

An aerial photograph of a city, likely Rome, showing a grid of streets and various buildings. A black film strip is overlaid diagonally across the image, with frames showing different parts of the city. The film strip has numbers 5, 6, 7, 8, 9 and markings like 'D-5A' and 'D-6A' on it.

Report

The market and the cinema industry in Italy

2008

Executive Summary

In collaboration with

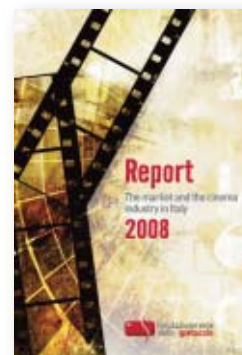
CINECITTA' LUCE S.p.A.

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Preface



N Within the broad outline of Italian publishing on the cinema until now there has not been a synthesis which permits a systematic vision of the sector and as such measures the weight of a productive reality which, in terms of quality and quantity, represents one of the most significant aspects of the whole national economy.

The 2008 Report on "The Market and the Cinema Industry in Italy" has the primary aim of filling this gap, thereby offering to both operators and analysts the broadest possible outline of a sector which traverses both Italian culture and society.

The Report was carried out in such a spirit by the Fondazione Ente dello Spettacolo in collaboration with Cinecitta Luce S.p.A. and is the result of research conducted by a group of scholars based on a number of sources and rigorous statistical data. Such rigour, in certain cases, is limited by the relative indeterminacy of information resulting from the absence of updated sources (for example, company accounts) and also by the flow of information as regards subjects who operate within the sector according to a logic which is, at times, temporary and occasional.

Up to now a great deal is known about Italian cinema but primarily in terms of consumption. Market demand has been explored in terms of the number and structure of cinemas, spectator frequency, ticket sales, box office records of the most popular films, the sale of home video recordings, the range of consumption through television, pay television and various other diffusion channels. It should be pointed out, however, that market demand only represents the terminal phase of such activity and the wealth of data and research on its overall trends neglects the fundamental realities of the sector.

This Report adds something more and is important because it proposes an analysis of the market in terms of supply, in other words from the point of view of those who screen, produce, make and distribute films. It is the

result of research which examines, at the aggregate level, every single area and all subjects of the industry, reconstructing, also through the analysis of available company accounts, the true economic and operative dimensions of the cinema industry in Italy: an industry constituted by over 9,000 companies, with a business volume of almost 5 billion euro and a number of operators close to 100 thousand individuals, 50% greater (without taking linked industries into consideration) than official estimates.

The Report also highlights how private entrepreneurship is the real fulcrum of the cinema industry, also in light of a growing presence of public intervention, in particular through local institutions which are in operation due to the new competencies acquired by Italian regions and through structural initiatives such as film commissions and promotions. Furthermore, the Report reveals the notable fragmentation of the job market, with an availability of subjects (primarily as far as professional artistic and creative individuals are concerned) which is vastly greater than the demand and the frequent recourse to occasional performances of brief duration.

As well as identifying the market leaders of the diverse cinema sectors, the Report brings to light the hierarchy which exists between market leaders of the sector and industrial companies and service companies.

As a result of such reasons it would not be an error to define the 2008 Report as “unique” and as being of interest to more than just those involved in the industry. Italian cinema with its traditions and creativity employing the latest technology is something beyond a mere symbol of what is now referred to as ‘made in Italy’. It is the vital expression of an artistic innovation which requires the profound values of a dynamic and multiform society which does not forget its roots but, nevertheless, looks steadfastly into the future.

These are the values which concern the Fondazione Ente dello Spettacolo and Cinecittà Luce S.p.A., two protagonists, albeit with different histories and missions, of necessary and strategic renewal within the world of the cinema.

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Introduction

In 2008 Italian cinema registered the highest number of film productions in ten years according to the data of Anica: 123 national productions and 31 co-productions amounting to a total of 154 films. In contrast to the previous five years, moreover, Italian film productions have also registered a newly found popularity with the Italian public with a total of 99.4 million cinema attendances and 593.7 million euro in cinema takings. Such figures come very near to the record of 103.5 million spectators and 617 million euro in box office takings revealed by Cinetel in 2007.

Between filming and development. As has been observed by numerous studies, Italian cinema seems, primarily, to have rediscovered, in the last two years, a new vitality and inspiration in direct contrast to previous years, and to have entered a new phase of development. Such developments and changes appear necessary given that this new trend – if consolidated – may revitalize an enduring cycle of growth. The consistency and validity of such renewal, nevertheless, depends on the verification of a determining series of processes: to what extent and in what manner is the economic model of national cinema adjusting to the structural and technological evolution of the market within an operational and competitive context which remains problematic.

2008 Report. With these issues in mind is proposed the following project initiated by the ‘Fondazione Ente dello Spettacolo’, in collaboration with Cinecittà Luce S.p.A. and the support of the General Directors for the cinema of the Italian Ministry of Cultural Heritage and Activities. ‘The Market and the Cinema Industry in Italy – 2008 Report’ is the first analysis dedicated to the cinema sector in its entirety establishing the nature and scale of cinema market supply both at the collective level for all operators in the traditional production-distribution-business and finance industries, as well as at the specific level of those who “make” and contribute to the distribution of film productions. The project can be considered as an initial first step and, as such, is considered, in contrast to the abundance of information concerning market demand and box office results, as a comparative study of the non homogenous character and scarcity of data concerning the real strategic values and managerial content of the economy of the sector and all its protagonists.

Work in progress. The project is presented, then, as a type of ‘work in progress’ and as such presupposes continued updating and development. This is also the result of the fact that the life cycle of film productions involves a number of years – as opposed to studies of box office takings which are practically immediate – and cinema company financial statements which, only after a certain length of time, can be said to objectively reflect the effective trends of such activity.

The analysis of the cinema sector is developed through the definition of its structures, its

scale of activity and the economic resources employed in terms of both investments and value generated by productions.

COMPANIES. The principle source of documentation regarding the company activities of every single production system in Italy is found on the Cerved Business Information database which contains both documentary evidence from the Business Register of the Italian Chamber of Commerce as well as the reclassification and elaboration of administration balance sheets and accounts which are contained on the 'Infocamere-Telemaco' [database](#).¹ The register of cinema companies reveals the high percentage of entrepreneurial initiatives initiated in recent years.

TAB. 1
OPERATIONAL CINEMA COMPANIES ON THE BUSINESS REGISTER

Number of cinema and video companies	Operational Companies			Variation 2007 SU 2001	Registered Companies		
	2001	2004	2007		2001	2004	2007
Production	2.971	5.625	6.410	+115,7%	3.480	6.108	6.997
Distribution	314	574	529	+ 68,4%	372	641	598
Screening	1.459	1.856	1.815	+31,8%	1.533	1.939	1.924
Total sector *	4.889	8.403	9.071	+ 85,5%	5.467	9.084	9.887

Elaborazione su dati Infocamere-Cerved.

** The values calculated by Cerved and referring to the entire sector do not express, due to the objective difficulties in classifying certain activities, the arithmetical sums of the data which the same Cerved has attributed to the three single compartments.*

The fragmentation of the sector. This involves figures which are, at first sight, surprising due to their consistency (almost 9,900 registered companies of which over 9000 are operational) and which are to be evaluated in light of consideration of their basis, a basis which is, moreover, common to all companies with economic activity in Italy. The Italian Chamber of Commerce registers the existence of numerous company names to which, however, there does not always correspond a company with continuous activity. Such circumstances primarily refer to non joint-stock companies – fundamentally the smallest companies – or rather, to those companies which correspond to the two types of company contained in the Italian Civil Code: partnerships and sole proprietorships, a category which includes 51.5% of the entire “company population”, equal to 4,671

¹ La classificazione statistica delle attività economiche – denominata Ateco – è stata ricodificata a livello comunitario, in conformità alla nomenclatura Nace, con validità a partire dall'1 gennaio 2009, creando un nuovo macrosettore “Servizi di informazione e comunicazione” in cui confluiscono i settori riguardanti le “Attività di produzione cinematografica, di video e di programmi televisivi, di registrazioni musicali e sonore”. Nei cinque comparti previsti d'ora in poi non sarà più operata alcuna distinzione fra le aziende di produzione, post-produzione e distribuzione attive in campo cinematografico rispetto a quelle che operano in ambito televisivo. Restano distinte soltanto le imprese di proiezione cinematografica. I dati del Rapporto 2008 “Il mercato e l'industria del cinema in Italia”, tratti dalla banca dati Cerved e relativi all'esercizio 2007, restano pertanto gli ultimi elementi di documentazione omogenea, rappresentativi della cinematografia italiana nella sua unitarietà.

company names (with the new companies which have been registered in recent years the percentage actually rises to 70%).

