

Cartoon Feature

Producing films in an evolving market

Donostia-San Sebastián (25-27 November 2008)

From 25 to 27 November 2008 Cartoon organised the third Master of the year, bringing together more than 115 animation professionals in Donostia-San Sebastián, in Spain.

The Master Feature 2008 was centred on the theme “**Producing in an evolving market**” and was co-financed by the MEDIA Programme of the European Union, the Basque Government, la Diputacion Floral de Gipuzkoa and el Fomento de San Sebastian.

In the opening speech **Charlotte Jones of Screen Digest** focused on the 3D phenomenon, both for digital cinemas and stereoscopic 3-D. She showed how the number of digital screens had doubled in 2007, with a marginal growth in 2008. According to Screen Digest, there were a total of 7,300 digital screens in the world in the first semester of 2008, with a leading position of North America with 5,000 screens. By 2012, 63% of US screens will be digitised, of those a quarter will be 3D enabled. In Europe, France is the fastest growing European market after the UK, where the UK Film Council financed the instalment of D-Cinemas. There have been 174 digital releases both 2D and 3D in 2007, compared to only 27 in 2005. The market is still dominated by American studios as the European producers have not made significant moves yet towards stereoscopic 3-D. The first stereoscopic 3-D European feature film was “Fly me to the Moon”, a production from Belgian outfit NWave. Charlotte demonstrated how D-Cinema represents an increasingly attractive option for cinemas to upgrade their theatres. The distribution sector can benefit from potential cost savings and the exhibition sector can propose alternative content: live music, opera and sports. Animations are leading the drive with stereoscopic 3-D because of the comparative lower additional costs. For animations films there is an increase of 8% to 15% on top of average film budgets, where in live-action the increase is between 15% to 25%. The extra costs are nevertheless compensated by more revenues. According to Screen Digest, stereoscopic 3-D movies deliver 3 times more revenues per screen than normal films. In US they deliver double the attendance of a regular flat screen.

In the second panel of the first morning, **Serge de Poucques, Producer at Nexus Factory and Christine Berg, Project Director at the German Film Fund** presented respectively the Belgian tax shelter and the German tax incentive system. The Belgian tax shelter has been conceived to encourage taxable companies to invest in audiovisual production. Companies can deduct until 150% of the investment. The investment can take the form of loan (maximum 40%) or equity (maximum 60%). The obligation for the producer is to spend a minimum 150% of the equity share in Belgium (within 18 months from

the signature of the agreement). The German tax incentive has an annual funding sum of €60 million for three years for German feature films. The fund is conceived as an automatic funding taking the form of a grant. The maximum sum that a producer can receive is 20% of the German recognised production costs (German Spend). Each project cannot receive more than €4 million, exceptionally up to €10 million. 25% of the production costs must be spent in Germany. Until now 99 projects have been supported (14 documentaries, 80 feature films and 5 animation films).

Christophe Lacroix, co-founder of the company Ymagis, discussed the way digital cinema can promote European films. Although contrasted, the European panorama offers different business models according to whether the cinemas are independent or multiplexes. Christophe tried to answer the question of what are the technical and financial solutions to ensure that films and theatres go digital. Digital cinema offers a new experience for the audience with 3D or high frame rate, variable contents, alternative ends, making of, and any kind of additional content that can be played associated to the movie. Digital cinema brings significant savings on post production and print costs. These savings on print costs can be transformed into marketing and/or more prints. Christophe demonstrated that big budget films have higher revenue per print and a lower risk profile. Small budget films, on the contrary, have lower revenue per print and higher risk profile. Because small releases have lower average box office revenues, current 35mm costs represent a high share of distributors' revenues for such releases. With digital, technical won't be a limit for the distribution of small budget features. Savings of costs can go into more investment in production and more promotion. It is difficult at this stage to predict who will pay for the cinema digital conversion. What share and how each player will pay, will depend on who will manage the conversion.

