. It is time now for European exhibitors and distributors to reach agreement on one or more financing models if they do not want Hollywood's hegemony to lay down the law definitively.

Chris Marcich:

The DCI standard is in fact now accepted internationally. The United States have over 5,000 digital screens. That figure is set to double in 2008. 3D offers a bright glimmer of hope that it will be possible to attract audiences back into cinemas, particularly adolescents.

Peter Buckingham:

Digitalisation of film theatres must not put diversity in distribution at a disadvantage, nor should exhibitors be penalised. Europa Cinemas' network of independent exhibitors is thus directly affected. European exhibitors must adopt the VPF economic model. If they refuse to do so, they will become isolated and run up against difficulties in programming freely. Conversely, it is not clear what the right response would be if VPF were swapped for another economic model because a particular film, for which a small-scale release might be planned, were to compel the exhibitor to opt for another system. Admittedly too VPF makes it easier for

exhibitors to obtain films, as they participate directly in funding digital equipment. That would mean exhibitors could move beyond the 35-mm paradigm in which distributors presume they can impose conditions, as they are the only ones funding prints.

The UK Film Council gave the impression that public funding would solve all the problems. In reality there is no more public funding in the United Kingdom.

Rolv Gjestland:

Film & Kino is a fund to digitalise Norwegian film theatres, and has already recouped 15 million euros. It is an economic model without an intermediary and charges a 2.5 % levy on tickets to finance digital equipment in keeping with the DCI standard. Film & Kino offers exhibitors a budget of 4,000 euros per screen and per annum. The funding and installation are organised via an agreement between the bank and the exhibitor. This project reflects a national choice to provide financial support to minimise the costly period in which 35-mm and digital exist side-by-side. That is why the transition should be arranged rapidly. However, an economic model for the distribution sector still needs to be determined and an agreement established between exhibitors and distributors.

Alain Besse:

The economic model for funding the switch to digital must guarantee that exhibitors own their equipment. Like the CNC (Centre nationale de la cinématographie) support fund in France, it must also favour diversity in programming. With 2048 pixels per line (1080), digital technology offers quality at least equivalent to 35 mm. There is no DCI standard: it is merely a set of recommendations.

DLP technology is now operational and the digital sound on the print corresponds directly to what is recorded at the mixing desk. 2K projectors allow exhibitors to show anything on a screen with a maximum width of 22 metres. Sony is now developing a 4K projector that will be operational in five to ten years from now.

Kim Rudolf Koch & Thomas Pintzke:

The diverse range of different circumstances across Europe calls for different strategies to equip cinemas. Every country in Europe has its own idiosyncrasies. That means that economic models may vary and be combined with each other. As a result, Europe would employ a VPF based on billing per print but would also use a Time Fee based on billing for the duration of digital exhibition of a print. Public funds may constitute an ad-hoc solution for at most 10 % of the value of investment. A fund to finance digitalisation of prints must also be set up. Contracts will therefore have to be drawn up with producers.

Gwendal Auffret:

Arts Alliance Media (AAM) is a third-party independent company in charge of organising the transition to digital projection and regulating the VPF among exhibitors and distributors. AAM effects a coherent and efficient transition to digital technology in European theatres, with the goal of having both exhibitors and distributors benefit from this new projection tool. AAM's deployment plan is based on 7,000 theatres in Europe, a duration of maximum 5 years of installation, and 10 years of distributor contribution via the VPF. During this time AAM guarantees equipment, compliance to norms, interoperability and infrastructure security. At the moment of reimbursement or at the very latest after 10 years, ownership of the equipment is transferred to the exhibitor and invoicing for the VPF stops. Arts Alliance Media has already signed long-term contracts with 5 American studios (Fox, Universal, Paramount, Sony and Disney), and is currently negotiating with Warner Brothers as well as local distributors in each of the countries concerned. Of course, the extreme

fragmentation of the distribution market in Europe makes things even more complex than in the USA, but the participation of European distributors should not be a problem in itself. They all seem well disposed to contribute as soon as they stand to benefit economically as compared with 35mm.