To a lesser extent, there is another form of legal status included in the Civil Code – in this case for the 4,400 joint-stock companies – which, in turn, registers a high number of companies some of which are of an extremely limited scale: the ‘s.r.l.’ (‘Ltd’ in English) or ‘Limited Liability Companies’ which amount to 40% of the entire cinema sector.

Within the general overview of cinema companies distribution in terms of legal status is a particularly useful and eloquent description of the scale under which such companies operate and, furthermore, within such terms the current situation of cinema companies in Italy is demonstrated to be analogous to all other Italian businesses (thereby offering further confirmation of their adherence to the national context) among which companies of a small or very small scale – arriving at, as noted, 90% of the total – predominate.

Turnover. The data collected from turnover refers to all joint-stock companies which are the only companies obliged by law to record their accounts which reveal, through the statements of assets and liabilities and bank details, the precise value of their activities. The general outline of Italian national cinema is clearly seen in terms of the subdivisions per class of turnover of all joint-stock companies.

Among the ten categories grouped in terms of income it is possible to individuate a virtual demarcation line around the threshold of 1 million euro, this is where the percentage distribution indicates, with sufficient clarity, a relative opening out in terms of potential to act – with relative prospects of visibility – on the market.

Of the 4,400 joint-stock companies which operate in the cinema sector, over 3,650 (83.3%) with a turnover of less than 1 million just about cover 10.7% of the total income; of the

TAB. 4
DISTRIBUTION OF CINEMATOGRAFICAL COMPANIES IN TERMS OF REVENUE

Classes of revenue in euro	Total Sector % of total		Production % of total		Distribution % of total		Screening % of total	
	Companies	Revenue	Companies	Revenue	Companies	Revenue	Companies	Revenue
0-5 thousand *	19.6%	0.1%	19.7%	0.1%	22.6%	0.1%	17.7%	0.1%
5-250 thousand	41.6%	2.7%	43.6%	3.3%	33.2%	0.9%	36.8%	3.8%
250-500 thousand	12.0%	3.0%	11.6%	3.7%	11.8%	1.6%	14.3%	4.9%
500 thousand-1 million	10.1%	4.9%	9.7%	5.8%	8.4%	2.1%	12.1%	8.4%
1-2 million	6.9%	6.8%	6.2%	7.5%	8.4%	4.4%	9.6%	12.7%
2-5 million	6.0%	13.3%	6.0%	6.0%	6.7%	8.9%	6.2%	17.9%
5-10 million	1.6%	7.5%	1.4%	8.4%	3.9%	8.4%	1.3%	8.8%
10-20 million	1.0%	9.8%	0.9%	11.2%	1.1%	6.5%	1.2%	14.9%
20-50 million	0.9%	16.7%	0.7%	17.5%	2.2%	20.5%	0.6%	14.7%
Other 50 million	0.3%	35.2%	0.2%	36.5%	1.7%	46.6%	0.2%	13.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Elaborated from Cerved data.

** The global revenue raised by the companies belonging to this class in reality is less (even if by little) than the 0.1% of the total accumulated by the diverse sectors. however, the data has been rounded off to that value to simplify the understanding of the economic picture outlined in the table.*

3,064 companies only involved in production, few more than 2,590 (in substance, 74.6%) contribute only 12.9% of the accumulated income; of the 382 companies only involved in film distribution, around 290 (corresponding to 76.0% of the entire category) are entitled to only 4.7% of the total earnings; of the 670 operators working in cinema industry business and finance – always with companies with legal status as joint-stock companies – over 540 (equal to 80.9% of the group) only contribute 17.2% of the total value of the sector.

Business Scale. Financial and accounts comparisons result in the differentiation of five principle company groups which operate within the diverse cinema sectors considered. The largest of these groups, with 567 members, can in substance be identified with a 'hard core' of companies, a form of connective tissue linking the three principle sectors of production, distribution and business and finance. Within the highly limited group – only 172 members – of the so-called 'upper classes' can, on the other hand, be found the principle operators or protagonists, in the full sense of the term, of Italian cinema. It is in terms of this select group that Italian cinema finds its structure, this is also a result of the fact that such a group demonstrates itself to be capable of influencing the market in general.

THE EMPLOYMENT MARKET. In terms of classical economic literature the cinema is not an area of intensive activity, but rather of intensive capital. In effect, it is determined by the principle characteristics of the film product. The cinema sector is, by its nature, characterized by job productions and, therefore, is affected by its single projects. Nonetheless, it is also true that in any employment circumstance – even leaving aside the diverse amounts of business scale and business volume – there is the necessity for a high level of professionalism and specialization.

Personnel: The principle source of documentation is the mutual society Enpals (national social security institute for workers in the entertainment business and sports), which, from the 3,471 registered cinema companies has a total membership consisting of 76,442 personal contributors (all members are entitled to at least one day of contributions per year). With an estimated average of 22 members per company, however, according to the registrations of Enpals personnel with a permanent contract amount to few more than 18,700: a figure which results in the average amounting to only 5.3 per company.

The majority of Enpals contributors fall under the category "Artists and Technicians" composed of over 58,700 individuals, corresponding to 77% of the entire cinema industry work force. The second category "Skilled Workers and Clerical Staff" amounts to little more than 17,500 individuals, equal to 23%, primarily concentrated in the sector of production.

Overbooking and Temporary Labour. The 'apportioning' of resources can be considered, in a certain sense, as a congenital syndrome of the employment market within the cinema sector, it is, nevertheless, reflected in the considerable availability of personnel in comparison to the employment and financial prospects which the market offers. The members of Enpals, for example, who compose the first 6 deciles amount to 45,850

TAB. 5

OUTLINE OF MARKET SEGMENTATION IN TERMS OF ACTIVITY

Economic Value in thousands of euro	Total Sector***	Production Film and Video	Distribution Film and Video	Cinema Screening
First Group: Ghost or Dormant Companies (0-5 thousand euros)				
Limited Companies *	862	603	86	119
Percentage of total	19.6%	19.7%	22.6%	17.7%
Approximate average turnover	3.7	2.9	4.4	4.5
Cumulative revenue	3,208	2,219	383	546
Market quota **	0.1%	0.1%	0.1%	0.1%
Second Group: Narrow Gauge Groups (5-250 thousand euros)				
Limited Companies *	1,830	1,337	126	247
Percentage of total	41.6%	43.6%	32.9%	36.8%
Approximate average turnover	59.2	54,3	34,8	83.9
Cumulative revenue	108,303	73,460	4,387	20,717
Market quota	2.7%	3.3%	0.9%	3.8%
Third Group: Groups of Minor Visibility (250 thousand-1 million euros)				
Limited Companies *	972	652	77	177
Percentage of total	22.1%	21.3%	20.2%	26.4%
Approximate average turnover	326.0	324.3	234.0	409.6
Cumulative revenue	317,695	211,468	18,124	72,510
Market quota	7.9%	9.5%	3.7%	13.3%
Fourth Group: 'Hard Core' (1-5 million euros)				
Limited Companies *	564	374	58	105
Percentage of total	12.9%	12.2%	15.2%	15.8%
Approximate average turnover	1,392.4	1,399.6	1,116.9	1,588.8
Cumulative revenue	806,256	523,100	64,781	166,828
Market quota	20.1%	23.5%	13.3%	30.6%
Fifth Group: Upper Classes (from 5 to over 200 million euros)				
Limited Companies *	171	98	35	22
Percentage of total	3.8%	3.2%	9.1%	3.3%
Approximate average turnover	16,232.5	14,445.9	11,411.5	12,935.9
Cumulative revenue	2,775,767	1,415,707	399,405	284,589
Market quota	69.2%	63.6%	82.0%	52.2%

Elaborated from Cerved data.

* In this classification the data relative to the number of limited companies is to be understood as approximate in as much as they are the estimates that (for the present mobility of the sector) can differ by some verifiable, absolute, quarterly units of value.

** The cumulative market quota of all the companies of the first group (dormant) is actually inferior, even if by little, to 0.1% of the global total, however, this figure has been rounded off to such a value to simplify the reading of the summary traced in the above table.

*** The values calculated by Cerved and referring to the whole sector do not express – for the objective difficulty in classifying certain activities – the numerical sum of the specific data that the same Cerved attributes to three single considered sectors and the figures always result superior to the arithmetic total.

individuals. This adds up to 370 thousand entire days of labour, with an average index of 7.9 days per person, and a possible full time position would reduce this figure by 40, to 1,185. Half of this group of individuals employed in a myriad of micro-occupations are less than 25 years old, the other half less than 35 years old.

The category of artists and technicians, which forms 77% of the professional cinema category, as opposed to 23% skilled labour and technicians, "produces" 59% of the total

TAB. 11

AVERAGE REMUNERATION VALUES FOR CINEMA ACTIVITY

Average compensation in euro	Daily remuneration	Annual remuneration
Artists and technicians	165.87	8,931.94
Workers and employees	83.32	20,351.95
Staff total	162.11	10,937.99

Source: "Parametri fondamentali della distribuzione dei più significativi caratteri quantitative" edited by the 'Coordinamento statistic-attuariale dell'ENPALS, Rome 2008.

