



## The Future of French cinema: Twilight of the Gods?

Fabrice Lalevée

As every year, the big family of French cinema gathers at the 'Césars', the French film Awards ceremony and celebrates itself. But this year, this sweet reunion did not mislead anyone. The gap between the various sectors of the industry is huge, the main reason being the last two years of intense polemic, plunged into turmoil over the new collective labor agreement for the film industry and Maraval's editorial penned for *Le Monde* "French actors are paid too much".

Those tensions are not new. During the last 20 years, some antagonisms - more or less strong, more or less rational - have appeared between the various organizations of the film industry. Some are worth noting: acerbic denigrations of the cinematographic critic by some directors in 1996; contentious introduction of the unlimited season tickets by UGC and Pathé/Gaumont/MK2 in 2000; tough disputes between professional organizations about the opportunity to allocate the French public aids to extra European firms in 2004/05 (the Warner case following the accreditation of *A very long engagement*); chronic conflicts about the special unemployment regime called "intermittence" (dedicated to artists and technicians working in the cultural industries) especially since 2003; political and professional arguments during the passing of the law concerning the adaptation of the copyright to new technologies (called DADVSI law) in 2006 and the HADOPI law (French Creation and Internet law) in 2009.

In the course of those events, the professional organizations expressed various and sometimes contradictory stances, revealing a recurring divide between the big firms (and directors) belonging to the center of the market and the smaller ones located in the competitive margin.

But those tensions have never been so intense. Maraval-gate storm led to a huge media coverage reaction and to an unprecedented rallying of professionals and public authorities: French Culture Minister ordered the set up of an "assize" on the matter, and an umpteenth report was commissioned to René Bonnell, on the subject of "The financing of cinematographic production and distribution in the digital era" right after the Lescure report "Act II of the cultural exception in the digital era" was delivered.

However something is surprising: the sequence time. In his editorial, Vincent Maraval highlighted the negative effects of the French cinematographic support and regulatory system, which seems to amplify the audiovisual market failures instead of correcting them (over-concentration of resources, standardization of production, strengthening of rent effects related to some inputs, etc.). He demonstrates the limits of such model based on pre-financing as it leads to an unhealthy disconnection between production costs and potential distribution-related income.

In fact, Maraval's editorial has the merit of highlighting key points already identified by some economists (Messerlin et Cocq en 1999, Lalevée et Lévy en 2006), some experts and members of parliament (report Leclerc in 2002, report by deputies Y. Gaillard and P. Loridant in 2003) as being structural dysfunction beginning at the end of the 80's (following the combined effect of the French TV landscape opening to competition, the investment quota that makes it compulsory for broadcasters to invest in the cinematographic production, and the deterioration of French cinema competitiveness in theaters).

Maraval confines himself to reminding basics. Paradoxically way, this reminder is done at a time those system failures tend to lessen. Admittedly, the over concentration of investments on + 7.62 M€ budget films (constant Euros, base year 1995) intensified since 1985 and reached a peak in 2008. Indeed, it went from 15% in 1985 to 74.5% in 2008. And yet, the intensity of this over concentration, which leads to the bubbles and the downward slides pointed out by Maraval, has clearly diminished since 2008, reaching 66.7% in 2012 (a drop of 10 points in 4 years).

Maraval's editorial takes place at the end of a period (2008- 2012) when the basics of French cinema have never been so satisfying. First, this aspect affects the economic performance: good running of internal competitiveness of domestic cinema with a market share average of almost 40 % of box office, stabilization of attendance level to a 200 million at the box office (an average of 203.83 million at the box office during this period comparing to 182 million between 2003 and 2007) and an improvement of the competitiveness of French films abroad. Secondly, this good health comes with a re establishment of *ex-ante* artistic quality of production. So after 20 years of scarcity, the French cinema has been rewarded by 3 Palme d'Or between 2008 and 2013 (*The Class* in 2009, *Love* in 2012 et *Blue is the Warmest Color* in 2013), not forgetting the success of *The Artist* at the Oscars.

In those terms, the breadth of alarmist reactions provoked by Maraval words might be seen, at least at first glance, as disproportionate. Indeed, this feeling is all the more confirmed when one contextualizes this stance. Indeed, this position comes from one of the co-founders of Wild Bunch at a time when this French mini-major begins a new stage of its development. Driven by its privileged position on booming French, European and international authors, Wild Bunch has been proceeding since 2009 to a diversification of its editorial line, positioning themselves on increasingly commercial films (*The little Nicholas*, *Largo Winch 2*, *War of the buttons* in 2011, *Astérix and Obélix: God save Britannia* in 2012). What is at stake for Wild Bunch is to contest the rent (and the entry barriers aiming at protecting those incomes) of the oligopoly that has been structuring this component of the production for over twenty years. Maraval position does not come under pure altruism, but remains motivated by Wild Bunch's industrial interests. It is worth noting that by the way that the public editorial comes few days after the fall of *Astérix and Obélix: God save Britannia* release in theaters.

And yet it would be unfair to limit Maraval's approach to pure industrial selfishness. What he foresees, without clearly mentioning it, is the end of the paradigm that has been structuring the cinematographic industry for 30 years. The new digital order and the audiovisual services globalization make actually inadequate the regulation tools (taxation/obligation) imposed on the broadcasters. Those changes induce a shift from

an economy based on pre financing to an economy based on revenues, bring the focus back to the importance of profitability.

This shift has already started, under the combined effect of the drying up resources of traditional operators and a deteriorating competitiveness of the film “product” in the broadcasting schedule. Indeed, in 2012, almost 34% of French films (among them, 56.3% were first films) did not receive any pre financing from TV channel, which is an all-time record.

In the framework of this paradigm shift, a question remains necessary: how to preserve the diversification, the renewal of talents, and thus the durability of the French industry? The recent Bonnell report provides a relevant and reasonably ambitious roadmap, but it has to be followed by action. Yet the last decade did not leave much room for optimism. The reform proposals suggested by the numerous reports have been regularly neglected while new support measures were created. The system appears to be obviously inflationist: new aids proliferate under the pressure of the lobbies or every time a slight reversal of the conjuncture occurs. This tendency has contributed to make the whole system extremely complex and tricky to reform. However, as they got rid of international pressure (new communication on cinematographic public policy and public aids generally favorable, exclusion of the audiovisual sector from the current negotiations of the Transatlantic Trade and Investment Partnership), public authorities and professionals have a window of opportunity to grasp this decisive deadline for the future of French cinema (and widely European), provided there is will and desire.