APPENDIX B3 - FRANCE

1 OVERVIEW

The country

France is a medium-sized country with a population of 60 million inhabitants, and good standards of living (GDP per capita of US$35,200 per capita in 2004).

The industry

The French film industry is one of the world's most influential, from the pioneering days of the Lumière brothers' invention of the cinématographe, to the work of directors like Jean Renoir, Jean-Luc Godard and François Truffaut, as well as more recent international hits such as *Amélie.* French film has left its aesthetic and cultural mark on world cinema.

Public support for the audiovisual sector

Support is primarily delivered through the Centre National de la Cinématographie (CNC). Although the CNC is a French Government agency under the Ministry of Culture, its funds come from the market, not the Government. Revenue is derived from levies on cinema tickets (23 per cent in 2005), video/DVD distribution (8 per cent) and public and private television channel revenues (this provides the largest contribution – 69 per cent in 2005). These revenues are redistributed back to the industry according to CNC policy.

The CNC is active in all sectors: production (film, television, new media), distribution and exhibition. It runs automatic and selective funding programs, and has branches for regulatory affairs, research and policy, and international promotion. A special CNC program, the COSIP, contributes to television production.

Indirect forms of support are also used, such as the SOFICA scheme, whereby specialised investment companies draw on tax incentives to encourage private investment in CNC-approved film production. Loan support is offered by a partly publicly owned financial institution, the Institute de Financement du Cinéma et des Industries Culturelles (IFCIC) to provide guarantees to stimulate the banking sector to invest in the industry.

A recently introduced tax credit scheme for below-the-line costs allows producers, regardless of nationality, to write off up to 20 per cent of below-the-line costs in France on qualifying films – with a ceiling of €500,000.

Levels of production

France has a high level of domestic feature production, with 240 films produced in 2005, including 27 documentaries. A total of 187 'French initiative' films were made (126 fully French and 61 majority-French co-productions). Total investment in French initiative films was €933.7m.

The average budget per film was €4.99m in 2005 (€5.34m in 2004). There were 41 films with budgets under €1m in 2005; 19 of these were documentaries. 12 films had budgets in excess of €15m.[1]

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[1] CNC, Bilan 2005, page 52–53

Sources of finance for domestic productions

For **feature films**, the French broadcasting sector is the largest contributor, accounting for an average of 36.6 per cent of finance 2002-2005. French producers contributed an average of 27.4 per cent over this period, and French distributors and video publishers for 9.7 per cent. Support from the CNC or regional agencies accounted for 11.1 per cent, and private investment through SOFICAs for 3.8 per cent. An average of 17.8 per cent of finance came from foreign sources.

Sources of finance for 'French initiative' films'**	Contribution				
	2002	2003	2004	2005	Four-year average
French producers	28.9%	24.8%	27.4%	28.4%	**27.4%**
SOFICA	4.6%	4.5%	3.1%	3.1%	**3.8%**
Automatic support (CNC)	7.6%	6.6%	6.0%	6.3%	**6.6%**
Selectiive support (CNC)	3.4%	3.5%	3.5%	2.9%	**3.3%**
Regional support	1.0%	1.1%	1.2%	1.3%	**1.2%**
TV co-productions	4.6%	3.8%	4.3%	3.8%	**4.1%**
TV pre-sales	29.8%	26.3%	28.3%	25.7%	**27.5%**
French distributor support	7.5%	6.8%	6.0%	9.8%	**7.5%**
French video publishers	1.5%	2.0%	2.0%	3.1%	**2.2%**
Foreign investment	11.0%	14.9%	11.6%	10.3%	**12.0%**
Foreign pre-sales*	-	5.6%	6.5%	5.3%	**5.8%**
Total investment (€m)	**724.2**	**847.0**	**892.4**	**933.7**	**849.3**

Source: CNC, Bilan 2005; www.cnc.fr * Pre-sales of films in foreign markets outside the countries of the co-producers.
**'French initiative films' are defined as either 100% French or majority-French co-productions.

For **television production**, broadcasters are again the main source of finance, accounting for 59 per cent of investment in drama, documentary and animation in 2005, including 2 per cent through pre-sales. The broadcasters also fund the CNC's COSIP program, which contributed an average 15 per cent of total investment.

