August 10th, 2010

Screen Australia Seminars
A. Cinema

I. French cinema industry: an overview
II. CNC: facts & figures
III. Co-producing with France

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The views in this presentation are those of Frederic Bereyziat and are not necessarily those of the CNC.

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I – French cinema: an overview

- 1.1 Production
- 1.2 Distribution
- 1.3 Theatrical Exhibition
- 1.4 Broadcasting
- 1.5 New medias

- **Definitions**
  - Certified films
  - French-initiated films (FIF)

1.1 Production

A dense web of SMEs

- **500 active businesses 2007/2009**
- **160 businesses active every year**
  - 120 on a one-movie-per-year basis
  - 12 companies with an output of 3 films or more

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Total output: ranking 5th worldwide

Over 230 certified films

Over 180 FIF

10% shot in foreign languages

100 co-productions

130 purely French-owned films

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1.1 Production

Wide array of genres:

- **20-30 documentaries a year**
- **6 animation films**

New directors welcome:

- **First or second feature films = ½ to 2/3 of FIF**

Overall investment into certified production :

consistently above € 1 Bn

2008: € 1.3 Bn / 2009: € 1.1 Bn

Foreign capital inflow into certified production: 10-15%

NB: excluding TRIP (another € 100M)

Stable budgets over the years

- **Median budget for a FIF: € 3 M**
- **Average budget: € 5,5 M**
- **« Mainstream movies »: € 4-7 M**
- **Genre matters**

1.1 Production

Costs break-down

- **55% fees, wages & compensations, including**
  - Artistic rights clearance: 8 (writer's fees: 3)
  - Cast: 12
  - Production staff wages: 23 (producer: 5)
  - Social benefits: 12
- **30% shooting costs, including:**
  - Sets & wardrobes: 9
  - Transport & travel expenses, control room: 9
  - Insurance & related costs: 6
  - Miscellaneous (overhead costs, provision for emergency spending): 6
- **15% technical costs, including :**
  - Technical gear: 9
  - Film & labs: 6

1.2 Distribution

Main characteristics

- **Concentrated sector, under strong US influence**
- **Up to 600 first-run releases per year**
- **Main draws: dramas & comedies**
- **Special appetite for world- and art-house cinema**
- **Wide array of distribution strategies (digital vs. prints, number of prints)**

1.2 Distribution

Costs break-down (FIF):

- **Average publishing costs:**
  - €700k per film
  - € 3,700 per copy
  - 10-15% of final cost, still rising
- **Break-down:**
  - advertising space purchase (45%)
  - lab costs (30%)
  - advertising material (10%)
  - PR (15%)

1.3 Exhibition

Main characteristics

- **5,400 screens**
  - Europe: 30,000
  - Going digital
- **High attendance rates:**
  - 200M tickets sold
  - 55% of cinema-goers among overall population
  - 5,5 times a year
- **Market shares**
  - US: 47%, FR: 37%, EUR: 11%, Others: 5%
  - Art house: over 25%
- **5.000 films screened each year**
  - from over 190 countries
- **Box-office yield: 6,2€ per admission**

1.4 TV-airing

- **Around 40 cinema-oriented & cinema-airing broadcasters, including:**
  - 14 free-to-air general broadcasters / 24 pay-tv
  - 7 analog / 31 DTT, cable & satellite
  - 6 State-owned channels (1 bi-national)
- **Highly regulated sector (1986)**
  - General broadcasting (max 192 feature films/year + arthouse)
  - Movie channels (max 500/year, max 7 airings/film)
- **2.100 films aired every year**
  - 2/3 on free-to-air channels (mostly re-runs)
  - 1/3 on pay-TV (mostly first-runs)
- **TV purchases: € 800-900M**
  - 45% spent on certified films
  - Highly variable purchasing price (price range: € 20k - 4M)
- **Highly competitive market**
  - Live-action & animation TV, sports, information, entertainment