Jean Mizrahi:

Ymagis proposes a new economic model for the transition to digital: the Contribution to Digital Transition (CDT), developed in the wake of numerous discussions with professionals and a detailed study of film programming in France. Our model, which takes into account the existence of very different market players, is adaptable to 90% of the theatres in France and assures a balance between large and small independent distributors.

In our view, the VPF could not be adapted in Europe without a mix of the different economic models.

Bernard Collard (XDC):

XDC accompanies exhibitors and distributors in the transition to digital cinema. XDC does not at all intervene in the age-old relation between the exhibitor and the distributor, but uses its savoir-faire and competence to elaborate technical and financial solutions for digitally equipping cinemas and distributing films. Having equipped more than 300 theatres in 10 European countries, XDC represents the largest European network of digital theatres. Besides a classic leasing formula, XDC pursues large-scale development with theatres co-financed on the basis of the Virtual Print Fee (VPF) model. According to this model, for each film projected in digital format, a "VPF" (Virtual Print Fee) is paid by distributors to XDC. The exhibitor pays XDC a contribution to the costs of equipment (projector, server, financial and other costs). Regardless of the duration of payment for the material, the exhibitor signs a parallel ten-year service contract with XDC for the maintenance of the digital systems. The exhibitor also pays a contribution for revenues generated by alternative content.

XDC is in the process of working out the best way to make current contracts with its existing clients compatible with the demands of VPF.

Finally, bearing in mind local and regional specificities, XDC is open to considering co-financing initiatives from the cinema industry or other private and governmental organisations.

Monika Weibel:

At the end of the economic chain in the world of film we find Home Cinema, the greatest enemy of exhibitors. Film theatres will only be able to compete if the problem is tackled at its roots by encouraging producers to utilise digital technology.

Nico Simon:

The European Union will not make more public funding available. The film industry must organise itself to fund digitalisation. In the context of opting for VPF, exhibitors and distributors may decide to do without intermediaries (the independent third party) as they give rise to extra costs.

Chris Koppelmeier:

The cost of funding digitalisation of German screens is 226 million euros (4,500 euros per screen and per annum). Once digital technology is installed in film theatres, savings to the tune of 50 million euros may be realised in film exhibition. There will not be an increase in either audience numbers or ticket prices.

Thierry Delpit:

D-Film project is an operational support project aimed at distributors for digitalisation of prints. It is 50 % funded by the European Union. It makes it possible to share the cost of encoding prints between European distributors. At present eight distributors are participating in the scheme. In 2007, the French exhibition network had access to digital copies of 22 American films as against 4 French films. It is essential to flesh out the French and European catalogue of works available.

Nick Varley:

Park Circus has specialised in distribution of digital prints of classic films. The company currently has about thirty works on its books that have received support from the UK Film Council. Park Circus owns the rights to these prints exclusively for film theatres. By organising various activities, it turns the releases of these films into real events. There is a realisation nowadays that classic films really benefit from digital technology.

Paul Corcoran :

Kino Cinema Holdings is a network of film theatres that has opted to install 2K technology. The economic model adopted could not be simpler, as it is based on direct investment by the exhibitor, in other words, it is self-financing. The exhibitor must also pay for encoding of the prints. However, showing local adverts on the screens allows exhibitors to take on the substantial investment. In addition, in terms of exhibition costs, the cinemas profit from an automatic system to start screening. Eight different films can be offered every day, which amounts to 10 different works per week. Series are also shown. Success seems assured as we are located in a small town where there is little competition.

SESSION II - WORKSHOP 2:
DISTRIBUTORS - EXHIBITORS: HOW TO RENEW AUDIENCES?

- How can theatres aid distributors in promoting European films?
- Is there enough cooperation in film release strategies?
- How to modernise the image of art house cinemas?
- How to use the Internet and web forums to promote films among young audiences?
- Apart from pricing policy, how to establish audience loyalty to a cinema?

