

**ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM
JUNE 16–18, 2011**

CINEMA: A WORLD WITHOUT BORDERS
Expanding Technology Horizons

JUNE 17, 2011 — 15:45–17:00, CAFE PEPSICO

St. Petersburg, Russia

2011

Modern cinema has long transcended national borders and has become part of world culture. Modern technology can transmit film content over large distances. European and Russian stars work successfully in Hollywood, and leading American studios team up with their European and Asian colleagues more and more often. Almost 70% of film projects in Europe are co-productions, expanding the boundaries of film distribution, while preserving national characteristics.

Moderator:

Alexei Pivovarov, Anchor, NTV Television company

Panelists:

Jon Jashni, Chief Creative Officer, Legendary Pictures

Pavel Krapivin, Vice-President, Warner Brothers

Mark Lolo, President, Central Partnership

Rajesh Mishra, Chief Executive Officer, UFO Movies India Ltd.

Arun Rangachari, Chairman, DAR Capital Group

Andreas Schreitmuller, Commissioning Editor, ARTE

A. Pivovarov:

Hello. Thanks to everyone who has managed to be here today to participate in this panel devoted to the exceptionally important topic of cinema – the most important of the arts. Today, we want to talk about cinema as a business. We want to talk about what is happening with it now, and we would like to focus the discussion and specify its scope according to the title of our panel: ‘World Without Borders’. Modern cinema has gone beyond national boundaries, and we know that Hollywood brands are working together with European and Asian companies. In Europe, 70% of film production is carried out jointly. Modern digital technology allows lossless transmission of content over long distances. Understandably, all of this completely changes the market environment and the situation in the industry. We would like to talk about how this is happening in Russia: the achievements, the problems, and the solutions to these problems.

Allow me to introduce myself: my name is Alexei Pivovarov. I will explain why the organizers chose me as a moderator. On the one hand, my profession, particularly my work in documentary drama, allows me to speak directly about the issues from my own experience. On the other hand, I am a man standing at a distance who can act as a representative of the audience. We understand that representing the audience is important in any conversation about the cinema, whether we are talking about cinema as an art or as a business. Today, we want to talk on several main topics. We have identified them as follows: i) film distribution technology, ii) the possibility of integrating Russia into the international film industry, iii) the evaluation of specialists in modern filmmaking (can there be some kind of global criteria, and should Russia have its own criteria?), and iv) where and how to train these professionals. The last topic is that of funding production: in the near future, who should be involved and how? Now about the rules: we ask all speakers to adhere to a time limit of seven or eight minutes. In addition to keynote addresses, we have planned an open discussion. At the end of the panel, participants and guests will have the

opportunity to exchange views in a more open format, to ask questions of some of the speakers, and to make comments. I ask you to limit these comments to a length of two minutes.

As I said before, the first issue that we want to discuss in today's panel is that of technology. How do new technologies make it possible to expand digital screening, even as new technologies are changing the face of our market? First I give the floor to Mark Lolo, the head of Central Partnership. Mark, over to you.

M. Lolo:

Thank you. Hello, dear colleagues. So, usually the first speaker at such high-profile events is supposed to set a positive mood. I started to look for positive things happening in our film business, and believe it or not, I found some. Now, a few comments about the good things that are happening in new technology, and then a little about docudrama.

Ironically, Russia is ahead of everyone in the digitization of film screening in cinemas. At the end of last year, 40% of cinemas in this country were digital. For comparison, in developed countries – America, Japan, Germany, France and others – less than a quarter of screens are digital: 20-25%. In China – almost 40%. At the end of last year, we overtook China, but as of today – just half an hour ago I was given a memo – the number of digital screens in Russia now exceeds 50%, while in China it is 70%, so in that respect only China is ahead of us. What do these digital screens give us? First, their availability optimizes expenses for the cost of film prints, which is important for distribution and is very important for the national cinema industry, where the costs are sometimes around 50% of potential income. Second, digital allows us to fight piracy, which, frankly speaking, kills domestic films, film distribution and, accordingly, the whole film business. Digital really is a phenomenal format. Think about it: the first digital screen was established just four years ago. It was November 2007. I remember very well how our sister company, Cinema Park, a part of our holding, opened

this screen. We were so inspired back then, that in February 2008 we released the first film in digital-only form. It is symbolic that this was a Russian film. It was released in only 20 prints, and collected only a small amount of money, only RUB 150 or 170,000, but for all that, it paid for itself. In other words, releasing the film in digital format allowed us to recoup at the box office on a film that had only a fairly moderate potential for audience attendance. It was quite ironic in light of the fact that out of a hundred Russian films released, only five or six pay for themselves.

The second topic is the struggle against piracy, because digital screens allow us to hope that pirates will not be able to steal our films so quickly and release them on the Internet. Today, piracy primarily occurs online. In this sense, our first experience was two years ago when we released a foreign 3D film in digital-only form. This produced a phenomenal result: fantastic revenues per copy and a sufficiently large total revenue. In the past year, we have released five films in this way, and this year we will release eight. We are seriously intent on ensuring that next year, ninety percent of the films will be digital releases, and this will be a method of combating piracy. The next aspect of this problem is a little gloomy. Of course, digital represents an optimization of expenditures, the fight against piracy, efficiency, and a way to somehow dynamically schedule distribution costs, but nonetheless, digital will not save the domestic film industry, no matter how much we wish it would.

Yesterday, I was preparing for this panel and trying to find something more positive to say, and I figured it out. You know, in a fairly well-known, not the most professional, but a sufficiently authoritative publication, I found out that there are 182 producers in Russia. Honestly, I was somewhat shocked – I think that America, which leads in the number of producers, does not have so many. I think there is some confusion and mixing of concepts. We have television, film and B-film producers. Anyone can be called a producer. You know, 15 years ago, some colleagues and I came to the following conclusion during a discussion: Russia

releases 80-100 films per year, and on average, it takes eighteen months to two years to complete work on one film. Listen, do we have 100-150 successful directors in the country who could make films at this pace? You know, I counted the number of directors who know how to make quality cinema – by the word ‘quality’, I mean ‘popular’. I came up with about ten. There are approximately the same number of producers and large companies that are able to systematically move forward. So, I think that digital technology is fine, as it is one of the major steps in saving the domestic film business, but without the second key step, which is called “putting everything in order”, nothing will work. This coming year, we need to make sure that we do not use proper film budgets to make ‘feature films’ that are essentially television programmes or B-movies, i.e. films that are released directly to DVD. We should try to make at least 20-30 quality films out of these 100 films. I think the key problem of the domestic film business is the confusion between good cinema and bad cinema. The Russian film industry is only 15 years old, and its core audience is 12-25 years old. Accordingly, they are accustomed to a very high-quality product, and today a film is a product, and it is necessary to recognize this. So I think that we have only one chance to save our film industry – to return popular films to Russian viewers. And we should not confuse popular films with festival films – they too have a right to exist. This is important – it is art, but it is just a kind of niche.

Third, of course, is the most serious problem: the lack of personnel. There are 180 producers, 100 so-called directors – I hope they forgive me – 100 cameramen, and so on. Whether we like it or not, the third part of the rescue plan is coproduction, and coproduction with our quality producers who know how to make a popular film and know our audience – young people who go to the films. When we talk about the cinema, we are talking about films intended for cinema distribution, but not for display on a television or DVD. So, coproduction is the third part of the rescue plan, because in the Western industry – not only in America but in Europe – there are lots of professionals such as directors,

cameramen, and writers, who are able to work in a very difficult format. I think the solution lies in understanding what the demand in popular films is in cinemas today, coupled with the attraction – there is nothing shameful or insulting in this – of quality Western personnel, who, I assure you, are now no more expensive than the same personnel in Russia. And, of course, training personnel. We should apply all of our effort to this, and it will take about five years, no less, because cinema attracts young people. They want to study it, they want to watch it, and they want to participate in it. However, we have serious problems with training up film professionals who know how to make popular films. These three factors combined with digitization allow us to advance our industry to a serious level.

I recall last year there was very positive, momentous event: the Russian market made over USD 1 billion. Central Partnership, of course, was ahead of the rest and took a 28% share, and 53% were Russian films. This situation does not exist anywhere in the world. Why? Because we make films better than everyone else? No. No more than a quarter of those 50% were Central Partnership films. We make popular films with our production partners, often from competing companies, and we agreed to work only on popular films. In this sense, we see a great future, and digital will allow us to train young professionals at a low cost, to optimize release expenses, and to continue an intensive cinema-building project in small regional towns, because coverage is still very sparse – only 2500 screens. European countries have five or six thousand, and America has 40,000. In this case, as I said, in terms of distribution and in terms of quality of content, the level of our cinemas is higher than that in America. Our films make more money. That is my analysis.