TAB. 7

DISTRIBUTION OF EMPLOYMENT PERIODS AND REMUNERATION

Value of deciles for all staff	Upper limit on annual working days	Maximum annual remuneration in euro
Until 10% of employees	1	68.00
Until 20%	1	130.00
Until 30%	2	218.00
Until 40%	4	463.00
Until 50% of staff	10	1,106.00
Until 60%	34	3,557.20
Until 70%	99	9,357.00
Until 80%	196	18,061.80
Until 90% of staff	312	30,083.20
Last 10%	312	9,253,050.00

Source: "Lavoratori delle imprese dello spettacolo e dello sport professionistico: principali dati occupazionali e retributive" edited by 'Coordinamento statistic-attuariale dell'ENPALS, Rome 2008.

remuneration of the entirety of personnel of the sector (519 of the 818 million total euro, to which is added the complementary quota of 41% from other personnel, equal to 299 million) and, moreover, they manage to accumulate a mere 2.2 million annual working days as opposed to 4 million working days (63% of the total) for 'Skilled labourers and clerical staff'. Furthermore, as much as their average daily remuneration amounts to practically double that of their "guaranteed colleagues" – in that the latter have open-ended permanent contracts, on average their annual income stops at 43.8% that of skilled labourers and clerical staff.

Salary Levels. Even more detailed information is revealed from the details of employee "payslips" which are specific to the various qualifications and professional competencies which have been individuated in the category of artists and technicians as well as in the category of skilled labourers and clerical staff (such subdivisions are not at the discretion of Enpals but are regulated by laws and norms of the state).

A Forced Turnover. The high number of personnel who remain on the margins of inactivity and the few who indicate the limits of such scarce employment (less than 12 working days a year) reveal that the supply of services, in comparison to the demand for services, also results in the phenomenon of enforced shift working for a considerable number of individuals. In other words, from one year to the next a certain number of artists and

technicians – primarily actors – do not receive, within a period of 12 months, any income other than what is subject to welfare or fiscal deductions.

From actors to directors. Such irregular employment also concerns cinematographers. A recent study, referring to the period 1990-1998, revealed that Italian film productions are largely characterized by a notable polarization between an elevated number of directors who have made few films and a restricted nucleus of film makers who, on the other hand, have produced numerous films. 330 film directors in Italy have made just one, single film, whereas only 23 film directors in Italy have produced more than six films. The first release of numerous cinematographers is indubitably a source of perplexity in the sense that the first film is not followed by a second and, furthermore, that critical evaluation has resulted in an overall judgement without the possibility of appeal. This is

TAB. 12

CONSISTENCY AND TREATMENT OF PROFESSIONAL TITLES IN THE CINEMA SECTOR

ENPALS activity category and relative	how many	annual working days	average daily compensation in professional euro
Artists and Technicians	58,926	38.8	211.18
Actors and Utility Actors	40,102	11.5	173.69
Fixed Term Employees	4,408	87.0	122.84
Organizers, Directors, Inspectors and Secretaries	3,447	111.5	150.16
Directors, Assistants, Screen Writers, Dubbing	3,102	100.5	393.60
Filming Operators and Assistants	2,032	118.7	126.79
Editing, Sound, Development And Printing Technicians	1,899	124.3	148.21
Prose Actors, Variety Performers and Attractions	1,459	41.6	459.84
Set Designers, Interior Designers, Architects, Costume Designers	1,116	112.3	186.66
Make Up Artists and Hairdressers	740	74.9	201.78
Terpsichoreans and Dancers	224	26.5	226.97
Scene Directors and Dubbers	158	127.1	193.34
Concertists, Orchestra Conductors and Orchestra Members	113	21.1	273.86
Choreographers, Choruses and Special Figures	76	77.2	225.41
Administrators of artistic formation	33	221.6	103.25
Lyrical Artists	8	23.7	205.10
Orchestra Directors and Prompters	5	15.2	780.11
Fashion Models	4	18.0	183.68
Workers and Employees	17,506	223.8	85.50
Administrative and Technical Staff*	13,778	231.6	88.15
Operators and Cinema Assistants	1,641	218.0	60.02
Ushers, Caretakers and Cleaning Personnel	1,173	177.7	44.84
Rental and Distribution Staff	614	255.6	114.22
Permanent Contract Staff	210	290.4	76.14
Drivers and Personal Staff	69	182.7	95.29
Rental and Distribution Shop Assistants	21	251.6	48.55
General Total	76,432	81.2	131.80

Source: "Lavoratori delle imprese dello spettacolo e dello sport professionistico: principali dati occupazionali e retributive" edited by the 'Coordinamento statistic-attuariale dell'ENPALS' Rome 2008.
 *Dependent administrative and technical staff of production, dubbing, development and printing.

also the case today. According to the data provided by Anica 50% of films produced in the last three years are first releases by Italian directors: 57 out of 90 in 2006, 43 out of 80 in 2007, and 61 out of 123 in 2008. It remains to be seen how many of these 161 new directors – in only three years the number of new directors amounts to half the number registered in the previous nine years – will be able to, and know how to, produce a second release. In other words, whether the re-found vitality at the base of the sector also corresponds to an effective progression with the inclusion of new protagonists having the opportunity to work alongside and no longer in opposition to older generations of film makers.

FINANCIAL RESOURCES. The investments which are necessary for the production of a national film are the first financial resources to be placed within the cinema circuit and represent the principle financial source of the sector, in other words they fundamentally initiate the entire economic cycle of the cinema industry.

Investments. In Italy in the last nine years 1,076 films have been produced. The average number is 120 titles every 12 months, a fact which clearly reveals the capabilities of national Italian production. The entire cinema sector primarily revolves around such activity given that it is primarily Italian film studios which provide for the other categories, including those industries working with the raw materials of film production, pre and post-production and which “makes” the market. If it weren't for national productions, the international groups which distribute their films around the world (the so-called *majors* Warner Bros, Universal-Uip, 20th Century Fox, Walt Disney and Sony) would find themselves operating in an entirely diverse context.

A film, in fact, is not simply a product like any other, but primarily an example of cultural and artistic heritage, a ‘media’ which transmits content and meaning, as well as emotion. In terms of social value a film contributes to the formation of thought and as such also to the construction of a cultural and intellectual legacy with which the communities of each nation can identify.

The cinema market maintains regulations (starting with possible fixed quotas on the import of foreign films as has already occurred in the past and still occurs today in certain nations) which attempt to prevent the formation of monopolies in diverse ways – also with controversial results – and to limit dominant positions; circumstances which together put into discussion the guardianship and protection of national, cultural identities.

Public and Private Capital. From the moment that they generate 78.5% of the total resources in use, private investors appear as the first artifices of Italian cinematography. In contrast to the majority of other European Union members Italy has not in the past conducted actions aimed at favouring the influx of investments for the production of new, national films and such a difference has only been addressed recently.

Indeed, in 2009 an innovative regime of specific tax breaks for the cinema industry was established. In operation for three years such a regime involves measures which are reducible to two forms of assistance: *tax credits* and *tax shelters*. Such benefits refer to

TAB. 1

NUMBER OF WORKS PRODUCED BY THE ITALIAN CINEMA INDUSTRY

Number of films	2000	2001	2002	2003	2004	2005	2006	2007	2008
Italian produced films*	86	68	96	98	96	68	90	90	123
With only private capital	57	37	44	45	55	50	69	61	82
With state contributions	29	31	52	53	41	18	21	29	41
Italian co-productions	17	35	34	19	38	30	26	31	31
Majority co-productions	8	22	17	12	15	16	11	17	20
Minority co-productions	9	13	17	17	23	14	15	14	11
Total	103	103	130	117	134	98	116	121	154

Information source: “Il cinema italiano in numeri” (Italian Cinema in Numbers) (from 2000 to 2008) by Ufficio Studi/Ced Anica (an Italian national association for the cinema, audio-visual and multimedia industries)

** By ‘produced films’ we mean all films that have obtained the motion picture rating in the year referred to and from the calculation films which are explicitly pornographic in nature have been omitted. ‘Italian film’ refers to works made only with Italian capital.*

TAB. 2

NATIONAL RESOURCES INVESTED IN FILM PRODUCTION

Amount in millions of euro	2002	2003	2004	2005	2006	2007	2008
In produced films	-	237.1	197.4	152.0	187.6	221.0	253.3
In co-produced films	-	64.6	87.0	62.4	69.7	91.4	76.8
Co-production quota	-	21.4%	30.6%	29.1%	27.1%	29.3%	23.3%
Total	277.6	301.7	284.4	214.4	257.3	312.4	330.1

Source: “Il cinema italiano in numeri” (from 2002 to 2008) by Ufficio Studi/CED Anica (National Association of Cinema, audio-visual and multimedia industry).

investments in Italian films, even if an extension to other technical industries (for example pre and post-production services, development and press services and dubbing) is foreseen for those industries which are involved in the manufacture of foreign films. The introduction of so-called external tax credits is of particular interest, it amounts to the recognition of fiscal incentives which are also available to non cinema industries which, however, contribute to investments destined for film productions.