In the last session of the first morning, **Thierry Baujard, CEO of peacefulfish**, detailed funding through investment funds, equity and soft money. Thierry explained how production finance is affecting the way producers finance their films. On one side the State subsidies are more and more limited. On the other side, the distribution paradigm is also changing. There is a strong competition between theatre releases and Internet and VOD services, less MG in distribution and sales, decrease of TV advertising efficiency and a lack of sustainable business models in non linear distribution. Peacefulfish, in partnership with Cineuropa.org, developed an investment network called Media Deals. Media Deals is composed by media professional investors, Business Angel Networks and Risk Capital companies. The network provides research, information and Deal Flow for projects.

Vincent Maraval, CEO and World Sales Director at Wild Bunch, presented different strategies for distributing and selling animation movies. Vincent presented his work as Sales Agent, arguing that Cannes is the most important meeting of the year since it gathers the greatest number of business people and film professionals: the American Film Market is purely a market, Venice is purely a festival, Cannes is the only event that manages to combine the two. He

explained the main differences between the promotion by a distributor of a live action vs an animated feature and referred to the expertise of dedicated distributors such as Gebeka in France, Mikado in Italy or Cinéart in Belgium who are involved at a very early stage in the promotion of the films. The popular success of “Toy Story” in 1999 and the success of “Le Voyage de Chihiro” which won the Golden Bear at the Berlin Film Festival in 2002 were significant achievements for animation and opened the way to the end of the Disney monopoly on animated films and to a worldwide recognition that animation film directors, such as Miyazaki among others, are as exceptional as the best live action film director. Wild Bunch is now co-producing an animation film with Dudok de Wit with the Japanese Ghibli Studios.

In the first afternoon session, **Andreas Krona, International Sales Manager at ColorCode 3-D Center**, presented the way Stereoscopic 3-D can enhance product value. ColorCode 3-D Center has developed and patented a 3-D Stereo system that allows viewing of full-colour 3-D on any screening device - from cinema screens to DVD/Blu-ray as well as in any marketing including print, mobile devices and web. This opens up a number of new opportunities to capitalize on the current 3-D wave. The advantage of this system is that it is auto stereoscopic, i.e. it doesn't need glasses to be seen.

The Cartoon Master presented in the last session of the day a case study: *The Missing Lynx*, presented by **Raul Garcia, Film Director and co-founder, Kandor Graphics**.

The Missing Lynx has been co-produced with the company of Antonio Banderas, Green Moon. It will be released in Spain on Christmas 2008. The movie has several marketing hooks: it is a family adventure, co-produced with Antonio Banderas; it is the first animated movie produced in Andalucía with a new studio; Raul Garcia has been the creator of Aladdin; and finally the film is about protection of the environment. Kandor Graphics used all possible marketing instruments. According to Raul Garcia “the new media platforms will influence the way the movies will be financed, marketed and distributed.”

In the morning of the second day, **Roiy Nitzan, Visual Effects Supervisor at Bridgit Folman Film Gang** presented *Waltz With Bashir*.

Waltz with Bashir is a hybrid European-Israeli co-production presented and acclaimed in Cannes in 2008. In his film Israeli director **Ari Folman** tries to reveal the repressed truth by disentangling it from the false reconstructions of the imagination. But 20 years later – and this is how the film begins – one of his former army friends tells him about a recurring dream (26 black dogs come to kill him) and Folman decides to fill in the gaps in his mind. He goes to Holland to visit soldier friends and little by little pieces together the history of Israel's intervention in Lebanon, before he visits key witnesses in Sabra and Chatila. The filmmaker retraces the events in an accessible way, using the detailed memories of the participants, touches of black humour and an omnipresent score including rock and classical music. Folman also exploits all the visual possibilities of the

animated genre to illustrate the phantasmagoria of the mind and to soften the impact of the atrocities of war. “The film combines documentary accounts and lyrical narrative”, explained Roiy Nitzan. There are scenes in real images before *Waltz with Bashir* morphs into an animated feature. This unique blend makes *Waltz with Bashir* a quasi-experimental film and a prototype of a genre: cartoon documentary.