A. Pivovarov:

Thank you, Mark. You addressed all of the topics that we are speaking about today and very elegantly brought them together. You started with positive news

and finished with positive news. Thank you very much, but I still would like to continue the conversation about technology and, in particular, about digital. It is well-known that our Indian colleagues have achieved a great deal of success here. I give the floor to Mr Rajesh Mishra, CEO of UFO Moviez India. The floor is yours.

R. Mishra:

Hello. Good afternoon, friends.

My friend Mr Lolo has already spoken a lot about the utilization. I represent a company called UFO Moviez India Ltd., and we are based in India. We primarily deal in the digitalization of cinemas and in providing digital cinema technology to cinemas. We have 2,500 non-DCI screens in India and around 300 DCI screens in India, so we are reaching both ends of the spectrum, the DCI market as well as the non-DCI market.

In the non-DCI market, we are the market leaders on one front, in that we are the company delivering the content to the theatres directly via satellite, whereas in the DCI market, the physical hard disks are required to be delivered, and even other non-DCI companies who are providing digital cinema technology are providing hard disks, whereas in our technology, we provide delivery to the theatres directly via satellite.

So, 2,500 screens in India receive content on a day-by-day basis directly via satellite, and everything is monitored from one single remote business. You can deliver the content, monitor the content, deliver the licences, control the number of shows that are going to be played at the cinemas, and everything happens from one central location without the distributor or the producer required to travel or interact with a third party.

Primarily, what we have seen in India is that the success of a film is largely dependent on how widely you are able to distribute the film to reach audiences. If it is going to reach a limited number of people, then obviously piracy or adverse

word-of-mouth publicity is going to negatively affect the film. But if you are able to take a film to more than 1,000 or 2,000 screens simultaneously, which is what is happening in India now after we created these 2,500 digital screens, the impact on the monetization of the content is tremendous.

Box office receipts have gone up and piracy has been reduced to a great extent because what happens is, when you are promoting a film, you are promoting it through every medium possible. You are taking it to the Internet, you are taking it to new servers, you are taking it to television, magazines, everywhere.

So, what you essentially do, you create an awareness about the film, but you do not provide the film if you do not release it in that particular region. Now with the need being created, pirated versions of the film are bound to be consumed. So here our technology—where we are able to provide the content to the cinemas at a fraction of the cost of a print—is revolutionizing the way films are being distributed in India.

Typically, what we do is very similar. You take a film, digitize it, encode it, encrypt it, and deliver it via satellite to the theatres. So there is no physical intervention of any human being. And that process is mechanized and the content of the film is delivered to the cinemas electronically.

The biggest advantage to the producer and the distribution community is that they are able to control the film, the way it is being used in the cinemas. If you are sending the film on prints, what happens is that when it reaches the cinemas now, whether it is playing two shows or four shows or indeed, whatever they are doing with the print, it is out of your control.

In contrast, with digital cinema technology, you can actually pinpoint it down to say, "For this particular theatre, I want to give the film for one show only", and you can control it. The license will be given for one show only.

And what we have seen with this technology in India is there has been a tremendous growth in cinema. The audiences which were taken away because

of piracy in the past are now coming back to the cinema. We have put up 2,500 screens across the length and breadth of the country.

The analogy that I would like to highlight over here is that India is a lot like Russia: it is a big country, with large distances, and adverse climate conditions in many locations. So just imagine a situation where you have 10,000 theatres in Russia, and you are able to beam a film directly to 5,000 cinemas in one show. In three hours flat, the whole movie can be delivered to 5,000 cinemas across Russia without having to bother about the cost of the print, how to deliver it, how to retrieve it, then to store it, then to destroy it.

So, this is a huge challenge, which we have welcomed for the Indian cinema market. And we think that this can be a very, very good solution for the Russian market too. You will never be shy of releasing a film anywhere in any part of Russia. You can open up a cinema in any part of the region without having to worry how you will provide the content for the cinemas.

If you know India, movies are a religion in India. It is just not films. In another country, if a show breaks down, people will get up and possibly go home. In India, they could burn down the cinema or kill the manager as well. So technology has to be very robust, and that is what we have provided to them.

We release 20 films on a weekly basis because we are available across the whole country and release films in multiple languages. On average, 18 to 20 films are released on a weekly basis, and we have done 7 million screenings. This is a proud testament to the robustness of the technology.

Also, we have integrated our ticketing platform along with our digital cinemas. You must have seen how computers are being used to dispense tickets in cinemas. What we have done is we have integrated the computerized ticketing system into our digital cinemas.

So essentially, what happens is whenever a film ticket is sold anywhere in the region, it immediately updates via a return path on a two-way satellite. The data is updated on a minute-by-minute basis. So this has also started to plug the

revenue leakage, which was happening because of under-declaration in the regions.

So essentially, what we need to understand is that it is necessary for the industry to increase its reach as widely as possible as far as releases are concerned. Whether you do it on DCI, whether you do it on non-DCI, digitalization is going to offer you this opportunity to release a film in as many cinemas as possible, and that is the best way for the industry to move ahead.

Thank you.

A. Pivovarov:

Thank you very much.

Tomorrow, a joint venture agreement will be signed between UFO Moviez and KinoCity-Sky. I am happy to give the floor to the CEO of KinoCity-Sky, Elmurod Rasilmukhamedov. I ask once again that all speakers adhere to the rules because our use of the premises is limited.

E. Rasilmukhamedov:

Good afternoon, colleagues. We do plan to create a joint venture with UFO to deploy similar technologies in the Russian market. Over the last four months, we have been engaged in experimentation with the Russian satellite system to verify its ability to operate for this purpose. Yesterday, we succeeded in transmitting a film – we watched it and it maintained the required quality, and now we can say that we can do this.

Nevertheless, Russian technologies are somewhat broader. I would like to briefly tell you what we are doing in terms of cinema technology, and for us it all fits under the rubric of availability. It was already mentioned here that it is necessary to restore the distribution system in small towns. There is political will on the part of the government to launch projects. We consider their technological development as a kind of support for existing solutions. To date, Russian

satellites have good coverage, and it is possible to use this technology. We like this business because the cost of equipment per seat has now dropped below a thousand dollars, which opens up opportunities for serious investment in this sector. We act as a major technology investor. In addition to Indian expertise and our own know-how, we plan to use the methods we have developed to help this business to grow.

Speaking of accessibility, a serious constraint to development is the need to distribute copies. It is sufficient to say that the cost in 2010 of producing copies in Russia totalled USD 17 million. Transmission via satellite significantly reduces producers' costs and provides the opportunity to have a flexible repertoire. The UFO plan will be used in Russia.

The second plan relates to ticket availability. We noticed that instant payments such as mobile payments and electronic payments are growing in popularity. Therefore, a system was developed that will be released in July: it will allow you to buy a ticket over the Internet, via mobile phones, or at payment terminals. In addition, we developed a self-service system with low-footfall cinemas in mind. This will save on salaries for cashiers because you will be able to buy or book a ticket through a special terminal in the cinema. A working model is shown here. It is already connected to the Ministry of Culture's central automated information system, through which monitoring and the observance of copyright protection is ensured in Russia. In addition, we have a problem with reliable information on cinema attendance – this is an issue raised by producers. At the present time, we are building a system where a webcam will photograph the seat, and this information is transmitted to a device that compares it with the number of seats sold. If there is an inconsistency, then the information is sent to the appropriate server and can then be used to issue a claim or ask questions of the owners of the cinema.

We also are committed to trying to somehow limit illegal downloading. We propose a patented system where special markers will be inserted into video and

music files. Primary markers will display a computer message that this is an illegal viewing, this information is captured in the database of anti-virus systems, and is then forever recorded in the computer so that later it may be possible to discuss with the user whether or not he has broken the law. In addition, we integrated specific bugs into the streaming file that send alarm information from the computer's IP address to dedicated server systems. If these markers are removed, the file will be destroyed. This technology has also already been developed, launched, and is under testing. We think that this will roughly halve the number of illegal viewings. We do not consider it necessary to punish the audience, but we believe that it is necessary to encourage them to come to the cinema. Thank you very much.

A. Pivovarov:

Thank you very much. I think everyone is impressed with the technologies that have been presented. Now we will move from talk of how to show films to what kind of films to show, and discuss the topic Mark already addressed – how coproduction or joint production changes our final product, namely, the film, and how it generally affects film showings, which are the end result. First I would like to give the floor to Pavel Krapivin, Vice President of Warner Brothers.

P. Krapivin:

Thank you. So as you can see from my name it is very American, Pavel Krapivin. My family left Russia when I was a kid. I am an American citizen but I do consider myself Russian. I apologize if I use English right now. My English is much better than my Russian, so hopefully that is okay. I can switch easily but my Russian will be worse.

So, just recently I had dinner with a really good friend of mine who just got nominated for four Oscars. And we were sitting down and a friend of mine who wants to get into the movie business is asking Steven Saxton (he owns

Hollywood Studios International), "So, how do you make a successful movie? I mean you have obviously done pretty well". "Oh, that is easy. All you got to do is have an excellent writer, an excellent director, amazing actors, really good distribution, perfect marketing, and a little bit of luck". He said, "Oh, okay".