Such measures are largely in expectation, primarily addressed to reinforcing the influx of investment resources on the part of, for instance, banks, banking foundations and financial groups which, in virtue of possible capital contributions to film productions – in turn, resulting in further positive economic returns – are able to avoid the impositions placed on the gains resulting from their principle activities.

A highly useful influx of new investments have, for instance, arisen in recent years through the concept of ‘product placement’, by now an extremely common form of promotion through the filming or mention of products or brand names within the context of a film plot. The application of product placement is nowadays taken into consideration right from the start of the film project and, hitherto, does not seem to have had any diverse effects on the cinema going public. Instead, product placement has resulted in investments which are capable of covering, on average, from 8% to 10% of the anticipated costs with an assignment to Italian film studios of 36 million euro in the last season.

TAB. 6
THE ALLOCATION, PER SECTOR, OF F.U.S. FUNDS

Amount in euro 2007	Contributions	Quota	Annual Spectators in millions	
Symphony-Opera Foundation	210,789,230.05	48.2%	5.1	(3.75%)
Cinema Activity	76,834,180.00	17.5%	105.0	(77.04%)
Prose Theatre	73,525,160.00	16.8%	14.5	(10.62%)
Musical Activity	62,292,241.95	14.2%	8.3	(6.09%)
Dance Activity	7,775,203.00	1.8%	1.9	(1.39%)
Circuses and Travelling Performers	6,692,771.00	1.5%	1.5	(1.11%)
Total Financing	437,908,786.00	100.0%	136.3	(100.00%)
Running and research costs	732,479.00	-		

Taken from data of Sicoge (Servizio informativo contabilità gestionale) by the Ministry of Economics and Finance – Source: “Relazione sull'utilizzazione del Fondo unico per lo spettacolo – 2007” edited by Osservatorio dello spettacolo of MiBac - Ministry for Cultural Heritage and Activity.

The first provider of public resources, on the other hand, is the state through 'MiBac' (Italian Ministry for Cultural Heritage and Activities) with costs coverage called FUS – 'Fondo unico per lo spettacolo' (Unique Fund for the Performing Arts), a percentage of which is reserved for the cinema under the jurisdiction of the General Direction for the cinema of the same government department.

A significant quota of foreign capital can also be added to national productions in terms of investments in co-produced films or in the coordination between Italian film studios and foreign operators, or even from branch companies, located in Italy, of international groups.

The resources which Italian cinema entrepreneurs have invested over the years appear rather limited especially in comparison to “wealthy” corporations in the United States. For the latter average investment – which is the highest in the world – is nine times that of Italy for the United States' 600 films a year (590 in 2007); however, this fact is also the case with other European nations. For example, in the last ten years Italian cinema investments correspond to 23.5% of the value registered in the United Kingdom (46 national titles in 2007), and to 32.5% of German investments (78 films), 39.0% of French investments (133) and is 11% less than the average Spanish budget (for 115 titles) – these are the other four large European markets – whilst the European Union average for the entire cinema sector registers an average index which is 2.2 times greater than Italian investments.²

The total amount of investments in Italian co-produced films, therefore, amounts to a greater amount than the total budget for films which are only produced in Italy.

² Dati di riferimento tratti da “Focus 2008-World film market trends” dell'Eao-European audiovisual observatory dell'Unione Europea, a cura di Martin Kanzler, analista del dipartimento Information on markets and financing dello stesso osservatorio europeo.

At the same time local administrations have also begun to have an influence in the form of Film Commissions. These are local agencies for the development of cinema activity in Italy, initially promoting the provision of locations for films in the process of production, the preparation of exhibitions and reviews and the use of companies. With a brief period of time, however, such Film Commissions, which were principally founded at the regional level, have dedicated themselves to directly maintaining the production of new motion pictures.

TAB. 4
AVERAGE COSTS FOR PRODUCTIONS AND CO-PRODUCTIONS

Amount in millions of euros	2000	2001	2002	2003	2004	2005	2006	2007	2008
National Film Productions									
Number of films produced*	86	68	96	98	96	68	90	90	123
Average Investment	1.69	2.04	2.13	2.42	2.06	2.24	2.08	2.45	2.05
Films with state assistance	29	31	52	53	41	18	21	29	41
Average FUS contributions	1.66	3.22	1.41	1.90	2.03	1.21	1.76	1.42	1.20
Italian Film Co-Productions									
Number of co-produced films	17	35	34	19	38	30	26	31	31
Average investment	-	-	-	7.68	8.07	6.48	8.05	9.64	5.85
Average Italian contributions	-	-	-	3.38	2.29	2.08	2.68	2.94	2.48
Average foreign contributions	-	-	-	4.30	5.78	4.40	5.37	6.70	3.37
Films with state assistance	-	-	-	4	5	4	3	17	15
Average FUS contributions	-	-	-	2.42	2.28	1.92	2.07	1.26	1.44

Source: “Il cinema italiano in numeri” (Italian Cinema in Numbers) (from 2000 to 2008) by Ufficio Studi/Ced Anica (Associazione nazionale industrie cinematografiche audiovisive e multimediali).

*By film production is meant films which have obtained a motion picture rating in the year referred to. Films of an explicitly pornographic nature are not included. By Italian films is meant all films produced with 100% Italian capital.

State contributions today represent a part of public financing for both culture and performing arts. According to recent studies they amount to 30% in comparison with 26% from the regions and 44% from the municipalities which, in terms of cinema productions, appear to be primarily involved in maintaining and organizing film festivals.³

Real Estate Investment. In the last fifteen years the network of cinema projection halls has been totally transformed in as much as the range of installations for first and second releases has been modified by over 50% and the provision of operational cinema screens (in function, that is, over 120 days a year) within the complexes which constitute primary commercial circuits – where, for decades, over 80% of all mass consumption of films in cinema halls has been concentrated – has almost tripled. This is a transformation which has resulted, since 1994, in almost 300 new multi-functional businesses, in other words

³ Stime di IsiCult-Istituto italiano per l'industria culturale (convegno “Una legislatura innovativa per lo spettacolo italiano”, Roma, 9 aprile 2008).

multi-screen and multiplex cinemas including 110 of the latter – which have, at least, eight separate screens – 90 of which have been constructed since 2000.

The development and conversion of such so-called “sales outlets” is a direct result of the business and finance sector receiving, in the last fifteen years, investments amounting to over 3 billion euro: an influx of capital which is nearly equal to the resources with which private entrepreneurs invested in production activity for national films.

Such elevated economic commitments have also transformed the general structure of the principle companies of business and finance in the cinema sector. Within this context of dynamic competition, moreover, can be found the progressive erosion of single-screen traditional cinemas which, until twenty years ago, were a significant aspect of the most populated city centres as well as in the municipalities of less than 40 thousand inhabitants.

According to the most recent estimates of ANEC (the Italian National Association of Cinema Traders) 356 single-screen cinemas have closed down in the last five years.

From being simple sites of film projection the malls of the modern cinema have, in substance, substituted traditional places of social aggregation, especially for adolescents and young families, and have fully entered into social and urban policies of public administrators as well as into the life of entire communities.

The investments which have resulted in the development and requalification of cinema businesses have been maintained due to public support. Indeed, for a number of years the intervention programme of FUS has provided resources for those cinema business and finance companies involved in the “realization of new cinema halls, the restructuring of existing cinemas and the structural and technological adequacy of their projection systems” providing contributions in capital accounts and in interest accounts in order to diminish the burden of mortgage contracts for financing works of construction. In 2007 3 million euro was assigned to capital accounts favouring 52 restructuring interventions – with a total average equal to 57.7 thousand euro – out of 300 requests for contributions.

Another part of cinema resources is found in interventions supporting promotional initiatives of Italian cinema and exclusively concern those businesses recognised by the General Direction for the Cinema of MiBac such as art house cinemas (a category which also extends to parochial cinemas). The concession of assistance – in capital accounts or financial subsidies – principally tends to maintain activity in terms of the attention dedicated to the circulation of quality cinema and regards unit amounts which are, in reality, very little.

Pursuant to 2007 there have been 788 contributory provisions out of 834 requests for assistance – more or less from 50% of all the potential beneficiaries – with the assignment of 2.84 million euro for an average unit amount of 3,611 euro.

ACTIVITY SECTORS. As well as being the primary investors for the entire sector, thereby assisting the national market, film producers are also those who concretely realize the creative ideas of film makers. They constitute both the principle and the basis of the entire industry.

