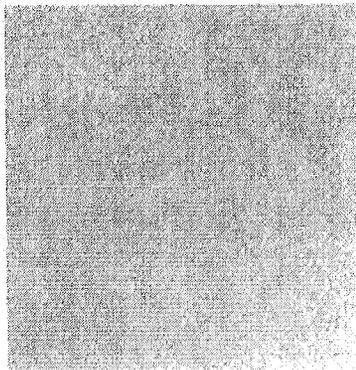
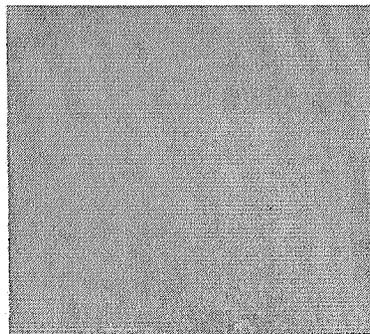




EUROPEAN  
COMMISSION



PROCEEDINGS OF THE EUROPEAN  
AUDIOVISUAL CONFERENCE  
Brussels, 30 June, 1 and 2 July 1994

30 June to 2 July 1994

This publication appears in German, English and French

**European Commission**

Directorate-General for Information, Communication, Culture and Audiovisual  
Publications Unit, Rue de la Loi 200, B-1049 Brussels

Cover photos:

- EKA
- 'L'Opéra Imaginaire', Lakme by Delibes. Production: Pascavision (F-UK) with the support of the MEDIA investment club of the MEDIA programme of the European Union
- European Film Academy of the MEDIA programme of the European Union

Publisher: Office for Official Publications of the European Communities, Luxembourg, 1996

ISBN 92-826-9236-1

© ECSC-EC-EAEC, Brussels • Luxembourg, 1995

Reproduction is authorized, except for commercial purposes, provided the source is acknowledged

*Printed in Germany*

Printed on white chlorine-free paper

# CONTENTS

|  |   |           |
|--|---|-----------|
| <b>■ OPENING SESSION</b>   |   | <b>5</b>  |
| OPENING ADDRESS  |   |           |
|  | Prof. João de Deus Pinheiro<br>Member of the Commission, responsible<br>for information, communication, culture,<br>audiovisual | 6         |
| SPEAKERS   |   |           |
|  | Mr Jacques Delors<br>President of the European Commission   | 10        |
|  | Mr Evangelos Venizelos<br>President of the Council of Ministers on<br>audiovisual media of the European Union                   | 12        |
|  | Mr Roberto Barzanti<br>Vice-President of the European Parliament  | 14        |
| <b>■ FORWARD PLANNING GROUP</b>  |   | <b>19</b> |
| STATE OF THE INDUSTRY  |   |           |
| Report on the state of the<br>television industry                                  | Mr Albert Scharf<br>Mr Étienne Mougeotte  | 20<br>24  |
| Report on the state of the<br>film industry  | Mr Aurelio de Laurentiis  | 26        |
| Presentation of the<br>Think-tank report   | Mr Antonio-Pedro Vasconcelos  | 30        |
| Presentation of the Green Paper  | Mrs Colette Flesch  | 37        |
| THE EUROPEAN DIMENSION IN THE AUDIOVISUAL INDUSTRY:<br>COMPETITIVITY AND DIVERSITY |   |           |
| Cultural diversity and<br>the single market  | Mr Jorge Semprun<br>Mr Volker Schlöndorff   | 39<br>42  |
| Role of television funding<br>of the cinema  | Mr René Bonnell   | 46        |
| The future of distribution   | Mr Nicolas Seydoux  | 51        |
| Television production<br><i>Independent television<br/>production</i>              | Mrs Sophie Balhetchet   | 54        |
| <i>Balancing programme supply<br/>and demand</i>                                   | Mr Jean Stock<br>Mr Bauke Geersing  | 58<br>60  |

---

 NEW SERVICES AND TECHNOLOGY
 

---

|   |                          |    |
|---|--------------------------|----|
| The information society                         | Mr Michael Niebel        | 64 |
|   | Mr John Hawkins          | 67 |
| Development of multimedia                       | Mr Manfred Lahnstein     | 69 |
| New opportunities for the<br>programme industry | Mr Andrès Vicente Gomez  | 72 |
| Global entrepreneurial strategy                 | Mr Alain Levy            | 76 |
| The future role of<br>'in the clear' television | Mrs Leslie Hill          | 79 |
|   | Mr Francisco P. Balsemão | 82 |
|   | Mr Jean-Pierre Elkabbach | 85 |

**■ REPORTS FROM THE CHAIRMEN OF THE THEMATIC HEARINGS  
AND OF THE FORWARD PLANNING GROUP** 91

---

 CHAIRMEN OF THE THEMATIC WORKSHOPS
 

---

|  |                    |     |
|--|--------------------|-----|
| Support instruments at<br>Community level  | Mr Michael Flint   | 92  |
| Pan-European perspectives                  | Mr Ryclef Rienstra | 95  |
| The rules of the game                      | Mr Bernard Miyet   | 98  |
| Convergence of national<br>support systems | Mr Stefano Rolando | 101 |

---

 PRESIDENT OF THE FORWARD PLANNING GROUP
 

---

|              |     |
|--------------|-----|
| Mr Jack Lang | 104 |
|--------------|-----|

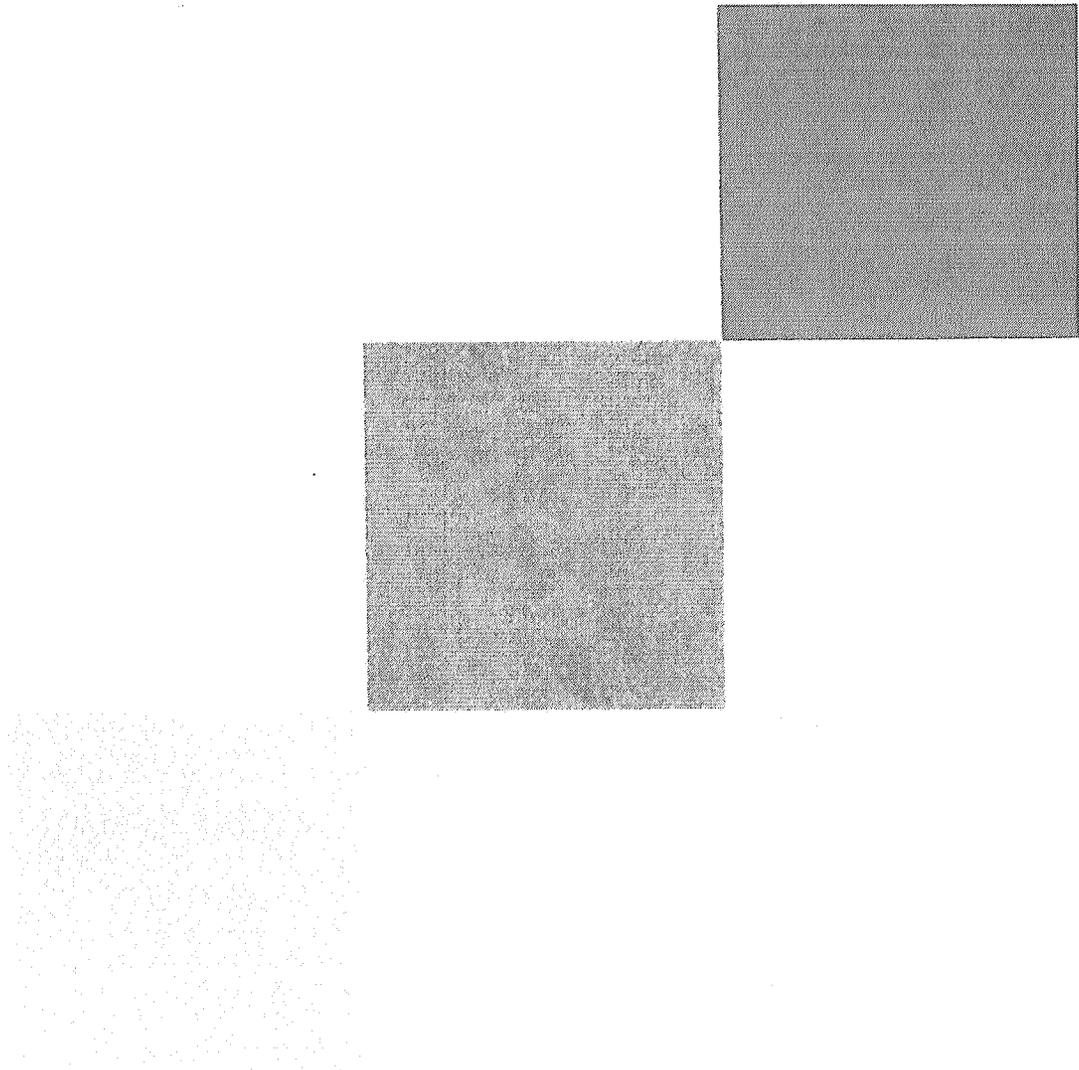
**■ CONCLUSION OF THE CONFERENCE** 109

---

 SPEAKERS
 

---

|  |     |
|--|-----|
| Mrs Ursula Seiler-Albring                  | 110 |
| The Presidency of the Council of Ministers |     |
| Prof. João de Deus Pinheiro                | 112 |



## OPENING SESSION

I would like to welcome you to this European Audiovisual Conference. Allow me to greet the European institutions present here today: the Presidency of the Council of Ministers, the European Parliament, the Council of Europe, the Economic and Social Committee and the Committee of the Regions. I convey a warm welcome to the representatives of the EFTA countries participating in the European Economic Area and of the Member States of the European Union, also extended to the delegates of the Central and East European countries with whom the Union has signed Association agreements covering the audiovisual sector. Last but not least, I hail the professionals themselves to whom this conference is addressed and whose presence and role are indeed essential for a positive outcome.

I would like to thank very deeply the President of the European Parliament, Dr Egon Klepsch, who unfortunately cannot be here with us today, for having granted us these magnificent new installations, allowing for the notable representation we have in this hemisphere.

A special word of thanks to the members of the Think tank and to the chairmen of the Forward Planning Group and of the thematic hearings who contributed in a decisive way to make this conference a reality.

### **AUDIOVISUAL IS NOT A MERCHANDISE LIKE ANY OTHER**

It has often been said that audiovisual is not a merchandise like any other. I cannot but concur with this view. Audiovisual products, that is films and television programmes, have a specificity of their own. First of all, because of their undeniable cultural content; secondly, because of their major

### **PROFESSOR JOÃO DE DEUS PINHEIRO MEMBER OF THE COMMISSION, RESPONSIBLE FOR INFORMATION, COMMUNICATION, CULTURE, AUDIOVISUAL**

economic importance and their potentiality for job creation and, finally, because of the ever-changing technology that is used both to produce and distribute them. I have to underline the cultural dimension of audiovisual which is a very unique and distinctive trait and which clearly sets it apart from other sectors. In short, we are dealing with a specific, I dare say, an exceptional product from several points of view

If these characteristics are widely known, we need to have a sound policy for the sector. This policy must be redefined in light of the swift mutations we are witnessing at the turn of this century and it must be consistent with other ongoing European Union policies.

### **NEED TO ACT NOW**

Why do we need to act now? Let me give you a brief outlook.

The end of 1993 was a decisive cornerstone for rendering the strategic importance of the audiovisual sector clearly transparent and revealing the importance of defining the basic direction of the future policy of the EU in the communications sector.

Two main factors have acted almost simultaneously to encourage a major change in attitude in the way we Europeans look at the audiovisual sector. These factors have been the negotiations of services in the framework of the Uruguay Round and the adoption by the European Council of the White Paper on growth, competitiveness and employment.

The analysis of the final accord after the GATS negotiations leads the Commission to express two fundamental considerations which define the scope of any reflection on future action in the audiovisual sector:

(a) the audiovisual sector is not excluded from GATS and it has been accorded no special status, cultural or otherwise. As such it is subject to the provisions of the accord relative to progressive liberalization.

(b) The EU's obligations are limited to assuring transparency on any possible new measures adopted. Beyond this we have succeeded in maintaining a free hand with regards to the different aspects of our audiovisual policy.

The White Paper opened the debate on the major trends in our society on the eve of 21st century, and underlined the important potential of the European audiovisual sector, mainly in terms of employment, and the need to improve its competitiveness making effective use of the new information and communication technologies.

The first visible consequences of the White Paper were duly appraised by the Commission and concrete actions were envisaged. Thus, the need for a strategy regarding the content, i.e. the programmes, and we ventured into the Green Paper exercise. Thus, the need for a strategy on infrastructures and applications and the Bangemann Group produced its report on the 'Global Information Society', presented at the recent European Council in Corfu. Moreover, one of the conclusions of this Summit was the need to underline the importance of the linguistic and cultural aspects in this context.

To summarize, Europe is now in a transitory phase of limited duration. We have a brief respite in the audiovisual field. And our fundamental political option is either to use this respite to create efficient industries that match our ambitions or to give up and take the economical and cultural consequences that lack of action would entail. The definition and implementation of a European policy for the programme industry is therefore most urgent. We have to act now.

That is the main reason why I consider 1994 to be the European audiovisual year. Therefore, on my political calendar I have set some clear objectives and corresponding deadlines. I shall come to these points a little later on.

## COMMISSION STRATEGY

In the light of the above analysis, the Commission undertook a vast and ambitious re-examination of policies in Europe in order to render the European audiovisual sector competitive inside the Union and with the aim of making its products attractive to foreign markets.

In this context the Commission adopted the Green Paper on strategy options to strengthen the European programme industry in the context of the audiovisual policy of the European Union. It was based on numerous contributions from the industry and from professionals of the sector, on submissions by Member States and on a report by a Think-tank of highly esteemed European experts.

Let me emphasize that in my own view one could say that the Green Paper exercise can be seen as being composed of two parts. What I might call a part A which is the Commission's official document with institutional implications and which has been duly submitted to the Council of Ministers and to the European Parliament, among other institutions. And a part B which is the Think-tank report. Although commissioned by the Commission in order to obtain direct input from a selected group of professionals into the Green Paper drafting process it is an autonomous document of the sole responsibility of the Think-tank and its members. I must point out that its conclusions and proposals, daring as they may be, are indeed very relevant to nourish the ongoing debate regarding the European audiovisual sector.

In other words in the Green Paper, after a brief explanation of the current state of play in the audiovisual sector, we mention the challenges facing the European programme industry, the existing instruments and we refer to the options for the future in terms of open questions. We hope these

are the right ones. The Think-tank report has a more detailed diagnosis of this situation, calls for a strategic transformation of the sector and puts forward concrete recommendations.

It must be stressed once again that a clear line separates both documents, as their respective status, objectives and methodologies are different.

## GREEN PAPER — BRIEF ANALYSIS

Allow me, now, to give you an overall view of the Green Paper. It starts off with two basic premises:

- A. Films and television programmes are important vectors of culture conserving their specificity amongst new types of audiovisual products.
- B. The programme industry is more and more a strategic element in the audiovisual sector insofar as it is deemed necessary to provide content to render the newly available facilities and services meaningful to the consumers. That is the reason why the most powerful operators (constructors of equipment or cable and telecommunication operators) try to control the most important catalogues of programmes.

The initial contributions and discussions have shown that there exists a virtual consensus on the following four points confirming the need for a wide-ranging debate on the future of the audiovisual industry in Europe:

(i) the audiovisual industry is a special case amongst high-growth industries, in particular with possibilities it offers for job creation;

(ii) the safeguarding of the diversity of national and regional cultures, often expressed in terms of maintaining the choice available to the public, is now clearly linked to the development of a predominantly European programme industry which must be profitable;

(iii) digital compression technology is seen as revolutionary because it appears set to transform the sector, accentuating the strategic role of the programme industry;

(iv) if the European Union wants to strengthen its audiovisual policy, it must act quickly, otherwise it will be overtaken by the rapidly developing technology and the unavoidable liberalization of the industry at international level.

The essential problem can therefore be summed up as follows:

How can the European Union contribute to the development of a European film and television industry which is competitive on the world market, forward looking and capable of radiating the influence of European culture and of creating jobs in Europe?

In view of the importance of the issue, I convened this gathering which consists of a wide consultation of European professionals based on the Green Paper. It goes without saying that the themes and recommendations of the Think-tank report, as well as other submissions from the profes-

sionals, from the European institutions and from the Member States, will also be very much in the centre of the debate.

## **EUROPEAN AUDIOVISUAL CONFERENCE — ORGANIZATION**

As you are aware, the Conference is organized around two modules: the first, regarding the operational themes of the Green Paper, that is to say the rules of the games, pan-European perspectives, support mechanisms on the European level and the convergence of national systems of support, and the second consisting of a wide debate on the grand issue to which shall be confronted the European programme industry in the beginning of the 21st century.

## **EUROPEAN AUDIOVISUAL CONFERENCE — OBJECTIVES**

On the basis of the conclusions of this conference and the numerous written contributions it has received, the Commission should be able to propose and implement a sound, effective and efficient policy based on the following strategic elements:

(i) remove barriers between national markets;

(ii) ensure genuine choice for the European public;

(iii) optimize opportunities for an industry with a future;

(iv) in the long term ensure the profitability of a sector in deficit.

Besides these long-term strategic objectives, this Commission will be in a position to put forward concrete proposals, for the short term, namely the possibility of setting the MEDIA programme on a new course after 1995 and the revision of the 'Television without frontiers' directive. These specific questions will be addressed and hopefully solved in the autumn. Deadlines will have to be met imperatively by the latter part of the year.

We do hope that within the framework of this conference the questions of the Green Paper will be able to find the appropriate answers from all concerned parties. I believe that is basically the purpose of this conference: to take stock of the reactions of representative European professional organizations and individual practitioners to this questions raised by the Green Paper. As the conference also has an institutional dimension it might also be considered as a forum for debate on possible Commission proposals for action at European Union level. Therefore, Union institutions will take part in the proceedings as well as the Member States and other interested parties.

## **OTHER ISSUES — THEMES NOT COVERED BY THE GREEN PAPER AND RELATIONS WITH THIRD COUNTRIES**

At this stage, there are two issues on which I feel I should provide you with a brief explanation.

First of all, I have to acknowledge that perhaps we did not cover the whole terrain or all the possible themes when dealing with the audiovisual sector in our Green Paper. I'll have to argue that some of those themes are already covered or will be included in other Commission exercises and initia-

tives. We focused on the audiovisual programme industry, but we are quite open to any suggestions or ideas related to this central theme.

Secondly, being unable to invite everyone with an interest on audiovisual policy and acknowledging that this conference is mainly targeted at European professionals, I intend to brief third countries on the outcome of the conference, as it is also my intention to maintain and reinforce a dialogue with them, namely with those with which we enjoy a privileged relationship.

Finally, I would like to stress, that we are always open to submissions from each and everyone with an interest on audiovisual issues, irrespective of their nationality or whatever interests they might represent.

## EUROPEAN AUDIOVISUAL CONFERENCE — EXPECTED OUTCOME

What is the expected outcome? Ideally we would be aiming at a consensual response regarding the essential questions put forward by the Green Paper. I firmly believe that this goal is achievable, provided there is sufficient will on your side to move ahead. At the very least, I believe that we can all benefit from a recognizable added-value for a consistent and coherent European audiovisual policy, as a detectable result of this reunion. But this would be the 'minimum minimorum' and we surely have to be more ambitious than that. We shall make efforts, to the maximum extent possible, to sort out differences and move forward. What we cannot and we shall not accept is that we have met here to make public our divergences, that we have agreed to disagree.

The Commission has the right of initiative but it will take into account the conclusions of the conference, in as far as possible.

Thus, it is paramount to have tangible and substantive results. Otherwise, you will leave us with no other choice but to act on our own.

I appeal to your good sense, and to a spirit of goodwill and compromise in order to attain the desired goals. Indeed, you will be the first beneficiaries.

## CONCLUDING REMARKS

I believe that the right policies for the audiovisual sector can only be pondered, delineated and implemented within the framework of a permanent consultation.

We encourage, therefore, all contributions that may enrich our perception and shed further light for the future course.

At this stage it is important to stress the following points:

- (a) the bottom-up approach of this exercise;
- (b) that it will be conducted in total openness and transparency;
- (c) That the Commission policies must be consistent and coherent. To this end, all coordination efforts have been undertaken and we shall continue to do so at all levels, up to now and in the future;

(d) The conference does not preclude further discussion, namely at the political level;

(e) Besides the compliance with our own calendar, I understand that there will be a follow-up of the conference in many undertakings all over Europe. I do wish they will bear fruit;

(f) It is needless to say that this conference is aimed at you, the professionals. Therefore its successful outcome is basically in your own interests;

(g) And, last but not least, it is clear that the cooperation and the engagement of all European institutions is not only desirable, but indispensable for the success of our objectives. The Commission has indeed the role of a catalyst by promoting positive measures fully in tune with the policies to be pursued by each and every Member State of the Union.

## MR JACQUES DELORS PRESIDENT OF THE EUROPEAN COMMISSION

Ladies and gentlemen, let me start by thanking you, on behalf of the European Commission, for taking part in this exercise, which we have every reason to believe is vital. Let me also thank the European Parliament and the Greek Presidency for their part in this conference, of which we have high hopes. Mr Pinheiro, who is responsible for these matters in the European Commission, has already outlined the state of play and the sort of questions that arise in a world of rapid change. You will have understood that the principles remain constant. Two of these are worth reiterating here.

The first is that culture is not a piece of merchandise like any other. I made this point at the first Audiovisual Conclave on 2 October 1989, and we shall repeat it here today. This principle was certainly a fundamental factor behind our firmness in the Uruguay Round negotiations, over and above the commercial interests at stake, for of course we are also well aware that the audiovisual sector is an important producer and exporter in many countries. But the fact remains that it is not a piece of merchandise like any other, and our thinking and policies continue to be based on this principle.

The second principle is equally self-evident: the need to preserve the diversity of our cultures and ways of life. Hence the insistence

on subsidiarity and the rejection of uniformity. Whatever the demagogues may say, the European Commission is concerned about this issue and is trying to reassure the various parties. It is a commonplace to say that ordinary people are disorientated by the pace of change, the globalization of problems, the internationalization of the economy. They need points of reference and a sense of belonging, but until now European integration has been seen as contributing to this complexity and anxiety. Culture, as the ultimate point of reference, can calm these fears. It encapsulates the sense of belonging. In an endeavour common to all of us we try, through contemporary works, to express our collective memory, our history and traditions.

How can we put these principles into practice today? This is the question you have to consider. For my part I should like to place it once again in the context of European integration. Whatever the complacent optimists may say, the European economies have reached a crossroads: survival beckons in one direction but decline threatens in the other. We have been warning the governments of the 12 Member States of the dangers of decline for the past year. You are meeting here to discuss these issues at a time when, to be perfectly frank, the European

Union faces a latent political crisis. Why is this? Plagued with self-doubt as we are, we fail to endow ourselves with the means to fulfil our stated ambitions. The nomination issue at the Corfu Summit was a prime example: the Member States cannot agree among themselves about the purposes of European action. If this situation were allowed to continue, the result would be a loss of influence for Europe and, whatever some people might think, regardless of the form national introversion might take, an erosion of the diversity which we value so dearly.

Of course I recognize that artistic creation is not inevitably crushed by the weight of dictatorship. I admit that it is not necessarily affected by economic decline. How else can we explain the flowering of Latin American literature over the last 30 years, which predates the return of democracy and the economic revival. These conditions alone cannot guarantee the prosperity of the cultural industry. For this is also an industry which must disseminate European culture, contribute to economic and social development and job creation. The cultural pole and the industrial pole are both important. This is why Mr Pinheiro was so insistent that the audiovisual industry should feature in the debate about growth, employment and competitiveness and contributed these ideas to the White Paper. The three issues raised by the White Paper are indeed of interest to you. How can we make ourselves more competitive? How can we control technical progress? And how can we create more jobs? These questions are aimed at the leaders and workers in the creative audiovisual industry as much as those in other industries.

Turning first to competitiveness: in your field — to put it bluntly — it is measured by box-office sales and television audience ratings, but this does not stop the authori-

ties from pursuing an audiovisual policy based on broader criteria. We cannot, however, afford to ignore the market. There is no point in constructing an artificial industry, catering for minority cultural interests, which would have absolutely no impact abroad. A policy like this, founded on illusions, would inevitably end in failure. We must find ways of becoming more competitive; this is one of the defining factors in your debate.

Secondly, technical progress: in your sector the crucial factor is the information society. It is a phenomenon which ranks in importance alongside Gutenberg's invention of the printing press. We have not yet fully assessed the consequences in terms of social organization, work organization or the ways and means that will in future make knowledge, education and culture accessible to all. This is something which is beyond the scope of our countries individually; the European Council in Corfu recognized that this is a battle we can only win together. We have lost the electronics race and the computer race; we cannot afford to lose the race for the information society too. If we are successful and make use of all the latest technical advances, our audiovisual sector will flourish and break out of its national boundaries.

Thirdly, the European audiovisual industry can create large numbers of jobs, as Mr Pinheiro has demonstrated in various submissions to the Commission. In this respect it deserves to be given the same amount of attention by our leaders as any other industry. Indeed it is more deserving of attention because this is the medium for transmitting our collective memory, our national identity, our culture. Obviously there are many contradictions to be resolved; we are counting on you to help us. In the first place there is the matter of free trade. This is

topical, it is at the basis of the Uruguay Round agreement and it will be the guiding philosophy of the new World Trade Organization. Free trade is a factor for peace and prosperity, but it cannot be allowed to become a free-for-all: there must be opportunities for everyone. This is the golden rule of the market, but does it hold good for Europeans today? Do they have the means to compete on the markets? Are they strong enough to impose a minimum set of rules in the World Trade Organization? These are the questions being asked not only of you but also of our governments. And this brings us back once again to the White Paper.

Diversity must be accepted and encouraged. But if it is to survive and regain its vitality, shouldn't culture produce works that are appreciated and admired the world over, as well as special works and works with purely national appeal — both of which are also needed? Let me ask you this: are our creative artists and leaders psychologically ready to listen to this message and draw the right conclusions?

Diversity must not be used as a pretext. Subsidiarity must not be an excuse for not building a united Europe. In this area, as in others, there is strength in unity. This is where the greatest risk lies today: the risk of dissipating our efforts. Is this so very alien to your concerns as creative artists? I don't think so. It is your problem too, for you will never succeed in your business if the Europe of tomorrow is weak, if it lacks common rules, if it is unable to reconcile healthy competition with greater cooperation.

We are all in the same boat. We shall sink or swim together, unless, that is, we have already given up and set our sights no higher than minor ephemeral successes before our national parliaments. If this were the case there would be little hope for either Europe or individual European countries.

For all these difficulties, the European Commission has not lost hope and remains resolute. Encouraged by the healthy competition of the single market, fortified by increasing cooperation, not least in the audiovisual sector, and determined to defend culture and cultural identity, Europeans can create something strong offering mutual solidarity. It goes by the name of political Europe, a Europe capable of taking decisions and acting accordingly. I can assure you, it is never too late to get back to the essentials.

Thank you.

**MR EVANGELOS  
VENIZELOS  
PRESIDENT OF THE  
COUNCIL OF MINISTERS  
ON AUDIOVISUAL  
MEDIA OF THE  
EUROPEAN UNION**

The Greek Presidency of the Council has been particularly fortunate, in that the past six months have been a time of profound and systematic reflection on a single European audiovisual industry.

In April the Council received and had the opportunity to discuss the Green Paper on the European programme industry at an informal meeting in Athens. This was drafted by the Commission, at the special initiative and under the supervision of Professor Pinheiro.

The conclusions drafted by the Greek Presidency took the form of the 10 'Athens guidelines', which reflect the level at which positions, trends and reflections are being formulated within the Member States of the European Union. The Green Paper provides an initial response to the anxiety and issues raised in the White Paper with regard to the potential which exists for improving European competitiveness and creating new highly-skilled and highly-paid jobs in the audiovisual industry. The fact that this sector is a top priority sector in the White Paper is no coincidence.

The Green Paper provides an initial response in that it raises a number of crucial questions. It describes the present situation and concentrates and sets out the problem under consideration. And that is already an important step, because, if a problem can be set out, then the human brain can solve it.

The Green Paper takes as its starting point the experience and inspiration of the creators themselves. The experience and inspiration of the members of the industry. It is, after all, they who are applying their talents, sensitivity and efforts in order to form a pan-European audiovisual industry. I am sure that the Audiovisual Conference and the discussions held over the next three days at this major forum will reflect the

dynamism, depth, realism and intuition of the sector itself.

Allow me, therefore, to address you and build on the solid foundations of the Green Paper by formulating, quite briefly and by way of a contribution from the Presidency of the Council, six 'introductory points' to the matter with which we are concerned:

**POINT ONE**

The European audiovisual programme industry has to cater for a post-industrial society: a less standardized or mass society: a society with more than one face which demands greater variety and greater flexibility. Consequently, we must talk in terms of a 'post-industrial' audiovisual programme industry, which will also satisfy the multi-media's voracious appetite for programmes.

**POINT TWO**

The single audiovisual market has, *ipso facto*, come into being passively, through the predominance of American programmes. Europe must make this passive single market an active one. It must organize its attack from within and win back the market by re-establishing national markets and setting up a pan-European audiovisual industry.

**POINT THREE**

All this assumes that there is a uniform taste in audiovisual programmes throughout Europe, which can be liberated from the American taste in programmes. National tastes within the Member States and the variety of cultures and languages can help to develop this uniform taste throughout Europe. Consequently, a pan-European audiovisual industry must be founded not on the concept of aesthetic uniformity, but on a receptiveness to European diversity and the demand for such diversity on the part of the audiovisual programme user. Consequently, the demand for audiovisual products must be based on this sort of preference on the part of the public, which favours European programmes.

**POINT FOUR**

Selective matches between telecommunications, television and computing, currently under discussion by the Bakerman Committee on the 'Information society', are fostering all types of development in the audiovisual sector.

Thanks to technological progress and standardization of the methods of transmitting radio and television signals, the insurmountable obstacle of multiple language barriers is being overcome.

Multiplicity of languages and diversity of cultures are no longer a problem, thanks precisely to this technological progress. This 'classical' drawback to a pan-European audiovisual industry may well turn out to be its comparative advantage.

#### POINT FIVE

Unification of the market at the level of distribution and decentralization of all the creative audiovisual centres at the level of production are being more and more widely accepted as a starting point. Community support for audiovisual creators and the audiovisual infrastructure could very well come within this framework, with full optimization of the MEDIA II programme, which needs to be more ambitious, but no less realistic. The participation of Cyprus and Malta in these programmes could be a legitimate goal, once the Europe of the Sixteen has been created. The same applies to the creation of a Balkan section of the MEDIA programme, insofar as the history and sensitive nature of the Balkans could be a source of interest and inspiration for a pan-European audiovisual industry.

Assistance could take on a specific meaning in the audiovisual industry by gradually converging national support systems and Community initiatives, especially at points which are still not fully covered under the individual national systems.

As far as financial support is concerned, we must of course boost the additionality of initiatives by the European Union and initiatives at national level. It would perhaps be expedient if the Union were to centre its efforts on certain priority sectors of the programming industry, such as development, distribution and training.

The training sector could be combined with a new permanent think-tank for the audiovisual industry, which could give birth to new institutions. The Greek Presidency has already adopted in principle the proposal to create a free open post-graduate programme for professions based, for obvious symbolic reasons, at Delphi.

#### POINT SIX

The 'Television without frontiers' directive already has the makings of a standard, but its application should be monitored more strictly. From this viewpoint, the directive must be processed further in order to prohibit concentration and protect diversity of opinion in the mass media, which is the concern of the Ministers of the single market. It is no coincidence that this forms one of the gateways to the 'Information society' according to the initial report by the Bakerman Committee.

The more general observation, however, is that Community legislation on these matters cannot be too soft or flexible, nor can it take charge of the crucial issues in various stages. It must be ready, alongside harmonization and coordination of national legislation, to meet and regulate the multi-media explosion.

Ladies and gentlemen,

The question is not merely one of technological progress. It is not merely one of financial support or cultural sensibilities. It is not merely one of political institutions. The question relates to the very efforts of democracy itself, to the attitude and cohesion of a European society. This is a challenge which goes beyond standard agreements and what we have to say must therefore be more rounded, more sceptical and more historic. Only then will it be truly realistic.

**MR ROBERTO  
BARZANTI  
VICE-PRESIDENT OF  
THE EUROPEAN  
PARLIAMENT**

This conference is being held at a crucial time for the European Union and concerns a matter of fundamental importance to the Union's place in the world.

No-one can fail to realize that, in all its specific areas of activity, the audiovisual industry's production opportunities are highly dependent on its ability to respond effectively, appropriately and resolutely to the challenges which are looming ahead.

The European Parliament — on behalf of whose President it is my pleasure to deliver these words of welcome and good wishes — has long stressed the need for effective coordination in the field of research and technological development programmes, the importance of compatible industrial policies and the need to fully exploit the diversity of experience and languages which is the hallmark of our continent.

In a continuously changing world of increasingly planetary communication with no regard for borders or barriers, efforts at protectionism are illusory and concepts of national pride an anachronism. Europe will only be able to play an incisive and recognizable role if it adopts strategies based on a shared spirit of determination and solidarity.

Coincidentally, at the very time when the GATT talks were struggling painfully towards a conclusion, Parliament asserted on several occasions that the audiovisual sector had to be approached on the basis of specific criteria distinct from those applied to other types of services. In other words, if we hold culture to be unlike any other market, then this view cannot be translated into mere general guidelines but must find expression in criteria which are consistently applied.

While the audiovisual sector has not been strictly excluded from the agreement on services, the

government support systems and Community standards in force have all been recognized as legitimate. Europe's semi-victory may serve as a useful starting point for attempts to lend dynamism and incisiveness to our policies concerning the audiovisual sector.

One paragraph of the resolution unanimously adopted by Parliament on 6 May states that 'the European Union's strategy must not be to embark on a futile trade war but rather to develop with determination and on a basis of reciprocity an audiovisual industry which can exist and expand in a world in which the promotion of culture is becoming increasingly necessary as a means of furthering knowledge and stimulating creativity'.

I have often used the word industry and even the recent Green Paper refers to the strengthening of the programme industry. It must be pointed out that any approach in which priority is given to industrial considerations while an entire complex of interconnected and corresponding places, methods and traditions, each deserving of respect and understanding, is relegated to second place if not totally disregarded is unacceptable and detrimental to the sound economic criteria and appropriate cultural foundations on which audiovisual production should be based.

If the multicultural Europe is to survive, we must abandon the kind of schematic opposition which has served to create misunderstanding and powerlessness. In the parlance of analyses and proposals, the audiovisual sector means television and cinema, both individual and mass production, talented craftsmanship and effective marketing, prodigious technological developments such as in the field of satellite broadcasting, quantity targets and quality safeguards, culture or, better said, cultures in the plural, and the economy, i.e. the market. All depends on the ability — and this is an ambitious aim — to harmonize the various parts of the system in such a way as neither to mutilate nor to restrict it, since to do so would be harmful both artistically and, if we do not watch out, economically.

Only the full-scale deployment of all its creative assets and the planned convergence of its growth objectives will secure Europe a future in a field which is set to assume increasing strategic importance. Moreover, our very capacity to pass on customs and identities and ensure the survival in modern form of the ideas and symbols that make up our heritage is contingent upon it.

The powers of the Union in the audiovisual field derive chiefly from a combination of two new

articles in the Treaty of Maastricht, Article 128 on culture and Article 130 on industrial policy. It is not my intention here to address such legal problems as may arise from them but to point out the need for all aspects to be approached with great fairness and with an eye to effective decision-making. It would be paradoxical were the timid progress made in the context of a treaty which is already being severely criticized and, indeed, is already undergoing revision, to be negated or circumvented. We realize that, in the crucial fields covered by the conference, credible and substantive action is more likely to emerge from a clear choice of a European Union which is inspired by political resolve to steer changes rather than total reliance on market forces.

The methodological approach of the Green Paper is particularly interesting and reopens discussion of numerous issues. I trust you will bear with me if I briefly review a number of the considerations or questions raised by Parliament in the run-up to this meeting.

The erstwhile aim of developing a European type of high-definition television has undergone considerable adjustment. Today, we are focusing more intensely on software and programme-development than on an autonomous approach to technological and industrial innovation. And these are not merely my views. If those parts of the White Paper on growth, competitiveness and employment which are devoted to this matter are to be taken seriously and if we now genuinely want to reduce the Union's pathological annual trade deficit with the United States (which is put at some USD 3 500 million), the Community's meagre budget will have to be considerably increased and the activities of the Member States coordinated much more promptly.

