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1. Research methodology

1.1 Research goals and objectives

The goal of the research concerned the study of current Georgian film industry. The following target topics were distinguished:

- Existing practice of Georgian film production
- Source of financing for Georgian films
- Advantages and disadvantages of Georgian film production (various objects/means, natural assets, logistics, staff, prices)
- Practice of Georgian film distribution (within the country and abroad)
- Capabilities regarding Georgian film performance (local and international festivals, cinemas)
- Capabilities of Georgian film development)

1.2 Research design

Considering the goals and objectives of the research people involved in film production as well as distribution were interviewed.

The research was based on the qualitative in-depth interview technique.

The research included 25 respondents: 12 film producers, 5 line producers, 3 DVD distributors, representatives of 3 TV companies and 2 cinemas.

Producers	Line producers	TV company representatives	DVD distributors	Cinema representatives
Archil Gelovani (Independent film project)	Zurab Kviria	Giorgi Gachechiladze (Channel 1)	Gela Sanodze (Sano studio)	Otar Bubashvili (JSC Rustaveli)
Levan Korinteli (Independent film project)	Mamuka Chikhradze	Vakho Maisuradze (Rustavi 2)	Gela Sanodze (Kinozavri)	Devi Gvakharia (JSC Rustaveli)
Guka Rcheulishvili (Sanguko)	Zviad Alkhanaidze	Otar Shamatava (Imedi)	Beso Gagua (Video Service)	
Rusudan Pirveli (Caucasian Filmodrome)	Eka Khvedelidze			
Zurab Maghalashvili (Sinetek)	Avtandil Dvali			
Archil Menagharishvili (Georgian Film)				
Levan Tutberidze (Nazari)				
Keti Galdavadze (Taia Group)				
Soso Jachviani (Tetnuli)				
Zurab Diasamidze (Mi-				

Fa-Si film; Animation Development Foundation)				
Misha Mshvildadze (Formula Creative)				
Giorgi Gersamia (Initiative Group)				

2. Main findings

Production

- Several years ago an active phase began for Georgian film production of post-Soviet period. Earlier, after the demise of Soviet Union the practice of film production was fragmented and unstable. Within the previous years the number of producer companies and Georgian films increased. It points to the changes in the industry and sector growth trend.
- The interviewed companies mainly produce feature and short films as well as documentaries. The practice of animation film production is insignificant because it requires specific human resources and solid financial expenses. There is an experience of making TV soap operas, however this practice is rare. The companies do not make films systematically. Their films are not divided stably in accordance with years. Hence it is impossible to discuss about the precise profile and number of their products.
- Georgian film industry envisages the first two stages of film-making: preparation and production. In particular cases the companies are able to post-produce films through digital technologies. JSC Georgian Film has a long experience and improved logistics base. It includes a special laboratory for tape film post-production. However, the practice of its use is minimal. The reason concerns the lack of trust toward the newly-established laboratory. This mistrust is caused by the deficit of qualified staff and high value of ready products.
- The practice of financing Georgian films is diverse. The films are financed by state funds distributed by National Center of Cinematography as well as by physical entities, companies and international funds. It happens very seldom when distribution channels (cinemas, TV channels) finance film production process. Sometimes the relations with physical entities, companies and international funds are described as problematic, as physical entities and companies do not consider film industry as profitable business and refrain from investment. Some respondents have not tried to contact foundations or they expect the need of much time and resources from this process.
- The sums allocated by Georgian National Film Centre represent an important financial resource for film-makers. The Cinema Center manages to assist producers in spite of the fact that the subsidies allotted by the state are not so much. The lack of finances causes dissatisfaction and the producers have to look for additional sources to make films.
- Georgian film producers have the experience of co-production, but such a practice is rare. However there is an experience of co-production through technical investments, human resource or producer's service.
- Despite significant improvement of logistics in previous years the technical resource of Georgian film industry is still limited. The existing technical resources are enough for 2 films made simultaneously. There is a practice of hiring equipment within the country and abroad as well.
- The number of professional staff is also limited. It is preconditioned by 20-year stagnation of film industry, staff disqualification and outflow abroad. Due to the lack of qualified staff and unstable work the companies have only administration personnel as official staff and hire professionals through contract terms. Among the problematic staff we can name: sound operators, visages, specialists of pyrotechnics and illuminating engineering, costume designers. Specific problems appear regarding actors as well- in post-Soviet period theatre was far more active than film industry. Hence there are more qualified theatre actors who are distinguished for too much dramatics and emotions that are unsuitable for films.

- Various objects and means that are necessary for film-making are being re-established like new Georgian film industry. Despite rich traditions of cinematography various objects and means do not exist any longer or are unused. For instance, pavilions do not exist. Requisites are also problematic. However, earlier there was a special warehouse in former cinema studio where all these things were kept. Film producers take care of requisites independently
- Natural sites and their diversity are the most important assets of Georgian film industry. 21 natural zones on a small territory, unlimited opportunity of movement within the whole year and cheap transportation provide unique advantage of Georgian film-making.
- There are problems regarding logistics but producer companies are more or less adapted with the conditions and manage to solve problems themselves. They do not consider it problematic to obtain various permissions (film-making on certain sites, blocking roads). As a rule the population is also well-disposed toward film-makers. People often assist producers to solve different problems free of charge.
- Insurance issues is relatively problematic in Georgian film industry. There are individual practices of insurance but there are not insurance packages suitable for film production and they are developed exclusively and often with the help of personal contacts. Georgian film-makers have the practice of insuring equipment. The companies do not insure actors and risks related with shot material.
- There are the following infrastructural problems: roads require repair in some districts and they prevent movement of creative group and equipment. There are few goods quality hotels. The problem of asphalt is being gradually solved. The level and volume of hotels in the regions are sufficient for only 1 or 2 films. The film producers think that this fact will create problems if foreigners get interested in film industry in Georgia.
- The expenses necessary for film-making are much lower in Georgia than in east European countries where European, American and Indian producers are actively involved in film industry. This is the respondents' opinion. Lower price is one of the most important advantages to attract foreign producers. However, there is a threat that the country will not be able to use this advantage without qualified staff, acceptable living conditions outside Tbilisi and necessary equipment to make several films simultaneously. The price is considered as competitive if it is added to the competitive offer and not on the contrary.
- The respondents are dissatisfied with the current tax legislation. Film industry is taxed like other businesses. Considering a solid financial resource required for film industry it means the necessity to pay solid taxes. The significant portion of sums allocated for film-making goes to taxes and it is a heavy burden for new Georgian film that is being developed. The producers who are financed by National Center of Cinematography are also taxed without any privileges.

Distribution

- Local cinema is the most active distribution channel for films. Moreover, some films have undergone only this stage of distribution. Cinema is the very means for gaining income. However some films may gain profit through cinema only but some others may fail to recover even only expenses. The reason concerns the lack of cinemas.
- The practice of distributing films made within the previous years through local TV companies is insignificant. The film producers do not accept low prices offered by TV channels. That's why they often reject this distribution channel. TV companies pay on average GEL 200-400 for a film performance.
- DVD sales channel is also weak. Due to the influx of unlicensed and internet products the producers often consider DVD film production as unreasonable investment. The number of DVD films is minimal as the consumers are more sensitive toward product price rather than quality. In

terms of prices pirates have advantages over legal producers. The piracy problem is acute for all distribution channels but most of all DVD producers are damaged.

- Georgian film industry has the experience of international distribution but the channels of international distribution are not properly utilized. On the one hand the reason concerns the lack of proper practice and contacts and on the other hand, problems emerged regarding access to the largest potential Russian market due to the Georgia-Russian war.

Exhibition

- Participation in local festivals is a common practice for Georgian film producers. However the number of local festivals is limited.
- Georgian film producers have a rich experience of participation in international festivals. The respondents think that the advantages of participation in international festivals concern increasing awareness of film and producer, establishing informal contacts with colleagues and using opportunity to communicate with distribution companies/agents.
- A single large cinema circuit and several independent cinemas exist in Georgia. The circuit unites 3 cinemas in Tbilisi and 4 cinemas in regions. We can say that there is monopoly in cinema industry. Film producers do not express dissatisfaction with cinemas. However, in current circumstances the cinema still dictates its terms to the produce as the latter has no alternative.
- The majority of films presented by cinemas are films made in the USA. Approximately 1/10 of total time is divided between Georgian and European films. The respondents think that the cinemas are maximally focused on Georgian films because of high demand. However, now, the number of new Georgian films is not big.

Opportunities

- The most important factor for the development of Georgian film is privileged tax system or tax-exemption. However this opinion is opposed by some opponents. The initiative advocates think that tax-exemption of film industry is linked with the intensive film-making and attraction of foreign producers. In the long run it will facilitate the development of the sector as well as promote development and popularization of many other sectors (tourism, hotel infrastructure, etc). Some respondents oppose tax-exemption of film industry, because they think that this will cause money-laundering and illegal privileges for other businesses at the expense of film industry.
- The state plays an important role in the film industry development. The state should assist the sector through announcing film industry as a priority and implementing particular activities in this direction (as in case of announcing tourism development as a priority). The state should increase financing; rehabilitate cinemas and sell them only if a new owner does not change the profile. Legislative amendments are also required.
- The producers have to establish international contacts, work with new staff members and train them through active use of assistant's institute. They should perceive film-making process as business and product to be sold. For that purpose it is necessary to calculate film productions costs properly, define target market and conduct relevant marketing activities.
- Due to the economic crisis and tension in the country the respondents assess the future prospect of their business in different ways. However, they all are optimistic toward future. The producers choose various priorities to adapt current situation. Some of them plan to narrow profile and focus on single genre films that are less costly and more prospective to be sold and others intend to diversify their activities.

3. Main part of the report

1. Production

1.1. General description of the business

According to the results of the study 2004 – 2005 is when the Georgian film production became more active since post-Soviet time which is proved by the emerge of number of producer companies and Georgian movies within the recent years.

Producer companies surveyed with this study appear to have different histories, experience and capabilities (both technical and financial). “Georgian Film” JC has the longest experience among all of the existing film producers. Except for certain exceptions this is the legal heir of all Georgian movies (short and full-length movies as well as fiction and cartoon movies) shot between the 20ies and 90ies.

After the collapse of Soviet Union “Georgian Film” had actually ceased its functioning. It had been renewed during several recent years. Now the material and technical base of “Georgian Film” is in the process of rehabilitation and re-equip. among the companies surveyed “Georgian Film” is the only company 2/3 is the state property, while 1/3 are owned by the stakeholders.

As respondents explain after once the technical re-equip is complete “Georgian Film” will have all the necessary technical resources to be able to run the needed full technological cycle for filmmaking – pre-production, filming and post-production periods.

All of the other companies surveyed are private. Large majority of them are not able to provide the third part of the film-making cycle therefore their proposal mostly involves performance of preparation and filming phases. In some cases studios are equipped with the digital technology to perform film post-production.

Companies surveyed have experience of filming both on film and video tapes. As respondents say in order to obtain best efficiency of scarce financial resources and costs of films video filming has become common and presumably this tendency will go on.

Main directions of the activities of the companies surveyed are: film equipment rental, scenario making, fund rising, full range producer services, marketing events, restoration of films (performed by only one company). Advertising commercials is one more activity for some of the companies, and more seldom creation of music videos. In some cases in large companies producer and service departments are functioning independently from each other (producer company “Independent film-project” and the service company “Independent Film Service”). Some companies have specific experience too – “Sinetek” company for instance, is the representative of “Kodak” and provides film producers with the quality film tapes.

Number of full time employees at the companies surveyed fluctuates between 4 and 20 (“Georgian Film” in an exception – 80 employees). There is a general tendency that the companies surveyed are reluctant to get the professional into their list of full time staff. The reason is an inconstant profit in film business, due to which both companies and the professional employees prefer to be contracted and be less limited. Full time employees of the company are mainly the administration staff (Office Manager, Accountant, etc.). At some of the companies there are Line Producers and production Managers as well. Usually, the number of staff is not constant and depends upon the number and scales of ongoing projects.

Companies that along with the producer services are also engaged in equipment rental and have film-making departments (“Sanguko”, “Independent Film-service”, Daughter Company of “Independent Filmproject”) are better practicing the permanent employment of professional staff.

According to respondents there are two large private studios worth underlying – “Sanguko” and “Independent Filmproject” that more or less systematically create several products during year, on full-time basis employ part of staff needed for the film-making, have their own equipment and require less technical investments from the companies inside the country.

Based on the survey data it is impossible to judge about the accurate quality and quantity of the products, as:

- Part of the companies started only in 2008 (“Sinetek”, “Nazar”) and they so far do not have any ready product. Their employees have various profiles and experience of working in earlier years though these experiences are fragment.
- Companies that function for several years are often not engaged in constant producing which makes it harder to have some conclusion on this tendency.

Georgian film producers surveyed within the recent years have made short and full-length movies as well as fictions. **The choice is made according to the most active idea, scenario, possibility to be financed and returns collected, and the profile of the company.**

Experience in cartoon making is quite low (within the frames of this study only one company is an exception – “Mifasi Films”, that mostly makes cartoons. Respondents explain this by cartoon making requires specific human resources and big financial costs. Due to this Georgian producers have happened to deny making cartoons despite the proposals from foreign partners,

“several years ago Iranians were interested if someone could implement the animated serial project as on their market this was too expensive. Their market was mostly in Europe, and the deal was to make something like Japanese animated serials for children, but it appeared impossible to find necessary resources to make it due – there was no studio to provide stable supply” (film producer),

Part of the companies surveyed have an experience in making commercials (“Sanguko”, “Taia Group” and music videos (“Mifasi Film”, “Formula Creative”). There was an opinion that music video brings little profit as music performers are not able to invest in video filming. The exception is when the video is made for some political reasons.

Very few companies surveyed (“Formla Creative”, “Sanguko”) have an experience of making television products. “Formula Creative” studio has two ongoing television serials on two different Georgian channels.

1.2 Finance resources

There have been various experiences of funding for the films produced in Georgia. There can be one or more fund resources including the funds coming from abroad. Schemes of film funding are always different though the respondents avoid talking about them specifically. Investors participate in film-making by various conditions: some of them contribute equipment and their share in the film budget is expressed in costs for equipment, ask for share from the sales, some ask for some copyright in an exchange for funding, or loans the needed amount of money until all costs are covered. There are cases when investors preserve the rights to show the product within the certain territory.

Along with the private investments state investments are also made in Georgian cinema – National Cinematography Center gives state subsidy upon the basis of competition. During the survey respondents have named several sources for the investment in Georgian film-making:

1. State subsidy (please see below).

2. Number of studios contributing equipment.

“We - contribute camera, assist and this is actually the financial participation. Then this figure is entered into the budget and we will get the interests from the sales of movie (film producer).

"I made movie "I love you baby" by co-products, "Georgian Film", "Sanguko", "Kalatozov's Fund" from Moscow were taking part, now we are negotiating with some more possible participants. (Film producer).

3. Distribution channels (Television, cinema) funding received

Georgian producers have an experience of funding from Russian and Georgian TV-channels, also from "Rustaveli" cinema. Contribution may be expressed different ways – participation by direct funding or the advertisement time, marketing costs. It is possible that the channel keeps some rights for the film or the producer returns the money channel had invested added with some profit rate (TV-company "Rustavi-2" and "Formula creative" studio; "I Channel" and "Independent Filmproject").

4. Private investment (both individual and from the company).

Usually, respondents are reluctant to name individuals who invest in Georgian cinema. Results of the study show that this is less frequent on Georgian market. Cinema is not viewed as the profitable business so the willingness from businessmen is low.

"Georgian businessmen don't look at the Georgian cinema as business, all are engaged in their own businesses. Cinema is a huge business and we hope we will show and make them invest in this business" (film producer)

"This money should be given by those who know this job and is a professional. If I knew who to take money from, after I talk to him, he may give me more that I had expected. We're talking about the lack of communication here. We don't have an institution like this, except for the cinemacenter that are going to fund us (film producer).

In certain cases respondents in order to raise private investments are trying to address those business companies whose interests might be focused to the same market where the film is targeted. Due to common market interest business companies may increase awareness however, the possibility of this is reduced because many producers may have very vague understanding who the target audience are.

Some of the respondents state that the private businesses are more active to participate in film-making rather than in sponsorship though the price for the sponsorship usually is not high (10-15 thousand Lari). Putting logo and name of the sponsor upon all materials involved with the promotion of the film through various festivals, is not that attractive for some of the businessmen though the respondents bring examples of private business sponsorship (for example: "Tetnuldi" studio)

Aim of the private business may be the share from the film profits or the increase of awareness (where sponsorship is applied). In some cases private investors may loan the money to film producers.