TAB. 10

THE PRODUCTION OF ITALIAN FILMS IN TERMS OF GENRE

Films produced in year	2000-2005	QUOTA	2007	QUOTA	2008	QUOTA
Drama	279	50.1%	51	42.1%	72	46.8%
Comedy	209	37.5%	35	29.0%	52	33.8%
Action-Adventure	18	3.2%	6	5.0%	-	-
Thriller	25	4.5%	5	4.1%	6	3.9%
Horror	-	-	4	3.3%	-	-
Film noir/Detective	-	-	-	-	3	1.9%
Animation	10	1.8%	4	3.3%	4	2.6%
Documentary	16	2.9%	16	13.2%	17	11.0%
Total	557	100.0%	121	100.0%	154	100.0%

Elaborated from data relative to the period 2000-2005 from “È tutto un altro film” by Francesco Casetti and Severino Salvemini (Egea, Milano 2007 edition) chapter “I film nelle sale” by Fabrizio Montanari, source Cinetel and “Giornale dello spettacolo” and for the years 2007 and 2008 from “Il cinema italiano in numeri” edited by Ufficio studi Anica (Associazione nazionale industrie cinematografiche audiovisive e multimediali).

Production. Statistical analyses of the national production sector have, in the past, concentrated on the produced film. In reality, production activity is greatly more variable and extensive than it appears at first sight.

Animated cartoons and documentaries which are distributed to cinemas are only a minor part of those produced annually which are primarily destined for home video and television channels. Aside from their privileged diffusion channels this involves productions with technically specific content but which belong to cinema production in the strict sense of the term. Normally, however, they do not form part of the studies and statistical analyses of the cinema consumer market from which film productions are constantly monitored, nevertheless, animated cartoons and documentaries together with another four areas of activity make up the total production value of the sector.

Animation. It is estimated that in total at least 100 companies today operate in the cartoon sector in terms of production and national and international distribution amounting to a turnover of 100 million euro (20 of which is from television commissioning) and to which is collocated a massive amount of merchandising (backpacks, soundtracks, diaries and other gadgets) for around another 20 million euro.

Documentaries. Given the nature of documentaries it is unsurprising that their principle commissioners are terrestrial and satellite television networks, both free and pay-per-view, with a television scheduling which on general networks – where they are more easily detectable – exceeds the quota of 2 thousand hours a year. Defined as ‘industrial film’ the documentary has, furthermore, a second important market in private and public commissioning. The former in terms of industries and large service groups and the latter in terms of administrations and local entities, the foremost being local administrations with promotional interests. The most consistent resources are reserved by regional and national Film Commissions for the production of documentaries, after those reserved for film productions. The distribution of documentaries within cinema halls, however,

appears to be the prerogative of a select few: on average 15 a year, totalling around 265 thousand spectators. In total the value of documentary productions is estimated at 60 million euro, 20 million of which is due to the commissioning of the principle national broadcasters.

Short Films. Italian short films (cortometraggio) involve the release of 105 titles a year on average (for 80% of which there is normally requests for access to FUS state funding) resulting in a business volume of around 2 million euro.

Television Films. Today television films cover 11.9% of the transmission time of the large television networks (19.9% on Canale 5; 13.7% on RaiUno; 13.5% on RaiDue; 11.8% on Rete4; 3.7% on La7) and 39.8% of such scheduling is provided in terms of outsourcing from around 150 non-Italian film studios (the percentage for the connected area of television series amounts to 53%). The production value provided by national independent cinema producers involved in this area – totalling few more than 50 – is estimated at 60 million euro.

Technical Industries. Companies which provide technical and executive services are employed throughout the filming process and contribute substantially to completing the process. It is estimated that there are over 2 thousand such companies operating in Italy, the majority of which having sites in Rome and Milan: 45.5% and 18.5% respectively.

Within the audio-visual market there does not exist a clear separation between services intended for cinema productions and those for television productions, nevertheless, on the basis of the indications of those operating in this sector the overall value of technical industries within the cinema sector is valued at 735 million euro.

TAB. 12

AREAS OF TECHNICAL INDUSTRY ACTIVITY FOR PRODUCTION

Revenue amount in millions of euros	Turnover 2008	Quota	Estimated staff	Quota
Studios-TV studios-Filming	165	28.7%	1,750	52.9%
Management of technical resources and transport	25	4.3%	90	2.7%
Printing and development-Video duplication	189	33.0%	850	25.7%
Audio and video post-production	55	9.6%	270	8.1%
Electronic cinema and TV filming	140	24.4%	350	10.6%
Total Sector	574	100.0%	3,310	100.0%
Digital Technology*	165	-	1	140

Elaborated from data contained in "Il cinema italiano in numeri – 2008" edited by the Ufficio studi Anica and from surveys of companies belonging to UNITEC.

**The data relative to companies active in digital application are the result of independent estimates, referring only to the cinema sector, with respect to the global values of the activity calculated as 950 million in turnover and 850 staff units.*

Pornography. Whereas pornographic films in terms of traditional red light cinemas would seem to be strongly in decline, nevertheless, the pornography industry turnover has extraordinarily grown within the last four years primarily due to the availability of films prohibited to the under aged through pay television, pay-per-view, IPTV and streaming videos on the internet. Sky Television, for example, earned over 700 thousand euro from

erotic films. Currently, of the 1,500 films annually placed onto the Italian pornography market, only 300 are produced in Italy – with a total investment of 6.5 million euro from 35 separate companies and an overall business turnover of 1.45 billion euro.

Distribution. This is the strategic area for the entire sector. The cinema industry market is, indeed, a market which is heavily intermediated and companies which produce films do not have film consumers as clients, but rather, other companies which are involved in offering film productions to the final user. This function as catalyst has resulted in the number of distribution companies remaining highly limited thereby progressively re-enforcing their negotiating power with those commissioners at the apex of the industry and traders at the bottom. This is a particularly strong market position which the large producers of Hollywood have intercepted from the very beginning, therein becoming

TAB. 14

ALL FILMS DISTRIBUTED ON THE ITALIAN MARKET 2006-2008

Film nationality	Distributed	Quota	First Releases	Quota	First Releases/Total
2006					
Italy 100%	209	21.8%	-	-	-
Coproductions	89	9.3%	-	-	-
Italian total	298	31.1%	100	26.0%	33.5%
Europe	242	25.3%	53	13.8%	21.9%
United States	330	34.3%	161	41.8%	48.8%
Other nations	90	9.3%	71	18.4%	78.9%
Overseas Total	662	68.9%	285	74.0%	43.0%
General Total	960	100.0%	385	100.0%	40.1%
2007					
Italy 100%	195	22.0%	-	-	-
Coproductions	73	8.2%	-	-	-
Italian total	268	30.2%	110	29.7%	41.0%
Europe	234	26.4%	51	13.8%	21.8%
United States	317	35.8%	154	41.7%	48.6%
Other nations	68	7.6%	55	14.8%	80.9%
Overseas Total	619	69.8%	260	70.3%	42.0%
General Total	887	100.0%	370	100.0%	41.7%
2008					
Italy 100%	214	25.3%	-	-	-
Coproductions	74	8.7%	-	-	-
Italian total	288	34.0%	130	34.6%	45.1%
Europe	196	23.2%	43	11.5%	21.9%
United States	300	35.5%	163	43.3%	54.3%
Other nations	61	7.3%	40	10.6%	65.6%
Overseas Total	557	66.0%	246	65.4%	44.1%
General Total	845	100.0%	376	100.0%	44.5%

Elaborated from data source "Il cinema italiana in numeri" (2006-2008) edited by Ufficio Studi/Ced Anica.

directly responsible for the diffusion of their own productions and exporting such a commercialization model to their overseas markets, starting with Europe.

Once home video channels had forcibly entered the market the business turnover of the principle channels was only partially penalized, instead home video channels diminished the income of television stations, progressively reducing it to 15%, from that moment producers understood that they could manage the distribution of certain specific areas, primarily those of a new format, on their own.

The opportunity of new economic capacities has, as a result, led other independent film studios to assume a new operational branch for film distribution and today the this sector has begun to present a small number of operators – much less for the alternative diffusion of films to projection circuits – which are more variegated than in the past.

Business and Finance. Despite generating a turnover which is less than that of home video channels, the business and finance sector of the cinema maintains a dominant position which is, for now, irreplaceable. The proverbial first link in the distribution chain is, indeed, a determining force for both the collection of the first proceeds which production earns from its investments, as well as for the formation of the commercial value of a film throughout its lifecycle. This results from the fact that the success of a film in cinemas constitutes the first, clear credential of a motion picture appreciated by the general public and, as a consequence, conditions the possibilities of diffusion in terms of all other subsequent methods of income resulting from that film.

In comparison to the development of the mixture of distribution channels, the business and finance sector remains the primary channel for the diffusion of the produced film, a position which the sector has maintained within the demand market and within the whole cinema system primarily due to the profound processes of transformation of which the business sector was and remains the leader.

