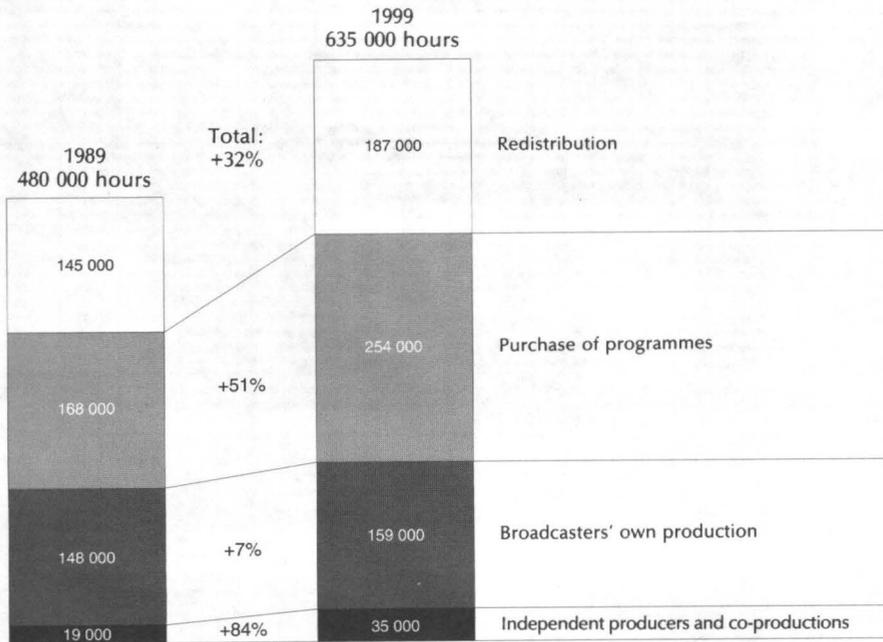


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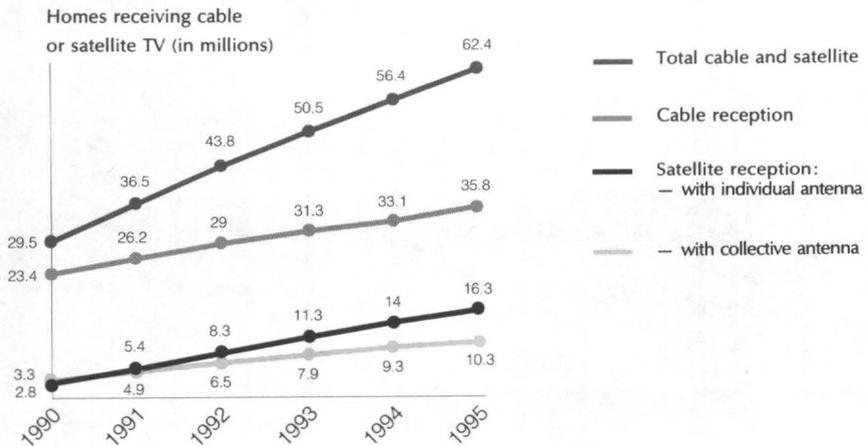
# European Community audiovisual policy

## Demand for television programmes in Europe: growth forecasts 1989-99



Source: Cooper & Lybrand, Deloitte, 'Trends in European programming', in '16/9', Eureka Audiovisual Bulletin, March 1992.

## Cable and satellite television in Europe: growth forecasts 1990-95



Source: Carat TV, in '16/9', Eureka Audiovisual Bulletin, March 1992.

**O**n average 340 million Europeans watch television for over two hours every day.<sup>1</sup> With the increase in leisure time, the spread of cable and satellite television, and growing numbers of broadcasters the demand for programmes is constantly increasing. In response to this growing demand the European audiovisual industry must overcome a number of structural challenges if it is to face strong international competition. At present, a great many imported series, soap operas, documentaries and cartoons are shown on European television.<sup>2</sup>

Although Europeans have flocked to the small screen they have abandoned the cinema in droves: attendance has fallen by 40% in the last 10 years. The film industry depends on joint financing with television companies. The annual turnover of the Community audiovisual market, all sectors combined (cinema, television, video), amounts to less than half the market in the United States.