1.5 New medias

- **Young but up-beat VoD market:**
  - € 15M (2006) - € 83 M (2009) - €120 M (2010 estimates)
  - Over 23M paying acts, € 3,5 per transaction
  - S-VoD picking up speed
  - 85% IP-TV, 10% PC/Internet, 5% others (smartphones, videogame players etc.)
  - Adult content: 30%, decreasing
- **Large cinema platforms in the making:**
  - 50 active services as of Feb. 2010, boosted by anti-piracy laws (Hadopi / June 2009)
  - 8 major platforms, totalling over 5,000 titles (40% exclusive)
  - 50% of films released in FR theatres found in VoD (vs. 75% on DVD) with a 4-month delay
  - Market shares: FR 45%, US 35%, others 20%

2. About CNC

Why should the government care?
Cinema: a specific industry, and much more

- **The cultural need to harbour a free & dynamic production industry…**
  - Cinema as a vector of cultural identity
  - WWII propaganda: State-controlled cinema at its worse
- **… confronted with a "casino economy"…**
  - Costly production
  - High risk entailed
  - Low average yield for producers
- **… and a national industry fraught with weaknesses..**
  - Fragmented production base
  - Narrow market, compared to the US
- **… entailing market failures & structural credit crunch**
  - Hard time for newcomers & daring creators

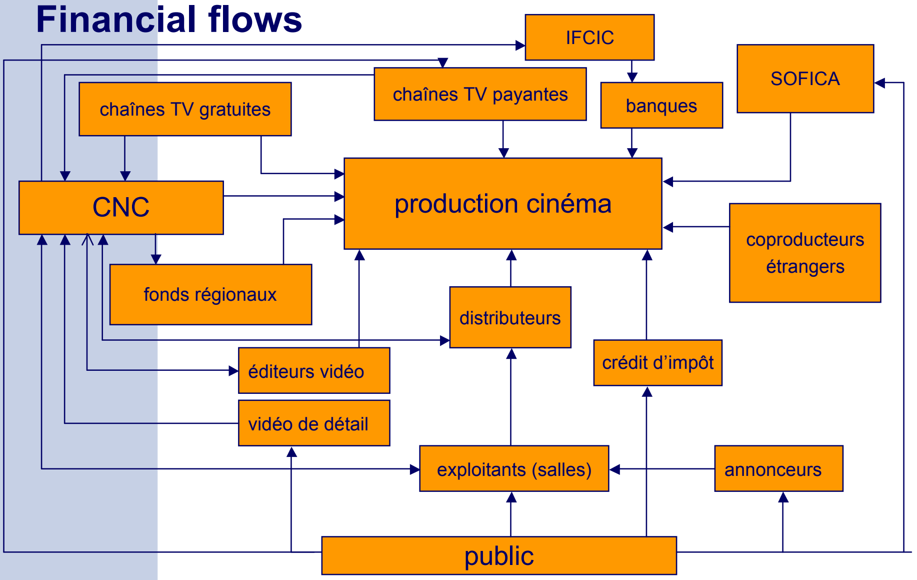
2. About CNC

3 major assumptions, leading to the creation of CNC :

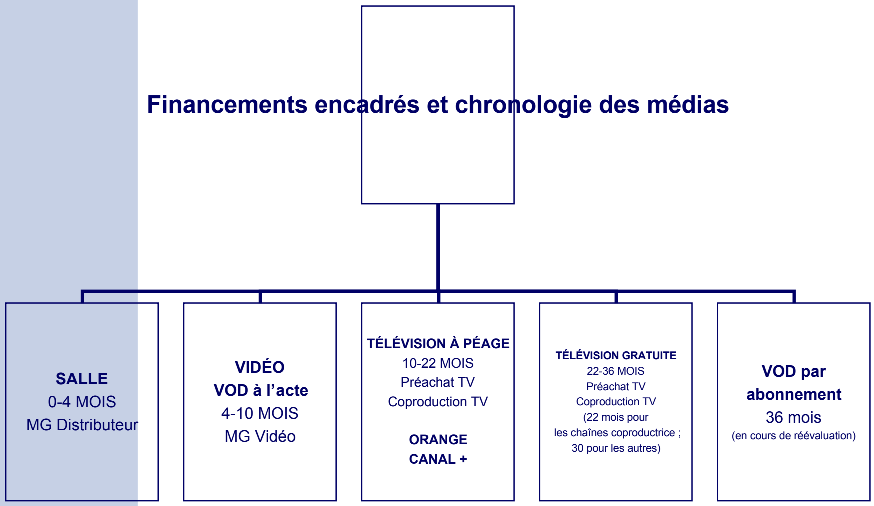
- **Need for rules and public support**
  - To compensate for market failures
- **Reallocating added-value is the key**
  - Imposing forced saving upon producers: the supports account mechanism ("*compte de soutien automatique*")
  - Infusing solidary among producers: selective support schemes
  - Ensuring adequate return for producers: solidarity across the value-chain through regulated funding ("*financements encadrés*")
    - Taxes and/or compulsory production investments imposed on downstream sectors (exhibitors, video, TV..)
    - In return for exclusive exploitation of works within specific timeframes ("*chronologie des médias*")
- **Legitimate decision-making is of the essence**
  - Providing the right forum for debate: fair representation of stake-holders
  - Committee-based decision-making / Public arbitration as a last resort