Source of finance for domestic television production 2005	Contribution			
	Fiction	Documentary	Animation	Total*
French producers	11.4%	18.1%	16.5%	**13.9%**
French pre-sales	1.4%	1.3%	5.4%	**1.9%**
Broadcasters	69.7%	44.3%	25.6%	**56.9%**
COSIP	12.0%	19.9%	15.9%	**14.7%**
Others	1.9%	8.6%	3.1%	**3.9%**
Foreign co-production	2.3%	5.6%	19.2%	**5.5%**
Foreign pre-sales	1.3%	2.1%	14.1%	**3.3%**
Total investment (€m)	**683.5**	**314**	**154.9**	**1,152.4**

Source: CNC, Bilan 2005, p3, 9, 10; www.cnc.fr * Fiction, documentary, animation only

Audiences

Domestic productions accounted for 41 per cent of first-run releases and 39 per cent of box-office revenues in 2004 (37 per cent in 2005). Meanwhile, the market share of Hollywood films at the French box office is the lowest in Europe.[2]

New media

France has set up specific support programs for new media and is currently one of the highest-spending European countries in the area of new media support.

[2] *International Film Guide 2005*: the definitive annual review of world cinema, ed. Rosenthal, Daniel, 42nd edition, Button communications, 2005

2 KEY STATISTICS

Demographics	**source**	**units**	**2002**	***2003***	***2004***
Population	BMI	in million	59.5	*59.7*	*59.9*
GDP per capita	BMI	in US$	24,238	29,465	33,182
GDP growth	BMI	%	1.1	0.5	2.5
Unemployment	BMI	%	8.9	9.4	9.4
Audiovisual					
TV households	BMI	in million	23.8	24	24.1
Television sets	WFB	in million	34.8 (1997)		
Digital TV homes	TBI	in million	n.a	4.3	n.a
Pay TV subscribers	TBI	In million	6.8	7.0	7.1
TV Advertising	TBI	In US$ million		3,409	
Film					
Cinema screens	SD		5,262	5,295	5,302
Cinema screens per million population	SD		89	89.2	88.1
Cinema admissions	SD	in million	184.4	174.1	194.5
Box office revenues	SD	in US$ million	971.8	1,113.4	1,410.7
Film production investment	SD	in US$ million	813	1,304	1,306
Average budget per film	SD	in US$ million	4.07	6.15	6.4
Films produced nationally	SD		200	212	203
Total co productions	SD		94	107	73
Feature films produced per million head of population	SD		3.4	3.57	3.41
Total films first-run released	SD		488	513	560
Number and share of domestic films in local releases	SD		200 41%	219 41%	239 42.6%
Number and share of US films in local released	SD		200 41%	160 31%	168 30%
Domestic films' share of local market	SD				39%
New media					
Internet users	BMI	in million	18.7	20.8	24.9
Broadband internet subscribers	BMI	in million	1.1	3	4.6
Mobile phone subscribers	BMI	in million	36.8	39.6	41.5
Personal computers	BMI	In million	22	24.7	26.2
Internet Hosts	WFB	In million			2.4
Internet Service Providers (ISP)	WFB	no	62 (2000)		

BMI = Business Monitor international accessed December 2004, TBI = TBI Yearbook 2005, SD = Screen Digest June 2004, WFB = CIA World Factbook, n.a. = non available

3 STRUCTURE OF PUBLIC SUPPORT

Direct support for the audiovisual sector is highly centralised, with more than 90 per cent of funding allocated by the national agency the **Centre National de la Cinematographie** (CNC). The remainder is allocated through a network of small regional and local agencies.

The French industry can also access support from the supranational funding agencies Africa Cinemas, Eurimages, Europa Cinemas and the Media Programme.

MAIN AGENCIES (support > €0.5m)		**Budget for support activities (€million)**			
Agency (year created)	**No programs**	**2002**	**2003**	**2004**	**2005**
National agencies					
CNC (1946)	33	468.6	449.2	475.6	490.9
Agence pour le development regional du cinéma (1983)		2.74	4.11	4.12	3.96
Regional agencies					
CR Ile de France (2001)	1	4.26	9.8	11	na
CR Rhone Alpes (2001)	2	0.28	2.28	3.46	na
Rhone Alpes cinema (1990)	2	2.73	4.07	3	3
Centre regional de ressources audiovisuelles Nord Pas de Calais (1990)	8	0.94	0.67	2.76	na
Region Reunion (2000)	2	0.66	1.12	2.32	na
CG Charente (local) (2002)	2	0.48	1.93	1.92	na
CT Corse	6	0.17	0.35	1.58	na
CR Poitou Charente	7	0.5	1.51	1.55	na
Aquitaine Image Cinema (1999)	2	0.80	0.90	1.23	1.47
Atelier Production Val de Loire (1991)	5	0.72	0.7	1.08	na
CR Limousin (1990)	2	0.45	0.50	1.03	na
CR Midi Pyrenees (1984)	3	0.39	0.40	0.82	na
AR pour la création artistique en IDF (1990)	3	0.47	0.41	0.81	na
CR Bretagne	5	0.87	1.66	0.80	na
CR Picardie	4	0.12	0.31	0.75	na
CR Pays de Loire	2	0.49	0.61	0.73	na
CR Framche Comté	2	0.42	0.51	0.62	na
Pole Image Haute Normandie (1988)	4	0.22	0.26	0.57	na
CR Alsace (1994)	3	0.50	0.50	0.50	na