These facts demonstrate how much hangs on the audiovisual policy: it will have industrial, technological and cultural repercussions. The latter are vital for the preservation of the diversity of European culture and identity. In the mid-1980s, audiovisual problems came to the forefront of European concerns, as was shown on many occasions by the resolutions adopted by the Heads of State or Government of the Twelve.

## **European audiovisual scene and Community strategy**

If it is to play a fitting role in the world audiovisual scene, Europe must count its assets and coordinate its actions. This is why Community policy is primarily based on an analysis of the European audiovisual scene carried out in conjunction with the professionals. Some of the main features of the scene are:

- *Cultural assets in a fragmented market.* The wealth of European audiovisual creation stems from the variety of its cultures and languages. However, national traditions and limited markets (80% of films do not cross the borders of the country of origin) make it difficult for the industry to absorb ever higher production costs. The growing demand for television programmes does not therefore benefit European producers to the extent that it should: financial constraints tend to make broadcasting channels turn towards other sources of programmes (e.g. American series or Japanese cartoons, which are cheaper because they have already paid their way on the world market).
- *Structures to be adapted and new developments.* Europe has many dynamic small and medium-sized independent producers. They are faced with rising production costs (particularly heavy for fiction) and the high cost of investment in new technologies. Downstream, film distribution firms are seldom national. Some 40% are controlled by American companies who have a say in programming, even though cinema attendances continue to decline. Meanwhile,

<sup>1</sup> This file replaces our No 4/88. Manuscript completed in July 1992.

<sup>2</sup> Programmes are bought chiefly from the United States and cost some ECU 600 million in 1988 alone (ECU 1 (European currency unit) = about UKL 0.72, IRL 0.77 and USD 1.38 at exchange rates current on 31 August 1992).

television cable networks are spreading fast, and pay-television and special interest channels are emerging, thereby increasing the revenue from television advertising.

- *Technological challenge.* The new technologies have had an impact on the entire audiovisual chain: satellite and cable distribution; new advanced and high-definition television equipment; and new developments in interactive services. These changes require considerable financial input and could have an impact on the divisions separating cinema, audiovisual and video production.

In 1988, the European Cinema and Television Year brought the range of audiovisual problems to the attention of political leaders, professionals and the public alike in the 12 Member States, and encouraged the European Commission in its efforts. In 1989 the following developments took place:

- an audiovisual conference was held jointly by the French Government and the Commission. It enabled professionals to contribute to the market analysis and to the definition of a European cinema and television policy;
- Audiovisual Eureka was launched. It is an intergovernmental initiative involving some 30 European countries (including Central and Eastern Europe) and the Commission;
- the 'Television without frontiers' Directive was adopted by the Council of Ministers;
- a decision on a high-definition strategy was adopted;
- support for creative audiovisual work was increased through the Media programme.

The simultaneous launching of these interactive measures testified to the will to implement an overall, consistent and long-term policy.<sup>1</sup> In this very particular area embracing both industry and culture Community action is designed to achieve three inseparable and interdependent objectives:

- to establish a proper statutory framework for the free movement of audiovisual material throughout the Community;

<sup>1</sup> Commission communication of 21 February 1990 to the Council and the European Parliament on audiovisual policy (COM(90) 78 final).

- to strengthen the programme-making industry so that it can respond to growing demand in a competitive market where European culture must maintain its presence;
- to adopt a common approach to meet the challenge of new technologies.