No-one deludes himself that a process which is susceptible to produce the most varied of results can be directed from the top down, and yet the command of technologies is imperative if we believe that progress must be reflected by greater social cohesion and opportunities for more skilled work and must give birth to the information society, which will not emerge magically through the ritual incantation of Clintonian formulas.

The establishment of a fully fledged framework of programmes and standards serving to define a European audiovisual area must not be abandoned or shelved. While we may have made some progress, there is still a long way to go.

On 3 October, the Commission is expected to come forward with the proposal for a possible revision of Directive 89/522, now known as the 'Television without frontiers' directive. Given the fundamental importance of this matter and the symptomatic test which it represents, I think it appropriate to recall the most important points of the parliamentary resolution to which we have just referred. Parliament 'believes the Directive's basic structure to be sound and accusations that the Directive is too restrictive to be either out of step with the current situation or unjustified'. A 'No' therefore to just any sort of dismantling or attenuation. It is in the way in which the Directive has been incorporated

by the Member States that grave distortions are to be found. Unless the Commission is extremely vigilant in overseeing the application of the standards adopted, it so happens, at the time of the 1989 Paris Audiovisual Conference, any hypothesis as to modifications to be made or aspects to be integrated becomes an alibi for preserving the status quo, for nipping the beginnings of a realistic European legislative framework in the bud.

The report on the effects of the application of Articles 4 and 5 concerning the allocation of the 'majority proportion' of broadcasting time to the transmission of European programmes and support for independent producers emphasizes various inequalities and difficulties (going as far as the standardized collection of data) which need to be seriously addressed.

It would be harmful at this point to revive the debate between those who have chosen to pass legislation setting out target figures and those who take the view that other ways and means must be found. The fact remains that the aim set must be reached by effective legal means. It is after all an aim we are talking about here and not, as some caricaturists would have us believe, a protectionist barrier.

The term 'European work' needs to be defined much more precisely. If we are to believe the report I commissioned, much of the situation would even appear quite rosy. Of the 105 broadcasters surveyed, 70 had reached, and even considerably exceeded, the set percentage for the period under consideration. But when one probes a little more deeply, it is easy to see that there are no grounds for complacency.

These percentages are the result of a very general and all-embracing interpretation of what constitutes a 'European work'. Even were we unable to accept an interpretation which is more restricted to 'works of fiction', 'the overall percentage of transmission time should', as the resolution of 6 May puts it, 'be broken down to show the proportion taken up by television serials and that allocated to motion-picture films'. In short, we must deliberate on the possibility of making Article 4 'more specific and more incisive' whilst bearing

in mind that most of the European quota will be satisfied by national productions, that broadcasting schedules will have to be scrutinized and that independent and more recent productions have generally not received the attention they deserve.

There are very many other parts of this troubled text which await appropriate answers and approaches! Advertising is often distributed in a completely unbalanced manner and is increasingly reliant on the small screen to the detriment of the press and fundamental sections of the mass media.

The time has come to clarify the particular role to be played by public service broadcasting and what arrangements should be made so that 'without being granted inadmissible concessions, public service television should receive special treatment in respect of application of the rules on competition set out in Article 90 of the EEC Treaty'.

Against such a varied and turbulent background, a question arises which cannot be put off for much longer and which I hope to see examined in connection with the deliberations on the rules of the game. If we are simultaneously to ensure greater pluralism and fair competition and prevent dominant positions arising from media concentrations and mergers, we urgently need a directive which serves both to increase the effectiveness of the national anti-trust laws and to bring them more closely into line with each other. Concerns whose activity is by

nature dependent on having a multifaceted and multibased European-scale presence must necessarily be large. Alongside them, we need to safeguard and upgrade the position of the many concerns forming a diversified group which is in danger of shrinking and being standardized with every passing day.

The differences in styles, schools and languages, experiences and sensitivities which are so characteristic of Europe not only constitute a fundamental economic resource but are also part of our cultural wealth. To be competitive, Europe cannot afford to rely totally on the blind race to establish giant corporations or on the miracles of technology. We must join together in building a pluralist and unitary model for the development of the audiovisual sector in Europe. Even though the plurality of concerns competing with each other and active on the world level does not yet in itself constitute a plurality of ideas, it is nonetheless a prerequisite for it.

Cinema proper, the centenary of whose birth is about to be celebrated everywhere, will not see its function as the basic laboratory, the heart and the driving force of the audiovisual industry renewed other than in a more highly articulated system. Practical proposals for bringing about the necessary convergence between the national laws are therefore to be welcomed. Community aid instruments should be strengthened. Meanwhile, the MEDIA programme has been modified and calls are already being made for its extension to 1995 and for its aims to be more strictly defined.

The priorities identified must be subdivided: training, pre-production and distribution. Given all that it involves, especially as regards multilingualism, subtitling or dubbing, depending on the case, distribution is probably the highest priority. The amount of European production which suc-

ceeds in entering into circulation and finding an attentive ear in Europe, across borders and overseas is still ridiculously low.

At the time of the GATT talks, gallons of ink flowed either to portray the European position as an exercise in futile protectionism or to depict the USA/Europe confrontation as an all-out clash between different concepts as to how film and television programmes should be approached and made. Nothing could be further from reality, as the figures moreover go to show. Europe has fought and will have to continue fighting because all have the right to enter into competition on a free market, i.e. a market which is regulated and free from domination by large groups — for the sake of the Sixteen and of a Europe which has not yet settled into the changing geography of the Union. When we deal with these problems, any artificial territorial delimitation has a distorting and restricting effect.

It is we who should call loudly on the United States to remove its *de facto* protectionist barriers, maintained as they are by the absolute refusal to dub films or other indirect manoeuvrings. What is needed is an attitude of openness and clear reciprocity on both sides. Europe does not engage in protectionism but is striving for a transparent market organization accompanied by various arrangements to safeguard and ensure the further growth of an increasingly endangered identity.

Among the many aspects which needed to be addressed, Parliament 'believes that consideration should now be given to the drafting of a cinema directive with a view to the establishment of a European market to mirror that created in the television sector'.

This hypothesis should be given detailed consideration rather than dismissed out of hand. One of the aspects to be studied is also one of the most controversial: the establishment of a common, flexible time schedule for harmonizing the various stages of the distribution of works.

It will then be a matter of adopting standards on copyright to complete the positive work already done.

We are certain that the deliberations of the hearings, the Think-tank and this conference will provide valuable momentum for attaining the awaited new stage of the audiovisual policy. All the preliminary requirements are met. What we now need to do is act fast.

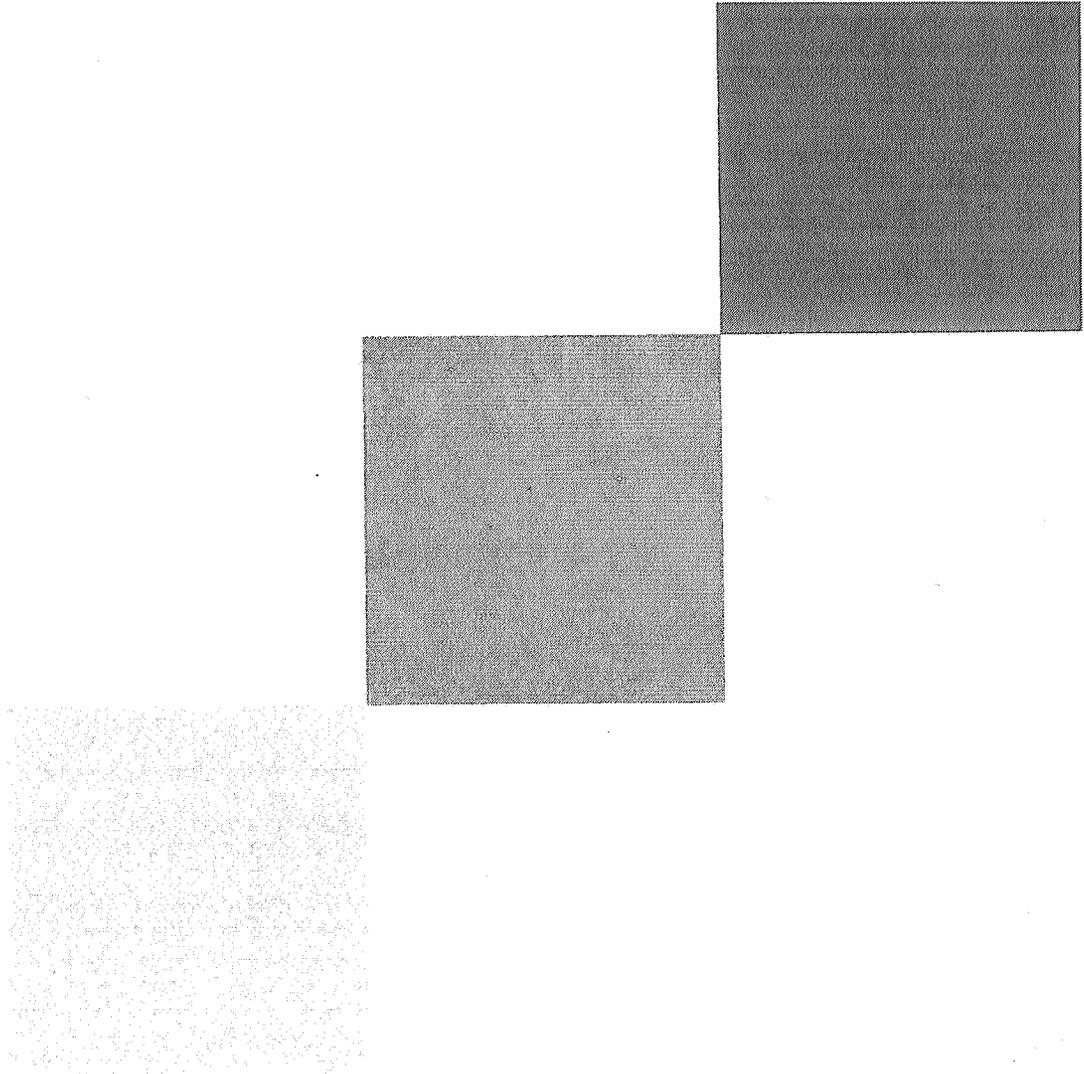
By restricting my comments to some of the questions raised by Parliament, I may have given you the impression of someone who is stubbornly intent on defending specific provisions or, out of a certain nostalgia for the cinema which we have all loved and still love so much, is excessively concerned with the present. But that is not the case.

We are aware of the great changes looming up on the horizon. They range from the increasing numbers of satellite and cable channels to specific-interest channels and interactive television. However, the doom and gloom merchants are mistaken. For alongside the age of the mass media, we are witnessing the emergence of unprecedented potential technological applications which will help to promote critical thinking and self-reliance, originality and individuality. However, the future has its roots in the present, i.e. in the troubled present. Unless those traditions and experiences which are the characteristics of Europe are actively protected by means of measured rules and harmonized guidelines, there can be no daring and decisive investments, no drive for competitiveness, no living fund of new and authentic experience.

Europe's ability to convey its social message and pass on its varied account of human progress hangs on the fate of the audiovisual media.

The challenge confronting us concerns not only the economy and development, employment and the markets but the very bases of our democracies, in other words the guaranteeing of freedom and the exchange of ideas.

18-19



## FORWARD PLANNING GROUP

# STATE OF THE INDUSTRY

## REPORT ON THE STATE OF THE TELEVISION INDUSTRY

**MR ALBERT  
SCHARF**

Taking stock of the present situation of television in Europe, within the given time of about a quarter of an hour, is a little bit difficult. So I have to focus on just a few aspects.

My first key concept is the European model of broadcasting which I would like to see accepted, defended and supported by European media policy as an important difference from broadcasting developments in the rest of the world, instead of being questioned, hampered or even undermined.

After having listened carefully to the speeches in the opening session, I can leave aside some concern, which I would otherwise have expressed, about the real nature of broadcasting in European terms. I do hope that what we heard from the Commissioner, Prof. Pinheiro, and the President of the Commission — from him not for the first time, as he rightly said — was comforting, but we sincerely hope, we the public broadcasters in Europe, that these are not only verbal concessions, but really influence the policy to be defined.

The second remark I would like to make is as follows. If apparently we concede altogether that broadcasting is predominantly a cultural phenomenon rather than a profit-oriented business, then the other side of the coin is not as self-evident as it seems. Not all programmes which are called 'broadcasting' contribute to culture. We have to bear in mind that we also

have a model, a European model, to the extent that we have two different sectors, two different segments: on the one hand, broadcasting as a commitment to society, a service to the general public, and on the other hand, as a general business. The two reporters of this afternoon's session reflect that situation.

Whenever I hear the word 'industry' — even with the modifications given this afternoon in the opening sessions — in connection with media broadcasting in particular, I have an uneasy feeling. I am afraid of some semantic irritations. I am afraid that the word 'industry' could lead into the wrong direction. It reminds me of words once said on television in the United States of America by the highly respected American elder statesman and academician McGeorge Bundy. He said a couple of years ago: "I deeply regret that people running television in my country have come to think of it as mere industry, when it is so much more". A simple sentence, but it includes all our own concerns and anxieties for the developments in Europe. This finally is the essence of broadcasting understood as a predominantly cultural commitment to society. The European television model has changed in recent years, from a system of virtual public service monopoly to a so-called 'dual' system, where the public and the private sectors, of largely equivalent strengths, coexist, compete

and strive aggressively for the audience's attention. We have the situation that this dual system, apparently politically, regarding media policy, aimed to provide a wider choice, at least by the increased number of receivable programmes. What we have really got, we the audience, the European citizens, is just more of the same but perhaps sometimes on a lower level. Trite, but true, I'm afraid.

One other consequence for the programme suppliers is, by the way, a sharp increase in expenditure: broadcasting has become much more costly. An interesting consequence of free market policy and competition. This is to the detriment of both the programme suppliers and the clients who finally pay the bill, be it through licence fees or through the retail prices, which include the share for advertising for so-called free television; public broadcasting all over Europe is in a difficult financial and economic situation. The economic power is limited, the financial prospects are weak and mostly not really appropriate to meet the challenges which we all now face.

In a recent decision, in February 1994, the federal constitutional Court in Germany, confirming the previous judgement on the so-called 'dual' system, declared that a powerful public service broadcasting system is the basis and precondition of such a parallel system of public and private broadcasting. Public service broadcasting, for constitutional reasons, according to German constitutional law, must be able really to serve the general public with all kinds of programmes and to meet the competition effectively with commercial competition. I think that the reasoning of this judgement, which is based on the general perception of freedom of information in a free and open society, allows conclusions to be drawn for all European media policy. In its otherwise excellent analysis, the Green Paper, to my mind, fails to consider the specific character of the European model of broadcasting. I have to add that from this point of view, the Bangemann Report, with its almost incantatory appeal to the free market as the only possible way to develop information highways and future technology information systems, totally ignores a fundamental aspect of European media; not only its history, but also reality. At this stage we should say that despite all our mental restrictions and all the financial difficulties in which television — public television — operates nowadays, we have in Europe a

splendid landscape, rich in creativity of original programmes. And also listening to some remarks this afternoon, one would have thought that European broadcasting, European television, is in a desperate situation; this impression may sometimes have been given public attention by people who have, for time reasons perhaps, limited access to the real broadcast programmes.

I think it can be saved but, in recent years, public broadcasting also proved on the whole amazingly successful and stable compared with the power and the financial strength of by far more powerful competitors, which of course attempt to sweep us out of the market. In an economic study carried out by the European Broadcasting Union, in 17 European countries, it was found that between 1988 and 1992 the total annual average broadcasting hours of public services increased by some 55%, despite all economic constraints. In the same period of time, from 1988 to 1992, the production of original programmes increased by over 23%. The study shows that, despite the considerable rise in broadcasting hours, the ratio of original programmes to purchased programmes and repeats remains surprisingly constant. The share of original programmes is by and large 50% of the total output, and this is, I think, a record unique in the world.

In 1992, the countries of Western Europe alone produced 72 000 hours of original programmes, to which we could add 9 000 hours of commissioned programmes and 8 hours of repeats. In the field of information, in particular news and sports, European cooperation and the free flow of programmes are in a very healthy state. The creation of thematic programmes, like Eurosport and Euronews — with all the problems they have, of course — bears witness to this, as too, I think, does the system of

Eurovision — this Europe-wide programme exchange system and pool, which enables all European broadcasters to keep an equal standard in the field of information.

However, there is one production sector which does have major problems; this is the field of fiction programmes. The broadcasters, and not least the public service broadcasters, have been and still are the main investors in the production of fiction, drama, documentary and animated films in Europe. Feature films of European origin are to a large extent financed primarily by television. The high level of original production also explains why public broadcasters have no difficulty in respecting, even far exceeding, the quotas laid down in Articles 4 and 5 of the 'Television without frontiers' directive, presented by the European Commission, and in its Communication to the Council and the European Parliament. As a footnote to this I would like to say personally, and also on behalf of the EBU, with regard to quotas, asking for a better definition and for an equal application, that we still have major reservations, because all these quotas are an interference in editorial independence, and this we don't like, for whatever reason and from whichever part of the public it would come.

It is regrettable that, in its analysis, the Green Paper does not take into consideration the predominant share of public broadcasters in original European production, including cinema film production. The fact remains, however, that the distribution of European works leaves much to be desired both inside and outside Europe. The analysis of this phenomenon does not pay sufficient regard to two factors, which are obvious to broadcasters: audiences, by all experience, primarily favour national productions, and there is no great audience demand for pan-European productions. In other words, the Green Paper underestimates the cultural impact of production in favour of its industrial aspect. At their meeting on 17th June 1994, the Ministers of Culture also expressed the view as stated by Commissioner Pinheiro himself. I quote: 'Beyond technical and market considerations, culture must also be the driving force'. I would say 'in the first instance', not only 'also'.

Production aimed at the national audience thus remains our priority, but funding of production represents an increasingly difficult prospect, especially for broadcasters in smaller and economically weaker countries. It is therefore necessary to secure a better financial return on our production, in particular by improving distribution outside the territory of origin. Production must be encouraged from the very beginning of the process to plan for distribution of the product to an audience wider than the national one. To encourage production broadcasters and independent producers to invest in works that are exportable, Community financial aid could cover the additional costs involved, either at the writing stage, the production stage itself, dubbing or subtitling or marketing. The funding, in particular of public service broadcasting through licence fee payers, by public money so to speak, cannot

be used for export productions. The politically popular approach to demand more pan-European co-productions does not necessarily lead to results which satisfy the intention of fostering the European profile of television. Europe is too manifold and diverse in habits, languages, mentalities and concerns, so co-productions have their national limits. Many an attempt was disappointing, despite the reasonable amount of money spent.

The European Co-production Association, which includes major EBU members, invests some ECU 26 000 annually in the production of over 50 hours of programmes per year. And it must also be admitted that the ratings were good, though not comparable with those for any national productions of similar size and type. Formal Europeanization of such programmes is often counter-productive; a successful example in the field of co-production is an animation serial set up by the EBU, 'The animals of Farthing wood', an EBU co-production which has now reached 39 episodes. It has been a major success, not only in Europe, but also in non-European markets, and an example that one can organize a European success at programme level as well.

To sum up, production aimed at a national audience, which guarantees the wealth of programming linked to the cultural profiles of Europe, must remain our chief goal. This production must circulate better inside and outside Europe to improve the financial return which, in the case of public broadcasters, goes back into production and is reinvested in new products.

Another important issue of the broadcasting landscape in a very wide Europe, far beyond the borders of the Twelve, the Fifteen or Sixteen, whatever it is, is the media situation in Central and Eastern Europe, which is a matter of great concern. Since 1 January 1993, all those national broadcasters have been members of the now all-European Broadcasting Union, but we know that there are substantial differences in their countries' structure and problems. With the emergence of genuine democracy, the media have got

another oar in those countries too. Free media are a constitutive precondition of any other form of freedom; the existing media in those countries had lost public trust and had to be reorganized. This has been, and is still, a cumbersome problem, and we have to help them. We do so as a broadcasting union, by all means available, including them, integrating them, in all the systems of programme exchanges. But again, I think that in the sector of 'own original programming' we have to include those countries in European schemes of support, also financial support, otherwise they will lose connection with the identity of their societies. As has already been said in one of the speeches, it is a contribution to the freedom of Europe and an all-European interest that their national, self-confident media systems can be established and not be sold out, before they even exist, to foreign capital. And I think it is part, or at least it should be part, of European media policy to encourage the development of those countries' own audiovisual structures and to help them wherever necessary, and not only by the very limited aid programmes, like PHARE and TACIS. More money is needed.

We pay them for the political stability in Europe; I think the coming years in these countries, but also in Western Europe, will be of decisive importance for society in Europe. It has been mentioned that technological progress brings us another technical revolution, changing substantially, rapidly, explosively, the technical conditions of the electronic media. Under the threat of the dispersion, the multiplication of the means of access to programmes and of individualized use, to my mind it is essential that general interest channels, aiming at the entire audience through valid programming, and not discriminating between audiences on the basis of purchasing power in particular, should make it possible to maintain a social cohesion. This is one of the major tasks for the public service broadcasting systems in the years to come, otherwise I'm afraid that, for any communication purposes, a two- or three-class society will develop; for the rich, paying for everything on demand, and for those not able to do so, being left alone and isolated.

I think public broadcasters, through their well-approved framework of cooperation, including their technical infrastructures, and through their knowledge of the audience and the good quality of their programme catalogues, can play a central and impressive role in a policy designed to expand the distribution of European works, and to stabilize the coherence of European culture and society. That's what we are determined to do, and therefore we ask the European media policy to support us and not to demotivate us, as sometimes happens.

Thank you, Chairman.

## REPORT ON THE STATE OF THE TELEVISION INDUSTRY

MR ÉTIENNE  
MOUGEOTTE

I should like to thank you for inviting me to attend this European Audiovisual Conference and to address you both as a member of the television industry, in my capacity as Vice-Chairman and Managing Director of TF1 and on behalf of Patrick Le Lay, Chairman of ACT, who has been detained in Paris and sends his apologies.

I shall confine my address to three facts which I feel are essential to an understanding of what is at stake for us, in our various roles as guardians of the development of our audiovisual industry.

### (A) THE 1990s WILL SEE THE ADVENT OF PRIVATE TELEVISION STATIONS, WHICH WILL MAKE A GROWING CONTRIBUTION TO AUDIOVISUAL PRODUCTION.

(i) Private channels now outnumber State channels in Europe by approximately two to one. This ratio was the reverse 10 years ago.

The new channels which operate via cable or satellite are nearly all private commercial or subscriber channels, and it is the private sector which has developed and diversified the supply of thematic programmes.

If we take France as an example, two new projects emerged in 1994, Multivision and the Information Channel, both of which were launched and financed by private companies. It would be easy to quote similar examples abroad, especially in Germany, Spain, the United Kingdom and Italy.

The private sector is behind all the thematic channels which have diversified the supply of programmes: sport, information, documentaries, films, music, etc.

(ii) The success of private television is also reflected in the ratings.

1991 marked the turning point, when private television ratings exceeded 50% of average viewing audiences in Europe.

Since then, private television has continued to grow by approximately 1 percentage point per annum and the division of viewers between State and private television is now 55% to 45%.

For us, the lessons to be learned from this development clearly have their roots in the public's taste. Our maxim is a simple one and may not suit everyone, but it inspires all our action: the public has impeccable taste, the public is always right.

(iii) Private European television is making a major contribution to the growth of audiovisual production in Europe:

Between 1987 and 1993, total investment by broadcasters in European production rose from 10 to 20 billion French francs, i.e. it doubled in six years.

During the same period, from 1987 to 1993, total investment by TF1 rose from 370 to 870 million francs, i.e. an increase of 250%. All those who predicted that privatization would kill off the production of audiovisual works have been proven wrong.

Finally, in the absence of the regulatory constraints which shape our audiovisual industry, investments by commercial television in Germany rose between 1989 and 1993 from 130 million to 1.9 billion Deutschmarks, i.e. 15-fold.

### (B) THE EUROPEAN AUDIO- VISUAL WORK IS A MYTH. EUROPEAN PRODUCTION IS BASICALLY THE SUM TOTAL OF NATIONAL PRODUCTION.

Like all great myths, the myth of the European work continues to fire the collective imagination.

One Irish author, one British director, one Italian actor, one German actress and three co-producers (French, Belgian, Spanish) do not constitute a European work; at most they might turn out to be what we could lovingly refer to as a 'Europudding'. We have seen a goodly number of them so far which Christian charity prevents me from enumerating.

The major general channels in Europe are State channels and will remain so for a long time to come, because the television market is essentially a domestic market.

Television viewers prefer national productions, followed by American productions, to European productions, which generally achieve only very modest ratings.

The only international concepts as far as television is concerned are American. The public only knows and appreciates series such as 'The Bill' and 'Beverly Hills'.

Recent developments in the public's taste are reinforcing this trend, whereby French viewers opt for French works, Italian viewers for Italian works and so on.

What we are witnessing is a division into two camps with national works on the one hand and American works on the other, and there is very little room in between for European works.

**(C) THERE IS NO CONFLICT BETWEEN PRODUCERS AND DISTRIBUTORS; RATHER THEIR COMPLEMENTARY INTERESTS REQUIRE THEM TO WORK TOGETHER.**

Over-regulation in France was based in the main on the false premise that it was only possible to help and protect producers if distributors had their hands tied by a web of rules and constraints:

- (i) requirement to invest 15% of turnover in the production of serials, documentaries and cartoons alone;
- (ii) distribution quotas of 60% European and 40% French programmes;
- (iii) distribution quotas at peak viewing times;
- (iv) requirement to broadcast 120 hours of original works in French;
- (v) quotas for music;
- (vi) quotas for shows.

Such over-regulation is counter-productive. It does not encourage production and it undermines the distributors. It was in fact one of the decisive factors behind the scrapping of Channel 5.

Relations between producers and distributors must move away from a statutory regulatory framework and towards a freely-negotiated contractual framework.

Which is why we propose the return to a simple form of regulation based loosely on the framework set out by ACT:

- (i) no more quotas or strict applications;
- (ii) no restrictive amendments to the definition of a work;

(iii) continuing jurisdiction of the broadcasting State, guarantee of free movement of works;

(iv) no additional advertising constraints.

To finish, I will limit myself to three conclusions which express my deepest convictions.

(i) We must distinguish between regulation for television, the harmful effects of which are indisputable, and regulation for the cinema, which, on the contrary, has had a positive effect in protecting cinema audiences and maintaining national cinema industries.

(ii) We should not risk making radical amendments to the directive, even if certain adjustments are needed in order to adapt it to technical innovations and new services which did not exist five years ago (tele-shopping, pay-as-you-view).

The directive is in fact a flexible and liberal compromise reached after long negotiation between States with differing attitudes and regulations. Wanting to shift the balance which has been found is a dangerous exercise which could backfire.

(iii) Our audiovisual policy should give priority to an industry-wide approach based on the principles of the market economy, rather than a regulatory and institutional approach.

In conclusion, I should like to launch an appeal to all the members of the industry here today.

Don't follow the French example. Allow us to create, inform and produce. Do not pin us down in a straightjacket of decrees and regulations. In a word, give us room to breathe!

## REPORT ON THE STATE OF THE FILM INDUSTRY

MR AURELIO DE  
LAURENTIIS

I should like first to thank Mr Delors and Commissioner Pinheiro for instituting the debate on the multiple aspects of the European audiovisual industry and for inviting us to meet and discuss the way forward for the European audiovisual industry. This may be an historic occasion and our time is too valuable to waste by boring you with statistics, given that we all know the state of the market. But I would like, nonetheless, to quote a few figures which do not come up all that often:

Our inventory of Europe came up with:

- (i) 24 national cinema laws;
- (ii) 70 bilateral co-production agreements;
- (iii) 53 regional laws;
- (iv) 130 different cinema support funds (Community, national, regional and local funds);
- (v) plus several thousand implementing decrees, regulations and various texts relating to the cinema which, I must admit, we have been unable to list.

This entire unwieldy system was thought up before the single European market came into being. Even texts which postdate it follow the logic of 20 or 30 years ago, which was based on national financing and national markets.

The members of the industry and the politicians are blinkered by this divisive logic, which is as much a hindrance as a help within the context of a single market. We Europeans have slumbered sweetly while the Americans have been busy making their presence felt everywhere and structuring marketing operations on a worldwide scale which enable them to conquer a continental market without much difficulty.

Of course, we had the 'Television without frontiers' directive, a con-

tradictory jumble based on a system of connecting pipes, which establishes the framework for a single market in television broadcasting, without so much as a passing thought as to who the future contributors to such a market might be. In other words, it creates a made-to-measure market for the American majors, which alone are structured to such a scale.

Then of course there is the MEDIA programme. But, like the national funds, it still takes a one-off, film-by-film approach, and is fragmented into a plethora of minor operations. The MEDIA programme has had no structural impact, and someone should have the courage to stand up and say so.

The Americans have always shown us how to distribute films on a pan-European scale, but we Europeans prefer to take refuge and huddle behind our several hundred national regulations. When cinemas all started to close down in Britain, who was it who set up the new complexes and modernized film distribution? The Americans, who, seeing that they were no longer managing to exploit their films properly, developed a policy of complexes and increased audience numbers from 54 million to 120 million in 10 years.

The current cinema market has reached gridlock, with no room left for European films.

It is quite usual to describe the European cinema industry as being in a parlous state. Some even go so far as to mention the word bankruptcy. The European cinema industry is certainly in difficulty, in serious difficulty, no-one can be unaware of that, but we must beware of these doom and gloom merchants; defeatism is a poor bedfellow.

The practice of running down one's competitors and, what is worse, underestimating them, is a waste of energy in economic and commercial relations, to which the Europeans succumb all too often; and yet there is an equally disastrous attitude which consists in running down and underestimating one's own activities and one's own product. It seems to be too readily admitted that the European cinema today is of no commercial value.

Yes, only a very small proportion of European films can circulate outside their own country in Europe.

Yes, too few European films target a wide audience.

Yes, European films which can take on the world market are the exception rather than the rule.

But let us refrain from masochistic self-flagellation, which only ends up by convincing cinema-goers themselves that European films have nothing to offer them. Europe has as much talent today as it had yesteryear and European films are capable of becoming a spectacular commercial success. Just think of *Four weddings and a funeral*, *Orlando*, *Nuovo Cinéma Paradiso*, *Tacones Lejanos*, *The Visitors*, *Cyrano*, to name but a few.

Our screenplays are, it would appear, too narrow, too 'parochial' to interest audiences outside their country of origin. And yet American studios are constantly buying the remake rights to European films — a blatant contradiction. A large proportion of the most popular American films are produced by European talent, which discovers in the structure of the American industry the means and potential which they found lacking in Europe.

So what is the problem? The problem is that European films do not always have the wherewithal to make their presence felt on the market. The problems are mainly industrial problems and a lack of structures. From this point of view the Green Paper would appear to have been accurate in its diagnosis.

What I should like to invite the European politicians here to do is to put themselves in the shoes of a commercial company, to reason globally in relation to the market as it stands, a market which is emerging today as a single market, the first audiovisual market in the world and no longer a melting pot of national markets. I would like to ask the European Commission and the members of the industry to imagine for a moment that they belong to 'European Cinema Ltd'.

There are in Europe today a good 50 directors waiting in the wings to produce works which are worthy of European production and pan-European distribution. Let us give them the funds which they need before the song of the sirens in Hollywood lures them away, as it has already done with Jean Jacques Annau, Jim Sheridan, Paul Verhoeven, Wolfgang Petersen *et al.* The four whom I have just mentioned alone represent a potential of 500 million dollars in box office receipts a year.

So the European Union must become European Cinema Ltd, and allocate itself the resources needed to set up an industry which is commensurate with its market. In order to do so, the European Union must make massive direct interventions in order to re-launch this industry, as it has done with other industries.

### 1.

First, it must encourage Community films by developing financial co-productions, in order to replace co-productions as we know them by Community films.

Governments have subjected traditional forms of co-production to numerous regulations which have had an adverse impact on the very creation of works and their potential to circulate throughout the market.

Producers in several European countries should be able to pool their resources in order to make a project without all necessarily being involved in the production itself. Criteria and conditions laid down in order to define co-productions should serve solely to avoid dangers of abuse and should not hamper the creation and production of projects and their circulation within Europe.

We must welcome the efforts made by the Council of Europe to standardize regulations governing multilateral co-productions, which already allow discrepancies between the various bilateral agreements to be avoided. But it is not enough. Co-production regulations must be made more flexible and must recognize so-called 'financial co-production', so that the status of a co-production is acknowledged as soon as major financing is granted by several countries, without that this necessarily implies other obligations.

If the diversity of national policies, and in particular the absence in some countries of systems of national backing equivalent to those in other countries, appears to constitute a major obstacle to the introduction of these support funds, then multilateral financial co-production agreements might only be concluded between countries which can take advantage of comparable support systems.

### 2.

Secondly, the European Union should create an environment which fosters the distribution of films throughout Europe.

European distribution is still fragmented and a healthy environment is needed if European distribution giants are to be created, as are the right conditions for independent producers to group as consortia offering distribution services, so that they can maximize the results of the exploitation of their rights throughout the European market.

What part could the public authorities play in this sort of operation? Probably an out and out marginal role, since the central issue is one of commercial development and corporate strategy. However, one could envisage distribution support systems set up so as to encourage the development of this type of structure. Above all, the European Union must create a favourable environment, in particular by providing a legal framework which fosters confidence between partners. We know that one of the reasons which prevents co-producers or national distributors from sharing the risks as well as the receipts over an entire continent is the lack of transparency in the market, inadequate control of box office receipts in numerous countries and video or television piracy, which wipes out the economic value of certain markets.

The European Union has an important duty, which is to force

Member States to introduce deterrent legislation and means of surveillance for cinema and video markets. If some governments do not have the political courage to take action against the dozens of pirate television stations broadcasting thousands of films all day long in certain countries, without contracts, without licences, using misappropriated copies or commercial video-cassettes, then the European Union should grant itself the legal means to subrogate to their rights, otherwise the very concept of the single market is a mockery. How can we speak of a unified market when completely pirate markets exist alongside properly regulated markets?

Timing of the distribution of films must also be coordinated; this can only be governed by decision of those who hold the rights under agreements for each category. There is no advantage here of a system regulated by a directive

### 3.

Thirdly, focus Community backing on the distribution of European films in Europe.

Launching a film throughout Europe is a much more expensive proposition than launching a film in the United States. Advertising campaigns must be tailored to the culture and language of each country, the film must be dubbed or sub-titled in nine languages for the European Union alone, and so on. This does not seem to hamper the distribution of films by the American giants, who seem to adapt to this situation remarkably well because their films have often more than paid for themselves on the domestic market.

Have the American giants conquered Europe because they make better films? Not a bit of it. They must simply take the credit for believing in a unified European market and for always having kept a permanent distribution structure in Europe which can centralize

marketing and distribution and maximize the potential success of their films.

Europe should do the same, but distribution costs in Europe are much higher.

Intervention at Community level should therefore focus on the crucial and weakest sector of the European industry, which is distribution. Massive aid should be released by the Union in order to provide systematic backing for the distribution of European films outside their country of origin. Support for the creation of works should be provided by reconstituting a real European market for European films. European production will be aided by backing distribution.

Backing for the distribution of European films outside their country of origin should be provided on a systematic basis, in other words it should, wherever possible, be a matter of form for all European films. The term distribution should be taken in its widest sense here, in other words it should cover cinema distribution, video distribution, broadcasting by television channels and all the new forms of broadcasting provided by the new technologies. It should cover promotion, marketing, merchandising, dubbing, subtitling, editing copies, duplicating video recordings, etc.

The current process, whereby the European public knows far more about what is happening with American productions and in the American cinema than what is happening in their own countries, and knows absolutely nothing about the cinema scene in neighbouring countries, must be reversed.

The public's confidence in European films must be restored, so that the cinema scene does not just mean the American cinema scene.

### 4.

Fourthly, it is vital that the gridlock in the cinema distribution market be cleared by modernizing and, more importantly, increasing the number of screens.

With the current number of cinemas in Europe, everyone can go to the cinema an average of 1.7 times a year, while Americans can go to the cinema 4.5 times per annum. There is a considerable margin for potential growth. The British experiment has shown that low turnout can be reversed. Increasing the number of screens and reinventing a modern system of exploitation can also increase the average number of visits to the cinema. Does Europe, like Britain, need to see American enterprises do this, for the benefit of their own films, of course, before it realizes that there is a huge potential market waiting to be tapped?