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

Marc Cosgrove (For Simon Ward and ICO - Independent Cinema Office, UK)

Nicoleta Talpes (Director, Image Factory, Romania)

Madeleine Probst (Programme Co-Ordinator, Watershed, UK)

Christian Thomas (Distributor, Imagine Film Distribution, Belgium)

Martin Kochendörfer (Head of Distribution, X-Film Verleih, Germany)

Jakub Duszynski (Head of Acquisitions, Gutek Films, Poland)

Marco Villotta (Exhibitor, CEC Udine, Italy)

Ted Chiaradia (Exhibitor, Lux Nijmegen, The Netherlands)

Vincent Adatte (Co-Director, La Lanterne Magique, Switzerland)

Frauke Feuer (Consultant, Peaceful Fish, Germany)

[We apologise that for technical reasons it was impossible to record the speech given by Jakub Duszynski and include it in this report.]

Nicoleta Talpes:

We took the film *4 Months, 3 Weeks and 2 Days* by Cristian Mungiu, winner of the 2007 Palme d'Or in Cannes, on a tour around Romania in order to exhibit it. With the number of cinemas in Romania being very limited, it was necessary to take the film to the towns and cities as a way of bringing it to people's attention. We stayed for two days in each place to find an audience where there no longer was one. It was a genuine promotional operation on the part of the director, who also took part in this procession. This initiative was needed since we were only able to distribute seven prints in theatres across Romania.

In order to create word-of-mouth advertising, we targeted young people via trailers. After all, they are the future for Romanian theatres, of which there are currently far too few.

Christian Thomas:

4 Months, 3 Weeks and 2 Days was released on 19 November 2007 in Belgium, three weeks after its release date in France. As distributors, we loved this film bought at Cannes, but we were dubious in terms of how it would be received by the public. We considered what the fact that it had been awarded the Palme d'Or meant. The subject matter and the demanding nature of its direction made it a difficult film and from this standpoint we should have scheduled a release on seven prints. However, we preferred to take into consideration the huge support the film was receiving from the cultural, women's and medical press, its thriller-type atmosphere and slogan – "Just how far would you go to help a friend?" – whilst avoiding the topic of abortion, which was already known about in any case. So, we released a film on 15 prints, with the aim of achieving 30,000 admissions. We decided to organise a preview two days before the release in a very large cinema in Brussels. This was a highly official screening to avoid negative word of mouth. We also made 80 trailers and did not hesitate to programme this film d'auteur in five multiplexes, where it attracted large

audiences. We took into account the quality of the equipment that the theatres had at their disposal, both multiplexes and art house cinemas.

For the latter, it is important that they make the choice in favour of digital technology. This will make the distribution of prints and trailers easier.

Thanks to the Palme d'Or, we managed to achieve 150,000 admissions.

Mark Cosgrove (for Simon Ward):

4 Months, 3 Weeks and 2 Days could be a phenomenon in the UK, just like A Short Film about Killing by Krzysztof Kieslowski. The goal of the Independent Cinema Office is to champion independent cinema in the UK. It supports cultural activities and establishes communication networks between distributors and independent exhibitors. We organise workshops with exhibitors in order to promote their theatres and programming. We also offer training courses to become a Europa Cinemas exhibitor, for example. Remote learning via the Internet is a further option that we provide. The website develops a dialogue, in particular by presenting the short film of the month.

Martin Kochendörfer:

For the release of Irina Palm in Germany, we estimated that the audience would be in the 30-60 year age range. We wanted a summer release date, with programming over several weeks, as the competition at this time is less fierce. We relied on the press (especially women's magazines) and on interviews with the film team, as well as on the publication of brochures and flyers, with compered screenings in art house cinemas. Private commercial partners helped to sponsor the release, notably a cosmetics brand. The film achieved 400,000 admissions on 80 prints.

Ted Chiaradia:

Today, we are finding that the quality of the surroundings, the comfort of the theatre, and the quality of the café and refreshments are just as important as the film itself. Exhibitors and distributors need to assess these additional offerings properly, as the comfort and convenience of Home Cinema has become cinema's number one competitor.

Thanks to this quality of service, at the Lux we even have good attendance figures for matinee performances. We have also offered an annual subscription that includes films and refreshments, a system, which is very much appreciated.

I do not believe that releasing an art house film in a multiplex means that it carries more weight and achieves more success.

Michael Gubbins:

Through these discussions it has emerged that developing word of mouth has become one of the key marketing strategies for releasing a film.

