



Newsletter **egeda**

Page 1.

New Potential, New Opportunities: the Way Forward for the European Film Industry

Organized by EGEDA in collaboration with European Parliamentarian Ignasi Guardans, a seminar on the potential for development and new business opportunities posed by the current status of the European film industry took place on 7th November at the European Parliament offices in Brussels.

During the seminar, at which major European Union institutions and cinematographic sector specialists were in attendance, discussions took place on how to take full advantage of new distribution platforms (such as Video-on-Demand) generated by New Technologies, and the possibilities of attracting public and private financing to the European audiovisual industry. Another topic of discussion was support and promotion of cultural exchanges with non-EU states, integrating the cultural industry into general cooperation and association agreements with countries outside the EU.

In addition, issues were addressed concerning the new scenario created by New Technologies for film companies –most of which are small or medium-sized, with insufficient capital to compete in the struggle to reach national and international markets. Moreover, participants analyzed the relevance telecom companies and Internet Service Providers (ISP) have in the new framework created by broadband.

EGEDA President Enrique Cerezo, in his welcoming remarks, referred to the challenges which the cinematographic industry will have to face in the 21st century. He spoke in favor of an audiovisual policy which will enable European cinema to take the place it deserves in the world and asked policy-makers to take action in this regard: "We hear much about cultural inheritance, cultural diversity and the importance of culture and the audiovisual sector for European competitiveness and creativity, but is it enough to simply talk about these things?"

Spanish producer Agustín Almodóvar outlined in his speech the problems faced by the film industry in Europe. Giving the example of his brother, Pedro, he asked for protection and support for new creative talent "which comes from outside the mass preferences and tastes imposed by the market". He spoke of cinema as an integral part of European cultural heritage which EU states and governments protect in many ways.

Ignasi Guardans is an EU parliament member from the Catalan party *Convergència i Unió* and a member of the Commission on Culture of the European Parliament. He has been a collaborator with EGEDA for this event and recognized in his closing comments that European cinema is currently undergoing a "mutation crisis" due to the changes in Technologies and regretted that piracy and uncontrolled downloading have "altered the relationship between the forces and realities of the cinematographic industry".

The conference concluded with the showing of the film *Las trece rosas*, as part of the Spanish and Latin American Film Festival in Brussels.

Page 3.

ENRIQUE CERESO

FULL SPEECH GIVEN TO THE EUROPEAN PARLIAMENT

Cinema is the main vehicle for transmitting european traditions, values and ideas

The President of EGEDA outlined the challenges facing the film industry in the 21st century, and spoke in favour of an audiovisual policy which will allow it to take the place it deserves in the world.

It's a great pleasure to be here with you today. I would like to talk about the challenges facing Europe and highlight some ini-

tiatives which demonstrate the desire we have in Spain to support a vibrant, competitive and forward-looking film industry.

We hear much about cultural inheritance, cultural diversity and the importance of culture and the audiovisual sector for European competitiveness and creativity, but is it enough to simply talk about these things?

The seminar today has the goal of addressing these expectations and evaluating what Europe can do collectively to support the main vehicle of European traditions, values and ideas –by that, I'm referring to cinema.

For me, as a film producer, the challenges are easy to identify. In fact, they are reflected in the programme of this seminar.

The first challenge is paid-for audiovisual consumption. Digital distribution is profoundly affecting business models and the way in which investment is recovered and profits obtained from films. We know well what has happened in the music industry, and we don't want the same to occur in the film world.

This challenge gives us an opportunity to increase international circulation of films. However, are we ready to get the most out of this opportunity? Are we prepared to radically rethink the way we do business? Can we influence market development to our benefit, or do we have to follow the business model imposed by companies such as Google and Apple? What can we do to ensure that European films are to be found on secured digital distribution platforms or digital film screens, the market of tomorrow?

The second challenge is investment. Investment in cinema is costly. It is known that our industry is infra-capitalised, and that, to a large extent, it depends on public subsidies. Europe is rich in talent, but poor in compensating film investors. Investment is focused on domestic-market films, while the market is international. Banks are reluctant to bet on cinema and its financing. Distribution networks are reluctant, except when they are obligated by law, and telecommunications providers are not yet prepared. What is needed to get more investors to participate in the making of films? We must continue our efforts to make Europe an attractive place for investment in cinema, with the aim to contain the flight of the best and brightest European creative talent.