This could be the second sector for priority intervention under Community backing. Of course, these cinemas would have to promise to screen a high proportion of European films. And we are not talking in terms of a few dozen pilot cinemas; we are talking in terms of 2 000 additional cinemas in order to re-create a market on a massive scale.

### 5.

Fifthly, we must re-create an audience in Europe for the European cinema.

This might appear to be attempting the impossible, but steps can be taken in this direction. They depend on cultural policy, in the noblest sense of the word, and educational policy. Our society lives at audiovisual speed. The cinema will be celebrating its centenary next year. Children nowadays spend more time in front of a television set than in front of their teacher. Isn't there some justification for teaching about audiovisual media on an equal footing

with the written word? Isn't it about time that we include the history of the European cinema in the curriculum on an equal footing with literature, that we use the language of today to teach the citizens of tomorrow? Shouldn't democracy look on this as a duty?

We need to replace the only audiovisual reference which our youth has, i.e. American films and series, with the immense cultural heritage of the European cinema.

## 6.

Sixthly, and lastly, we must give European films the means to reconquer external markets.

European companies do not have the resources to pursue a policy similar to that pursued by the Americans in Eastern Europe or South-East Asia. The Union should back the presence of European films in these areas.

As for the north American market, the myth which would have us believe that audiences there would not go for dubbed or subtitled films should be exploded. The European Union should take on the responsibility for quality dubbing in American English of all European films which have had a significant degree of success in Europe.

All the Community policy which I have just described depends upon a definition for the European film. There is at present no definition which applies throughout the Union for the purpose of applying Community regulations. There is a system which applies within the context of the Council of Europe to the few countries which have ratified the multilateral co-production agreement, but within the European Union only national definitions exist, in other words there are 12 different definitions. A European film today is any film which has the nationality of a Member State.

How can we hope to implement an efficient system of programming quotas and backing for the distribution of European films and even partially replace the system of bilateral co-production agreements with a multilateral financial co-production agreement, even subject to certain conditions, if the European Union does not even have a clear and standard definition of what a Community film is?

There is a broad consensus among European producers for this definition to be based on a points system. This would indeed make the rules of the game clear and enable appropriate action to be taken in consequence.

Of course, there is one absolute condition. The production company must be European, in other words it must represent European interests.

In addition, a points system could be structured along the lines envisaged by the Council of Europe, subject to a number of corrections.

The producer, who is a natural person, must be included in the same way as the actors are included and must represent at least the same number of points as all the actors.

In order to implement this overall policy, the European Union should, as such, intervene on a massive scale. Transferring all the national legislation to Community level, and harmonizing and correcting it would take 20 years, by which time the European film industry would be well and truly defunct. The only quick-fix solution is Community financing. We put the cost at a sum in the order of ECU 1.5 to 2 billion.

Even if it is not for the politicians to take over the role of the economic operators, it is up to them to restore confidence:

(i) to restore the confidence of the members of the European film industry;

(ii) to restore the public's confidence in European films.

We must reject defeatism and restore the European cinema's prestige and reputation, not by artificially Americanizing it, but by providing it with the structures which it needs in order to regain its place in the leading audiovisual market in the world today, the unified European market.

Some would have us believe that our cultural identities mark the limits of our production and distribution. On the contrary, I can affirm that these different cultural identities are our wealth and our chance to vary a supply of products which is not standardized as the reflection of a single reality.

I am asking European politicians to assume their cultural, social and economic responsibilities towards a cultural industry, an industry which creates jobs and economic prosperity and a cultural activity which is crucial to European democracy.

We must guard against interventionism and not create new obstacles, especially now that the Bangemann report has set out a new information and communications scenario. There is no call to increase the number of regulations. What we need is to create the right conditions for enterprises to regain their freedom and independence on the market following a period of support. If ways are found of re-launching the cinema in Europe, the problems throughout the audiovisual industry will be solved, including those specific to television. And all without harming a hair on the head of cultural identity, since culture does not and should not know either limitations or boundaries.

## PRESENTATION OF THE THINK-TANK REPORT

### MR ANTONIO-PEDRO VASCONCELOS

I believe that you are all fairly familiar with the idea that led to the creation of the Think-tank: Commissioner Pinheiro suggested bringing together six professionals from different countries and different branches of the industry and inviting them to carry out an unrestricted and independent discussion with a view to contributing towards the drafting, by the Commission, of a Green Paper on the audiovisual industry.

The exercise had a dual aim: it involved on the one hand analysing and attempting to understand the reasons for the loss, in recent years, of competitiveness by the European cinema and by audiovisual products in general, particularly in relation to American products. Secondly, it was to produce proposals to the Commission for measures considered to be necessary and feasible with a view to rectifying the situation, with a very specific aim — and I think that it is very important that this should be emphasized, in that statements are sometimes made in this connection which, whilst being perfectly legitimate, do not relate to the Green Paper's intention, which is also the theme of this conference and which can be summed up very simply: how to take advantage of the existence of the single market in order to make our audiovisual industry competitive on a world level.

In preparing our report, we started from a striking observation (I am quoting from the Commission's White Paper because it states very clearly facts which everyone knows, but which need stating again): 'The European market has been among the fastest growing in the world with a current market growth rate of 6% a year in real terms, that is being sustained even in today's recessionary climate. The USA has benefited most from growth in Europe increasing its sales of programming in Europe from USD 330 million in 1984 to USD 3.6

billion in 1992. In 1991, 77% of American exports of audiovisual programmes went to Europe, of which nearly 60% to the Community, this being the second largest US industrial sector in export terms, while the European Union's annual deficit with the USA in audiovisual trade amounts', as you all know, 'to about USD 3.5 billion'.

If we have stressed this point in our report — Europe's huge sales deficit in this sphere in relation to the United States, which we consider to be intolerable and unacceptable — it is because at the conclusion of the Uruguay Round of the GATT negotiations, everyone in the Think-tank unanimously refused to place culture against industry, creativity against market. As Canudo said, at the beginning of the century, the cinema — although nowadays this could be said for audiovisual production as a whole — is a 'dream factory'. It is perhaps here that the misunderstanding begins, because it could be wondered how these two terms can be reconciled? Are we then manufacturing dreams? The answer is that of course we are! We therefore have to acknowledge that even though 'the cinema is not like other products', as President Delors reminded us once again yesterday, films are nevertheless products which have to be manufactured and above all distributed like any other product.

I would thus summarize the Think-tank's starting point by saying that we considered that it should be realized first of all that the colossal trade deficit with the United States finds expression in a very serious cultural deficit, and not the reverse. This is a point upon which we are unanimous. In other words we should consider starting from our industry's trade deficit if the tragic cultural deficit which it involves is to be recouped, because this deficit not only represents a serious weakness with regard to our economy but also, and above all, a serious threat to our civilization. It is no longer possible to conceal the extent and the depth of this crisis, of this staggering deficit in our products, firstly on our own market and secondly on the world market, where it could be considered nowadays that their presence is virtually nominal. We are all aware — and this is why we are here — that if nothing is done to halt and change the direction of this situation regarding the dominance of American products or, to put it less defensively and more positively, if nothing is done to recapture the market share for our products, which also implies regaining public confidence, our grandchildren will permanently view the world through American eyes.

The significance of this threat has often been stressed, particularly during the discussions which preceded the GATT negotiations, but I would like to give you a few small examples of the danger which threatens our culture, I should say our civilization, if we allow it to be invaded and dominated by the production of images which we are offered by the American factory. Let us take the death penalty, for example: this is something which exists in most American States but which has been abolished in all our countries. It is thus something which no longer forms part of our customs and behaviour.

As another example: the sale of arms is, as you know, unrestricted in the United States. This is beginning to cause problems there but remains a phenomenon which, if you like, is expressed in their films through what I would call a certain photogenic violence. All this is of course — and it is very important not lapse into demagoguery — one side of a culture which includes values which are very positive and very appealing to the young: ideas of justice, liberty and courage, for example. It is a civilization, a culture which I would not say is foreign to us, since a large number of Americans have inherited our own culture, but I believe that we would be poorer if, in addition to that, we did not have the diversity of cultures and languages which Europe represents and which have, in the past, succeeded in reaching a degree of universality.

I believe that, taking this observation as a starting point, everyone will agree that Europe also needs an image. Also that such an image is nowadays projected, for the most part, if not exclusively, through audiovisual production.

The second question, which arises from this, is whether Europe has the resources: It is all very well to say that we need an image, but are the resources available to produce it? Here again, the Think-tank is convinced that evidently the answer is that they are: we have the largest market in the world, more or less 350 million inhabitants, if we can succeed in taking advantage of this market. There is also money available, both for production and consumption. Talent is not lacking, either: a moment ago, my colleague Aurelio De Laurentiis mentioned the names of film directors, and to these can be added those of our best technicians who have gone to

the United States. Even our stories go there more and more. Finally, we Europeans have something which is very important, and this is the tradition of story-telling. Fiction was born and has developed here on our continent and the art of appealing to the public (Racine said 'the principal rule is to please and to move') became refined through novels, paintings, plays, opera and, later on, films.

Therefore we can and must create our own images and spread them throughout the world. It is thus a matter of finding the most effective methods of achieving this, which implies the definition of a new policy and the means of applying it. This is why we are here, to try and respond to what the Commission has decided to do through the Green Paper and by organizing this conference, and all that is to follow.

Thus we first tried to allow a little time for analysing and for going through the background, in other words the chronology and diagnosis of the crisis, because it is only by correctly diagnosing a disease that one can treat it. Also we realized that it would be much easier to propose solutions if we had some kind of very specific negative, since afterwards we would only have to develop this negative in order to obtain an accurate positive, in other words we realized that the measures to be taken would become self-evident.

Our first observation was that in the space of 10 years European films lost 50% of the cinema market and two thirds of the audiences. Today, as you know, American films have an 80% share of the market and in some countries, my own for example, they have more than 90%. However, we tried to take this analysis a little further and we observed that it is not the American cinema which has risen in the public's estimation: in fact the audience for American films has remained more or less stable. Since 1980, the audience has fal-

len from 425 million to 420 million. Therefore this figure, this pointer, makes it seem that a strong increase in the American films' market share has been achieved at the expense of European cinema. In fact we can confirm that audiences for European films fell from 475 million to 120 million in the same 10 year period!

Other figures can be added to help understand the bleakness of the situation: Americans go to the cinema more than four times a year, whereas in Europe the average is 1.7 times. It is this section of the public that must be won back for European films. It is not a question of taking audiences from American films; they have already won audience loyalty and they have earned it. On the contrary, it means ensuring that there is diversity of choice and thus gaining a market share for our products.

What is even more important, and this is another point to which I would draw your attention, is that when it is said that American products have, on average, 80% of the market share — speaking here of both cinemas and films since we also know that the cinemas are the window and the films are the vehicle which conveys the strength and image of the American civilization to the people's imagination — this 80% market share which is held by American films is represented, in general, by the same films, being distributed at the same time and in all regions. On the other hand the European films which hold the remaining average 20% of market share in our countries, are never the same. There are very few European films which are distributed beyond their national boundaries and the number of European films distributed in all countries

can be counted on the fingers of one hand. In other words there is an increasingly marked tendency, which is growing day by day, towards bipolarity, in the sense that there are, on the one hand, American products which have succeeded in taking advantage of the single market and, on the other, products which are called European but which are in reality increasingly national.

I will give you the example of the creation of UIP, which simultaneously distributes films from three American majors: Universal, Paramount and MGM. I would advise you to read UIP's Articles of Association, because they realized, well ahead of us, that it was necessary to operate in Europe as if it were one market, that economies of scale had to be established and that, to achieve this, it was necessary to join forces. As far as European products are concerned, on the other hand, our markets are increasingly compartmentalized; in other words, within each of our countries there is a growing division between the American and national cinema. We also realized that this tendency to bipolarity between American and national products has been increased by television, particularly following the rapid increase in independent channels as a result of the deregulation which began in Europe around the 1980s, particularly in Italy.

Take the example of the 'Television without frontiers' directive. Aside from a more detailed analysis than I am carrying out here, the European product quotas which have to be respected in many countries conceal from us a reality which rebounds against the law's very intention, which was to

promote the distribution of European products. In fact most countries fulfil their European film quota by programming national products, whilst the only products which circulate through the various channels in the various European countries are American products!

Naturally the video has also accompanied this hegemony, inasmuch as the organization of the American industry — the concentration of titles in the hands of a few major companies — is such that it has derived the most profit from these new broadcasting methods: video and television. With the opening of independent channels, we have seen mass sales of films: we should remember Italy, where the Berlusconi channels bought in bulk, at prices which defied all competition. I can also give you the example of what happened in my country: there was a single distributor — which alone represented six American catalogues, including those of UIP — which sold a block of 522 American titles to the Portuguese national channel! Portuguese television has enough for five years! Thus American products and the strength of their catalogues, in other words the concentration of distribution, have meant that all these new broadcasting media, whether video, television and before long the new broadcasting media which are constantly mentioned, have assisted and will continue to assist the Americans rather than the Europeans.

This is an important point because, although the domination by the Americans is a worrying phenomenon, we should not fall into the trap of making them the scapegoats for all our wrongs: they have of course benefited from historical circumstances, from a common language, etc., but they have also been cleverer and more pragmatic than we have. Whilst on this subject, I shall again give

you two or three figures and some examples which seem striking. We know that Europe produces 500 films each year, around the same number as the Americans. Thus I would say that our deficit does not arise from production — from the number of films which we produce. The problem is that distribution in the United States is organized in such a way that the seven majors distribute films throughout the world, over the whole planet. I am not saying all American films, but let's say that 90% of the earnings from American films are achieved by the majors. Seven majors over the whole world! And what do we find to compare with that? Research by Media-Salles has shown that in Europe there are around 1 100 distributors! There are 1 100 small, medium-sized or large distributors in Europe and no single transnational distributor. They all operate locally — there may be exceptions to this, but these are isolated examples without significance. I believe that the weakness of the cinema industry and, as a result, of the European audiovisual industry lies precisely here: in the irrational nature of our industrial and sales system, in the fact that our film and audiovisual production is destined or condemned to be consumed by increasingly local audiences.

Of course, everything else is tied in to this and the causes lead to the effects and vice versa, as in the story of the chicken and the egg! It could be asked why European films no longer attract the public or why one cannot see Greek films in Spain, or French films in Portugal? I could reply that it is because there are no longer any European stars — and I mention stars because, whether one likes it or not, it is the stars, the actors, who

bring the film to the public; nowadays there are no longer any European stars, whereas 15 or 20 years ago, European actors were often better known and more admired than American stars. But why are there no longer any European stars? Because the films are no longer distributed, which means that they have no popularity beyond their own borders. And then we go back to the beginning, which is the distribution problem: without a complex network which can distribute films and other audiovisual products through a sufficient number of territories to ensure their popularity and thus profitability, the producers will have less and less potential for taking risks and, as a result, European products will tend to remain local and show an increasing deficit, thus living on a complex system of subsidies which encourages them to turn their backs on the market.

We thus realized that in all countries, even those where the industry is apparently sound since it continues to produce a good 100 or so films per year, the permanent market deficit has contributed to the development of a protectionist mentality which has snowballed: even national films have an increasingly nominal share of the cinema and there are fewer and fewer exports.

Let us take the case of France, which continues to produce more than 100 films each year. In the last 10 years, these French films have not only ceased to have the major share of their own cinema screens, which they always had previously, but through a weakening of production and thus of

independent distribution to other countries, particularly the 'little countries', French films are exported less and less and their earnings from abroad are increasingly reduced, which in turn weakens the industrial fabric. It was sufficient for the Italian cinema, for example, to experience crisis (mainly as a result of the concentration of independent channels in Italy) for the effects to be immediately felt by the French cinema. As you all know, France had a co-production agreement with Italy from the 1950s until the end of the 1970s, which had allowed the producers to count at the outset upon two very powerful markets and this made it possible to take some risks.

What has thus happened in Europe is that earnings from films no longer cover their production costs and no means of making up this market deficit has been considered apart from official aid and commitment systems which vary in complexity and efficiency. Their subsidizing nature has been a contributory factor in making the products increasingly remote from the market. It is observed that in the long term this kind of intervention, both on a Community and national level, has made producers and directors both powerless and lazy. This is what Wim Wenders said when he acknowledged (and I quote) that 'in Europe, we have fallen into a lethargy of subsidy, whose symptoms are often a kind of self-indulgence and artistic hedonism, a lack of interest in the public and an ignorance of market laws'. It could not be better put. In Europe, we have been led, so to speak, to adopt what I would call an 'ecological' approach to production: this is a species in the process of extinction (the various national cinemas) which needs to be protected from industrial predators.

At this stage, I would draw your attention to a problem which appears to me to be vital and

which provokes much misunderstanding: the problem of markets and respect for competition. Whilst we strongly insist in our report upon the need to make our products competitive on the world market, we have to start by acknowledging that the audiovisual market is no longer fair and that in most cases competition no longer operates. This justifies strong intervention by the public authorities, the Member States as well as the Commission, with a view to regulating the market and ensuring that it operates fairly. This is, moreover, a point which Commissioner Pinheiro is always emphasizing and which fully justifies Europe's position in the GATT negotiations: it is not sufficient to say that the market must be free, it must also be fair. Thus, those who urge us — and I think that this is a very important aspect since we have just heard the representatives of independent channels repeat the argument for deregulation and the myth of the self-operating market — those who urge us to deregulate the market and neglect product manufacture, in other words the software in comparison with the hardware, should not forget that in the United States it is precisely the strong and permanent protection of competition and strong market regulation which have, amongst other factors, allowed American industry to prosper: the anti-trust laws in addition to a regulating body like the FCC, which Europe does not possess, play a large part in the prosperity of their audiovisual industry. The Americans know, when it is a question of their markets (but not those of

Europe!) that liberalism does not mean the survival of the fittest and that it is precisely because of strong protection of competition that their industry is so well developed at home.

I shall now end this digression, without which our report would risk being misinterpreted and misunderstood. I was in the process of telling you how the proliferation of television channels has further increased our dependence upon American products, and in this connection it is worth mentioning the importance of catalogues. It is a very significant aspect and one which will become even more important in the future with pay-TV and all forms of direct public consumption. Here again it should be recognized that it is the strength of the American catalogues which allows them to apply prices which are often confused with dumping and to adopt a strategy of market invasion, the strategic intelligence of which has often been emphasized by our colleague Riccheri, who is also present. For the Americans, it is particularly vital to have a presence in markets, even the poorest markets: they know how to sell the same film in Albania as they are selling in France, at nominal prices, but they sell it nevertheless because, as Riccheri says, this is a 'strategy of occupying territory': it means creating a need. Thus we are today aware that the new technology which is so often mentioned risks making the situation even worse. We know today that household expenditure on audiovisual products will double; it remains to be seen whether, by facilitating the physical distribution of images, reducing the number of different forms of marketing products and

their consumption, and thus increasing and accelerating revenue, this will not benefit American products first and foremost: hence the importance of catalogues, which is often mentioned in our report, and of a policy which encourages their production.

If we consider then that the audiovisual industry is a sector of strategic priority, the European Union should acquire the resources to take action. And we maintain that action is necessary on two levels: on the one hand, we think that a favourable legal framework and temporary protection mechanisms should be established until the market is able to function in accordance with the laws of competition.

Along with this favourable legal framework, which would create fair market conditions, it will be necessary to strengthen product competitiveness. In our opinion, and this is the report's principal recommendation, production can only become competitive again if it is marketed, in other words if means are found at the outset to increase revenue. This means that an increase in the markets, the territories and the broadcasting methods will make it possible to recoup investment. Hence the importance of distribution, which should allow the companies to produce catalogues with a solid commercial value which may become similar to that of real estate. What are the majors today other than large catalogues?

At this point I shall allow myself to digress slightly, in order to pay tribute to someone who is here with us: I speak of Jean-Claude Batz. In the Think-tank we studied papers which had been given in the past, particularly at meetings which had been organized or supported by the Community and which could be of assistance to our discussion. I was amazed when I discovered that in 1968, at a meeting which took place here

in Brussels, Jean-Claude Batz, who we have just heard, gave a report in which he reached exactly the same conclusions as we have reached nearly 30 years later! Unfortunately, at the time, no-one took his advice and this was a pity, because I think that if his advice had been taken in 1968 we would not have needed to be here today. He put his finger on the fundamental problem of European cinema (and at that time cinema still held sway and was in quite good shape): he realized that the size of the Community (and it is worth remembering that the Community then consisted of only six countries) was big enough for the creation of a strong distribution network, and that this was the sole means, not of combating American cinema, since this was not the concern, but rather of combating its hegemony and restoring the European cinema to its proper place, thus ensuring the diversity which the public needs and to which it is entitled.

Unfortunately it was not an opportune time for this kind of proposal. 1968 was also the year of the May days in Paris and the very year when the *Nouvelle Vague* producers boycotted the Cannes Film Festival. It was the time of what was known as the 'writer's cinema'. On the other hand, it was the time of the Vietnam war, *Hair* and Guevarism and one would have thought that the European cinema should also have contributed to ending the American imperialism which was in turn reflected in the hegemony of its cinema.

Unfortunately, therefore, no-one heeded Jean-Claude Batz's advice. I hope you will forgive this digression but I included it because having realized, as he did in 1968, that distribution should be a keystone of European policy and that it was in this sphere that Europe should invest, he was something of a visionary and I believe that this should be acknowledged.

So, 25 years later, we were led to the same conclusions as Jean-Claude Batz on the strategic importance of distribution and on the idea that only a solid pan-European distribution network could solve the problem of marketing films and give the companies which produce them the necessary basis for risk-taking, in other words, give them the means to match their ambitions. This is why, in our report, we are proposing that the Commission should set up a fund of ECU 1 billion in order to allow a 10 year investment in the creation of a number of consortia, formed spontaneously by small, medium-sized or large companies already existing in several countries, which could combine their efforts and experience and pool their assets in order to create solid pan-European companies to distribute several European products in several markets.

This means strategic change, in other words we need to come off the defensive and go onto the offensive, as has been frequently said here, and in order to achieve this it is necessary to change from a policy of individual actions, of aiding projects, to a policy of aiding the structure. And the new

structure can only be a pan-European distribution enterprise. Aid is thus given to the creation of distribution consortia — distributing all kinds of products, on all kinds of media and in all kinds of markets. This does not mean the isolated distribution of films or series which we are each managing to produce with increasing difficulty in our own countries. Instead it is a matter of powerful distribution networks established in the largest possible number of territories, capable of distributing all kinds of products. This is our principal recommendation and in our opinion it is here that the Commission should concentrate its efforts, in accordance with the principle of subsidiarity. Subsidiarity is not an idle term even though it has a bad reputation. Investment in the creation of a multiple pan-European distribution network (because distribution is pan-European by definition) should, in our opinion, be the task of the European Union, because this is precisely what the Member States cannot solve alone within a purely national framework.

This change has a decisive strategic effect: that of moving the decision-making centre. Our aid programmes are, generally speaking, in the hands of selection panels linked to institutes which are part of or responsible to the Ministries of Culture and thus, even if very competent and very responsible people are involved, inevitably follow criteria which are distanced from the marketplace. Supply is favoured in comparison with demand.

This strategic change which we are proposing, which consists of focusing on distribution, will mean that these distribution enterprises will henceforth play a larger part in decisions regarding the products they need, in that, being intermediaries between the products and the public, they are best able to interpret need, desire and expectation. We are fully convin-

ced that, even though it seems paradoxical, the more the distributors' role is strengthened and the more significant their share in the choice of the products which they need, the more the originality, initiative and independence of creativity can be preserved.

I shall give you two small examples which I hope will help you to understand what I am trying to say. Many fear that a pan-European distribution would end in the creation of 'Euro-puddings', which we have heard about once today, whereas this is a term which I believe should be once and for all banished from our vocabulary. However, since it is mentioned, I have to tell you that I have no fear of 'Euro-puddings': they only exist where there are no strong and original producers and directors. I will give you an example: 200 years ago, Wolfgang Amadeus Mozart wrote an opera called *The Marriage of Figaro*, which was perhaps the first European 'Euro-pudding'. French author: Beaumarchais; plot situated in Spain, more specifically Seville; scenario and dialogue (what is known as the *libretto*) by Lorenzo da Ponte, an Italian; Mozart himself was Austrian, and he went together with da Ponte, his collaborator, to request money from Joseph II, who was German, to produce the opera. I shall not mention the singers, who were also of several nationalities. This is thus a beautiful example of a 'Euro-pudding'. Perhaps Europe was then more cosmopolitan than it is today. However, I shall continue.

Here, then are the two examples. The Americans have for a long time made many cowboy and indian films, which are known as Westerns. Nothing could be more local. Except that they made many films about indians, but they made films which could be seen and appreciated all over the world. Had they made films about indians to be shown to indians, they would have been wasted. Thus, I believe that what we are increasingly making in each of our own countries are films about our indians, but which are destined or condemned to be seen exclusively by our indians.

I shall give you another example, a very fine one this time: *The Piano* by Jane Campion. I do not, myself, know of a more local film. It is a New Zealand film, which could not be set in Paris, in Brussels, or in New York. It is a film which is utterly New Zealand, both in its location and in its inspiration. Even so, as a result of the way in which Jane Campion has handled the subject and the story, through the actors she chose and the production resources she had available, and as a result also of marketing, etc., and the fact that she is a writer and a genius, like Mozart, who I gave as an example a moment ago with his 'Euro-pudding', all this has made *The Piano* into an international and universal product. So what I am trying to say here is essentially that the locality of the subject should not be confused with the locality of the audience. It is necessary to find universal audiences for films which may start from a local subject but which must, within the great European tradition, have a universal message. It is this dual aspect of works of art that forms what is known as culture, but we should not confuse culture with folklore.

Bela Bartok produced remarkable works from Hungarian folklore; Picasso worked on African folklore. But what is significant about their work is not the folklore, which was simply the inspiration — what they have made of it. There could be many such examples.

Thus I would say that, in this strategic change, the main factor is that it will allow (or force) the decision-making centre to move. We should choose the companies, the enterprises in which Europe should invest, but leave them the initiative to decide which projects should receive investment, and we should stop allowing a national or European selection panel to choose which projects to support, on an individual basis.

I propose to end here. In our report we have other parallel proposals which are also important but which we shall perhaps have other opportunities to discuss: training, cinemas, the distribution of films in Eastern Europe and export to the United States, the importance of dubbing, coordination between the various Directorates-General in Brussels which are responsible for the audiovisual industry, in order to obtain a coherent and monitored policy, and also the problem of transparency and certainty regarding the law (for example, the problem of ticket control, which is very important, even for the Americans, if investors' confidence is to be gained), the establishment of a European register for European works, and finally there are some one-off measures which we are also suggesting.

I would just like to end by reminding you that next year will be a unique opportunity for taking decisions on the future of the European cinema with a view to safeguarding what I would term our audiovisual fiction, because this is a matter of life or death, as Jack Lang has reminded us. We are, as you know, on the eve of the

first centenary of the cinema. At the end of December next year we shall commemorate the first anniversary of 'cinematography', as this amazing technique of projecting moving images which has revolutionized our century was known as at the time. It is up to us to decide whether this will be commemorated sadly, as something from the past which will stay in the film archives, or whether, on the contrary, it will be possible, as it was 100 years ago, to take as an example those men who invented the cinema, who were also industrialists and merchants, inventors and creators who had to get on well together. If so, we will be able to celebrate in 1995 a renaissance of this new art of story-telling. It is today faced with a new technological revolution, but in having changed its methods, it has not, for all that, changed its nature. Thank you for your attention.

## PRESENTATION OF THE GREEN PAPER

### MRS COLETTE FLESCH

The members of the Think-tank have done some extremely imaginative, creative and, in some respects, even provocative work in connection with the report just presented by Mr Vasconcelos. They have been far more daring than the Commission could be in its Green Paper, which is, by definition, a different sort of document, but the Think-tank's ideas, deliberations and suggestions obviously contributed to the Green Paper, and there are many points in common to be found even though each of the documents retains its own character and origin. I feel that the Green Paper serves to highlight a few points made in virtually all the many contributions we have received both from the Member States and from the professional associations:

(i) firstly, the audiovisual industry is coming to be seen as one of the main industries with a high growth potential, particularly in terms of job creation;

(ii) secondly, the question of safeguarding the diversity of national and regional cultures, often expressed in terms of safeguarding public choice, is henceforth clearly linked to the development of a programme-making industry which is largely European and viable in the long term;

(iii) thirdly, digital compression technology is perceived as 'revolutionary' and seems destined to radically transform the general structure of the industry, particular by accentuating the strategic role of the programme-making industry;

(iv) fourthly, if the European Union is planning to strengthen its audiovisual policy, it must do so fast both in order to keep up with the rigid pace of technological progress and because international liberalization is now unavoidable.

So much for the politico-economic context. As far as the programme-making industry is concerned, despite the specific characteristics that distinguish the cinema and television, the White Paper underlines three major weaknesses in the industry as such:

(i) it is fragmented on a series of national or local markets barely offering survival prospects to firms too small to contend with the European and world markets;

(ii) there is a tendency to wall off these markets owing to the weakness of the distribution and the transnational circulation of programmes;

(iii) the industry is caught in a vicious circle of debt and deficit and fails to attract European capital, even though such capital is available for investment in non-European programme industries.

Clearly, and here I agree with what Mr De Laurentiis was saying, we must not be too pessimistic. The European cinema and the European programme-making industry have considerable assets.

The Green Paper particularly emphasizes the quality and diversity of its output which, in a context of the individualization of supply, may turn out to be genuine economic opportunities.

The aims of the Green Paper, i.e:

(i) opening up national markets;

(ii) guaranteeing a real choice for the European public;

(iii) maximizing opportunities in a future-oriented industry;

(iv) ensuring the longer-term profitability of an industry currently in deficit,

are to be seen in a long-term perspective.

However, we also have short-term preoccupations and deadlines to meet. We have to plan support mechanisms for when the present MEDIA programme expires at the end of 1995. If we therefore intend to have a successor, we have to make proposals now so that they will be ready on 1 January 1996. Secondly, the possible revision of the broadcasting directive. Here again, we are obliged by the directive to present a report in October and, if appropriate, make proposals. So there already we have two immediate deadlines, and this problem of the coexistence of long and short term objectives has also given rise to some difficulty.

Secondly, the Green Paper focuses its ideas on one specific aspect of the audiovisual industry and one alone: the development of the European film and television programme industry. By making this comment, I shall be able to answer various remarks made in the course of this afternoon.

We have concentrated on programmes because of the need to take account of two characteristics of the industry:

(i) firstly, films and television programmes are products unlike any other. It is the programmes which are of concern to us;

(ii) secondly, the programme industry is playing an increasingly strategic role in the development of the audiovisual industry, proof of which lies in the fact that the most powerful operators on the world market are trying to control the most important programme catalogues.

Our deliberations will have to take account of the overall development of the audiovisual industry and all the contributions have clearly been extremely useful to us. Nonetheless, we concentrated on the programmes because we felt that other enclosures would enable you to express your views on other issues which are just as relevant to the future of the audiovisual sector. I shall quote two of them:

(i) an issue as fundamental as the safeguarding of pluralism in a context of media concentration will not be dealt with here in its own right. It is the subject of another Green Paper on the subject of pluralism and concentrations and will be at the heart of the Commission's deliberations on the new information society;

(ii) nor have we broached the issue of the public versus the private sector. This is a problem which lies more within the context of pluralism and concentration. It

is an important problem in European terms but one which is relatively less important in the context which was the focus of our efforts here: programmes and the development of the programme industry in Europe.

Personally, I shall sum up by saying that I am not pessimistic: we have a number of assets, we have listened to suggestions, we have already done a number of things, not enough but something nonetheless, and we must continue in this direction.

We have raised these questions in the Green Paper. Admittedly, we have not yet come up with answers, a fact for which some have criticized us. But that was intentional. We first wanted to hear the results of today's conference and the various contributions to this debate, and it is then

that we shall try to draw conclusions and make proposals to the Council, the European Parliament and the Committee of the Regions as regards both what may be a new MEDIA programme or a MEDIA programme with a new face and the broadcasting directive with proposals focusing on the problems actually encountered by professionals. This is to tell you how much importance we attach to the deliberations of these three days, today, tomorrow and the following day and to tell you how much we appreciate your having taken part in this exercise.

# THE EUROPEAN DIMENSION IN THE AUDIOVISUAL INDUSTRY: COMPETITIVITY AND DIVERSITY

## CULTURAL DIVERSITY AND THE SINGLE MARKET

**MR JORGE SEMPRUN**

I would like to start off with a maxim attributed to Jean Monnet, which is no doubt apocryphal: 'If Europe had to be created afresh, I would start with its culture'. This quotation is not only apocryphal but wrong as well. It is wrong in the sense that, when the creation of Europe first began, this process could not and should not have started with culture — rather, it should have started off with coal and steel, as it in fact did. That said, I will try to come up with a (perhaps equally apocryphal) maxim which a latter-day Jean Monnet might apply to the creation of Europe. My maxim would be: 'If I had to create Europe today, I would start off with the audiovisual sector'. Rather than demonstrating the truth of this maxim, I will try to show you the evidence in support of it, and will do so quite briefly because I prefer discussion to lectures and also because time is short and Volker [Schlöndorff] will be speaking after me.

There are three reasons why I would start off with the audiovisual sector. The first of these revolves around what could be called industry, production and economics. Without going into great detail, which is not possible today anyway, it is clear that we are living in a time of crisis: a crisis of not only society and values, but one which essentially affects production methods and our industrial fabric. And in this crisis, without knowing what exactly the final outcome will be, nor through what destruction the system will pass before coming out of crisis, we can already see — it is easy to see — that advanced technologies and industries geared to the audiovisual sector will be the industrial and production systems of tomorrow and that, although the great industrial factories of the 19th and 20th centuries may be on the way out, this new form of industry and technology represents tomorrow's world, not only in terms of research, new materials and programmes but also from the point of view of job creation; after all, one of the most typical features of the current crisis affecting production methods is that, although the Utopian belief had grown that this explosion in science and

industry would create more leisure time, we can now see that it creates unemployment and that, as a result, any future industrial approach which creates jobs must be seized on as a strategic link in the European development process. Industry, then, is the first of my three reasons, but I have only dealt with it very briefly because I think my point is fairly self-evident and does not need a long demonstration.

I may deal with my second reason at greater length because it concerns what I feel is the crucial question, and one which has been the subject of a long-running debate between cinema and television writers, producers and distributors, State bodies and regional authorities. In addition, there's nothing wrong with this question being discussed by us because it is a crucial one from this point of view and also in terms of economics and 20th century society. The issue in question concerns the relationship which exists between the market and culture and, consequently, between the market and the State and between the market and the public sector. It's a question which has been at the centre of 20th century social experiments and which — this is a personal opinion, but one which I believe is based on reality — has been brutally settled by historical experience. It has been settled in the sense that the laws of market economics cannot be bypassed; all attempts which have been made to bypass them have failed with more or less miserable results. At the same time, however, we know from experience that the market is inherently a mechanism which spontaneously and automatically reproduces inequality, injustice and an accumulation of power. As a result, a social author-

ity is needed: this authority should, I feel, be a social one rather than a State one because I think that reducing public intervention at State level would be simplistic, and social intervention is needed to correct the disastrous and perverse effects of the market. And so we are faced with this contradiction and with a need to repeatedly restructure intervention so as to adjust and organize trade and competition, because that is what the market is: trade and competition. And cultural creation is still the area in which everything concerning the market and market economics is detestable and detested and seems to be held in contempt *a priori*. I think that the significant effort which has recently been made at the instance of the Commission, in the Think-tank reports and in the Green Paper, represents a new attempt to really rethink issues concerning the market and market intervention and to dispense with myths and pat phrases which, though interesting as far as rhetoric is concerned, are totally unproductive. I will leave it at that — I don't want to pick up on and repeat a number of statements which are set out in these documents, with which you are all familiar and which, I hope, will form the basis for real and productive work by the Community in the future; however, it is clear that we should never forget the final phrase of Malraux's brilliant piece on the cinema and cinema psychology: 'in addition, cinema is also an industry'. If Malraux's piece were to be updated, I would now put this phrase right at the beginning; and whenever someone said that films are not goods, I would only agree if I could add 'films are not goods like others, but cinema is an industry'. That's the second point which needs to be worked on. Our intervention in the world of cinema needs to be developed in future. I don't want to go any further than that, although I could easily provide specific Spanish examples of the harm done by a State cinema policy and by mis-

conceptions about not only the State's and the market's role but also what can be called 'the subsidy culture', which stifles the film and audiovisual industry.