2. About CNC

Financial flows



2. About CNC



2.1 CNC Today

• Created 1946, last streamlined July 2009

• A fully-fledged agency: autonomous public body (both legally & financially) exercising the full spectrum of public policies on behalf of the Government

• Competent within the full scope of animated image (cinema, audiovisual works, cross-media, video-games)

•Mostly funded through taxes directly levied on the revenues derided by private operators from the exploitation of audiovisual works

Exceptions : tax breaks, govt grants

• Committee-based decision making

2.1 CNC Today

Missions:

1. Regulation (design, implementation & control)
2. Financial support (creation & circulation of works)
3. Film heritage policy
4. Supervision of professional training
5. Education of the younger audiences
6. International negotiations
7. International co-operation

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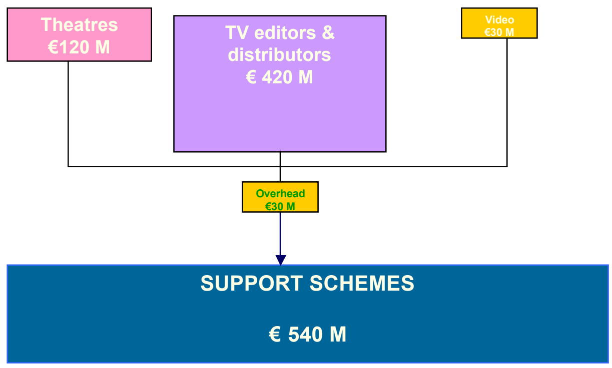
2.2 Resources & Funding

Resources (2009):

- Govt. grants: less than € 30M
- Levies: € 570M (gross) / € 540M (net)



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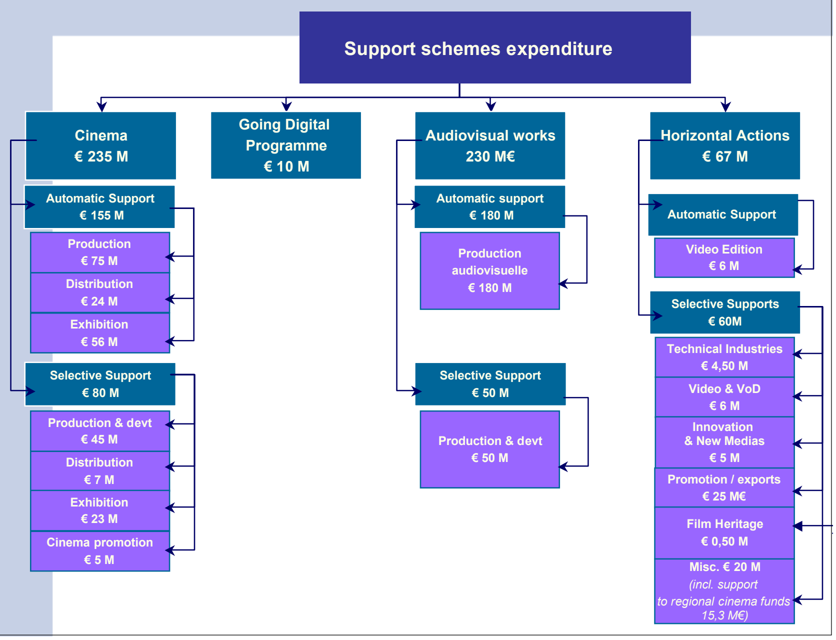
2.2 Resources & Funding



2.2 Resources & Funding

From certification (« *agrément* ») to automatic support:

Why go through the certification process?