## **Statutory framework: television without frontiers**

On 3 October 1989 the Council of Ministers laid the foundations of the statutory framework by adopting the 'Television without frontiers' Directive with a view to eliminating impediments to freedom of movement for television broadcasting in the Community. It is based on a single principle: in the areas covered by the Directive, television broadcasts are subject only to the law of the originating Member State, and receiving countries may not place any restrictions on their retransmission. To ensure free movement of broadcasts the Directive harmonizes certain rules concerning:

- *Advertising and sponsorship.* The amount of advertising is restricted to 15% of the daily transmission time and may not exceed 20% in a given one-hour period. In general it should be inserted between programmes or self-contained parts of each programme. In addition, the Directive bans television advertising for tobacco products and certain types of medicinal products, and limits advertising for alcoholic beverages.
- *Protection of minors.* Programmes must respect the moral development of minors and not cause serious harm. They must not incite to violence, involve pornography or promote racism. Respect for minors extends to television advertising, which must not directly encourage children and adolescents to buy certain products and must not exploit their inexperience or credulity.
- *Right of reply.* Member States must establish the right of reply in relation to all broadcasters and make provision for recourse to law.

The Directive pursues its cultural aims by encouraging European audiovisual distribution and production. It requires broadcasters to reserve at least 10% of their transmission time (excluding the time allotted to news, sports events, games, advertising and teletext services) or alternatively at least 10% of their programming budget for European works by producers who are independent of broadcasters. In addition, broadcasters must reserve for European works a majority of their transmission time.

The statutory framework is now being supplemented by measures concerning copyright and neighbouring rights. The Commission has drawn up a proposal for a directive concerning the problems of these rights in the context of satellite broadcasting and cable retransmission. By its very nature satellite broadcasting is 'transnational' and national copyright law is often ill-equipped to cope with new technology. Legal uncertainty is detrimental to both broadcasters wishing to use satellite broadcasting and to those authors, performers, phonogram producers and others who wish to exercise their rights in the context of satellite broadcasting. The proposal for a directive seeks to fill this legal hiatus and is at present before the Council of Ministers and the European Parliament. There are two aspects to the solution proposed.

First it defines at Community level the act of satellite broadcasting, and requires the operator to obtain contractual authorization from the right holders. To ensure that one country does not decide to establish a copyright haven for all satellite broadcasting operators in the Community leaving creative artists unprotected, the second part of the proposal provides for a common level of protection for authors, performers, phonogram producers and radio broadcasters throughout the Community. In the case of simultaneous unchanged retransmission by cable, the proposal advocates the collective and contractual acquisition of rights.

Other instruments dealing with more general copyright aspects but with less direct impact on the audiovisual sector have been adopted or are currently under discussion.<sup>1</sup>

Lastly, the Commission is looking into the problems of amalgamating media and maintaining pluralism, to assess the need for action at Community level.

## **Media: promotion of the programme production industry**

In the single market the European programme-makers will have to overcome a number of structural difficulties: producers are too small; production and distribution networks are too weak; language barriers have to be overcome. While the national basis of this industry provides a guarantee of cultural diversity it also acts as a barrier to its development and limits the scope for cross-frontier distribution. At a time where Europe must meet the growing demand for programmes, it is increasingly vital to stimulate cooperation between those working in the audiovisual field.

Thus, since 1988 the Community has implemented a policy supporting the European audiovisual industry, specifically in the form of the Media programme. Wide-ranging concertation with professional circles initially (1988-90) made it possible to launch an experimental phase in which pilot schemes were assessed by both the Commission and independent experts. This highlighted the potential and the needs of the industry and the interdependence of the various media (cinema, television and video).

The positive outcome of this experimental phase led the Council of Ministers to go further and in December 1990 it adopted a five-year programme (1991-95) with an appropriation of ECU 200 million. Since European culture has no frontiers the Media programme is not limited to the Twelve, but is open to the EFTA countries and may be extended to most Central and East European countries.

<sup>1</sup> See European File No 9/1991, 'Copyright and neighbouring rights in the European Community'. Of the main developments since this File was published, attention is called to the common position adopted by the Council in June 1992 in its Directive concerning rental right and lending right and certain rights related to copyright in the field of intellectual property, and the presentation of two proposals for directives, one harmonizing the term of protection of copyright and certain related rights, the other concerning the legal protection of databases.