So the reality is the biggest movie studios in Hollywood have figured out how to do that consistently – and not all of them work. We do get Oscars every single year. We get a lot of them. We do have movies that tank, but a lot of the movies that the major movie studios in Hollywood produce on a global scale end up making a lot of money.

And the question is, how do you take that model and bring it to Russia? Because Russia, quite frankly, is exciting. It is amazing in the fact that its growth potential is being realized right now, but there are issues. And I would like to go through a couple of trends and address the questions Alexei asked.

So let me go through the trends first. I like numbers. I will back things up with just what it looks like on the American market and then what it looks like in Russia. So this year in Russia there was the equivalent of over USD 1 billion collected at the box office, right? And just to compare it to the US, there it is, USD 10 billion.

But you know what? That USD 10 billion is still small in comparison to how much money movie studios make on the backend. There is another USD 18 billion that movie studios make on everything else: DVDs, Blu-ray, cable, video on demand which quite frankly today, the way the Russian market is developing, the growth potential on the movie side and in the theatres is growing rapidly.

But still, if you take the USD 30 billion approximately in the US, you compare that to the USD 1 billion that is being monetized today in Russia. So that is fine because that USD 1 billion did not exist a few years ago. And the question is, how do you use co-production? What is the method of financing? How do you put these things together from here so that they have global appeal?

So I gave you some numbers and the reality is, the only place in the world that figured out how to create global movies is Hollywood. And the reason is, they

attract global stars. So you have a star then you put together a package. So that package is a writer, director, actors. You put it all together, and the major studios have the money, so they put the money together, and guess what? They sell it in every territory. This is in contrast to when you make a Russian film today, you mainly do it for Russia and it is not unique to Russia. If you make a movie in China, if you make a movie in Germany, you are never going to see most of them in the movie theatre globally. A very, very few of you will. So the question is, how do you bring what is unique from Russia and attach it to the Hollywood model, and create these deals, co-production deals?

Well, the reality is the people in Hollywood who are very successful producers like my friend, Steven—or there are a few others who have done incredibly well—they are looking for creative ideas from everywhere. A script could come from Russia. But it would help if that script comes with a bag of cash attached and it would help if there is a potentially unique director.

If you want a star with a global appeal, the reality is they are all controlled by the few agencies in Hollywood. Actually, you end up having to package the film in Hollywood anyway. So if you really want to create movies with global appeal, there is definitely a path. You can go to Hollywood and you can bring certain things, not everything, and you can put it together.

Now, if you want to develop the Russian market to make more money, to be a lot more self-sustainable than it is today, like a few of the colleagues on the panel have mentioned, piracy is a major, major issue. And the fact that there is no backend revenue today in the Russian market hurts, right? If you cannot recoup the costs not only internationally, but now more than half of your revenue is lacking because you just do not have a business model there, then your movie budgets and your business model have changed dramatically. So that is why you will have to adjust. You will have to make smaller budgets, etc. At this point, I would actually love to hear any questions.

A. Pivovarov:

You are the right person to talk about coproduction, and, until I heard your speech, I thought you were a Russian who works in America and just wants to speak English.

Can we talk some more about the foreign experience? Let me stress again that we are now discussing coproduction and talking about how it changes our filmmaking. We are also discussing how we can integrate into the global system of film distribution with the help of the film industry .

A. Schreitmuller:

Yes. Of course, I work for a French–German channel, and we have been talking here of Russia and India, and of course it is clear that two relatively small countries like Germany, with 80 million, and France, with 60 million, have different problems and aims to countries like Russia and India.

But nevertheless, speaking for Europe, the main problem of the European film industry is that it is too fragmented. There are too many small countries, and almost all of them are working just for themselves.

As Pavel pointed out, for many of the countries in the world—and even more so for small countries like Denmark, Slovakia, or Hungary—films are being produced for their own market. And of course it is evident that especially for the small countries, but also for countries like Italy, Spain, France, and Germany, the markets are too small to be able to afford big-budget films or even medium-size–budget films. It is impossible.

I mean, the average budget for a German film is about EUR 5 million. In France it is a little bit more, but it is about the same. Compared to films in India or in Hollywood, this is nothing.

And even if, of course, great creativity can sometimes compensate for money, in general it is not the case. Especially for cinema, to create imagination and to create other universes, in most cases you need money.

So the problem is that the market is fragmented in Europe, and this is linked to one specific problem of Europe, which is language.

We have so many languages, which is of course a source of wealth in terms of cultural heritage, but it is a big problem that films are very, very rarely exported to other countries. So if Pavel was talking about exporting films globally, we would be happy to export them to neighbouring countries. Germany has nine neighbouring countries, so they would be really happy to do that.

I think there are two points that are very, very important for co-production. One is that, to start with, I think you have to have a strategy and a framework. Of course, imagination and culture and creativity are opposite to all kinds of frameworks and structures and volunteerism, but I think to start with, it is important to have a framework and a strategy and the will to co-produce.

So for example, in our small channel, we have a framework of six films per year being co-produced between France and Germany. And without that framework—I can tell because I have been doing it for more than 10 years—there would not be one single co-production. Because there are so many problems that arise which could lead to giving up, it is sometimes absolutely necessary to have this framework for co-production. You are being forced to do so.

And then you can override the problems that arise because the systems, the film-funding systems, the film-producing systems in European countries, are very different from one country to another. And so the problems are far too big to just co-produce it like that, to find partners easily, and I think to have the political will to co-produce would be a starting point.

I always compare it to Airbus. About 25 or 30 years ago, it was a completely absurd idea to challenge the American market with European companies where the wings were being produced in southern France and the engines in the south of Britain and other parts in the north of Germany. And it works. It works. But there was a political strategy and the political will to do so; otherwise, it does not work.

And the second point is, I think co-producing cannot work if you just put together elements from all kinds of cultures and languages. It does not work. You have to have a real authentic idea and your own culture. And even in Hollywood films and American films, I am always struck that in almost every American film, it is clearly defined where the film plays, in which town, in which state, and it is said so, and it uses the richness and the wealth of that particular region.

So you do not have to make a kind of road movie that goes from Finland to southern Italy to include as many countries as possible. You have to invent specific stories and specific backgrounds. All European films that have been successful in other countries have been very, very specific. For example, German films like *The Lives of Others* and *Goodbye Lenin!*, are really very, very German films. Films like Lioret's *Welcome*, or *Amelie* are very French films, while Almodóvar's ones are very Spanish, or very Danish. So you have to be authentic, otherwise it does not work. But it is one solution I think to create stars, European stars that are well known in other countries, and put them into stories that are authentic and specific to one country. But we have to have stars, and at the moment there are very few European stars, and that is a problem.

A. Pivovarov:

Off the top of my head, I can only remember Penelope Cruz. Thank you very much. Andreas referred to the Indian experience and the Indian market several times in his speech. I give the floor to Mr Arun Rangachari, Chairman of DAR Capital Group.

A. Rangachari:

Hi. My name is Arun Rangachari and I am from a company called DAR Capital Group. We were not originally film producers. We are a private equity firm, as the name suggests. We recently entered film production, a few years ago. Having invested heavily into the media and entertainment space in India in companies

like **<inaudible>** for movies, we decided to get into the content space. And that is where our learning actually began.

I am not as experienced as Mark Lolo or other people on the panel, but I think that from a very broad perspective, co-productions work for branding, and there are four pillars to a co-production.

The first is of course the finance part, which in most cases is the most challenging part of a co-production. Getting the right financial partner who has the cash to invest in the project is always very, very challenging. So that is the first one, the financial part.

Another important part is content. If you co-produce, what content do you create? For example, if I am doing an Indo-Russian film, do I create Indian content, Russian content, or global content? Because that is a question one needs to ask, you have to address it in a co-production.

The third important part of a co-production is true creative collaboration. Co-productions will only work if both parties are deeply involved in the production process and are fully responsible for the final creative output.

And the fourth—and to my mind the most important part of co-production—is the marketing and distribution strategy. I think a co-production is of no use unless you are able to enlarge your original home market. And that is where I differ slightly from Pavel on this, as to my mind, Hollywood is not the answer to all our problems. It is very easy to go and say, "Let us package a film. Let us get the best Hollywood star, the best director, and make a film."

That is not a co-production. That is an American film. So there has to be a middle way. There are certain subjects, there are certain films that lend themselves to a global audience. Of course, we would love to collaborate with Hollywood, but there are certain subjects, certain films that are meant for a much smaller audience, and maybe a very small global audience.

Today is a very important day for me personally because, after a span of 25 years, today I finalized with Alexander, my Russian partner, the first Indo-

Russian collaborative co-production in 25 years. And let us hope that this co-production shows us the way forward.