The third challenge is distribution to and international exchanges with non-EU countries. The European Union, the largest commercial bloc in the world, encourages cooperation with other countries. What is the place for audiovisual exchange in this policy of cooperation? Spanish is a language spoken throughout Central and South America, and is the second language in the United States. Mercosur has just adopted a programme to encourage audiovisual exchange between European countries and the countries of Mercosur. How can we associate cinema with the European Union's policies of cooperation?

While the European Union can no longer ignore its cultural dimensions, it is us, the producers, who must adapt to the new market realities and demonstrate the benefits of financial and political investment in cinema.

We are here today because we believe there is a common interest for the European Union and the film industry to come up with important solutions following three guiding principles:

- pluralism of expression;
- market access for European films;
- to promote investment in creative projects.

We have the goal of encouraging Europe to set an ambitious agenda and to develop trust for supporting ambitious projects. What can we contribute to Europe to help with formulating this strategy?

EGEDA was established in 1990 by the Spanish audiovisual producers. EGEDA's commitment consists of collectively representing the producers' interests by identifying, considering, and addressing the challenges faced by the industry.

I'd like to draw your attention to three unusual initiatives organised by EGEDA which provide examples of the best activities we have been able to develop for the benefit of the audiovisual industry throughout Europe.

1. The first initiative is EGEDA Digital/filmotech.com, a company set up with one objective: to offer European films to an international audience on the Internet. The platform was launched in April 2007 and currently makes available more than 500 films in a secured manner. This project is being developed internationally and 2008 will be an important year for it. filmotech.com would like to share its experience with the European film industry for all who would like to participate in this enterprise.

What is more important is that EGEDA and Filmotech are demonstrating the importance of working in a united manner for influencing market development. By bringing together more than 200 film producers and hundreds of films, EGEDA is situated to reinforce the position of the cinema industry when negotiating licensing terms with users as powerful as the telecommunications and information technology companies, which are looking for film content. This is an example of how the film industry is developing its own strategy to meet the digital challenge.

2. The second initiative is a mutual guarantee society established by EGEDA and the Spanish Ministry of Culture to promote investment in making films. The infra-capitalisation of European companies and the lack of additional bank financing justify it. The result does, as well –in the course of a year-and-a-half, this plan has contributed to getting more than 60 million euros in new financing for the Spanish audiovisual industry.
3. The third initiative is the strategy of contributing to the development of structures similar to EGEDA in Latin America, supporting the audiovisual industry in each of the countries of the region. This strategy is thus able to influence local development and, at the same time, guarantee that European producers will have the greatest respect possible for their intellectual property rights.

From what I have been explaining here, you will understand that we are here today to share our experience. This seminar is our contribution to formulating a European audiovisual policy focused on the future, which supports an ambitious agenda that allows the European audiovisual sector to remain competitive and take the place it deserves in the world.

Thank you very much.



Page 5.

AGUSTÍN ALMODÓVAR

FULL SPEECH GIVEN TO THE EUROPEAN PARLIAMENT

Member States and Governments need to support new creative talent

The Spanish producer explained the problems facing the film industry in Europe, and asked for protection and support for cinema as an integral part of European cultural heritage.

In 1985, my brother Pedro and I founded EL DESEO with the idea of becoming self-sufficient producers; that is to say, obtaining our own means of funding, and devoting all our energies towards carrying out Pedro's artistic projects. Thanks to the system of advance financial aid for production in Spain at that time, (commonly known as the Ley Miró, or the Miró Act) and to a pre-sale contract for broadcasting rights with Televisión Española, we managed to make our first film, *La ley del deseo*, or Law of Desire, with the help of many friends and technicians and a great deal of effort. Today, 22 years after the founding of the company, we are still producing Pedro's films and, at the same time, have diversified our field of production to include other film-makers. All through these years, the same motivation has inspired us: none other than to obtain the maximum creative freedom for Pedro Almodóvar, while forging the best possible commercial alliances with distributors and international agents in order to take our films to the most distant countries. If I had to define the key to our success I would say that it is a combination of coherence, unity of criteria, and total control of promotion and marketing.

