



European network of independent distributors

SUGGESTIONS FOR IMPROVEMENT OF MEDIA SUPPORT FOR DISTRIBUTION

Main points :

- The definition of the independent European distributor
- The speeding up of contracts and payments
- The reform of Media Selective Support (beneficiary, eligible films, award criteria...)
- The reform of Media Automatic Support (increase of the generated support on a first rung of admissions...)



THE DEFINITION OF THE EUROPEAN INDEPENDENT DISTRIBUTOR

MEDIA Program and independent distributors

- **What are the aims of the Media Program?**
 - Encouraging transnational distribution
 - Encouraging investment in production, acquisition, marketing and promotion of non-national European works
 - Encouraging co-ordinated marketing strategies between the different actors of the sector
 - Improving the circulation of European non-national films on the European and International markets
 - Encouraging the creation catalogues of works with high cultural value.
 - Supporting the digitisation of European works.
- **The independent distributors embody most of the aims of the Media Program**
 - **Around 75% of the non-national European movies** are released by independent distributors
 - **The independent distributors defend fragile works with high cultural value that embody the European Cinema of today and tomorrow.** The independents often discover new talents and support them until they finally reach success among public and critics (Ken Loach, Michael Haneke...).
 - **Among the authors they've discovered and defended:** Fatih AKIN, Pedro ALMODOVAR, Theo ANGELOPOULOS, Jacques AUDIARD, Roberto BEGNIGNI, Catherine BREILLAT, Laurent CANTET, Nuri Bilge CEYLAN, Claude CHABROL, Youssef CHAHINE, Patrice CHEREAU, Les Frères DARDENNE, Manoel DE OLIVEIRA, Arnaud DESPLECHINS, Andreas DRESEN, Stephen FREARS, Tony GATLIF, Paul GREENGRASS, Robert GUEDIGUIAN, Bent HAMER, Michael HANEKE, Otar IOSSELIANI, Benoit JACQUOT, Aki KAURISMAKI, Krzysztof KIESLOWSKI, Mike LEIGH, Ken LOACH, Pavel LOUNGUINE, Nikita MIKHALKOV, Nanni MORETTI, François OZON, Roman POLANSKI, Jacques RIVETTE, Eric ROHMER, Carlos SAURA, Ulrich SEIDL, Lone SCHERFIG, Istvan SZABO, Denis TANOVIC, Bertrand TAVERNIER, André TECHINE, Tom TYKWER, Thomas VINTERBERG, Lars VON TRIER, Wim WENDERS, Michael WINTERBOTTOM.....

- But independent distributors cannot go on with this work **if their fragile and difficult position compared to enormous structures like TV or Telecommunication networks is not taken into consideration.** Even though the situations are very different in Europe, the conclusion is the same: **the independent distributor is characterized by the risk he takes by releasing a fragile European work.**

Why can this definition be integrated in the Media Program?

- **There's already a definition of the independent European production company that is used by Media.** Media Development support is reserved for independent production companies. An independent production company is a small and medium company that doesn't have any specific link with a TV network.

The definition of the European independent distributor

- **An independent distributor is characterized by 2 elements:**
 - **His editorial work** (discovery of European talents, often awarded in festivals, who represent Europe's cultural diversity)
 - **His financial weakness** due to the absence of cash flow, of proper capitals because there's no group behind to financially support the MG and P&A.
- Therefore, is considered as independent **a distributor that hasn't got any specific link with a group that has got a substantial market share on its first market.**
- **By group, we understand:**
 - TV network
 - Telecommunication network
 - Distribution companies owned by non-European capitals
- **By specific link we understand absolute capitalistic independence**
- **Distributors who own a cable channel (but not the platform) or a VOD platform (or the contrary) are considered as independents.**

MEDIA SUPPORT: STATEMENT

A very good system that has made its proofs...

All the European distributors agree to say that the support of the Media Program has been essential for both the circulation of non national European movies and the existence of small and medium independent companies that are necessary to maintain a certain cultural diversity. Therefore, our proposals today are doomed to improve it, and not at all to question it, in order to coordinate more Media's objectives with Media's support.

The main question is: thanks to Media, independent distributors still exist today. How can we make that they still exist tomorrow?

... But than can be improved

Public support is doomed to correct the market's imperfections. Though, the market of theatrical distribution has changed a lot in the last few years and has become very unfair: the basic rules of competition are often violated.