I am sure there will be a lot of learning, a lot of experiences that we have to share, a lot of places where we will kind of mess up and not do the right thing. But I think we have our heart in the right place. I think we have a firm strategy in place. And I just hope this co-production just paved the way for many bilateral and even trilateral co-productions between many other countries.

Thank you.

A. Pivovarov:

Thank you very much. Now, back to native soil. I am pleased to give the floor to Sergey Selyanov.

S. Selyanov:

I am having trouble focusing because there are four questions, and they are all important, and all different.

A. Pivovarov:

We can begin with coproduction.

S. Selyanov:

There are twelve points that we must successfully address, and then our industry will be in good shape, and the world industry will also benefit. Today we consider four, and coproduction is one of them.

These questions and difficulties are well-known. I think that the Russian industry, in addition to the development and continuation of traditional forms of coproduction, needs to focus on the promotion of Russian films in foreign markets with investment, specifically, providing financial support for release in different countries. The main risks associated with any foreign film, except

Hollywood films, in a local area, such as France, for example, are well-known. Everyone is afraid – distributors are very skittish folk, and this fear is justified. They fear that it will be a failure, and that quite a lot of money will be invested in the film, but expenditures will not be recovered because Russian cinema in France is an unfamiliar beast. And in some cases, regrettably, they refuse to buy or they release it only very tentatively. A Russian film is invisible, even if it is relatively successful, due to the fact that they are protecting themselves. Again, this self-protection is justified because the risks carried by any local distributor are actually quite high. Imagine for a moment that there is a fund, a resource with government and private money that is capable, on the basis of expert assessments, of minimizing the risks to the French – since I have already used France as an example – distributor when releasing Russian films. That is, experts say, “Yes, this film can be released in 500 copies. Yes, it will be necessary to invest EUR 1 million, but we are afraid. The risks are very high. We are not ready, although the likelihood of success is very high. Or, at any rate, there is a chance of success.” Then the fund – the one that I mentioned – says: “Okay, we will take on EUR 700,000 of that million. The interest will naturally be allocated differently if we gain a profit, but we should give the film a proper release. We will advertise, make all of the necessary marketing efforts and so on.” I think that, using such an instrument, we can achieve a situation in five years in which the presence of two or three Russian films on the French market will become something familiar, and the timidity of French distributors for Russian films will significantly decline, and people may even be enormously pleased, and people will queue up for our productions. That was the simple idea I wanted to tell you about. Thank you very much.

A. Pivovarov:

Thank you very much, and a special thank you for your brevity. Let us listen to the opinion of another major studio represented in Russia on the subject we are

talking about. Let me remind you that we are talking now about coproduction. I offer the floor to Marina Zhigalova-Ozkan, General Director of Disney in Russia.

M. Zhigalova-Ozkan:

Good afternoon, ladies and gentlemen. We at Disney are working very hard in the Russian market and our strategy is somewhat different from what my colleagues were discussing. On the contrary, we are making coproductions in Russia and we want to do this for the Russian market. We believe that the key to success in creating local content designed for the Russian market is to work with Russian leaders and key players in the industry. I shall give you a few examples. We made the Russian film *The Book of Masters* along with TRITE studios and were very pleased with the results: for two weeks, it was a box-office leader – even *Pirates of the Caribbean 4* in the second week ceded leadership to its rival – and won nine international awards. This suggests that, although it is a local product, it was of interest to viewers in other countries. We have entered into a new project, also a coproduction, with a major Russian player – Channel One Russia. We will jointly make a television show and a film with a related plot. In our opinion, such coproductions, on the one hand, allow the studios actively working in the local markets to become stronger and more integrated players, and on the other hand, give them the possibility of engaging in productive work and an exchange of experience with their Russian counterparts, because I believe that experience-sharing should be bilateral.

Of course, our Hollywood studios have a great deal of experience and a lot of know-how, but working in the Russian market, we must first focus on the realities of Russia. Russia has highly qualified experts, though not very many, as Mark already said. It is, though, interesting and important for them to engage in cooperation, to transfer know-how in production technologies and business models for financing, to talk about how to effectively calculate investment in advance and how to plan investments in the film industry. We are also interested

in participating in special education programs because Disney, as a studio that operates in the Russian market, can provide access to the know-how that exists in Hollywood. And we would be interested in training the personnel that is now not available. Yes, this is a new generation, but without investment in education, it is difficult to imagine how we can meet the demand for high-quality films. Thank you.

A. Pivovarov:

Thank you very much. Retaining this momentum, we can continue with the same topic. Kira Saksaganskaya, coproducer at Rock Film Studios.

K. Saksaganskaya

Hello. Kira Saksaganskaya, of Rock Studios, which are headed by director and producer Alexey Uchitel.

Our company is just beginning to take steps in the field of international coproductions. It is not easy, and we are counting on the support of our agencies that fund the film industry to participate in joint production.

We now want to engage in a joint project with a French company called Les Films du Poisson, these are our friends from France. In this way, I would like to mention only one thing. In general, this quest is for producers: the search for projects that will be filmed in Russia that will be of interest to the Russian audience and that will engage a large number of Russian artists. This is actually the quest of a French production company that has already proven itself. The company, Les Films du Poisson, produced the film *Tournée* by Mathieu Amalric and was recognized as the leading French production company. But this is just a small remark about the fact that these are all individual projects. Sergey Selyanov correctly said that we really need international promotion. Speaking of the major studios and the Hollywood companies, what do we actually have? We have a valuable product – Russian classical literature, but for some reason we

cannot exploit our achievements as well as Hollywood companies manage to. Oprah Winfrey read *Anna Karenina*, and voilà: the film *Anna Karenina* with Keira Knightley and Jude Law is already in production. Unfortunately, we are not making it and are not even involved. Perhaps we should pay attention to the incredible content that we have. That was a small remark from a small producer. Thank you.

A. Pivovarov:

Thank you. Hopefully we will hear Alexey Uchitel today, too. I give the floor to Maxim Mikhailov, vice president of NBC Universal, as we are first and foremost interested in the international experience, because we are at the St. Petersburg International Forum.

M. Mikhailov:

Thank you. Universal Pictures has a fairly long history of coproduction with various international companies. The most prominent example is perhaps our long association with the British studio Working Title, which was at one point involved in between 10% and 15% of our output. There are a number of other projects in Europe. We cooperate fairly closely with European companies, studios and channels. In Russia, our experience has been limited, but, nevertheless, very successful and diverse. Above all, our experience has been with Timur Bekmambetov. These two projects that were made were remarkable, and they differ in their approach. In the first case, Timur actually filmed a Hollywood film, *Wanted*, which was very successful around the world and in Russia as well. In the second case, we are talking about the joint project *Black Lightning*, which was especially remarkable and very successful in Russia. I think that few Russian films can boast that they survived with dignity under the steamroller of *Avatar*.

Thus, on the one hand, there is interest in coproduction on the Russian market, and we are always ready to discuss a variety of projects. On the other hand, there are several limiting factors – precisely those that have already been discussed – in particular, the relatively high risks of distribution outside of Russia. In fact, when considering any Russian project you have to evaluate it in terms of profitability on the Russian market. I agree with all the ideas that have been expressed here about how to correct this situation. We are always ready for any conversation, and we are ready to consider all options.

A. Pivovarov:

Thank you very much. I will allow myself to address a question that has already been raised several times, and this question is really fundamental. This is a question about the specialists who will work in this industry in the coming years and in the long term. This is a question of people who will do what has been discussed here. How can we educate these specialists? Is there a single standard? Who should be the people who will teach future professionals in cinema and, most importantly, the film business? To begin, I would like to call on Alexander Evmenov, Rector of St. Petersburg State University of Cinema and Television, as this is your domain. Thank you.

A. Evmenov:

Thank you. The St. Petersburg University of Cinema and Television is one of the largest film schools Russia, and its uniqueness lies in the fact that we are training professionals – not only artists, but technicians and economists. Given the underfunding of higher education common to all of our universities, the gap is gradually widening between the skills that we can provide students within existing financing arrangements, and the skills the film community requires of specialists. An imbalance has also evolved: training specialists in digital technology, film production, processing, and so on is quite a material-intensive process, so we

have seen a strong bias develop towards the humanities, which are less material-intensive. I became the head of the university six months ago, and in order to somehow escape this, I as a young Chancellor, took this route: first of all, in my view, the solution for all universities is the creation of a Board of Trustees that would unite leading players in film and television production from Russia and from abroad. Our Board of Trustees includes such specialists as Eduard Pichugin, Fyodor Bondarchuk, and other foreign representatives such as Alexander Shapiro and Sergey Rakhlin.