The turnover of the business and finance sector is linked to the film rental agreements made with distributors. Such agreements are conditioned by innumerable variables and only in an indicative sense can an outline of the divisions which result in the screening sector sending back 40.4% - 42.2% of what is gained from the public to distribution companies, through which, it arrives at the production companies. On the other hand, as far as the sector's pertinence quota is concerned it covers between 45.7% and 47.5% from the moment that the gross earnings of the box office have to have both VAT at 10% and author's copyright SIAE at 2.10% deducted.

The net proceeds from takings for cinema and multiplex managers can, therefore, be estimated as, on average, within the order of around 245 million euro according to the data of the Cinetel reference sample and of around 276 million based on the official registers of SIAE. Nevertheless, the business and finance sector has developed a series of collateral businesses which include activities such as publicity, telephone and internet booking services, restoration services which are capable of earning 25% of added income, cinema hall rental for events and conventions, the management and location of possible areas or corners for sales outlets.

According to data provided by SIAE such parallel businesses have a value of over 77.3 million euro: 3.6 million for publicity and various sponsorships and 73.7 million for all of the other services. This entails that the gross earnings at the ticket offices under the cinema manager's jurisdiction can add a further 20% of proceeds which need not be divided with any other sector and as such brings the productive value – including the gross takings – to 465 million euro.

TAB. 18

THE BUSINESS STRUCTURE WITHIN ITALIAN CINEMAS

Number and quota	2004*		2005		2006		2007		2008	
	Numeri	Quote	Numeri	Quote	Numeri	Quote	Numeri	Quote	Numeri	Quote
Single Screen										
TOTAL	778	62.6%	779	61.0%	713	58.9%	659	56.6%	612	54.2%
Cinemas	778	27.8%	779	25.8%	713	23.3%	659	21.3%	612	19.5%
Between 2 And 4 Screens										
TOTAL	383	30.8%	403	31.6%	325	26.9%	327	28.1%	324	28.7%
Cinemas	-	-	1.256	41.6%	864	28.2%	878	28.4%	875	27.9%
Between 5 And 7 Screens										
TOTAL	-	-	93	7.3%	69	5.7%	71	6.1%	80	7.1%
Cinemas	1.180	42.1%	1.256	41.6%	405	13.2%	418	15.0%	470	15.0%
Multiplex With Over 7 Screens										
TOTAL	82	6.6%	93	7.3%	103	8.5%	108	9.3%	113	10.0%
Cinemas	844	27.8%	981	32.5%	1.080	35.3%	1.132	36.7%	1.184	37.7%
TOTAL STRUCTURE										
TOTAL	1.243	100%	1.275	100%	1.210	100%	1.165	100%	1.129	100%
Cinemas	2.802	100%	3.016	100%	3.062	100%	3.087	100%	3.141	100%
Average Cinemas	2.25		2.36		2.53		2.64		2.78	

Elaborated from data of Cinetel, source ANEM (Associazione nazionale esercenti multiplex) from "Il cinema italiano in numeri" (2004-2008) edited by the Ufficio studi/CED Anica.

The data relative to 2004 only register the sum of the complexes with between 2 and 7 screens.

Exports. Italy continues to be a nation which imports a large number of films but which, nevertheless, sells very few abroad. The exportation of a film appears to be primarily the result of sporadic, individual initiatives (also substantially linked to the specific range of films in portfolio) as opposed to part of a constant, principle activity deriving from a fully developed strategy. According to the database of ANICA in 2007 a total of 87 films were exported from Italy, 80 in 2008, from, respectively, the part of 54 and 44 film studios or distribution companies some of which are exclusively active on foreign markets, this is where they operate on the mandate of those national companies which do not have direct referents abroad. Of the 54 exporting companies of 2007, however, only 12 managed to conclude export contracts for more than one film and only 14 conceded more than one title abroad in 2008. Those companies which have exported films in both 2007 and 2008 amount to only 17 export companies, ten of which have only one single film per season

TAB. 20

MARKET QUOTA: WHO LOSES AND WHO EARNS

Data in millions	2004*		2005*		2006		2007		2008	
Single Screen Cinemas										
Takings	116.0	20.0%	88.0	16.4%	77.9	14.2%	78.3	12.7%	63.4	10.7%
Admittances	20.6	21.2%	15.9	17.5%	14.0	15.2%	14.1	13.6%	11.4	11.5%
Tra 2 e 4 sale										
Takings	217.2	37.6%	198.6	37.0%	117.0	21.4%	126.4	20.5%	117.4	19.8%
Admittances	-	-	-	-	20.6	22.4%	22.4	21.6%	20.7	20.8%
Tra 5 e 7 sale										
Takings	-	-	-	-	82.2	15.0%	96.0	15.5%	93.0	15.7%
Admittances	37.6	38.4%	34.3	37.8%	13.8	15.0%	16.0	15.4%	15.4	15.5%
Multiplex con più di 7 sale										
Takings	244.6	42.3%	251.2	46.7%	270.0	49.3%	317.0	51.3%	320.4	53.9%
Admittances	39.5	40.4%	40.5	44.7%	43.7	47.4%	51.1	49.3%	51.7	52.1%
Totale strutture										
Takings *	577.8	100%	537.0	100%	547.2	100%	617.7	100%	594.2	100%
Admittances**	97.9	100%	90.6	100%	92.2	100%	103.6	100%	99.4	100%

Elaborated from Cinetel data from source ANEM (Associazione nazionale esercenti multiplex) from "Il Cinema in Numeri" (2004-2008) edited by Ufficio studi/Ced Anica.

The data relative to the years 2004 and 2005 only register the sum of cinema complexes with from 2 to 7 screens.

**Le cifre relative a incassi e ingressi sono arrotondate alle centinaia di migliaia, pertanto i titoli delle percentuali si possono discostare leggermente dalla somma del 100% indicata in tabella.

sold abroad. As a result there does not exist any form of indicators concerning income from film exportation. Not even the accounts of the companies are helpful here and the maximum estimate of their value is placed at 50 million euro.

Secondary Channels. If the business and finance sector constitutes the market for which films are institutionally produced and to which they are principally represented, all of the other methods of commercialization for licensing rights or concessions comprise the area of channels which are called 'secondary'. Of these, the principle ones amount to six:

- Home Video, where the most common form of support is through DVDs in comparison to videos which are, by now, on their way out. On the other hand, with increasing frequency there are also those defined as high definition (Blu-ray discs and HD-DVD). Cinema productions cover 80% of the market (61% films and 19% cartoons) and the sales department (sell through) which assures the distribution companies the highest profit margin possible – equal to 80% – clearly prevails over film rental from specialized video rental outlets and on the commercial networks of newsagents. In 2008 home video earned 780.5 million euro for the sector, of which 624.6 million from distribution companies and 156.1 million from retailers.
- The market for domestic viewing in terms of 'pay-per-view' through satellite channels,

digital terrestrial channels or through cable TV in terms of payment for single productions within the VOD formula, Video On Demand, for an estimated value of 38.4 million euro.

- Television in the strict sense of the term, this includes free television and free commercial television, rental television and pay television, or rather digital terrestrial, satellite or cable networks. In 2008 the amount of income generated by the concession of utility rights is estimated at 585 million euro.
- Internet networks through IPTV (Internet Protocol) in terms of VOD – Video On Demand – in direct connection or downloads, internet streaming or peer to peer shared files. However, it is difficult to evaluate such earnings as well as the overall impact of such media which is still limited to approximately 10 million spectators.
- Mobile telephone networks for paid video services or in free vision in exchange, however, for publicity space. The most diffuse forms of cinema publicity are logos, wallpaper, dialling tones and games. Businesses connected to VAS (Value Added Services) have, by now, arrived at a value of 29 billion euro for telephone companies, however, for the time being the quota for the cinema industry remains firmly at 169 million.
- The diffusion onto the recording market of the sound tracks to films. This is still an activity of limited proportions with a business turnover of between 5 and 6 million euro.

An Enlarged Sector. The earnings from secondary distribution channels do not, in reality, constitute added turnover in comparison to that which has been revealed, for example by CERVED, from the company accounts (even if it is perhaps reasonable to have certain doubts concerning pornographic productions).

This involves business areas which are, more or less, relevant for the diverse companies involved, however, integrated in running management. The cinema, on the other hand, is a direct collector of resources for a series of activities which do not form a part of the "institutional" industries of the sector, despite being directly connected and without the ability to leave them aside at the risk of losing economic returns.