Marco Villotta:

In Udine, we have a potential audience of 200,000, including the surrounding areas. We have 28 screens in total, provided by two multiplexes and four independent cinemas. European films are programmed in particular in two independent cinemas located in the city centre. These cinemas organise numerous screenings for schoolchildren, which we follow up with workshops in classes in order to get them really interested in a career in cinema.

Projection alone is not enough. We need to work in partnership with teachers in order to provide teaching that genuinely promotes an appreciation for cinema.

Programming in the two cinemas is not exclusively European. We also offer a low-price policy to attract young people. When we distribute classic films we also offer free tickets because we think students should be familiar with these masterpieces.

Frauke Feuer:

Does digital cinema constitute added value for the audience and, in particular, young people? Results of the Peaceful Fish survey show that young people are attached to the pleasure and enjoyment of seeing a film in cinemas, even though many of them take part in piracy and discover new films on the Internet. This illegal demand needs to be shifted into a legal form in cinemas. For example, foreign productions, sought after by young people, could be sold in cinemas. This could include DVDs and also comic strips.

Madeleine Probst:

How can we modernise the image of art house cinema? The Internet, as is the case for the majority of exhibitors, has become a compulsory channel of communication to promote cinemas and their programming in Bristol. We have created podcasts. The presentation of films on LCD screens in halls is also proving to be a well-considered step. These tools make it possible to organise specialist events, to such an extent that we have been able to offer a cycle of Albanian films, which has gone very well. This modernisation of the offering does not mean the loss of cultural values, which we have always held dear. Our commitment to young people remains unchanged. The Watershed network wants young audiences to make cinemas their own, by getting them, for example, to create a clip for the Internet site. They are the ones who influence programming.

Vincent Adatte:

“La Lanterne Magique” is a film club for children created in Neuchâtel in Switzerland. This association, aimed at audiences between the ages of six and twelve, extends throughout Europe and also into Africa: it is well represented in Dakar, thanks to an initiative from Europa Cinemas.

Each year we offer three groups of three films, each one corresponding to one overriding emotion (to make you laugh, to make you cry, to scare you) and one period of cinema history. Only children are allowed to be present during “La Lanterne Magique” screenings.

Today, we are aware that the audience in the 12 - 18 year age range is disappearing from cinemas in Switzerland, in the first instance due to economic reasons. This group has a different method of consuming films. The problem of adolescents turning their backs on cinemas is starting to affect multiplexes as well. This is why “La Lanterne Magique” has decided to focus on this generation – 12-18 - to get them to come back to the cinema. We are going to make sure that we arouse their curiosity and encourage diversity by means of the project Movie Move. Its loss leader is a members’ card which allows admission for 6 euros to any cinema in Switzerland. An SMS alert gives notice of a screening at a price of 3 euros for an art house film. In this latter case, the association refunds the revenue lost on this type of screening to the exhibitor.

“La Lanterne Magique” also carries out teaching activities in Aragon (Spain) in order to teach young audiences the difference between the fiction and documentary genres.

PRESENTATION OF THE NEW YOUNG AUDIENCES GUIDELINES

Claude-Éric Poiroux (Director General, Europa Cinemas)
Ian Christie (Vice President, Europa Cinemas)
Dominique Wallon (Expert, Europa Cinemas)
Fatima Djoumer (Head of International Relations, Europa Cinemas)

Claude-Éric Poiroux:

The Committee of Experts is regularly confronted with the difficulty of evaluating exhibitors' initiatives aimed at Young Audiences, bearing in mind the very real differences in exhibiting conditions in the various regions. Nevertheless, the MEDIA programme now counts 30 countries and we must elaborate valid criteria for all members of the Europa Cinemas network, without altogether ignoring local specificities and habits.

Accordingly, we are now attempting to specify evaluation criteria so as to better analyse the true efforts of exhibition in this domain.

Departing from facts furnished by the theatres, we have grouped actions by means of 4 appreciation criteria:

- 1) The first criterion tallies specific initiatives of the exhibitor **geared toward Young Audiences, apart from school screenings**.
- 2) The second criterion concerns specific work with **school audiences** and teachers, that is supplementary screenings and special projections parallel to regular programming.
- 3) The third criterion judges **the investments** undertaken by theatres in terms of publications, activities, development of Internet pages, etc. Collective initiatives on the part of several theatres in different cities or countries around a given programming will also be taken into consideration.
- 4) The fourth criterion will consider **the results** of programming of European films for Young Audiences: number of films, screenings and viewers. Payment may not exceed one euro per "Young Audience" admission for a European film.