Regarding international cooperation, it is impossible to train a high-quality specialist without turning to international experience, like the experience of leading studios, such as those in Hollywood. In the first months we held forums attended by leading experts from Hollywood: writers, actors, special effects specialists and so on. It is very important to integrate students into the world film community, so we give over a fair amount of time to this. We have a project called Troika, where several people from the UK, France and Russia join together in international groups and travel around these three countries and make films that subsequently become the subject of discussion. Of course, while it is important to attract foreign specialists to teach master-classes for up to a month, we should also invite our own leading experts. We have such an experience: the Department of Producers, staffed by leading Russian producers such as Sergey Selyanov, Sergey Melkumov and others. If we are talking about animation, we would be thinking of Konstantin Bronzit and others. In my opinion, the main solution is attracting real film-industry specialists of the highest level, and secondly (and this is something that we cannot do without), attracting foreign professionals to teach at our university on a permanent basis. Thank you.

A. Pivovarov:

Thank you. The Board of Trustees really is an interesting topic, and I suggest that we explore it further. With us, we have Eduard Pichugin, Chairman of the

Board of Trustees of the St. Petersburg State University of Cinema and Television, and Chairman of the Board of Directors of KinoCity. It is clear what you see as your mission, but tell me, how do you share authority with the leadership of the university, and do you participate in current issues? How does it all happen, where and how do you have sessions?

E. Pichugin:

Yes, today, predicting the development of the film industry as a whole, Sergey Selyanov correctly spoke about the 12 issues that need to be systematically resolved. But the question of education, which we are discussing, is probably one of the most important. And today, I dare say that in Russia, no player – no single market participant in the film industry, including the government – is in a position to solve this problem alone. It can only be solved together. Therefore, speaking about the problem of film education and the training of personnel, I can repeat what Mark said today: we have hundreds of producers and directors, but in reality we have more than forty universities in the film industry today. If we are speaking about the University of Film and Television, then there are about six thousand students studying there, and at the All-Russia State Institute of Cinematography there are also a few thousand students. This relates to Mark's question about where they are.

Speaking about a quality education and about real change is possible only if we really approach this issue together. As Alexander Evmenov said, the best, or at least the most active, producers, cameramen, and other specialists are now collaborating with the university. Our mission is to help businesses come to the University, because the projects that we have planned – we are launching major investment projects – are focused on getting managers, and serious, properly-trained personnel involved. We are engaged in the training of these specialists ourselves. I teach at several universities, including at the All-Russia State Institute of Cinematography and the University of Cinematography and Film and

Television. My graduates work in our companies in the end, so this is a really important issue. This year, we created a forum called Russian Cinema in 2020, and invited the participants to work on all twelve issues mentioned by Sergey Selyanov. Among other things, our forum comprehensively addressed the issue of education. You can talk about this for a long time, and I think everyone present has something to say about it. The topic is not new, but it is vital and urgent. This forum, the Economic Forum, is also helping us solve this problem, as acquaintances are made, understandings are reached, and integration takes place – for example, an agreement between Russian World Studios and the University of Film and Television. There were good, constructive negotiations literally in front of these doors. Everything consists of such details.

There is only thing I would add to the presentation of KinoCity-Sky by Mr Rasilmukhamedov: we are not just talking about the progress of technology in the market and in business – we are talking about the modernization of the technical base of universities, and we invite the most outstanding and strongest companies to cooperate with us. So, if we are speaking about projection equipment, then we need the firms Christie and BARCO, and DCI technology. We would also invite UFO to work with us so that we can develop comprehensive solutions together. Thank you.

A. Pivovarov:

Thank you. Let us still continue to talk about training specialists. The Chancellor of the Institute for the Further Training of Television and Radio Personnel, Konstantin Ognev, is here. I would like to ask whether it is possible at all to speak of further training now? It probably makes sense to talk about a totally different kind of training – training specialists for a completely different skillset, educating them from scratch. Is it possible to improve the skills of those who are already in the industry?

K. Ognev:

Alexei, we can say that I also ended up here from another area, and perhaps, it is worthwhile to discuss not only the film industry but about the media industry as a whole. You know perfectly well that most of the people at our institute are employees of regional broadcasters and print media, which employs large numbers of people who have no vocational training and learn their profession on the job. Most often, our future students themselves, not corporate executives, understand that they need our training. Some need a theoretical foundation in order to progress; for example, an assistant cameraman might want to become a cameraman. Some need experience, some need to learn new technologies, and so on. There was a training program even in the Soviet era. Every five years, all employees in different industries had to take courses. Today, in view of how the technology is advancing, this should be done every two years. But there is no government programme for this. This is a problem that must be addressed.

If you go back to the topic of discussion, I would like to point out a few issues. Recall the experience of history: the legendary artists who created our national and world cinema, such as René Clair and many others. They were both theorists and practitioners – they used their experience and created a foundation – a theory of cinema, a theory of cinema arts. Today, this trend is dead. This is the first issue.

The second issue is our cinematic education. Previously, it consisted of two components, and this can be confirmed by colleagues who are present here: Igor Tolstunov, Sergey Selyanov. For example, as a student of the All-Russia State Institute of Cinematography, the production work placement that we did each year – especially my seven weeks at Mosfilm and two months of editorial practice – taught me more than the three years I studied at the Institute. I am not talking about the course as a whole, but some of its parts. Since the second half of the 80s, there has been a disparity in film education: students are left to themselves, and they do not have any properly organized production placements. It is our

fault, and it is our problem – that is one of the reasons why so many people are critical of these specialists and graduates of our institutes. This is the second issue.

The third issue concerns the following. In the Soviet period, personnel training could be described as similar to ‘zero waste’ manufacturing. If a person did not defend his diploma with the highest marks, he would go and consider it an honour to work as second director or assistant director; in other words, they worked as professionals. Their level of knowledge in the general humanities allowed them to work in both the first and second echelon, and they did not feel slighted. Today, as you know, the second echelon no longer exists. This applies to both the cinema and television. This problem must be addressed comprehensively. Today, we are significantly lagging behind everyone else, and it is necessary to introduce some foreign experience.

Our institution is now implementing a huge project: sports broadcasting and training for the Olympics in 2014. This is purely pragmatic, professional training in how to use new technologies. At the same time, they are given the necessary theoretical foundation as well. It is extremely difficult to find that balance. Our Film Institute, like all higher education, is in difficult circumstances because there is a government standard, and if we deviate from it then we can have our licence revoked. Continuing professional education is what our institute provides. The All-Russia State Institute of Cinematography and the St. Petersburg University of Film and Television also have a Department of Continuing Education. It involves advanced training, re-training, and practical training of those professionals whom the industry needs immediately. Problems in this area can be solved with some support from not only the government, but also from the industry – in other words, from those producers who are interested in training up personnel. Unfortunately, very few of these are willing to invest money in it or let us use their facilities for practical exercises. But they exist: I have been at this institute for four years and during that time we successfully launched a screenplay workshop in

conjunction with the film studio AMEDIA, with the help of Alexander Akopov, and we started a production workshop with Oleg Osipov of LEAN-M. I can cite many examples, but I do not want to take up any more of your time. Thank you.

A. Pivovarov:

Thank you. I see that Mark Lolo wants to add something.

M. Lolo:

Excuse me, but I have to intervene and make a couple of remarks. First, why are we talking about television? Colleagues, let us repeat: we are talking about the film industry, that is the business of cinemas and the business of feature films. Television is a different kind of business, which I spoke about earlier today. There is some confusion between made-for-television films, films on DVD, and films for cinema distribution. If we are talking about the film industry, then this is film distribution in cinemas.

The second remark concerns education. I noticed that there are about forty cinema-related universities in the country. Some, unfortunately, lag behind, and some are quite successful, well-known, and popular, and they somehow try to provide an education. The problem I see is singular and very serious: the film business of which we speak consists of three key parts. The first is production – the education of personnel working in production seems to be fairly good. There is the All-Russia State Institute of Cinematography, and there are a number of other interesting institutions where everyone is very active. The second is film screening, in other words cinemas – they also train competent specialists and film technicians there quite well. Thirdly, there is film distribution – these wicked distributors, these malicious Pinocchios, upon whom the success of a film's release, or even its very release, depends.

I see the problem that the country has only one department named Cinema Management at the University of Management where I, incidentally, teach. But

even in this department, I was shocked when the students told me what kind of subjects they study. They were entirely irrelevant for the modern film distribution industry. They are studying some ancient science that is pointless, dead, and not used in practice. There is no single department, or even university, that would train managers for distribution, but in fact they make decisions whether to release the film, and they can determine how well a film is released. Today, no more than ten distribution companies – five or six – operate more or less professionally. People with no experience end up there, and they take on young people, as does Central Partnership: we take people with no experience and train them in intensive courses for a year. If they swim, they stay with us; if they sink, we part company.

A. Pivovarov:

Mark, do I understand correctly that you are willing to invest your money into it only in the sense that your company trains specialists with your own resources?

M. Lolo:

I want to say that the country needs a full university or several departments in key universities that could be involved in the education of managers, and the creation of managers of distribution companies.

A. Pivovarov:

Should major film companies contribute to this financially?