The Media programme strategy is designed with the large internal market in mind and to attain certain cultural objectives. The measures supported are intended to:

- remove the barriers from national markets and initiate cross-frontier cooperation so that those concerned can expand their operations through economies of scale;
- assist the reorganization of the audiovisual industry by giving priority to small and medium-sized operators and by giving support to all audiovisual sectors since they are interdependent;
- maintain proper regard for national differences and cultural identities, avoiding any cultural uniformization and paying especial attention to the needs of smaller countries and less widely spoken languages.

Media intervenes both upstream and downstream of production without impinging directly on it. As a rule funding takes the form of advances on receipts which are reimbursable and immediately reinvested. At present the programme covers some 20 projects under 6 different headings: training for professionals; improving the facilities for production, distribution, exploitation and financing; the development of a 'second market' (archives, retransmissions, etc.).

## **European technological challenge: advanced television**

The development of cable networks and the use of satellites for relaying images considerably expand the range of possibilities open to television broadcasting. Europe is faced with the challenges of HDTV and advanced television, i.e. wide-screen television (16:9 format, much better suited to human vision). The latter introduces the format of the cinema to the world of video whilst HDTV offers an entirely new level of visual quality (16:9, more lines) and sound (digital or computer-aided). The very fine detail of the HDTV image greatly enhances the impression of reality. This advanced technology calls for the adaptation of both equipment (from the camera to the television receiver, including all production and distribution equipment) and programme production. To meet the competition from other industrial powers which are making a huge effort in this field, Europe must formulate a consistent policy, involving all partners: researchers, manufacturers, audiovisual professionals and consumers, etc.

On 27 April 1989, on a proposal from the Commission, the Council of Ministers adopted a comprehensive strategy on European high-definition television. This strategy covers three closely interrelated areas: regulations to lay down satellite broadcasting standards; support for technological development to enable European industry to produce capital goods meeting these standards; support for audiovisual professionals in seeking to launch services and promote the production of programmes using the new technology.

## PROJECTS SUPPORTED BY MEDIA

### ■ Training

- EAVE/European Audiovisual Entrepreneurs, Brussels.
- MBS/Media Business School, Madrid.

These projects are designed to help professionals to improve their managerial skills and thus benefit from the potential of the large European market.

### ■ Production

- European Script Fund, London — support for writing and the development of screenplays.
- Documentary, Copenhagen-Amsterdam — support for the development of creative documentaries as regards production, promotion and marketing.
- Cartoon, Brussels — support for the creation and development of the European animated film industry, especially through networking of European studios.
- Media Investment Club, Bry-sur-Marne, France — support for audiovisual works using advanced technologies (computer graphics, digital and computer techniques in television, HDTV, interactivity).
- Scale (Small countries improve their audiovisual level in Europe), Lisbon — joint initiatives between countries with a limited geographical and linguistic area.

### ■ Contribution to establishment of a 'second market'

- MAP-TV (memory/archives/programmes television) — development grants to promote audiovisual productions using audiovisual archive material.
- Lumière, Lisbon — conservation and restoration of cinematographic works stored in film libraries.

### ■ Distribution mechanisms

- EFDO (European Film Distribution Office), Hamburg — aid for the distribution of European films in cinemas.
- EVE (European video area), Dublin — support for the publication and distribution of cinematographic works on video cassettes.
- Greco (Groupement européen pour la circulation des œuvres), Munich — promotion of the circulation of independent television fiction.
- Euroaim (European Organization for an Audiovisual Independent Market), Brussels — support structure offering services for the promotion of independent European productions on the international market.
- Babel (Broadcasting across the barriers of European language), Geneva — promotion of multilingualism in television programmes through financial support for dubbing and/or subtitling.

### ■ Exploitation

- Media theatres, Milan — promotion of European films in cinemas.
- EFA (European Film Academy), Berlin — centre for meetings and discussions open to professionals of the European cinema.

### ■ Financial investment

- Euro-media guarantee, Paris — risk-sharing with financial backers through guarantees on bank loans for European co-productions.

■ *Directive on the adoption of standards for satellite broadcasting of television signals*

The Community seeks to promote world-wide a high definition standard developed in Europe: HD-MAC. This standard (1 250 lines, 50 images/second) adopted by the Twelve is supported by an ever-growing number of European countries.