The amount of support for Young Audiences may represent 20% of total support, and is limited to **5,000 euros** per convention.

Ian Christie:

Analysing the results of Young Audience activities in cinemas is a highly complex task. The concept of effort, for example, is not quantifiable, especially when it comes to educational projects. This assessment remains relative, since the constraints differ entirely from one country to another. The European Commission would in any case like Young Audience activities to be developed and strengthened. These criteria will make it possible to develop a shared level of assessment, feedback, and a framework, which will make it possible to take the particular features of each European exhibitor into account.

Dominique Wallon:

From now on, the basis for the provision of Young Audience support will be the assessment of initiatives created by the cinema, rather than attendance figures. However, criterion 3 (quantitative) will in fact serve to reinforce the initiatives taken as part of criteria 1 and 2, since it will measure their results.

Therefore, this small reform takes into account an investment in the future, which is not immediately visible.

FOCUS ON ROMANIA: PRODUCTION, DISTRIBUTION, EXHIBITION

Led by **Mihai Gligor** (Head of Romanian Film Promotion, Romania)

Daniel Mitulescu (Producer, Romania)

Antoine Bagnaninchi (Distributor, Independenta Film, Romania)

Antoine Bagnaninchi:

Today distributors of European films in Romania are trying to bring down film release costs, as audiences for these films are limited. This is a vicious circle however, as cutting back on promotion reduces a film's visibility. Luckily, support systems like Eurimages, MEDIA and the PHARE programme (900,000 euros for Romania, 250,000 of which goes to training professionals and 200,000 to cinema renovations) still enable European films to be shown in Romania. As a result, all of the major European productions screened at festivals are also distributed here. However because of this support, distributors maintain themselves artificially. Despite everything, Bucharest's two multiplexes attract 2 million viewers per year. One hopes that in four or five years the number of theatres will have increased considerably. Apart from these multiplexes, Romania has 9 independent theatres in need of renovation. The country needs more multiplexes, and a better developed art house network.

The prizes won by Romanian films in Cannes have heightened awareness within the country, and awakened the interest of journalists and Romanian cinemas. Cristian Mungiu's Palme d'Or attracted 75,000 viewers, almost as many as Pirates of the Caribbean 2. This external recognition was necessary for Romanians to appreciate the value of their cinema. But the national market is insufficient to cover the costs of production.

Daniel Mitulescu:

Catalin Mitulescu's How I Celebrated the End of the World was co-produced with France. This production was rather lucky, because the film was selected by the Cannes Film Festival (Un certain regard). 15 to 18 films have been produced in Romania through the National Centre for Cinematography (CNC). But as time goes on there will be more foreign co-productions. Television can also help the film industry. For now, preference is given to financing series. In future, however, 4 percent of television publicity revenues will be reinvested in the cinema. Eurimages and the PHARE programme also provide significant production support. The CNC collects its funds through taxes on exhibitors and television channels. It's a true regulation system.

WORKSHOP CONCLUSIONS

Michael Gubbins (Chief Editor, Screen International, UK)

Michael Gubbins:

With regard to digital cinema in Europe, the question of who is going to pay for the investment remains to be answered. The governments of the different countries need to intervene in this technological change in order to aid the transition. The VPF model is in the majority, but other alternative models, such as the Time Fee, are in the process of evolving and could challenge their predecessor or be combined with it. At any rate, we need to reach a consensus. Working in partnership with producers is crucial for the production of digital masters. Increasing digital content has become essential to ensure that the effort to equip cinemas is sustained. Europe needs to take control of the transition to digital.

In order to bring about a revival in cinema audiences, it seems that the target generation is indeed adolescents. The future of independent cinemas is also linked to the comfort of the theatre and additional services such as the refreshments on offer. The cinema must be a social and convivial environment. This means adapting in line with the realities of a changing world. Cristi Puiu and Nicoleta Talpes demonstrated this with the tour that was organised to exhibit the winner of the Palme d'Or throughout Romania.