M. Lolo:

The major film companies are involved financially through the development of these personnel on their own premises. We are ready to take people out of these universities to our premises to improve their skills. But this ought to be the task of the major universities. Because as things stand, film distribution can only be

learned on the job. People come with no experience and spend a year or two of their life in order to study this art.

Once again: distributors are like a Customs Office that blocks about 30% of perfectly decent films because they are risky investments. The film business is an expensive enterprise, and distribution is very risky. And this explains the number of failures of reasonably good Russian-made films released to cinemas.

A. Pivovarov:

Thank you. And I have a similar question for Anna Krutova, Vice-President of STV. Are you ready to invest in the work of universities or do you also believe that you can independently train the specialists that you want using your own resources?

A. Krutova:

I will answer in this way. Sergey Selyanov, my supervisor, is sitting over there, and we do a lot on the subject of education on a voluntary basis. Generally, it is a strange question to ask producers. Producers make films. How can they invest in education and why is this question posed in such an unprofessional way? Of course, Mark Lolo correctly said, we are ready to give out grants and we are ready to teach students with our own resources.

A. Pivovarov:

This is how the universities are posing the question.

A. Krutova:

I want to talk about another area. We are actually at an international forum, not at a forum for the domestic Russian market. So should we be discussing how the situation is so bad for us? Can we talk a bit about the good things that we really are doing? First, the Association of Television and Film Producers, which I

represent, is now addressing the issue of how to import Western methodologies of education in our country. This is what Konstantin Ognev said, and we are discussing it with him, working on it, and I hope it will come to fruition. Most of all, we are interested in the American technique – that is understandable. We have a lot of talented people and we do not want to say that our universities provide a bad education. We do not want to change this, we do not want to intrude into this, but we are talking about the fact that we need an alternative form of education, a supplementary education in our country. We must teach this craft. The most deplorable situation we have is with the screenwriters. All producers can say how difficult the conditions are when screenplays are developed – almost the entire production company participates in collective development of screenplays. And we very much want to begin a course in this. Sergey Tolstikov and Slava Telnov are assisting us. That is, we say that the government is involved and additional government funds from the treasury will be allocated for education. This is the most important issue that must be dealt with here. We must create alternative forums of education, as we do not have a lifetime to change or break down the system. And we need this to happen quickly and energetically, and I hope that from the beginning of next year we will be able to have at least the first year of a university programme for screenwriters taught according to the American method. We have already held talks with the University of Southern California, and we have a complete understanding of how this is happening, of what kind of money is required, and, most importantly of all, of what the focus is – namely, training Russian tutors who will work here. This is absolutely a technical process. Mr Ognev, do you agree with me? We both studied the paper, and it seems that something will come of it.

Of course, all of the producers are extremely interested in this, but we should stop asking them if they are willing to finance it. How can a production company fund higher education? It is unprofessional and wrong. We are ready to help, we are ready to teach, we are willing hire interns to provide them with work

experience, and to give master classes. We are ready to do all of this and spend a lot of time on it, but we will definitely not fund higher education.

A. Pivovarov:

Alexander Evmenov is ready to say something about this.

A. Evmenov:

I do not quite understand the situation when universities are underfunded. We already have sufficient experience in inviting A-list Hollywood stars to help us set up training. I think creating a separate structure is not entirely rational, especially using our money and not the government's. It is not easier for the government to provide the necessary funds, and we do it through extra-budgetary funds which we earn ourselves. Nevertheless, we recognize the importance of this and invite Hollywood stars so they can increase the skills of our students. We are also looking for these extra-budgetary funds.

A. Pivovarov:

Eduard Pichugin, just one remark, please.

E. Pichugin:

I will only add that it is not all that bad. For the second year we, along with Caro Premier – everyone knows Alexey Ryazantsev – and a few of our colleagues have been lecturing to students. True, this is only the second year, so now we have only graduate specialists, but they already exist. I agree with what Mark said. This information is for everyone: we have been working on it for six months, as the new university administration and the new rector of the University of Film and Television opened, we are opening a branch in Yakutsk, and a branch of the University is already open in Moscow. That is, we are on course, we know these problems and are working together to solve them. I again invite you all to

cooperate. By the way, Sergey Selyanov teaches at the University and just administered the exams. So, everyone is involved in this process. Thank you.

A. Pivovarov:

Thank you. I would like to give the floor to Alexey Uchitel, artistic director of the Rock Film Studio. We are very interested in your opinion on training.

A. Uchitel:

You know, for better or for worse, my responsibilities include being a director and a producer, as well as teaching a directing course at the All-Russia State Institute of Cinematography, so I have a good overall perspective.

I am an ardent supporter of coproduction, and I vote for it wholeheartedly. But I want to ask everyone this question: we want to make coproductions, but we do not promote our best films in the West or in America – or anywhere, for that matter. So the first thing to do – this is a national objective – is to promote our best work to the West, because without that we will not progress any further. It comes down to this paradox, and I myself have been faced with this: a film is nominated by Russia for an Oscar, and you produce some kind of film, and then later, they throw you away. And an Oscar campaign is quite an expensive thing, and we cannot do anything. Even when we create a masterpiece, we will never get an Oscar, because it requires money: a lot of money. Russia is the only country that does not show its films for a week in Los Angeles during the Oscar campaign, which is a ridiculous situation, and everyone asks about it. So, let us first of all promote our best films so that people learn something about us. Secondly, I am convinced that we should not be afraid, and we should consider that jointly produced films, possibly even in English, will give some momentum, and maybe we will get some unexpected financial results. In any case, we must try. With regard to promotion, I did not say everything I wanted to. Now,

Sovexportfilm has new management, and I hope that it will deal with this in a serious, consistent and correct way.

With regard to education, which many people are talking about now: for the first time, five years ago, I put together a director's studio. I realized that we teach theory, but do not teach the practical skills a director needs, as we have been saying here. The first thing I would do would be to require from enrolling students a knowledge of at least one foreign language, if we are to think about the future. Second, they must always be involved in hands-on production rather than sitting in a lecture theatre. We carried out an experiment: usually, students in the All-Russia State Institute of Cinematography produce one student film a year, but my students produced two films. We also have an out-dated concept – we have a department for feature films and a department for non-fiction films, although we should have long ago started training young people as generalists, because, as international practice shows, this is the only viable future. What, then, can the All-Russia State Institute of Cinematography do for its current students? An example: three of my students were sent to London for several months, during which time they had to find a subject and shoot a film with an English group, and they did it very successfully. These three films have already even received awards. I think that it is necessary to do this. And finally, once again, I will return to the issue of funding. If we are relying on the government, and quite a significant amount of our films are released with the help of government funding, then why not introduce a separate entry for coproduction? This should be a deliberate program to promote and produce films. Thank you.

A. Pivovarov:

Thank you very much. That leads us very nicely to our fourth issue: funding. A lot of the questions we have heard today have been already addressed to the government. I want to give the floor to Vyacheslav Telnov, Director of the

Department of Cinematography of the Ministry of Culture. Can you briefly answer all these calls to action and accusations?

V. Telnov:

Hello. The calls to action and accusations were, of course, all aimed at the Department of Cinematography of the Ministry of Culture. I would like to once again welcome everyone. Recently, there have been a fair number of conferences. I have headed the Department for about three months, and I have already participated in many conferences. Of course, I want to come to some logical conclusion and to arrive at some results. In terms of funding, there was a reorganization of government support two years ago, and a Cinema Fund was created that supported funding of children's, independent, debut, animation, and feature films. To develop the idea that Alexey Uchitel just raised that students should be constantly at work, I can say the following. This year, the government will support only eight debut films. This is very little, and it is necessary to think about the future, and how our film industry will develop. A total of approximately 20-30 debut films should be produced per year if we want to achieve some result. The government has turned its attention to the industry like never before. For example, our Prime Minister Vladimir Putin heads the Council on Cinema, and has increased funding for film production. Sergey Selyanov identified 12 areas in which our film industry is developing, and I would like to say that we need to have an equally systematic approach in all areas. Then we will look into the future, and I hope that the government will develop all of these areas. But the government cannot manage this alone, but only with the cooperation of our film community. Thank you.

A. Pivovarov:

Thank you very much. You know that we have established a special social and economic support fund for the domestic film industry, which in many respects

also provides funding. I want to give the floor to Sergey Tolstikov. It would be good if you could answer some of the questions that have been asked.

S. Tolstikov:

I like the word “answer”. This relates to all of our activities. “Answer!” or “You will answer for this!”

So, there are two issues: not about funding, but about specific proposals. Mark says there is no department for distribution, and I am sure that a whole university is certainly not necessary, but that a department is necessary. The question is: this is a problem that has not only been around for a day, but for two or three years already. Have the market participants like companies taken any concrete steps yet? Were there any proposals at the Leningrad Institute or the All-Russia State Institute of Cinematography to create this department? Were there any letters, contacts, etc.? Can someone answer my question?