EL DESEO is a film production company with a business mission as simple as it is important: to preserve and promote the independence and creative freedom of authors and their work above any other consideration. This business philosophy has been taken to its greatest extent in the case of my brother and partner Pedro Almodóvar.

A year before setting up EL DESEO, Pedro and I realised that it was vital to be our own producers if we wanted to make sure that Pedro would film all his projects in a coherent way. When I say coherent, I'm referring to the fact that we have never done anything which was not inspired by artistic motivation. On many occasions, we have been tempted to place commercial considerations over artistic ones, but fortunately we have managed to resist that temptation. It is thanks to this that EL DESEO is today a name which enjoys international prestige, and offers a product which is instantly recognisable by the public.

When we founded EL DESEO, Pedro and I wanted the production's financial budget to be in line with Pedro's artistic ambitions, which meant that all the artistic aspects of the production should be supported by a solid financial base, and if we had to impose budgetary restrictions, it was the artist himself who did so from his creative perspective. Who better than Pedro to decide what was essential and what was incidental to a story narrated through the camera. In this way, we attempted to unite artistic criteria with production criteria and thus integrate the artistic ambitions of the director with the strict financial rigour of the producer. This means that through EL DESEO we produce unique projects in which the interests of the producer converge with those of the film-maker as an artist, unlike the situation normally found in the market, where frequently we see films in

which the interests of the producer have little or nothing in common with the author's vision. In the case of EL DESEO, money (or lack of it) has never been the enemy of the creative forces, but rather its most respectful ally.

If we produce Pedro's feature films with this coherence and unity of criteria in mind, we also try to apply the same coherence to the subsequent marketing. Once the film has been finished and is ready for distribution, we make sure there is no discrepancy between the final product and its marketing. Therefore, Pedro takes an active part in the promotion of the film. Obviously, there is no one better to explain his own film to the potential audience. All the promotional activities for his films thus maintain full coherence with the criteria followed from their initial conception. This means the distributors of each film we produce have to accept the author's active role in the marketing of his own work, which is quite unusual in the sector. Pedro and I approve every promotional event proposed for marketing the film, and persuade the international distributors to accept this, irrespective of any other financial consideration. Over the years, this has allowed us to build a close network of relations with our international distributors, based more on trust and mutual friendship than on commercial transactions, which ensures that international distribution is both very well orchestrated and to our taste. Sometimes, these working conditions mean lower revenues in certain regions, given that some of these commercial restrictions include an express ban on changing the original format of the work. For example, in some extremely important countries, open TV broadcasts are traditionally carried out in the 4/3 full screen format; in this case, our distributors have to come to terms with our condition that broadcasting rights should never be awarded to any operators which cannot guarantee that our film is broadcast in at least 16:9 format, as to broadcast it in 4/3 would mean losing 40% of the image originally shot. This obviously leads to a reduction in revenues from the sale of our films in this exhibition window, which is traditionally very important for the distributor who is looking to pay off costs by awarding the distribution rights in any territory. We are very proud to count on the understanding of our distributors with regard to this, and hope that in the future the TV companies themselves will change their attitude, rather than us, with a view to providing the end consumer with a product as similar as possible in terms of quality to the work as it was originally conceived.

EL DESEO has become what it is today thanks to the careful protection and strict control of the form in which our content is presented to the consumer. Piracy and, above all, the indiscriminate and illegal downloading of content protected by copyright laws, as well as causing irreparable financial damage to producers, also causes our audiovisual products to be delivered to its audience in terrible condition. In this way, cultural audiovisual products are subject to a process of considerable devaluation (degradation) and deterioration, which is a direct consequence of certain agents "trafficking" in content without at all considering the rights of its legitimate owners, thus affecting the final viewing quality of our films as they are - illegally - delivered to the consumer. Consequently, the future of all audiovisual creation is compromised.

Piracy and the unlawful downloading of audiovisual content are giving an erroneous impression to the end consumer, who may end up getting used to the low quality of the contents which are exchanged and distributed without any control via the Web. This phenomenon has already been observed in the music sector, to such an extent that bands have to concentrate on giving as many live performances as possible, as this is the only way to ensure that what the end consumer perceives is in line with what the musicians really know how to do.