5. Film producer / producer company investment

One of the resources of funding in film-making in Georgia is the resources available with the producer, director or directly with the producer company. In one case new film is funded by the money gained by the producer/studio from the previous production and in other case producer may be investing his own savings gained from some other activities. In this case producer hires his friends or relatives for the key jobs and as the result they cannot even get paid their fees. As producers of such films say, the main reason for making this kind of the film is self-realization and the pleasure from the process of film-making. This kind of films are less viewed as the way to gain profits though all of the producers think in the future to start produce commercial films and become able to duly pay salaries to the staff engaged in film-making.

6. Bank loan

Experience of bank loans for film-making is very low. Partly it comes from the real negative experience of relations with the bank and partly from the pre-opinion that bank relations are not realistic as banks do not think film-making as the viable business.

Problems existing in communication with the bank are less based on the current financial crisis as like respondents say this circumstance has not changed the general environment. Film producers often cannot convince banks in viability of their business. Besides, majority of them are not able to meet the

guarantee requirements as they do not possess any significant assets (equipment, buildings). The situation is different when the co-funder (Cinemacenter or the private company) take the role of the guarantor. In this case banks become show higher willingness to cooperate.

"one of the private companies was sponsoring us and under their guarantee we applied four months bank loan which we covered once we received money from the sponsor. You always need a guarantee. If it is Cinemacenter, they are the guarantee and they give you the document that you have won this money and you will necessarily get it" (film producer)

7. placing products in the movie (product placement)

Placement of certain products in the movie is just starting to be practiced in Georgia therefore the experience too little.

8. Funding by international funds

There is an experience of international funds financing Georgian film market though this form of funding has never been well approbated. Respondents point to several reasons why in their opinion film cannot get funding from international funds:

- These funds are not accessible as the country has no country membership rights and does not pay dues. Therefore, Georgia has no right to apply for their funds (example: "Eurimages fund")
- Georgian film producers do not have enough international contacts while informal communication with various festivals and funds is one of the most important factors to get funded.

"we have no communication. One has to know people. Somebody has to bring you there. Cinematography is like home. People know each other into face when on some festivals. It is not necessary to know names. People meet with each other in various places. The road is shorter when someone is guiding you. This brings sooner results – in 2-3 years." (Film producer).

- Sometimes trying to identify such funds and establish contacts with them require more money than the funds that could potentially be brought.

"let's say the Rotterdam festival, you go there and talk to them to get them interested. You need to go there, stay, visit café, etc. You need to invest money in order to find money. And the money you spend is like 99% in vain as they will not fund you no matter how good your scenario is" (Film producer).

- Probability of finance from the international funds is viewed as low which can become the preventive factor.

"It is hard to get the financial support from funds because they file 400-500 projects each year while only four of them get funded. For instance, you need to get among the top 4 to get to the "Berlinale", we were in top 10 but did not get selected from these 10." (Film producer).

Certain part of the respondents also think that the funds granted by the local representations of organizations/funds cannot be viewed as the source for funding as they are not allocated specifically for film-making. They reason this that in order to get granted film should meet donor's priorities (like documentary film of women's problems for instance).

"depending on what the project is about, how much the plot is representing their interests. You are regarded as incompetent if you come up with the project that they are not interested in. "Jakhos Khiznebi" would have been such. They may fund a film like "Mediator" as its contents are interesting the market both here and there. They have written very well what they are interested in." (Film producer).

"we addressed several funds but they had their own plans and requirements. You have to sit and carefully consider their requirements while drawing the project and the funds are not that interesting to be worth trying" (Film producer).

"this kind of organization fund only certain directions, like movies about women, while our films are not this limited in their contents though we tried to apply to "Heinrich Boll" we knew they were funding films and as long as the main character in our movie was a child we thought we could try but we gained no funding"
(Film producer).

Respondents talk about one more weakness of getting grants from international cinema funds and various organizations – as they say, this process is goes with buaurocracy and waste of time. By the information of respondents some of the donors require that some part of the money be spent in the country that allocated grant for them. As the result, part of the financial resource goes out of the country and employs staff abroad.

Georgian film producers have experienced funding by international cinema organizations. Funds can be Russian, European or American though they often do not remember the name of those funds. There is an experience of funds coming from organizations like: Rotterdam Festival Fund, Leipzig Fund, various German funds ("Norddrainvestfalia" among them), Swiss program SDC.

One of the clear examples of cooperation with the international funds is "Sanguko" studio. Fund "Norddrainvestfalia" announces the competition twice in year, "Sanguko" has a partner studio in Germany ("Tat Film") that applied for the competition (Georgian side is not allowed to apply independently). Last year studio presented the movie "Mediator" and it was partly financed by the mentioned studio.

There is a variety of attitudes about international funding: part of respondents have never applied as they either are not aware the these funds exist or do not expect they will be funded so they think applying would be a waste of time (however they think it is quite possible to happen in future). Another part of respondents are happy for the opportunities of cooperation with funds as due to specifics and priorities of the fund they see future opportunities for getting their projects financed.

"European funds help me a lot. They gave me 400 000 EURO for one of my films" (Film producer).

"member of Rotterdam juri gave me his contact information. He told me that if they would have seen the scenario of one of our movies we would get the funding. Look how much we don't know. They could at least finance half of your film and make your work easier" (Film producer).

As the survey showed risks related to scarcity of funds and difficulty to cover the costs make you concentrate on the low budget film-making. During the study respondents were most actively referring to a movie "something you love most" that according to their information succeeded to be profitably realized due to small budget and local market orientation.

1.3 Experience in co-production

Results of the study have shown that the companies surveyed have an experience of film-making in cooperation with other countries though this happens seldom. There is an experience of contribution with technical investment, human resources and the producer services.

Georgian film-makers have an experience of co-production with Azerbaijan, Russia, Ukraine, Spain, and Germany.

"Georgian Film" has two co-produced films made together with Azeri and Russian colleagues (the last film started about 6 years ago). Georgian-Azeri project ("Department") Georgian side has contributed with the technical investment – half of the costs for the rented equipment, and in Georgian-Russian project both with technical contribution and human resources. Funds in this project were raised by the Georgian side, though from the National Cinemacenter of Russia. Project has not been completed yet.

"Sinetek" is participating in Georgian-Spanish project "Two", where technical, administrative, producer duties are performed by Georgian side while Director, cameraman and screen writer are provided by the Spanish part. Film is financed by Spanish part.

"Independent Filmproject" has an experience of co-production with Russia and Ukraine but according to the information from respondents contribution from other parties is not high. "Sanguko" has an experience of co-production with German side.

Several companies surveyed were and are negotiating on the possibility of coproduction with foreign stakeholders though at this point they think it is premature to talk about this.

There was an opinion that the co-production opportunities have been largely reduced due to Russian-Georgian war that on one hand makes it doubtful that the potential project that could be implemented with foreign players will be stable and on the other hand of only potential co-production has been blocked but the real and agreed project with Russian side ("Independent Filmservice" talks about 3-4 of such projects. Respondents cannot assess whether or not these projects have a future.

Respondents think it is important that the co-production interest was not motivated only due to certain people (directors, actors) but also by the country and its cinema industry. Some of them think that the current co-production interest is mainly driven by individual factors though this also helps to get them be interested in an environment too.

"this money was spent here. This was not a matter of fame. Nana Jorjadze for instance, is well-known and appreciated abroad. Dito Tsintsadze has friends, he knows some ways. So this was the first time when not knowing people the project started from the interests. It is vital that local environment becomes the matter of interest rather than individuals." (Film producer, "Sinetek").

Respondents underline one more factor: **there is an experience of co-production but the problem is accurate definition of co-production. There is no service that would decide whether the film is to be given the statuses of co-produced product.**

"in order to call film as co-produced, there are some points to count, what number of actors it involves, how the creative group is composed, etc., but with the ideal case that they bring money here, the rest is all ours and only 3000 GEL is needed you find out that you can't get this money as the paper says that it's competent organization that can label the project as co-produced. For me, the Cinemacenter is this competent organization but they say they are not. When you ask who, they have no answer." (Film producer).

Respondents consider it is important that the state takes part in the co-production process. It may have no serious financial support but the state participation is needed at least to underline the level of authority.

1.4 Georgian National Film Center

Evaluations of tGeorgian National Film Centre are mainly positive. By the opinions of the significant part of respondents, Cinemacenter shows maximum support to Georgian film-producers within the funds allocated by the state budget.

Georgian National Film Centre is viewed as the important source for financing Georgian cinema in light that as respondents say over the recent 20 years cinematography in Georgia was stuck. Significant part of the successful films made within the recent years comes due to financial support from the Cinemacenter.

"I have to say that the if not national cinemacenter it would be very hard to make films in Georgia because they finance 50% and this amount is real something" (Film producer).

What is not well is that the film-makers think the financial support from Georgian National Film Centre is significant but **not sufficient**. Cinemacenter is usually funding certain component of film-making so it becomes necessary to find additional funds in parallel.

"all of the films made recently are mainly based on the support from the national center, what is not satisfactory here is that they have a scarce budget". (Film producer).

"do you know how much the finances Cinemacenter had two years ago? 300 000 GEL. How can 300-000 or 500-000 covers everything, salaries for studio staff, visits to festivals, film funding? Is not this ridiculous?!" (Film producer).

"Government puts 2 millions each year in cinematography. If it was at least 5-6 millions, in terms of due policy the communication would be different" (Film producer).

In terms of little finance funds are also limited by the current tax legislation. Cinemacenter (actually the state) is regarded as the partner of film-makers they fund but at the same time film-maker is taxed in the same scheme as any other businessman would be. As a result, much of the funds (respondents come up with different figures fluctuating between 20% - 40%) cannot be appropriated by the film-maker as he turns the significant part back to government.

"whatever money comes from the Cinemacenter about 40% of it is paid in taxes. The money is already so little, why should such a big rate be paid? Something has to be changed about this Law. When Cinemacenter is your partner how can you be made to pay such a huge value added tax to the Cinemacenter?" (Film producer).

By the information of certain respondents, producers do not pay VAT for the subsidy allocated by the state budget but the tax office makes them to. As a result several years after the film is made film-maker may face the problems for not paying the VAT.

"when you get money from Cinemacenter you don't pay VAT. If you're financed by Cinemacenter for instance. One of the first films was made by Giorgi Ovashvili, two years have gone since then and now he's told he has to pay. Is not this a state subsidy? State says you don't have to pay but the certain tax unit thinks you have to.." (Line-producer) .

Respondents underline one problem in communication with the government/cinemacenter: money received from the Cinemacenter sometimes is transferred unstable, which can interfere in the process of film-making and make the producer look for additional resources. This factor will make the National Center of Cinematography of Georgia be unreliable partner.

"we were funded for the film but first I was given the half of the money, they didn't have another half – it wasn't in the budget. We were starting to work and they would have money several months later. What I could do about it is totally my business – what I want to say is this kind of things happening quite often." (Film producer).

Despite the low scales, assistance from the Cinemacenter is considered significant by even those of the respondents who could not get financing several times. Lack of finances and technical difficulties with transfers are viewed as the reasonable circumstances that make the work of Cinemacenter less effective. Beside this respondents point to other positive and negative aspects of Cinemacenter's work related directly with the work process of Cinemacenter. Significant part of the respondents have received funds from the Cinemacenter ("Independent Filmproject", "Sanguko", "Taia Group", "Tetnuli", "Sinetek", "Caucasus Filmmodrome", "Mifasi Film"), therefore they have reason to stand with their opinions.

One of the studios has a specific experience of being funded, they have won the scenario competition but they gave the money and proposed that the money would be used by the director who cannot finish the film due to financial problem.

Strong points

- Georgian National Film Centre is considered as the interested organization to help develop the Georgian cinema production and facilitate both experienced and starter directors. According to respondents Cinemacenter is trying to assist those directors as well who do not actively cooperate with various producer companies and who have to take care of everything by themselves. They are assisted to establish contacts with their colleagues in various countries, they are offered to presents their films at various festivals.

"Cinemacenter has a desire to help the starter directors. I really saw this, I came there, I knew no one and when I saw this willingness from them I decided to participate in the competition" (Film producer).

- Active communication and consultations with the producer studios, openness, active exchange of information are considered as strengths of Cinemacenter.
- Respondents positively describe the attempts of Cinemacenter to integrate with the international festivals and establish international contacts that would have helped to promote Georgian cinema. During the recent period stand with Georgian films has started to have its place on an international festivals.
- One of the positive sides of the Cinemacenter is the creation of film catalogue. On one hand the catalogue is the structured database that stores the history of the newest Georgian cinema and on the other hand everyone can find information on film-makers and if need be contact them. This is especially important for the starter directors who most of all suffer the lack of professional contacts.

"I am regarded as young starter director and being with the great directors in the same catalogue is really important. Once the producers see that catalogue where there is my contact information, they may get interested in my works. With this Cinemacenter is working in my favor as well as in their own." (film producer).

- According to respondents differentiation of the competition directions of Cinemacenter is right, when the actor and animated films will be set separately. Along with the short, full-length and documentary films they welcome the competition for debut full-length movies.

Weak points

- Weak point in Cinemacenter's work is said to be in its weak lobbying in state organizations, lack of real gears to influence the legislation in the field (as respondents explain despite 20 years of stagnation there have been no serious legislative moves in cinema industry).

"strong point lies in the attitude to cinema and producer studios within the recent 2 years, they have direct communication with producers, they consider our opinions and tell us about theirs. And the weak point is that they can't come close to the government, can't work on the right legislation, legislation is not in line with Law" (Film producer).

- According to some of the respondents Cinemacenter is not able to set the priorities, they don't distribute money in adequate way. They sometimes even don't evaluate products in the right way.

"when the government gives 1800 000 to Cinemacenter, who then has to distribute this money, it's ridiculous. This system is doomed right from the beginning. I had suggestion that government has to allocate minimum 5 millions and two full-length films should be financed rather than plenty of short movies of an unclear directors" (Film producer).

On the other hand respondents have no clear idea whether the Cinemacenter should support several low budget films or one or two large scale ones, though they also say that in terms of the existing funds Cinemacenter is unable to fully finance one high budget full-length film.

- Some respondents cannot find information on the exact dates of the competition announced by Georgian National Film Centre. There was no opinion that the information in Cinemacenter is hidden but according to respondents it would be better that Cinemacenter regularly provides information to all directors and producer available in database.

"when I come I tell them that I have this scenario and I want to apply, they cannot tell me when exactly this competition will be processed. Or they should at least register me in their database. It's not a problem to send emails today, so that all who's registered in the database receive information about the terms and conditions of competition" (Film producer).

- There was an opinion that the proposals are mainly reviewed by cinema or neighbor field professionals and with minimum participation of economists. Therefore, some of the respondents think that the projects submitted are sometimes not viewed as products to be sold later on.

"cinema issues in Georgia are solved by the creative people. Of course this is how this should be but economy issues have to be solved by finance specialists. What they say is that economists are not familiar with the specifics of cinema but then neither the cinema specialists know about some details and in the long run they don't see the reality"(Film producer).

- Respondents protested about the requirement from Cinemacenter to submit the letter of guarantee from the producer whose films are funded by the Cinemacenter. As respondents explain letter of guarantee is required by banks or the insurance companies in order to assure that the producer will use the money for purpose and provide the final product in agreed time. This makes the communication between the producer and Cinemacenter as considering the existing economical situation it is hard to get the letter of guarantee and requires additional effort and money. Besides, in their opinion, Cinemacenter should be able to define those of the producers who could perform their duties without the letter of guarantee.

"there were cases when films didn't get submitted – money was taken but the product didn't get made during years. In these terms Cinemacenter is probably protecting itself, but this is not a good way to. When you decide who to fund then you have to account that the person will necessarily make film. It is not necessary to limit them within the bank guarantee, this requires our money?" (Film producer).

All of the respondents know about the work of the Cinemacenter. Only in rare cases they say that they had difficulties to get information on the competitions announced.

Respondents feel mainly positive about the competitions practiced by Georgian National Film Centre. Terms of competition are generally acceptable and are not much different from the similar competitions in other funds. There were no remarks about the competition process but some of the respondents doubt the transparency of the process. The reason lies in low scales of the cinema industry in Georgia and tight communication between the people involved in the industry which sometimes creates the allegation that the decisions are biased:

"we know this is Georgia, sure I have no doubts about their competence but the society does" (Film producer).