- **Publicity.** In contrast to other publishing sectors – starting with television – among the resources generated by cinema activity, revenue generated through publicity is never taken into consideration. Official data on publicity investments through the principle means of communication, in reality, credit the cinema with a quota in constant decline from 1% in 2005 it has by now descended to 0.7% of the 8.58 billion euro earned in total, nevertheless, it is still a figure of 58.3 million euro. Such a figure, furthermore, gives rise to certain perplexities given that on the basis of the financial accounts of the agents who realize such interventions on behalf of the client company – against a commission which does not exceed the norm of 25% – an overall revenue which is at least 40% greater can be calculated. On its part, the sector has invested for its own promotion a little more than 70 million euro in 2008, exactly the same as in 2007.

- **Merchandising.** The sale of products, film related gadgets and publications strictly connected to the content of a film have, by now, reached the quota of 20 million euro. The valuation of the overall business turnover, therefore, does not include the commercial activities of companies which also produce films such as Rainbow and Walt Disney, which, through the only associate Disney Store Italia earns from film merchandise 17 million of the sector's 40 million euro business turnover.
- **Production Services.** This involves companies which "manage" and organize the production of films, videos and documentaries which are primarily produced thanks to foreign financial participation. This involves produced films which include, on average, investments of 200 million euro a year and a rota of 177 thousand working days which amount to, in terms of direct turnover, 25 million euro.
- **Festivals.** From the grand festivals of Venice, Rome and Turin to the small, provincial cinema festivals, in Italy there are 273 cinema festivals a year, with budgets which can vary from 16 to 15 million euro by a small percentage. Principally subsidized by municipalities and provinces such cinema festivals accumulated costs of 400 million euro in 2008.
- **Awards.** There are a number of different awards of various characters, from the most prestigious, such as the David Award of Donatello and the Nastri d'argento awards. In comparison to festivals, the relative financial commitments are greatly reduced even if the public administration contributions for the organization of such award ceremonies is greater than 10 million euro.
- **Training and education.** There are at least 30 operational national schools which offer over 200 courses for all professional activities within the performing arts and which "license", every year, literally thousands of young artists (without counting the training centres dispersed throughout Italy of various characters and which amount to more than 100). The most accredited schools are the national school of cinema (*Scuola nazionale di cinema*) of CSC – *Centro sperimentale di cinematografia* which, by now, has a rich, seventy-year history, and the Silvio D'Amico *Accademia nazionale d'arte drammatica* which forms a part of the university system of MIUR – *Ministero dell'istruzione dell'università e della ricerca* (Ministry of University Education and Research) (similar, at a secondary level, to the Renzo Rossellini *Istituto di stato per la cinematografia e la televisione* of Rome), the only school to consign a degree which has the same value as a university degree. Numerous schools have, furthermore, initiated specific courses of study within the cinema environment thereby even further increasing the supply of training courses which, by now, have a considerable value of 100 million euro.
- **Representative Agencies.** In general such agencies are responsible for the interests of individual artists but, in certain cases, also the interests of distribution and production companies. Their business turnover amounts to 50 million euro. With a business turnover slightly over half that are casting agencies.
- **Film archives and museums.** Few but selected for their high quality. Such activity

results in an income of 8 million euro.

- **Publishing** This includes cinema journals, books, film catalogues, video contents and internet sites for a productive base which is both extensive and variable having an estimated turnover of at least 20 million euro.
- **Marketing and Research.** Result in costs which, despite reductions, are constantly maintained at no more than 5 million euro a year.

Cumulative Data. In terms of being a "large sector" the cinema industry in Italy, in substance, arrives, as a production catalyst, at an overall value of almost 5 billion euro, with a total of over 95 thousand personnel.

MARKET QUOTA. A central theme in numerous analyses and discussions regarding the cinema in Italy is the predominance of the large international holdings of the sector and the relative consistency of the market quota for foreign productions which are considered so prevalent as to condition the affirmative possibilities of national works and the developmental space for Italian film makers who produce and distribute Italian films. A general level comparison of the sector is offered by the database of the Italian Chamber of Commerce which includes all joint stock companies of the three diverse sectors, thereby verifying the market supply quota – as opposed to market demand – which is determined on the basis of registered turnover from company accounts. As can be ascertained, the situation within the three sectors is in the process of evolution, albeit in a somewhat ambiguous manner: the incidence of the principle companies highlights a decrease which is quite noticeable in production and more feeble in distribution, whereas in business and finance there is a reverse trend.

TAB. 4

THE CONCENTRATION OF TURNOVER IN THE CINEMA SECTOR

Market quota by class of company	First 10 Companies 2002	First 10 Companies 2007	First 30 Companies 2002	First 30 Companies 2007	First 50 Companies 2002	First 50 Companies 2007
Production	48.3%	37.1%	62.7%	53.2%	68.9%	60.7%
Distribution	75.5%	75.1%	93.2%	91.6%	96.3%	96.5%
Screening	39.3%	43.4%	54.8%	61.4%	63.5%	70.0%
Total sector	38.6%	33.7%	55.2%	49.3%	63.3%	58.2%

Elaborated from CERVED data 1st January 2007.

What is clearly indubitable is the predominance of United States cinema. In Italy the parameter most commonly employed for evaluating the impact of American cinema consists of the documentation made available by Cinetel, a research centre jointly comprising the organizations Anica (*Associazione nazionale industrie cinematografiche audiovisive multimediali*) and Anec (*Associazione nazionale esercenti cinema*) which reveal the results consigned from the box office out of a reference sample of operational cinemas which are defined as representative, per volume of takings, of 80% to 90% of the entire sector.

TAB. 5
HOW THE CONCENTRATION OF TURNOVER CHANGES IN FIVE YEARS

Market quota per class of company	First ten 2007/2002	First thirty 2007/2002	First fifty 2007/2002	Remaining 2007/2002
Production	-11,2%	-9,5%	-8,2%	Dal 31,1% al 39,3%
Distribution	-0,4%	-1,6%	+0,2%	Dal 3,7% al 3,5%
Screening	+4,1%	+6,6%	+6,5%	Dal 36,5% al 30,0%
Sector total	-4,9%	-5,9%	-5,1%	Dal 37,7% al 41,8%

Elaborated from CERVID data 1st January 2007.

TAB. 2
MARKET QUOTA IN TERMS OF TAKINGS OF THE PRINCIPLE DISTRIBUTION COMPANIES

Principle distribution companies	Films distributed		Takings in Millions of euro		% Quota on Total Takings	
	2007	2008	2007	2008	2007	2008
Medusa Film	75	82	106.9	99.5	17.33	16.60
Warner Bros	61	60	84.1	56.9	13.64	9.59
Universal-Uip	49	49	80.9	116.8	13.11	19.68
20th Century Fox	45	44	67.8	37.8	11.00	6.37
01 Distribution	67	70	61.1	65.9	9.90	11.10
W. Disney-Buena Vista	48	31	57.0	45.5	9.25	7.67
Filmauro	13	8	50.6	47.3	8.21	7.97
Sony Pictures Italia	45	24	39.2	30.1	6.35	5.08
Eagle Pictures	42	40	22.7	23.3	3.68	3.94
Moviemax	17	21	11.4	13.9	1.86	2.35
Mikado	70	71	9.6	9.3	1.56	1.57
Lucky Red	44	44	8.3	17.2	1.36	2.90
Bim Distribuzione	43	48	5.3	14.5	1.36	2.45
Teodora Film	17	15	1.9	1.9	0.31	0.33
Dnc Distribuzioni	11	9	1.5	1.2	0.26	0.21
Mediafilm	16	17	1.3	4.3	0.22	0.73
Lady Film-Archibald	18	4	0.9	1.3	0.16	0.22
Fandango	26	21	0.6	2.2	0.10	0.38

Source elaborated from: "Il cinema italiano in numeri" report – calendar year 2007 and 2008 – edited by Ufficio studi/CED of ANICA (Associazione nazionale industrie cinematografiche audiovisive e multimediali) on CERVID data.

Observing the distribution of films put into circulation in terms of national origin and their results with the general public, what clearly emerges is the predominance of American productions: with around 35% of distributed films the United States can claim 60% of ticket sold and of the overall cinema takings, whereas Italy, with a portfolio of film releases slightly less than the United States, totals half the ticket sales and half the revenue of American films. Other foreign productions cover the remaining 30% (23% Europe, 7% the rest of the world) but with box office results which are even less: 10% - 11% of spectators and proceeds for European cinema and 1% - 2% for non-European productions.

It should not be forgotten, however, that until recently the inferior status of Italian productions was still more accentuated and that after a twenty-year period characterized by notable and general market contractions, only in 1997 did Italian cinema return to produce around 90 films a year thereby taking its share back to over 30% of the public (increasing, in total, to 100 million) and of revenue, furthermore, with the development of multiplexes and multi-screen cinemas the cinema industry has recuperated its value of ten years prior.

Aside from the impact of the productive apparatus of diverse nations on the activity total, the findings of Cinetel also permit, with the allocation of cinema takings for every single film, the determination of the division of the market demand quota of the various distributors, thereby consenting the valuation of their effective competitiveness.