A. Pivovarov:

Mark.

M. Lolo:

I can answer. Central Partnership made a serious effort by offering up your obedient servant, the head of film distribution, so that a year ago he defended his dissertation, then spent three months on the development of a course, and for another three months dragged himself to 99 Ryazansky Prospekt every Saturday to teach young, eager students for four hours. I think spending six months of my life on this is a very important contribution. This is very big money.

S. Tolstikov:

I agree, Mark. So, was a department created there or not?

M. Lolo:

Listen, it seems to me...

S. Tolstikov:

If you need a department, then tell me, who is preventing you from creating one?

M. Lolo:

There is a department in only one university. I believe that every major film school should have a department of film distribution. Listen to me again. Distributors make decisions involving one billion dollars a year, and the money is in their hands. If we do not support the training of these people, we will lose to all the other countries. And a lot of money of money is at stake – one billion dollars. What have we done personally? I can personally go and teach, we can take young adults into our company and teach them, but it is the task of the government, I repeat, the government, because institutes of higher education are state institutions.

S. Tolstikov:

I agree that they are state institutions, but the question is more specific. For example, does the All-Russia State Institute of Cinematography have such a department?

S. Selyanov:

Sergey, can I add to your question and give an answer? Of course, we are having an amazing conversation, it has finally become high-spirited and emotional. People say to us, “Why do you not build a university and teach everyone?” Domodedovo says, “It is your duty to fight back against the terrorists!” What, then is the government for? We have formed a community for distribution, and film screeners have formed and clearly outlined our order: we

need experts. After that, our entire education system ought to hear this request and work towards its implementation, because we are customers. They teach for us, and then for the viewer we somehow do what we have all gathered here for and to what we have dedicated our lives. Why the endless complaints? Have you given money? Have you organized a department? “Mark, why have you not set up another department?” – Why has the question been posed like this? Time and money were foolishly spent!

S. Tolstikov:

No, Mr Selyanov, that is not the question, stop. May I finish?

S. Selyanov:

No, you may not.

A. Pivovarov:

As the moderator, I would like to ask you to finish quickly.

S. Tolstikov:

The fact is that when I ask, I just want to understand whether there was a particular managerial impetus in the system that prevented this or that proposal from becoming a reality. I do not propose that Mark and Mr Selyanov create a department. I am trying to figure out why this request did not have any resulting effect, how it was formulated; that is what I am trying to figure out. What do I hear? “We made a request to the government. Why has the government failed to fulfil the request?” I am trying to at least understand how it was posed to the government. Was there a letter to the Ministry of Culture, to the All-Russia State Institute of Cinematography, or something else? We always talk a great deal. I agree with Slava – these conferences have recently become tiring, because we

discuss the same set of topics a thousand times. But the main point is to translate all of this into some sort of administrative procedural guidelines.

M. Lolo:

At Putin's Council, this was noted and recorded in the minutes. We are in a dialogue with the Ministry of Culture and we have shown them some of our ideas. Vyacheslav Telnov and Ekaterina Chukovskaya are working on including this story in their program.

S. Tolstikov:

So is there a problem or not?

M. Lolo:

What you are asking about is actually happening.

S. Tolstikov:

Well, fine then.

M. Lolo:

If you are interested in some kind of democratic story, it will happen at the Cinema Russia 2020 Forum.

S. Tolstikov:

That is exactly what I wanted to emphasize.

M. Lolo:

This was recorded in some orders, papers, and minutes. Now we would like specialists, we would like these techniques from somewhere in the universe to finally land on our soil. We are not specialists. I am a teacher who must be driven

from the university with a filthy broom, because I only teach there due to a lack of real teachers.

S. Tolstikov:

Who is responsible for this process?

M. Lolo:

The leaders of the universities are responsible, of course.

S. Tolstikov:

Right. Again with the tenacity of a woodpecker, I ask: was the leadership of the universities aware of this?

M. Lolo:

Yes.

S. Tolstikov:

That is it then, the process has begun.

A. Pivovarov:

Well, now you also will not deny that everyone is aware, even after this one panel. It seems to me that the speeches of the distinguished producers give us a clear idea of what they want.

S. Tolstikov:

I agree that the question of distribution is one of the most important issues, and that a separate department is needed. I was just trying understand when we will get this department. If you think that now I understand when we will have the department, then I say clearly: no, I have no idea at present.

A. Pivovarov:

But you recognize that there is a desire to create one?

S. Tolstikov:

I recognize the desire, but I do not know when there will be a department.

A. Pivovarov:

Okay. Let us now put a comma here. Sorry, I cannot give the floor to you know, because we have a very strict schedule and I want to remind you that we at the International Forum have for quite some time been discussing purely domestic issues. I still want to call on Per Neumann, the head of European Film Bonds, as it is important for us to hear about completion bonds at the International Forum. As I understand it, this is a notion that is not developed at all yet in Russia.

P. Neumann:

Thank you very much. I am not sure I got all the details from the latest debate, and what I am going to talk about is probably much more boring and practical.

I am running a completion bond company out of Copenhagen, Denmark. I established this with my colleague, Hans Lönnerheden there, two years ago, but both of us have been engaged in this business, and in the film industry in general, for more than 20 or 30 years maybe.

And the reason why we are here today is that during this year's Cannes Film Festival, we made a joint venture with Sistema Mass Media for the purpose of investigating the possibilities of developing a completion bond system for the Russian market.

And what is the background for doing so? We strongly believe—and at least that is the experience that we have had from the Scandinavian and European

markets—that the completion bond system can assist, well, it actually serves two purposes, I would say.

First of all, it is a strong tool for the producers in that it helps the producers to get their movies financed and to secure the cash flow for the movies. And now, of course, I am mainly talking about the independent film industry and not so much the studios, because the studios normally have large enough resources to carry that burden themselves.

But for an independent production, for small countries like Denmark or small film industries, it has turned out to be a very helpful tool. And as a side effect on the mere financing advantages, there is actually also the advantage that it seems to increase the level of professionalism within the communities.

And the second purpose it serves is, of course, it secures the investors' investment. So it bridges the gap that often is seen between the financial world and the film industry.

In many places, the film industry is looked upon as something very special and a niche-type industry that the real financing industries and the banks are very afraid of getting involved with. And with the completion bond in place, that removes a large part of that risk and a very large part of the uncertainty that investors or banks, or indeed financing institutions have towards the film industry. We have also been talking a lot about co-productions today. It has also proven to be a very good system for co-producing, as you may not know your partners that well. If you can rely on a completion bond system, then you may have higher confidence to get into a co-production.

Or indeed, as some others were talking about, young directors, young producers may find it very difficult getting productions off the ground, simply because they are debutants or very young. And again, with the assistance and support of a completion bond system, that may give them a way to produce their first couple of productions.

So that was very short, but that is the purpose or the reason why we are here. And we look very much forward to our future cooperation with Sistema Mass Media in this field.

A. Pivovarov:

Thank you very much. I would like to pass the floor to Anton Kurbatov, VP of Strategy and Business Development at Sistema Mass Media.

A. Kurbatov:

Hello. Very briefly, I want to say that Sistema Mass-Media is looking forward to working with European Film Bonds. We have already begun to do so and we are going to run a campaign before the end of the year. It seems to me that at Sistema Mass-media, they also believe that such a tool on the market will become quite a specific and practical step, first of all for the industry, for improving the competitiveness of Russian products, because it is designed primarily to attract private investment into the industry. This is an alternative source of investment to the non-alternative, traditional government funding model that has always been the largest source in the country. The most important thing is that all the effects that this tool can bring to the market will be brought to Russia. We hope to do this by the end of the year. Thank you.

A. Pivovarov:

Thank you, Anton. As we have seen, there was a very heated discussion about public funding here. As we have already clarified, there are government-based and private means of financing cinema. I want to give the floor to General Director of Bazelevs, Nikita Trynkin. Please tell us more details about your experience.

N. Trynkin:

I will be brief. I would like to offer a practical perspective on the issue of funding. Bazelevs, as you know, sees itself as a global player in the film industry. Films that we have made, or for which we have provided visual effects – in other words, where we have had a large role – have made more than half a billion dollars in aggregate over the past few years – say, seven years. And for us, as for many other studios outside of Hollywood, there is a very high takings-to-budget ratio, a fact of which we are very proud. As an independent studio, we went through all the possible options for funding films. There was work with the major studios in different combinations – we remember with great pleasure the cooperation with Universal, Fox, and Disney on various projects. On the other hand, we have worked with private investors, and we have worked and continue to work with government funding. Naturally, we have also invested our own funds on more than one occasion. We can compare all of these options and look at how they increase effectiveness. They all have great advantages, and there are serious limitations. For example, private investors provide a very flexible option, because a private investor can be persuaded to finance virtually any project if he is personally interested in it. On the other hand, it is an unreliable tool, because as we all know, the tastes and desires of private investors are unpredictable and can change even in the middle of the project, which is extremely unpleasant.