According to some of the respondents Cinemacenter should be involved only in the creative part of the competition, so they should not interfere with the control of the money they were given; center's function should be to define the timeline for the project, evaluate the scenario, define adequacy of terms, but not the control over the "financial part".

Significant part of the respondents have no definite opinion about the improvement of certain points of the work of National Center of Cinematography of Georgia that are beyond the competition and distribution of state subsidy. Some respondents see the functions of national center in (according to respondents some of these function may be performed but not efficiently):

- Establish contacts with various international film-makers, marketing companies.
- Define the policy of Law and strategic view.
- Lobby the convenient Law for the Georgian cinema industry (though the recommendations in this regard are quite vague and are mainly related to the review of tax issues).
- Conduct permanent studies and monitoring on capabilities and opportunities in Georgian cinema.
- To the best extent possible help companies to develop.
- Organize re-training of staff as according to respondents due to 20 years of idleness key cinema staff suffered dequalification.

1.5 Strengths and weaknesses of film-making in Georgia

1.5.1 Equipment

Georgian cinema industry has scarce technological capabilities, though over the last two years time there is a tendency of improvement and streamlining in material and technological assets. As respondents explain few years ago equipment was a huge problem now most of the equipment can be rented locally.

Companies with more or less acceptable technical base: “Georgian Film”, “Independent Film project”, “Sangamon”). “Senate” has some type of the equipment.”

“Georgian Film” JS has most streamlined technical assets. They are the only company who have high quality camera. “Georgian Film” owns the only post-production laboratory which is planned to be finally equipped by the end of 2009. By the preliminary estimation of respondents “Georgian Film” has the potential to become the largest player in the industry with the best technical assets.

Unique offer from “Georgian Film” at the moment is:

- Film scanning;
- Development of film (and digital conversion);
- Special effects during the shooting;
- Voice record studio the only one in south Caucasus in Tbilisi.

“Georgian Film” offers: rental of necessary equipment for film-making (movie camera, digital camera), also the post-production – negative film development, tale-cine transfer, film scanning i.e. conversion into the electronic version, voice recording, editing, color correction. **“Georgian Film” cannot perform the back transfer from digital to film and print on the positive.**

“Sangamon” and “Independent Film project” have more or less well equipped technical facilities. They do not usually need to rent many of the equipment though this happens sometimes. As representatives of these companies explain in case of more production they would be able to by the equipment they have to rent now but for very few movies now buying the equipment would not viable.

“we rent part of the equipment in Ukraine. We are now purchasing the equipment and if everything goes well and the production will increase, by 2010 we will have sufficient base so that there will be no need to rent. This will make us more attractive for foreign partners.” (Line-producer).

“I have everything for filming but there are things that I need to rent, like cranes or the tools that are not applied very often, you may need them just once or twice in year and they are so expensive that buying them is not worth” (Film producer).

“Independent Film project owns the modern voice record equipment which according to respondents is the deficit in Georgian cinema industry. Rest of the companies have an equipment needed for the certain phase of movie making (like the diet station) so they necessarily need to rent equipment.

Due to upgrade of equipment there are more cases of cinema equipment rental inside the country. Cooperation between the film-makers in this regard is a common behavior, including the rental by large producers. Georgian producers have also an experience of bringing equipment from abroad.

Respondents who do not own equipment mainly think that this is the priority for the producer companies. Most of them plan to improve the base, the other part don't think about the purchase perspectives as they think that the producer company does need to own technical resources for film-making. Not only that it is expensive for them but also the unreasonable investment as the producer company may not be able to fully get use of it which is necessary to cover the costs.

“equipment should never stop working, cause when you're making only one film it's better be rented and you pay just 30 000” (film producer)

"I have nothing against the idea that the producer company owns its own equipment, this is not financially viable for us. I can come to everyone who has equipment in Georgia – or offer them a share or directly pay. Mostly, they take the share. I take equipment from "Sanguko", sometimes from "Independent Filmproject", we cooperate with "Georgian Film" as well. If I had to make 3-4 films per year or 2 serials I would know I have to buy equipment. Then it would have covered its costs, but things are not like that" (Film producer).

"I prefer to have intellectual studio where projects, scenarios are being created and then start to rent all the necessary equipment from the base. Purchase of equipment is not the priority for me." (Film producer).

There was an opinion that the main thing is to correctly manage the project and find financial resources, as to equipment this can always be rented at least abroad if not available in Georgia.

Opinions of respondents vary about the rent prices for equipment. Part of them take the price as granted and does not speak about it at all, the other part think the rent price is high, therefore it would be better if the owner of equipment takes the share in film-making. There was an opinion that sometimes renting equipment from abroad is cheaper than renting it here.

"If I were starting the film I would rent the equipment here. You have to charge the price affordable. I bring the equipment from abroad one week rental would cost me 3 days rental for local equipment while the foreign equipment is better." (Film producer).

Necessity of renting the equipment from abroad is caused by three key reasons: perceived high price for local equipment, unavailability of the needed equipment or the equipment is "in use". As respondents say equipment may exist but there is not much of it and it cannot provide making several films at a time (as far as they know there is enough equipment for 2-3 films which is enough for the Georgian cinema industry at this point but in case the foreigners get interested, we will have problems).

Opinions vary when talking about the technical assets of "Georgian Film". Respondents have common opinion that the technical base of "Georgian Film" is more or less complete and that the company owns a line of competitive strengths in comparison with other studios but several circumstances give ground for skepticism:

- Some of the sets are not complete which makes it harder to independently use some certain components.

"Georgian Film" has a camera with no lens. Buying camera without lens is the same as you put on your suit and go out in home slippers on. This much money is spent and we're renting the lenses." (Film producer).

"there should be the film studio "Georgian Film" and it should be the base. "Georgian Film couldn't create a base, it isn't a base if you have camera and don't have lenses, someone has only rails, someone has cart, crane. For now we collect everything and rent" (Film producer).

- There is no reserve if the equipment gets damaged.

"when foreigners come here to make a film they would not rent your equipment as there is no reserve with which they would replace it if some damage occurs, there is no chance for it during shots. They pay 10 000 a day and it's a big loss" (film producer).

Opinions vary about the laboratory of "Georgian Film" which in some occasions is viewed as the significant investment to create technical base and attract film-makers from all over the Caucasus. On the other hand it is considered to be unreasonable waste of money due to slow development of other aspects of Georgian film industry (please see below).

Respondents point several companies that more or less have strengths due to capability to offer some technical base. In this regard "Georgian Film", "Independent Filmproject" with its partner organization "Independent filmservice" and "Sanguko" were actively named. These are the

organizations that think their equipment is the competitive capability but they who are really and most intensely addressed by respondents.

In technical point of view “Independent Filmservice” should be mentioned for its capability to repair the films.

1.5.2. Post-production

Study has shown that there is no experience of filmed movie post-production in the country. Only those of the companies have post-produced locally that have an experience of filming in video format. “Georgian Film” has the post-production laboratory though it is still under re-equip process and therefore cannot be fully used.

Many of the respondents are skeptical about the post-production of filmed movies in Georgia. The reason is said to be in its newness (unpracticed) and low reliability towards it. Low reliability also comes from the lack of personnel and the high value of the filmed material.

Owners of “Georgian Film” assume that soon the lab will become fully functional as it will be able to allow perform all phases of post-production in one place (except for positive printing). Laboratory of “Georgian Film” is the only in South Caucasus so it is planning to attract Azeri and Armenian film-makers too. There are ongoing negotiations with other post-Soviet countries as well.

In the process of study there was no case when respondent completely agrees to apply post-production phase with the “Georgian Film” (especially the film development). In certain cases they think of such assumption though they still do not rely on it and talk about some mechanisms for self-protection. For instance, to invite at least one foreign specialist or cooperate only provided that “Georgian Film” participates in film-making process and does not ask fees.

According to respondents there is a high risk that the product gets damaged in the lab of “Georgian Film” even those who at this point regard “Georgian Film” as their partners. As they say, they will need additional stimulation and they have to be convinced about the quality of the laboratory even in case that “Georgian Film” will contribute in film-making process by the post-production service.

“I would not risk to develop my film in this lab, I have been in various labs abroad, like in Paris, they make you put on some cloth shoes up your knee as you go inside. They all wear rubber gloves, and their hair is hidden. If one single hair falls on the film, it can scratch. Negative films are taken care of and everything is arranged on high level. Here, there is a tractor noise down there, bricks and gravel on the first floor right where you open and shut the lab door.” (Film producer).

“this is related with some risks. If the product is not high quality I have to go see several studios, pay them and go abroad anyway. If the lab would do it for free then I’d maybe think whether it’s worth trying” (Film producer).

On top of that, some of the respondents think the investment in laboratory is unreasonable and consider that it would have been more preferred to use the resources for creation/improvement of necessary means/facilities, that are needed locally (unlike post-production which could be applied abroad).

“for the same cost they could set up a nice requisite room, wardrobe facilities or a film studio, which I am not able to do, pavilion is a place where you can make everything. Pavilion includes decoration facilities, carpentry, this is the complete structure. When I need to make voice recording, I’ll pay, send abroad and make the voice, but I can do nothing about the pavilion” (Film producer).

“who do this lab is going to provide services to? It’s good for us but how intensely will it work? It cost millions to make it. You can’t bring Europeans here, you need to first get to the quality of labs they have in Europe. Maybe just Armenians come and do something. I think instead of setting up this huge lab for three films they’d better buy good equipment.” (Film producer).

For this part of the respondents it is not clear why laboratory became such a priority in terms when Georgian film-making is suffering a lot of other problems, while films could be taken abroad for the post-production.

Opinions vary on the prices of the laboratory of “Georgian Film”. In the opinion of one part prices are lower than those in the developed countries, while another part the other part think that developing film in the “Georgian Film” lab does not cost little. So they prefer to pay some more and be secured that the product is safe. **It can be said that in this component producers are less sensitive towards the price, as we are dealing with the filmed expensive material. Therefore, offering lower price, for those of the respondents who think the lab pieces are not competitive would not motivate them to apply to the laboratory.**

“the price isn’t that low so that it would be worth making it here, so if I’m paying this much I prefer to be better secured. Moreover that the price isn’t competitive enough to be worth trying” (Film producer).

Respondents do not doubt that the lab of the “Georgian Film” will be high level, but some of them doubt the professionalism of the staff there. Besides, low figures of film-making make the price be higher as otherwise the equipment will not be able to cover the costs invested. There was an opinion that the lab cannot be engaged only with local orders and it is less expected at this point that the foreigners will get interested.

The way respondents see “Georgian Film” could erase the unreliability is to run at least several successful projects to ensure high quality of service. None of them wants to be the first to try.

Today, mainly Czechia has an experience in post-production. Turkey, Switzerland, France, Germany, Italy were also named. Selection of post-production country mainly depends on the price, “taste” of the producer, individual attitude. **Due to high quality service and acceptable prices Czechia gained most of the popularity.**

Processes taken abroad are mainly related to: color correction, sound recording and Dolby systeming, sometimes film scanning and copying. Usually, here the film gets edited, sound cleaned and then the material is sent abroad.

Significant part of the respondents have an on-site edit facilities, and for the sound record they are often made to outsource. In certain cases producers take all the post-production process abroad (initiative group that only transferred the record from camera into computer and did the rest abroad).

According to the information from respondents film made in video format can be post-produced here too, in several studios (“Independent Filmservice”, “sanguko”). The whole process of animated film creation runs in the studio where the filming is done – post-production is made in the place along with the filming.

Some of the companies surveyed are capable to prepare the sound for Dolby system (“Independent Filmservice”, “Sanguko”). The whole process is not organized in Georgia as nobody is licensed to do so. Dolby licensing requires:

- Significant financial resources to acquire the license;
- Meet high technical standards that need to be under constant control;
- Staff, licensed to do the job.

In the process of survey there was an opinion that it is impossible at this point to meet these requirements.

“you need to have relevant standard equipment, have people licensed to do all this. One more person to check what you’ve done. Then the recorded CD is taken to get the sample part (300 meters) on the optical tape. Once everything is well you are permitted to have “Dolby”. Imagine we’ve done the hall, we need to call someone from abroad to work there. They don’t have the CD printing lab here. You just buy negative here, then you take it to some other country, they’ll how it’s doing and then permit you release it. Making the hall makes no sense unless you have professional and the relevant lab” (Film producer)

Post-production place depends on the product carrier and the potential market for which it’s being producer. Films for inner market are mainly made with video/digital equipment and they can be post-produced locally. In terms of financial scarcity and development of digital technology video filming gets more and more actively practiced. According to respondents this tendency will go on. Those of the producers who manage to get the film on tape would most likely prefer to develop the film abroad.

Streamlined material-technical base is viewed as the necessary factor to help develop the film industry not only within the country but also to make it be internationally attractive. During recent years despite the improved technical basis even in terms of slightly more intensive film-making problems are expected in technical sufficiency point of view which according to respondents will reduce the attractiveness of the market for foreign producers.

"if they'd want to shoot 10 films in Georgia at this point, there is not enough equipment for this, neither people and nor the Law, so they'd need to bring everything along and this isn't convenient for them" (Film producer)

"equipment has been eventually added but it's like, both equipment and people are hardly enough for two film launched in Tbilisi, say when film is being made in Azerbaijan, equipment and people went there so that we lacked resources and we couldn't start the third project so we had to wait before they'd come back" (Film producer)

1.5.3 Staff

Staff is one of the most problematic issues in Georgian cinema industry. Like with all other study items respondents are diverse in their opinions on this issue. Part of them talk about the high professionalism of Georgian film-makers while others insist that due to 20 years of setback in the industry, specialists have suffered dequalification or left the country. All agree that number of professionals is not enough. On the other hand lack of staff and non-consistency of the work can be explained by the practice that part of the studios hire only the administrative personnel and hire the specialists upon the contract basis.

Despite this situation, intellectual resources are an asset which most of the respondents think is the most competitive strengths of their company. In few cases this may be expressed in "exclusive staff" they who do not work in some other place too, though more often this strengths is underlined mostly in regards with the more flexible selection of staff (some express this with the phrase: "I invite only professionals for the project").

Number of people employed for one film fluctuates depending on the profile and the budget of movie. According to respondents, to make one full-length film number of needed people makes average of 25-70 people (not including actors), (in certain cases this number goes up to 100). Considering the duration and scales of the project apart from the creative group, project employs staff of various specializations – administrators, drivers, painters, security, executive directors, etc. As respondents say, it is impossible to economize on the budget on the account of some type of personnel as film-making without them is impossible, and producers and directors take decisions if the project can do without some of the personnel (like various types of assistants) and so reduce the number of employees.

In case with documentary or short-length films number of personnel is relatively small. This on one hand is caused by the specifics of the type of film and on the other hand by little budget. There was different opinion too that short-length movie require the same amount of people as full-lengths, only the filming time is shorter.

As respondents explain, despite the different specifics, production of serials requires less resources only in case if the scenes are shot in the interior, as shooting outdoor is described the same as the full-length movie ("everything is the same, the tape is different").

Some respondents said that number of staff increases when the film gets transferred to tape, as camera requires more and better experienced people.

To make 3 minutes long animation about 15 people are being employed – artists, script writers, directors, composers, dub in actors, IT specialists (only one respondent had an experience so it is impossible to talk about the tendency).

Part of the respondents talk about the need of highly professional staff in film-making. This refers to actors and directors, as well as to technical staff. Besides, according to some of the respondents, this

staff can become one of the strengths of the country on the international market (especially directors and actors who as respondents say in terms of relevant “raskrutka” promotion can compete with their west colleagues)

“they are talented people, directors are very strong. There are plenty of human resources, some come from theatrical institute, many of them are self-taughts, we always learn. When 3 people come, one of them always appears good enough to delegate a group and it’s really important. In this small country there are many people who want to make movies” (Line producer)

There was an opinion that number of professional edit operators has increased in Georgia. So Georgian film-makers more and more prefer to edit their film in Tbilisi (however, there still was an opinion that number of professional edit engineers is limited). Same with the professionalism of Georgian operators, second directors and artists.

According to another part of respondents, human resources in film industry of Georgia are quite scarce. Study shows that when making films, same technical staff gets employed. This is explained by the lack of qualified staff. Lack of staff can reduce the attractiveness of the field as according to some respondents, foreign film-makers don’t think it is worth to make film somewhere where you need to bring the technical staff.

“it is necessary that at the start point staff for about 4 films was available. Today we are able to create: one complete group, two groups with flaws, creating three is impossible, needless to talk about four” (Film producer)

We can work on two movies in parallel, that’s outmost” (Film producer).