- So that you may invest pending rights to automatic support, if any, into your new film
- AND/OR so that your current work may generate rights to automatic support in the future

Who should apply for certification?

- Only the executive producer (« *producteur délégué* »)

What are the eligibility criteria?

- Production company set up in France and run by European nationals *(or European residents)*
- Work made with the help of European studios or labs *(non applicable in case of official co-production; some derogations)*
- Work qualifies as European on a specific rating-scale, with a minimum of 14 points out of 18 *(i.e. entails a majority of European creators, cast, technicians and/or technical means ; not applicable in case of official co-production)*
- Work qualifies as French on a specific rating-scale, with a minimum of 25 points out 80 *(including 10 points for the production company ; some derogations ; not applicable in case of trilateral production within the framework of the European Convention on Co-production)*

2.2 Resources & Funding

Automatic support: how rights are generated

- Through the revenues derided from the film
  - Box-office
  - Video & VoD sales
  - TV purchases
- Coefficients & bonuses
- Respective retributions of rights-holders
- Lifespan of generated rights: 5 years

2.2 Resources & Funding

Automatic support: how to invest rights

- Development and production (€ 75 M)
  Writing & re-writing, preparatory works, production & post-production costs
- Distribution (€ 24 M)
  Purchase of distribution rights, publishing costs
- Exhibition (€ 56 M)
  Modernisation works, new theatres..
- Video Edition (€ 6M)
  Purchase of rights, marketing

Total: over € 155 M per year

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2.2 Resources & Funding

Selective support schemes

- **Development & production (€ 45 M)**
  - Writing, re-writing expenditures
  - Purchase of rights
  - Cash advance for French-speaking films, before/after shooting *(« avance sur recettes »)* (€ 24 M)
  - Special grant for films shot in foreign languages*(« aide aux films en langues étrangères »)* (€ 1 M)
  - Special grant for projects originating from developing countries *(« Fonds Sud »)* (2,2 M€)

2.2 Resources & Funding

Selective support schemes (continued)

- **Distribution support (€ 7 M)**
  - Unreleased movies
  - Film heritage
  - Foreign movies with limited access to market
- **Exhibition support (€ 23 M)**
  - Creation/modernisation of theatres
  - Art house theatres
  - Additional prints (destined to small towns)
- **Export activities (€ 5 M)**
  - Prospecting
  - Dubbing & subtitling

Grand total: € 80 M€ per year

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2.2 Resources & Funding

Indirect public support to cinema production

- **Tax breaks (€ 130 M)**
  - SOFICA (capped spending: € 65 M)
  - Domestic tax rebate -- *« crédit d'impôt cinéma »* (2004) (capped spending: € 60 M)
  - TRIP / Tax rebate on international productions -- *« crédit d'impôt international »* (Dec. 2009)(cost: TBD)
- **Loan guarantees (€ 2 M)**
  - IFCIC
- **Regulated funding (€ 300 M)**
  - Compulsory TV pre-purchases or co-production rights

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2.3 Impact on FIF Funding

Direct support **(automatic & selective):**

- 10%-15% of production budget
- Usually acting as early supporters

Indirect support **(regulated funding, loan guarantees & tax breaks):**

- 35 % of production budget

Capping of overall public aid:

- Usually 50% of final cost *(of French share, in case of international co-production)*
- Up to 60% *(« films difficiles ou à très petit budget »)*

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2.3 Impact on FIF Funding

FIF - Average funding sources

In decreasing order

Bold: direct support / Underlined: indirect support / Italic: gap financing

- <u>TV pre-purchases</u>*: 30 %*
- French producers: 25 to 30 %

…………………………………………… More than ½ of budget

- MG / French distribution: 10 %
- Foreign co-producers: 8 to 10 %
- **Automatic public support: 5 to 10 %**
- MG / foreign distribution: 3 to 5 %

