

Putin Freezes Lenfilm Deal

By [The Moscow Times](#)

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Lenfilm Studio is highly honored in the domestic cinema industry, producing a long list of Soviet classic movies.

One of the largest cinema projects in Russia — a partnership between billionaire Vladimir Yevtushenkov's Sistema and the northern capital's venerable film studio Lenfilm — could fall apart due to complaints by filmmakers.

The Culture Minister recalled a package of documents on creating a public-private partnership between Lenfilm and Sistema that had already been agreed upon with all relevant government agencies, two officials familiar with the details of the project told Vedomosti. Prime Minister Vladimir Putin's spokesman Dmitry Peskov confirmed that the documents had been retracted. Deputy Culture Minister Yekaterina Chukovskaya declined to comment on the matter.

The possibility of merging Lenfilm with Sistema has been under discussion for more than two years, and all this time the companies and officials have attempted to find an option that would fully take into account the interests of all parties and be within the bounds of the law.

"In the public-private enterprise under the name 'Lenfilm,' a controlling stake will belong to us [Joint-Stock Financial Corporation Sistema]. If it will be another way, I will not agree with this. The fact of the matter is that it is very difficult to work with the government, extraordinarily difficult," Sistema's controlling shareholder, Yevtushenkov, said at a meeting with Lenfilm representatives in April 2010.

The option submitted to the government proposes that the company RWS — part of Sistema Mass Media, which belongs to Sistema — in exchange for its own assets would receive 75 percent of Lenfilm's shares. The government would keep 25 percent plus one share.

RWS owns a new, 11,000-square meter film studio in the north of St. Petersburg that set the company back \$10 million. Last year, Sistema Mass Media announced the creation of a second, 58,000-square meter studio in collaboration with state-media holding VGTRK; the partners named the project Lenfilm XXI.

Lenfilm is the oldest Russian film studio. It owns 5 percent of the filmmaking studios in the country, according to estimates last year by Nevafilm and Rfilms. The studio's main location, with a territory of 4 hectares, is in central St. Petersburg on Kamennostrovsky Prospekt. It contains 10 buildings, including four current sound stages with a total area of 3,600 square meters.

Lenfilm is completely owned by the government, and the studio's management has regularly complained to officials about insufficient money, dilapidated facilities and even a lack of means to pay workers' salaries. Yevtushenkov proposed to the government to merge the production capacity of Lenfilm with his own studio RWS.

In August, a package of documents together with a draft edict by President Dmitry Medvedev on the creation of a public-private partnership was submitted to the Culture Ministry, two officials familiar with the details of the project told Vedomosti. At that time, renowned Russian filmmakers Alexei German Sr. and Alexander Sokurov wrote a letter to Prime Minister Vladimir Putin, stating that the planned unification of the studios "for all of us means the end of Lenfilm as both a cultural-historical national treasure and as an independent producer of high-quality national cinematographic productions."

Producer Alexei German Jr. told Vedomosti that the problem is that Yevtushenkov does not explain exactly what will be done with the studio, how it will be developed, and what the return-on-investment period will be.

Shortly after the letter was sent, Putin proposed at a United Russia conference that the matter be investigated in detail, and Culture Minister Alexander Avdeyev expressed solidarity "with the positions of our [Russia's] cinematographers."

The question of the reorganization of Lenfilm is hanging, Peskov said. "It has to be admitted that [the studio] resembles Stalingrad during the war," he added. "But that doesn't mean an investor should take it over and use it in ways it was not intended for."

One official thinks that Putin's decision to examine the deal more closely is a political one. "Nobody wants an emotional outburst from famous people right before elections — and after the necessary tweaks, the merger with Lenfilm will be done."

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