One more factor that causes same people to be involved is the experience of style of their work and the proved team work. On the other hand lack of personnel can make producers hire various people for making several films – due to lack of professionals producers are made to hire those of the specialists who at the moment are free. Usually, same people are working in technical group, while the creative group is more rotating.

Film producers have different experience with the actors. Part of them says that actors change with the projects and there is a wider option with them rather than with the technical staff. According to another part of respondents there are actors who permanently appear in the projects of certain producer company (Levan Doborjginidze in “Sanguko” films). This is caused by the individual favor towards the actor or their idea that the number of professional actors is small.

Problematic staff named are: line-producers, light operators, visagistes, wardrobe staff, pyrotechnists, sound engineers. Sound engineers are said to be most problematic, so there are instances when for this foreigners were employed.

“there are 2-3 young people, who have some experience but this requires more knowledge and one has to have that equipment to get all this into Dolby. It’s not that easy, this is done later in Prague” (Film producer).

“there is no staff with the relevant education and equipment. There were attempts to teach within the frames of couple of Swiss projects but they didn’t want to. They brought equipment, people, there were lessons and practicing courses but there was no interest. There is only one person who who did the last project “Conflict Zone” through and he’s done a hard work. This is the first project where the sound was completely made by Georgians” (Line producer).

Lack of sound professionals causes the high price for the service. According to some of the respondents bringing them from abroad may cost less than hiring the local. There are cases of bringing sound professionals from Czechia, Iran, Ukraine. They come with their own equipment.

Respondents have also underlined lack of professional staff needed for the animated films – these are script writers, directors and artists. Reason lies in lack of relevant experience. With this reason making full-length animation film at this point is considered impossible.

Based upon the results of the study we may point to several factors as reasons for the lack of professionals in Georgian film industry (both technical and creative), namely:

- Re-train of the staff cannot go along the permanently improved technology.

"cinema has gone forward. Technology we're bringing now, there are no specialists for it in Georgia" (Film producer) .

- Due to 20 years setback and unstable film-making technical staff lack practice to grow professionally.

"we don't have strong make-upers, neither the pyrotechnists, trick performers, all this has lost. They have no resources to learn. For instance, pyromen have no explosives. We used to get them from the military base before, now they don't give them anymore" (Film producer).

"film industry is the toughest chemistry, large factory that has to work non-stop. Georgian film-making has stuck for too long, and we lost the whole generation. I don't believe that you can make something valuable after 20 years of idleness. Professional mundane does its job." (TV-company representative).

"there is no school in the country. Well, there is but it's mainly teaching theory, which goes nowhere. Today we're talking about the self-skilled talent, not about the trained professionals." (Film producer).

There was an opinion that technical staff in Georgia was a problem even when far more film were made. The reason according to respondents is the ambitiousness – they who were involved in film making preferred to occupy more intellectual and creative positions rather than professionally perform the technical job.

"Russia lacked creative staff but they had masters of their job, I remember operators going to Russia to order the special lenses as here was nobody to make this job. They preferred to pay more there than to learn here, ambitions always prevailed" (Line producer).

To raise the professional staff part of the film-makers do this: within the frames of the project they are trying to supply assistants to professionals. Successful assistant is able to after 2-3 projects take over the basic position. "Independent FilmService" is actively applying this method.

- Due to 20 year time setback in Georgian film-making actors have higher qualification of theater rather than in movies. Dramatism and emotions necessary for the theater actor are not attractive in the movie.

"one time there was the problem that only theater was working and actors then couldn't easily adapt. Dramatism that is good with the theater is absolutely unacceptable in movie. We also preferred to engage non-professionals as they were more at loose" (Film producer).

"we have good actors but the problem is that they aren't busy with movies. So all the actors have become a little too theatric. There are many good actors, but for the theater, theater actors is playing with emotions and we don't need this" (Line producer).

In this regard respondents are talking about the betterment which they explain comes due to more Georgian movies and serials made – as they say at least serials make actors permanently be in "Movie state".

There is a diversity of opinions about the staff responsible for logistics and organizational-administrative issues. On one hand, along with more producer companies emerged, respondents talk about the raise of this culture and on the other hand they say sometimes there are problems with time management and project costs which may be caused by the miscalculating of costs or overuse of project funds. Like other key staff needed for film-making these specialists also need re-training and more practical experience however, they still think that if other risk factors get reduced they are capable of both provide services to the grown local market and the international film-makers.

Staff is generally less regarded as factor that can become attractive for foreign film-makers. Besides, there was an opinion that some of the technical staff need to be invited from outside the country which can become one of the preventions for the film-making as according to respondents all staff except director, producer, operators, art directors foreign film-makers expect be here.

In regard with attraction of foreign film-makers respondents think directors and actors are more significant though it was said that involvement of actors into international project may be less possible due to language problems.

Lack of qualified staff and the expensive technical facilities create specific communication on Georgian film market. Besides that because of the low scales of film industry in the country film-makers that in theory are the competitors are in tight communication with each other and often friends. They consider each other during the work process too in order to provide “optimal” distribution of technical and human resources available on the market.

“I can’t refer to other companies as to competitors as there are not many of us and we’re working in accord with each other. We have very good relations with all of them. When one company is doing something all of the companies are somehow involved in the work process, either with equipment or some other way”. (Film producer).

Respondents underlined one more factor: within the recent period, time for filming is no longer than 30-40 days (including hard access places in Georgia where the movement is relatively harder and equipment is not easily transportable). This has two reasons – lack of financial and human resources whose work is preliminarily booked by various companies.

1.5.4 facilities

Many of the places and facilities likewise Georgian film industry is just being created. Despite the rich traditions many of the places / facilities do not exist anymore or are broken and out of order. Respondents have stressed upon:

- Lack of pavilions.

According to respondents the pavilion of the territory of the biggest studio is now destroyed and not functioning. As respondents explain large part of the film studio territory has been given away or simply destroyed. In fact there is possibility to build and use some large pavilion. However, there was another opinion too that “Georgian Film” has managed to restore its material-technical base due to realization of building from their property.

“Sanguko” and “Georgian film” own relatively smaller pavilions though part of the respondents are not aware of that.

Therefore, the experience of the use of pavilions is low. Georgian film-makers mainly use nature and interiors. Aside from the low size of pavilion, frequent use of nature places is reasoned by the wide choice of such places and low transportation costs.

- Lack of requisites needed for the film-making.

According to respondents places/facilities of filming were concentrated in “Georgian Film” film studio, but the rich stores of the studio have been destroyed in post-Soviet period. Directors and producers have to by themselves find now antique items, create outfit, etc. Beside that creation of requisites requires financial resources some of them are impossible to be created or purchased.

“if for instance, I need “Kalashnikov” I can’t make it can I? we need vehicles – old ambulance car and we hardly found it in Gardabani, who needs these cars anyway? Can’t we buy some for a cheap and have them? (Film producer)

“all kind of requisites have been lost, costume studio, huge archive. All this has been created bit by bit, or you have to rent. We visit junk stores and buy stuff. Film studio had about 40 rooms before where you could find 19 century clothes, modern clothes, even the crusaders clothes. All had disappeared” (film producer).

1.5.5 Natural assets (locations)

One of the most significant assets of the country is the abundance and diversity of places for filming in nature. For the local film-makers this creates wide option of places for filming and which is most important for less costs. Opinions vary on the idea whether the country's natural assets create competitive strength on international market.

One part of respondents view these assets as the most significant competitive strength. In their opinion "compact placement" of nature – 21 zones within one small country make it attractive for the foreign film-makers as long as this significantly reduces the transport costs and the necessity to rent pavilions.

One more attractive factor is the ability to work at any part of the year. Unlike Russia where making films in the winter time is a problem, most of the places in Georgia are easy to access all year long.

"Georgia is attractive due to its places. We have even deserts, we have sea, mountains and absolutely everything you need for your movie. In summer when it's very hot here you ski in Svaneti, you can adjust to any plot – even the desert, river, sea, steps, forest" (Film producer).

"landscape allows you do anything you want, you have everything. It's easy to move around, distances aren't long and you can process the shootings even in winter. It's a big problem in Russia" (Film producer).

"there are all types of exterior in Georgia: mountain, snow, sea, forest and valleys, desert, historic monuments. There is one swamp forest good for mystic movies. Long story short, geographic location of Georgia and its natural resources are excellent exteriors to make any kind of movie" (Film producer).

Respondents underline one more factor: natural assets where you can hold your action are mainly free which can be viewed as one more important component for the competitive offer to foreign producers.

There was different opinion too that in comparison with other countries the nature of Georgia is not attractive for the film production and the significance of this asset is exaggerated:

"I've heard we have nature, nature is everywhere, let's not fall into illusions. If somebody wants to film Sahara desert how can Georgia be attractive? Why would they want to come here and pay money in the hotel? Neither we have professionals" (Film producer)

"nature is an asset of course but there are better places. What nature gave us is 10%. What matters in the first place are human resources." (Film producer).

1.5.6 Action/logistics

Compared to other problems in film industry action/logistics are viewed less pending. Despite some difficulties, producer companies are adjusted to the conditions and are via formal or informal mechanisms trying to overcome these problems that may occur in the process of film-making. Producers and personnel working in the action spot manage to more or less successfully combat the obstacles though along with the growth of the industry and interest from the foreign producers logistic problems are expected to get increased.

Insurance practice

There is absolutely no culture film-making insurance in the country. Insurance companies do not have such packages. The existing insurance market is not considering the risks related to cinematography. There are examples of insurance though generally, insurance product is not adjusted to the film industry as according to respondents insurance companies regard film industry as the risk added sector.

Some of the Georgian producers have an experience of equipment insurance (one company even has the sound insurance). There are two ways: you have to insure equipment on-site, where it comes from or

in Georgia. It is hard to organize this in Georgia as it requires creation of exclusive insurance package which can be obtained due to informal negotiation with the insurance company. Insurance is mainly requested by the side from which the Georgian side rents equipment. For some foreign companies this is the necessary condition.

"representatives of the insurance companies cannot realize what you're telling them. They used to deny insurance of camera before, now it's possible" (Film producer).

"for example, one of the local producing companies brought lens from Germany for our project. They were asked for insurance. This appeared impossible. Then Daughter Insurance Company of one of our sponsors provided insurance. This wasn't usual product for them but we did it somehow. This will probably develop, because it's necessary" (Line producer).

Theoretically, insurance of equipment in foreign countries is thought to be the simpler procedure though in fact, the insurance company may not agree to insure the equipment in Georgia due to unstable environment and not very high international reputation of the country. Sometimes equipment insurance in foreign country goes easier if in the production foreign side is participating but even in this case denial would not be unexpected.

"the situation here is that the insurance company would not agree to insure the equipment that will be shipped to Georgia. It is not worth for them to risk this expensive equipment. For example, not long ago, two Americans visited and the first thing they asked was whether we have the evacuation plan if the war starts. I laughed but this is how they look at these things." (Line producer).

There is no experience of insurance of actors in Georgia. In certain cases actors are insured but as an actors, as an ordinary people without consideration of the specifics of their work. In case of some accident with the actor, film producer may have to throw all the filmed material.

Film producer is also unsecured in post-production process – in case the tape gets damaged it is impossible in Georgia to get compensation for the costs. In this case apart from low insurance culture we are dealing with low evaluation of the film: it is not defined how the asset on the tape can be assessed.

"there is no mechanism for evaluation. Say, the tape has burnt. They can't tell me what I have insured – film or the money I had spent for filming. They can insure like this: film costs 550\$ and that's what they'll pay" (Film producer).

"say, the actor has died during the action shots, while you have already filmed half of the movie, what can I do? Electricity may turn off in the lab, something may break or water stops running, none of the labs are insured against this. What if 300 meters get damaged during the film developing, there should be some insurance mechanism to be able begin the film from the start. There must be some mechanisms to shoot the scene again (Film producer)

Respondents link the development of insurance culture directly with the development of film industry; therefore creation insurance packages would have been a matter of time.

Permits

Generally, applying for various types of permits is not a problem. This is equal in regards to whether it's the street blocked or some private or state building filmed. Respondents for getting permits apply both formal (application submitted to relevant state agency) and individual contacts.

Sometimes in order to get the permit for the road block or the site filming some money has to be paid, and sometimes verbal agreement with certain people is quite enough. As the study has shown the money to be paid for the permit is not fixed amount, depending also on the type of the street to be blocked and tightness of contacts.

Shooting film is permitted in various places (except for state owned places) and is mainly free. Moreover, if necessary to avoid any possible wrong occurrences patrol car may accompany the film group.

"we write letter to the patrol police and we, this company is filming this project and we need your help and they help. If the street is to be blocked in order to avoid mishaps one car remains with us secure order (line producer).

"in some other place even for taking video in the street they may come and charge you a fine, even in this we have support here" (film producer).

Only in certain cases it was said that blocking the central street may be problematic because of the inaccuracy in the procedure.

Respondents cannot think of some other types of permits.

Usually administration does not mind the film group filming. The discontent comes only if in the place of action there too many people or machinery. According to some of the respondents this will work this way until industry gets on its feet. As soon as film-making becomes the viable business it is expected that they pay for the permit of work in certain places:

"places we choose are at this point very cheap, we pay almost nothing though during the process there are phrases coming like: you brought 80 people? What a lot of stuff you've brought, if I had known this, I wouldn't have let you in. This word will travel around and then nothing's free" (Line producer).

In the process of filming communication with population is not going to be the problem. Moreover, people are kind and motivated to help the film-makers. Respondents partly relate this with the cultural specifics of the country, expressed in open communication and willingness to establish contact between the two people who had not known each other before. People are just warned if the filming has somehow something to do with them. There are plenty of services for which foreigners pay a lot of money and those services here are free. It often happens that even those who stand very far from the film industry help the film-makers and allow them use their facilities. In case of emergency Line-producers easily find solution.

"we needed to film one building and we found that the electricity was cut off, you can ask the neighbor how and they'll not say no and help you extend the power. If you do something like this abroad they'll call police. If you ask people in the street to help you with the filming nobody will reject you. There was a case we needed "Jeep" and we asked absolutely unfamiliar person to give us his car for a week. And he did it absolutely for free" (Film producer).

1.5.7 Infrastructure

Unstreamlined infrastructure in the country makes it harder to organize filming and creates even more problems in terms of attracting foreign producers. Local groups are more or less adapted to these conditions and even in these terms they manage to perform their job but it is expected that in case of active interest from foreigners infrastructure obstacles may become a serious problem. More than that, positive factor of close vicinity of diverse climate zones can be largely neutralized by the infrastructural discomfort. Problems mainly come from:

- Bad roads in some regions which interfere with timing and costs of the film group transportation.
- Little number of hotels that are quite enough for local producers but still are low quality (accommodation, services).
- Lack of toilets which is not probably in direct relation with film-making but creates inconveniences.

Within recent years road covers have significantly improved though in some parts of the country (especially in mountainous places) transportation of the group still is a hard task.

Bigger is the problem with quality hotels and acceptable prices that in one certain place have to host tens of people. According to respondents it is common for Georgian film groups to perform job in "wild conditions". Locals can easily stay in tents or the private houses but the situation is different when dealing

with foreigners. There was an assumption that without the due conditions it is impossible to attract foreign specialists, and provision of train cars would not be an attractive perspective for them.

"there are obstacles and sometimes in the most interesting places, for instance, when film was being shot in Davit-Gareji they were made to live in usual houses, even with toilet problems. This is the serious weakness" (Film producer).

"foreigner will bring equipment, actors and that's it, if you don't prepare a place to stay and make them live in tents or somebody's home, they will not stay. They prepare relevant places for the there, everything that a film group needs. Come to Georgia make a film and we treat you with good saferavi, this won't work this way" (Line producer)

1.5.8 Competitive price

In spheres point of view prices for various necessary services are nearly equal.

In global world angle prices on Georgian film market are viewed as low, though the opinions on this are diverse, whether how much will Georgian film makers be able to take advantage of this strength.

Low prices are the main thing with which Georgian film makers plan to attract world film industry. Compared to Eastern Europe countries viewed as main competitors, prices here are low:

- Staff for film projects (both technical and creative).
- Various facilities and means.
- Transportation (due to small size of the country and compact location of action places) and food.
- Permits and filming of various places.
- Processes of filming and post-production.

There is the diversity in opinion about the rental of equipment and hotel prices – one part of respondents think the prices are low and the other part say the prices are high.

Competition on Georgian market according to respondents significantly increases the growth tendency in eastern countries of Europe where foreigner actively bring their production process. In this case over-evaluation of the country image as of the film-making country, pushed by the desire to get benefits, might be quite a risk.