……………………………………………More than 80%

- *<u>SOFICA</u> : 4%*
- <u>TV co-producers</u>*: 4 %*
- **Selective public support (CNC): 3 %**
- **Additional selective public support (local authorities): 2 %**
- *MG / video sales*: 1 %

……………………………………………

2.3 Impact on FIF Funding

Small budget
- Producer: 50% and over
- Selective support (CNC & local): 15% and over
- No free-to-air TV

Mainstream productions (***« Films du milieu »***)
- FTA-TV pre-purchase
- SOFICA involved

Big-budget productions
- Pay-TV pre-purchase and/or coproduction
- Foreign co-producer
- MGs (France & abroad, theatres & video) up to 25 %

3. Co-producing with France

- **Official co-production**
- **Technical, unofficial co-production**
  - TRIP
  - Special grants for foreign-speaking films (« AFLE » & « Fonds Sud »)
  - Free-style
- **French-Australian co-productions: an outlook**

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3.1 Official co-productions

- **A world-reference in international co-productions**
  - **Bilateral agreements** with **50 countries** and still counting
    - China (in effect as of July 13th, 2010)
    - South Africa (signed May 2010, ratification underway)
    - Exotic prospects: Cuba, Syria…
  - Consistently around **100 official co-productions** per year
    - (2009) 50 majority / 45 minority
    - € 500 M invested every year (60% FR, 40% foreign)
  - Over **35 partner countries** involved each year

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3.1 Official co-productions

- **Outstanding experience with:**
  - Key-European players
    (ALL, ITA, ESP, UK)
  - French-speaking countries
    CAN, BEL, LUX, CH
    but also 50 OIF-members, in Africa, Asia, Eastern Europe
- **Current trends:**
  - Tri- and multilateral works on the rise
    (through European convention on co-production)
  - Indirect consequence: financial coproductions gaining momentum
    (plus IT, ESP, UK)

3.1 Official co-productions

Why resort to official co-production?

- **To access indirect support schemes & regulated funding**
  - **TV pre-purchases & co-production investments**
    NB : additional, volontary distribution support handed out by « Canal+ » -- the biggest pay-TV -- if FR coproduction share reaches 30% and above
  - **SOFICA**
  - **IFCIC loan guarantees**
  - **Domestic tax rebate**
    NB : only available to films mainly shot in French or French dialects
- **To access direct public support**
  - **Automatic support** (production, distribution)
  - **Selective support** (CNC, local authorities)
    NB : Cash advance only available to films mainly shot in French or French dialects
- **To maximise the implication of your French partner**
  - The certification process will indeed enable him/her to **generate automatic supports** rights for his/her next movie.
  - This will, in return, greatly enhance the financial value of your common project and act as a **strong incentive** on your partner.
- **To enhance your potential for theatrical release worlwide**
  - French release as a sales argument in other territories
  - Savoir-faire of French distributors when it comes to marketing art house movies abroad

3.2 Technical co-productions

1) Free-style

- Cf. Luc Besson w/ USA (« Taken », « Transporter » etc.)

2) Backed by CNC grants

- « Fonds Sud »: non applicable to Australia
- « AFLE »:
  - Strict selection criteria
    - confirmed directors
    - select committee, artistic merits
  - Advantages:
    - direct financial support (€ 300K)
    - international recognition

3.2 Technical co-productions

3) TRIP (tax rebate for international productions)

- **Beneficiaries:**
  - Line-producers subject to corporate income tax in France

- **Conditions:**
  - No documentaries, no pornographic production, no promotion of violence
  - Non-certified films, no other French public support
  - 18/38 points on a specific rating scale
  - At least 5 shooting days in France (for live-action movies)
  - Local qualified expenditure in excess of €1M
    - Fees, wages & compensations (authors, cast, crew)(capped at minimum rate set by collective bargaining agreements)
    - Transport, catering
    - Technical expenses
    - Depreciation accruals on fixed assets

3.2 Technical co-productions

3) TRIP (continued)

- **Benefits:**
  - Rebate amounting to 20% of eligible expenses
  - Capped at € 4M
  - Non-assignable… but easily discounted