The second session was animated by **International Consultant Paco Rodriguez** who presented the way producers should establish relationships with sales agents and distributors. Paco demonstrated that the European independent producers have a small market share because “there are too many players and a too slow recoupment process”. In its relations with the sales agent, the producer should try to use a collecting account: an independent third party who can provide full insight into the financial status of a film. Ideally the producer should sign a tripartite contract, get paid by licensee and then pay the agent. As far as the relationship with the distributor is concerned, the producer will have less MG but a better local marketing campaign. The P&A money comes from the distributor, but the producer must have approval rights over P&A, release date, campaign. Paco recalled that independent productions are often not “commercial” films, therefore producers have to be very effective in planning the “size” and type of release.

Petter Lindblad, Producer at Copenhagen Bombay, presented a business model of a low cost budget studio. Copenhagen Bombay is a Danish production studio which is now developing its 3rd animated film for less than €2.5 million. Two previous low cost films were made and released in cinema theatres. Petter explained what were the economic models behind these movies. The business model can be summarised in one sentence: locating the right talent for the right project and cultivating a relationship and a work method. Copenhagen Bombay focuses on the directors’ creativity, letting them take the lead, but also the responsibility. The company supports both the project and the director, sparring without controlling the creative development. Another golden rule is to include the creative crossmedia staff early in the project. Copenhagen Bombay works with low budgets because financing becomes faster and easier and the company can keep more rights. Generally the company keeps the physical production in-house, using smaller teams. This gives everybody a bigger feeling of participation and becoming more personal with the director, who will know and be able to motivate everybody.

The third speech of the second day was dedicated to the French national incentives. **Caroline Cor, Project Manager at the CNC**, presented the evolutions of animation film financing in France, funding through CNC and “Crédit d’impôt” and its impact on co-productions. Caroline Cor demonstrated that the feature films’ financing structure had been changing during the last 5 years: more co-productions, more self investment from producers, less involvement of broadcasters. The French Government therefore decided to launch the “crédit d’impôt” to help French producers to find alternative ways of financing. The tax credit is based on a reduction of a company tax for a sum equal

to 20% of the production expenditure in France. There is a ceiling of €1 million for all feature films. The production company must be based in France, the administrators and managers must be European and should not be controlled by non European capitals. Thanks to the tax credit scheme, French animated feature production is increasing. Since 2000, 50 animated features have been produced (32 animated features since 2004). French producers co-produce with foreign partners: 13 animated features have been co-produced with other countries since 2004 and 9 in which French producers were minority partners.

The first speech of the afternoon session was dedicated to the Case study of the movie *The True Story of Puss 'n Boots*, presented by **Pascal Hérold, Producer at Studio Delacave** and **Serge de Poucques, Producer at Nexus Factory**. The movie has been made with a revolutionary technology, called Fantasmagorix. Fantasmagorix allows calibrating stereoscopic parameters in real time to deliver 3-D images, saving production costs and time. The **Fantasmagorix** technology mixes existing programmes such as Maya or MotionBuilder and other programmes developed and/or owned by Delacave. All the programmes use the same FBX format. RenderBox is a hardware system which combines the use of algorithm and the engineering of the video games. This “real time” technology reduces dramatically the rendering time. RenderBox allows checking images simultaneously during the creation process; therefore modifications can be made easily and quickly for a better quality. A scene rendered in several hours under the classical technique will be rendered in about 10 seconds with the Fantasmagorix technology. RenderBox is one of the very rare video games hardware systems that can be integrated to the pipeline production of CGI animated film. Therefore Delacave became a pioneer in using the video game technology to fabricate CGI animated films. The technology allows visualization of images, HD images in few seconds instead of hours and shadowing of images in “real time”.