"prices are nearly equal but we're trying to set our prices against our competitor countries and charge about 20-30% less in the beginning" (Film producer).

"at some point American and European studios will start to produce here, like it's now happening in Romania and Poland. But the prices are increasing there and they'll come to us, if we don't break everything. There is a tendency here already to ask for European fees" (Film producer).

"making film costs very little here. It is one fourth the same cost in Russia, which is reasoned by high salaries there" (Line producer).

Part of respondents are skeptical about the idea of attracting foreign producers as **competitive prices should be accompanied by the competitive offer in the first place, which implies:**

- Qualified staff;
- Necessary full sets of tolls (including the possibility of running two films at a time);
- Acceptable accommodation both in Tbilisi and outside.

"they often say that the labor is cheap in Georgia, maybe the porter works for cheap but there is no specialist to install lights. Many of them haven't seen recent technologies. They say we have sun, Bakuriani... but they don't have people" (Film producer).

"if I were able to buy something for the lower price I wouldn't buy because I prefer to pay more and buy high quality. That quality will let me gain more profit in future. This is the way foreigners are thinking too."
(Line producer)

Most significant aspect to make competitive offers according to respondents is to increase the number professionals. One more factor that prevents the international attractiveness of the country and probably neutralizes the attractiveness of low prices lies in conflict zones and the war with Russia.

"whatever attractive we are, even if they offer you filming for free and assure you there is nothing to fear of, would you go to Gaza Sector to make a film? Same is the attitude towards us, unless the situation is stable for 5 years" (Line producer).

"we were planning to hold presentation by the end of August, plan sightseeing for guests, send presentation for Bollywood studios. Apart from this we had contact with Hollywood as well who we kept on assuring to come make film here. Right then the pilot free jet was struck down, and they changed their minds" (Film producer).

In terms of attracting international producers Czech Republic, Bulgaria, Romania and Poland (rarely Morocco and Egypt) are considered as competitors for Georgia. In these countries the producers from the USA, Europe and India actively work. Georgian film producers hope that they will be able to compete with these very countries if appropriate conditions are provided.

Some respondents do not exclude the possibility to attract Russian producers as in Russia film industry is quite costly. Some respondents even talk about active involvement of South Caucasus partners.

Respondents talk about the cases when foreign producers get interested in film-making in Georgia. However, mainly such initiatives are under discussion or they are hindered by the conflict situation in the country. Hence, they try to avoid the relevant information delivery.

1.5.9 Applications

One of the preventing factors for the development of Georgian film industry as some of the Georgian film-makers say is high taxation. Film production is levied same size as all other businesses. Taxes that can be more or less adequate with other businesses, for film-making is viewed as ultimately high as on one hand industry is just starting to develop. On the other hand, due to high costs for film-making tax rates get extremely high.

On the other hand, some of the respondents stand against this argument insisting that the taxes for film industry are high. They relate this attitude to the idea that cinema often is not regarded as business. Inaccurate calculations in the process and care to sell product only after it's created puts film industry in line with any other business suffering the same.

Part of respondents point that the high taxes make the film-making be expensive right in the beginning as well as makes the price that Georgian film-makers offer to foreign partners, go higher, therefore taxes might cause in losing many potential partners. Respondents do not object that tax legislation in Georgia might not be tougher than in many other countries but it has hard impact on the weak industry.

Especially hard is the value added tax. Respondents are more informed about this tax and talk more reasonably about it. Ideas about other taxes are often more fragmented, and the part of the respondents have no information at all.

Costs for projects and prices for some services are mostly increased because of the value added tax which makes 18%. As respondents say value added tax the significant part of resources from film production budget. Producer can appropriate only 4/5 of the money, so 1/5 in terms of what the budget is, comes to be significant loss.

"when you need million for a film, you get only 800 000 and that's what you have to do with. Then you don't know when you're going to get million out of the Georgian movie as there is no market for it in Georgia" (Line producer) ,

According to respondents when Georgian territory Georgian film producers provide services to their partners their services are taxed with 18%, but when the place of service is some other country and the service customer is foreigner, Georgian producer is exempt from VAT. As respondents assume if producers are exempt from this tax when providing services locally, this creates the basis for the country to increase its competitive potential.

"exemption from VAT will give us an additional gear to overcome foreign competition. We win due to low cost labor, geographic location that many kinds of climate are located very close, sometimes producers are made to travel in various countries in order get the Alpea zone and desert filmed together in one movie. We have these but VAT is putting the price up" (Film producer).

"if they adopt the Law that the companies are exempt from taxes in the process of creation we assure you there'll be a line of companies wanting to make films" (Film producer)

"if our consumer is the Georgian residents it is not that painful as he counts this VAT but if it's foreigner we get him pay but he cannot count" (Film producer)

Taxes in case the producer needs to rent facilities and equipment from various individuals make trouble too. As respondents explain, it is expensive to draw contract with individuals as this implies both value added tax and the income tax.

"car rental, action place rental, accommodation – all these are arranged with the individuals. You can get paper only when you hire a camera, equipment from the company. In all other cases (70%) you rent everything from individuals and you have to pay 25% more, which is quite a high figure" (Line producer).

Opinions of respondents vary about the income tax. Part of them think the income tax is the added price that makes the project be more expensive., as for the other part differentiating people professional or some other factors is not reasonable.

"you can't split income tax by the spheres. They still need to be unified, it wouldn't be correct to tax Rustavi factory employee with 20% and actor only with 10% just because he's an actor." (Line producer)

"as for the income tax I don't support the idea of privileges in this regard. This is the money that goes to our pension fund. It wouldn't be correct that get my pension from funds filled by someone else" (Line producer)

As for the profit and property taxes respondents tell least opinions, though they still say that these taxes are high too. Profit tax is thought less problematic for as producers say there are not many films in Georgian film industry that have brought profits.

Frequently the respondents do not properly know tax legislation and provide only superficial information regarding particular taxes. However, they know that all the taxes they pay cause growing prices in their expensive industry, as the sums to be paid to the state are quite solid. Hence, the state should ensure optimal working conditions for them.

The tax-related problems do not only concern local professionals employed in cinema industry. The relations are unregulated regarding employment of foreign staff as well. According to the respondents while employing a foreign specialist in Georgia certain problems emerge if the bilateral agreement on taxes does not exist. In case of such an agreement the tax is paid in one country and the tax difference- in another; otherwise the hired employer will have to pay taxes in both countries.

"As a rule a bilateral agreement is signed under which one side pays taxes. If such an agreement does not exist both sides are taxed by their own countries. For instance, if I invite a foreign actor, his salary is taxed like a salary of Georgian actors I hire. If the bilateral agreement does not exist the foreign actor will have to pay relevant taxes in his home country as well." (Line producer.)

Regarding hiring of foreign specialists the respondents also focus on the following factor: the company has to pay VAT amounted to 18% and 10% income tax during the foreigner's first 165 residing days in Georgia and 20% income tax after this period. Considering the fact that the sum paid to foreigners is quite big for local reality the producers perceive the relevant tax (20%) as too high. Employment of foreign specialists for over 6 months means that after this period of time the producer will have to refuse the staff service or raise project costs.

The respondents reckon that foreign producers should regain certain portion of the sum spent in Georgia or those who employ local staff in film industry and use local infrastructure should enjoy tax privileges in order to raise the image of Georgian film industry.

"If anything changes in terms of tax system, I am convinced that serious companies will arrive and make films here. For instance in Prague Polanski made a part of film "Oliver Twist." They constructed mini London, It was cheaper to make the film there, as in Prague they spent 300 000. However, in London it would cost 1,5million. It is necessary to create such conditions." (Film producer)

"You should enable money enter the film industry and the latter will return back ten times more." (Film producer)

2.0 Distribution

Georgian film-makers apply local as well as international distribution. However the practice of international distribution is insignificant. The most popular local distribution means is cinema. According to the respondents there are only few cases of distributing films via DVD or television.

Theoretically, respondents describe the following scheme of distribution: the film is presented at cinemas, then spread through DVD and later it is showed on TV. However, practically, the last two steps are mainly avoided.

Distribution strategy depends on the film specifics: the film envisaged for the mass audience is presented at cinemas, then, in ideal cases, it moves to other distribution channels. The author's films are sent to festivals. After festivals it is possible to introduce author's films at cinema and television. Sometimes before sending to festivals such films are showed at cinemas.

All interviewed producers who have just finished even a single film have the experience of presenting their products at cinemas. The producers who are making films currently plan the same as well. **It can be said that the cinema is the only means for selling films at local market. At the same time, they have the experience of introducing only feature films at cinemas.** That's why the cinema is not considered as a distribution channel for documentary and short films.

The experience of distributing animation films is specific. Particularly, based on the research data, such a practice does not exist yet because only a single interviewed respondent who makes animation films has not completed the full cycle of animation films (12 short animation films). The respondent assumes that the chain of distribution will be the same- cinema, DVD distribution, television, but only after accomplishing full cycle, as it ensures optimal chronometry of films for all three distribution channels.

2.1 Cinemas

The conditions and schemes of presenting Georgian films at cinemas are individual and depend on the agreement with a producer company. The most wide-spread scheme is division of income from film presentation 50/50 (without advertising expenses). The scheme can be corrected in accordance with the division of advertising expenses. The side that assumes responsibility on ad costs (TV commercial, placards, various actions and campaigns) gains additional portion from income (According to the cinemas, in this case the income is divided as follows: 60/40).

Film producers with the practice of film presentation at local cinemas confirm that traditionally, the costs division scheme is 50/50. Mostly, the relations with cinemas are characterized as acceptable and cooperation-oriented, however, some respondents reproach cinemas for dishonest activities, namely:

- A cinema offers film producers to provide season tickets for information in mass media. Film producers cannot control whether a cinema fully uses the resource of season tickets or sells a portion of common tickets for additional profit.

“The season tickets were distributed for attracting press. 300 tickets were a day. If price of a ticket was GEL 7, the daily losses amounted to GEL 2000. It is a solid sum. I do not know the exact data but when I visited a cinema and asked about the number of sold tickets they always named reduced number, however, the cinema hall was full. All the blame was put on season tickets” (film producer)

- One of the film makers could not gain any income from film distribution at cinema. The cinema deducted the producer's share from the sum spent on advertising campaign.

“They presented a film at a cinema, sold tickets, took their share, paid certain tax and the sum envisaged for us equaled to the advance payment for advertising campaign. We just survived to pay arrears and we were to be grateful for that. They told us that they got 60% of profit.” (film producer)

The respondents say that the process of film distribution at cinemas is simple. This simplicity is preconditioned by the monopolized market (only a large network of cinemas exists in Georgia as well as several independent small cinemas; see below) and the lack of alternatives. The scheme is as follows: the producer contacts a cinema administration to present a film in its several cinemas (in Tbilisi only or in regions as well). Theoretically, the terms are discussed in advance and they are profitable for both sides. However, actually, the producer has no other choice.

The negotiations are conducted at regional cinemas if they do not belong to the above-mentioned network.

Some interviewed film producers have the practice of film presentation at Tbilisi cinemas only, some others- throughout the whole country. Several factors may explain film presentation in Tbilisi only:

- The solvency of regional population is perceived as low and some producers think that in regions people will not go to see a film.
- Cinemas outside Tbilisi have different technical equipment. For instance, it is impossible to show digital films in some of them and it is unprofitable to record movie on film for Georgian market only. Market is small and less sensitive regarding the technical quality.

Cinema is a distribution channel that works most efficiently, though its opportunities are also limited. According to respondents the number of more or less stable cinemas in Georgia does not exceed 4 or 5. Only 2 cinemas function in Tbilisi. Hence, distribution of a film in cinema does not always imply recovery of spent sums or gain profit. However, there are cases when new Georgian films gain solid profit through cinema distribution.

“When you make a film you can gain income from tickets sold at cinemas but how can you regain the spent sum if there are only several cinemas in Georgia? There are only some cinemas in Tbilisi. In Communist period there would be 20. As for the regions if a spectator from Samtredia does not arrive in Tbilisi will not be able to see the film at all as there is no cinema in Samtredia.” (Line producer)

“If there would have been at least 10 cinemas in Georgia we could recover the spent sum in two weeks.” (Film producer)

2.2 Television

Georgian film producers do not consider television as an important channel for distribution. The results of the research show that there are only several cases of presenting new Georgian films through Georgian TV stations. The reason concerns low sums paid by TV channels for Georgian films.

Georgian films applied by various TV companies can be divided into two parts: films made in Soviet period (until 1990) and films produced lately. Directors own the right on films produced in Soviet period through special state decree (one of the respondents says that scenarists and composers also enjoy this right). Respectively, TV companies conduct direct negotiations with film directors. The negotiations terms are different. For instance, television can obtain the right to show several films for various terms (2-3 or 6 months). Until the film is shown by this very television company, a director is not eligible to allow other TV channels to show the same film.

The value for a single film show is on average GEL 200-400. As a rule this sum includes the major film show as well as one repeated show. Film producers and a representative of one of the TV channels name the price. But other 2 TV channels do not name the concrete sum paid to Georgian film directors. However, one of them remarks that there is a fixed price and TV companies do not pay more than this sum. The price paid for Georgian films by 3 TV companies varies in accordance with the film popularity and quality and is set on the basis of individual agreement with authors.

The situation regarding new Georgian films is different. Unlike the films produced until 1990, the new films are not showed by TV stations. Thus the film producers do not think it reasonable to sell the right of the first film presentation at GEL 200-400. The film producers think that it is abusive to pay this sum for old films as well. But regarding the new films the price is perceived as too low and majority of respondents even do not consider the chance to present their films through Georgian TV channels. In their turn, the representatives of TV companies reckon that the price demanded by new film producers is quite high and uncompetitive for Georgian television. In certain cases they refrain from presenting new Georgian films if they are made by some unknown director/producer.

"The sum offered by television is abusive for me. That's why I think it better to give a film free of charge. Hence my film has not appeared on TV yet." (film producer)

"TV companies do not buy films from us, or even if they buy they offer ridiculous price and I have no wish to cooperate with them." (film producer)

Only one interviewed film producer "Independent Film Project" has a practice of successful cooperation with Channel I. The company entitled Channel I to show several films twice. Such an agreement was preconditioned by partnership between the studio and the channel rather than commercial interest - "Independent Film Project" and Channel I produced a joint film "Conflict zone."

After the films are presented at cinemas the TV channels have the exclusive right to show the films made by their participation ("What you like most of all," "Conflict zone"). Film producers the films of whom have not been made yet or have not completed the stages of cinema and DVD distribution do not exclude the possibility to show their films on TV as yet they do not have active cooperation with various TV channels or films are so new that they have not even undergone these two stages.

If a TV channel orders a soap opera to any independent studio the number of particular episodes and price are identified. In the process of outsourcing only a TV channel or both a TV channel and a studio may have rights on joint soap operas. Concrete schemes may be different.

There are no TV markets in Georgia. Hence the information on new Georgian films is disseminated through media or informal communication means. After the film presentation it is possible to conduct talks with a producer on the right to show the film.

Representatives of TV channels provide different information regarding popularity of Georgian films. On the one hand, they say that Georgian films enjoy stable popularity and as a rule, that stir more interest than foreign movies.

“The interest toward Georgian films is higher. Despite that we do our best to buy the newest and best products, Georgian films still bring optimal results.” (representative of TV company)

On the other hand, based on the research of the audience the respondents say that the interest toward Georgian and foreign films is equal. Generally high interest of the audience toward Georgian films is not doubtful, but they say that particular Georgian films are not watched as intensively as it was earlier. If several years ago the popularity of Georgian films considerably exceeded the popularity of American movies, nowadays the picture is different. The matter concerns the reduced number of popular Georgian films. Several leading TV channels buy the exclusive right to show popular Georgian films (some of them show films without license). The viewers are able to watch these films on various TV channels during a whole year. Finally the interest toward these films reduces. Respondents explain that **some old Georgian films were not popular even initially. Some others are popular even today, but their active resource is expired due to the age and less active presentation.**

“The demand on Georgian films was higher. Nowadays this demand is relatively reduced, as there are many films- about 800 or 900. However, the most demanded films are few- about 100. Well, 100 films are not so few... Frequency of presenting Georgian films has decreased in all TV channels. Earlier we showed them twice a week or even more often. Now we show them more seldom.” (Representative of a TV company)

New Georgian films are considered as luxury for Georgian TV audience. According to respondents the interest toward Georgian soap operas is a certain continued nostalgia toward Georgian film. It is worth noting that soap opera is not characterized as a high level movie but it has stable number of viewers owing to the local production. Georgian soap operas have particular advantage compared to the foreign ones. They have stable viewers even during the third or fourth show unlike Latino-American soap operas that may have more spectators at a particular moment but almost nobody watches repeated ones. Considering this trend successful Georgian soap operas are considered as a long-term investment.