I will not dwell on every funding tool in detail because there is no time, and I wanted to talk about something else; namely, that just today we held a press conference together with Troika Dialog and announced that we are launching a joint tool for collectively funding film projects. This is a closed mutual fund created specifically for *Kikoriki: The Movie 3D*, a feature-length cartoon. The idea of this project, of course, is to scale up this way of working and to create a complete series, an entire set of funds for a variety of film projects, where investors in each case can vote with their money for ideas, scripts, directors, and subjects. Ultimately, we think it will be very interesting for creatives, because it represents instant feedback for them on their creative imagination. If, when

working with a studio, decisions often come down to a consent procedure or a given manager's personal taste, here the grouping of investors will be very responsive to what they offer. So, competition for money among the producers arises on the one hand, and competition amongst investors on the other hand.

Here, you can see some *Kikoriki* merchandise, and this is no accident – we took a long time to choose which project would be the first. *Kikoriki* is unique in that it is a brand with a great history, as it is the most popular children's animated series. It appears on television in dozens of countries and it has a huge daily audience – in Russia the audience is about five million – and a huge online following. In general, it is really a fascinating universe, and we hope that with the help of the funding tool we created for a fairly wide range of investors – we are only talking about qualified investors – at this stage there will be an opportunity to become coproducers on this project. In the future, provided that its team has a track record and if there is confidence that all the financial parameters are fulfilled (here, the use of a completion bond will be useful), we hope that almost any project, any producer or company will be able to use this tool to finance their films, and, perhaps, promote them in this country and abroad. Who knows, maybe someday Hollywood films will come to Russia for money. It is quite possible. Thank you.

A. Pivovarov:

Thank you. Hopefully, this wonderful time will come. Once again, we are at the St. Petersburg Economic Forum, and, it would seem, this is a suitable and proper place for such events and communication. I know that Dar studios and Alexander Strizhenov's studio have developed a relationship during this Forum. Alexander, please tell us in a few words what happened.

A. Strizhenov:

In fact, the relationship began earlier. The most important element of this story is that the project, which I worked on with the Foundation for Cinema and Sergey Tolstikov, provoked an immediate response. The Foundation found me a partner in Dar, and on this basis we have already come up with a more specific development project – we plan to make a film together in 2012.

I love the Russian chocolate brand Alyonka. It is difficult to imagine that we would be able to find such a chocolate in an American store, but Snickers and Mars are sold here on every corner. Perhaps you can sell Alyonka to Mars and Snickers so that they can then sell Alyonka in some other form – this is an analogy for the major studios who fund some Russian projects, but for the Russian market. It is interesting, of course, to engage in coproduction in large markets. Probably, a special dramatic background is required. For example, we and our partners are not trying to make a film in India for the Russian market. Rather, we want the Russian and Indian partners to work together to make a film for both markets, and perhaps for Europe and America, too. I do not know how this would turn out, but it would be interesting to talk about such a coproduction at this Forum. What we keep hearing about are all of our local problems. Without government support, of course, it is difficult, and without the Fund, it is possible that this alliance may not have happened. So, thank God that there is support.

As for education, let me make a comment: there is definitely a lot of theory in film schools that is divorced from practice. Mark said that he spent six months of his life building a department, and I spent six months of my life helping a graduate of the All-Russia State Institute of Cinematography complete his final project. As a result, we plan to release a large number of copies of it in the autumn with Twentieth Century Fox. I hope that this person got a good grade for his project. You just have to work with students, not be afraid to take risks, and to invest money in them. And in this case, as a producer, Mr Uchitel, you should not despair: you have a department and a production company – select the best person and finance his debut.

A. Pivovarov:

Thank you, Alexander. Specially-trained people tell us that we have ten minutes left. It is time to draw our discussion to a close. I invite all the distinguished speakers to briefly summarize, but remember that this should be the final sentence or two. Pavel Krapivin.

P. Krapivin:

Thank you. I think you have a very good point. Russia is a beautiful place. There are a lot of locations – anything from sunny locations to very cold locations where you can shoot.

What Russia is lacking right now is a framework for refunds and tax incentives for anyone who brings a production over to Russia. The government can help by establishing a fund similar to what Canada did, and that is why a lot of Hollywood studios go to film in Canada, or what Puerto Rico does, or what a lot of other countries do.

It is a very successful global model. In fact, different states in the United States have different incentive models, and the ones that have the biggest ones end up creating a very big industry for movie services, because you put in USD 1 and then you get USD 0.30 back.

That means your whole production costs significantly less, but because of the way the economy works, if you spend USD 0.70 in the local market, that economy grows. So the government can really help the local economies by creating these incentives.

So if you really wanted to bring global productions to Russia, and then start showing the world what it is like to shoot here, one way to do it is to encourage the government here to create these incentives. Just because you have a location to shoot, all the independents and even the majors... there was just, I

am not going to say the name, I am sure you can Google it – it was another major who just started to shoot, it was very controversial in Hollywood.

They had a USD 100 million project; they started shooting it before the script was over. It was unheard of, and the reason they started shooting was because there were enough tax incentives to do it, so they had to meet the deadline, and if they missed the deadline, the money was gone.

So there is a lot of decision-making that goes into where you are going to shoot, and Russia can really attract a lot of global moviemaking to come here, and once they realize how big this country is—right?—it is the biggest in the world, how beautiful it is, how rich it is, I think you will really encourage the movie industry.

A. Pivovarov:

Thank you. Would anyone else from the panel like to speak? Mark, you will be last.

M. Lolo:

Colleagues, this has turned out to be a really wonderful conference. Frankly, when I came here, I thought I would fall asleep, I would say some clever words, we would chat a bit, then we would part ways. I believe that the conference worked out, and I came to an interesting conclusion: I thought I was professionally well-versed in this, that I knew what, where, how, and where to go. Today I realized one very important thing. It is this: “Learn, learn, and keep learning” – that is the message I will take away from today’s conference. We need to strengthen ourselves, to stop spouting hot air and saying how fabulously grown-up we are, that our market is worth a billion dollars, that we make cool films, that we receive prizes from festivals, and that we have the world’s most intelligent audience. We must stop doing this and begin to move forward.

Incidentally, the phrase “move forward” belongs to Sergey Tolstikov. At the last meeting of the Cinema Fund – there was also a very emotional atmosphere

there, too; Mr Selyanov and Mr Tolstikov debated in the same way – he said the magic words: “We need to keep moving forward. Today it was said that we do not have a Fund. Yet there is a Fund, and we give money to you, so do it, move forward.” I concluded from this that we must move forward and make popular films for the viewer, for those who will come and consume this emotional product. This is not Coca-Cola and crisps; it is an emotional product, and the character of our future generation depends upon it. I believe that this is our mission.

The second point: Two years ago I was invited to Ukraine for the conference Film Business Today. I listened to it all and said, “You know, there is no film business in Ukraine.” It was true, and this truth was shocking. So, if we want to become a really big, fully-fledged player on the global film market and truly become a country where there is a fully-fledged film business, we have to have a few major studios in the country. Today in the country, without false modesty, there is only one company that looks like a major studio – Central Partnership – which has solid, professional systems for distribution, production, financing and everything else. We need to create a few large major studios in this country. To do this, we must learn to work as the major studios do. Marina will not allow me to lie: three years ago we signed a contract with Paramount, and I thought we were the ‘coolest’ independent Russian company, that we were the best, and so on. I worked for a year with Paramount and realized that we simply cannot work in the strict, powerful, professional system required for daily participation, progress, learning, and efficiency gains. We must become stronger, push our boundaries, and start to learn lessons from Hollywood studios about how to produce popular films; to learn from the Europeans about how to finance projects and promote our projects at festivals; to learn from Indians about coming up with our own model for the development of our film business. Please note: 900 films, 14,000 screens. Why do we need to make an expensive screen for film? We should adopt this model and make digital screens in small towns. Slightly cheaper, but more efficient. Penetration in the regions and developing the cinema network is a key

task. This task is not only one for business, but it is also for the government. We simply have no outlets, no places to screen, and this is one of the key issues. And the most important conclusion that I arrived at today is this: it is not a question of money, and not only of desire or lack of desire, complexity, competition, and so on. The best cars in the world are German, but Zhigulis are also very popular and many people drive them. Finally, a summary: we have to return Russian cinema to Russian viewers, and only then will we become a country where there is a fully-fledged film business.

A. Pivovarov:

Thank you. I think that “Learn, learn, and keep learning” is a perfect quotation to finish with. In conclusion, I will allow myself another well-known quotation [from Nikita Khrushchev’s 1962 speech at the Communist Party Conference]: “The objectives are clear, the tasks have been defined. To work, comrades.” Hopefully, next year we will be discussing new issues. Thank you very much. Our panel is finished.