This situation, a direct result of piracy and illegal trafficking of content via the Internet, is seriously damaging the world of audiovisual creation and, if effective measures aren't taken to mitigate them, they could end up having a very negative impact on the future of the European culture industry. One very suitable measure for addressing this problem would be to transfer some of the responsibility for this unlawful trafficking and lack of control of content protected by copyright law to the telecommunications companies and Internet access providers.

All that I've said up to now does not amount to a speech against the Internet and New Technologies. On the contrary, the Internet is a great tool for cultural dissemination, promotion, exchange, distribution and creation. An example of this is the media phenomenon of blogs, which demonstrates a democratisation of journalism, enabling a multitude of voices and thoughts to be heard and debated beyond the editorial pages of the large communications conglomerates. Nowadays, I couldn't imagine my work or leisure time without access to the Internet and New Technologies. Nonetheless, it cannot be denied that there is a conflict of interests between protecting culture and developing technology. Resolving this conflict means nothing less than to apply the same legal protection to the Internet as is given to the traditional media and, at the same time, promoting a business model that obliges the three pillars of the current audiovisual industry – broadband service providers, hardware manufacturers, and content creators – to join forces. Mutual cooperation between these three pillars – hardware, software, and broadband – will guarantee revenue sources for the whole value chain, from writers to consumers, as the public is consuming content by broadband, and this will be developed to promote creation of more content, as well as having the hardware manufacturers develop and produce the equipment needed to close this positive circle.

The progressive change in audiovisual consumption habits is a tangible reality. Year after year, we have seen a decline in audiences going to the cinema to see films, but at the same time this phenomenon has been happening, there has been a sustained growth in sales of large-screen televisions and high output home cinema systems. Consequently, the public may not be going to the cinema as often, but is not consuming less cinema. People are simply enjoying it more in the comfort of their own homes. At EL DESEO, we are aware of this, and, therefore, we are playing an active role in very promising projects for distribution of audiovisual content via the Internet, projects which aspire to become a reference for success not only in Spain, but also in the rest of Europe.

Around the world, we see that modern nations are now committed to preservation of their cultural heritage. For this reason, all states and governments must not lose sight of the cultural heritage they are managing these days and support new creative talent with the measures necessary, such as in Pedro's case, which comes from outside the mass preferences and tastes imposed by the market and the need to make profits above all other considerations. This is important because fostering artistic creativity and talent is also a source of wealth, and, by that, I do not mean only economic wealth. From my own experience, I can assure you that we must not lose sight of the fact that forms of expression and styles which seem beyond social conventions and marginal at any given time can become the norm in the future. For this reason, I believe it is imperative for developing creative talents to be given support from institutions and nations because, in the end, these new talents become the new authors whose work enriches that "cultural diversity" which we so often take pride in and defend as a distinctive characteristic of our cultural identity.

Taking into account what I have said up to now, I'd now like to mention some issues which I believe are vitally important at the present and for the future of the European audiovisual sector. These are the problems which I believe require attention by European Parliamentarians in the near term:

1. There is a clear deficiency in the market which has an inadequate financial base for European producers to compete globally on a level playing field. Hollywood has no problem raising financing from capital risk funds, banks and even hedge funds. What should we do for Europe to reach the same level of financial appetite for investing in cinema? It is more and more difficult to finance European stories or to commercialize them. Europe spends billions on research and development for its telecommunications and information technology industry. We aren't asking for subsidies, but rather for incentives to attract investors to our sector.
2. Copyright laws need to be modernized: the period covered by copyright protection should be extended, as has been done in the United States, and the fight against piracy should be strengthened, above all through education. With regard to the protection period, I believe it is absurd and discriminatory that a Hollywood box-office success be protected for 95 years while the European producer of a Pedro Almodóvar film loses copyright protection fifty years after the film's release. Copyright is our main competitive advantage as content creating companies. It is what gives value to our catalogue. The weakness of copyright is undermining the value of our industry and is a sign that creativity isn't being given the consideration it deserves by governmental institutions.
3. I'm pleased that the bill for progressive elimination of royalties for fair compensation for private copying is no longer on the legislative agenda here in Brussels. This would have been a catastrophe for our industry in two ways:
 - a) Royalties for remuneration for private copying allow us to invest in the future. This has enabled the establishment of EGEDA and the Filmotech website, a promising new platform to start efficient distribution on the Internet.
 - b) These private copying royalties provide minimal compensation for the massive copying of our works which is done on blank recording media.
4. Internet service providers should assume some responsibility for what is happening on their networks. There is no justification for the piracy of our films financing the home to home spread of broadband being offered by telecommunications companies. These companies, whose profits are growing thanks to uncontrolled trafficking of our content, should be made to pay us for the use of our films on their networks.
5. Cultural cooperation with third countries should be made a priority. This is important to initiate a fruitful dialogue between cultures. Art and cinema together provide a basic tool to promote better understanding between peoples separated by long distances. The European Union should support trade worldwide between cultural sector small-and-medium-sized businesses. Not only should our films be used for diplomatic purposes, but they also ought to be considered an asset to develop trade with third countries. Why should Hollywood negotiate access to a market like China while Europeans could obtain better results given the scale of our activities (we don't pose a threat) and our understanding of cultural diversity?