“Shua Kalakshi” (in the middle of the city) is a comedy soap opera with a very high share and indicators. On the New Year days we repeated several parts and the indicator of viewers was quite high. This is the feature of Georgian soap opera.” (Representative of a TV company)

TV channels consider that new Georgian films will have many viewers by all means. However some skeptic opinions were also expressed that the level of new Georgian films is lower than of old ones and the audience may not accept some of them.

2.3 DVD distribution

DVD sales, as the distribution channel is not properly developed. The majority of film producers consider it as unreasonable investment as the market is saturated with unlicensed products. The number of legal DVDs is minimal and they are sold at special shops or specific places (like Tbilisi airport). The price of licensed DVD is GEL 15-20, while unlicensed DVD costs 2-3 times cheaper. The respondents note that the consumers are more sensitive toward price rather than the record quality. Hence, the producer of licensed DVD suffers for high price.

“A company distributes our films- issues DVDs and distributes them in trade network. We face piracy problems. A shop can buy a single DVD and sell 100. You cannot control the process. I can easily differentiate licensed and unlicensed DVDs but Georgian people are not interested in quality” (film producer)

Some of the respondents issue DVDs in small numbers and calculate that in case of proper demand it is always possible to issue more. Some others think it unreasonable because in their opinion their films are not envisaged for mass audience (e.g. “Caucasian Filmodrome). In particular cases the respondents have not taped the films on DVD (this is either their principal decision or producers could not arrange it and put a film on the shelf).

The producers have the experience of recording films on DVD in Tbilisi (e.g. films “Kventin’s glasses,” “Shua Kalakshi”) and abroad (e.g. film “Subordination).

According to respondents company Kinozavri issues the majority of Georgian film DVDs with relevant license. (According to the company its share at market amounts to 60-70%. According to one of its competitors this indicator reaches 90%). It can be said that like cinema channel, DVD distribution is also monopolized. However, it is less problematic as the scale of this market is insignificant. The representatives of another big interviewed company- Sano Studio remark that it entered market late and Kinozavri had already signed contracts with the majority of film makers. Sano Studio contacts the directors who have no agreement with Kinozavri and offers them to cooperate. That's why its share in recording and selling Georgian films is minimal. Sano Studio is mainly oriented on music, audio books and animation films.

DVD producers obtain the right on recording and selling Georgian films produced until 1990 from directors. The scheme of the cooperation is as follows: A film director will get certain sum from each sold DVD. The DVD producer contacts a film director without any mediators and both sides may be initiators of negotiations.

Sano Studio has no experience in recording and distributing new Georgian films. The reason concerns high price and the lack of relevant culture in the country.

The terms presented by film producers, package and value added by shops influence the price of DVD. Licensed activity that envisages payment of all relevant taxes to the authors and state means that the product price is raised and all this creates unequal conditions in relation with pirates.

"I can sell my DVD to a shop at GEL 15, but others do it at GEL 7. However only singers or directors take GEL 5 from each DVD, GEL 3-to state as VAT, GEL 2 is profit tax. So if you work legally you cannot sell it cheaper than GEL 15. It is possible to identify unlicensed product through price as well". (DVD producer)

Interviewed DVD producers have various practices of product sales. One of the respondents owns a trade outlet and other shops also buy licensed DVDs there. The company has no restrictions on where and at what price the distributor can sell the product.

The products of another interviewed producer are sold only in shops where audio-video products and books are sold. There are no unlicensed products at such shops and in this way the studio tries to protect itself from dishonest competitors. Book shops add 40% of value. In audio shops additional price is added in accordance with the demand on DVD and outlet location. As a rule, except certain cases, the studio is unable to set maximum sales price as it is difficult to control this process.

In one case a company prefers to sell products at particular places to control the sales process and protect oneself from pirates. In other cases the priority of the company is to sell DVDs in all possible outlets to reach maximal sales volume.

DVD producers state that the demand on Georgian DVD films is low but more or less stable. However, sometimes it is unpredictable as well. For instance it is possible sell film "Mamluki" shot dozens of years ago now, but a film made some years ago may soon expire its resource.

"During the previous 3 years we offer 10 Georgian films. The circulation of each of them equals 500. Hence in total they are 5000. This reserve is not expired yet as the sales speed is very low." (DVD producer)

The originals of many old Georgian films do not exist or they are of very low quality. Sometimes it is even impossible to find them in archive. The originals of Georgian films are obtained through various means. The majority of them are on video cassettes. Respondents explain that the significant portion of Georgian film originals is in Moscow and film directors manage to bring only some of them.

"The film directors themselves do not have high quality originals. There are only several good quality films, e.g. "Monanieba" (Confession). Russians tested the quality and then Georgians tried it as well. "Iavnanam ra hqmna" (Lullaby) is a good quality film because it is relatively new and its original was kept in Georgia. The rest of the films are of average quality." (DVD producer)

DVD producers characterize their DVDs with the latest products (film, music) as of good technical quality. However, some respondents have suspicions regarding quality. For instance according to one of the local distributors of DVD products the whole DVD production is handicraft and there is no practice of factory production of DVDs. The locally manufactured DVDs are recorded on computers and copies may not be

identical (the quality of unlicensed DVDs is even lower. They do not undergo any quality control mechanism).

The interviewed DVD distributors have different practices in recording foreign films. Due to the problems regarding expensive licenses on foreign films and piracy problems the respondents do not think it reasonable to issue licensed DVDs. One of them does not apply this practice at all; another sells unlicensed DVDs. One of the DVD distributors - Video Service is officially licensed by Pictures Home Entertainment and Paradise Group of Companies. Video Service imports and sells licensed products. Locally the company cooperates with Sano Studio. However, Video Service does not sell DVD films issued by Sano Studio, as the films have no barcode and it is impossible to disseminate products without barcodes.

Georgian DVD producers practically do not sell DVD films abroad. (Sano studio has an experience of selling audio books abroad). The reason concerns piracy and high demand on quality. Sano Studio also has the practice of online sales.

Generally, DVD market is characterized as a very small market that works in the capital only. Due to the growing internet penetration the respondents expect the reduced number of DVD consumers.

2.4 Piracy

Piracy creates significant problems for three distribution channels. Due to this problem the producers and distributors suffer serious losses. The respondents note that the legislation against piracy is relevant but it is not implemented in practice.

Piracy is spread at all levels: TV channels, DVD production and internet. Identification of pirates and imposing punitive sanctions against them is not difficult in theory but actually nobody pays due attention to this issue. Respondents declare that there is not a single precedent of punishing pirates.

Producers and distributors are most vulnerable toward internet pirates as the network is free and becomes more and more available every day. According to respondents there are about 10 web pages offering free Georgian films (and not only Georgian films) made lately even in parallel with the film distribution at cinemas. According to the information provided by the relevant web pages the number of downloading/watching cases amounts to dozens of thousands.

“You can visit any Georgian site. For instance Rustaveli cinema presents a film and someone paid money for that. However, you can visit this site and watch this film free of charge. In this way the cinema loses audience.” (film producer)

“You can visit sites and watch Georgian films there. There are protective mechanisms abroad, The state helps film industry and imposes fines for violation. In some countries the pirates are even imprisoned. But in our country there are no punitive measures.” (DVD producer)

“In a month a particular film was downloaded 320 000 times. It means that minimum 320 000 people have watched it through internet. It is a serious damage for us. However the film still recovered its expenses.” (film producer)

The problem of unlicensed DVD sales is also problematic. Respondents think that the pirates gain solid profit at minimum costs- saved on quality and copyright. Licensed production sets high price on DVDs due to the various taxes and payment for the film owner

“I have issues DVDs of about 95% of Georgian films and I cannot manage to cope with the process. The state does not help us. We have to pay money for license, payment for studio, other taxes. If piracy is not eliminated our work will become useless.” (DVD producer)

“Nobody takes care for copyrights in Georgia. If you issue a film its DVD version will be sold everywhere. If 10-15 thousand DVDs are sold a year and the price is about GEL 20 for each, the sum will be solid.” (film producer)

"Piracy creates many problems. There is not relevant law. I sell only 1 DVD and pirates sell 100. They damage my image as well and steal my money." (film producer)

Film producers do not focus on unlicensed TV shows as their films seldom appear on TV. In spite of that they note that within the previous several years the situation improved in this regard. According to them the leasing TV channels mainly apply licensed products. However the problem is not completely solved. Piracy creates even more problems to relations between competitor TV companies.

Film producers lose income due to piracy and investment process is also hampered. Private investors do not consider film industry as business as the copyright is practically unprotected in this sector.

The opinion was expressed that consumers also facilitate the activities of pirates unintentionally as they often choose pirates' products. On the one hand this trend is connected with the low income of population and the other hand it is concerned with low sensitiveness toward record quality and package. Respondents reckon that unfortunately cheap price rather than good quality creates competitive advantage.

Despite numerous cases of violating film producers' copyrights some respondents think that it may be premature to toughen law in this direction as many film producers will face problems. As soon as the law on license comes into force the organizations will have to buy licenses for all kinds of business, for instance software, that, in the long run, will cause significant growth of expenses.

"Everything has two sides. It is good to adopt a law on license but currently the situation is not adequate as the country will not develop at all. If you wish to buy all software programs you will have to pay solid money. For instance I'll need at least GEL 25 000."(film producer)

There was an idea that illegal placement in internet is an additional advertising campaign and the means for increased awareness for some non-profitable films that are made for festivals rather than mass audience.

2.5 Participation of distribution channels in production

The research results show that the participation of cinemas and TV companies in film production is not well-developed in the country. However, the trend of such prospect is identified. Involvement of cinemas and TV companies in production of feature films is considered as a practice dictated by contemporary market requirements as distribution channels have solid financial resources and they can also provide information support. The only thing due to which the relevant practice may be less attractive is the lack of market volume and cooperation experience.

The only network of cinemas in Georgia (see below), JSC Rustaveli took part in the production of three Georgian films: "What you like most of all," "Idiokratia" and "Conflict Zone." The participation included financial investment as well as consultations and recommendations based on the demand of consumers and cinema activities. The cinema administration has daily contact with local film producers and hence, it can provide consultation on profitable projects in Georgian cinema industry. The network has exclusive rights regarding film presentation. Joint films are successful and profitable as usual.

The leading Georgian TV channels (Channel 1, Rustavi 2) are co-financers of new Georgian films. Their involvement in the film production may concern financial and technical means. TV companies gain financial profit from film distribution and enjoy exclusive rights after films are presented at cinemas. (they do not give the details of agreement terms.)

All three leading Georgian TV channels participate in production of TV soap operas. They conduct production process outside their companies or make soap operas independently. If the latter case is applied, the following scheme is used: the company allocates funds, hires a group and organizes the process. If the process is implemented outside the company the contract is signed between a TV

company and a film producer. Consequently, in this case TV company “shares” rights on the soap opera with the producer studio (e.g. ‘Shua Kalakshi”).

Representatives of TV companies think that the production of Georgian soap operas is profitable as soap operas have stable viewers. At the same time, they have no alternative. It is impossible to buy a ready soap opera as due to the small market the producers are reluctant to make soap operas without cooperation with particular TV channels. Hence, TV companies and soap opera producers agree on relevant terms.

It was also said that there is no company that independently produced soap opera and sold it to TV channels. It would be profitable for TV channels as they would have to pay less if they did not take part in production process. Respondents do not think that in current crisis film producers will be able to offer such service. However they consider that gradually such companies will certainly emerge.

“There is “Production” is Russia that has a contract prerequisite with TV channel. According to the synopsis they will negotiate on the product. Then a producer or “Production” company can take a bank credit (it happened so before crisis) the guarantee of which would be a relevant letter from TV channel stating that it is interested in this very product. The channel does not pay money in advance. The company makes a product and only after that the channel covers payment in accordance with the contract terms. The company gets certain profit. This is the most normal method but nowadays it does not work in Georgia.” (Representative of TV company)

One of the respondents notes that the interest regarding partnership with TV channel is not high in film production process. The reason concerns fear of unstable cooperation and the lack of trust as such a practice does not exist.

“This is the lack of reliability. It sounds banal but such cases (I’ll make a film but you present it at the festival, etc) look like Georgian unstable partnership. It is not a particular guilt of anyone. This is a social illness of mistrust.” (Representative of TV company)

2.6 International distribution

International distribution channels are not available for Georgian producers. The reason may concern various circumstances. For instance some films are not envisaged for international distribution market from the very beginning. Producers think that some films have potential of entering for international distribution market but such practice has not been applied yet or they have no relevant links. The problems with Russian market connected with the political tension are considered as separate obstacles as well.

CIS and especially Russian market are considered as one of the most serious distribution markets for Georgian films. Moreover, producers think that some films are envisaged for CIS and mainly Russian and Ukrainian markets. Hence, Georgia-Russian conflict made the producers to change plans concerning distribution of films in Russia. We can say that in such circumstances the access to one of the largest potential markets is limited.

This situation especially damaged the films that gained success at Russian festivals and were under focus of distributors. (It is worth mentioning that Russia’s issue more or less dominates in several Georgian films made lately.) Film distribution in Russia is considered as doubtless success due to the large-scale market (sums paid by cinemas as well as TV channels).

“Selling films at Russian market was very profitable. TV channels pay solid sums. The right to show the film costs at least 1 million. In Georgia TV channels pay USD 100-200.”(Film producer)

“In Moscow the film show in prime time costs USD 550 000. If NTV takes a film and shows it several times on various TV channels, they pay doubled or tripled sums. You can recover a million in 2-3 turns.” (film producer)

The respondents say that within the previous years a big portion of films produced in Georgia with their mentality, humor and living conditions is closer and more understandable for post-Soviet area. Such films are less envisaged for mass American or European audience. However, there is a category of films (e.g. Mediator) that, in respondents' opinion should be accepted by European and American markets. The respondents say that foreign TV channels are also interested in documentary films.

Film "Russian Triangle" is often mentioned as an example of successful international distribution. It was successfully sold in post-Soviet, as well as European countries and Israel. In Russia the film underwent all distribution channels. It was presented at cinemas, on TV channels (ORT bought the right to show the film twice) and recorded on DVD.

Several other studios have the experience of international distribution. One of them is Sanguko. Foreign company World Sale sells its products abroad. Sanguko also has the practice of selling right of film presentation to Russian TV channel ORT.

Taia Group is also involved in international film distribution. German TV channel bought one of the films made by this group. However the process lasted for several years. One of the interviewed producers of animation films has the unique experience of selling a product via internet.

Despite that the number of Georgian soap operas is insignificant, some of them were sold abroad quite successfully ("Coffee and Beer"; "Hot Dog"). Georgian TV companies cannot sell their products at local market as there is no culture of buying product of competitor TV Channel. Respondents underline that such practice is quite common abroad.

"It is a world-wide practice. One channel produces a product and another presents it. The producer gains profit and after two years it presents the film itself. In Georgia there is the following approach: I will not buy his product." (Representative of TV company)

According to respondents the cases of selling films in advance are quite rare but the producers expect such a prospect for future as this kind of selling is more guaranteed distribution method. In this way it will be easier to gain funds. One of the respondents with the experience of in advance sales stressed that owing to the in advance selling of presentation right one of the films recovered the money spent on its production before the project completion.

Contact with foreign agents is also rare. This practice is mainly applied by the companies that make several films a year. The agents communicate with foreign TV channels, markets and help producers to take part in film festivals. If a producer is able to establish contacts with foreign distribution channels independently the money will be saved in this way. However the agent's mediation has obvious advantages as well: you can save time and avoid behind the scenes relations.

"Sometimes we take films to festivals, sometimes the agents help us. The priority of the agent is that you do not spend time, you avoid intrigues, corruption, etc. If an agent likes your film, it will be successfully sold by all means. (film producer)

"There are separate agents for sales, distribution, etc. They all communicate with one another. We do not have such practice. We make a film, take it to a festival, the film gets awards, we get applause and they ask who the film's author is. You answer that the film is yours but you have no weight in distribution network." (film producer)

The schemes of relations with sales agents are various. According to respondents the agents may gain 10-25% of income from the film sales. Some respondents who have no experience of cooperating with agents say that some agents even demand 50%. However in case of need they do not exclude the possibility to contact them.

In general, respondents do not give detailed information on the experience of international distribution.