Thirdly, and lastly, let us address the title of this part of your discussion on cultural diversity and the single market; I would also like to say why the audiovisual industry ought to be at the centre of a European strategy which rightly affects industry and culture. It is clear that Europe's cultural richness and unity, which developed long before (and indeed centuries before) the advent of the Community or Community rules, has always been founded on diversity: diversity in terms of national cultures, regional cultures, European languages, etc. And we have now reached a special point in Europe's traditional situation. In what way? Because, with the construction of Europe on the one hand and the collapse of the Soviet system to the east on the other, we are witnessing the upsurge of two contradictory phenomena, the contradictory nature of which could be resolved in a harmonious and peaceful way but which could also spark unrest, turmoil and even local wars. One of these phenomena is what, way back in 1935, the old Jewish philosopher

Edmund Husserl called the supranationality of the European mind, which is conceived of in spiritual terms. The other phenomenon which is gaining ground, particularly as a result of the collapse of the Soviet system, is the upsurge in national identities which have long been repressed and persecuted to a large extent, an upsurge which is vital to European culture, which is the centre and east of Europe. This contradiction and this conflict need to be at the centre of our thoughts because, irrespective of any political or economic issues on the widening and deepening of the construction of Europe (issues which I cannot address here because that is not what I or you are here for), audiovisual production, cinema, television and everything connected with cinema and television mean that the possibility of course exists, which is also addressed in the Commission's document which I have just quoted, and [*sic*] common sense

and intellectual and moral dynamism, because these are areas in which it is possible to create unifying myths and figures and also strengthen regional and national identities. Europe is not the sum total of its various cultures, but much more than this, and at the same time an affirmation of this supranationality, this universalism of democratic reason which, in the final analysis, represents the core of European values on which all the rest depends. Here, too, an example could be given, namely, Spain (please excuse me if I am briefly chauvinistic on this point): the most important thing about Spain's democratic transition, and something which is often ignored or not highlighted for reasons which are easy to understand, because *[sic]* what has been highlighted is the peaceful nature of this transition, whereas the most important thing for me is the invention, or rather the reinvention of the model of a State based on autonomous regions, i.e. a State which, rather than decentralizing the autonomous regions of Catalonia, the Basque Country, etc., gives them actual autonomy and a real national identity, and it's this which makes Spain one of the countries in which the European blueprint is best understood and accepted because it corresponds to this dialectic of centralization and supranationality and of strong regional identities which is vital to the construction of Europe.

There is a final question which I will merely mention. It is clear that the diversity of individual cultures which makes European culture so rich also contains a diversity of languages. However, it is evident that Europe has, over the centuries, always had a preferred language of communication, and that this problem should or could be sorted out in two ways, in my view. One solution would involve the new technologies since the same problem is posed in literature and translations prevent limitations. Who is nowadays unaware of the fact that Milan Kundera is a European writer? Who has actually read him in Czech? A tiny minority of people. In fact, seeing that I have already asked this question in his presence, he would not mind me asking: who knows that he is a great Czech writer? And yet we all know that he is a great European writer. We know this because we have read him in French, or maybe English, or even German. And so it is translation which has led to his being well known — hence the care taken by Kundera to monitor the translations of his works.

The new technological systems will enable dubbing and translation to be carried out very much more easily, and so a barrier is disappearing. And then, if I may be so bold in front of Jack Lang, we have two inter-continental languages, namely English and Spanish, which open up the possibility of conquering or reconquering the world markets. And so, finally, it is really sad to see that Spain does not have a film industry when it has creators, some degree of technical expertise and an intercontinental language which would enable it to tap into a huge market.

## CULTURAL DIVERSITY AND THE SINGLE MARKET

MR VOLKER  
SCHLÖNDORFF

Good morning, ladies and gentlemen

Our proposition is called 'the single market and cultural diversity'. Following a natural inclination of mine, I would like to question these two assertions.

Is there a single market; can there ever be one? For the moment I don't see it; I don't even see any beginning of it as far as audiovisual programmes are concerned, as far as culture in general is concerned, whereas there certainly is a single market for cars, for washing machines, for the soap you put into the machines, for wine and for many other things, but not for culture. Therefore, I think Europe was well advised to start not with culture but to start with economics.

### 1. 'CULTURAL VARIETY'

Now, I don't really see, having been in many juries and festivals and others, any cultural variety in European film-making right now. I think all European pictures look alike and all European television programmes look alike. It has not always been that way, there used to be Fellini, Visconti, Pasolini films, who were indeed a cultural expression of Italy, while Godard, Louis Malle, Chabrol, Truffaut and others, were true expression of French culture in some way. There was Buñuel as an expression of Spain, there was Bergman in

Sweden, but now, this belongs to the past. This was in the 1950s and the 1960s and by the way, these films had a single market, there used to be a single European market. We have to just acknowledge that it fell apart, it doesn't exist any more, and so for me the single market is not a thing of the future, it is a thing of the past, the same as cultural variety is a thing of the past and not of the future.

I think today if you look at European films they might be Spanish, Belgian, German, Dutch, Italian, why do they all look alike? Well, they are poorly produced; they are under-budgeted; they are timid in their approach to reality; they don't show much of culture at all; less variety; they are all just more of the same and that is why people are bored with them. The audience did not desert American movies or go more to American movies, they simply deserted European films because these had neither culture nor variety nor entertainment and that is why they ended up having no market. So I think we have to put the subject somehow back on its feet.

I perfectly understand that politicians do not give up on cultural variety, but that is the so-called *discours politique*. In the reality, I don't really see it and I don't see that much difference any more between the European countries as far as their culture is concerned and I think if there is going to be a future for European films we will owe it, firstly, to GATT, because the Americans forced us somehow to see our common interests and to come together and to unite around a hopefully common cause, and, secondly, we owe it to people like Prof. Pinheiro, to Mr

Vasconcelos, to Colette Flesch, to people like Mr Schwarzenberg, Mr Falkenberg and many others, who put these facts on paper in the Green Paper, holding up a mirror to the industry asking: 'Now do you want to keep it the way it is? Or do you want to change it?'

The paradox of the situation therefore is that we do have politicians and public servants who would actually like to help, who offer concrete measures and even money, but the film community and the TV community, the film makers, the producers, the distributors, the exhibitors in their variety of corporate organizations as well as individually, do not agree with any one of those proposals, not even with the diagnosis: some don't even want to grab the money that is at hand.

If I question the variety of culture, I have to acknowledge that there is a variety of interests and any programme of the EC that does not convince the different bodies of the audiovisual industry is bound to fail because however clever, however adroit some lobbyists here in Brussels will be in pushing certain measures, if the body of the distributors, producers and the people who are active in the business in Europe do not agree and don't find a consensus around it all, such programmes will re-

main paper. It is very remarkable that except maybe for Mr Seydoux and Mr Bonnell here present, not one of the major players of the industry, is present here. How do you expect to change an industry, if its managers are not present? I think it would be a pity if this great master plan of Brussels would end up being a 'beggar's opera'.

## 2. CULTURAL IDENTITY

I come back to cultural identity. I could never figure out for myself what it is. I'm German and if I speak English, it is because when I was aged six, the GIs moved in. I thought it was fun to get chewing gum and candy bars from them and to trade appointments with our sisters, so I learned English. When I was 15, I came to France because I thought this is where the films are being made, this was the great period of the *nouvelle vague*. I went to France, I stayed for 10 years, I thought I had well assimilated, until when I tried to do Proust, they told me I was not assimilated at all, sort of an unwanted person. I moved onwards to the United States where I had great fun working with Americans, doing such pieces of americana as *Death of A Salesman*. I thought I was pretty much assimilated until my Jewish friends in New York asked me 'How German can you be?'

So I'm back in Germany and after this travel, ending up in Berlin of all places, I start to have a feeling that I might be finding my identity. Therefore, I say identity cannot be a virginity. The fact is the more often you lose it, the more you gain it. I think we should not make some kind of a Holy Grail, or whatever, of our cultural identities in Europe. I just don't think that this concept is any good for the future, it is *besitzen*, it is holding on to certain properties, it leads to civil war if you don't have a civilization that prevents you from having arms. I don't think it leads to tolerance anywhere and certainly not to a global vision. I think it is too late to go back to such things as cultural identity. I think that even the European identity is outdated. If in 1935, you could still speak of the super-nationality, or of the spirit of Europe, well, I think that in the future, this super-national spirit is going to be either planetarian or it is not going to be at all.

## 3. THE SINGLE MARKET

Now I read in the Green Paper that the single market is going to result from the new technologies, from the digital techniques, and that this would be an enormous opportunity for European cultural variety to survive, to be distributed, to be accessible for everybody. We were told about those same advantages when video first appeared. You could have your favourite writer, your favourite film in your local library, accessible on video, you could have it either dubbed, or you could have in the original version, you could have music and other programmes on video and so on. What really happened is that the video stores just carry the same 200 titles that happen to be best sellers that season, and there is no way, except maybe in Paris and some places, that video resulted in greater access to a larger variety of programmes.

In the future, we are now told, you just dial a number on your phone and you will have your favourite picture. The real problem is that due to this plethora of offers the audience just would not know which one to choose. If the motion picture industry is surviving so strongly it is because it is an experience many people have together, they are in a room, they enjoy it together, they cry together, they laugh together and next morning at the office they can talk about what they have seen and either their friends have seen it too and they can discuss it or else they will urge them to see it next day. This no digital technology will ever achieve. The more variety you offer, the more the stuff will be specific and the less it will be accepted by a wide audience. So if European audiovisual industry is going to base its approach on the variety, it will simply leave the bestsellers and the blockbusters to the Americans and I think that would just simply mean *creuser sa propre tombe*.

I cannot see how these new technologies can result in anything else but the situation where we will all receive at home immediately the entire range of new American programmes, and that people are going to dial for the few successful titles they heard about. The possibilities of making your own choice will be for an infinite minority, maybe for school and university purposes. A market people like Bertelsmann and now

Canal Plus are taking care of this but I don't think that can be our future. The more of such technology you will have, the more you will have (a) American products and, (b) your national or maybe even your regional programme, and that's it. The Green Paper calls it bipolarization.

But if we wait for the digital revolution to create a single market in Europe we are dead. It can't work.

#### 4. MEASURES TO FAVOUR A SINGLE MARKET

The existing European programmes for the audiovisual industry are insufficient because they are not efficient. This is why we are gathering here. We all feel that it is not a question of more or less, but a question of alternatives, the industry needs a different kind of support and of restructuring measures.

Of the enormous amount of measures that are in existence right now, when I say they won't change anything, read me right, I just mean let's not expect too much from regulations. One has to acknowledge that all these small programmes don't really produce much more on the European level than they did on the national level: development of scripts, hiring of writers, putting up a little money to buy the option of a book. If a producer can't even finance that, how is he ever going to be able to finance a full production. I don't think that you can subsidize creativity on that low level. And I don't think it's much use either to give a little money for more prints and ads for such and such a picture here and there. All you do is create another institution but you don't really have an impact on the market. That's what the media analysis I read in the Roland Burger report seems to confirm for a number of programmes.

It certainly might be useful to educate professionals for the audiovisual revolution and appropriate schools and universities courses should do so, but I don't see why politicians and public servants should teach so-called professional producers how to become successful or how to do business with each other, the whole thing being

paid for by European tax money. Any programme that creates another institution cannot work. The only programmes to develop are those which work without institutions and bureaucracy. So I think one of these programmes could be to harmonize somehow the existing subsidy systems.

#### A COMMON SUBSIDY SYSTEM FOR PRODUCTION

I was very surprised that there was such an outcry from the Americans about the subsidy systems, as they exist in France, Germany and some other countries. How come the outcry didn't come from Europe? Is this not an incredible inequality among European countries? Is it not a shame that the French producer should be so much better off compared to a Greek or a Swedish or a British producer? I mean the outcry should have been ours, not the Americans'. Either we all have the same subsidy system or we have none. Is it not what Europe is all about? So I think that should be a first step.

The second question is: 'How could such programmes be financed?' Actually they are mostly financed by money taken from the box office and redistributed, as the report says 'by far the finest system'. Unfortunately, the exhibitors don't see it that way. They think it is their money, not the audience's money. They say this money goes into movies that are never shown or, if they are shown, are not the movies they can make money with. So if we don't win the exhibitors, the common subsidy system will be somehow condemned before even being born. I think the first step from here on, with this paper in hand, has to be

to create such consensus and to see how the other bodies of the industry are seeing that progress could be made. I certainly favour instead of hundreds of different subsidy systems in Europe, each one with his own commission, a network of similarly organized and similarly financed institutions.

### INCENTIVES FOR A COMMON DISTRIBUTION SYSTEM

The second measure I would retain, is of course the idea of a European distribution. Now, some expected this to be a kind of State-controlled, State-run, State-created, distribution company. Well, I hope this is not what is meant. What is meant, as far as I understand David Puttnam, is to create incentives to bring together all these hundreds or apparently up to 1 000 European distributors, by groups of affinity and to create a number of three, five or so, European distribution networks. Incentives for a programme of films they all agreed to release in their countries with a common strategy, at a given period of time. This could evolve into joint ventures between those distributors and they could ultimately create one common distribution company out of such individual companies. Well, let us suppose it would be the professionals in this room like AMLF in France going together with Tobis, going together with Titanic in Italy or somebody in Spain, and in England, with Lumière, or another group made of Gaumont, Rank, Bertelsmann, Hachette, etc. This could be I think, extremely profitable, but we would have to admit also, that such a programme of incentives, for European national producers to cooperate and to merge, is to

lead to certain monopolies. The American system that we envy so much, with its large worldwide distribution, is made of terrible monopolies and I don't know a film maker in the United States who likes them. Nevertheless, we may need in Europe such large distribution companies. We will hate them and we will work with them, but we may have a future.

The way such a system could work is that such a European *groupe-ment* could offer a distribution guarantee, *une avance distributeur*, to the producer. These interaction companies in Europe need to become aware of the fact that there is going to be a single market. You have to force them to work together, to share losses — hopefully some profits as well — and then they will be able to determine certain rules for a European picture, to be successful at the box office in different countries. In the annexes to the Think-tank report, also I found a very interesting proposal, how this could work on practical terms in an almost automatic way without another institution. Peter Fleischmann suggests, if such five or six European distributors together offer a distribution guarantee for a given picture, well, out of a fund, that guarantee could just be doubled.

Ultimately the money that is now given to production, through all the national subsidies systems, and maybe one day through a European subsidy system, could be distributed by the distributors. I think a group of five or six distributors deciding which picture they want to fund or not, are more likely to be right than a commission of critics, writers, public servants and others.

One last word. We should not forget the Eastern Central European market. This is our market of the future. Americans are not sleeping, but they don't know how to handle that Central and Eastern European market. So far, they are scared by the variety of languages, cultures and what not. This is our last chance and any European programme would absolutely have to include the East, even it means in the short term, a loss of money to be handed out to the people in the West.

Thank you very much.

## ROLE OF TELEVISION FUNDING OF THE CINEMA

**MR RENÉ BONNELL**

Thank you, Mr President,

I will try to be brief since Mr Seydoux still has to speak and debates are due to take place. I would therefore just like to highlight a few points which I feel represent something of a departure from the usual state of affairs as regards the financing of film production, particularly by television. I am not speaking as a theoretician, but as someone with actual practical experience since I have had the opportunity of becoming heavily involved in the financing of a large number of films while at the production stage. As a result, I will not dwell on the historical causes behind the fall in cinema attendance figures or the major role played by television organizations in financing: after all, professionals of your standing know all that inside out. I would just like to stress the fact that, quite apart from any other causes, demographic trends in Europe — including an ageing population — have contributed to the fall in cinema attendance figures. This demographic phenomenon is one which it is sometimes difficult to hold out against.

I would just like to highlight a number of points which seem to me to represent new and recent developments. If we examine the European audiovisual sector as it currently stands, in terms of the financing of film production by television, three different systems can be seen to coexist: firstly, the French system, which is highly regulated and very much bound by obligations on broadcasters; then there is the system which, to save time, I will dub the 'British' system, in which, aside from a few basic rules concerning the independence of producers, hardly any obligations exist at all (reflecting the changes wrought by Thatcherism); lastly, there is the system found in Germany, Italy and Spain which involves a certain amount of intermediate intervention. I will not go into details

because you are all familiar with them; I would just like to stress the fact that, in Europe as a whole, television finances somewhere between 40 to 50% and 80% of the cost of production, depending on budgets and the countries concerned. This is a considerable proportion and, of course, has a number of perverse effects which people do not fail to denounce. The first of these perverse effects is of course the influence of broadcasters in determining production content — this is a well known subject which I will not dwell on and which is currently changing; the second trend is of course the way in which decision-making is confined to a small handful of broadcasters in Europe who naturally have a major influence on content. The third perverse effect is that television obviously does not always have the same needs as the cinema, in terms of audience and programming, and television can be accused of ignoring cinema attendance figures purely to improve the viewing figures for its own stations.

All this is well known and I will not go into long explanations. I would just like to put forward a few different ideas. First of all, with regard to these traditional approaches. The first point I would make is that competition between broadcasters is very keen, partly because the latter are involved in the commercial television market and partly because their traditional position has gradually been eroded. Canal + is certainly not unaffected by this development even though it is in a monopolistic position on its territory; the development of pay-channels and video, the pay-as-you-watch situation and the number of films shown on other television channels are forcing Canal + to change and mean that it is gradually losing its position of monopoly as regards the influence it used to be able to exert on the financing of films. The second point I would make is that broadcasters are in a competitive situation, i.e. they are subject to the international law of communications globalization, that this competition will increasingly be based on linguistic foci, and that, what is happening in the United States is also taking place in Europe. In other words, satellite developments and the growing distance between transmission and reception centres will mean that, in a few years time, it will be possible to transmit broadcasts from anywhere on the planet, thus making traditional mechanisms for protecting national industries and broadcasters largely ineffectual; as a result, broadcasters are in a competitive situation simply because they need products, films and programmes which make a difference on their particular market.

The first idea I would like to put forward here is that the influence which broadcasters have over the mechanisms whereby production work is developed is waning, and will continue to do so over the next few years; we are now enter-

ing the age of the producers, and however little entrepreneurial skills they may have — as was just explained by Mr Schlöndorff — and however little imagination and financial nous they may have, I think that over the next 10 to 15 years programmes will come to have an overwhelming impact on decision-making issues within the communications industry. It is not a coincidence that everyone is buying up stocks and programmes; nor is it coincidental that the major American companies are putting everything into buying back the small independents; after all, the need for programmes is considerable and, whatever they may lack in terms of size, will and open-mindedness, producers will, I'm sure, gradually gain power within the communications industry.

The third idea I would like to put forward is that all the systems which have supported film and television industries in Europe have concentrated too much on supply issues, i.e. all the production support mechanisms, all the mechanisms for providing advances against takings, for automatically reinvesting in box-office successes, and the diverse and varied commissions; in addition, Europe has merely copied this system since bodies such as Eurimages and others are additional subsidizing bodies in which producers

strike deals by trying to supplement their budgets. In the course of its historical development, the French system has largely inspired the measures which have or (as has happened most of the time) have not been taken by the various governments, and so the major drawback of this system is that it completely disregards the most elementary mechanisms of market economics. Supply is being stimulated at all levels without it being known whether demand will follow suit. As the system (particularly in the case of France) is completely independent and particularly well financed, it is possible to carry on moving away from the most elementary requirements — or, to be more specific, the most elementary requirements as regards the matching of supply and demand — without falling into the most brazen liberalism. And this is not taking place in a creative economy: it is an economy which requires huge economic resources, an economy of transfers, and so an economy which must to some extent answer to the community because otherwise demagoguery will ensue.

I would also say that the effectiveness of this system is nevertheless decreasing. More and more money is being invested, with diminishing results. Although this system had its virtues for a long time, I feel that it is now starting to show a number of drawbacks which, perhaps, there will be a chance to debate later on. As regards Europe, I would like to put forward several ideas which I have championed for some time; after all, once these lights have been turned off and everyone has gone home, and we have properly analysed all our situations, I hope that discussions will have been moved forward; however, I would like to put forward two or three pragmatic ideas which could enable us to move things forward. The first point is that I think it is clear that America is currently gaining a grip on the European cinema; Ameri-

can films are attracting huge numbers of cinema-goers, accounting for roughly 60 to 90% of cinema audiences; American films are in great demand in countries which are not protected by television quotas, 90% of the video sector is controlled by American companies, etc. For 10 or 15 years, these traditional exchanges between Mr Valenti and I would say the supporters of European protectionism, in respect of which the terms of the alternative are known and which has recently intensified with the 50th anniversary of the Normandy landing when everyone recalled their old merits to explain that they were entitled to return with their products to Europe, which they had helped liberate. These discussions seem to me to be totally futile to the extent that they perpetuate the current situation and cause Europe to lose ground; at the rate things are going, the Americans will only need to bide their time — they do not need to do anything or take any sudden initiatives because time is on their side. This is why I think that the first thing to be done is to bring about a very slight modification in political dialogue with the United States. If you look at their situation, the United States have their weaknesses. Admittedly, they are bombarding the

planet with their products, but half the American communications industry is controlled by Asian interests. I am not going to give a long run-down of the studios controlled by the Japanese since everyone is familiar with them, and this trend is only going to continue. Los Angeles is quite naturally oriented towards the Pacific basin which is set to provide a market of some two to three billion consumers in the next 20 years; America will be increasingly attracted by this basin, which is much more interesting and promising, and is much less uncertain than Europe as regards exploiting its products. When a country has control over a market like that, it will obviously want to take control of its suppliers — and this is what is happening, with the Japanese being the champions of vertical integration. Given this, it is necessary to explain to the Americans (and some people have already grasped this) that, even if they do not share our views on cultural identity, etc. (which is something which concerns every State and which I personally advocate, but on which agreement is not obligatory), it is clearly in their long-term interest to cooperate actively with Europe for a number of reasons: first of all, to counter-balance the influence of the Pacific by dealing with a continent with which they have a number of affinities; secondly to share the

risks of investing in communications technologies — these investments will be substantial, ranging from high-definition to digital technologies, etc., not to mention communication highways; these are substantial investments on which the return is often debatable. Thirdly, whatever the quality of its cinema, in particular, or of its programmes, a country with a population of 250 million cannot expect to always have ideas for the whole planet. I am not even counting the number of German, Italian, Spanish, English and French film-makers who have been broadly supported by the European industry and who are now made profitable by the studios, whose *modus operandi* takes them away from any research activities. If I myself had not bought the films of Peter Greenaway, Stephen Frears, Tornatore, Almodovar, etc. and shown them on Canal +, some of these film-makers would not currently be being wooed by the studios. What I mean by that is that it is in America's interest to allow a nursery of talented individuals to develop; I am deliberately looking at things from a business and economic point of view rather than from a cultural one; after all, culture is splendidly defended by certain individuals but, although I share their views, these are things which do not hold any sway with the people we deal with. As a result, explaining the advantage of an economy of prototypes means encouraging a number of markets

with which you cooperate and which will provide you with the raw material for your industry, namely talent. Talent is not, by virtue of history or coincidence, confined to America.

In addition, in an economy of prototypes, whether in the record industry, cinema or elsewhere, it is necessary to allow a strong national industry to thrive because consumers are motivated by variety; they appreciate an imported product all the more if they have a strong national industry which offers them an alternative. Variety works in favour of both parties. I am deliberately putting forward economic arguments. The first thing which needs to be done is to change this political dialogue. For my part, I find that what the Europeans have to say in this regard is somewhat tedious.

The second idea I would like to put forward is that, when I look at the situation in Europe, governments (to speak euphemistically) are not all interested in matters of culture. It is true that France and Spain in particular have played a leading role, and I am happy to be able to share the conference platform with Messrs Semprun and Lang, who have played a very important role in this area; from that point of view, it's still a question of fridges versus film quotas, with the Bloom-Birnes agreements of 1948 resurfacing, because in the final analysis negotiators will end up discussing things in those terms. We are currently witnessing a break-up in the European support system, or at best a withdrawal; the governments which are providing support are saying 'fine,

look: it's just to appease a handful of film-makers, to make them happy, it's the cost of economic development, let's just drop the matter'; and France has been the only one to come up with a really sophisticated system (a bit too sophisticated for my liking), but which is experiencing export problems. So, the second idea I would like to stress is that you should only do film and television work (particularly film work) about Europe with people who are interested in that, i.e. people who still have industries to defend; propose a model for development, which I will outline in a minute, and then allow those who want to join it to do so. It is not possible to force countries, particularly those which have recently joined the Community, to adopt a common front on defending all the sophisticated intervention systems which we have and to join forces. And I think that countries like Great Britain, Spain, Italy, Germany, Belgium and France, which have strong film traditions, are able to get along quite easily because public opinion and pressure groups can send signals to their respective governments. So, that said, I would just like to put forward two ideas which I have already had the chance of expressing in the press: the first of these is that the famous European quota is the strategic objective of a Europe working in partnership with the United States in the historical perspective which I have described. This strategic objective will have to be conceived of as something which will be achieved in 10 or 15 years because Europe is not ready for all the reasons

which have been indicated; a 15-year plan to provide interim support for restructuring the European film and television industry is quite conceivable. I do not want to go into all the technical measures involved because that would be very boring. Rather, I would just like to highlight one or two ideas: the first of these is that the European quotas should be calculated differently. A quota is necessary on a temporary basis to beef up a supply-and-demand economy and to confront the 21st century under different conditions. Doing without a quota would be like allowing a fox to run free in a henhouse: the outcome of the fight is obvious. The directive relating to 'Television without frontiers', which has been drawn up with a lot of determination but with a certain artistic woolliness at the same time, is the result of the political compromises made at the time and is full of pious wishes. For my part, I would propose something different. I would say that if governments do not want to defend their national industry, then that's their problem; on the other hand, it could be suggested to them that an intra-European trading market should be created. This intra-European market for trading film products would in particular need to be sustained (sorry, Mr Schlöndorff) by a very simple tax on broadcasters. I had come up with a rate of 3%, though it could be between 1 and 3% spread over several years; this would need to be negotiated. However, the basic idea would be as follows: every broadcaster, of whatever kind, would be obliged to buy non-national European products to cover about 20% of its programming requirements. If 20% of the programming requirements of all countries were covered by Europe, countries could

then add on the quota they want for national products. If Denmark or Greece want to allocate 1 or 2%, if France wants to allocate 35%, ... that will end up becoming my problem, but that's another matter. If France wants to allocate 35%, it allocates 35%, if Spain only wants to allocate 20%, it only allocates 20%. That's its problem. On that basis, you will create a very active trade which will make it possible to create products which are jointly financed in Europe and, finally, to sustain this first-rate distribution company which, it must be said, is very nice; and I for my part, having personally been involved in distribution in a previous life, I can tell you that if you do not sustain it with distributable products which meet the needs of cinema-goers, it will be like throwing money into a bottomless pit. So, a quota calculated in this way which is accompanied by spending obligations which are very, very easy to monitor without any unnecessary bureaucracy would, according to my calculations, make it possible to generate a market of some several billion French francs, assuming a rate of 3% in three or four or even five years. I have been trying out this idea on a daily basis because, as you know, Canal + is obliged by the French government to allocate 3% of its resources to buying or co-financing European works. In terms of French francs, 3% represents 240 million francs for Canal +; this is a lot of money and it enables me to invest in somewhere between 40 and 80 European films of a 'non-French' kind every year. All this is not sheer utopianism: I have personal experience of it every day and I do not see why Canal + should be forced to be the only one to comply with this rule and to be the only true European on the old continent.

Lastly, the final idea I would like to propose, in order to move things forward, is that, although they certainly have their usefulness, all

bodies like Eurimages, etc. are only additional subsidizing bodies. I am very much involved in a lot of mechanisms for financing production and I am very aware of what happens in practice. How are we to go round all the bodies, Canal +, and the other television broadcasters, you end up where you began, with Euroimages and demands are adapted budgets. So, what I am saying is that, rather than fighting over 1% of the Community budget, etc., it must be recognized that this selective support system must be designed as a temporary means of supporting an identical European production, but that gradually, in order to integrate European cinema and television in a minimum of market economy, it is necessary to move all these centres for distributing subsidies towards loan guarantee centres, which nevertheless allow investors on the one hand to be subject to repayment rules, and therefore market rules, and not to be perpetually subsidized bodies which weigh heavily on Community budgets and on the other hand to be exonerated from the short-term profitability rules which are sometimes dangerous — they can sweep away initiatives — although they are good in the long term. So, that sort of system, the technical details of which I am leaving aside, can be easily implemented. The measures

which I am proposing are not at all complicated, and are not sophisticated to my mind; with a bit of conviction, they could be sold to the various governments. I would say to broadcasters, of which I am one, that it would be a short-term approach (I will leave it at that) to think that by totally freeing themselves from obligations *vis-à-vis* European production, granted, they would improve their short-term profitability and, certainly, they would be able to be much more flexible as regards programming — how I myself have longed not to have such a heavy quota certain weeks — but at the same time it would be very dangerous for them if the bulk of their supplies came from across the Atlantic, or indeed from the other side of Oceania, because they would be totally at the mercy of suppliers and, as history shows, irrespective of the sector,

when you are at the mercy of your suppliers, you always know how things will turn out, with the final outcome being vertical integration. So, I would like to finish with that idea, I would exhort broadcasters to give it a great deal of thought and not just say 'ho hum, more obligations', because these obligations are much less numerous in France and Europe, and to think about the advantage of having high-quality suppliers on their doorstep whom they will have supported for years.

## THE FUTURE OF DISTRIBUTION

MR NICOLAS  
SEYDOUX

I have to admit that, following the previous contributions, I am in now in something of a quandary. Having heard so much praise from a creator, I wonder if it is my business to try and defend the creative process. I would first like to try to answer a question posed just as I entered the room, namely 'what is a distributor?'.

I think that we do not all share the same ideas on this subject. In everyday terms, a distributor is equivalent to a workshop or a shop. It is necessary to get used to the idea that, in the film industry, cinemas do not generally belong to the distribution side. The point of departure for distribution is very simple: it's a messenger service which is exactly like or similar to what may exist in press relations departments. This messenger service has very quickly taken on responsibility for promotion, being the producer's agent, and I would say that this is now the most widely accepted definition in Europe.

This definition is different from that used in the United States. The term 'major companies' means distribution companies. It is necessary to get used to the idea that the major companies hold film rights, i.e. they are the producers of the films, even if that is not always the legal definition; you can ask directors: it's the major companies which control the whole of a film's production and its broadcasting, whatever the medium used. It is therefore essential to understand that this is not the definition which is generally adopted in Europe, and it is therefore not the definition which I will be envisaging for the time being.

So, what is a distributor? The answer is very simple. A distributor is the necessary interface between films and the cinema. It is nothing more than a bridge. And before studying the solidity of the bridge, in order to find out whether a distributor can exist, we must examine the solidity of the supporting structures on both

sides of the bridge. Now, I feel that there is one such supporting structure which has been somewhat neglected, namely operation. What is the current situation as regards operation in Europe? Although I'm not going to make a long speech on this subject, I feel that it is vital to quickly run through a few ideas.

The number of people going to the cinema fell in all European countries and also in all Western countries without exception when television came onto the scene. A reaction to this took place in certain countries with the creation of what have been called 'complexes', and the number of people going to the cinema stopped falling. Some countries have not really done anything, and it is now clear what has happened. In some countries where action has still not been taken, the number of people going to the cinema has continued to fall; I apologise to my Italian friends, but theirs is a country in which there has been no major reaction as regards operation. In Great Britain, on the other hand, the annual attendance rate about 10 years ago was roughly 50 million; thanks to multiplexes, the annual rate is now in excess of 100 million. That's the way things are with cinemas. We will come back to this subject later on.

The location of cinemas is an important aspect of this question and I feel it is useful to know whether the new cinema sites being developed are located outside towns or in town centres.

Brussels is very lucky. It is probably the only capital city in the world which has a very good balance between an out-of-town site, namely Kinépolis (which I hope you have all visited), and very high-quality cinemas in the city centre. Here, too, the figures reflect the change which has taken place. About 10 years ago, the attendance rate for Brussels was around three and a half million; now it is five and half million. So, investment has benefited cinemas and the number of people going to the cinema has increased; attendance rates are now fairly well balanced between Kinépolis (just over three million) and the city centre (two and a half million).

What is the point of this question? The point is that I am not convinced (and, in fact, I am probably even convinced that the opposite is the case) that out-of-town sites can enable the same type of films to be screened as cinemas located in town centres. I do not believe that commercial centres screen exactly the same kind of thing as small town-centre operators. And nor do I feel that it is up to cinemas to solve this problem. The problem is a much wider one than that and is a problem of national and regional development; I feel that it is not up to the film industry to work out where cinemas ought to be sited. All I am doing is raising what I feel is a worthwhile question.

Mr President, you mentioned a third subject, namely the question of who is behind these cinemas? In Great Britain, it has, perhaps unfortunately, been the Americans for the most part. But is it the Americans' fault if they have invested in Great Britain? I would just say that there has been a lack of national investment. If there is a

lack of high-quality cinemas in Italy at the present time, it is not the fault of foreigners — rather, it is the Italians who are to blame. Although I could talk at length about this, I will not dwell on this subject; however, the fact that the Italian film industry is in the state it is in when, 20 years ago, it ranked number one in Europe and number two in the Western world, is not the fault of the Americans, nor the fault of other Europeans; the blame lies with the lack of willingness on the part of the Italians to defend their film industry.

This means that, to be a distributor, you must have something to put in your cinemas. A distributor will only bear up if the supporting structures are effective. So, what films could a 'European' distributor show in its cinemas.

First of all, I would say that I have no worries about one kind of distributor, namely the American one. However, it is paradoxical to note — and I would like to pay homage to the authors of the Green Paper — that the number of people going to see American films has not fallen in Europe. Again, if the number of people going to see European films has fallen — and one can only do justice to Volker Schlöndorff in this respect — it is not the Americans' fault. It's the fault of the Europeans, who have refused to make films for the cinema

Now, then, what is a European film? I must admit that I have wondered about this question for a good many years. There is only one thing I'm sure about and that is that a European film is not one about a French man who is in love with an Italian woman and who is staying in a hotel in Spain, is held by the Germans, pursued by the British secret service over some deal or other in Holland, etc. European cinema, which can be a

living entity, is national cinema. For as long as attempts are made to talk about European cinema, the point will be entirely missed. You referred to Bergmann and Truffaut a minute ago and expressed your pessimism by saying that their successors do not exist. I cannot agree on this point and, with due deference to my fellow speakers, I would like to say a few words about current developments in France. I believe that these directors do have successors and that, moreover, the latter actually want to take on their mantle. However, it is essential for these creators to remain true to themselves, and for their producers to do everything to ensure that they remain true to themselves; this does not mean, however, that it is necessary to abandon the idea of co-productions, of a co-production which must be financial and not based on the idea that, to enable a co-production to go ahead, the actress must be Italian, the boom operator must come from Luxembourg, or whatever. So, the answer is national cinema, but national cinema which would actually change its objective. And this objective is the public.

The cost of a film, as you all know, though this is forgotten all too often who has the finance, and in the systems in which we operate, it's always somewhere, the member of the audience or the citizen. And I would say that, above all, what we must do is encourage success. And I am going to give you the French cinema attendance figures for 1993. I think that these figures are very interesting; please excuse me for quoting French statistics but given that France is the country which is doing the least badly, they show what could still be achieved and might perhaps provide a source of inspiration.

The make-up of films shown in France (in 1993) was very well balanced: 130 French films, 120 American films and 100 non-

American foreign films, i.e. pretty much equal proportions. This well-balanced spread is something which can only be applauded, and I feel that the supervisory authorities have certainly played their part in this.

However, when the statistics are examined in more detail, it becomes apparent that they reveal serious distortions. American films accounted for 55% of cinema visits, while French films accounted for 35% and other foreign films put together accounted for only 8%.

This shows that the objective of films, and indeed the prime one, is to attract customers. We need to remember that none of us has met a film-maker who only wants to make a film for himself. We all want to woo the public, but it needs to be recognized that all too often films are made which are simply not going to attract the public. It may sound very simple, but it has to be said: although there is no tried and trusted formula for attracting the public, on the contrary, there are a number of surefire ways of not attracting the public. Such films could perhaps be less heavily subsidized.

I feel that all too often 'culture' has been used to excuse a lack of success, and I would just say that we need to cultivate success and to cultivate all automatic support systems which encourage success. And I would say to our friends in the broadcasting industry and on television: 'Stop using virtually standard rates for most films'; after all, except in the case of Canal +, which has made major efforts in this direction over the last couple of years, there is an excessive tendency to treat all films in the same way.

