

Digital Cinema in Spain: Production, Exhibition and Future Possibilities in Distribution

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AGENDA

- Spanish Production
- HD Production
- Clips from Mediapro & Filmax: HD and Animation
- Exhibition Realities & Challenges
- E & D-Cinema Initiatives
- The Future: Cinemas & Other Forms of Distribution

SPANISH PRODUCTION: 2006

FEATURE FILMS

- There were 150 features produced
 - 40 documentaries
 - 8 animated features
- Of these, 41 were made as co productions with other countries, the majority with France, United Kingdom and Argentina.
- **This is the highest number of feature films produced in the last 25 years.**

Source: Spanish Ministry of Culture

HD PRODUCTION

- Of these films, how many were made in HD or other digital formats?
There are no official statistics to date, but there is a gradual increase.
- **Digital or film?** The acquisition format decision truly comes down to the vision of the director, the *look* best needed to support the story, technical know-how in production and postproduction, budget and ways of shooting.
- **HD is not necessarily cheaper**; equipment rental, lenses and 35mm blow ups can have high costs. If it were cheaper, based on the limited budgets in Spain, many productions would be using this format.
- HD technicians are key in productions, currently there are few.
- **The Red Camera - HD, 2K & 4K**
5 cameras have been preordered and await delivery in September 2007

HD PRODUCTION IN SPAIN

- 2001 **Lucia y el Sexo**

Dir. Julio Medem

First HD Feature

- 2006 **Salvador (Puig Antich)**

Dir. Manuel Huerga

HD 2:35

One of the first films ever to be shot using optical panoramic lenses.

On 2 March 1974, the young militant of the Movimiento Ibérico de Liberación (Iberian Liberation Movement), Salvador Puig Antich, became the last political prisoner to be executed in Spain. This is his story and that of the desperate attempts of his family, colleagues and lawyers to avoid his execution.

MEDIAPRO & HD

- MEDIAPRO has become one of the most important groups in the European audiovisual market through wholly owned companies within the group or through strategic alliances with stand-out companies around the world.
 - **Created the first HD factory in Spain in 2004**, and are using HD in a wide range of productions
 - Sports and cinema rights management
 - Consultancy services related to television and sports
 - Creation, design and production of television channels
 - Cinema production and interactive contents
 - Provision technical engineering needs for broadcasting, broadcast and marketing services
 - Communication and advertisement consultancy

www.mediapro.es

FILMAX

- An independent company with 100% Spanish capital and international vocation dedicated to the creation, production, distribution and exhibition of audiovisual content.
- Over 50 years in the audiovisual sector.
 - Filmax Entertainment
 - Filmax International
 - Filmax Animation
 - Filmax TV
 - Filmax Music
 - Cines Filmax
 - Filmax Stage

www.filmax.com

FILMAX ANIMATION

- A Spanish “brand” of animation, committed to high quality and storytelling with international projection.
- 2003 El Cid
- 2004 Pinocchio 3000k
- 2005 Gisaku
- 2006 **Perez, El ratoncito de tus sueños/The Hairy Tooth Fairy**
- 2007 **Donkey Xote**
- 2007 Nocturna

FILMAX ANIMATION

- **Perez, El ratoncito de tus sueños / The Hairy Tooth Fairy**
Dir. Juan Pablo Buscarin, 2006
Lucía has an accident and loses a tooth. Her parents soothe her with a tale that the Hairy Tooth Fairy will come and replace her tooth with a coin... you don't have to be a kid to believe.
 - In Argentina \$2,5 million at the box office, more than Cars or Superman Returns
 - In Mexico \$ 1.5 million at the box office
- **Donkey Xote**, Release December 2007 Spain
Dir. José Pozo
Rucio the donkey tells the "true" story of Don Quixote and defends the idea that he wasn't mad, but in reality, he was a very intelligent, passionate and enthusiastic fellow.

EXHIBITION

- Exhibition Realities & Challenges
- E & D-Cinema Initiatives
- The Future: Cinemas & Other Forms of Distribution

SPANISH EXHIBITION 2001 - 2005

YEAR	CINEMAS	SCREENS
2001	1254	3747
2002	1220	4001
2003	1196	4274
2004	1141	4497
2005	1052	4401

Courtesy of Media Salles, The European Cinema Yearbook
www.mediasalles.it

MULTIPLEXES

Multiplex Screens “FIGS”

January 1, 2006

(Between 8 and 25 screens per cinema)

- Spain: 2.369
- France: 1.728
- Germany: 1.245
- Italy: 950

Courtesy of Media Salles, The European Cinema Yearbook
www.mediasalles.it

SPANISH EXHIBITION 2005

Density of cinema screens

• 1 screen	11.54%
• 2 screens	2.95%
• 3-5 screens	14.06%
• 6-7 screens	13.38%
• 8 screens	58.05%