Due to the difficulties concerning international distribution of films some respondents reckon that it is more profitable to make low-budget films envisage for local market, as Georgian films enjoy stable popularity among the population. As for the high-budget films, their profitability is under question if they are envisaged for Georgian market and are not distributed abroad.

Some respondents think that the lack of international distribution channels is connected with the inefficient work of producers and unsolved simple technical problems. For instance, one of the producers has such an experience: a foreign distribution company undertook responsibility to involve the film in international distribution network but the preparation of master cassette and collection of certain documents prolonged. Due to these reasons the negotiations are still in process between the sides. The respondents say that frequently the producers do not take care of their films properly. A film that gained success at various festivals and local cinemas may remain on the shelf for years.

“Our problem is that our producers make films and then put them on the shelf. It is necessary to take care and present it at the world market. There is no such school in our country. Many good films remain on shelves” (film producer).

Georgian film producers are just beginning communication with international distribution companies and sales agents. Several years ago producers as well as the creative group members had to work on the film distribution. Now they talk about diversification of functions. The main hindering factor for taking film to distribution network is the lack of links and experience. However, practically, all interviewed film producers whose films are envisaged for the local market remark that they have already launched talks with international distribution companies or agents or plan such activities for future.

2.7 Potential for the distribution growth

Respondents name the following means for distribution growth:

- Closure of internet portals providing unlicensed products.
- Creation of regulatory body that will register those eligible to sell particular DVD products at a given place and time. Documentation should be sent to the law enforcement bodies that will confiscate unlicensed products from sales network.
- Arrangement of educational and PR actions to direct population's attention to the problem and teach how to differentiate license products from pirate ones.
- Development of cinema infrastructure and abolishment of monopoly that will enable producers to become more active players.
- Stricter law toward pirates and proper monitoring on the law implementation, as due to the demand on cheap products the market will not get rid of unlicensed and low quality products on its own.

“Initially the state should be interested in this issue. For instance it would be good to organize an action and destruct unlicensed products. Now the state has not time for such things and rights of everybody-composers, text authors, singers, directors and scenarists are violated and they all lose the interest to create new products. Studios and producers should united and struggle with joint effort. But if today I deprive anyone of unlicensed DVD I will be punished for violating private property rights.” (DVD producer)

Respondents stress that it is necessary to establish intensive international links and conduct marketing campaign to strengthen international distribution potential.

The research results show that Georgian film producers envisage marketing activities in accordance with the costs calculated in advance. Quite often the process is not controlled and they begin to think about marketing only after completion of the film. The practice of preliminary talks with potential distribution channels is just taking root in our country. Respondents note that the costs envisaged for marketing during the production process reduce distribution risks and help producers to attract financial resources in case of need.

"It is our fault if we cannot gain income from our film. It happened due to the wrong marketing campaign. The film needs preparation activities, promotion. As soon as we made the film we sent it to the cinema in a week. We hope that we'll make better calculations in future." (film producer)

According to the respondents the marketing costs on average range between 5% and 20% of film budget. As usual bigger companies that introduce their films abroad have the experience of marketing communications. Only few respondents who make films for festivals do not allocate any funds for marketing campaign, as they plan to contact sales agent as soon as the film is ready.

It is necessary to establish contacts with relevant people in the West, be aware of internal system of the industry and permanent control of market dynamics to strengthen distribution potential for high-budget and foreign market oriented films.

"You think that your job is good but you do not know for whom you make the film. Proper financing is necessary for preparatory activities. You should establish contacts in the West and be aware of target segment of your film." (film producer)

"Market constantly changes. As a rule, in normal countries market should provide film ideas. Then you measure your capabilities and seek for the appropriate story to write scenario. It is desirable to do all this rapidly because a year later nobody will watch this film. We are used to prolong the process and make films for 3-5 years and we think that we are heroes." (film producer)

"Product promotion requires relevant knowledge. You should know how to make a project, arrange presentation and offer package. Those who have no experience do not believe that this is the way to attract funds." (film producer)

Low budget films envisaged for the local audience do not require market research as Georgian film market is described as less competitive. The producers are informed on the local market trends from cinemas. Marketing campaign is also more active locally.

3. Exhibition

3.1. Local festivals

The research results show that participation in local festivals is an accepted practice. However, in this regard the choice is limited. According to the respondents only 3 or 4 festivals are held in Georgia. Majority of respondents cannot remember exact names of festivals they have taken part. The following festivals are named among the local ones: Tbilisi Festival "Prometheus", Batumi festival, festival of orthodox films in Batumi, international festival "Sesily", animation festival "Bimini" and Echo.

Mainly the cinemas of JSC Rustaveli host festivals in Georgia. Some film festivals (e.g. Tbilisi Film festival) are annual and some others (e.g. 3-4 day festivals organized by international organizations) are held only once. According to the representatives of cinemas they host on average 3-4 festival projects a year.

The practice of festival organization varies. According to the cinema administration it depends on the requirements of festival organizers, number of films and their performance.

In case of commercial festivals the relationship between festival organizers and cinema administration is similar to the case of Georgian film performance with the following scheme- 50/50 plus advertising costs.

If the festival envisages presenting certain films several times free of charge the organizers and cinema administration representatives agree on the number of performance. As usual, when the performance is free the festival organizers hire hall and pay rent price to the cinema (number of seats multiplied by average price in accordance with the (performance number).

Film producers take part in local festivals. However sometimes there are refusal cases as well. The reasons for refusal are as follow:

- In case of participating in local festivals film producers have no opportunity to take part in international festivals (some respondents have such information).
- Skeptical attitude toward the festival jury.

*“There is an English film that won Gold Globe but here it received no awards. This is the local attitude.”
(Film producer)*

Respondents who have taken part in local festivals positively assess the practice. However, in particular cases they focus on the inefficient organization- problems regarding exact registration of participants and various technical issues.

“You call an organizer, ask a question and get an answer. Next day you call again and get different response. The organization was ineffective. Our film was included in the catalogue, the film was presented but I do not know even know whether I really took part or not. It seems that the festival was envisaged for foreigners to please someone.” (Film producer)

Some respondents say that the local festivals are not oriented on Georgian films (for instance, Prometheus). Some others underline inefficient advertising campaign and the lack of information.

3.2 International festivals

The interviewed Georgian film producers are actively involved in various international festivals. At least one film of each interviewed company/respondent has taken part in festivals. The profile and geography of festivals is diverse. The respondents named the following ones: Cannes Festival, Venice Festival, Anapa Festival, Huston Festival, Moscow international festival, Kinotavr, 21-st Century, Nika, Berlin Festival, Rhodes Festival, Locarno, Mar De Plata, Montpelier Mediterranean Festival, Independent Film and Video International Festival in New York, International festival of short films in France, Human Rights International Festival in Moscow, Literature and Film Festival in Russia, Festival of short films in Regensburg, Rotterdam Festival, Oberhausen Festival, festivals of animation films Anes, Crock, Tindirindi, market festivals in various countries.

Besides the above-mentioned festivals the respondents sometimes mention the location of festivals but cannot remember the exact name.

The respondents reckon that enhancement of awareness, establishment of informal relations with colleagues and opportunities to contact distribution companies/agents are advantages of participation in international festivals. Personal, informal communication established during the festivals is considered as a very important way for cooperation and recognition.

“We take part in festivals. We know who plans to make a new film and we offer our service. If he/she arrives and likes your job the information will spread soon, as there are few major players.” (Film producer)

“It seems to be necessary to take part in festivals and arrange press conferences there. You should be actively involved in affairs there to achieve success.” (Film producer)

The producers who have no or insignificant experience in international distribution network are hopeful toward international festivals. Close contact with festivals and market festivals is especially important for those producers who make non-profitable films.

Some film producers even refuse to participate in international festivals. Sometimes they have to choose only one international festival and not to take part in others. Some festivals offer such terms. Georgian film producers define the festival priorities in various ways. Their decisions depend on:

- Film specifics (commercial or author's films) that may meet the requirements of only particular festivals.

"Perhaps it is an individual issue. It depends on the author's ambitions. Generally two directions are distinguished in this regard: commercial film envisaged for mass audience and author's film with few viewers. There are festivals that correspond to this specific. It depends on the film's target segment."(Film producer)

- Author's individual sympathy toward particular festival (prestige of the festival or other advantages related with it, e.g. in case of winning Gold Palm the film automatically takes part in Oscar ceremony).
- Film's suitability with the "political meaning of festival.
- The period of film's completion and its "closeness" with particular festival in terms of time.
- Festival terms regarding "old age" of film.

Sometimes film producers try to focus on A class festivals initially. Respondents say that in a result the film's potential is not properly assessed and it fails at A class festivals, though it could succeed at an adequately selected festival.

In many cases the reason of failure concerns the lack of international links and irrelevant experience of a film producer. According to respondents so many films participate in A class selection process that it is physically impossible to see all of them. Hence the success of prospective films is tantamount to zero without proper patronage. In such circumstances many things depend on informal contacts and skills of sales agents:

"For instance without close contacts of a sales agents, films are even not watched at Cannes festival. On average there are 7500 films and initially films of popular producers are watched because their agents are competent. Someone has to claim that you are very strong." (film producer)

The producers have no priorities in regard with selecting animation film festivals. However they still prefer profile animation festivals where feature films are also presented.

3.3 Description of cinemas' infrastructure

A single large cinema network, JSC Rustaveli operates in Georgia since 1999. According to the cinema representatives the network includes:

- Three cinemas in Tbilisi; Rustaveli, Amirani, Akhmeteli (Akhmeteli does not function at present).
- Cinemas in Rustavi and Batumi.
- Seasonal cinemas in Signaghi and Borjomi.

According to respondents independent cinemas function in Kutaisi, Zugdidi, Bakuriani and Batumi. However they do not work actively. The respondents do not know much about independent cinemas (the representatives of the above-mentioned cinemas were not interviewed within the research). The respondents declare that Rustaveli network is so large that it defines the trend itself. JSC Rustaveli presents films not only in its cinemas but distributes them in other cinemas as well.

Except Rustaveli and Amirani, all the mentioned cinemas have single screen. Cinema Rustaveli owns 5 halls, Amirani has 2 halls (Amirani management plans to add several screens as well).

The number of seats in cinema Rustaveli amounts to 887. In cinema Amirani this figure equals 562. The number of seats in other cinemas does not exceed 100.

Cinemas of Rustaveli network perform films on tape. They use projectors to show retro films. The reasons concern quality shortcomings of old films and difficulties to obtain them. The relevant films are performed

by digital projector with HD quality. Major cinemas in Tbilisi are equipped with tape system as well digital technologies.

According to respondents one of the Batumi cinemas is equipped with film tape and another –with digital technique. Cinema in Rustavi also applies film tape. In regions the projectors are more actively used.

Film-dubbing of foreign films takes place at the studio of cinema Rustaveli equipped with the relevant apparatus. However, some film producers have certain doubts regarding the quality of sound-on-film.

Captions are added to films in cooperation with British partners (Distribution companies of London provide Georgian cinema with foreign films). The representatives of cinemas declare that currently cinema Rustaveli is improving its technical capabilities and it plans to provide Georgian captions for all films performed at Tbilisi cinemas.

Cinemas have certain problems regarding film dubbing. The reason concerns the lack of relevant practice. This problem is especially acute in regions.

“Good quality film dubbing requires technical renovation o cinemas and solid costs. At the same time, it requires intellectual work the choice of which is insignificant in Georgia. We began everything from zero point.” (representative of cinema)

By autumn 2009 the cinema plans to introduce three-dimension performance. At present the technical equipment of cinema halls is satisfactory and serious changes are not planned in this direction. However renovation takes place periodically.

The cinema network intends to establish Dolby licensed system in Georgia.

3.4 Prices

Ticket price at cinemas depends on several factors:

- Location of the cinema;
- Location of the seat;
- Time of performance.

In Tbilisi cinemas, Rustaveli and Amirani the ticket price ranges between GEL 5-10 according to the performance time and seat location. The difference between common and VIP tickets is GEL 1.

The maximal price of a ticket at Rustavi cinema is GEL 7. In Akhmeteli cinema (Tbilisi), as well as in Borjomi and Signaghi cinemas the price is GEL 3-5.

The ticket price of all cinemas in Rustaveli network is minimal during morning performances and maximal- in the evening.

The ticket value is stable and may change only in particular cases in accordance with the relevant demand (for instance due to the high demand on film” 300 Spartans” the price of tickets at evening performances was GEL 12).

Representatives of Rustavli network note that the prices on performances were set on the basis of research results. This research revealed how much the viewers were ready to pay. The prices did not change since then. The cinema takes the solvency problems of spectators in consideration not only in Tbilisi and regional cinemas, but in various districts of Tbilisi as well.

“The price set initially did not change. The research results identified it. However, you cannot predict how many people come to see a film.” (representative of cinema)

“There are two price categories. One category includes leading cinemas like Rustaveli and Amirani and then come other cinemas. The projects implemented outside Tbilisi are not so profitable but our

aim is to expand cinema network so that people begin to visit cinemas. So this project is not oriented on short-term profit.” (representative of cinema)

Currently discount actions are carried out at the cinemas of Rustaveli network. The cinemas implement joint projects with cellular communication companies. Two large operators Magti and Geocell enable young subscribers who are members of particular clubs to buy cinema tickets at half price. The action enhanced the profile of cinema visitors and attracted the segment of relatively low income as well. In the long run, all this raised the income.

The income of cinemas include not only money from sold tickets but also financial resource mobilized from leased area of the cinema and advertising activities. For instance, respondents explain that the income of cinema Rustaveli besides money from sold tickets amounts to 60% of total income (café, advertising activity, etc).

3.5 Cinema program

Leading cinemas of Tbilisi, Rustaveli and Amirani present on average 4-5 new films a month each (55 films a year). The aim of the cinema circuit is to occupy different niches – Amirani is more oriented on intellectual, non-commercial films and Rustaveli covers wider social layers. However, often both cinemas present one and the same film.

In terms of repertoire cinema Akhmeteli slightly differed from other cinemas of circuit. On the weekends Akhmeteli performed Indian films. Working days and evening performance of weekends were dedicated to the films presented by Amirani and Rustaveli. Akhmeteli cinema occupied an original niche through performing Indian films and obtained stable audience. However, the respondents think that the image of low quality and out-of-date Indian films damaged the prestige of the cinema. The respondents do not talk about particular plans regarding this cinema.

Regional cinemas usually offer the same films presented in Tbilisi. (Some of these films are presented in parallel with the performance in Tbilisi, some other are presented a bit later). It is worth noting that the specific features and requirements of separate regions are also taken into consideration.

“There were cases when we presented a film throughout the whole country. Some films were performed at Rustaveli only. Sometimes we made different decisions regarding Amirani and Rustaveli because particular cinemas have particular images. Amirani had an image of club-type cinema; Rustaveli provided more commercial films and more entertainment.” (representative of cinema)

The absolute majority of films (90%) presented by Rustaveli cinema circuit are films produced in the USA. The rest of the time is equally divided between Georgian and European films.

According to the cinema representatives animation films, comedies and history films are especially popular among Georgian spectators. “Large-scale” films with special effects have active audience (e.g. “300 Spartans,” Alexander”). Horror films are less popular. Films “300 Spartans,” “Fortune irony 2” and “What you like most of all” are named as “box offices” of the previous several years.

The cinemas of Rustaveli circuit choose the program in accordance with the following criteria:

- Film diversification according to genres (films change so that on each day-off various genre films are presented);
- Commercially successful films, “box offices ”that simultaneously appear in many countries of the world;
- Films with good promotion.

“We try to offer various genres within a month. We’d like to cover all segments of audience. If comedy films are presented in other theatres we prefer to perform intellectual film at Amirani.” (Representative of cinema)

“We try to take the best films of the world. Some interesting and important films in terms of cinema art may not appear in our cinema due to the lack of business interest, but if this film becomes popular in

the world we obtain it. We try to be one of the normal, good European standard cinema circuit.”
(Representative of cinema)

According to the respondents within the several previous years the frequency of Georgian film performance increased in cinemas as the demand on Georgian films is high:

“In general, there is a high demand on Georgian films if they are of normal quality. Georgian audience misses Georgian films.”.(Representative of cinema)

“People visit cinemas. Cinemas perform Hollywood films for two weeks. But Idiokratia remained on screen for a month. However it is necessary to suit market and make proper calculations. If you cannot shot a film by a camera cost 100 000 you have to replace it by something else. “ (Film producer)

The reasons of high demand on Georgian films are as follow:

- “Deficit” of new Georgian films;
- Expectation that Georgian films will reflect problematic issues of the country.