6. The MEDIA Programme has been, is and I hope will continue to be for a long time a reference point for support to the sector as a whole. However, it cannot be denied that many development, production and, above all, distribution initiatives fall outside of its umbrella in terms of the selection criteria and the awarding of these subsidies, in spite of their enormous creative quality and the best of financial prospects. At the same time, without a doubt, new creative talents emerging in spite of the fact that their production companies don't provide sufficient resources at the outset to assure a continuity of production over time should be supported.

In conclusion, I would like to take advantage of this opportunity to express my total disagreement with the fact that EU-level authorities in charge of monitoring the competition are focusing their attention on state support for cinema with the aim of limiting the freedom Member States have to support their local film production. Considering the almost monopolistic practices of Hollywood in this market, which is so tight in terms of distribution, these motivations and priorities of the anti-monopoly Europeans in their struggle to avoid domination of the big multi-nationals seems contradictory to me.

I appreciate this invitation to speak before you and hope that we can count on your support to enable European cinema to become a messenger of European values and ideas.

Page 8.

IGNASI GUARDANS

CLOSING SPEECH

The way forward for the European Film Industry

In his remarks, Member of the European Parliament on the EU Committee on Culture and Education, from the Catalanian Convergència i Unió party, acknowledged that the European cinema industry is undergoing a "mutation crisis" due to changes in technology and regretted that piracy and uncontrollable downloading "are altering the forces and realities of the cinematographic sector".

I would like to thank EGEDA, his Chairman and his general Director for having had the brilliant idea of organizing this highly skilled seminar. It's been an honor for me to bring (together with mi office) the needed support so that it could take place here, in the European Parliament, and therefore strengthen as much as possible the impact of its messages.

Some days ago, the heads of EU governments met in Lisbon. They decided that the only way to go forward with building Europe was to remove from the treaties all the elements linked to the soul. They have proposed for ratification a new Europe without a soul.

Here, instead, we have been debating how to support/promote one of the key elements of European soul. Cinema is an art, indeed. But an art that needs an industry to be created, developed, and to reach the public. And cinema is also an essential element of what we Europeans have in common. As it is for Americans. As it is for others. Wherever you have a common "identity" you have a "cinema". Which is compatible, as everything in Europe, to be not exclusive: people can accumulate Spanish and European identities, or even British and European. (For some of us, being Catalans, that accumulation of identities can even be more sophistica-

ted, but let's leave that aside now). And yes, I am strongly convinced that there is such a thing as European cinema, as there is a European identity.

I am saying that not as a poet, or a sociologist. I am none of both. I mean it as a politician. Because it is this reality that demands a political answer from the European Union and its institutions.

And what should be the role for these institutions in the promotion of European film industry? I am a liberal democrat. Therefore, I believe public institutions do have a role, which is not to replace the society, nor the industry. But, they do have a role.

We have seen today that in the current moment the industry itself has some fundamental questions it needs to answer on its own. Some of them are strictly European, others are faced by the film and audiovisual industry worldwide. Cinema will never be what it once was. The simultaneous impact of technology and globalization is enormous. How to react to new consumer trends? How to build a sustainable business model in the new media world? What role for those new players which may be more or less loved, but which are there and are also legitimately fighting for their income in a free market, such as the telecoms?

Something has also appeared today as rather obvious. The problems are common, even the diagnose of the problems is common. However, there appears to be a real lack of communication and cooperation within the European film industry. Here in Brussels everybody knows the famous Kissinger question: when I want to talk to Europe, which telephone should I call? In my opinion something not very different could be said about European film industry. It's not about business concentration I'm talking (although that would be more than welcome in some cases) but about common work to face common issues.