SESSION III – EUROPA CINEMAS: PERSPECTIVES AND DEADLINES IN 2008

- MEDIA Plus: Changes in the 2008 Guidelines. New Guidelines for Young Audiences.
- Euromed Audiovisuel II: Results and deadlines in the support programmes for Europe and the Mediterranean.
- Non-MEDIA countries: Results and perspectives.
- Miscellaneous.

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

Claude Miller (President, Europa Cinemas)

Tilman Scheel (Europe's Finests, Germany)

Fatima Djoumer (Head of International Relations, Europa Cinemas)

Menem Richa (EUROMED Audiovisuel Coordinator, Europa Cinemas)

Claude-Éric Poiroux:

We were the first to address the question of digital projection during the Rome Conference in 2001. Many of you have long since equipped your theatres with video projectors to show complementary or alternative programmes. We are thus the first who stand to benefit from the perfection of this technology. In addition, we are convinced that by reducing distribution costs, digital technology will allow wider circulation of films, notably European ones.

Unfortunately, it's now clear that Europe is late in switching to digital technology. Why? Because the American type of Virtual Print Fee is difficult to adapt to our parcelled-up Europe, and to in-depth distribution methods.

Yesterday we invited several third-party investors to present their solutions to us, who I would like to thank. But I must insist on an essential point: it is up to distributors and exhibitors to solve these questions internally, because the savings realised on making prints must finance all or part of the installation costs by means of a transfer system that still needs to be worked out. For this reason, digital technology must be at the heart of discussions between distributors and exhibitors. This problem has been the focus of much of our energy, and we regret the lack of interest on the part of independent distributors in this debate. We hope that the companies that make up Europa Distribution will be quick to join us in thinking through these questions.

If we do not come together to invent our own solutions, the majors will rapidly decide in the name of the independents, and we will risk weakening our position in the decisive transition period.

Many things will no doubt be decided on the national level. Each and every one of you owes it to yourself to be present at this level to defend the interests of independents and European cinema.

As to Europa Cinemas, we plan to sensitise regional and local authorities to the need to providing complementary support for the network's most fragilely positioned theatres.

Let me remind you in addition that this year we will continue to support European programming in 2K in your theatres to a maximum of 6,000 euros per cinema.

I take this opportunity to make several announcements concerning what's new in 2008. Support for programming is now calculated on the basis of 35% of SENN (European non-national screenings) for cinemas with 2 screens or more. Regarding Young Audiences, support is now limited at 5,000 euros for a single convention. The rules of evaluation for activities geared to Young Audiences are now being re-examined. They will privilege theatres that make real programming and animation efforts, and will take admissions into consideration. Finally, as you know, the admissions bonus has been replaced by a diversity bonus of the same amount.

In particular, the Committee of Experts emphasises that the 30 countries comprising MEDIA should all have equal access to support for theatres, even if some of them have almost no theatres. In these cases, we try to adapt our criteria to open the most difficult markets to European productions. Let's not forget that Europe produces all sorts of films, from *films d'auteur* to those destined for a wide audience. Our objectives are thus both cultural and economic, which is why we endeavour to remain open to all possibilities.

One last point, we benefit from funding complementary to MEDIA to enlarge the network's profile in Latin America, Asia and the Mediterranean. I will hand over in several minutes to Fatima Djoumer and Menem Richa, who will fill you in on this score. For now, I propose that Tilman Scheel tell us about Europe's Finest, a project of which we are a partner.

Tilman Scheel:

The aim of the Europe's Finest project is to support digitisation of prints. It is supported by the European Union. We have compiled a list of possible films likely to be of interest to independent European exhibitors. This initiative is necessary because the MEDIA programme will not aid the switch to digital technology. It is essential for us to increase the number of digital titles and we have therefore approached producers. We have also got in touch with distributors to inform them about the possibility of the titles to be distributed.

A major communication effort is required in relation to digital initiatives via press and marketing campaigns. With this in mind, we conducted a pilot project in Germany with a series of digitised classics. In future, we hope to be able to offer 50 titles in digital format for European distributors. We still need to settle the question of rights. The adopted standard is 2K DCI. It is the cinemas, which will put in an order for digital prints. We will provide them with support at the outset with the development of their local marketing activities.