Source: Based on public agencies, funding programs and budgets indicated in Korda database as at August 2006.
CR: Conseil Regional, AR: Action Regionale, CT: Collectivité Territoriale.
Except for Unifrance:: EAO, *Public Support for the International Promotion of European Films*, February 2006
Does not take into account funding available through the Ministry of Foreign Affairs (data non available in Korda).
Excludes 4 supranational funding agencies (Africa Cinemas, Eurimages, Europa Cinemas and the Media Programme).

Total support available through these agencies can be estimated at around €510m in 2004, with national agencies accounting for €479m (including an estimated €9m distributed to regional and local agencies), regional agencies accounting for €36m and local agencies for €3m.

3.1 National agencies

Established in 1948, the **Centre National de la Cinematographie** (CNC) is a public body reporting to the Ministry of Culture but with financial independence – under Article 1 of the Film Industry Code. With a budget for its support activities of €476m in 2004, it accounts for more than 90 per cent of the direct agency support to the industry. It also manages programs funded by grants from the French Government, particularly the Ministry of Culture and Communications (worth around €30m in 2004).[3]

In addition to managing support to the industry, the CNC is responsible for preparing and implementing the industry's **regulatory framework** (article 2 par 2 of the Film Industry Code).

CNC - Agency aims and tasks	
Regulatory role	Prepare and implement the regulatory framework
Economic role	Improve industry structures; coordinate the different branches of the industry, make contact with professional organisations
Aid management	Aid for production; aid for experimental and non commercial films; aid for documentaries and educational films
International tasks	International relations; Promotion abroad; Stimulate co-production or foreign investments
Financial role	Financial control; Income control
Research – Statistics - Information	Carry out research and study and / or produce statistics
Promotion	Promotion abroad
Training and Research	Vocational training; research, Information and statistics
Festivals	Organise national and international events

The **Agence pour le development regional du cinéma** (ADRC) was formed by the Ministry of Culture in 1983 with the aim of supporting nationwide access to cinema, encouraging diversity of cinemas, films and audiences, and maintaining and developing local cinemas. Its main program (worth €2.5m in 2004, managed by the CNC) aims to facilitate access to films by funding the making of additional prints. The agency also supports making prints of classic films, and provides architectural and environmental advice for the renovation of cinema theatres.[4]

3.2 Regional agencies

France's many smaller agencies (40 in 2004[5]) were set up at the initiative of local and regional authorities with the objective of increasing regional production and filming. The largest regional funds are provided in Rhone Alpes and Ile-de-France. Most of the local

[3] CNC, Bilan (Results) 2004; p 79 – difference between total amount administered by the CNC (€504m) and the industry-funded 'support fund' (€476m)

[4] Korda database, accessed August 2006.

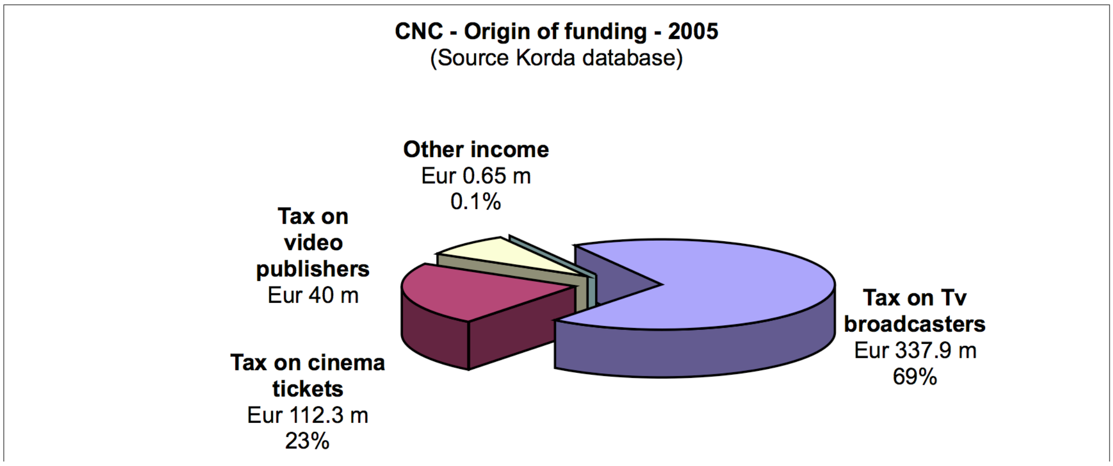
[5] As listed in Korda database as at August 2006

agencies have limited funding, with the exception of Charente (€1.9m in 2004) and the city of Strasbourg (€411,000 in 2004).