The indicated amounts in millions of euro move away from the real consigned turnover recorded in the accounts by the various companies and register the accredited revenue of distribution companies, even if, in reality, a consistent part of such revenue follow diverse destinations: the major part to film studios and the minor part to cinema business and finance companies. Furthermore, they keep to only ticket office proceeds, excluding all other diffusion circuits – with home video and television in mind – which represent over two thirds of the revenue which a film can, in general, generate.

Major, mini major and indie. Taking into consideration the nationality of the principle groups, the impact of their activity (which covers 99.43% for 2007 and 99.16% for 2008 of the revenue generated from distribution) and the company structure of many of such groups – with vertical integration which results in such companies also collecting the income from production and business and finance – it is possible to arrive at a basic segmentation of the market with the individuation of three principle categories of operator which are defined as follows:

- **Major** – international holdings such as Warner Bros, Universal-Uip, 20th Century Fox, Walt Disney and Sony, along with Eagle Pictures which is, by now, added for the sake of homogeneity.
- **Mini Major** – the Italian groups Rai-01 Distribution and Medusa-Mediaset, with the addition of Filmauro for coherence. Also the latter is vertically integrated.
- **Indie** – independent Italian film companies of medium to small scale, however, with greater work intensity and continuity, in other words the other nine companies which appear in the previous table and to which the data in the following table refers.

COMPANY ANALYSIS. In terms of the structure of the productive apparatus the conventional interpretation of the demand market, through public attendance data, appears to be fully confirmed by the conformity of market supply, where a selected nucleus of subjects – as in the rest of Europe and, above all, the rest of the world – oversees the net strategic prevalence of the *major* companies from across the ocean (not only the Atlantic Ocean) and catalyzes the principle economic forces of the sector. The "2008 Cinema Report" also proposes, however, to initiate a more detailed analysis

of the activity of the market supply of the cinema product, valuating the patrimonial, organizational, financial and managerial structure of the principle companies. The objective is to qualify their effective vitality and to develop, in as much as it is possible, awareness of the diverse sectors, from the *major* companies to, primarily, independent companies: a reality which is greatly fragmented and little known, but which, nonetheless, characterises the production and diffusion of Italian films (and those films which are not Italian) in a determining manner.

TAB. 3
DIVISION AND MARKET QUOTA IN DISTRIBUTION BY CATEGORY OF COMPANY

Cumulative data per company group	Films distributed		Takings in Millions of euro		% Quota on Total Takings	
	2007	2008	2007	2008	2007	2008
International Majors	365	330	351.9	310.7	57.03	52.32
National Mini-Majors	155	160	218.6	211.8	35.64	35.67
Italian Indies	262	250	31.1	64.2	6.50	9.17
Italian total	417	410	249.7	276.0	42.14	44.84

Source for elaboration: "Il cinema in numbers" report – calendar year 2007 and 2008 – edited by the Ufficio studi/CED of ANICA (Associazione nazionale industrie cinematografiche audiovisive e multimediale) on CINETEL data – The sum of percentage quotas out of total takings are not equal to 100% as they only refer to the first 18 distribution companies on the national market, whose incidence is equal to 99.17% for 2007 and to 99.16% for 2008.

The outline offered collects information and data which are not easily obtained or elaborated on given their precarious homogeneity. Rather than a concluding analysis the Report is more a set off point which has, as its basis, the selection of an initial reference sample of 40 company groups and 210 companies involved in production, distribution, business and finance and technical services. The screening of company financial data has resulted in a successive selection of companies due to the objective difficulty in comparing such homogenous productive divisions, this is the case in particular given how frequently they refer to the effective, economic consistency of determinate operators in comparison to others of analogous considerations and – apparent – market visibility for a coherent, as much as it is possible, analysis of the diverse accounts and diverse revenue according to the activity carried out.

The use of financial analyses demonstrates, however, how fundamental it is to construct an initial observation specific to the area of research, addressed in this edition of the Report to the holdings and principle companies of the sector together, as well as the principle companies of the cinema industry's diverse sectors.

Such a comparison provides through its general indications a first, preliminary outline of the state of Italian cinema – without objective claims to completeness or classification – and represents an overall synthesis of the composition, with relative assets, of its supply market and its industry leaders.

Aside from the objective implications this has for the task of data retrieval, elaboration and evaluation of the considered values, the outline constitutes a concrete assessment of the level of integration and concentration which delineates the apexes of the entire industry's pyramid.

TAB. 2
PRINCIPLE CINEMA SECTOR GROUPS IN TERMS OF REVENUE

Group	Activity	2007 proceeds in euro	Result in euro	Staff
1 Rai Gruppo	P-D-S	473,722,683	13,300,454	91
2 The Walt Disney Co,	D	314,159,019	11,536,408	488
3 Fininvest-Mediatset *	P-D-E-S	255,717,000	21,644,000	528
4 Warner Bros ent.	P-D-E	252,961,021	-317,412	673
5 Paramount Motion P.G.	D	159,731,672	-14,357,665	-
6 Thomson H. Italy **	I	154,491,346	4,103,353	-
7 Kodak Italia **	I	112,531,040	822,106	290
8 The News Corp. ***	P-D	97,935,559	2,024,612	51
9 Quinta Comm, Italia **	P-D	82,328,637	799,385	58
10 Sony Italia ***	P-D	72,654,274	1,690,243	73
11 Odeon & Cinemas Uci	D	72,630,000	-2,756,622	610
12 Deluxe Italia holding	S	67,797,074	677,473	156
13 Filmauro ***	P-D-E	59,772,758	2,551,409	14
14 Gruppo Cattleya	P-D	58,114,398	3,821,086	35
15 Cinecittà Holding	P-D-E-I	53,389,571	-10,593,241	371
16 Film Master Group	P-D-S	51,866,058	-182,096	111
17 Gruppo Mondo Tv H. E.	P-D	44,698,118	-8,657,847	58
18 Gruppo lih-Lucisano *	P-D-E	44,377,740	643,896	100
19 Gruppo Fandango srl	P-D	40,713,809	410,138	-
20 Gruppo Opus Proclama	S	28,936,800	-71,856	14
21 Cinecity Art & Cinemas	E	23,376,553	-484,307	174
22 Gruppo Occhiptinti	P-D	22,724,578	391,635	16
23 Gruppo Furlan Cinecity ***	E	22,211,773	4,318,027	35
24 Gruppo Duradoni	D	21,238,925	369,583	13
25 Mercurio cinematografica	D	18,469,463	425,762	15
26 H&B-Mikado	P-D	14,626,719	342,829	26
27 Gruppo Quilleri **	E	14,295,047	1,743,728	-
28 Gruppo Circuito Cinema	E	13,074,625	-443,740	-
29 Rainbow spa **	P-D	12,625,000	67,000	55
30 Gruppo Pathé-Vis Pathé **	E	11,500,000	-	-
31 Iven-Colorado	P	10,385,808	-137,923	2
32 Film Participation	P	10,321,877	1,170,312	-
33 Panorama Films	P-S	9,681,293	8,225	-
34 Artech V.R.-Aegida	D	9,100,942	-163,005	36
35 Gruppo Giometti ***	E	7,867,731	83,819	-
36 Gruppo Sacher	P-D	7,321,237	-188,804	-
37 Gr. Poccioni-Valsania	P-D	6,659,866	36,297	24
38 Gruppo Levi	P-D	6,493,217	124,078	2
39 Minerva Pictures Group	P-D	6,324,720	-22,402	2
40 Gruppo Ripley's	D	4,894,320	219,110	4

Legend: P – PRODUCTION; D – DISTRIBUTION; E – ENTERPRISE; I – INDUSTRY; S – SERVICES

Elaborazione su dati e bilanci Cerved, Infocamere-Registro delle imprese e Borsa Italiana per le società quotate Rai, Mediaset e Mondo Tv.

* Il bilancio Mediaset è consolidato in quello della holding Fininvest ma non redige a sua volta un bilancio consolidato.

** I dati finanziari riportati corrispondono a quelli attinenti le sole attività cinematografiche (mentre il numero dei dipendenti – ove non si è dimostrato possibile ricostruirne la specifica ripartizione – è riferito al complesso delle attività).

*** L'anno di esercizio di Sony, The News Corporation (20th Century Fox), Filmauro e Giometti non coincide con i dodici mesi di quello solare dall'1 gennaio al 31 dicembre e i rispettivi bilanci vengono chiusi il 31 marzo, il 31 maggio, il 30 giugno e il 31 agosto di ogni anno. I rendiconti del Gruppo Furlan Cinecity sono relativi al 2006.

This is demonstrated by a primary, simple consideration: the value of production of only the first ten corporations which are strictly limited to cinema activity (over 2,035 million) exceeds the revenue volume which most studies of consumption in terms of entertainment and the performing arts credit, in total, as market demand, to the cinema. This entails that the economic activities generated by Italian cinema are physically and functionally far superior to how much is usually claimed.

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