Nobody can expect legislators to act when the reality they are supposed to deal with is still moving so fast. That's not feasible. But that doesn't mean either that European authorities and public powers in general are to remain as simple spectators. It is not the case. Europe has a strong role, among other things, in:

- a) Guaranteeing a level playing field in the market, first within Europe and within this globalized world, this common big little village we all live in. That has to do with support to fair competition or to measures in defence of a better market access to third countries. It is worth noting that as it is the case for any other industry, European Film industry becomes truly European mostly when seen from outside, when challenged from a globalized perspective.
- b) Creating a level playing field in the context of the new digital world. New players, new context, new rules. And, yes, there is the whole issue of piracy. But let's no use piracy as an excuse to condemn new attitudes or new consumption patterns. That being said: Piracy, or better, illegal copying and illegal downloading of content must be strongly fought. We heard today about new instruments being tried in France, which shows not everything is lost in this battle, and we can even find optimistic people about it. Initiatives such as EGEDA's "Filmotech" deserve to be extended at a European level. Indeed the coming debate on telecom regulation is going to be interesting also in this context.
- c) Measures on financial support? Some of them, such as tax schemes, are really difficult at a European level. Others are working well, although they can certainly be improved in their

implementation, such as the Media program. And let me remind something to you: nothing prevents film industry to benefit from some general financial and support designed to foster innovation and competitiveness in European industry in general (and in particular for SMEs). I may be wrong, but I think a much better use of all of them could be made by the audiovisual industry.

- d) And, as Agustin Almodóvar said in his opening speech, certainly Europe could use more and better its cinema as a tool for our foreign and neighborhood policies, in support for better reciprocal understanding and dialogue. There is also room for proposals in this area.

The European film industry shares a common interest and common challenges, which are also very much shared by European authorities. Let's try to have a common action to face them.

Thank you for your attention.

Page 16.

Final Conclusions

The European audiovisual industry has such a significant social and economic impact that it deserves full attention in terms of political and economic decision-making. With regard to economic impact, it must be recognised that the ICT (information and communications technology) industry has used the desire for users to access audiovisual content as a vehicle for a large part of its own development. On the other hand, in social terms, there is no more graphic and dynamic way to express the values and ideas of European nations than through its their audiovisual works.

The European A/V industry faces two major challenges: one of a market based in globalisation, and the other of technology, with the arrival of the digital age. At this conference, politicians have been asked to intervene on behalf of small and medium-sized businesses which give life and diversity to the European audiovisual industry, to give them a place in the global market and to avoid having globalisation only benefit the large media conglomerates. The technological challenge affects the way of doing business. Thus, it is necessary to develop economic models in which respect for intellectual property of content is compatible with global access to it in the framework of common interests and which respect legitimate profitability for those who risk their resources by investing in culture and entertainment.

Therefore, we must face and address the following issues:

- Piracy, which is not perceived by the user as such, but, rather, as a "legally permitted" activity. At the same time, illegal downloads are being used as a catapult by broadband providers to develop business without the producers of the content being compensated in return.
- Financing systems associated with the A/V sector have not developed sufficient professional structures for investment and subsidy schemes currently in force aren't set up for the excellence and viability of the projects presented. This does not encourage the development of a profitable industry which grows and maintains itself independently.
- In Europe, the lifetime of rights is almost half that of the United States. This legal measure clearly discriminates against private European investment.

- By the collective volume of business, the European audiovisual industry is the seventh largest in the world. However, it isn't considered for its true weight in the global context due to being too fragmented.

What we are asking of the industry and the policy-makers:

- Effective unity between filmmakers and producers to generate a common content base which will enable negotiating with strength equal to any major American studio.
- Development of European and global initiatives which make the most of new technologies, such as EGEDA has done with filmotech.com.
- Respect for intellectual property rights, putting into question their limited duration.
- Take advantage of cultural exchanges to open and expand the A/V industry to countries outside the EU undergoing full development.
- Promote public and private investment initiatives which enable development of more and higher quality projects for exportation to global markets.

Finally, a calming message, given that:

- Content continues to be king.
- Europe is abundant in talent and creators.