The French Government announced measures in 2003 to increase funding delivered by the regions: €1 of French Government funding would be added to every €2 awarded by a regional fund, up to a maximum of €1m per region. The priority goes to regions rather than smaller administrative units and applies to funding bodies with budgets over €100,000. This scheme is administered by the CNC, and was worth a total of €61.3m in 2005, with €11.5m provided by the CNC.[6]

3.3 Sources of agency funding

The French support system is based on the principle of internal redistribution. As noted earlier, the CNC's support funding does not come from the French Government Budget, but from the industry itself.



In 2005, the CNC's support budget came from:

- **taxes and levies on the turnover of public and private TV channels** or from their **direct contributions** (69 per cent)
- a tax levied on **all cinema tickets for films released in France** (23 per cent); the tax is based on a principle of 'compulsory saving' which links the level of financing to the film's market performance
- a **tax on video publishers** (8 per cent).

The remainder came from a tax on X-rated films and other incomes.

3.4 Regulation

The system of direct intervention is underpinned by a regulatory framework aimed at structuring the market, using such mechanisms as content quotas and obligations n the television broadcasters to directly contribute to the financing of film and television production. The broadcasting and communications regulator is the Conseil Superieur de l'Audiovisuel (CSA); see www.csa.fr

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[6] Horizons 2004, CNC budget for 2004; and CNC, Bilan 2005, Chapter 11, Public funding, p7

Content regulations

As a member of the European Union, France is subject to the EU Broadcast Directive setting out minimum quotas for European programming.

In implementing the Directive, France chose to specify a higher percentage of European programming (60 per cent), than required (the Directive specifies that at least 50 per cent of transmission time must be European programming). The French law also specifies that within the 60 per cent European quota, 40 per cent must be French programming. These quotas apply to both the 24-hour day and prime-time slots. [7]

A specific quota applies to films: 50 per cent of films shown on television must be of local origin. A further 10 per cent of film broadcasts must come from producers resident in EEC countries.

Broadcasters' mandatory contributions

TV channels are required by law to contribute to the development of cinema film and audiovisual production. [8]

Main regulation: TV services which broadcast more than 52 full-length feature-films per year are required to devote 3.2 per cent of their annual net turnover to European cinema film production (2.5 per cent to French works). At least three-quarters of the contribution must be devoted to independent productions.

The investment obligation is tied to an obligation to broadcast 120 hours of first-run programming in European or French language in prime time (starting between 8 and 9 pm).

Alternative: an option is available for the channels to pay a higher financial contribution and reduce the number of hours of first-time broadcast. In France, three TV channels have this arrangement (M6, France 2 and France 3).

In total, free-to-air broadcasters invested €119.4m in film production in 2005.

Obligations on pay TV cinema channels

A special regime applies to **Canal Plus**, a French private broadcaster which airs feature films after theatrical release but before the first free to air TV window.

Canal Plus must invest 20 per cent of its annual earnings in French and European film production – through straight acquisitions or pre-sales. At least 9 per cent must go to French film, and at least 12 per cent to European film. Some other pay TV networks also have investment obligations; the amounts are a function of the number of subscribers and the nature of the channels – first or second windows of TV rights.

In 2000, Canal Plus agreed to spend 45 per cent of its obligations on small or medium productions (with budgets below €5.34 m). This is commonly called the 'diversity clause', and the principle was extended in 2003 to other cable and satellite channels.

Pay TV contributions to features in 2005 totalled €172m, including €126 million in pre-sales from Canal Plus.

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[7] The definition of prime time differs from network to network according to a yearly assessment by France's broadcasting authority, the Conseil Supérieur de l'Audiovisuel, or CSA..

[8] Act of August 1, 2000 amending the Act of September 30, 1986 and the Decree of July 9, 2001.

4 DIRECT PUBLIC FUNDING

4.1 Value of direct support - summary

With total funding of €510m (A$861m) in 2004, France spends the equivalent of A$14.4 per capita for direct support of its industry. This compares to A$4.3 for Australia.