European distributors all face the same problems today: a **decline in attendance**, an **unprecedented inflation in the number of films and prints**, and a reduction in the amount of time the most challenging movies play in cinemas. Moreover, **vertical and horizontal integration** has been on the rise over the past few years. New forms of integration have appeared: television networks are investing in traditional forms of film and have created their own distribution companies. The first result of this growing integration is **to inflate promotion costs**, which undermines independent distributors who cannot compete against their massive promotional campaigns. It is important to emphasize the fact that what is harmful to distribution will also negatively affect production and exhibiting.

It is necessary to take all these changes into consideration and to think of a possible adaptation of the Media support (which hasn't been changed since 1988) in order to help the distributors who really take risks to release difficult but promising non national European movies and therefore really need the support of Media to go on doing this.

So we think that the system, even though it works well and has helped several distributors to release European movies, could be improved.

MEDIA SELECTIVE SUPPORT

Global proposals for Media Selective Support :

- **To limit the period between date of application, date of delivery of the agreement by the Commission and date of concrete payment.** Sometimes, before the loans have been fully paid by Media, the distributor has to pay them back, which is very problematic for small companies, especially in small countries. The payments should be transferred between 3 months after the signature of the contracts (release statement) and then 3 months after the financial statement in order to reach their initial goal: to provide distributors with cash flow so that distributors can know beforehand when they can count on receipt of the payments.
- **To allocate the Selective Support to the exclusive benefit of the distributor** (the non returnable sums are not to be included in the royalty statement for the benefit of producers). Production companies have all sorts of benefits and a measure built to strengthen European distribution should not be for the benefit of producers.
- **To support more movies:** in 2005, around 40 films were supported by Media, which is not enough to support the diversity of European production to day.

Reform Proposals of Media Selective Support

1/ Eligibility Criteria

- Eligible society: Applicants for support should be **independent European distribution companies.**
- Eligible films: At the moment, films with a production budget over € 25 million are not eligible for support. But the big European art house movies (Almodovar, Haneke) often have a budget of 8-12M€. Only big French or English movies (Stalingrad, Vatel, le transporteur 2...) have budgets over 15M€. We suggest that **films with a production budget over € 20 million are not eligible for support.** **MEDIA Plus support may cover up to 50% of the eligible costs** for a distribution campaign of films **with a production**

budget under € 15 million and 25% of the eligible costs for a distribution campaign of films **with a production budget between € 15 million and € 20 million.**

2/ Award Criteria

- **When a distributor applies for automatic support, there should be one more point for selective support** in order to avoid penalizing the movie and the group of distributors who applies for the selective support for this precise movie.
- Statement: many independent distributors release a lot of first feature films but have always difficulties to release second feature films. It's always more difficult to make an author grow up than to discover him. **So when a distributor has released the first movie of a young director, there should one point more for him if he releases his second film.** This would be a way to encourage perseverance and discovering work.
- One more point if it's a **first or second feature film presented (or awarded) in official competition of a Festival** (A category).

Creation of a third gate: Slate funding

This support should be a complement to the current Media Support to the distribution of single projects. It would give less paperwork for both the Commission and the distributors.

⇒ Support to a program of European movies

⇒ It really helps the distributors who have a regular activity in European cinema.

For example: **the distributor should present a program of 4 European movies including 2 non national European movies within 2 years.**

MEDIA AUTOMATIC SUPPORT

Aimed at encouraging and helping the trans-national distribution of European films, this financial aid for reinvestment is determined on the basis of the number of admissions achieved by the non-local European films during the previous year. We think that the system, even though it works well, could be improved. **Our objective is not to change the global balances of the support between countries, but to change the repartition of the support to the different distributors within a country.**

Global proposals

- First of all, applicants for support should be **independent European distribution companies** as soon as the definition exists.
- **We could think of giving the distributors the chance to built up a fund during f.i. 3 years.** This would mean a very much wished limitation of bureaucracy and it would also mean that the fund can be fully used for real investments in new films. It should prevent the consequence of the guidelines that leads to a decrease of the fund in cases that the initial calculated budget for a P&A investment appears to be lower in reality later. The difference between calculated and real costs should not get lost for the distributor and should stay in his fund for new investments.
- **We could think of allowing submitting applications for re-investment until date of release of the film in the country** (and not within 3 months after signature of the contract between sales-agent and distributor as it is the case today). Sometimes guidelines even make application for a re-investment project that the distributor has already been committed to, impossible. This happens in cases where the Commission allows only the start of new applications after a certain date. If a distributor signed his agreement more than 3 months before that date no application is possible, although he has re-invested in a new European project.
- **We could think of limiting the period between date of application, date of delivery of the agreement by the Commission and date of concrete payment.**

Reform proposal: to increase the automatic support on a first rung of admissions

Why a reform of Media automatic support?