Our American friends, like ourselves, do not dwell on their failures; the flops get forgotten about. As cinema history shows, it is unusual for any film shunned by the public to end up being classed as a masterpiece — I can think of only one exception to this rule, and that is Jean Renoir's *Règle du jeu*. It's an exceptional case, and one worth mentioning, but I don't think there are any other examples.

We should therefore stop thinking that rejection by the public is proof of our talent — in fact, I would tend to think that the opposite is the case. So, on that basis, I would say that if the supporting structures are solid, distributors will not have any problems, or probably not anyway. After all, it would be over-optimistic to say that films naturally 'do the rounds' as soon as they are successful in a particular country, and are naturally screened in neighbouring countries.

Gaumont's presence in Italy, which has been a big failure — we had tried to be European but it has to be said that we did not feel the Italians showed quite the same commitment as us to their cinema — at least had one positive aspect: namely, that the films of three film-makers (and three completely different ones at that), which no Italian group wanted anything to do with at the time, were released in Italy. The films in question (though in no particular order) were: *La Boum* by Claude Pincau, which was seen by seven million people, i.e. more than in France, *Dernier Métro* by François Truffe, which did just as well in Italy as in France, and Fassbinder's *Querelle*. As you can see, these were three very different films, with a world of difference between *La Boum* and *Querelle*.

Unfortunately, these three films were the only ones. And so I don't think that a major distributing structure is enough to ensure that films are broadcast under satisfactory conditions. The most important thing is to make films of this kind, and for us all in our own way to try to make them attractive to other people. Of course, countries fall into two categories. There are some countries ... Jorge Semprun thinks that Spanish is better placed than French, and I am glad that Spain is still trying even harder to have a cinema. Our friends in Germany, which is the most populated country in Europe and the closest to central Europe, must fight even harder for their cinema, and I would like you to be less pessimistic and even more willing because I think that we can succeed.

This is proved by the fact that the type of programmes which always do best, so long as they are well made, are national programmes, whether they are shown on television or in the cinema. To succeed like that, there must be a willingness to survive and to battle on, and not a tendency to think that systems are bad. I think that systems are capable of being reformed. I welcome the work which has been carried out, and which I find both innovative and courageous. It is innovative in that a real desire to create something worthwhile in Europe is palpable for the first time in this Green Paper. How is this to be done? I think there are too many of us here to discuss that issue today. I simply think that, first and foremost, national systems must be supported with the aid of international finance and by being brave enough to recognize that Luxembourg's problems are not the same as those of Italy, Germany or Great Britain, by confronting differences and, above all (and on this point I must disagree slightly with my esteemed colleague), when a system is more effective than another and other people don't want

anything to do with, then by all means let them ignore it, but they should at least allow it to survive. And I think that while, in this respect, the French system may still have a lot of shortcomings and that a lot of improvements may still need to be made to it, it is certainly the system which is least bad since it has failed the least.

Which country had the leading film industry in Europe at the end of the 1950s? Britain. And in the early 1970s? Italy. If the French film industry now leads the rest of Europe, the reason is not that it has been better than the others — rather, it's because it has been far from being the worst and because the professionals have managed to win over the broadcasters, who have in turn won over the politicians, and all with the people's support.

What I hope is that people in Europe will in future be convinced about this and realize that there is no such thing as a European film, but instead a series of identities which will enable all Europeans to express themselves better.

## INDEPENDENT TELEVISION PRODUCTION

### MRS SOPHIE BALHETCHET

It's a truism verging on the cliché to say that the audiovisual industry is evolving at a breath-taking rate shaped by two seismic forces: the explosion of technological advances, and the freedom of capital to invest globally. The effect of these forces tends towards the internationalization of audiovisual commodities. And whilst the benefits are clear, so are the risks.

Principally, and of fundamental concern to this audience is the overtaking of the national interest by internationals. The impulse must be to examine the means to protect national identity and European interest (which is not the same thing), but in a way which is not naive or simply imitative of US and Japanese competitors. These competitors create aggressive, non-bureaucratic, global businesses. If Europe tries to mimic artificially such monopolies and compete head-to-head, the forecast is dismal. With its federated, nationalistically plural character, Europe cannot hope to win in this way.

The issue is to regulate in order to 'incentivize' — to create broad-based dynamic production opportunities for Europe's audiovisual industry. Brussels approach to date has been at once too narrow, and too protectionist of the wrong groups, or the right groups, but in the wrong way.

The single biggest guarantee of the health of the industry is to 'incentivize' the producer, the entrepreneur. Yet in Brussels-thinking the producer ranks maddeningly low in the status-stakes — perceived at best as an uncreative 'fixer', and at worst as greedy exploiter.

Ladies and gentlemen, the producer is the nodal point of a healthy industry: the risk-taker, the motivator, the employer, the caretaker of

## TELEVISION PRODUCTION

audiovisual production — above all the certain guarantor of democratization, pluralism and competition. And here I speak from experience — my day job is a producer, my unpaid job is a lobbyist — over the years leading the campaigns for an independent publishing channel in the case of C4; for access to markets in the case of the 25% campaign allowing 'indies' to supply to BBC and ITV; for damage limitation in the case of the copyright harmonization programme of the Commission.

The best form of regulation, and the best hope for our audiovisual industry — and here I nail my political colours to the mast — is economic 'incentivization', with the end-user firmly in mind.

For this reason, while much time at this conference is being devoted to the issue of direct funding for the sector, I intend to concentrate on the one theme (rather dry I'm afraid) which seems to me and my colleagues in CEPI to be the priority: namely the vexed question of programme quotas. Light touch but effective regulation is a prerequisite for a healthy European industry. However, what the independent sector seeks is a shift away from a cultural policy with economic side effects — a description which best suits the results if not the initial intentions of Brussels intervention to date — to an economic policy with cultural side effects.

How do we achieve this change of emphasis? What are the objections?

We are fed two main arguments against programme quotas of any kind: the first says that market forces and viewer taste have proved more effective in guaranteeing that European channels carry a majority proportion of European programmes, than any form of imposed quota. The second argument is that the development of new delivery systems to consumers make all attempts at regulating content obsolete before they even start.

Let us look at each of those arguments in turn.

It is indeed true that the perceived threat of the late 1980s when the 'Television without frontiers' directive was formulated has not materialized. Despite competitive prices defying all European competition and massive back catalogues, US exporters of programmes have not been able to conquer our schedules to anything like the extent we feared. For the

time being at least, the US has lost the battle to dominate our primetime. As far as terrestrial network TV is concerned today, audiences put indigenous programming before US imports.

A few figures clearly illustrate the pattern:

In the UK BBC1 and BBC2 both broadcast over 70% of domestic programming and ITV 60%. In France TF1 70%, in Holland NOS channels did 75% — and the trend is the same elsewhere.

Given the remarkable health of our primetime terrestrial schedules today, it may look as if the Commission, back in 1989, legislated for nothing. But it wasn't so long ago that the primetime was dominated by US product — some of it of great merit — and there's no reason to believe the habit for such fare might not return.

So we believe that the argument of the market naturally delivering what a quota fails to achieve is bogus. A light framework of obligations helps the market achieve certain objectives which are based on the need to balance consumer choice with diversity of supply, culture with industry, commerce with national identity. Above all, the benefit of some kind of European production targets encourages, in a transitional market, the development of the industrial infrastructure. It is further clear that the infrastructure needs to be able to count on a measure of stability in volume and spend terms which only ongoing regulation can help to ensure. Without it, the pressure, as competition intensifies, will be to cut back on domestic production and make US acquisitions more fashionable again.

Let's now look at the new technology argument: it is alleged that the sheer mass of services converging on tomorrow's homes will be such as to render any attempt to regulate content superfluous. But those entranced by the techno-boom lose sight of the paradox: on the one hand the new technologies allow for lower costs and greater consumer discrimination. On the other, the concentration of capital required is on a scale never seen before. The principle is roughly this: many more services, but far fewer players.

This situation brings us face to face with the issue of monopolies. Monopolies and cartels in themselves are not automatically a negative development: sometimes in an immature market, as we've seen in the case of UIP, the Commission leans on the Treaty of Rome to grant some large-scale groups the permission to operate anti-competitively because it believes that, on balance, the arrangements serve the public interest. In order to be granted an 'exemption', however, these operators are expected to make certain concessions to ensure a minimum degree of diversity and choice in their chosen marketplace. And when they fail to, they are no longer sanctioned. This is a key principle which independent producers wholly endorse. We see no reason why the development of new technologies should override this basic principle of balancing and curbing the worst excesses of monopoly power.

It's fashionable, these days, to credit the market for all that is dynamic and democratizing; and to blame government regulation for the chaos and inadequacies. Have we really forgotten the simple fact that the world's most efficient broadcast marketplace — the US — has also been one of the most tightly regulated? Do we really choose to ignore what the Consent Decrees, the Finsyn and Primetime Access rules have done to contain the monopolistic drive of the Big Three and give producers and distributors there a chance to grow their businesses into powerful global selling operations?

So then what do independent producers think is required to counter the worst effects of monopoly and its homogenizing effects?

Crucially, we want effective legislation which will balance the delicate ecology of broadcasting and narrowcasting into the next millennium. Specifically, we seek a thorough review of Articles 4 and

5 of the 'Television without frontiers' directive. The review should be accompanied by commitment by Brussels to meet the real objectives behind the two articles. And the lame excuse that it costs money to monitor implementation must not diminish the Commission's resolve lest, as we say in England, it's makes an ass of the law.

In the UK, the Government has blatantly taken advantage of the ambiguities in the current wording of Article 4 — the European quota — to adopt an unjustifiable two-tier approach: on the one hand, they have made the majority proportion of European works requirement binding to terrestrial broadcasters in the Broadcasting Act 1990. On the other, they have placed no such obligations on satellite and cable delivered channels. Of course, they have written polite letters to BSkyB, TNT, Cartoon and the likes asking them if it would not be to much trouble to inform Government about what plans — if any — they had of moving a few steps towards compliance with the directive. The

truth is that the British have demonstrated a total lack of political will to solve the issue and seem to believe they can get away with a leisurely *à la carte* approach. I understand the Commission has now sent a formal warning to the UK Government. If this is an indication that the Commission is getting serious, it can only be welcomed.

But independent producers recognize that the majority proportion quota cannot be applied to all channels at the same time, without transitional arrangements. It may surprise you but we too believe there is a very real need for flexibility. And for those broadcasters and narrowcasters in this room who may still doubt it, here is the message: we see our future as a commercial partnership with you. Enlightened self-interest tells us that your strength is ours since your very presence in the marketplace gives us new arguments in favour of retaining rights in our programmes. In tomorrow's broadcast economy you will be our buyers and increasingly, an important commissioning source in a healthy competitive relationship with your terrestrial rivals.

But what we refuse to entertain is the notion that total deregulation is the only way to achieve this. We refuse to equate flexibility with regulatory *laissez faire* and so-called free market realism with unchecked monopolies.

You want flexibility, so do we. Here's the proposal:

1. Article 4 states that the majority proportion of European hours may be achieved wherever practicable, progressively, using suitable criteria, etc. These phrases are a recipe for evasion and should be replaced by a clear framework for implementing quotas, which I'll detail in a moment.

2. To prevent the cynical option of complying with the quota on the cheap by filling night hours with inexpensive bottom drawer acquisitions from the rest of the Union or back catalogue, we propose that the hours between midnight and 7.00 am should not be included in the quota.

3. Where the European majority proportion quota expressed in hours has been met already, there should be a specific commitment made by Member States not to allow the channel concerned to retreat below that proportion — in effect a clause *de non-recul*.

4. Where new services are concerned, flexibility should be defined on two levels:

First, an option for new non-terrestrially delivered services to discard the quota of hours and opt for a statutory investment target scheme instead. The target could typically be between 15% and 20% of previous year's turnover and include both acquisitions, investments and licence fees paid as contribution to new programmes.

The investment target option has very important implications. Generally speaking, the notion of quotas does not reconcile itself easily with the underlying premise

of the narrowcasting environment: the consumer's right to pay for and receive a specialist service. In this respect, the investment target fulfils the objectives of the quota by contributing to Europe's production infrastructure, without impinging dramatically on the consumer's legitimate expectations. Depending on the theme of a given channel, the option would then exist to invest larger amounts in far fewer hours, and those hours may be genre specific to the channel.

Secondly, the scheme should be incremental, to take into account the fact that new channels are financially fragile while they are trying to find their market in a competitive environment. They often do need to maintain as low as possible a cost base for programmes in the initial stages, with — in some cases at least — a greater reliance on US imports. New services should be made to incorporate attainment of the target in their business plan, with a statutory limit of three years from start-up.

Programmes genres: currently the directive excludes game shows. I don't make games shows, but speaking personally here, to exclude them seems to smack of cultural snobbery. At the moment, the big growth area is precisely the trade in game show formats. It is an unnecessary hindrance to new TV stations to deny this commercial reality, and should be reviewed.

Our thinking as regards Article 5, the 10% quota of independent production, has been developed elsewhere. Suffice to say that for independent production too, we think an investment target is generally preferable to a quota of hours. It is a better guarantee that resources are coming back to Europe's production base.

So to conclude:

(a) The independent sector historically stands for competition and

diversity. Our success in the past 10 years has demonstrated that this alternative way of structuring supply and demand in the programme economy does work. The Commission would do well to recognize the key role of the producer.

(b) We believe it is time for the Commission to shift gear over audiovisual policy; to promote a mature industry through enabling regulation rather than squander resources on peripheral schemes with a marginal impact.

(c) We believe the way to a mature industry is through a strong partnership between independent production and broadcasters, including non-terrestrial services. A well-conceived partnership entails the recognition that some regulation is necessary in order to make the broadcast economy more competitive.

(d) We invite our broadcaster colleagues to continue the discussions with us at European level, to find satisfactory solutions to the issues that still divide us, in particular the retention of programme rights.

(e) And finally, we urge our colleagues to make the 'Television without frontiers' directive a meaningful instrument in shaping our common interest.

Thank you for your attention.

## BALANCING PROGRAMME SUPPLY AND DEMAND

### MR JEAN STOCK

#### INTRODUCTION

You have asked us to simulate the exponential supply of programmes over the next 10 years. This equation also needs to include the future behaviour patterns of television viewers. This exercise is all the more delicate in that 'experts' have recently been experiencing difficulties in estimating the latent potential of new television services. A number of examples should encourage us to take a cautious approach:

(a) Canal +: when this pay-as-you-view channel was launched, the reaction was almost unanimously pessimistic. Today Canal + is a real success and an example to Europe.

(b) RTL plus: this generalist channel appeared in 1984 with wall-to-wall broadcasting of American series. Ten years later, RTL is the market leader in Germany and invests over 900 million marks in production every year!

(c) The Sky range which came about with the launch of the Luxembourg Astra satellite station. Less than five years after its launch it adds new jewels to its crown nearly every month. Its Astra vector is by far the leader in private reception in both Britain and Germany.

(d) M6: said to be 'one channel too many' has found a real niche, with viewing numbers outstripping targets.

We can console ourselves by saying that the engineers have fared little better than circus acrobats. We only need look at the figures on 819-line broadcasting, at Sécam which still has no stereo, at high-power satellites rendered

useless by solar eclipses, not to mention D2MAC.

So let us err on the side of caution and avoid the pitfalls of theoretical simulation. With digital compression, 2 500 television channels should be operational within 10 years on board satellites facing Europe. Today, a television programme needs to offer at least 10 broadcasts a day if it is to be spotted by the viewer, which comes to nearly 4 000 a year. If we do the multiplication, we have 2 500 channels x 4 000 programmes giving 10 million programmes on offer a year within 10 years! These programmes do not exist and Europe does not have the potential to produce them. We are therefore probably standing on the threshold of an evolution in programme planning.

#### THE SIX MAIN POINTS OF THE EVOLUTION

1. Introduction of the new forms of planning;
2. More power of decision to the viewer, ensuring that the rewards in the future go by programme quality;
3. The driving force of the large networks;
4. The complementary nature of analogue and digital supplies;
5. A new policy on European assets;
6. The evolution in the concept of constraint.

#### 1. INTRODUCTION OF THE NEW FORMS OF PLANNING

(a) Multiplexing: the idea of attracting more than one audience comes from radio, with the increase in the number of stations. In television it should be one way of responding to fragmentation of the supply. Unencoded television channels could find a new selling point by offering the same programme schedule sequentially on several channels.

(b) Vertical programming: the same programme could also be multi-broadcast throughout the day on the same channel. This again has the objective of winning more than one audience.

(c) Operators will be looking to diversify their supply, in order to ensure that households include them as part of their basic selection. One technique will probably involve inserting targeted local slots into networked programmes.

(d) The electronic kiosk: this is the type of televisual offer which allows the viewer to programme his own schedule. The information highways will make this form of interaction a reality.

## 2. MORE POWER OF DECISION TO THE VIEWER, ENSURING THAT THE REWARDS IN FUTURE GO BY PROGRAMME QUALITY

(a) The notion of the programme should increasingly supersede that of the channel (see the role of the 'Direct TV' electronic menu in the United States).

(b) The increase in pay-as-you-view television should encourage the viewer to be more discerning in his choice, to the benefit of quality programmes which already have a good name.

## 3. THE DRIVING FORCE OF THE LARGE NETWORKS

(a) Promotional campaigns by national channels to give a new programme a name are already extremely significant. On average, a self-promotion campaign for a new serial, measured at the rate for advertising space used by the channel, represents 12 times the purchase price of the programme. The multiplier for a cinema film is four.

(b) The role of 'central jewel' in the crown of tomorrow: the national generalist channels have a unique role to play in creating 'crowns' in which they form the centrepiece and in promoting their programmes.

## 4. THE COMPLEMENTARY NATURE OF ANALOGUE AND DIGITAL SUPPLIES

(a) Digital television should be introduced gradually. Its success will depend on the cost of the 'decoder', the nature of the digital offering and the degree of penetration of the 'decoder' on the existing cable market.

(b) The EC has a fundamental role to play in encouraging current operators to adopt digital broad-

casting alongside analogue broadcasting.

## 5. A NEW POLICY ON EUROPEAN ASSETS

(a) Allocating 1% of the EC budget to the audiovisual sector, as proposed here yesterday by the Minister Jack Lang would, in particular, enable export premiums to be introduced in order to help works circulate in Europe. These premiums should give encouragement to three key operators:

(i) the producer, who takes the risk of creating the work for several markets;

(ii) the primary broadcaster, who creates the name for the programme and agrees to stake its channel ratings on a work which cannot be profiled in the same way as a national programme, which is currently the most successful sort of programme;

(iii) the secondary foreign broadcaster who takes the risk of re-broadcasting.

(b) In order to help to create a name for the programme, we merely need, if the principle of broadcasting quotas is retained in the future, to scale down these quotas as soon as a work is first presented, i.e. on initial screening for cinema films.

## 6. THE EVOLUTION IN THE CONCEPT OF CONSTRAINT

(a) The facility to broadcast will no longer be a rare commodity in tomorrow's world. The concept of constraint, which went hand in glove with the concept of scarcity, therefore also needs to evolve.

(b) In addition, account should be taken of new forms of publicity, especially local, regional or national relay interruption.

(c) Lastly, modulating constraint on a time basis will no longer be compatible with the nature of supply and demand. How can we regulate *à la carte* television?

## CONCLUSION

The Benny Hill Show was presented, at yesterday's session, as an example of how a work can circulate in Europe. This British production has been a truly successful exporting exercise with an average of 24 broadcasts a year to the market in the New York region since production began. It is the name and quality of this programme which has led to its repeated screening. It augurs well for the supply of the new-age television.

## MR BAUKE GEERSING

1. The future of the TV programme industry over 10 years is contained in a crystal ball.

2. One thing is clear, distillation possibilities are not the decisive factor, nor is the number of channels, the force that creates the programmes.

3. The decisive factor in the making of the TV programmes is the availability for the rights/creativity/money.

The Green Paper is characterized by a limited approach only serving to justify the sometimes far-reaching conclusions.

On p. 13: The definition of the programme industry illustrates that this industry mainly revolves around:

(i) cinema film;

(ii) fiction, cartoons documentaries (TV programmes).

'The other types of TV programmes are very important for broadcasters and producers from an economic angle, but their value is nil (or little more) after the first broadcast.' (p. 13)

This sentence demonstrates the way of thinking of the Green Paper authors.

But the other programmes are not only very important for broadcasters and producers from an economic angle, but also — and more so — for the public watching these other programmes.

On p. 26 of the Green Paper it states: 'the highest audience ratings are achieved by national material, especially fiction.' And studio shows, information programmes, sports programming and important events also have high audience ratings.

These so-called 'other programmes' are also important from a cultural angle. For public service broadcasters they constitute the vast majority of the programmes offered to the public — for commercial broadcasters it is a smaller share. These 'other programmes' are also very important from an employment angle. They are the basis of an important share of the jobs in the audiovisual sector. But the Green Paper is neglecting all these elements because it concentrates on a minority element of the TV programme industry in the EU; approximately 20-25% of the supply!

Besides this limited approach the way in which the Green Paper describes the demand and supply of TV programmes is remarkable. On p. 11 is stated: 'In the TV sector the explosion in programme demand has failed to boost the European programme industry, which remains locked into fragmented national markets.'

In fact there is not an explosion in programme demand but in programme supply.

The introduction of commercial broadcasters has resulted in a huge increase of programme supply and in relation to that, a modest increase in viewing time. So what we see is that the media abundance — which means far more supply than demand — has increased in the 1980s.

The main character of this increase is the growing supply of American-produced programmes. This is quite natural because commercial broadcasters are aiming at profit maximalization. To obtain that, you must have low costs and

high revenues. American programmes are relatively cheap and the audience figures related to those costs are acceptable.

From the moment the revenues or other financial resources made it possible the commercial broadcasters invested also in own or commissioned TV programmes or formulas that were made successful by public service networks, which their target audiences like to watch. Those are TV programmes for national markets. The Green Paper writes in unrealistic and negative way about the market realities in the EU.

The behaviour of the public/the consumer demonstrates that there are different national markets in which TV programmes find their audience.

That there is a low rate of programme circulation of these programmes in Europe is not the case. Maybe not a high rate if you concentrate only on the three TV programme types of the Green Paper (fiction, cartoons and documentaries), but not a low rate either if you look to the whole programme variety. The Eurovision is a good example, with its daily exchange of news and sports programming. There is also a lively exchange (sales and purchasing) between European broadcasters in the EU. The Green Paper is neglecting all these realities.

'How are these statements in the Green Paper possible?' I asked myself after reading the Green Paper for the second time. I think this is because of the chosen approach. This approach can be characterized in four points, as follows:

1. In Europe there is a domestic market of over 300 million consumers (p. 19)

#### MY COMMENT

Unlike America, Europe is not linguistically or culturally homogeneous. It is made up of numerous language markets; some large, some small, some confined to Europe, some with potentially large overseas markets. The universal appeal of much expensively produced Hollywood material

(especially films and series) is proven. But in spite of its success, experience shows that each language market prefers above all programmes made to appeal to its specific tastes and requirements. These tastes and requirements do not easily translate from one language market to another.

In short, there is no European domestic market of over 300 million consumers for TV productions. The Green Paper is on the wrong track here.

2. Digital broadcasting is so rich in potential that it is not excessive to use the term revolutionary (p. 12)

The Green Paper states:

(i) digital transmission makes it possible to relay more information;

(ii) the access to a communication vector is less and less costly;

(iii) the concept of multimedia is possible;

(iv) the development of business services is possible.

#### MY COMMENT

This approach concentrates purely on technical supply. Not only are the technical possibilities decisive for the future of our audiovisual sector but also the way in which the public can and will react to it. The director of the Dutch Medialaboratory, Mr Thijs Chanowski, recently stated that the confidence of the industry in the effect of the new technological possibilities is not realistic.

For instance, interactivity requires a complete new way of thinking which should be developed from the early youth.

According to Chanowski we are confronted with the limited capacities of the human being to change his conduct. The fact that we are at the end of an audiovisual era does not mean that we are at the brink of a new period.

The approach of the Green Paper concentrates too much on technical possibilities and industrial supply.

In short, the adage: each supply creates its own demand. This is more a belief than a reality and is a sort of marketing to support the start of new technology in the market.

Another example of this technical/industrial approach is the statement in the Green Paper that because of digitalization, access to a communication vector becomes much cheaper. But what does this mean if the distribution costs for a TV station consist of only 5% of the total budget of the station? The fact that this 5% can be 3 or 2% is not important, but the question is which programmes must we supply to meet the demand of the people in our markets?

3. The narrow definition of the TV-programme industry I mentioned at the beginning of my remarks

4. The Green Paper is struggling with the character of TV programmes

On p. 7 (and on p. 43) it states that TV programmes are not products like any others; as they are prime vectors of culture they retain a specific place in the midst of the manifold new types of audiovisual products.

But on pp. 29 and 30, regarding the internationalization, globalization and options for the future, the Green Paper speaks of the audiovisual industry like other service sectors. This demonstrates the problems which the Green Paper has in general with the cultural element of free TV programme supply and demand.

(i) a wrong characterization of the relevant markets;

(ii) an overemphasizing of real fee effects of digitalization;

(iii) a too narrow definition of free TV programme industry; and

(iv) the practical denial of the cultural aspects of TV programmes.

These have led to an unrealistic sketch of the European TV programme scene. Talking of a crisis is rather overdone!

I advocate a more practical approach which takes into account the factual situation in the European TV programme industry. Make an analysis of its strong and weak points. Set realistic goals and develop instruments and means to achieve these goals based on a realistic time schedule.

In the European Union we have a quite different broadcasting structure from the United States. We started here with public service broadcasting organizations. Later commercial broadcasting started. Since then the European Commission developed its own audiovisual policy. The public service broadcasters were under pressure by the competition of commercial stations and by the liberal market approach of the Commission.

Looking to the facts, the public service and commercial broadcasters are right holders because they produce the vast majority of their programme package; they provide a diversified and balanced programme package to the public by means of an effective distribution apparatus. On p. 14 of the Green Paper these three functions are separated and the broadcaster is only portrayed as a programme packager, which is not in accordance with reality.

Public service broadcasting is the basis for several hundred thousands of jobs (permanent personnel and related jobs); in the EU it has a budget of +/- 15.5 billion ecu and provides more than 130 000 hours TV per year.

There is a lively exchange of programmes between public service broadcasters in the EU. The EBU, their umbrella organization which takes care of common interests, is important for policy development, sport rights acquisition, programme exchange and the exploitation of a pan-European distribution network. The public service broadcasters have a market share which varies per country. On the whole, it is approximately 40-50%. Their reach is between 80-90% of the population.

Consequently the phenomenon of public service broadcasting in the EU is a strong factor from different angles:

(i) TV programme industry: high level of production and cooperation with the film industry in their own country;

(ii) employment: jobs;

(iii) budget: ECU 15.5 billion;

(iv) culture: diversified/balanced programming (with a rather small minority share for USA programmes);

(v) reasonable market share;

(vi) very good reach.

The policy of the Commission should be to strengthen this phenomenon and to make it possible that public broadcasters can also participate in new developments, which are related to their main tasks. I therefore make a strong plea for an approach which implements Article 128 of the Treaty. One of the elements related to this article is the preservation of the mixed finance system for public service broadcasting. It is the perfect showcase of a supply of programming which can encompass new and experimental programmes, but which simultaneously provides the public with programmes which are attractive to a large part of the population and consequently can take the economic advantage thereof by acquiring advertising money.

Independent of commercial and state influence, public service is very important for the development of the EU, as a family of different States and people.

Small countries, but also small linguistic areas in bigger countries have some disadvantages. Usually they do not have a strong position to export their programmes. Consequently they buy more from bigger members than they sell. By nature they have a smaller scale of production of programmes.

On the other hand are the commercial broadcasters. Especially in the bigger EU countries, we see a development that commercial broadcasters aim for scale enlargement. It is not surprising if in five years we will see five to six big media conglomerates, which have as their basic aim profit maximalization. The part of the world to benefit from that profit will not be the EU but Asia, the audiovisual market of the future.

The White Paper and the Green Paper believe that the employment level in the EU will increase with two million jobs in the year 2000 on the condition the growth/profit will be translated into employ-

ment and not in financial transfers from Europe to other parts of the world. The question is how can the Commission make sure that this condition will be fulfilled? In other types of industry we don't see this at all. Why will it be different in the audiovisual industry?

One thing is sure: if public service broadcasting can grow, further fulfilment of this condition is 100% certain.

So from the employment point of view also the Commission should invest much more in this type of broadcasting.

Therefore I strongly advocate stopping the positive discrimination of independent producers and give access to all media programmes for broadcasters in the EU as well.

Stop the emphasis which is placed on Articles 85 and 86 and invest in Articles 92 and 128 of the Treaty.

Stop the emphasis which is placed on the industrial side of the audiovisual industry and make much more funds/money available to stimulate the production of programmes, especially in small countries and small linguistic areas of bigger countries. On top of that, the film industry needs a five year plan with a lot of funds.

Introduce stimulation funds for broadcasters who are producing above a certain level, at least say 60% and/or who are able to export their programmes to other EU countries and non EU countries.

In short if a balance between supply and demand is really what interests us, take the complete TV industry scene into account and then talk much more to the industrialists and technologists?

# NEW SERVICES AND TECHNOLOGY

## THE INFORMATION SOCIETY

### MR MICHAEL NIEBEL

**MEMBER OF THE CABINET OF  
COMMISSIONER DR MARTIN  
BANGEMANN OF THE  
EUROPEAN COMMISSION**

Why information society? Why not information highways or super-highways, as they say Stateside? The idea of a highway gives the impression that things are moving along faster than on a 'B road', otherwise nothing new will have been achieved. However, we believe that the change involved is both quantitative and qualitative and affects both the economy and society as a whole. The European Commission therefore opted for the concept of the 'information society' in its White Paper on growth, competitiveness and employment.

One can confidently call it a revolution, a revolution based on information and man's knowledge. Technical progress has brought us to the point at which any form of information, be it verbal, written or visual, can be processed, forwarded and retrieved irrespective of distance, time or quantity. This will lead to numerous changes in the way in which we live and work together.

A few examples to shed a little light on the matter:

A new working culture will emerge.

Tele-commuting will:

- (i) offer opportunities for disadvantaged regions;
- (ii) reduce rush-hour traffic, protect the environment and reduce infrastructure costs;
- (iii) make it easier for women and mothers to get back to work.

New flexible working conditions will supersede old regulations which are still adapted to classical methods of industrial production. Work in the information society will not need to keep to a pattern of eight hours-a-day, five days-a-week.

The production culture will also change.

The traditional premise of increasing productivity through automation, will still apply if we are to be competitive. New jobs will therefore need to be created by penetrating new markets. Production in the information society will be based on enterprises offloading work to suppliers and concentrating on system management, with extensive use made of communications technologies for the purposes of control and coordination.

Greater on-line transparency will change the traditional relationship between the supplier and the customer.

As a general rule, the soft components will increase at the expense of the hard components in both production and the end product.

The enterprise culture will also change.

This means that:

(i) the process already under way to level out hierarchies will continue;

(ii) large enterprises will tend to become 'holdings' of task-force enterprises and the product image, rather than monolithic blocks;

(iii) the importance of small and medium-sized enterprises as actors in new 'corporate networks' will grow;

(iv) one could envisage enterprises coming together for a period of time in order to start up a project on-line, so to speak.

The service culture is approaching a watershed.

Tele-services are changing the structure of the classic service sector. For example, tele-shopping will circumvent the problem of fixed shop opening hours.

There is nothing I can tell this audience about the entertainment sector.

However, we must not lose sight when designing tele-services of the continuing need for services with a 'human touch'. This applies above all to the health and welfare sector.

A new learning and training culture is beginning to emerge.

Decentralized learning through video conferences, multi-media and networks will provide a made-to-measure, versatile curriculum. The education supply will be broadened and more widely accessible.

The rapidly changing working environment means that the individual must be prepared to undergo training throughout his life, although it would be a mistake if all of us wanted to train as computer scientists. You don't need to be a mechanic to drive a car.

Of course, this will not happen overnight nor will it happen everywhere. Much will be replaced. New will be added to old. One can hardly imagine schools being replaced by distance learning, because schools do not just impart knowledge, they also teach us how to interact.

Socially, the information society means opportunity. It also entails risks, which we should not gloss over.

New types of job will be created, especially in the service sector; but jobs will also be lost.

There will be greater flexibility at work; but traditional industrial health and safety standards could be undermined.

'Those on the inside' will be able to make full use of the potential of the new technologies, but 'those on the outside', who either cannot or will not take part, could be excluded.

Hitherto disadvantaged groups in society could be integrated via the computer and better care provided for the old and disabled; but replacing the evening stroll across town with an evening stroll across a computer screen could lead to social isolation.

It is therefore important that the new technologies achieve wide public acceptance and are used productively and constructively. Changes in the working environment must go hand in hand with continuous dialogue between the two sides of industry.

In December 1993 the European Council charged a group of distinguished personalities with the drawing up of a report and an action plan for the information society. This report was discussed at the Corfu Summit last week.

The report notes that the market will be the motivating strength and that it is the major task of the governments to back competition. It delivers legal recommendations and supports the creation of a network infrastructure and the introduction of harmonized basic services like electronic mail.

Let me pick a few elements out of the large package of recommendations which are, I believe, of particular importance for the audiovisual sector.

The report proposed 10 ranges of application: tele-work, remote training, a network for universities and research centres, telematic services for SMEs, traffic management, air traffic control, networks

for the health service, electronic calls for tender, a trans-European network of public administrations. An example which could be interesting here, would be the setting up of networks enabling private households to use multimedia and entertainment services at local, regional, national and international level.

This should be achieved by grouping information content suppliers and service providers (such as transmitters and distributors), network operators (such as telecom and cable) and system suppliers (such as the home electronics industry).

As far as a regulatory framework is concerned, this will need to consider both media ownership and the role of competition policy.

From the group point of view, the question of how differing national statutory provisions governing media ownership undermine the single market must be investigated as a matter of urgency. Effective regulations to safeguard pluralism and competition are required here.

Competition policy is a key element in the Union's strategy. From the group point of view, competition rules should be applied which reflect newly-emerging global markets and the rapid changes in the environment.

One area which has always been extremely important to the audiovisual sector is the protection of intellectual property rights. The Commission has always taken an active approach to this topic and has provided answers to more recent problems, as the example of cable and satellite directives in the television sector illustrates. The new technologies do, however, raise totally new types of challenges.

They begin by removing the physical barriers and increasingly global distribution. Not just European, but international solutions must be found here, in order to avoid undermining the level of protection for intellectual property. Because if we are unable to protect creativity and innovation, then the super-highways will remain pretty empty.

Finally, let us consider multimedia. Here we must find a way of bringing words, sounds, text and images under one copyright umbrella, protecting creativity and encouraging exploitation. In doing so, we should also examine the argument that a copyright system which takes a one-stop approach to exploiting creativity has an advantage from a competitive point of view. Mind you, the report of the so-called 'Bange-mann Group' pointed out the problems in this context, but deliberately did not come down on the side of any specific solutions.

The European Council in Corfu also made express reference to the protection of intellectual property in its conclusions on the information society.

### WHAT NEXT?

The European Council considers that the significance and complexity of the information society are such that constant coordination is required in order to ensure that both the public and private sectors are pulling in the same direction. Each Member State should appoint one Minister in charge of coordinating all aspects (political, financial and legal). I consider this to be a noteworthy and encouraging step forward. It is an attempt to take a lateral approach in order to ensure that individuals do not beaver away in their own corners, albeit with the best of intentions, at matters which do not make for a coherent whole. It is a political echo to economic convergence.

For its part, the Commission will submit an action plan, as requested by the European Council, hopefully before the summer recess, laying down its future work.

Just one more word on the market. Many people believe that the audiovisual sector will be the engine which propels us along into the information society. That remains to be seen. One thing is certain: the user is buying the application not the technology. Without content, the most wonderful technology is not worth a fig. This is where the audiovisual industry can come into its own.

To conclude, I give you a few questions to ponder. Do the new technologies, the digital bit containers, not require new definitions? Do the regulatory frameworks still suit the media? What is, from this point of view, the difference between 'satellites with video on demand' and 'the video shop on the corner'?

What are the implications of the melting-pot of hitherto separate industries, such as telecommunications, computing and the audiovisual media? We must get used to the idea, because not only does the concept 'no man is an island' apply, the concept 'no sector is an island' is equally valid. In the jargon of information technology, our consciences need open interfaces with other sectors. And not tomorrow, but now.