Value of direct support (2004)	€m	A$m	A$ per capita
CNC	476	803.4	13.4
Other (est.)	43	72.6	1.2
Less CNC contributions to regional agencies (est.)	-9	-15,2	-0.2
Total	**510**	**860.8**	**14.4**

Source: Latest available complete figures in Korda for 2004;as at August 2006, excluding 4 supranational funding agencies (Africa Cinemas, Eurimages, Europa Cinemas and the Media Programme). Does not take into account funding available through the Ministry of Foreign Affairs (data non available in Korda).See page 6 for breakdown. Exchange rate used for 2004: €1=A$1.6878; population for France = 59.9million in 2004.

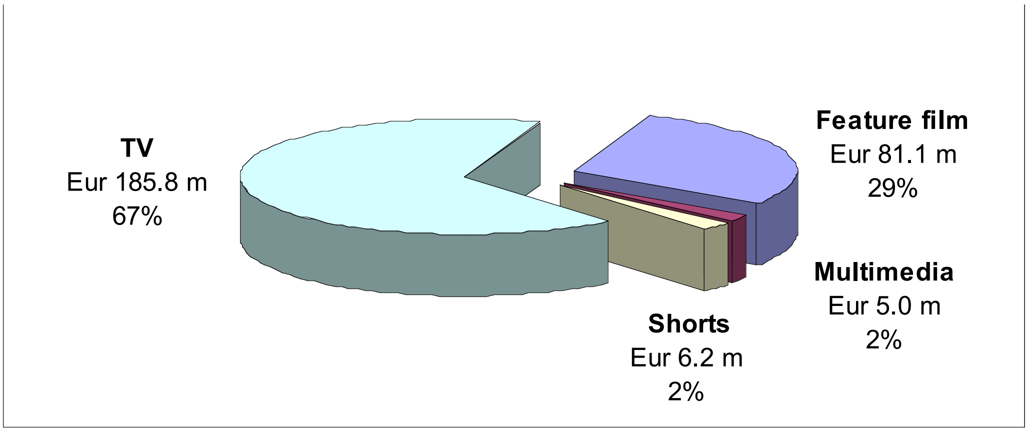
4.2 Breakdown of support

Breakdowns are provided for the main national agency, CNC.

By type of production

A large part of the production funding provided by the CNC goes to television productions (€186m or 67 per cent in 2004). Most of the rest goes to features (€81m in 2004), with smaller amounts going to shorts and multimedia (€6 and €5m respectively in 2004).

CNC – breakdown of production funding by type, 2004



Source: Korda database - includes all CNC funding programs for production listed in Korda database for 2004 as at August 2006, Breakdown provided for production only,100% = € 278.1m, total of production support.

The CNC runs a specific program to support **television programs**, COSIP (Compte de Soutien a l'Industrie des Programmes). COSIP contributions accounted for 14.7 per cent of finance for television drama (fiction), documentary and animation in 2005; see page 3). The program is funded by a tax on TV channel revenues which is distributed to TV program producers. There is no direct funding from the state.

CNC's COSIP support for TV production, by type of program	**Value €million***	
	2004	**2005**
Fiction	73.4	81.9
Animation	28.7	24.7
Documentary	65.4	62.4
Cultural magazine	2.2	3.8
Live show	16	14.3
Total	**185.7**	**187.1**

Source: CNC Bilan 2005, p 2, includes only support for production
* Amounts are actual disbursements for the year, and totals may not add up to budget forecasts.

By activities and type of funding

The main programs of the CNC are summarised below.

CNC PROGRAMS	**Value €million***	
TELEVISION	**2004**	**2005**
Pre-production and development	4.3	4.7
Automatic production support	121.3	128.8
Advances on rights to automatic support	32.8	26.2
Selective production support	31.7	32.1
Other selective support (music videos, animation, creative docos)	2	2.5
Promotion in France and overseas	1.1	1.2
Operating costs, television	*9.9*	*10.3*
Total	**203.1**	**205.8**

Source : CNC - Bilan 2004 and 2005 – Les financements publics
* Amounts are actual disbursements for the year, and totals may not add up to budget forecasts.

Funding for television works is mostly available through an **automatic support mechanism**, accounting for €129m in 2005. Producers whose works have already been aired on French TV can access reinvestment subsidies to fund development and production of new works. Companies which have used their automatic funding can apply for supplementary subsidies in subsequent years.

Advances on rights to automatic support are 'subsidies for supplementary reinvestment' which can be granted to companies who have used up their automatic credit.

Producers who are not eligible for automatic funding can apply for **selective funding** (€32m in 2005).