The distributor is not at the same level of risk for every admission. The first admissions represent the biggest risk for European distributors because their investments (MG, Promotion and print costs..) are rarely recovered. When a film is successful (more than 75 000 admissions for large countries for instance), this first rung of admissions often allows the investments to be recovered but also a TV and a video sale which are new incomes for distributors.

The idea would be to integrate new parameters, in particular to **increase the automatic support on a first rung of admissions (for example to double it = 200%), to maintain it when the film achieves more admissions than this first level (100%)** and this as far as possible. There is the possibility to decrease the maximum to 500 000 admissions for big countries, and to other caps for medium and small countries: for instance, 75 000 admissions for small countries and 200 000 admissions for medium countries. In fact, the current cap of 700 000 admissions is has been calculated on the basis of admissions of large countries – this cap doesn't mean anything for small or medium countries which never achieve anyway these 700 000 admissions.

Our suggestion for Media

- Under the first rung of admissions: Rate > 100% (f.i. 200%)
- Over the first rung of admissions : Rate 100% (it's very important to maintain this rate)

This first rung of admissions will of course vary from country to country. We have chosen the same three groups of European countries (small, medium and large) as Media Programme, but this is only a suggestion. Maybe it would be necessary to have 5 groups, for example.

- Large countries: Germany, Spain, France, Italy + **UK?**
- Medium countries: Austria, Belgium, Denmark, Holland, Norway, Polen, Sweden
- Small countries: Bulgaria, Check republic, Estonia, Finland, Greece, Hungary, Island, Ireland, Leetonia, Lithuania, Luxemburg, Malta, Portugal, Slovakia, Slovenia

The admission levels that we suggest are the following. We still have to work on these first rungs with a study of the average number of admissions for European films in each country.

- Large countries : < 75 000 admissions : Rate > 100%
- Medium countries : < 25 000 admissions : Rate > 100%

- Small countries : < 10 000 admissions : Rate > 100%

Conclusion

- This reform increases the support for all the countries in an harmonious way.
- The different parameters are only suggestions and the criteria have to be refined by both the countries and the European Commission
- This measure really helps European distributors by taking risks on difficult and fragile European films.

Reform proposal: Reinvestment of the money generated through Media Automatic

The first proposal suggests to work on the generation of money.

We could also think of playing with **the reinvestment of the money generated through Media**.

The idea would be to increase the generated money when it is reinvested in a certain type of non national European movies. For instance:

- Movies that have **a production budget under 5M€** (movies with a big production budget are most of the time released by big groups);
- Movies in which **the financial role of the distributor** is important and even necessary for the existence of the film (high MG).
- Movies which have **a certain P&A budget** (this depends of course on the category of the country): minimal and maximal number of prints, minimal and maximal promotion budget.

EXCHANGE OF INFORMATION – WEBSITE

Gathering and exchange of Material

- The idea is to create a website that gathers all the material used by distributors to release a movie (posters, press photos, trailers, existing subtitles, number of prints available...) in order to achieve **a better use of the existing material in Europe** and a better communication between distributors.
- Therefore, the Media Program should make it compulsory for distributors to make promotional material available to the Commission in electronic format for publication on a newly created internet site. **Furnishing this material should be compulsory a month after release**, asking distributors to do it as soon as possible.

Who are the co-distributors in Europe / in the world?

- On the same website, for each film, there should be a **list of all the distributors in Europe (and in the world) who have released the movie** (with the date of release for each country) in order to promote exchange of experiences and closer ties between distributors.

DIGITAL CINEMA

The transition to digital promises to be a long and expensive process for both distributors and exhibitors. It is very likely that the two systems – 35mm prints and digital masters – will coexist over the next ten years, entailing a double expense for distributors.

As a result, it is essential that **independent exhibitors and distributors make the transition to digital at the same time**, so that cinemas with digital equipment can screen European movies and distributors can find cinemas for their digital masters. We have to organize a **brain's storming with Europa Cinemas** in order to propose a suitable model for independents in Europe

VIDEO SUPPORT

Slate Funding for video

- Support to a program of European movies for promotion and acquisition
- Less paperwork for both the Commission and the distributors.