I began by referring to the American concept of 'electronic super-highways'. I should like to close by quoting the sub-heading to the Japanese report, which is 'Reforms for an intellectually creative society in the 21st century'.

The stress on creativity is particularly noteworthy. It shows that creativity is seen as one of the core elements in the economy and the society of the future, which means that, for us in Europe, you, ladies and gentlemen, will be taking the leading roles.

## THE INFORMATION SOCIETY

### MR JOHN HAWKINS

The television and the telephone have in principle not changed, since they were invented. We have added colour and stereo and a remote control to the television. We have added answering machines and memories to the telephone. In short the quality of the information and the ease of use improved.

However, the basic functions stayed the same for many decades. In the 1970s, we added VCRs to the television and fax machines and modems to the telephone. Suddenly, the information we received via these channels could be stored and manipulated.

But, it is human nature to search for more. More knowledge, more quality and more functionality. Digitalization came along, we installed cable, satellite and computer systems, and networks based on glass fibre. The world became smaller: the global village started to emerge.

Slowly now, the negative side of the possibilities offered by all these networks is becoming clear: we are getting overloaded with information. Will this trend continue with industries and technologies converging? What will be the effect of platform and network convergences? How will the consumer react? What technologies will succeed?

To be honest: no one knows, yet. There are some trends, however. Let me give you an overview of our views and where we stand. Information and entertainment will reach our offices and living rooms via packaged delivery systems, like discs, and networked systems like multichannel cable systems, cellular vision, satellite or telephone.

There is no doubt in my mind that packaged media, like CD-i and CD-ROM will exist next to electronic delivery channels. People want to own information, they want to be able to touch it.

The success of electronic delivery channels/networks will differ per application and per geographical region. Some examples.

In populated areas I expect cable TV and cellular vision to be the main technologies. Cable TV has a high performance and penetration in some countries. The downside of this technology is that economies of scale needed to make it successful and the legal situation in Europe, will slow down the developments in this field.

In Europe for example, to make pay-per-view commercially feasible, one needs at least a network of 400 000 subscribers. We only have four to five networks of that size at the moment.

Cellular vision might become in a more distant future a very good delivery system. You can compare it with cellular telephone: 'video micro-waves' (frequencies of 28-40 GHz) are received by and distributed via local cells of three to five miles radius to a pocket book size flat antenna in the home. The system can offer two-way broadband television distribution, enabling 100 analogue over 1 000 digital channels to the home.

The investment per subscriber is much lower than for cable. Yet the performance is high and, since we are just starting with it, the regulation of the system could be organized fairly easily. However, the technology is rather unknown in Europe. There is no penetration. One system is being tested in the US, in New York, where one cell is operating today and five more cells by the end of 1994.

Telephone lines can be found everywhere, the penetration is incredibly high. I do think however that with the expected equipment and infrastructural costs, telephone lines will not be a real competitor for cable TV and cellular vision in populated areas, where by the way the initial, innovative markets are.

So much about technology. The technology actually is not important. How we receive information, is not important for the consumer. Far more interesting is: in which programmes are they interested? Do we want to play a video game with someone who lives 5 000 miles away from us? Will the new technologies fulfil the consumer quest for personalization of media?

We can speculate quite accurately on consumer demands. They want movies, music videos, games, television programmes, educational programmes and they are interested in home shopping. These are the most important applications at the moment and there is no reason why this should be different in the future.

The consumer quest for personalization of media (or should I say the individualization of society), will be fulfilled. You receive access to all the information you want, when you want it and how you want it.

The number of intelligent television sets to be found in the house will increase. And coming back to what I said before, the overload of information will not change. We will receive even more information. However, the access to it and the choices, will be easier.

## CONCLUSION

There are still many questions which we cannot answer today. What technology will be used? What industry mergers will we see? What is the consumer willing to pay for new services?

But one thing we do know.

The information society, or shall I use the American equivalent 'super-highway', is on its way. It will be driven by software and not by technology. It is content, quality and added-value that count. And that is where we should concentrate our efforts and that is where we are concentrating our efforts.

## DEVELOPMENT OF MULTIMEDIA

**MR MANFRED  
LAHNSTEIN**

I have been asked to air my views on the growth opportunities for the programme industry in the multimedia age and on the conditions conducive to growth. First I should like to make a number of observations of principle which are of practical significance for the programme industry.

German students are regularly required to write essays inspired by quotations from Goethe. This also happened to me, my quotation being 'Europe is harmony and not unison'. Goethe remains totally relevant at least for the cultural aspect of the European Union. The programme industry must draw the appropriate conclusions from this. It must not entertain the dubious concept of a European cultural identity. In my view, no such identity exists. It is a fiction, if not a transparent ideology designed to afford easier access to the subsidy coffers of the European Union. The second conclusion to be drawn is this: we must accept that there are two quite simple principles underlying the cultural plurality necessary for our survival — the free flow of information, certainly, but let us not forget the free flow of creativity as well. Free flow has to extend beyond the European Union. It cannot be a one-way street — and here, as in many other respects, I am fully at one with Mr Levy in saying that, wherever possible, it should proceed according to the rules of the market. At any rate, it cannot, in the long run, continue without the market. A further observation, ladies and gentlemen: plurality of opinion and, by the same token, plurality of the media require three things. First and foremost, they require a first-class infrastructure in the European Union, which, wherever possible, should be based on the principle of homogeneity or, at the very least, of full compatibility based on standards, something which is particularly important for the digital multimedia world. Secondly, plurality of opinion and

the media needs worldwide competition and businesses of appropriate size. We must put an end once and for all to this hide-bound thinking of regional regulators in all our Member States. I would recommend anyone seeking an illustration of what is happening today to read the *Wall Street Journal* and the gripping story of the merger which may soon take place between CBS and UVC. One wonders just how many such illustrations we still need in the Union before we finally wake up to this. And thirdly, plurality of opinion and the media requires fair conditions of competition throughout the Union but also of course in relation to the United States. In one respect, the results of the GATT talks have afforded us several years' respite; but we should use this time, not to relax, but to put our heads together.

To turn to the multimedia infrastructure, I must agree here with Mr Niebel. From our point of view, we can but fully endorse the conclusions drawn by the Bangemann working party concerning Europe as a single information market. We must, ladies and gentlemen, place the growth locomotive of the information industry on the track, but we must put behind us any Maginot Line mentality or any sort of protectionism. And if, in individual cases,

start-up aid is indispensable, then let it be just that — start-up aid, provided for a limited time and only in places where it would be otherwise impossible to compete. What we need in all fields of this digital multimedia world is standards, interconnectivity and compatibility. In no circumstances must we see a repetition of the PAL/SECAM/NTSC or VHS/Beta/Video 2000 story.

Then, as emphasized several times both this morning and this afternoon, the multimedia world needs investors. The investors need markets, and they need stable conditions in which to operate. To me, stable conditions are those with long-term reliability. This means that we must finally start dismantling the appalling over-regulation which almost all media concerns have to contend with in the European Union. Jean Stock is surely right when he says that technical developments will make some of the regulations we are confronted with today obsolete. For my part, I would not be satisfied with that: it seems to me like a defensive attitude, although that was most certainly not Jean Stock's intention. We should have the courage to adopt a consciously liberal approach and not accept deregulation on a purely willy-nilly basis, with all the attendant delaying effects this could have on technical developments.

And finally — and here we come at last to the television directive — we need new, adequate broadcasting definitions. Let me just point out one example here: the regulations devised at national and European level for tele-shopping are, to my mind, frankly obsolete and a barrier to development.

To turn to the European Commission's Green Papers — there are in fact two of them — and to our discussion of them here, a great deal has been said, both in the Green Paper itself and particularly strikingly yesterday afternoon (when I'm afraid I was unable to be here) and this morning, about economic assistance for the European programme industry. I am convinced that, in the main, the European programme industry does not need economic assistance, and I must say that some of this morning's contributions could not but remind me of the discussions which took place prior to the introduction of the European agricultural policy 30 years ago here in this same city. I would therefore urge you, as far as economic assistance is concerned, to proceed extremely cautiously and at all events, I beg you, towards clearly defined economic or technical objectives.

On the other hand, just like Mr Levy, I am in favour of appropriate, adequately resourced cultural assistance for the programme industry in the Member States of the Community. However, I think I am entitled to ask whether, at least in the cultural field, the subsidiarity principle now well established in Europe does not clearly remit the provision of such assistance not merely to the Member States but, as in the case of Germany, to regional and local authorities.

The Green Papers broach the subject of media concentration — and quite rightly so. Likewise in this area, it is, I believe, high time to introduce — or perhaps restore — some economic common sense. The ideas currently being discussed not only at national level but also, for example, in the European Parliament concerning limitations on shareholdings, prohibition of cross-ownerships, limitations on market share, changing from the state-of-transmission principle to the state-of-reception principle, market share models — and preferably all of them in one big package — are, were they to be implemented, nothing short of a programme for strangling the European programme industry whatever the size of the businesses actively or passively involved. And in the end CNN and Disney will be laughing up their sleeves. I have never seen a growth locomotive able to get up a head of steam and speed along a track across which iron bars have been placed every few yards. This does not mean that I am against harmonization, which I am willing to support if it is rational and inspired by a basic liberal approach. It is right to emphasize the necessary rights to minimum protection, and I think it is also right to harmonize them. The final result of this will be criminal prosecutions, and not only in the area of copyright, to which our attention has properly been drawn, but in a range of other areas too. It is right to devote at least the same measure of attention to concentration in the media industry as in other industries but, please, through the right channels. More precisely, via those agencies whose task it is to police competition, maybe with more incisive instruments than in other industries but, I beg you, not in this hotchpotch of economic and pseudo-cultural policy arguments, which has nothing more behind it than the sort of patronizing we have become so very used to.

So, harmonization by all means and safeguarding of plurality too but, please, on the basis of competition and responsibility on the part of the publishers, which does not exclude but in my view includes self-regulation.

Harmonization yes, and above all through transparency of the participants in this market. Exceptionally, I shall focus my attention on the German situation as I am unfamiliar with the impact of European law in other countries. So, to put it in German terms, I believe that all those involved in the programme industry, regardless of legal status, should have to make the same information public as is required of the *Aktiengesellschaft*. Likewise as regards harmonization and structure, and here I agree entirely with our Dutch colleague this morning, there must be a clear and consistent definition of the position of the public broadcasting sector in all the Member States. I too believe this to be an indispensable component of the system governing the programme industry. Against this background — or, perhaps I should say, without this background — I fear that the assertions made by our British colleague to the effect that the programme side can become the motor of the development of the multimedia structure only with very great difficulty are fully justified. If, however, these basic premises are heeded, then, I think, predictions can be made as to the products on which we can concentrate. Which brings me to my last comments.

There is one point which should not be underestimated, and Jean Stock referred to it this morning: commercial television as we know it will, in our view, continue to play a central role for many years to come. The basis for this is quite simple. The age of advertising is by no means over; advertising needs its hoardings; and there is no better hoarding for the advertising industry than television with its mass audience. In addition to the multiplexing referred to by Jean Stock, what we are going to see is no doubt various spin-off products. In other words, alongside the big juggernauts of entertainment such as ITV, RTL or Antenne 3 to name but three, there will be various other smaller vehicles assuming part of their programme load. This must necessarily happen not only in order to safeguard one's own market and therefore the position of the juggernauts but above all to reduce the depreciation of product stocks, which, in the case of the big broadcasters, can build up extremely quickly.

However, in contrast to the American market, the commercial television target groups are hardly to be seen on the European markets. Where pay television is concerned, we should distinguish in the years to come by reference to what is called 'premium pay', i.e. Canal +, Erstes Programm or Première. There will not be many channels of this type for reasons connected first and foremost with the market. But there may be B-SkyB-type 'basic pay' packages with relatively low subscription charges on other European markets. I say 'may' because I believe that that will depend to a very, very great extent on the pressure of competition which such channels are now confronted with on the market.

As previous speakers have said, the real leap forward — and here I believe that in Europe we may well skip over the pay-per-view and near-video-on-demand stage and move straight to video-on-demand — will come when we move into the catalogue business on the basis of databanks and interactive products. These are the main areas of product development. Another exciting aspect as far as I am concerned is the competition which will arise between offline distribution, i.e. of the CD-ROM family if you like, and online distribution, i.e. via networks and satellites. In my view, it is by no means settled which vector will win out. Personally speaking, I have more faith in the offline vector as it can access the market more quickly, but I may be mistaken. One thing is certain though, and this I would like to emphasize once again: the type of products which come onto the market via video-on-demand can no longer be encompassed by the traditional concept of broadcasting and should be removed from it in a redefinition of that concept, which is long overdue.

And so to my final comment, ladies and gentlemen, which is that multimedia will transform the structures of the programme industry. There will, I believe, have to be more intensive cooperation between European suppliers. Bertelsmann has been endeavouring to do this for 10 years with CLT and also for a number of years with Canal +, and we want to extend this type of cooperation. We are hoping for further progress towards cooperation between firms in the European programme industry so that, if possible, we do not suffer the same fate as did the computer industry 20 years ago, when, owing to their unreadiness or inability to cooperate, one European firm after another fell into the welcoming embrace of one or other American or Japanese business. I do not need to repeat this, and here again I agree entire-

ly with Mr Levy. And, as Mr Niebel has already said, there will also have to be more cooperation between media and communications firms.

One last remark. If I have understood the reports of the Bagemann working party and the Green Paper correctly, then it would be a good thing if, on the basis of the Green Paper, the European Commission could also have a structured dialogue — alongside this high-level group, which has done us such an outstanding service with the Bagemann paper, but which represents rather the hardware and network-oriented sector and the 'Think-tank' in which the creative side can and must have a direct say — with the media industry proper, which lies somewhere between the two.

Thank you.

## NEW OPPORTUNITIES FOR THE PROGRAMME INDUSTRY

**MR ANDRÈS  
VICENTE GOMEZ**

It has been a tremendous privilege to be able to hear in the last two sessions my predecessors on this table. Some have come to Brussels with the sincere desire to revise the state of the film and television industry — others have just been sent by their masters to lobby in this forum for free trade, deregulation of TV legislation, etc.

As a producer concerned with the influence of European production in our own single market and in the rest of the world, I have to ally myself with the proposals of my colleague Aurelio Di Laurentiis. I endorse every one of his proposals, but I would like to underline some of them.

1. There is no question that a definition of what is a European film is absolutely necessary. In meeting with the top American MPAA and studio executives, we are consistently asked about this definition. It is especially embarrassing not to be able to give an unanimous answer. My proposal is that we accept the definition of the Council of Europe with a more flexible system for films to be made with a budget of over USD 15 million or 50 days of shooting.

2. We must all accept and admit that all countries and nations and why not regions within the EU, have the right to have their own legislation, to protect their industries, cultures, languages or God knows what. If diversity is our richness, let's be deep divers. Like a brilliant socialist politician says 'Let's be confusing as we cannot be profound'.

However, there must be a common central legislation, simple and short, that allows us to produce films for cinema and television fiction and documentary, animation, etc., that travels within Europe and that if so will be exportable to the rest of the world. To achieve this all co-production treaties must be abolished. Two companies, getting together to finance a film must get the same

treatment whether they are based in Madrid and Paris or Madrid and Barcelona, or Paris and Lyons!

3. Brussels support must be concentrated on the production, whether for cinemas or television of programmes capable of travelling within Europe.

This can only be orchestrated through distributors, and only if the support is based on results outside the country of origin. To this respect Mr E. Balmaseda, actual DG of ICAA (the Spanish Film Institute) and an expert on the Think-tank for the Green Paper, has at the request of the MBS produced a document, that reveals how politically and practically this could be implemented. There is an interesting coincidence between Mr Balmaseda and Mr Lang's suggestion that for every ecu of the Union another of the country origin, should be made available.

With the last three suggestions — and picking up as many other as possible of the rules of Mr Di Laurentiis — there is no question for me, that Europe could produce 40 to 60 feature films of 20–30 million dollars budget capable of competing with US made films and thereby increasing our market share up to 30% of our own European market.

To support what I've just said and to present you with my view of what opportunities present our programme industry, I've requested my friend F. Labrada, General Manager of the MBS to prepare a few transparencies with facts and forecasts.

**(TABLE 1)**

The first table compares the film entertainment market shares in Europe, by direct spending on films, in 1993: according to extrapolations from current trends, when all figures are collated some 33.7% will be accounted for by box office admissions, 26.1% by pay-TV spending, 24.3% from film video rentals and 15.9% from film video retail.

These statistics acquire more significance, however, when set against recent trends in film spending in Europe.

**(TABLE 2)**

As can be seen from the second graph, cinema box office takings have remained relatively stagnant in the three most important film markets in the world.

**(TABLE 3)**

The same can be said, essentially, for the video market. Although spending rose in the US in 1992, the growth rate of 7% is a far cry from the 20% annual growth rates of the mid-1980s.

**(TABLE 4)**

Yet movie pay-TV tells a quite different story with growth in all three markets, and especially in Europe, at a rate of 19%, in just one year. This meant a market share, in terms of total film spending of nearly 25%, based on a still low penetration of TV homes of just over 5%.

Driven and multiplied by digital transmissions, pay-TV services will be the motor of a spectacular growth in Europe's satellite (table 5) and cable (table 6) sectors.

However, with the possible commercial roll-out of video-on-demand (VoD) from around 1997 in the UK and a couple of years later in France, new companies might enter the programme carrier sector which are even more powerful than the pay-TV operators: the US and European national telecoms.

To give you just one indication of their size (table 7), in 1993 the turnover of AT&T was three times more than that of Time Warner and more, moreover, than the total combined value of spending on film in the video pay-TV and theatrical in the US.

Such spectacular growth may not, furthermore, be limited to pay-TV networks. With regards to CD-ROM for example (table 8) recent estimates forecast that the number of PC's equipped with CD-ROM drives will grow by 500% from 1993 to reach 44.7 million by the year 1996, which, isn't that far off.

What can one deduce from these dramatic changes in the programme market? I'd like to essay just a few ideas.

Firstly, the film and TV programme industry in Europe appears to be experiencing a fundamental sea-change, a transformation from a supply or production-led sector to a demand, or market-led sector, where consumers will purchase the programming of their choice in an increasingly direct manner. This evolution has — and will have — radical consequences for the programme industry. Producers who ignore their audiences, who fail to reflect on who their programmes are being made for, will be ill-positioned to capitalize on the escalating demand for audiovisual software and new distribution channels in Europe.

Secondly, I'd like to talk briefly, from my own experience, on new opportunities for programme financing now opening up in Europe.

It is often argued that Europe desperately needs its own programme majors. I agree completely with calls for the strengthening of distribution mechanisms in Europe for European software, as well as the argument, set out by the Think-tank report that such distribution outlets could represent a key source of production financing.

Beyond this, there are other possible sources of financing, most immediately Europe's pay-TV's. I am conscious that the programme investment policies of these companies vary sensibly across Europe. But, under certain conditions, these pay-TV's could, and indeed have, come to represent another box office. We need to establish a meaningful dialogue with these new players, as well as with companies such as Philips, British Telecom or France Telecom.

This dialogue, moreover, does not necessarily have to be completely one-sided. As a US TV executive once put it, there are only three things of which we can be certain in this industry: 'Everything we know now may change; when it changes, it will do so rapidly; and he who controls the software will win'. The big communication groups need us, producers with certain skills at manufacturing software, as much as we need them.

I can justify this observation from my own experience of 40 films produced in the last 10 years — I remember *Ay, Carmela!* directed by C. Saura in 1988. Its financing mirrored fairly faithfully the models of Europe at that time: a Spanish State subsidy, an equity investment by an Italian co-producer and an advance from a European bank against pre-sales. Three years later I made *Belle Epoque*, an Oscar winner, with a similar finance structure, where bank pre-finance was replaced by a Eurimage loan.

All the films that I make in 1995 will be financed, however, in a substantially different manner, following an agreement whose framework was established fairly recently. Majority project financing will be put by PRISA, Spain's largest print and communications group, owners of Spain's widest read national daily, *El Pais*, its most important radio network Cadena Ser, and a principal shareholder, with Canal + France in Canal + Espana. Sogepaq PRISA, in other words is a veritable multimedia group. It is also possible that Canal + Espana and Sogepaq will provide further direct project financing for the production slate, which will be of 24–30 feature over the next three years. My own companies, Iberoamericana and Lola Films. Will co-finance the rest of the production's budgets.

Sogepaq in association with Polygram a company owned by three players, PRISA, Canal + (Spain), and Canal + (France), will be distributing all these films in Spain, in all media, and hopefully soon all through Europe.

I believe that this kind of financing agreement, a variation on corporate financing, will become increasingly popular in at least certain territories in Europe. It has many advantages. On one hand, the support of a big corporate and a pay-TV, means that I do not have to be continually concerned about finding the financing and cash-flow for each and every picture.

As the producer of the films, occupying a role slightly similar to that of the president of production of a US studio, I can retain a certain creative control over my projects. I also retain part of their rights, a crucial consideration since rights represent the basic asset of my company. And I can dedicate my time and energies to what I consider to be the essential preoccupations of a producer, not only production but also project development. As I see it, development is crucial. One of the most serious problems suffered by the European programme industry is, I think, that some projects go into production before they are entirely ready.

What conclusions do these figures, and my own experience, draw me to?

I'd like to outline briefly a few:

1. Firstly, the interest of large media groups in new technologies is far from a coincidence, but rather an attempt in a generally stagnant market, to develop new ways of selling programmes better, that is, ultimately, for more money.
2. Secondly, one of the markets with greatest growth potentials is the European, especially the pay-TV/satellite/cable sectors. If European production houses do not

attempt to penetrate these markets, others, from other territories, will do so, and indeed are doing so.

3. Beyond this, the entry of new and important players into the audiovisual sector is opening up new possibilities of collaboration for programme producers, whose major bargaining card is their experience in producing software which can feed new distribution channels.

4. The probable impact of new technologies on the programme sector only serves to underline the crucial importance of project development, retention of rights and marketing. Consumers able to purchase films on pay-per-view or video-on-demand systems are unlikely to choose titles about which they know absolutely nothing.

5. One common question is 'When will the multimedia revolution begin?' To the best of my knowledge, it has already done so.

CD-ROM is a case in point. Although the platform was first marketed in the mid-1980s, it really took off in 1993, when the number of CD-ROM titles on the market doubled. Some larger companies — National Geographic, the BBC, Hachette and TEAM in London — have already established dedicated CD-ROM/multimedia publishing operations to re-purpose their audiovisual properties. In 1993 the average sales for an acceptable title were in the range of 10 000-15 000 compact discs. Royalties on rights to a title appear to be around 10%, of its wholesale price, that's to say some USD 3 per sale. Obviously these are still not astronomical figures, but their value looks set to escalate in the next few years. Given this, the logical advice to any producer must be to license narrowly, buy broadly and only license specific rights.

I've tried to give a brief summary of the current and future market for the programme industry in Europe.

The conclusions are to be summarized by the organizers of this conference. The EU officials must do what we propose soon — if possible before the end of the year. Otherwise as someone else said, why win the audiovisual battle of GATT if we prove incapable of occupying the territory?

Thank you very much for your attention.

## GLOBAL ENTREPRENEURIAL STRATEGY

### MR ALAIN LEVY

Ladies and gentlemen,

there are a number of issues which I would like to speak about today. Before I do this, however, I would like to describe where Polygram is at in terms of production and distribution in the motion picture business.

In 1994 we will be producing between 20-25 movies in our various production centres. These production centres are Propaganda and Interscope in Hollywood, Working Title in the United Kingdom, Cinéa in France, Tedpoly in Hong Kong and MFP in the Benelux. The average budget for our Hollywood movies is in the USD 18 million range, movies from the other production centres have a much lower budget, normally in the USD 5 million range.

The Hollywood movies we have in production or post production include: *Terminal Velocity*, a USD 40 million action movie with Charlie Sheen, *French Kiss*, a movie with Meg Ryan and Kevin Kline directed by Laurence Kasdan and *Moonlight and Valentino* with Whoopi Goldberg and Kathleen Turner.

We have *Carrington* with Emma Thompson and *La Machine* with Gérard Depardieu and Nathalie Baye out of our French company. Finally out of Hong Kong we are releasing this year *Lonely Heart Cop* with Jackie Cheung who is both a major recording artist and a movie star.

We believe that production is the essence of the movie business but you cannot be successful if you are not in control of distribution. Distribution is where a big part of the margin is. But also controlling distribution allows for control of marketing spending, which as you know, can easily exceed the production budget of the film itself.

Therefore in the United States we have our own distribution company for medium-sized budget

movies called Gramercy. For bigger movies we use a rent-a-studio system with MGM where we are responsible for our own marketing.

We have our own video rental and 'sell-thru' operation through Polygram Records and we have an output deal for pay-per-view and pay-TV.

We have a self-contained option in France with Paneuropeen as a distributor and our video distribution goes through our music operation. We have the same in Holland. By 1 January 1995 we will be totally autonomous in the UK and Spain so that by then more than 50% of the market will be handled directly by us.

Out of this description you see emerge some of the issues I would like to discuss today:

1. Polygram doesn't believe that you can build a worldwide film business without having a strong production source in Hollywood.

2. As in the music business, we believe Polygram will be strong in movies by combining local product and international product.

3. Distribution on its own is meaningless without production. But once you have production you have to grow your own distribution in order to control your own destiny.

So drawing on our own experience here are our views on some of the issues facing the European Union in helping build a movie business industry in the future that is both global and entrepreneurial.

First of all, international movies mean mostly Hollywood movies.

Unless one makes a distinction between international movies and national movies, confusion will arise on many things. In the music business there are two main sources of international product — the US and the UK.

In the movie business there is only one source — not even a country but a small club in Los Angeles called Hollywood. We either accept that or do not bother with the commercial movie business. Once one has accepted that, then many other questions become easier to resolve.

For example, national product which in Europe means local language product can attract on a defensible basis subsidies and other special treatment because there are more than merely commercial interests at stake. Furthermore if one is to attract the international film business to invest in Europe, Europe has to make an effort just as it would in any other industries to get its fair share of that USD 40 billion industry. It must explain that it has to allow subsidy and protection of (say) Greek films or there will be no Greek films. Other than that the market should be open and welcoming on a fiscal copyright and distribution basis for international movies.

So my first point is that there is a distinction to be made between international and local product, between Hollywood and local movies, between a business which should suffer no restrictions and be given no special treatment and a business which will only survive with special treatment.

My second point is that European distribution is meaningless without product which attracts European audiences.

In the music business by and large there is a 50/50 split between Anglo-American repertoire and national repertoire although local repertoire tends to be more dominant in the north of Europe. In the movie business the dominance of Hollywood is prevalent throughout Europe, probably in the region of 80/20 in Hollywood's favour.

However, to think there is a magic formula, whereby if only one could set up European distribution of movies by and for Europeans, it would solve this problem, is a myth. As I have said, the magic lies in the mixture of Hollywood movies and local language movies owned, controlled and distributed by European based companies. Our music track record is a case in point. In France our company distributes many recordings by US and UK artists, but it also distributes Johnny Hallyday, Mylène Farmer and Mc Solaar. Likewise while it is nice for our French company to have the number one movie at the box office with *Four weddings and a funeral*, it's vital that it is as active in the production and distribution of French language films such as those I mentioned earlier in order to build a strong multi-cultural business. I single out France, but I have explained how we intend to replicate this approach throughout Europe and in the other countries in which we operate outside Europe. In this way we can build a strong global business with a view that is different but that is nonetheless aggressively commercial.

I would like now to address the issue of 'copyright and copygate'.

As we have said in our response to the otherwise admirable Green Paper on audiovisual, one of the most surprising omissions in that document is copyright reform. Put simply if there were no copyright law we would ensure that Polygram got out of the entertainment business tomorrow. Sadly even the most recent European legislation on copyright weakens considerably the legal status of film producers and is penalizing European companies to the benefit of our competitors in the United States.

It is vital that the European Commission reviews the European Union's legislation on copyright to redress the balance by granting producers the exclusive right to control the commercial exploitation of their films. This means that:

- (i) economic rights granted to artist, directors and others should always be assignable to the producer; and
- (ii) the principle of presumption of transfer of rights of artists and others to the producer should be part of European law.

There is no way that serious investment can be made in film production if the producer does not know what — indeed sometimes even if — it will earn from its productions.

It is essential also that producers remain free to negotiate proper licensing terms with users so that they can decide what return they get on their investment and not have someone else decide.

Any move towards compulsory licensing therefore should be resisted at all costs if the audiovisual industry wants to benefit from opportunities offered by the information society.

In general we are faced with a conflict between very complex

copyright legislation which takes years to alter and the growth of new technologies which make the infringement of intellectual property ever easier and almost impossible to police. Unless something is done, the very rights themselves on which global entertainment companies operate will fall into disrespect and get weaker. For example, we absolutely need the right to authorize broadcasting and other electronic distribution of our sound recordings as well as our audiovisual works.

Although this thought is not by any means fully developed, I would suggest that once the rights of the producer to authorize all means of distribution are acknowledged and enshrined in modern legislation, legislation should be implemented to prevent the import or sale within the European union of any recorder, receiving device or decoder which does not include the technology allowing producers to prevent selectively the distribution of their copyright works or, alternatively charge for such distribution, and to outlaw black boxes which circumvent such technology. In other words copyright would become copy-gate.

I would like now to dwell on the issue of whether there should be incentives or whether there should be subsidies.

I have already indicated that while local language movies will always require some degree of subsidy, Hollywood movies obviously do not. What they need is an open and welcoming environment so as to enable Europe to get its fair share of that very large business. What do I mean by this?

I mean, giving financial incentives, which is different from subsidies.

For example, until recent times the US fiscal regime gave film producers the benefit of attractive capital allowances. If that were within

the powers of the Union institutions, I would urge the same within Europe.

If taxation matters are for practical purposes outside their jurisdiction, which in general I believe to be the case, they should encourage national governments to implement such allowances.

Failing that, I do not think it would be an impossible task to set up an arm of the European Investment Bank to afford off-balance sheet and or low-cost funding for movies to commercial enterprises with sensible business plans. It is odd to say the least that a European company such as Polygram has to resort to Japanese banks for such funding.

Probably the reason is that there is insufficient expertise in the European banking sector to allow this to happen easily without the intervention and encouragement of European institutions.

The entertainment industry is without any doubt one of the growth industries of the 21st century. As such, it will provide revenues and jobs. We do not favour a clash of cultures but an environment where cultures will coexist. They will only coexist if there are global entertainment enterprises handling entertainment on a worldwide basis and genuinely taking care of multicultural difference. This is what Polygram, being of the few European players in the global entertainment world intends to do. In this sense we are, and will remain, very different from our American competitors and will maintain our European identity.

These are our goals. What we need from the European Union is the proper environment to enable us to achieve them.

Thank you for your attention.

## THE FUTURE ROLE OF 'IN THE CLEAR' TELEVISION

MRS LESLIE HILL

John Harvey-Jones, a leading industrialist, said in his book *Making It Happen*: 'It has to be possible to dream and speak the unthinkable, for the only thing that we do know is that we shall not know what tomorrow's world will be like. It will have changed more than even the most outrageous thinking is likely to encompass.'

Perhaps that is a good text for us here today, as nations and companies embark on strategies to equip themselves for a new age. Of course, some people point to a string of high-profile business ventures collapsing before they even get to the starting gate. If some of these very ambitious projects have foundered then this is understandable because they are huge moves undertaken for the longer term. Fortunately, there remains a spirit of boldness, adventure and entrepreneurialism.

So what of the future for 'in the clear' television — or 'free' TV, as I will call it from now on? I suggest that its future depends very much on two factors:

- (i) how it reacts to new competition;
- (ii) the regulatory and business environment in which it operates.

At ITV, we believe that our combination of quality and popularity will continue as a successful and profitable formula into the multi-channel, multimedia age.

In the US market, much is made of the decline of the audience share of the big three networks over the last 15 years. I prefer to look at it the other way round. The successful nature of television broadcasting as family entertainment and as a shared element in people's lives, has actually enabled the arrival of a fourth network. Between them, the four US networks today have over 70% of the audience. And it is estimated that the combined profits for the big three this year will be the highest for 20 years.

The American example suggests, then, that there is a role for free TV in the multichannel future, but, to get the very best from our free television businesses, I think there are five fundamental priorities for us:

1. Dynamic business management, which we love, and we will have more of it, if our business operates in an environment which encourages the entrepreneurial spirit.
2. Our governments need a sense of enterprise too, enabling them to have a much more flexible approach to regulation. Don't stifle free TV with regulations. Recognize that free television needs real freedom if it is to be able to sustain its high quality services in the new age of multimedia competition.
3. We need an environment in which our creative talent — one of European television's greatest

assets — can flourish. So we must put original production at the top of our list of audiovisual activities.

4. We need a long term perspective and all of us in European television need to work together to create that. What kind of television inheritance do we plan to give future generations?

5. And bringing us down to earth: the industry, inevitably, needs adequate financial resources. In a future where there will be hundreds of channels, the burden of government taxes on revenue of terrestrial operators needs a progressive review.

The baggage of bureaucracy and financial restraints which went with the old monopoly position should be dispensed with.

A commitment to original production has already been shown to work. The big free TV operators in Europe have found that they can build their audience — and reduce that of the competition — by investing in home-grown programmes, rather than imported ones. It is interesting to note the recently-announced increase in home-produced drama by TF1.

We have also found original programming works for ITV and so in the UK, despite the growth of cable and satellite channels, the four terrestrial television stations still dominate, with a 93% share of the audience. Of the four, (BBC 1, BBC 2, ITV and Channel 4), ITV has, I am pleased to say, steadily attracted the largest share of the audience for a number of years. The reason: we invest heavily in new original programming — UKL 670 million or ECU 855 million in 1993.

A virtuous circle has been established. Advertising revenue earned is ploughed back into programme-making which in turn earns advertising revenue — and our companies are profitable. And advertisers want the mass audiences we deliver because they represent the whole population rather than the fragmented audiences of the new channels.

Our system in the UK has relied on the simple — but highly effective — formula of competing, through programmes, for the audience, whilst at the same time relying on two totally separate forms of funding: a licence fee only for the BBC, and advertising revenue for ITV and Channel 4.

We will be operating in a very different TV environment in the future, and companies will need to 'think big' and 'think European' to prosper on a wider international scale.

This point is well-made in the Think-tank report, in a paragraph under the heading 'The role of public service broadcasting'. It says:

'the broadcasting market is becoming increasingly international in terms of audiences, marketing and finance. In the same way that commercial operators see their future in international alliances and networks, so the public service broadcasters of Europe must give urgent consideration to pooling their resources and coordinating their strengths at the European level'.

Interestingly the UK Government appears to be encouraging an international role for the BBC as it effects and seeks partnerships with commercial companies and the BBC is intent on exploiting its famous name worldwide.

To achieve the best free commercial TV, it needs to be unshackled from the chains of too much regulation. And we must adopt across Europe an economic and industrial approach, rather than a primarily cultural one.

I recall my time in the music business. Success with the huge sales of major artists such as the Beatles and Pink Floyd enabled money to be invested in the development of new talent including even obscure classical artists. A successful and profitable commercial operation is more likely to allow its creative people to experiment and devote resources to our industry's equivalent of research and development than one that is not successful.

And what of the future of the European programme quota? As I have said, many broadcasters prefer, if possible, to schedule as many home-grown programmes as possible, because of their viewer appeal. However, I understand that some markets in Europe are not sufficiently mature to nurture programme production — hence the quota.

I believe that, whilst the quota survives, it should be applied in an even-handed, but flexible way, to all broadcasters. This may require a multi-faced approach to deal with different kinds of broadcaster, but we must avoid the current situation, where some broadcasters more than meet the quota, and others escape it completely.

I am against the setting up of new, bureaucratic structures, such as central production funds, and the imposition of levies on broadcasters, because these will dictate where programme investment is placed. I believe that broadcasters should be free to invest in the programmes which are most attractive to their viewers. We should avoid programme decisions being taken by those remote from the broadcaster.

Our free television companies need freedom to find new alliances and partnerships. As the Think-tank report says:

'We must see the creation of powerful companies, based in Europe and no longer isolated inside their national borders, capable of integrating the various components at the level of production and marketing, the only way for them to be able to adapt with success to the formidable revolutions looming on the horizon'.

France and Germany illustrate this process of work. They are recognizing the importance of establishing strong, healthy business which can compete globally and which will have sufficient financi-

al resources to build strong home production bases. Much of this process is being shouldered by private commercial television which has come to command an impressive market presence in a comparatively short time.