CNC PROGRAMS	Value €million**	
FILM AND VIDEO	**2004**	**2005**
Scriptwriting and development Selective support	3.3	4.6
Film production Automatic support for feature producers	53.7	58.5
Selective support – advances against likely box office performance; foreign language films by French directors; international co-productions	27.4	25.1
Short film production (selective)	6.9	6.2
Film distribution Automatic support for film distributors.	14.2	20.2
Selective support for distributors and screening programs	6.8	6.6
Video publishing – Automatic support - aimed at financing purchasing rights to French films released in the last five years	2.9	8.6
Selective support - encourages the release of programs with particular cultural interest	3.5	3.6
Exhibition Automatic support for cinemas to fund new equipment, refurbishment and construction of new cinemas	67	55
Selective support Including for modernisation, 'difficult programming'	23.4	24.0
Operating costs, film programs	11.9	12.3
Total	**221**	**224.7**

TECHNICAL INFRASTRUCTURE, MULTIMEDIA		
Investment in technical industries	5.4	5.0
Support for new technologies in production	1.1	1.2
Research and Innovation in broadcasting and multimedia – RIAM*	3.1	2.6
Multimedia publishing – FAEM*	4.3	4.2
Multimedia artistic creation – DICREAM *	1.3	1
Total	**15.2**	**14**

OTHER		
Restoration of films by French Film Archive (AFF)*	4	3
Regional support programs* Including support for extra prints; regional production; DRAC de-centralisation program	16.8	19.5

Source : CNC - Bilan 2004 and 2005 – Les financements publics
RIAM : Aide a Recherche et a l'Innovation en Audiovisuel et Multimedia
FAEM: Fonds d'Aide pour l'Edition Multimédia – see page 17 for more details.
DICREAM: scheme for creative digital works
* funded through direct contributions of Ministry of Culture and Communication or Ministry of Industry, as opposed to the CNC's Support Fund (Compte de soutien).
** Amounts are actual disbursements for the year, and totals may not add up to budget forecasts.

Support for film scriptwriting and project development is selective and includes support to writing, multiple drafts and new talent; €2.2m for development went to 125 production companies in 2005

Support for film production, includes both automatic and selective programs:

- **Automatic support** for feature-film producers is based on box office takings, TV screenings of films and video sales. The basis for the calculation of the sums that can be taken into account for exhibition is relatively complex.[9] Roughly, a producer can expect 13 or 14 per cent of the gross box office receipts. There is no minimum number of admissions required. The amount of funding that can be claimed is determined according to a 100-point scale setting the degree of nationality of a film: producers who have reached a certain number of points are granted a proportionate amount of funding for their next film.

- **Selective production support** takes the form of repayable advances against likely box office performance are available for culturally selected projects. This system was introduced in France in the 1960s with the aim of nurturing new creative talent. The funding is based on selection by the CNC. Over 550 applications are received per year, and only 10 per cent are accepted.[10]

  Selective support is also available for **feature films shot in foreign languages** by French or foreign directors with a certain notoriety; for **international co-productions;** and for **short films.**

Support for film distribution also includes both automatic and selective programs:

- **Automatic support** is calculated as a proportion of the box office receipts of distributors' films. In 2005, 39 distributors accessed support for 86 films.

- **Selective support for distribution** includes structural support or to encourage programming diversity, such as films from lesser-known origins, for films for young audiences , or classics.

For the exhibitlon sector:

- Exhibitors can **automatically** receive a portion of cinema ticket sales to fund new equipment, refurbishment and construction of new cinemas. The redistribution mechanism favours small and medium-sized theatres.

- **Selective support** includes support for creation and modernisation; €11.6m went to 1056 art cinemas in 2005; and €2.1m was provided in support for 'difficult programming'.

Specific programs have been developed to support to multimedia and innovation for technical industries, producers, publishers, artists and research.

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[9] Funding is calculated by applying a percentage – currently 130% - to the special additional tax on cinema tickets. The tax on cinema tickets (TSA) is around 11% of total annual cinema receipts. So the formula to calculate the funding is [film box office receipts x TSA x 130%].

[10] One of them is for the film to be mainly in French – to be described as a French language film in the certificate issued by the national regulatory body – the Conseil Superieur de l'Audiovisuel (CSA). Maximum amounts are €450,000 for advances prior to filming, €75,000 for after the film is made – or €150,000 for a first film.