Menem Richa:

The Euromed Audiovisual 2 programme was launched in January 2006 for a period of three years. Its aim is to strengthen cultural exchanges between European countries and those of the Southern and Eastern Mediterranean. This includes visibility of films in cinemas. The theatres of the Europa Cinemas network advocate European and global diversity. Global diversity (non-European and non-North American) is six times more prevalent in network theatres than it is in other European establishments. Euromed Audiovisual 2 offers support to films of North African origin and to those from the Near and Middle East. Three quarters of these films are released in network cinemas.

The Euromed Cinemas programme has supported 41 releases in the European Union, which represents around 1 million euros distributed across 14 countries. For example, the aid budget in Poland for Karamel is 22,000 euros, which can cover all the film release costs. This support is therefore incentive-based. It makes it possible to maintain diversity and to increase attendances for these films.

Med-Screen is a separate programme for the promotion of films of Southern origin in Europe. It organises weekly programmes of Arab productions. There have already been 25 Arab cinema weeks in different European countries. Med-Screen also helps these works gain access to the Berlin and Cannes film markets to support their sale to European distributors.

Despite our performance, the future of Euromed is threatened. It is crucial that our reciprocal action in the areas of exhibition and distribution be prolonged and reinforced. Together with the European Union, it is up to us to find the right means of development for this Euro-Mediterranean partnership.

Fatima Djoumer:

For the project "Hors les murs" launched in 2004, Europa Cinemas benefited from a 250,000 euro contribution from the MEDIA programme. Using festivals like Toronto, Rio or Hong Kong, this project allows European films to be distributed and shown in theatres in Latin America and Asia. It provides a maximum co-financing of 10,000 euros for distributors on these two continents, and 1,000 euros per film in theatres where the films are programmed. In 2007 the project was very successful, supporting 30 releases and roughly 50 theatres in these countries. The MEDIA programme has acknowledged this success, and will shortly allocate a budget of 450,000 euros to the project.

On another topic, we have also contributed to creating the Lux Prize of the European Parliament. This prize is awarded to a European film and covers the costs of subtitling in the 23 languages of the European Union. For its first year, the prize was awarded to *Auf der anderen Seite (The Edge of Heaven)* by Fatih Akin.

Claude-Éric Poiroux:

Before ending, I would like to come back to these two programmes that extend beyond Europe's boundaries. In both cases, these consist of budgets supplementary to MEDIA financing. As a result, they do not diminish our scope of action in Europe. On the contrary, some of you have benefited from complementary funding, notably for Mediterranean programming.

Euromed Audiovisual will stop at the end of 2008. We are doing all we can to obtain the means to pursue and extend this action beyond this date.

And now that we are talking budgets, I would like to remind you that the amount for MEDIA 2007-2008 is equivalent to that of 2005-2006, 14 million euros. Already in 2006, this sum was insufficient for you to receive 100% of the support, which explains why you received only 97%. Unfortunately it looks like this will once more be the case because the network has grown, even if we remain prudent in our extension. Our priority today focuses on the new member countries, and that necessitates an effort of solidarity on the part of those theatres that are already part of the network. We are working with the responsible authorities at MEDIA to increase the budget of Europa Cinemas in proportion to the extension of its network in the years to come.

Claude Miller:

Digital is proving to be a reality, which is here to stay, even if there is a sense that it has come to a standstill due to a lack of technical and economic interoperability. The poor attendance levels by European distributors during this convention are regretful. We ought to encourage them to take part in the different panels to establish a dialogue with the Europa Cinemas network.

The Europa Cinemas mandate must include a monitoring committee at government and film centre level in order to speed up the European digital transition.

You have to understand that digital film shootings have become increasingly numerous, which, of course, leads to an increase in digital projection in theatres.

In the name of the Board of Directors and the team of Europa Cinemas, I would like to thank the 400 participants at this conference, as well as the around ten panellists who graced us with their views. I look forward to seeing you next November in Paris.

End of the 12th Europa Cinemas Annual Conference