In France the government has launched an ambitious plan to construct the nation's electronic highway. And it is pursuing one or more home-grown internationally-competitive media players of global stature. France has changed its television ownership regulations, so that one company or individual may now own 49% of a national channel. And so the multi-faced company, Havas, now has effective control of Europe's pay-TV success story, Canal +.

Germany, with its massive cable infrastructure and burgeoning commercial television market, is following a different path to the same objective. The State telecommunications operator is at the core of joint activities with two major German media players, Bertelsmann and the Kirsch Group, and most recently, it has bought a large stake in SES Astra. All this is accompanied by a lively debate in the country about the overhaul of its complex regulatory system to allow greater regulatory flexibility for its television owners so that they might develop as world players.

The UK seems likely to revise its media ownership laws, to allow newspaper groups and television companies to take much larger investments in each other. And there has already been a relaxation of ownership restrictions to allow ITV companies to become larger players.

In one respect the UK is ahead of other Member States, in that the 1990 Broadcasting Act allows any EU company to own 100% of a British television company. In this respect the single market does not operate in Europe. This is demonstrated by the Commission's own Green Paper on media ownership which reveals a bewildering array of regulations throughout the European Union. Until we free ownership regulations across Europe in the way that the UK has done, we will not have the conditions we need to compete globally. It will be difficult for Europe to tackle the world market without allowing and encouraging the development of pan-European broadcasting and media companies.

To conclude then my message is that free, not encrypted television, does not have a good future — and an important role — to play in the multimedia environment. There are aggressive and successful free television companies in Europe, but they are yet to be permitted to reach their full growth potential and earning capacity.

Secondly, free TV will have a better future if it is unshackled from over-regulation. Politicians must realize that dealing with broadcasting as a part of the communications revolution is like being on a moving train. Just when you thought you were approaching the next station, you find you've already gone through it.

Our politicians should follow the apparent intentions of the American administration. In a speech at the National Press Club in Washington on the National Informa-

tion Infrastructure Initiative, Vice-President Al Gore said: 'Flexibility and adaptability are essential if we are to develop policies that will stand the test of time. Technology is advancing rapidly, the structure of the industry is changing so quickly, that we must have policies broad enough to accommodate change'.

Finally it is worth remembering that the way to hell is paved with good intentions. I recall former Chancellor Helmut Schmidt saying to a British audience when he delivered the Dimpleby lecture in 1990. 'With all my sympathy for evolutionary concepts in general, for pragmatism and for piecemeal procedure, you should not forget the words of Seneca when he wrote 2000 years ago: "He who is willing controls the fate; he who is hesitant will be dragged".'

## THE FUTURE ROLE OF 'IN THE CLEAR' TELEVISION

MR FRANCISCO P.  
BALSEMÃO

### 'SMALL IS NOT BEAUTIFUL'

I am the Chairman and CEO of SIC, a national privately-owned TV station in Portugal. We started broadcasting 19 months ago, we have a share of audience of 30.2%, competing with three other channels, one private, two State-owned. We will reach break even in 1995.

SIC is to a certain extent a success story, because it has managed to achieve positive results in a short time, in an environment where unfair competition is still the rule: the State-owned channels are financed both by public funds and advertising (advertising with no limitations except those of the Broadcasting Directive).

I am mentioning all this not only to make some publicity of SIC but also to present the case of a company like SIC. We are young, we are in principle successful. Are we going to survive? What will be the future of TV companies broadcasting 'in the clear' in countries where for economic and/or linguistic reasons the market is small?

I am assuming of course that the existence of TV stations of small dimensions (with an annual turnover of something between USD 100 and 200 million) operating in small countries is important because they are national. They contribute to maintain cultural identity and they are a counterweight to excessive globalization.

I will speak first about the dangers, we, the small television stations, operating in small markets are facing.

The first is concentration of ownership. Internationalization and deregulation have led to a situation where the stronger players tend to buy the smaller or weaker players.

Language barriers can be important in lowering the temperature of the acquisition fever. But we all

know that especially after computer companies, telephone companies and hardware manufacturers came into the scene, the giants are growing and the dwarfs are not. 'Convergence' is the new word coined to present nicely what is going on and can be defined as 'the accelerating trend of companies involved in broadcasting, cable television, computers, entertainment, retailing and telecommunications to form various combinations in order to gain competition advantage in the huge new 'info-treatment business'.'

The second danger to small television stations operating in small countries is obviously connected with the development of the new information technologies.

Will national generalist channels be able to compete in small markets with international generalist channels if and when the programming of the international generalist channels is dubbed or subtitled in the local language?

Will the small TV companies be able to face the challenges of new services such as movies on demand, videogames via network, home shopping, and of new products such as multi-use portable personal computers eventually with video conferencing capabilities, wireless personal communicators for voice and data.

Solo players are at risk. And the strategic partnership required imply the availability of large resources in a market-place dominated by a reduced number of very large companies.

Here we come to the third danger.

The amount of investment needed just to play the game is still increasing and television companies with an annual turnover of USD 100-200 million cannot afford it.

The toll to be paid to circulate in the telecommunications superhighways is not only what you pay when you are there, but specially what you pay to arrive there. HDTV is not only a broadcasting problem, but also a production problem, an equipment problem and naturally a consumer problem: and for small television stations in small countries none of these problems will find an easy solution. Like simul-casting: that may mean they will be doomed to analogue transmission. While digital broadcasting could be used exclusively for new services and new programs which will be interactive.<sup>2</sup>

The fourth danger in which small TV stations like SIC are incurring, concerns programming.

Television will loose part of its specificity. The mixing of communications, telephone, computers and television has already started.

This intermingling means that besides images a whole set of services and signals will be transmitted in the 500 channel society.

<sup>1</sup> *Speeding forward the Interactive Multimedia Age*, Deloitte & Touche, 1994.

<sup>2</sup> Leo Danilenko, 'Television's digital future' in *The future of television — Generalist or thematic channels?*, European Institute for the Media, 1994.

How will the multimedia possibilities affect the programming of generalist 'in the clear' television channels in small markets?

Besides what we all know already about segmentation of the audiences, what are the limits and needs of adaptation? 'Is a channel without sport or game shows still generalist?'

Fifth danger: the unfair competition of State-owned TV channels.

The situation is not exclusive to Portugal. It exists in most of Southern Europe, as well as in the former communist countries, where, it is important to underline, the few private TVs operate in small markets.

I will not spend too much time on this. It is enough to say that the double standards of financing the public service — through subsidies and/or fees and through advertising — creates aggravated difficulties to face the other four dangers I mentioned: concentration of ownership, uncertainty regarding the new information technologies, lack of capital, doubts in programming.

What answers can be given, if there are any (always assuming that companies like SIC should exist for social and cultural reasons and for that and for the sake of their independence, they must be profitable)?

I will try to express my views at three different levels.

First, the companies level.

I believe we are not condemned to atomization or excessive segmentation. Traditional television is still and will be the fundamental medium through which each national audience finds the representation of values like belonging, community spirit, continuity.

I agree with Dr Ismo Silvo, the Executive Director of the European Audiovisual Observatory, who recently said: 'We should perhaps start talking about two media here, not about television. We should talk about television in the traditional sense, that will still exist I think for many years to come with the same basic logic. In addition, there will be this innovative, you might call it interactive individual television which people relate to quite differently. I think it is a mistake in the future for these aspects to be regarded as one and the same media'.<sup>2</sup>

This means that the percentage of national programmes must increase because it enhances the sense of belonging, the feeling of community.

And it applies both to entertainment and to information, implying an additional effort in national, regional and local news and a stronger commitment to national independent producers.

But it does not exclude forms of international cooperation. I am not thinking only about co-production of which we probably have non coincident opinions but also about innovative networks operations on a regular basis, through which several small channels in different countries would broadcast live the same programmes: shows, sport events, interviews, etc.

At the national government level (I am referring to the government of small countries) I think an effort should be made to support private initiative and to reward efficiency and quality.

This means dealing with the audiovisual sector as a normal economic activity and not as a group of eccentric artists.

It also means that fair competition must be safeguarded. To consolidate fair competition the future of the State-owned channels must be decided. Is it impossible to prepare that future in the direction of the American public service model?

At the European Union level, projects like SCALE are useful but widely insufficient.

The social and unifying role of generalist 'in the clear' television and the dangers channels like SIC are running justify a special project to encourage the audiovisual sector in small markets, specially those where the linguistic barrier is unbridgeable.

<sup>1</sup> Claude Contamine, in *The future of television — Generalist or thematic channels*, European Institute for the Media, 1994.

<sup>2</sup> Ismo Silvo, in *The future of television — Generalist or thematic channels*, European Institute for the Media, 1994.

I am not going to speak about the classical problem of the need of regulation. I agree generally with Commissioner Pinheiro when he said last autumn in Istanbul:

'This leads me to conclude that broadcasters will themselves continue to feel the need for pan-European rules of the game, such as those embodied in the directive. It is nonetheless clear that such an instrument needs to live with the times, that is to say, be adapted to technological and economic developments'.<sup>1</sup>

I will however express my clear opposition to quotas. Small countries are importers of audiovisual production and the deficit of their television balance will unfortunately remain negative for a long time. Small television companies must be entitled to buy where they want and not forced to buy European. In other words, SIC wants to purchase TV products anywhere in the world and does not accept to be limited by law to purchase them only, or mostly, in France, Germany, England or Italy.

It is not through quotas that Europe will have an audiovisual strategy enabling all of us to get rid of the American complex.

The life of small privately-owned channels in small markets is not easy and will not be easy. Small in this case is not beautiful.

I believe nevertheless we will remain and be able to adapt ourselves to the needs generated by the revolution of information. I believe channels like SIC will have an important role to play in the shaping of the yet unachieved cultural model of the interactive multimedia age. I believe this role will not be a conservative one, in the sense that we would represent tradition and the NITs represent progress: on the contrary, we will represent the collective or common feelings and values and the NITs may be confined to represent only some individual options.

As a former politician and even more as a journalist, I want to conclude by mentioning a point which is often forgotten in these debates although it remains of crucial importance.

All the next possibilities, all the next technologies, all the next challenges must contribute to reinforce, to strengthen, to develop freedom of expression, the right to inform and to be informed and the guarantee of pluralism. It would be outrageous if we would allow the new technologies to grow by themselves, to build their own logic, their own system, whilst ignoring and restricting the values for which we have been fighting for centuries in Europe.

All this, all the future which is already the present, only make sense if we never forget that man is the final measure of all things. Man not only as part of an audience, or part of a rating point, man not only as a client or as a consumer but also as a human being, a human person. Freedom is the essence of each and of all us on the planet. It would be unforgivable and probably irreversible if, in the name of progress, digitalization, compression, common standards, the telecommunication highways, the hundreds of channels, we would contribute to reduce freedom of speech and increase the power of governments or of large economic groups.

<sup>1</sup> Prof. João de Deus Pinheiro in *The future of television — Generalist or thematic channels*, European Institute for the Media, 1994.

## THE FUTURE ROLE OF 'IN THE CLEAR' TELEVISION

**MR JEAN-PIERRE  
ELKABBACH**

Ladies and gentlemen,

I should like to thank you for inviting me to speak on a topic which I hold close to my heart and which today represents one of the most important influences on the future of our civilization and our various cultures, i.e. the role of the television, and of State television in particular, in shaping the audiovisual map of tomorrow.

I hold this subject dear not simply because of my current position. I speak as a citizen of Europe, anxious for the future of my culture and anxious for the fate of the audiovisual means of production through which this culture must continue to express itself. Anxious, yet full of hope, since this European conference highlights a growing awareness of the problem.

### 1. TELEVISION: TO DO WHAT EXACTLY?

#### QUESTIONING THE CONTENT

Allow me to go straight to the root of the problem. What do we want to do to television and what do we want to do with television? The greatest danger to television is managerial illusion or technocratic illusion; by this I mean not questioning the content and concentrating solely on the conditions in which the medium functions. These conditions, which may be financial, technical or economic, are of course important. But the nub of the matter is the purpose which we give television and which is served by adapting these financial, technical and economic conditions to it.

It doesn't much matter to me whether the viewer can choose between 5 or 20 channels. It doesn't much matter to me whether they are analogue or digital, if the quality of broadcasts

which they offer does not come up to their quantity. If the quality of broadcasts on offer contradicts the cultural and social mission of the television. If this plethora of channels, instead of diversifying the programmes available, merely reduces them to a uniform display of banality.

The challenge facing Europe is quite simple: how can we apply new communications technologies in order to achieve a rich, diversified, cultural, original European audiovisual offer. In practical terms, how can we ensure that new channels produce, buy and distribute European programmes as a matter of priority?

#### THE EXPERIENCE OF THE 1980s

We know that the growth in the demand for programmes is going to outstrip the expected growth in revenue. There will be less money for more images. New channels will need to be able to fill their schedules with cheaper programmes. We are going to see a more extreme version of the situation experienced by all European countries when private cable and satellite channels started up in the 1980s. What happened then? Did we witness the birth of a second programme market within Europe? Not a bit of it; the European channels basically welcomed American productions, and especially American series, with open arms.

So why this influx of American products? Mainly for three reasons which were quickly identified:

First:

European television had no stocks of programmes which could circulate from one country to another. Their programmes were too exclusively national.

Secondly:

The European means of production, which were adapted to previous demand, were incapable of responding to a far larger and differently oriented demand.

Thirdly:

The Europeans, who generally set their sights no higher than their own national market, which is more or less a captive audience, had neither the same means nor, more importantly, the same distribution and marketing policies as the large American companies.

### 2. THIS POINTS THE WAY TO THREE STRATEGIC APPROACHES

How can we ensure that the same thing does not happen with the arrival of digital channels, which will cause a similar explosion in the demand for programmes? By responding jointly, as best we can, to the three evils which we have identified. The surprising thing is that the State channels are the best equipped to provide the answers, as I shall demonstrate.

**(A) POINT ONE: WE MUST BUILD UP A STOCK OF PROGRAMMES WHICH CAN BE MARKETED BOTH INSIDE AND OUTSIDE EUROPE**

For every new production financed, we must concentrate on ensuring, from scriptwriting through to production, that it can meet the expectations of several widely-differentiated audiences. This is not as complicated as it sounds. Europe already has a certain tradition in bilateral or multi-lateral co-productions. Nor are co-productions the only way to produce a programme which suits several audiences.

Making exportable programmes does not mean having to refrain from expressing the uniqueness of one's national culture. On the contrary. Quality exportable programmes can include, for example, original and well-conceived documentaries, serials based on intelligent, fast-moving scripts or series in which the hero becomes a household name, such as the *Maigret* series.

And these are precisely the sort of works which State television has always produced and broadcast and they are still the best equipped to fulfil this role. Allow me to use France as an example. The top producer of televised fiction in France is Antenne 2, with nearly 120 films a year, i.e. several dozen television films more than the top commercial station. At the same time, the State service is clearly the only one which produces documentaries in any significant numbers. The State channels today are the real driving force behind and the guarantors of European production and the fate of our creative industry will depend henceforth on their motivation and efforts.

I also know that the State stations are all aware of the mission which they have to fulfil in this field and I know that they have already begun adapting their creation policies to it. In France, the financial support granted some years ago to my predecessor (by Mr Jack Lang) and the backing for the State audiovisual industry which was renewed by the government this year, notably in the persons of Mr Alain Carignon, the Minister for Communications and Mr Nicolas Sarkozy, the Budget Minister, prove that the State has understood what is currently at stake.

We could even envisage a situation, as the EBU has already proposed, in which Europe backed scriptwriting which incorporated the aim of international distribution from the outset. We need to cultivate a new generation of scriptwriters and train them in a number of general principles governing the writing of 'exportable' series. Europe could then provide positive assistance for such training.

In all events, I should like to take the present opportunity to launch the following appeal in public to the numerous heads of State television in Europe: we must work together, exchange information on the programmes which we are preparing and step up the number of contracts and collaboration agreements. By allowing this information to circulate within Europe, we shall become better acquainted with each other's needs and more able to develop products which meet those needs within Europe itself. For our part, we are ready to do this and have already begun applying this policy. One recent example is the agreement signed on Wednesday with ZDF.

**(B) POINT TWO: WE MUST ADAPT OUR MEANS OF PRODUCTION TO INCREASED DEMAND. THE BEST WAY OF ACHIEVING THIS IN THE SHORT TERM IS BY COMBINING OUR EFFORTS**

Combining our efforts means getting together so that our individual imaginations have 10 times as many means at their service. Developing strong alliances within Europe has been my top priority since I took over at the head of France Télévision. I spoke back in January of the need for something which will do for the European audiovisual industry what the Airbus did for the aircraft industry.

Here again, State television stations are one generation ahead of private television. They are used to working together and pooling their ideas. They are used to exchanging services, skills and images. Look at what is happening in news, sport and some serials or series. Despite apparently being set in its ways, State television is in fact in the best position to adapt to a policy of intensified trade within Europe, because it will never allow concern for the viewer to eclipse concern for its mission. Two days ago we signed a collaboration agreement with the Managing Director of the German station ZDF. We regularly meet with the heads of RAI in order to bring our strategies into line. We are still negotiating with the BBC and hope to strengthen our links in the autumn.

But these agreements and forms of collaboration are not in themselves enough, given the financing difficulties and, sometimes, the political uncertainties which all the State European channels are familiar with; this is why I also advocate alliances with the large European communications groups, which have the capital to back our activities. Alliances in the European audiovisual industry should avoid bickering over the public-versus-private argument since these arguments are now well past their sell-by date. The private sector is a fact of life, but the public service is equally necessary, for cultural reasons, economic reasons and, most importantly, civic reasons. It is still indispensable, and has the clout and the ambition to prove it.

We have concluded a major collaboration and co-production agreement with the German group Beta Taurus, run by Léo Kirch, which has already entered into important partnerships with several State European stations, especially the RAI. This agreement covers programmes (serials, documentaries, music) which can be easily exported both within Europe and to other continents. So you can see how concerted action between State television and large private-sector groups can give rise to strategic groupings, to the benefit of European production.

Other similar agreements should be negotiated, especially with the large European telecommunications groups. In fact, and this is a fundamental point, although I only mention it in passing, information highways will not come about without the involvement of the image broadcasters. The initiatives taken in this sector at the last Corfu summit should be carried through, by including information highways on the agenda of conferences such as this. The European audiovisual industry should be able to support the development of digital technologies; at the same time, those in charge of these new networks should be involved in bolstering the audiovisual production potential which such networks imply. Here again, technology for technology's sake makes no sense; we need to apply these new tools to form a civilization and a culture which is specific to us.

### **(C) POINT THREE: WE SHOULD CONDUCT A REAL COMMERCIAL OFFENSIVE BOTH INSIDE AND OUTSIDE EUROPE**

(i) Inside Europe: It may seem paradoxical to speak of a commercial offensive within Europe. However, this merely entails reversing the present situation, whereby European television obtains its supplies almost exclusively from American catalogues.

This situation can be explained on two counts: first, programmes on the American catalogues are cheaper, because they have often already paid their way on markets outside Europe. Secondly, these American programmes are better known, because their distribution is usually orchestrated on a worldwide basis.

We must all make a twofold effort: an effort to promote our programmes with our neighbours within Europe and an effort to pay attention to what our neighbours are producing, in order to identify what might be of interest to us.

State television is already making an effort in this direction, more so than private television. We have set up regular information meetings between State television stations in order to exchange information on current production policy, programmes which could be distributed in Europe, etc. Often good intentions are held back by excessive cost. This is where the European Community could intervene, by encouraging the gradual introduction of a second market for European programmes. How can this be achieved?

As you already know, current broadcasting quotas stipulate 60% European works, 40% non-European works. However, as you will also know, and the contribution to the conference by the EBU has highlighted the problem; each broadcaster selects 52% of works produced nationally and only 8% of works from other European countries in order to meet the 60% quota for European works. This figure underlines the high degree of fragmentation or 'national compartmentalization' in the European audiovisual market.

The Community could therefore give an important fillip to the launch of our audiovisual Airbus by boosting the growth of intra-European exchanges through subsidies to channels which increase the proportion of non-national European works in their schedules from 8 to 9%, or from 10 to 12% or whatever. The objective being to double the present average of 8% and bring it up to 15% in the not too distant future.

There is no cause to fear that national production will be undermined. In fact, the simultaneous growth in imports in each European country will have a multiplying effect. There is also a good chance that it will be at the partial expense at least of programmes purchased outside the Community.

This Community subsidy, which would wipe out the excess cost of European products in relation to American products, would be accompanied by a clear strategy on the part of our producers and broadcasters to develop a commercial policy orientated towards our neighbours, so that our products can be fully optimized.

(ii) Outside Europe: This brings me to the more coherent and more voluntary commercial action which we need to deploy outside Europe. It is in our interests to merge listings of major rights to the maximum, and put our joint commercial forces at their service. In the case of State television in France, the commercial departments of our two channels, Antenne 2 and France 3, joined forces at the beginning of the year under an umbrella structure known as France Télévision Distribution. I want to see an increasingly coordinated supply of French programmes in order to gain greater clout on the international markets.

We have also deployed an alliance strategy with large television groups outside Europe. These two-way alliances will enable European productions to penetrate markets on which they were conspicuous by their absence. Here too, standard links between State television throughout the world can be brought into play. We recently concluded an agreement with NHK, the Japanese State television, in order to boost exchanges and partnership in numerous fields, such as documentaries, news, coverage of major cultural events.

But here again, these natural links are not always enough: the European audiovisual industry must find allies on other continents by relying, where necessary, on large private American groups, and why not? Private groups find it difficult to reach this form of agreement, in that each one is frightened that

sooner or later it will lose its independence. But European State television can easily take the plunge, as and when it chooses, and market their productions in America, Asia and Australia, by enforcing reciprocal commitments. Hence, we recently formed an alliance with the American group Regency, which makes provision for a number of co-productions and marketing for our programmes outside Europe. Besides which, I think you will agree that there has been a noticeable degree of progress in the United States over the last few months.

So there you have in three points the answers to the new questions which the development of digital television will set before Europe and why European State television, as a joint force, is now the real cornerstone in our policy to defend our production and our culture.

Allow me, however, to add a fourth point, which will bring me full circle, i.e. the importance of the content and quality of programmes, which is the principal challenge to digital television.

### 3. MORE IMAGES BUT WHAT SORT OF IMAGES?

#### QUALITY

Multiplying the flow of images is not necessarily synonymous with diversifying the supply or multiplying the choices available. On the contrary, quantity often puts quality at risk by soaking up financial resources and scattering them over a large number of projects, each of which receives too little to offer a high standard of quality.

What does quality mean in television? First a sense of responsibility. Care to avoid programmes which might have a corrupting influence on the public. As far as television is concerned, the hallmark of quality is respect for the public, a ban on ideological or moral aberrations, a rejection of violence and constant vigilance as to the effects of the programmes broadcast. I would be tempted to say that the aesthetics and the ethics of television are one and the same and reject the easy way out or the emotive approach in order to put reason first. Quality television means fair television, moral television.

#### THE SOCIAL FUNCTION OF GENERALIST TELEVISION

In the audiovisual big bang, when thematic channels mushroom, the function of generalist television becomes both more complicated and more necessary. More complicated, because it must continue to hold together a viewing public which is being tugged in several different directions all at once. More necessary, because it alone can cater for all sections of the viewing public and all types of programme, in that it appeals to the viewer as a citizen of the world, interested by what is going on around him and not merely entertained and shut off from the real world by a single category of programmes to the exclusion of all others.

This point is an essential one as far as I am concerned. Specialization not only allows a subject to be studied in greater detail; it also goes hand in glove with exclusion. A thematic channel reinforces the viewer's own preferences and tastes, it shuts him up in his own little world, in which only he exists. Generalist television does

not act as a looking glass for each section of the public, but shows it what other sections look like, which is far more important! Moral law and social rapport are founded on what others look like.

Which is why generalist television represents a public debating forum in our democratic societies, the platform on which political discussion takes place and the civic life of a country is played out to a large degree. The danger in over-specializing television and fragmenting viewing audiences represents a serious danger to the functioning of our democracies and societies in years to come. Which is why the function of generalist television is becoming more and more fundamental.

Obviously, first and foremost, the function of generalist television is that of a public service. I won't dwell on what could happen in a European country if, once the civic role of State television had been weakened, a private television group were suddenly to espouse a political cause and bring it to power. Public-sector television in Europe today provides one of the fundamental guarantees of the proper working of democracy. Germany recognized this function in a recent judgment by the Constitutional Court in Karlsruhe, which placed State television at the heart of the German basic law. The European Community would doubtless stand to gain from similar formal action, before someone somewhere questions this fundamental civic function.

I am thinking in particular of the countries of Eastern Europe, towards which the Community has a real duty to provide assistance. We must help them set up reliable State television, their democratic future depends upon it. I would like to table the idea of contracts with State television in Eastern Europe under which the European Community would finance technical assistance for them.

Even if we overlook the commercial gain to be made from such assistance, by opening up the markets of Eastern Europe to programmes produced in the Community, I think there is an important gain to be made from the point of view of foreign policy and stability for our continent as a whole. It is precisely because we live in established democracies that we must devote ourselves to this form of solidarity.

I should emphasize that this would not be breaking totally new ground, in that this form of assistance, which is even more important in that it starts from scratch, is already being provided by France Télévision in order to set up Palestinian television under a project being partially financed by the European Community.

### NEW AUDIOVISUAL MARKETS

This does not mean that State television groups have no part to play in the development of new audiovisual markets, which will be accelerated by the spread of digital technologies. It is up to State television to ensure that the development of new flows of images brings about a real increase in the choice available to viewers and not merely the illusion of such a choice. In the cultural sector in particular, State television should apply itself to enriching the supply of programmes with thematic channels which complement the commercial thematic channels. We could have thematic channels which concentrate on cultural life (theatre, opera, exhibitions) or thematic channels which concentrate on history or European fiction. They should take their place beside channels which provide wall-to-wall broadcasting of American series or sporting events.

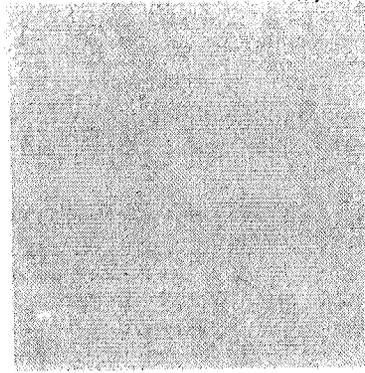
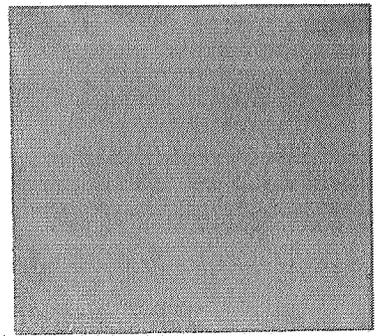
The catalyst for television, the driving force at the centre of the supply of cable, satellite and multimedia programmes, will be provided by State television groups, first in the form of their generalist channels, with numerous variations provided by multiplexing and parallel multiple broadcasting of the same programmes according to different schedules, and then in the form of a number of related thematic channels, which will be the jewels in the crown of cable programming.

By helping to widen the choice of quality programmes available to viewers, State television should also help each and every viewer to regain their freedom of initiative. I have referred to multiple broadcasting, which will enable viewers to see their favourite programme at the time of their choice. I have referred to multimedia variations, which will give the viewers the opportunity to investigate what they have learned from a

broadcast in greater detail, by looking it up at their own convenience on CD-ROM.

I hope I have made a useful contribution to the debate at this European conference and would like to thank you for listening so patiently. As you will have guessed, my conclusion can be summed up in one short sentence: we are entering the era of State television. It is in the interests of each country to protect its State television and to help it fulfil its role, help it put more reason on air, more ethics and rigour into public life and more culture on the audiovisual map. And in the competitive world in which we live, Europe should give all its State television stations the means to live up to the new missions entrusted to them.

Thank you ladies and gentlemen.



REPORTS FROM THE CHAIRMEN OF THE  
THEMATIC HEARINGS AND OF THE  
FORWARD PLANNING GROUP

**THEMATIC  
WORKSHOP NO 1:  
SUPPORT  
INSTRUMENTS AT  
COMMUNITY LEVEL  
CHAIRMAN:  
MR MICHAEL FLINT**

In considering the questions raised by the Green Paper with regard to support instruments at Community level, the workshop took into account the four fundamental requirements for the future of the European programme industry:

- (a) it must be competitive in an open world-wide market;
- (b) it must be forward-looking and involved in the development of the information society;
- (c) it must illustrate the creative genius and the personality of the people of Europe;
- (d) it must be capable of transforming its growth into new jobs in Europe.

The workshop agreed that these were indeed the fundamental requirements for the future of the industry.

In addition the workshop confirmed its agreement that:

- (a) the audiovisual industry is a special case amongst high growth industries, in particular with the possibilities it offers for job creation;
- (b) the safeguarding of the diversity of national and regional cultures is now clearly linked to the development of a predominantly European programme industry, which must ultimately be profitable;

(c) digital compression technology is seen as revolutionary and it appears set to transform the sector, accentuating the strategic role of the programme industry;

(d) if the European Union wants to strengthen its audiovisual policy, it must act quickly.

### DIAGNOSIS

The workshop agreed with the diagnosis of the current state of the film industry as set out in the Green Paper:

- (a) it is fragmented into national markets threatening the survival of small producers unable to compete on European and world markets;
- (b) the partitioning of national markets is compounded by a low rate of cross-border programme distribution and circulation;
- (c) it is trapped in a chronic deficit spiral;
- (d) it is unable to attract European capital, even though this is available for investment in non-European programme industries.

As regards TV industry, it is suffering from:

- (a) an explosion of demand and rising production costs;

(b) a low rate of programme circulation within Europe;

(c) weak production structures and catalogue shortage of programmes attractive to the audiences across Europe.

### AIMS

The workshop also agreed with the aims identified in the Green Paper. The European Union must mobilize its financial and human resources to develop a programme industry which is able to compete both at home and on the world market and at the same time act as a vehicle for its culture, create jobs and generate profit. This must be a medium to long-term policy, the ultimate objective being that the European programme industry should achieve its profitability on an open and dynamic world market.

Television 'Europuddings' due to artificially induced co-productions do not achieve this aim.

### EXISTING EU INSTRUMENTS

As regards the MEDIA programme there was complete agreement that there was an insufficient availability of financial resources as compared to the objectives to be achieved.

## POSSIBLE SOLUTIONS

There are two possible solutions:

(a) either maintain the number of MEDIA projects but increase the size of funding substantially;

(b) or concentrate on fewer projects and increase resources.

There was no criticism of the action plan which was generally regarded as successful although it is too early to come to a complete assessment.

## OTHER EUROPEAN INSTRUMENTS

As regards the Eurimage fund, the workshop considered that in general this had been successful within a limited framework, in encouraging co-production within Europe for both cinema and television fiction production. However it needs additional funding in view of the applications it is receiving and it was suggested that its condition of having three countries in co-production should be modified to two national co-producers plus a distributor from a third country.

As for 'Audiovisual Eureka' it seems to be too early to attempt to evaluate this body.

## PRIORITIES

The workshop then discussed whether the priorities defined in the Green Paper are the appropriate ones, namely:

(a) training (geared to the market and the new technologies);

(b) pre-production and project development;

(c) distribution and marketing, including high quality dubbing and subtitling;

(d) stimulation of private investment.

There was complete agreement that training should be focused on;

(a) writers;

(b) producers;

(c) business affairs and financial management;

(d) multimedia and interactive applications.

Everyone agreed that pre-production and project development should also be accorded high priority.

As regards distribution and marketing, there was agreement that first class dubbing and subtitling is essential in furthering the circulation of programmes within Europe. This priority was emphasized by the exhibitors and video distributors as well as the film and television representatives.

However a distinction must be drawn between support systems for television on one hand and film on the other hand.

As regards television, the broadcasters and television producers are discussing a proposal that in order to encourage transmission of non-national European works an incentive for broadcasters should be introduced in the form of bonuses. These incentives are thought to be necessary because

non-national European works cost broadcasters far more than non-European works. As a consequence of low-cost non-European works being transmitted frequently in Europe, the audiences have become familiar with, and now accept, American works in preference to non-national European works. It now has been demonstrated that it is possible to reach European audiences with non-national works provided there is sufficient exposure to such works.

The clearest objective (shared by a broad majority) is to produce and distribute 15-20 films (major films) per year, all over Europe.

Incentives for feature film distribution throughout the single market and through distributors for production are important but there was no agreement of how such incentives should be formulated.

With regard to the proposal that private sector investment should be encouraged, members of the workshop felt that soft loans with low interest rates from resources mobilized by the EU and national instruments would be appropriate support systems

Whether there should be priority for companies or priority for projects will depend upon the nature of the incentive.

## THE SCALE IN TERMS OF TERRITORY TIME AND FUNDING OF SUPPORT INSTRUMENTS

Subject to what is said below about Member States or regions with low audiovisual production capacity it was agreed that any support systems at the Union level should reflect a genuine European goal. There was no complete agreement on how this should be achieved but the majority were in favour of EU systems under which incentives would only be available for projects which had an international potential. National systems should also take account of European goals.

In any event, it was agreed that a levy system which recirculated money within the audiovisual sector at European level is not efficient and new money is needed. It was agreed that incentives should take the form of 'soft' loans or guarantees which would be repayable or released when the project or corporation which had received the incentive became profitable. However, it was recognized that some forms of incentives cannot take the form of loans but will require direct aid. These include training, restructuring an industry (for example, as has been achieved by the animation industry) and bonuses to encourage circulation of non-national European works.

With regard to the level of funding it was unanimously agreed that the present level, even if concentrated on priority sectors, was too small. There was no final agreement on the exact amount of funding required but some participants put forward a sum of about ECU 1.5 billion.

It was agreed that if the EU considers that audiovisual industry is a strategic sector for employment it should be given support at levels proportionate to the support

accorded to other strategic priorities.

With regard to film distribution, it was agreed that grouping of distributors should be encouraged. How this should be achieved, could not be agreed in detail but it is proposed this issue should be explored by the Commission with a working party of financiers and distributors. This should be supported to create distribution systems covering all of the EU.

As Americans have successfully created such systems, European companies should equally be able to provide film distribution for all of Europe.

Some kinds of programmes, such as documentaries, can be made for an international market provided that the right kind of incentives which need not be costly are put into place.

## MEMBER STATES OR REGIONS WITH LOW AUDIOVISUAL PRODUCTION CAPACITY

The workshop came to the conclusion that perhaps incentives at EU level should be designed so as to assist the audiovisual industry in small countries or regions to gain access to the full market and to the structures that should be put in place to enable the EU programme industry to benefit from the size of the European market.

## THEMATIC WORKSHOP NO 2:

### PAN-EUROPEAN PERSPECTIVES

#### CHAIRMAN: RYCLEF RIENSTRA

Mr Commissioner,

Ladies and gentlemen,

At occasions such as these, entirely focused on the subject of our daily passion and slightly disconnected from the world around us; while time goes by and we go deeper and deeper into the substance of our conference, we tend to think that here, in Brussels, we really are in the centre of Europe.

It must be the kind of feeling that the Greeks had last week during the European summit, when Corfu seemed to be the heart of Europe for at least 48 hours. Or similar to that sensation of the inhabitants of that Dutch city with its rather unpronounceable name that became eternal through the Maas-tricht treaty.

But we are absolutely wrong.

According to French geographers, the real centre of Europe is some 30 kilometres north of Vilnius, the capital of Lithuania, where a modest black hardrock stone says 'Europos centros'. This little geographical exercise brings us right into the subject of our thematic hearing 'the Pan-European perspectives'.

Thinking of the urgency to define and implement a European policy

for the programme industry, one easily tends to forget that Europe does not only consist of the 12 Member States of the European Union, or the 17 of the European Economic Area. Looking beyond our borders, more precisely looking eastward, there are some 30 countries with a population of nearly 345 million people; part of our continent and usually referred to as the Central and East European Countries. And here I apply the traditional geographical rather than the geopolitical concept of the East Central region.

Put into a purely economic perspective, these countries form together an enormous market; a market which in the medium or long term could offer prosperous possibilities for the European audiovisual industry.

Nothing seems more logical than to explore these markets and thus give a substantial boost to our hardware and programme industry and, consequently, a boost to the reinforcement of employment in the European audiovisual sector.

In their opening speeches, both the President of the European

Commission — Mr Jacques Delors — and Commissioner Prof. De Deus Pinheiro emphasized that the audiovisual is not a merchandise like any other. They both underlined the cultural dimension of the audiovisual and in particular the potential of films, television programmes and any other form of moving images to contribute to pluralism and diversity in our society and their ability to create access to information and, last but not least, to foster democratic values.