- **Investment support for the technical industries** is designed to help the industry respond to the changes throughout the sector in recent years brought about by the use of digital technology. It helps with securing equipment, modernising and restructuring, developing equipment and carrying out innovative projects.
- **Support for research and innovation in the broadcasting and multimedia industry** (RIAM) aims to unite private and public organisations involved in R&D in the broadcasting and multimedia industries and to provide financial support for the projects they submit.
- **Support for new technology in cinema production** is designed to support the risk taken by producers who use innovative techniques such as digital special effects, CGI etc.
- **Support for artistic multimedia creation** covers three main areas: live shows, the Internet and video facilities.

For specific discussion of new media programs, including the multimedia publishing program **FAEM**, see section 6.

Regional development programs in 2005 included €2.44m in support for extra prints (through the regional development agency ADRC); regional support for development and production (features and TV), and participation in regional development programs such as that outlined on page 8.

The CNC also manages support for nearly a hundred organisations in Paris and the provinces which play a role in creating, distributing and promoting cinema and television production and its appreciation.[11]

5 INDIRECT FORMS OF SUPPORT

France provides a range of indirect support: tax incentives are available for investors in special finance companies (SOFICAs), a tax credit has recently been implemented for below the line costs, and financial guarantees are provided by a State-backed financial institution to encourage loan support from the banking sector.

5.1 Tax incentives

SOFICAs (Sociétés de Financement des Industries Cinématographiques et Audiovisuelles) are the basis of France's tax-based incentive scheme for private investment in film production.

SOFICAs are special investment companies – often created by large organisations such as banks (Banque Populaire Images) or financial institutions (Cofimages), but also media groups (Studio Images, France Television Images) – whose sole activity is investment in certain CNC-approved productions.

The scheme was created in 1985 to offer attractive tax-efficient products to encourage individuals to invest in the production of primarily French film and TV programs. Investors can deduct the amount invested from their net taxable income for the year they subscribed

[11] CNC, Bilan (Results) 2004, p 89

to the SOFICAs (within the limits of 25 per cent of their net taxable income and €18,000 per taxable household).

The SOFICAs are obliged to invest 90 per cent of the collected amounts in television and film production during the next 12 months. Films must be in the French language and produced by a European convention country, not necessarily shot in France. In 2003, a SOFICA invested in *Alexander*, for example, which was shot in the UK, Morocco and Thailand. Each SOFICA takes a small percentage of rights to a film for a certain number of years. The investment per film ranges from €100,000 to €500,000.

In 2004, €46 million was collected by 10 SOFICAs, which meant an obligation to invest €41.4 million in production in 2005 (90 per cent of the €46 million collected at the end of 2004).[12] In 2005, the SOFICA contribution to production was €31.6 m, representing on average 6.9 per cent of the budget of the films concerned.

	No. films	**Films of French initiative**	**SOFICA contribution**		
			Total (€m)	**Average per film (€m)***	**% of budget per film***
1996	39	34	19.6	0.5	11.3
1997	48	46	27.68	0.58	10
1998	59	59	27.72	0.47	10.1
1999	67	66	26.09	0.39	9.8
2000	59	58	39.03	0.66	13.1
2001	59	59	24.78	0.42	8.6
2002	56	56	33.26	0.59	10.9
2003	61	58	39.23	0.64	7.7
2004	55	53	27.67	0.5	6.8
2005	78	70	31.63	0.41	6.9

Source : CNC, Statistics, Production cinematographique, accessed from www.cnc.fr
'French Initiative' films are defined as either 100% French or majority-French co-productions.
* Averages are of all films.

Key characteristics of the SOFICA scheme

The amounts are available for producers before the beginning of filming – while pre-sales and guarantees are only available at the delivery of the film.

75 per cent of the productions in which SOFICAs invest are independent productions

The investment represents between 20% and 50% of the investment in the film – excluding automatic support and obligation of investment for broadcasters.

Most of the funds raised by SOFICAs are invested in big productions, with minor amounts going to smaller films.

The SOFICAs tend to ask for guarantees, which is not favourable for independent productions, and the cost of administration is relatively high for producers

It has been argued that SOFICAs present a small risk for the investors and therefore would not need support from government (tax deduction) on top of the return on investment (guaranteed). [13]

[12] Source : CNC, 46 millions d'euros collectés par les Sofica en 2004, Press release. March 31, 2005

[13] Rapport Jean-Pierre Leclerc, Reflexions sur le dispositif français de soutien a la production cinématographique, January 2003.

The SOFICA scheme has been criticised for having limited impact but a relatively high cost for producers and public finances.