Courtesy of Media Salles, The European Cinema Yearbook
www.mediasalles.it

SPANISH EXHIBITION 2001 - 2005

Market shares of domestic films (incl. co productions)				
2001	2002	2003	2004	2005
17,9%	13,7%	15,8%	13,4%	14,2%
Market shares of European films (not incl. domestic films)				
2001	2002	2003	2004	2005
13,7%	12.8%	9,8%	7,0%	20,6%
Market shares of US films				
2001	2002	2003	2004	2005
62,2%	66,1%	67,2%	76,6%	62,6%

Courtesy of Media Salles, The European Cinema Yearbook
www.mediasalles.it

EXHIBITION CHALLENGES 2006

- Spanish Exhibition lost approximately **6 million** spectators*
- Cinemas suffered a loss - the lowest since 1998 - of 121.4 million in admissions*
- The number of screens has decreased by over 200 units in two years*
- Many small cinemas in do not have the capital to face the loss of admissions

*Media Salles Press Release Feb. 2007

EXHIBITION & DISTRIBUTION CHALLENGES

Tensions between Exhibitors and Hollywood Majors

- **June 2006 Scary Movie**

Cinesa, Cinebox, Yelmo and Abaco - representing 30% of the cinemas in Spain - refused to accept Buena Vista-Disney's conditions of 50% of the gross box office revenues.

- **May 2006**

The Spanish Court for Defense Competition fined a total of 12 million euros to 6 Hollywood distributors for monopolizing the market, fixing prices and simulating a nonexistent competition.

D-CINEMA SCREENS IN SPAIN

XDC is the trusted market leader

- **16 screens**
- No official Spanish statistics available
- A large potential market
- Majority of content in 35mm
- Costs for conversion
- Viable business models need for both large and small cinemas
- Lack of D-cinema incentives for theaters who are struggling
- Many conferences, discussions taking place

FUTURE D-CINEMA

- Hollywood blockbusters have always held a large market share in the Spanish box office, future agreements with US studios will be key in this transition.
- Viable business models using VPFs (Virtual Print Fees) ?
- Government role key
- In the Exhibition community, there is a clear desire for the flexibility in programming and content that digital technologies can bring AND business models must make sense and be affordable.
- Continued networking with other European countries who have set up D-cinema systems is needed; the experience of pioneers is vital
- Fragmented knowledge about D-cinema; continued education and dissemination for all areas of the chain is needed

E/D-CINEMA INICIATIVES

D-cinema (DCI compliant) is not yet economically feasible for all. Some owners feel HD is sufficient and are beginning to screen alternative content in this format.

- **Asociación de Cinema Digital**
 - Pilot project with a target of 75 cinemas with 1.4K projection, HD MPEG2 files
 - Not clear how many are connected
- **CCCD - CIRCUITO CATALÁN DE CINE DIGITAL**
 - 5 Cinemas with 1.4K projection
 - Dedicated to local and other alternative programming - concerts, events, Catalan cinema d'auteur, and more

ALTERNATIVE CINEMA INICIATIVES

- **Collective Gaming**
Cinegames
Yelmo Cineplex Madrid
www.cinegames.es
- **Sporting Events**
Kinopolis Madrid
World Cup in HD 2006
- **Digital Film Festivals**
DiBa
3rd Digital Barcelona Film Festival
May 17 - 27th 2007
www.dibafestival.com
- And many more...

FUTURE DISTRIBUTION OUT OF THEATERS

- **The value chain is shifting**, the lines between cinema, home cinema, television, computers and portable viewing devices are blurring...
- Challenges with release windows and new distribution agreement models
- **Digital Rights Management** models and education needed
- **Internet piracy** is the highest in Western Europe:
 - In 2006, 132 million movies were illegally downloaded *
 - In the last 18 months, 15% of video clubs closed *
 - The key is “catching up” with the audiences: providing legal and attractive platforms
- **VoD (Video on Demand)**
 - Telcos and “Triple Play” Services in the home
Telefonica Imagino
 - www.filmotech.com
EGEDA, Audiovisual Producer’s Rights Management Association

* Source: La Academia de las Artes y las Ciencias Cinematográficas de España, EGEDA, FAP, FAPAE y Gotham Comunicación: 1ª Mesa del Cine Marzo 2007

THE DIGITAL TRANSITION: CINEMAS & BEYOND

- The panorama can be confusing yet also yet there are opportunities for the creation of distribution and exhibition networks that screen a variety of content
- Government support is vital
- Business models that support both large and small cinemas, distributors and production companies
- The whole “chain” must be involved; dissemination and training are key
- Digital archiving solutions are needed

Thank You

Digital Cinema Perspectives
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