- **Procedure:**
  - Application by line-producer (deal-memo with executive producer)
  - Provisional approval / final approval when film is completed
  - Rebate collected at the end of the fiscal year (statutory auditing of production accounts needed)

3.3 French-Australian co-productions

Legal framework: agreement on bilateral cinematographic relations

- Signed May 15th, 1986
- Specific traits:
  - M.O.U. ("*arrangement administratif*") not fully-fledged international treaty: technically, national regulations will prevail
  - Applicable to TV-movies, whenever both parties agree (only other example: Canada)
  - Art. 4: specific participation ranges assigned to each partner (FR: 20-60% / AUS: 40-80%)
- Other provisions:
  - Art. 4: artistic contribution apportioned to financial input, as a rule (derogations may apply)
  - Certification by competent authority of minority country subject to prior certification in majority country

3.3 French-Australian co-productions

Facts & figures **(cinema):**

10 feature-film co-pros since 1986
4 co-pros over the last 10 years including **two multilateral** co-productions

- *Le vieux qui lisait des romans d'amour* (2000) by Rolf de Heer - FRA 55 / AUS 20 / SPA 25
- *Paradise found*, by Mario Andreacchio (2002) – AUS 40 (AMPCO) / FR 20 (Le Sabre) / UK 20 / GER 20
- *La balade des éléphants / Elephant Tales*, by Mario Andreacchio (2005) – AUS 70 (AMPCO) / FRA 30 (BREAKOUT FILMS) – Shot in English - Final budget: € 4,4M
- *L'arbre / The Tree*, by Julie Bertucelli – AUS 60 (Taylor Media) / FRA 40 (les Films du Poisson) - Shot in English - Final budget: € 7,7M

2 co-pros over the last 5 years

Only live-action feature films so far.
One **animated** feature film in the pipeline, provisionally certified (on a derogatory basis…)

- *L'apprenti Père Noël*, by Luc Vinciguerra (2010) – FRA 64 (Gaumont Alphanim) / AUS 36 – Budget estimate: € 5,3M

3.3 French-Australian co-productions

Outlook: streamlining the agreement

- Treaty vs. M.O.U.?
- Symmetrical share arrays?
- Assimilation of European nationals to French nationals?

3.3 French-Australian co-productions

Outlook: getting acquainted with the producers

- Networking & Pitching:
  - **Cannes Producers Network** (May – criteria: one credit as producer, co-producer or executive producer in the past 3 years)
  - **Paris Project** (July – for both producer and director)
  - **European Producers' Club Co-production Forums** (Berlinale, Cannes, Rome, London-TBC – criteria: already co-produced two feature films)
  - **Ateliers du cinéma européen-ACE forums** (year-long workshops & training programme – criteria: majority co-producer of a released feature film)
- Resorting to middle-men:
  - **Film France** (non-profit, CNC-funded, geared towards facilitating B2B connections. Alss provides online directory of line-producers, free advice on shooting locations, gear rentals, French legislation etc.– Paris, Cannes, Santa-Monica -- criteria: the intended movie will be at least partly shot or post-produced in France)
  - **Producers' Associations**, with differing profiles : from "big shots" to strongly indie-minded (API, UPF, APC, AFPF, SPI, ARP); one specialised in animation feature films (SPFA

3.3 French-Australian co-productions

Outlook: Maximising distribution prospects

- Targetting the right distributors
  - to put available support schemes to good use
- Knowing the ways with TV channels
  - **Arte**
    - State-owned, Franco-German, Art house & indie-minded analogic channel
    - Open to non-certified productions, minority co-productions & films shot in foreign languages
    - Favours co-productions over pre-purchases
  - **Canal +**
    - Private pay-TV, movie-oriented, large audience (analogic&digital, air&satellite broadcast)
    - Widest array of interventions (from indie-minded to blockbusters)
    - Open to minority co-productions and, to a certain extent, to films shot in foreign languages
- Giving a real thought to VoD releases
  - Addressing the right audience: younger, urban, educated, cinema-goer, appetite for world cinema
  - Getting hooked with French platforms posting an indie catalogue (UniversCiné, The Authors, AlloCiné)