No recent estimate of the **cost to government** is available; however, a report of the Senate on the efficiency of film public support mechanisms published in 1998 estimated it at **€17.5m** (average per year) between 1985 and 1996.[14]

On average between 1991 and 2000, 5 per cent of financing for French-majority feature films came through the SOFICA's investment funds. In the four years 2002–2005, the average was 3.8 per cent (see table above).

Despite the small proportion of total investment coming from SOFICAs however, they are an important part of the French model because of the timing of their investment – before filming – and they can represent up to 50 per cent of the investment in a particular film.

5.2 Tax credit scheme for below-the-line costs

Since January 2004, the French Government has implemented a tax credit scheme (*crédit d'impot*). Producers, regardless of nationality, are able to write off up to 20 per cent of below-the-line costs incurred in France on qualifying films – with a ceiling of €500,000. [15]

The scheme is designed to encourage producers to undertake filming and postproduction in France, in response to the issue of 'runaway productions'.

5.3 Loan support

Financial guarantees

The IFCIC (Institut de Financement du Cinéma et des Industries Culturelles) is a 20 per cent government-owned financial institution, which was established in 1983 as a link between the support mechanisms managed by the CNC and the banks.

It plays a crucial role by discounting producers' pre-sale contracts to distributors or TV channels. It shares up to 55 per cent of the credit risk on loans made by banks for the production of audiovisual works.

Once the producer has secured the various contracts with other partners and with government subsidy agencies, they have to negotiate with a bank to obtain the financing for the film, offering those contracts as collateral. The IFCIC intervenes and guarantees these contracts to the lending bank and only covers loss once all possible ways of recovering the loan have been exhausted.

It also provides short-term loans in conjunction with the three banks – Coficine, Sodete-Ufca and Cofiloisirs – and can guarantee bank loans to producers.

Role of the bank sector

The bank sector is a heavyweight backer of the French film industry. The three main players are Coficine, Sodete-Ufca and Cofiloisirs. They usually step in when most other backers and partners have been secured. Usually pre-sales have been completed or are guaranteed by a director, writer or producer track record.

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[14] Senate citing a report from IGF, 1996. http://www.senat.fr/rap/r98-011/r98-01115.html
[15] *La Production audiovisuelle française et son financement*, Antoine Schwarz, Dec 2003.

The banks can take the risk of investing in the film industry because of the guarantees of the IFCIC – which will cover up to 80 per cent.

Coficine invests approximately US$488m per year (€429m), in 70 to 80 films of French nationality or Franco-European co-productions. [16]

6 SUPPORT TO NEW MEDIA

France has specific support programs for new media content, including games, digital interactive works, research and development and new production technologies. CNC-administered programs for multimedia and technical infrastructure allocated €14m in 2005 (see page 12). Additional support is also provided by regional funds.

One of the most important programs is the **Multimedia Publishing Support Fund (Fonds d'Aide à l'Edition Multimédia - FAEM)**. An initiative of the Ministry of Industry managed by the CNC, it supports primarily video games, CD and DVD-ROMs, as well as interactive content for the Internet and since 2004, for the mobile telephones. It distributed a total of €4.2m in 2005. Several types of assistance are allocated:

Multimedia Publishing Support Fund (FAEM) – types of support	
Production of prototypes (subsidy)	< 50% of the production costs, ranging between €4,000 and €15,000
Pre-production costs (production of a prototype before contract with an editor). (Conditionally repayable loans)	The loans are repayable if a contract is signed with an editor to engage in production of the game. Support is limited to 40% of the cost of pre-production
Production and editioning of interactive programs (Repayable loans)	Up to 30% of the costs of production, except for exceptionally innovative and risky projects which can get up to 50% support). Support can be conditional to an existing distribution contract. [17]
Organisation of measures benefiting the whole sector (subsidy)	Conferences, festivals in the field of the multimedia production which within in the scope of intervention of the FAEM (up to 50% of the costs)

Source: CNC press release, February 2004 – Presentation du Fond d'aide à l'edition multimedia.

After lobbying and proposals from the industry association (Association des Producteurs d'Oeuvres Multimeda, APOM), the French Prime Minister announced further support for the video games sector in 2003. Besides funding through the FAEM, the proposed plan included two sets of measures:

- the introduction by the Ministry of Industry of a 15 per cent **tax credit** for young innovative companies (not new media specific)
- the creation of a **Production Aid Fund** of €30m, to be co-funded by private investors, to enable six major international productions each year.

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[16] Figure from Soft Money France, Screen Daily, January 2003

[17] The reimbursement is due one year after the last support was paid, regardless of the receipts of the game. Exceptionally in case of commercial failure, an exoneration of reimbursement can be granted by the CNC (up to a maximum of 80% of the amount due).