“Georgian films are close to Georgian audience. There are topics and issues that concern everyone and hence these films are more interesting. Another factor is that the stories are also familiar, native and shared by everybody.”.(Representative of cinema)

Respondents unanimously declare that cinemas allocate maximally much time for Georgian films. The problem is concerned with the lack of Georgian products. However some respondents expect that the industry will expand due to the active use of digital technologies and cheapened process of film production. They think that there are relevant signs and this is proved by producer studios that emerged within the previous years as well as successful cases of film performance at cinemas. Some producers note that success achieved by a film at a cinema does not mean that it is profitable as the limited number of cinemas may not be able to recover expenses:

“Film has broken income record but unfortunately considering the number of cinemas and film-hiring outlets it is not enough to cover full expenses of film production despite that in accordance with European standards the production costs were quite low- about USD 200 000.”(Film producer)

3.6 Profile of cinema visitors

Respondents do not have precise information on the number and profile of cinema visitors. The representatives of cinemas can provide only approximate data regarding cinema Rustaveli. Assumingly, monthly about 18 000 people visit it (this number exceeds 200 000 a year).

According to the representatives of cinemas the viewers of all generations go to cinemas in accordance with the film specifics. However, all of them agree that the most active spectators (respondents think that they represent about 70% of cinema visitors) are young people aged 13-25/30. Film producers have no practice of the audience research. The conclusion on the profile of cinema visitors in Georgia is mainly made on the basis of the relevant surveys conducted in east European countries. Besides, the film producers obtain information on certain trends from cinemas.

Respondents think that the share of cinema visitors aged 40-45 and above is quite low. (Some respondents reckon that this share does not exceed 10%). Several reasons are named for the low interest level of elder age population toward cinema:

- Elder age population are less active; however, going to cinema requires energy and action unlike watching film on TV.
- Considering the specific features of the country aged people prefer to spend free time with family members, friends and relatives.

- The relations in foreign countries are considered to be more formal. Hence one of the most important alternatives for an individual who has not planned visits is a cinema. In Georgia unplanned visits are more acceptable.
- Going to cinema is associated with certain social activity. Unlike the Western countries, in Georgia people do not visit cinemas without companions, with certain exceptions. With the age it becomes more and more problematic to find a companion.
- Going to the cinema is associated with the positive image and contemporary lifestyle for young generation. This issue is less interesting for old generation.

All the respondents think that the audience of Georgian cinemas is more or less secured in social terms, as the ticket price is not cheap considering the living conditions in the country.

“Those people who have extra GEL 10 can go to the cinema but it is necessary to take a companion as well. So GEL 20 is required. Some people can spend this sum to see the film at the cinema despite that it is possible to watch the film on TV later. Nowadays it is luxury.” (Film producer)

The respondents think that profiles of people who visit cinemas to see Georgian and foreign films do not considerably differ from each other.

The interviewed producers envisage their films practically for all age groups but considering the fact that cinema is the most active distribution channel and internet is less available for elder population the segment of 30 year-old people becomes most active in watching Georgian films.

Some respondents reckon that “narrowing” segment of cinema visitors to people aged 13-25/30 is connected not only with the common trend but wrong policy of cinemas regarding film selection. They think that the lack of elder cinema visitors is partly preconditioned by unattractive program. In case of the relevant motivation even elder people can visit cinemas. They name “Fortune irony 2” and films produced by Pedro Almadovari as examples. The ticket price is not considered as the reason of low interest of elder population. The respondents explain that quite frequently these very elder people give money to teenagers and students to visit cinemas.

3.7 Cinema capabilities

Currently cinema circuit Rustaveli does not plan to expand its network in regions due to the unfavorable period in terms of financial profit and underdeveloped marker. The low income of population is named as one of the reasons for the small size of cinema market. Considering the income of potential cinema visitors the ticket price outside Tbilisi is quite low. In spite of this fact only few people visit cinemas in regions. Hence, at his stage, regional expansion is considered as unreasonable and unprofitable investment.

Reduction of ticket price is not considered as the effective means to attract audience in regions. The representatives of cinemas declare that it is unreasonable to reduce ticket price considerably as the cinema will not be able to maintain low prices constantly. As soon as the price is raised the cinema will still lose the audience.

“Ticket price reduction on particular films will increase the number of viewers but their number will decrease again when the discount is lifted. It is impossible to increase market in this way. Perhaps one of the variants for getting more audience is arrangement of multiplex at correct places.” (Representative of cinema)

There is another reason why people do not have the habit of visiting cinema. During the years cinemas did not function in regions and now, despite the cinema rehabilitation the interest is still low.

Film producers express various opinions regarding the opportunity of cinema expansion. Some respondents think that the cinema business had become less profitable. The reduction of profitability is connected with the insolvency of population and suspension of Russian films delivery. Some respondents assume that Georgian cinemas got low price films as it is expensive to buy films from the West.

The rest of the interviewed film producers consider market monopolization as the main reason preventing regional expansion. Low income of regional population is also reckoned as hindering factor. However the idea was expressed that in case of relevant will regional cinemas can use films that were already performed earlier and set more or less acceptable ticket price.

The respondents remarked that it is necessary to activate anti-monopoly legislation effectively and develop relevant policy to provide more interest toward cinemas to solve problems.

“An independent structure should exist that will take care for all issues. This is state policy. The state should prevent monopolies. Anti-monopoly service is abolished but the state should do something, e.g. sign memorandum between film producers and cinemas.” (film producer)

Film producers do not share the opinion that economic crisis may influence the trend of visiting cinema. Moreover, it was said that the crisis can even increase the number of cinema visitors as some producers think that cinema is a relatively cheap entertainment means.

4. The opportunities for the development of Georgian film

4.1 Economic capabilities

Respondents say that the state plays primary role in the development of Georgian film. The state can express its support for film industry in various ways- from privileged tax system or preferences to development of different directions (educational initiatives, taking care for cinemas, etc.).

Respondents see big potential of economic development and support in Georgian film industry especially in case of attracting foreign producers. They think that it will cause the use of solid financial resources in the country and employment of local population.

“Film can become one of the main income sources for the country. Once they intended to shoot a part of film James Bond in Georgia but due to certain problems they did it in Baku. If a film gaining 5 million a year comes in our country it means that solid sums will be spent here and the income will exceed tourism revenue. Foreign investment can cover a portion of tourism as well. In the film-making process hotels will actively work. If you make a good film and sell it abroad, it will bring benefit.” (Film producer)

Georgian film producers often talk about desired tax privileges or even tax exemption for a certain period of time (10-15 years). However this opinion has opponents as well.

Tax-exemption is considered as a green light that will promote interest of local business toward film industry (as the risk related to the expenditure recovery reduces) as well as growth of foreign film producers' number in the country in order to activate local industry and gain international attraction.

“Film industry is not furniture or any other product. It is a specific business and it is impossible to match the current legislation with its requirements. Georgia is a small country with limited resources. It is important to make certain changes if we want to develop film industry.” (Film producer)

“Now film industry representatives work on enthusiasm but it will not last long. It is important that the state should make a decision to promote the film industry development.” (Film producer)

“Nowadays film industry is not profitable. It is the means for self-expression and film producers use their own resources- money, time and energy. They have no guarantees for income. It is a real heroic act to make a film in Georgia.” (Line Producer)

There is another argument for tax-exemption of film industry. During 10-15 years the state had no benefit from film industry because the films were not made. The respondents say that currently

the state will not lose much if it exempts film industry from taxes. However such a behavior will be the basis of future stable development of the industry.

Respondents think that if not the whole industry, at least the films financed by Cinema Center should be exempted from taxes, so that the state should not regain a big portion of the sum allocated by it and be a full partner.

Some respondents do not demand tax exemption because they think that it is reasonable to have privileged tax system (respondents find it difficult to provide arguments regarding rates).

Other respondents radically oppose this initiative as they think that tax exemption of film industry:

- Will discredit the sector

“Exemption of any tax will discredit the film industry. When you get a salary you should pay income tax and VAT. How can the state exist otherwise?” (Film producer)

“I think that this is business and should be taxed like other businesses. There are certain frames and it is necessary to correspond to these frames. If you are an economist you should calculate properly.” (Film producer)

- Will provide opportunity for money-laundering and illegal privileges for other businesses at the expense of film industry.

“In my opinion it is categorically inadmissible to impose privileges on film industry as it will make a black hole. Everybody will forget about films and begin to earn money. It would be better for me to pay all taxes and then regain my film from the state as present. However, it is impossible to change the law.” (Film producer)

“Everybody thinks that tax exemption is the major remedy for film revival. If the taxes are abolished film industry will become a money-earning machine.” (Line producer)

- Guaranteed environment may make the sector passive and prevent transformation of film industry into business that would establish its position in competitive circumstances.

“If film industry does not turn into business all this is senseless. The state or physical entity will spend certain sum but if film does not become commercially profitable the industry will fail.” (Film producer)”

Some respondents think that the best way out it to set privileged taxes for film industry through specific mechanism that will exclude the possibility of tax-dodging by other businesses at the expense of cinema industry.

Several alternatives are named for the tax-exemption of Georgian film industry that will promote the industry development:

- Certain portion of taxes paid by film producers and cinemas to the state budget should be spent of film industry development (e.g. the volume of state subsidy may increase or certain sum can be directly returned to the producers).
- Certain portion of taxes paid by some profitably industry should be spent of film industry development (e.g. 1 Tetri for each sold bottle of wine).
- Private companies that allocate solid sums to finance Georgian films should enjoy privileged taxes.
- Cinemas performing Georgian films should enjoy certain privileges. Thus they will be able to reduce ticket prices for Georgian films.

4.2 Cultural/social capabilities

Respondents think that it is necessary to apply all possible levers to develop Georgian film industry including:

1. Popularization of Georgian film at international level and focus on its traditions that will attract the attention of international film industry.

Respondents reckon that rich history and practice of Georgian film is a capital that maintained high expectations and interest (especially in post-Soviet area) despite 20-year stagnation. Hence, relevant use of this asset will be the basis for attracting attention toward Georgian film industry.

“Georgian film industry existed. We had our own style and the world knows it. There is considerable potential, there are talented people.. There are only few countries in the world that celebrate 100th jubilee of cinema. Georgia is one of them. Only few countries can be proud of that.” (Film producer)

Film industry is considered as one of the cheapest means of demonstrating national culture abroad. It is true that the film production process is expensive but its “transportation” is cheap (unlike theatre performance) and it lives long as a product (unlike theatre performance that requires constant re-production).

“Film is the cheapest and most sociable art. If I spend 50000 on theatre performance and it becomes successful I’ll have to demonstrate it abroad. Finally, the performance will die. Film is immortal. It is the cheapest way to demonstrate national culture. You make it once and it can live for 200 years. In the long run, the price is minimal.” (Film producer)

2. Support for Georgian film producers, establishment of contacts with international producers.

As the respondents note a good promotion is necessary to establish one’s position in the world film industry. In post-Soviet countries Georgia has an image of a country with wealthy film culture. Georgia has professional specialists but in Europe, America and India the awareness of Georgian producers and directors is minimal. Everybody refrains from conducting expensive business together with such unpopular people.

3. Restoration of cinema circuit and selling them to the physical entities with the term that a new owner will not change the profile.

Respondents assume that expansion of cinema network will facilitate revival of cinema-visiting culture. Strengthening of this distribution channel, in its turn, will be reflected on the industry development. The respondents think it essential especially due to the long-term stagnation of Georgian film industry as well as substitution of cinemas by television and computer. The film producers think that the expansion of cinema circuit will abolish market monopolies and enhance distribution opportunities in general.

4. Creation of an alternative structure of Georgian National Film Center that, together with the Cinema Center will provide distribution of state subsidies. The above-mentioned structure and Cinema Center may finance production of films or its separate components in different seasons of the year.

“I think that Cinema Center financing is important but an alternative structure should also be formed. As a rule in other countries there are at least 2 such structures and films are financed during different period of time.” (Film producer)

5. Channel 1 should allocate minimal air time to Cinema Center that may be used for educational goals or disseminating information on competitions.

6. Growth of financing for Cinema Center so that the latter is able to fully finance several films a year.

7. Announcement of film industry as a priority like tourism development to gain state support. Respondents recommend:

- To prepare video clips for international channels that will promote the country as a potential market for film industry;

"You should demonstrate art in the video clip and point to the tourism development as well. An actor should also appear. Nobody will be surprised that we have good technical equipment as well as prices as they pay due attention to quality." (Line Producer)

- To involve tourist companies in film promotion and underline the advantage of film production in Georgia in the advertising policy.

8.Preparation of draft legislative amendments and consideration of Georgia as an offshore zone of film industry.

"Georgia is a good place to produce films. Everything is connected with political issue and parliament. This machine is so heavy that many people are needed to activate it and these people must be brave and involved only this very activity."(Representative of TV company)

9.Creation of necessary facilities- pavilions and requisites for cinema industry, for instance at the base of Georgian Film or National Cinema Center.

10.Educational activities to train creative and technical staff and more investments in education of young generation.

Some respondents think that it is necessary to offer intellectual products- ideas, scenarios alongside with film-making sites, equipment or service to the foreign producers in order to promote Georgian film industry. Mental and not only technical resource may become the advantage of the country:

"We may have small-scale PR actions but it will be good if we publish scenarios, support authors and directors to promote them abroad. The state bodies should facilitate them or a special group should be formed to reveal the mental potential. Nowadays I hear talks about technical issues of film development." (Line producer)

"Our business is author's film. We cannot create such an industry that will make us popular. We are focused on intellect. Earlier there were ethnographic films that stirred interest among the society. Such films do not exist now. We cannot attract anyone with other means. We are oriented on festivals and creative potential. For this we need more money." (Film production)

Respondents think that a well-developed film industry will provide important opportunities for the country. Georgian film industry will have potential to:

- Create many jobs
- Attract investments

"This night the Turks will arrive. They will be involved in film-making activities for 10 days. The sum they will spent here does nowhere. Besides, the information will spread and many other good things may be done alongside with film. " (Line producer)

- Become a source of information delivery(especially documentary films).

"You can demonstrate yourself, your history and your problems through the film" (Film producer)

- Promote tourism development in the country

"Georgia is focused on tourism development. It is directly linked with film production. More films are produced more tourists will visit the country. All these factors are intertwined. In many countries film funds are linked with tourism department." (Film producer)

- Play certain ideological role

Respondents underlined ideological propaganda provided by Georgian films during Georgia-Russian war. Unlike Russian side, Georgians turned out to be unready for that.

*"Russia was ready for the war. Many documentary films were performed in the West before and after the war. If you make a report in BBC this will be a single report. Film is a notion that creates public opinion."
(Film producer)*

*"You can create the whole generation through a single film hero. There were famous heroes who served as models for many young people. For instance you can focus on the problem of drug addiction and a single film hero may change the situation in the country. This is an ideological weapon and it is possible to use it for better."
(Film producer)*

4.3 Assessment of own business prospects

Against the background of Russia-Georgian war in 2008 and the world economic crisis, respondents find it difficult to make prognosis on the prospects of their business. On the one hand, it is preconditioned by unstable political situation in the country that reduces the attractiveness of the country for film producers and on the other hand, limited financial resources and the difficulties in obtaining funds, in general.

Despite this situation the respondents are still optimistic toward the future. Such optimism is based on the negotiations and projects in process. However, the war put the possibility of implementing numerous Georgia-Russian joint projects under question. The companies do not know whether they can rely on the mentioned project in future or not. Optimistic attitude is also related with the successful sales of Georgian films at local cinemas. Cinemas are not afraid of crisis. Moreover, some respondents expect growing demand on cinema industry during crisis.

*"Cinema is a cheap entertainment means. Demand on cinema will increase alongside with growing crisis. Less BMW cars, residential flats or luxury things may be sold but the crisis will not reflect on cinema. It is a cheap product in comparison with other ones and that's why it is so massive."
(Film producer)*

It is difficult to decide whether the business grows or reduces based on the information provided by respondents. Some of the interviewed companies are newly-established, some others have produced only 3-4 films. Human resources used by the companies are also helpless in this regard as the film producers mainly sign contracts with hired employees (hence there are only few cases when the film producers reduce staff due to the crisis).

The companies choose different strategies for better adaptation with new circumstances for future. Some companies plan to narrow profile and focus on particular genre only (e.g. documentary films) that are considered to be more effective in terms of better sales and less costs. Production of Georgian small-budget films is also prospective. Respondents think that such films will certainly recover expenses at local market. These companies intend to focus on less costly and more profitable direction and diversify activities for that purpose.

The companies that were officially registered last year or function as initiative groups plan to expand and diversify their business in future.