Moving away from technology to marketing, **Maurice Wheeler, Planning Director at Digital Outlook**, presented how to customize marketing strategies online and on mobile.

In the last session of the second day, **Tripp Hudson, Production Manager at Framestore Animation**, presented the case study *The Tale of Despereaux* which is going to be released in Europe and the States at Christmas 2008. Tripp was the production manager between the US and the UK. The movie is a modern fairy tale (a book adaptation) from visionary filmmaker Gary Ross, together with directors Sam Fell & Rob Stevenhagen. *The Tale of Despereaux* tells the story of several unlikely heroes: Despereaux, a brave mouse banished to the dungeon for speaking with a human; Roscuro, a good-hearted rat who loves light and soup, but is exiled to darkness; Pea, a Princess in a gloomy castle who is prisoner to her father's grief; and Mig, a servant girl who longs to be a Princess, but is forced to serve the jailer. Universal's *The Tale of Despereaux* marks the first big step by Framestore CFC into producing its own CGI animated movies. Framestore set up a feature animation arm 2½ years ago in partnership with L.A.-based executive David Lipman. It is an ambitious effort to become a production house in its own

right rather than just a service company. According to Tripp, it has been a challenging process, with two changes of directors -- from Sylvain Chomet to Mike Johnson to the final duo of Sam Fell and Robert Stevenhagen.

The last day of the seminar was dedicated to the development of VOD services. **Kate Dean, Head of Television at BT Vision** presented this new UK major player. BT Vision is a service provided in the United Kingdom supplied by British Telecom Retail. It provides digital terrestrial television channels using a Freeview decoder and on demand film, TV, sport, kids and music programming delivered via broadband through a hybrid DTT/IP/PVR set top box and through Xbox 360 IPTV. May 2007, BT Group launched a national advertising campaign for this service. The aim was to attract “hundreds of thousands” of customers by the end of 2007 and 2-3 million in 2008. BT Vision provides digital TV channels using a Freeview decoder. A digital television recorder enables 80 hours of television programmes to be recorded while films, TV programmes and sports events can be viewed on demand via broadband. The service provides a range of on demand content without compulsory subscriptions. However, a BT broadband connection with a guaranteed line speed is required.

On a relatively smaller scale, **Associate Director Jean-Luc Ormières** presented the French platform UniversCiné. Acknowledging internet and VOD exploitation not as competition, but as a real new opportunity, beyond theatrical exploitation, UniversCiné is a French VOD distributor and a platform based on a collaborative and open source approach, and dedicated to international independent cinema for French market. UniversCiné represents 40% of the French feature film production and 20 % of the number of films released in France. The platform wants to reach a target of 3% of French market share through IPTV and UniversCiné web portal. Jean-Luc explained that the platform intends to expand its editorial activities in order to confirm UniversCiné as a real independent cinema medium, along with other types of web publications. UniversCiné is expected to have 2000 films available as of 2010 and is supported by the MEDIA Programme of the European Union.

The last presentation of the seminar was held **Jean-Paul Commin, International Media Consultant**. Jean-Paul presented the international distribution strategy of *Brendan and the Secret of Kells*, an international co-production initiated by the young and talented staff of Cartoon Saloon (Ireland), also featuring executive input from Les Armateurs (France) and Vivifilm (Belgium). The movie is a 9th Century tale of a young boy whose destiny is to complete the legendary *Book of Kells*. The co-production offers a marvellous display of creativity in animation, both in terms of compelling visuals and articulate storytelling. The film is planned to be released in February 2009 in France and Belgium and in March in Ireland. Jean-Paul explained the different marketing approaches and marketing hooks in different countries. In Ireland the movie will be released by the major Buena Vista International on St Patrick's Day, in Belgium by Kinopolis Film Distribution during the February holidays; in France the movie will be distributed by Gebeka Films, company specialised in distributing animation films.