The originality of the European approach is that it proposes a 'soft' transition from the present systems (PAL/Secam) to high definition by opting for an initial phase (D2-MAC) using the same 16:9 format as is to be used for high definition. This means that D2-MAC 16:9 screens will not become technologically obsolete with the arrival of HDTV, the two standards being sufficiently compatible to permit the reception of HDTV with the usual image quality. The transition from black and white to colour television was achieved in a similar way.

The Directive adopted by the Council on 11 May 1992 lays down the conditions for the use of D2-MAC and HD-MAC standards for satellite broadcasting and cable retransmission. Its main points can be summed up as follows:

- only the HD-MAC standard may be used for any HDTV transmission that is not completely digital;<sup>1</sup>
- only the D2-MAC standard may be used for any not completely digital satellite transmission of a 625-line and 16:9 service;
- all 16:9 television sets must be equipped with a D2-MAC decoder and all other television sets must be equipped with a standard socket permitting an open interface standard;
- use of the D2-MAC standard will also be compulsory for 16:9 services launched after 1 January 1995, provided that the Council adopts a Commission proposal on financial support for such services;
- periodic monitoring of market trends is planned to ensure that the various instruments, whether regulatory or containing incentives, are adapted to current needs at all times.

■ *Launch of advanced television services*

- Since 1986 the Community has supported research and development (R&D) projects in the context of Eureka 95, which has laid the foundations for the European HD-MAC HDTV standard. As early as 1988 industrial participants in Eureka 95 successfully developed a prototype complete with demonstration equipment (camera, video-recorders, domestic satellite receivers). In 1989, it became possible to produce programmes using this technological breakthrough. In this second phase, Eureka 95 has served to expand the

<sup>1</sup> *Digital transmission entails sending images encoded in binary form, as in a computer. The Americans and Japanese hope to promote standards based on this process which would entail the replacement of all equipment currently in use, whereas the European approach should lead to a more gradual transition.*

production of HD and the related new services. The Community contributes to some of these activities through its R&D framework programme and through significant regulatory initiatives in the field of standardization.

- Production of HDTV programmes requires training for professionals and the use of certain equipment which is still rare and expensive. This is why cooperation is needed between manufacturers and creative artists. Such cooperation will be encouraged by the creation of Vision 1250, a European association which is supported by the Community and is responsible for making material available to its members and for promoting the European standard. It was largely thanks to Vision 1250 that the Albertville and Barcelona Olympic Games and the retransmissions from the Seville World Fair could be received in HD.
  
- This is not enough, however. To effect the wide-ranging technological changes required for the introduction of high-definition television, the Commission has held extensive consultations with all the parties concerned on the audiovisual scene, resulting in a memorandum of understanding, which sets out the common approach to be followed (by manufacturers, satellite operators, cable operators and broadcasters) in the development and promotion of services and equipment to meet the requirements of advanced television. To offset the cost of this technological adjustment, the Commission proposes financial support in the context of its action plan for the introduction of advanced television services in Europe.

The plan was proposed in April 1992 and includes support measures and financial arrangements designed to develop advanced television services bearing in mind all the various interests involved. Over five years (1992-96) ECU 850 million would be allocated to launching new broadcasting services using 16:9 D2-MAC or HD-MAC, upgrading cable networks, adapting existing programmes, and above all the production of new programmes in line with the new technical standards and the new format.

The action plan takes account of the specific requirements of the programme industry: technical quality, countries with less widely used languages, role of independent producers, etc. The action plan should ensure that within four years a good range of services are retransmitted by satellite in 16:9 format, in D2-MAC or HD-MAC, with a substantial increase in the number of cable networks offering programmes in D2-MAC 16:9, while there will be strong incentives for the production of programmes meeting the new standards.



the various aspects (regulatory, technological and cultural), whilst making provision for cooperation and interaction, so that Europe can make the most of its assets, take up the challenge of the audiovisual society and play its part world-wide.



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and in other parts of the world.



Office for Official Publications  
of the European Communities  
L-2985 Luxembourg

ISSN 0379-3133

Catalogue number: CC-AD-92-006-EN-C