Given the long-standing historical and cultural links with the Central and East European Countries and given their rich cinematic and audiovisual traditions, applying the mere market approach towards these countries seems inadequate, not to say an act of blunt colonialism. Above all, it would not do justice to the enormous creative potential of the operators in audiovisual sector in these countries.

However, some of the operators in the audiovisual sector in these countries are still recovering from the shock of the replacement of a 'totalitarian regime' by a 'totalitarian market'. Most of the long-existing structures have been broken down, State support systems have been abolished, often causing a state of despair amongst the professionals in these countries' economies.

In this respect, the publication of the Green Paper occurred at the right moment as did the Commission's initiative to arrange this conference, and more in particular the hearing where the representatives of the Central and East European countries concerned, were also able to express their views on the substance.

In fact the interference of circumstances amongst which:

- the final results of the GATT negotiations;

- the publication of the White Paper on growth, competitiveness and employment;
- the evaluation of the implementation of the 'Television without frontiers' directive
- as well as the upcoming assessment of the impact of the MEDIA programme (both foreseen to take place this year);
- together with the ratification of European Agreements with various Central and East European countries, agreements which are expected to provide also the legal basis for cooperation in the audiovisual field

made it appropriate to integrate these countries in defining the outline of a new European audiovisual policy.

The participants of the thematic hearing on the pan-European perspectives were unanimous in their conclusion that the Central and East European Countries should be regarded as potential partners rather than potential consumers only. In this respect, the participants endorsed the Green Paper's diagnosis of the situation in the countries concerned. Moreover, the partnership approach as it was presented by the Green Paper, reflects best the political objective of the Union's Member States for future economic integration with the Central and East European countries. However, economic integration requires a level playing field.

Rather than caressing the professionals in the Central and East European countries by means of a 'philanthropic approach', the participants of the thematic hearing unanimously endorsed the choice of a pragmatic approach of fostering reconstruction of the still existing structures and, where appropriate, support the setting up of new structures.

It was in this spirit that the participants of the thematic hearing of pan-European perspectives arrived at the following recommendations:

## GENERAL CONCLUSIONS

1. Timeliness of the initiative to hold a debate on pan-European perspectives in the framework of the Green Paper: just in time

2. Accuracy of the Green Paper's diagnosis: rather accurate and justified

However, cultural aspects have not been given enough attention compared with economic and industrial considerations

The picture of the state of the industry in certain countries has been criticized as overly negative

3. Diverging opinions as to priorities:

Some participants believed the problems inside the Community should be solved as a matter of priority

Most participants were in favour of carrying out measures simultaneously in the European Union (EU) and the Central and East European countries (CEECs)

4. 'Colonialist' and 'philanthropic' approaches were unanimously rejected

Commitment to partnership and networking extended to include Eastern Europe

Nevertheless, need for a transitional period (of some 10 to 15 years) during which the following should take place:

- (a) reconstruction of infrastructure;
- (b) development of a legal framework;
- (c) legal harmonization, in particular regarding property

5. Consequences for employment in the EU:

The delocalization of work resulting from the purchase of services in the CEECs could have a negative impact on employment in the EU

But the problem would seem to be only temporary: in the long term, exchanges are expected to promote employment creation

## 6. What priority measures and what sectors?

### (a) Training

Management and marketing techniques;

Production techniques;

- financing arrangements,
- co-production,
- project development,
- scriptwriting;

Law:

- networking/access to information;

Methods

Exchange of know-how;

Schemes organized by broadcasters (the EBU and ACT);

The PHARE programme (for instance, cooperation with GESAC, AIDAA, the ACT and PHARE)

### (b) Production

Direct assistance was not considered on account of the costs involved;

On the other hand, guarantee funds on the model of EMG were suggested;

Coordinated action by financial institutions;

Whatever the models chosen, care should be taken to avoid distorting the market and curbing private initiative

### (c) Distribution/cinema management

Creation of compensatory mechanisms to balance supply and demand;

Concerted action for transnational and transcontinental movement of European Works;

Cinema networks (such as Europacinéma);

Support for the creation of East/West joint ventures for cinema management

### (d) Broadcasting

Stepping-up of programme exchanges;

Compilation of catalogues;

Solution of the piracy problems of video cassettes, decoders and access cards;

Control of transmission authorizations

### (e) Multilingualism

Significance of support for dubbing and subtitling

Need to harmonize dubbing and subtitling

## 7. Identification of instruments

The assets of MEDIA for the CEES:

- networking and promotion of cross-border cooperation;
- avoiding ghettos and 'isolationist' effects;
- massive and long-term impact (10 to 15 years);
- consideration of differences in maturity of markets

No ideal model at this stage and need for thorough, in depth debate among all the parties involved.

By unanimous request

There is a need to raise awareness of the importance and strategic role of the audiovisual sector among the governments of the countries involved

The audiovisual sector should be included among the priority measures of the PHARE and TACIS programmes

## THEMATIC WORKSHOP NO 3: THE RULES OF THE GAME

**CHAIRMAN:  
MR BERNARD MIYET**

The central aim and constant concern of the people involved in the thematic hearing devoted to the 'Rules of the game' has at all times been to find more effective ways and means of promoting the creation, production and circulation of European audiovisual programmes. Although the debates have not of course been free from ideology or a defence of the various financial players' professional interests, a consensus has been reached: namely, to meet in as effective way as possible the enormous challenges which will face the European audiovisual industry in the coming years.

Although cultural ambitions have been reaffirmed throughout the discussions, the economic aspects of this sector have been kept in mind at all times, whether in terms of respect for business reality, conditions of fair competition or the need for our companies and programmes to be internationally competitive.

Everyone is aware that the audiovisual scene in our countries has changed radically over the last 10 years: satellite technology has pushed back the frontiers and cable technology has brought abundance. In time to come, digital compression will speed up the globalization of broadcasting, promote the internationalization of

trade in programmes and modify modes of individual consumption. Paradoxically, the multiplicity which will result from this development may increase the trend for the number of sources of programmes (particularly fiction programmes) to decrease owing to the scale of the financial resources which this market transformation involves.

All participants agreed that the freeing-up of communication infrastructure could have a positive impact on the creation of a homogeneous and transparent market or on employment. However, they thought that deregulation was not desirable because services offering audiovisual programmes are involved and owing to the cultural impact of these services. The professional bodies are therefore awaiting with some interest the communication which the Commission is soon to issue on this matter, and have asked to be fully consulted in this connection.

In order to safeguard consumer interests, maintain pluralism and prevent any abuse of power, the participants thought that it would be a good idea to give all operators the freest possible access to infrastructures and, in particular, to maintain a balance between channels which are free of charge and those which are not.

As regards the competitiveness of the European industry, the participants generally recognized that it was important to have strong enterprises and a broad internal market to give our productions every possible chance on the international scene. After all, audiovisual productions must nowadays pay

for themselves through the greatest possible number of countries and also through the various media used to broadcast them.

Economic and financial viability starts with the creation of a European area which enables a stable legal framework to be created. The directive relating to 'Television without frontiers' represents the first step in this direction by defining the legal framework for radio broadcasting, although it has been indicated that its existence does not allow it on its own to eliminate the obstacles which help to perpetuate the fragmented nature of the European market. To help on this, it would seem to be important to take a bold approach to see what measures or policies should be implemented at both European and national level to remedy this.

At a time when the audiovisual, telecommunications and computing sectors are merging together, the need for pooling will become even greater. As a result, Europe must be able to provide European entrepreneurs with a competition capability which is equivalent to

that of their foreign counterparts. To the extent that the organization of the media remains essentially national in nature, communication groups naturally have a tendency to join forces at this level since they are unable to actually envisage growth at European level. Besides the fact that this development does not alter the size of the various markets on which enterprises operate, risks may exist as regards the abuse of positions of dominance and the preservation of pluralism in each of the countries. At a time when the Commission and the Member States will be examining the suggestions made in the report on the information society and the Green Paper on the concentration and pluralism of the media, thinking will need to take account of these concerns which have been expressed by the participants so that a suitable balance can be struck between the needs of international competition and the needs of the general interest.

As regards the 'Television without frontiers' directive, the participants all welcomed this document because 'a free market cannot mean a deregulated market'. The majority of the participants thought it was necessary to adapt or clarify certain aspects so as to avoid any confusion or legal ambiguity which might justify a *fait accompli* policy.

The participants emphasized the diversity of the television services and agreed that it was not in all cases desirable for rules which had essentially been devised for general-interest radio channels to be applied to such services. They therefore wanted greater account to be taken of the specific features of the services so as to have rules which are easy to apply and better respected.

The group noted the application appraisal concerning compliance with the obligations governing the broadcasting of European productions which had been drawn up by the Commission in accordance with Article 4 of the directive, but doubts and questions were expressed by a large number of participants who deplore the excessive latitude given to operators and States with regard to the implementation and monitoring aspects covered by Articles 4 and 5.

The obligations for scheduling European productions, as defined in Article 4 of the directive, were not challenged by anyone. Given the legal uncertainty inherent in the imprecise wording of this provision, however, many participants wanted this document to be clarified and rendered more precise so as to avoid any ambiguity. Various proposals were made in this connection, covering the nature of the programmes concerned, the scheduling hours and the deletion of the phrase 'when-ever that is feasible'. It was not possible to reach agreement on these suggestions.

As regards the chronology of the media, it was recalled that a provision of this type meets three objectives: to optimize potential film takings, to maintain screening in cinemas and to provide a balance between radio broadcasters and producers. That said, the debates revealed that enforcement of this provision was associated with certain problems. Most of the participants thought that it would be desirable to think about adapt-

ing this provision and two options were mentioned: the first option involved maintaining Article 7 of the directive while at the same time making it more precise so as to take account of the various methods used for screening films, while the second option involved the complete elimination of this provision, with Member States then being able again to allow for different screening methods which meet the conditions of each market.

On the question of independent production, the participants considered that a stricter and more homogeneous definition of independent producers should be sought within the various European countries. Given that the relationship which exists between broadcasters and producers is based on strength, it appeared appropriate to prevent the possibility of independent producers being completely deprived of their legitimate rights.

In the context of international competition, Europe must mobilize the greatest possible resources within the audiovisual sector. As a result, it appeared essential to have strong public-service bodies given the scale of their investment in creation and production. It is therefore important for these stations to have stable and adequate financial resources to meet the public-service responsibilities assigned to them.

With the introduction of new technologies and, in particular, digital technology — which will promote the spawning of new channels, particularly those of a thematic nature — it seems that the obligations governing broadcasting time may be unsuited not only to certain thematic channels but also to certain new services, such as *à la carte* television. This finding led most of the participants to envisage the possibility of undertakings to invest in the creation and production of European works for the operators concerned. After all, a proposal of this kind seemed to them to be more suited to the required objective, although its implementation would require detailed consideration.

As regards tele-shopping, the participants agreed on the need to eliminate the time limit provided for in Article 18 of the directive and also to define the tele-shopping channels precisely so as to prevent any abuse, particularly with regard to consumer interests.

In addition, the group considered that a flexible interpretation of the rule concerning advertising breaks at 20-minute intervals would be desirable. The participants thought that it would be worth examining the appropriateness of harmonizing the rules on advertising breaks which apply to the various works of fiction.

There was a long and lively discussion of the problem of supervising enforcement of the directive in view of the disputes and problems which have arisen in recent years. A number of participants felt that it was important for receiving countries to have certain powers in this area. Other participants considered that frustration and disputes can only increase unless the provisions of the directive are refined and clarified on the most contentious points, with

the current wording allowing for excessively divergent interpretations by the States. Meanwhile, other participants expressed a desire for the principle of the broadcasting State's responsibility to be retained, short of destroying the very foundations of the internal market.

The Commission explained once again the legal framework in which radio broadcasting is carried out: the directive, which is based on the free circulation of services provided for in Article 59 of the Treaty, lays down the principle of a single applicable law, i.e. the law of the country of origin. Apart from the coordinated areas, Article 59 is in that case strictly applicable without it being possible for the measures accompanying the directive to be taken into account.

With a view to creating a climate of full and mutual trust, it was considered to be useful and desirable to draw the Member States' attention to the advisability of cooperating actively to ensure the harmonious application of this document.

**THEMATIC  
WORKSHOP NO 4:  
CONVERGENCE OF  
NATIONAL  
SUPPORT SYSTEMS**

**CHAIRMAN:  
MR STEFANO ROLANDO**

Mr Commissioner,  
Ladies and gentlemen,

1. Thematic hearing No 4, which brought together participants from a variety of professional and cultural backgrounds, representing different industries in the field, addressed the complex question of the importance of national support systems for the future of the European audiovisual industry. These are vital for overcoming obstacles to cooperation, problems of industrial culture and the lack of international visibility of European products, even in the fragmented context where each country strikes its own balance between public institutions and private companies, between resources and talents, because the market does not always offer a valid response to the situation. Reference was made to Chapter 5.3 of the Green Paper and the possible ways of reconciling the legitimate autonomy of the Member States in the matter of national support systems and the Treaty, which sets out the terms for State aid (Article 92) and includes special conditions in the field of culture (Article 92(3)(d)).

2. The Community concept of convergence should not usurp the complex role of national institutions (States and local authorities). Nor is it a case of transferring powers from one level to another, or of forcing less structured experiments to conform to more rigid models.

Convergence should be seen as a tendency to foster and develop conditions favouring some form of joint organization and cooperation between the various players in the system. This tendency will be encouraged by the ability of Member States to interpret the needs of the professionals (while balancing statutory provisions, socio-cultural needs and an industrial strategy) and by the links between Community level and the Member States, which can be developed and improved.

Looked at in this light, the subjects of thematic hearings 1 and 4 are closely linked.

3. The first level of cooperation as is evident from the interest shown by participants in the research carried out by the Commission representatives, is concerned with information on national support systems. There was widespread support for promoting exchanges of information on experiments carried out at national level. If these exchanges are to be useful they must follow a standard format and the information must be detailed and collected on a permanent basis. The participants looked to the Community institutions to help ensure that all the relevant information about practical arrangements, access, amounts of funding available and the calculation of takings under the various support systems was circulated in professional circles.

4. The discussion also highlighted the differences between national models. They are rooted in clearly defined legislative systems and administrative cultures which are not always founded on the same basic principles. Equally, some countries have no support systems whatever. If they could be gradually opened up, the various systems could draw closer together in a pragmatic fashion, offering easier access to European partners.

5. Although exact figures are hard to come by at this stage, it is estimated that national systems taken together account for resources 10 times greater than those mobilized each year by the Community. They represent no less than a third of all available resources on the European market. They are therefore a significant element in the accumulation of a critical financial mass. However, some of these support systems should place greater emphasis on competitiveness, without this necessarily having a detrimental effect on national and regional cultural identity. Participants stressed the need for a massive increase in the Community funding available.

6. National support systems cover the following levels of intervention (although some systems are restricted to certain areas only):

- (a) creation;
- (b) production;
- (c) distribution;
- (d) preservation of the heritage.

They obviously cover the various sectors:

- (a) cinema;
- (b) television;
- (c) the new media (particularly in the educational field);
- (d) distribution infrastructures.

7. In the course of the debate the participants highlighted the merits and distinctive features of the various systems. They began by stressing the need for a common definition of 'European works'. They emphasized several important distinctions:

(a) Between automatic aid linked more closely to market resources (where all that is required of the administrative services is to monitor conditions of access) and selective aid (which, in some people's experience meant intervention playing a 'strategic' role, while for others it meant the 'sprinkling' of meagre amounts of assistance. Despite this criticism, this type of aid was thought to play a real role in creating a local economic infrastructure which can generate jobs.). The participants pointed to the need to enhance the role of automatic support systems without losing sight of the fact that their funding base should be extended to all types of distribution (TV, video, video on demand, pay TV, etc.).

(b) Between direct support (for programmes, companies, projects, the technical distribution side) and indirect support (primarily via tax incentives and credit facilities).

(c) Between exclusively national models and systems that are open to transnational cooperation.

8. The participants also considered the arrangements for granting aid. The different procedures adopted reflect the various 'administrative cultures' and relate to selection criteria, the quality of the assessments and the strategic priorities themselves. The conditions under which negotiations are conducted between the professional sector and the authorities are of strategic significance, depending on how binding they are. In this context participants stressed the crucial importance of transparency.

9. There is an urgent need to identify the type and volume of resources needed to develop production and improve distribution so as to confound predictions that Europe will be unable to take advantage of the doubling of demand on its own internal market between now and the end of the century. This was the backdrop to the question of the role for national support systems, raised by the Green Paper and examined in the contributions by the Think-tank.

The resources required should be measured according to two different objectives:

(a) To respond to the various socio-cultural needs arising from linguistic and cultural fragmentation while at the same time preserving territorial identities and respecting the principle of pluralism.

(b) To select those forms of intervention (at every stage of the process of creation, production and distribution as well as in the infrastructures) that reinforce the competitive potential (including the potential for niche markets) on the international market and that part of the internal market reserved for European works.

One essential measure mentioned is training, which is particularly important because of the possibilities it creates for job mobility. Another vital dimension concerns research, which must also be applied to analysing public demand (as already occurs in the field of television, where audiences still show a marked preference for national products).

10. The participants were not in favour of limiting national support systems to socio-cultural objectives and Community systems to initiatives focusing on competitiveness. They took the same view of a comparable distinction between public television services (socio-cultural objective) and commercial channels (competitiveness). The arguments put forward focused on the risk of widening the gulf between culture and economics and between cultural identity factors and public demand.

Participants warned of the danger of a lack of strategy, which would lead to a dissipation of effort, duplication, lack of rationalization in the use of available resources, with the result that it would be impossible to achieve the critical mass needed for resources to have any real structural impact. There could be no convergence without a strategy.

Aid with a view to convergence might ideally take the form of complementary funding. Several professional delegations mentioned the different roles of private and public television and spoke of the need to enhance the role of the latter.

11. Close cooperation between the Community institutions and professional circles was an indispensable condition for operating such a convergence policy.

Such a policy might result in a standard framework for coproduction agreements replacing the current bilateral one.

12. David Puttnam, a member of the Think-tank, suggested that a task force be set up within the Commission to study the problem of convergence in greater depth and coordinate efforts with the other Directorates-General involved.

13. The participants suggested that in the interests of convergence provision should be made for a dialogue between the Member States and the Community institutions on a homogeneous, regular and permanent basis.

Regardless of where responsibility lies in the audiovisual field (culture, economics, technology, communications, education, regional policy, etc.) there must be some coordination among the various fields and agreement on an overall political strategy for the audiovisual media.

## PRESIDENT OF THE FORWARD PLANNING GROUP

**MR JACK LANG**

Mr Chairman, ladies and gentlemen,

It would be entirely presumptuous of me to summarize the work of the discussion group of which you appointed me chairman. Every contribution deserves at least a commentary. I therefore hope that, for your personal edification, they will all be published very soon.

You have, I believe, the schedule of speeches before you, many of which have been very memorable. Some dealt with the 'state of play' for television: we heard a speech by the head of a large television channel, Étienne Mougeotte, and another by the Chairman of the European Radio and Television Union, Albert Scharf. Then, Aurelio de Laurentiis presented us with a very complete, lively and stimulating panoramic view of the situation as regards cinema. The Green Paper was presented by Colette Flesch and the Report of the Think-tank by Antonio-Pedro Vasconcelos.

Turning to the information society, reports were presented by Michael Niebel and John Hawkins, who have closely monitored the work of the Bangemann Committee. On parallel subjects, we heard excellent speeches by Alain Levy, Manfred Lahnstein and Andres-Vincente Gomez. The last three speeches concerned open-access television. We were addressed successively by Leslie Hill, Chairman of ITV, Francesco Balsemão, chairman of a private Portuguese channel and Jean-Pierre Elkabbach, chairman of French public television broadcasting.

As regards aspects relating more to the connections between cinema, television, culture and the economy, Jorge Semprun, Volker Schlöndorff, René Bonnell, Nicolas Seydoux, Sophie Balhetchet, Jean Stock and Bauke Geersing provided information and suggestions of great importance.

It would be remiss of me not to mention the brilliant contributions we have also had from the floor. I am thinking particularly of Jack Ralite, whose often witty and original comments really enlivened the debate.

I am sure you are looking forward to reading this material in the proceedings, which are soon to be published.

As a summary of our work, Colette Flesch and her colleagues have drawn up a text. This was an exercise verging on the impossible. The text, which will be distributed to you, evokes first of all the cry of alarm expressed by very many speakers on the situation in many countries. The text refers in particular to the lack of a spirit of cooperation between the various partners and the indifference of some States. At the same time, it draws attention to our assets, had we only the lucidity and courage to exploit them.

Another point to which Colette Flesch's summary draws attention is the fragmentation of the markets and the obstacles to intra-European distribution.

The text also deals with the situation in Central and Eastern Europe and stresses the urgent need to guarantee these countries access to the Community programmes.

With your permission, I should now like to add my own 'pinch of salt'.

There are three considerations which, I feel, should guide our deliberations and activities.

The first of these considerations is that there is no purpose in using a scapegoat to explain the deterioration in the situation of European television and cinema. The ills affecting us are not to be blamed first and foremost on the powerful and active American audiovisual industry, as conspicuous and even dominant as it may be on our markets. If we are ailing here and there, we must first of all blame ourselves, whether we be merely citizens of Europe, representatives of the European governments, members of parliament or professionals. The main culprit is not America but the indifference of the public authorities of our own countries. Let us be clear about this: the problem comes principally from our European heads of government, to whom culture means about as much as a pair of old socks. It is the last of their worries. They are, to my mind, guilty of 'failing to come to the aid of an endangered culture'.

Second consideration: it would be facile, and, indeed, illusory, to imagine that the solution could come solely from the European institutions, whether they be the Council of Europe, the European

Union, executive or parliament. It would be a way for each country to avoid assuming its responsibilities and facing up to its obligations. No one can take the place of defaulting countries, States, lacking in willpower, drive and imagination.

Nonetheless — and this is the third consideration — without a strong European initiative, European audiovisual production and film-making are condemned to gradually disappear.

I think the time has not come for Europe to take the necessary step and commit itself more resolutely to safeguarding the culture of the continent. We are not starting from zero. The Europe of the arts has begun to take shape over the last 12 years. Let us see how far we have come.

Prior to 1982, a meeting of this type would have been inconceivable. To talk of cinema, the arts or audiovisual matters within the European institutions would have been preposterous. I still remember the request we made with Melina Mercouri in 1981-82, a 'revolutionary' request, which consisted simply in begging the Ministers of Culture of the countries of the Community to secure the right, the meagre right, to meet once or twice a year. I think we had to wait two or three years. Which goes to prove that tenacity and obstinacy are needed more in this field than anywhere else.

Since 1982, a whole sequence of initiatives have gradually changed the state of affairs. One example is the appointment of a European Commissioner specifically responsible for cultural affairs. This post is currently held with great talent by João de Deus Pinheiro. It was he who, together with Jacques Delors, convened this European Audiovisual Conference.

Another European initiative was the 'Broadcasting Directive'. Admittedly, it is not perfect. But, like all compromises, it has the merit of existing. And then there are other achievements of note such as the MEDIA programme, the directives on copyright, etc.

The most important change to have occurred in recent years is above all a change in philosophy. For a long time, the dominant theory of the EEC treated cultural goods in the same way as ordinary goods. This ultra-liberal thinking caused the Community authorities to subject cultural goods mercilessly to the normal rules governing competition and free movement. This attitude, which denied the specific and original character of works of art, placed them on the same footing as industrial conveyor-belt products. Had this doctrine not been called into question, it would have had a devastating effect on the cultural life of the countries of the European Community.

Fortunately, the idea gradually took hold that the production and distribution of works of the mind cannot be subject to the same rules as those governing the manufacture and sale of bars of soap or tubes of toothpaste.

However, we had to fight long and hard before convincing the Community powers-that-be. In the name of the free market, my country was arraigned before the European Court of Justice in Luxembourg because of its law on a single price for books. In 1984, the Court finally recognized the specific nature of books as cultural goods and authorized a Member State to bend the ordinary rules on competition.

In 1985, there was another victory: the recognition by the same Court of the concept of a cultural imperative in connection with a case relating to the release date for video-cassettes.

At the European Audiovisual Conference held in Paris in 1989, Jacques Delors completed this new philosophical approach by proclaiming loudly and clearly that culture cannot be treated like any ordinary commercial product. In this way, the President of the Commission fulfilled the expectations of European artistic and creative circles and firmly established the change in attitude of the European institutions. This victory was then crowned with the Maastricht Treaty's recognition of education and the arts as potential areas for Community intervention.

So where next?

We need to make progress on two fronts: rules and financing.

As regards rules, the group led by Bernard Miyet has done some exceptional, I might say quite stunning, work. Just a word on the information super-highways. We have had some very noteworthy contributions from technologists and industrialists which, at the same time, have made some of us shudder. In the name of the freedom to create powerful transnational groups designed to compete with the Americans and the Japanese, these industrialists have told us to 'relax the rules', 'abolish the quotas', 'remove copyright

protection', which they see as so many impediments to the development of these famous information super-highways. A similar view is adopted in the Bangemann Report.

I shall be quite frank: this blackmail is unacceptable. When the 'Broadcasting Directive' was drawn up, this same type of technological blackmail was exerted on the governments, artists and producers. We were told 'High definition is tomorrow's future and, to compete with the Japanese or the Americans, Europe must set up a dynamic high definition programme, whatever the cost,'. And these same technologists and industrialists added 'We would request the ministers of culture and the artists to hold their horses and adopt a rather vague text so as not to hamper our ambitious technological plans'.

Ultimately, a compromise was reached, which, in my view, was too soft. Today, we can see that the directive, drawn up as it was under pressure from industrialists and technologists, lacks nerve and needs to be given more bite. And what is more, the famous European high-definition television has never come about! We were therefore deceived by the technologists and the pressure groups!

So, I beg you, let us not commit the same psychological error in the case of the information super-highways. There can be no question of giving in to renewed blackmail even if we have to recognize that the rules on tele-shopping or tele-services will have to be far more liberal than those governing artists' rights.

Another subject on which we have exchanged ideas on several occasions is the financing of programme-production industries and industrial structures.

We are all aware of the shortage of finance for film-making and audiovisual production. Yet, it is not really so much money that is lacking as willingness: many countries do not make the choices to assist culture and creativity that they should make.

However, the most important thing perhaps is the industrial structures, the structures of production and distribution. You have on several occasions referred to the measures to be taken to ensure that distribution is more European and to improve intra-European trade. But to my mind, and in this respect I share the views of several organizations represented here, we can only embark on this new stage if we can gain public attention and support for a simple but powerful idea without losing ourselves in a maze of proposals. It is the only way of overcoming the quite understandable contradictions between national interests and corporate interests.

A simple idea? And what is it? I have already explained it — a Community support fund for the film and programme-making industry. It would be managed by a genuine European centre for the visual arts. It would be a life-line for our cinema and television.

How could such a fund be financed? There are three conceivable methods.

The first could lie in applying a modest import levy on American films, on the lines of the common agricultural policy. Unfortunately, I suspect that some senior European figures would be viscerally hostile to this type of measure. In their eyes, such a system would be tantamount to a form of protectionism and discrimination whereas in fact it is a fair solution. The

American cinema enjoys exceptional hospitality in Europe and, in return, it would only be fair for it to help to restore the balance in favour of the production of European films and series. Alas, what has been accepted for agriculture is rejected for the arts. So it is perhaps better to refrain from engaging in a battle which, I am convinced, we would lose from the outset.

A second financing arrangement, proposed by René Bonnell, would involve introducing a moderate levy on European distributors. The idea is ingenious. But I fear that the omnipotence of some distributors and the complacency of the governments towards them rules out any such a solution, self-evident and justified though it would be. More precisely, the television distributors enjoy a privilege (the right to broadcast) and are authorized to use the public domain. It would be normal for them in return to actively support the distribution of films and series.

The third solution, which, to me, seems more realistic, would be to allocate 1% of the Community budget to this fund. Compared with expenditure on agriculture or structural activities, this figure is relatively modest. If we are to achieve our aims, we have to bring strong pressure to bear on the governments and those responsible for European policy. We have to make them realize that the arts have today become a source of economic development and that the economy of the imagination is the economy of tomorrow. Non-material investment will be

greater than material investment. These activities are a potential source of new jobs. Furthermore, we must safeguard Europe's soul, its way of life and its identity. What would the spirit of Europe become if in the future the images projected to millions and millions of spectators were exclusively American or Japanese?

Safeguarding our visual arts industry should be an imperative for the European authorities. They would be failing in their mission if they were to abandon their people to the domination of images from elsewhere.

This is why we have to gain popular support for this idea of 1% of the Community budget; We must hammer out, repeat and spread this message from one platform, enclosure and meeting to the next. We must push onwards and drive this claim into the skulls of those who lead Europe. This 1% has a symbolic value. It can be a rallying point for all those who still believe in European civilization.

Some circles will say that this fund is likely to lead to the creation of a new bureaucracy. The answer is that there is no question of its becoming an outlet for subsidies. Its thinking must be based on a desire to motivate. It will provide a solution for production and distribution only for those producers or countries which make a genuine effort at renewal and investment. It will have to act as a lever on economic operators. Its principle must be 'Heaven helps those

who help themselves', i.e. 'one ecu invested in your country, may be matched by another from the fund'. This Community fund must instigate a dynamic restructuring process in the various branches of the film and programme-making industry. It will have a lightweight organization. It will be managed with the aid of professionals.

So, to sum up, are we fighting a rear-guard battle here? Is it doomed to failure from the outset?

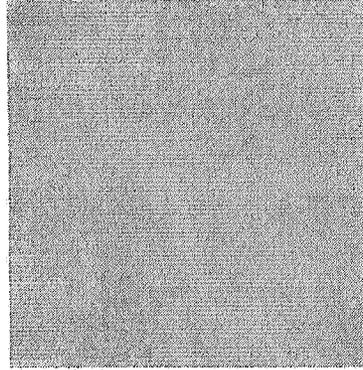
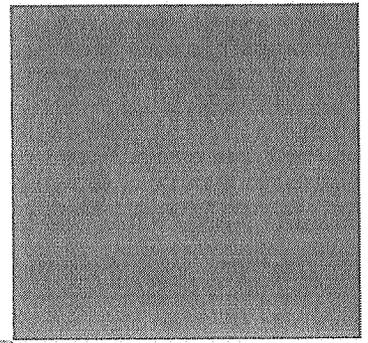
Those who lay claim to a certain modernity doubtless think secretly or openly that we are Luddites, representatives of a bygone age strongly opposed to the technological developments of the late 20th century. Far from rejecting this criticism, let us, on the contrary, embrace it. Let us be, dare I say it, 'progressive Luddites'. The history of the European cinema fills us with pride. The creative wealth of the early television broadcasts is likewise something to be proud of. Let us ask ourselves: in what legal and economic circumstances did those films or audiovisual products come about? They came about at a time when everything was not sacrificed to immediate profit. The old legal circumstances of the cinema or television did therefore have a good side to them! So why ditch them? Let us rejuvenate these systems, breathe new life into them! I am convinced that they can still bear beautiful fruit.

So is this battle lost from the outset? I do not think so. My national and European experience tells me that nothing is ever obtained easily when it comes to art and culture. One has to fight like a lion, measure after measure, decision after decision. Today, we have the good fortune to have a European Commissioner for Cultural Affairs who fights and believes in what he is doing. He enjoys the support of an administration which is striving fervently to promote the arts in Europe.

The German Presidency has been in place for some hours now. I recollect that Chancellor Kohl has given his backing for difficult and demanding cultural projects on several occasions. Without his personal support, my country would not have won the battle of the single price for books at the European Court in Luxembourg. Likewise, it is thanks to his personal support that the Franco-German cultural channel ARTE could be set up. Since France will take over from Germany next January, let us hope that these two countries will agree to impart to their presidency a strongly cultural complexion and make this fine idea of 1% for the arts a success.

Lastly, let us hope that the new European Parliament will also be able to make its voice heard and that it will have the courage to give the arts the full recognition they deserve.

108-109



## CONCLUSION OF THE CONFERENCE

## MRS URSULA SEILER-ALBRING

### THE PRESIDENCY OF THE COUNCIL OF MINISTERS

Esteemed Commissioner  
de Pinheiro  
Mrs Flesch  
Ladies and gentlemen

The European Commission and its Directorate-General X have kindly invited me to attend this European Audiovisual Conference in my capacity as President of the Council and I would like to take the opportunity of saying a few final words.

Esteemed Mr de Pinheiro, your Green Paper on strategic options for strengthening the programming industry in connection with the European Union's audiovisual policy, which was submitted in April of this year, has provided the basis for a far-reaching discussion of future Community activities in the audiovisual sector.

The central theme of your trade conference has been the strengthening of the European programming industry. This theme is bound up with the proposals set out by the Commission in its White Paper on growth, competitiveness and employment, which we discussed in Corfu.

In addition, there is a substantive link with the evaluation of the EC television directive, on which the Commission will submit a report. Lastly, your discussions tie in with Commission proposals on the continuation of the MEDIA programme, which is due to finish at the end of 1995.

Ladies and gentlemen, following three days of intensive discussion on the main thrust of future Community audiovisual policy, I would first like to thank you very warmly for your participation and for your contributions in shaping European policy in this important area.

As a result of the rapid and far-reaching developments which are taking place on the audiovisual market, the Green Paper calls for us all to engage in frank discussion in order to develop a European film and television programming industry 'which is competitive both at home and abroad, provides a means of imparting European culture, creates jobs and achieves profits'. The Green Paper has thus set itself a culturally and economically ambitious objective and specifies various options for the future media policy of the Community and the film and television industry. It would be inappropriate for me to evaluate or give special emphasis to individual proposals in my closing address. The Commission will assess the results of its conference with the aim of presenting the Council and Parliament with proposals on the format of the Community's future audiovisual policy. However, in my capacity as President of the Council, I would like to make a few fundamental remarks on audiovisual

policy, which also comes under the German Presidency. There is no need for Europe to hide its light under a bushel — after all, its audiovisual industry certainly has plenty of potential of its own. Nevertheless, I am fully aware of Europe's weaknesses in this area, such as its high annual trade deficit as compared with the USA and the fact that the film sector is facing difficulties throughout Europe. Conditions for European suppliers vary considerably within the radio broadcasting sector. The situation of public broadcasting organizations has become difficult, particularly in the smaller Member States. Private radio broadcasting organizations have, on the other hand, more than held their own on the liberalized markets. The television directive has also played its part in this regard and continues to be an important factor in the development of European audiovisual policy.

This development is difficult to assess. New forms of integration and technologies are affecting what is supplied. Positive growth forecasts have been made for the media and entertainment sector, and this means that there is significant employment potential. However, the extent of this development and the associated time-frame are not yet clear. Market developments will reveal whether the many forecast channels will actually be successful and elicit the interest of viewers.

In this context, the European Commission has made a major contribution by making a variety of observations in its Green Paper on audiovisual policy, observations which have given you an opportunity at this European audiovisual conference of debating the economic and cultural aspects of future Community activities. Future action must be carefully considered and reviewed and, as a result, your thorough discussion of possible options represents a significant contribution.

However, clear results will not really be achievable in the short term. The German Presidency will therefore be characterized by the preparation and discussion of specific proposals which the Commission will present in the autumn.

There is broad consensus on the objective of achieving improved European supply and exchange within the Community, as outlined by the European Commission in the Green Paper, through the use of European potential in the audiovisual field. However, agreement still needs to be reached during the ensuing consultation process on how we are to achieve this objective. We must not overlook linguistic and cultural differences within the European market, not least in the smaller Member States. Such diversity also has its advantages. The main thrust of our policy is therefore to promote the cross-border European exchange of national audiovisual products while at the same time preserving regional cultural differences.

We need a sensible basis to enable us to discuss the Commission's proposals in an appropriate way. Views on the television directive and on the rest of the MEDIA programme are still divided. Whereas some people advocate open and flexible market development in the audiovisual field and, in particular, stand up for improvements in structural parameters so as to increase the competitiveness of European film and television suppliers, others highlight the observance of certain rules and precautions which are designed to strengthen Europe's position in this market. Different evaluations also have an effect on the radio broadcasting systems of the various countries. These disparate radio broadcasting systems reflect the cultural diversity of Europe, which we want to preserve. In this connection, account should be taken of the system used to fund public broadcasting

corporations, which have a special role to play. It makes a difference if the broadcasting organizations under consideration are State-funded, exist on licence fees paid by the public or are dependent on revenue from commercial advertising. We should not forget that viewer interests vary. The variable circumstances of organizations within the radio broadcasting sector have already played an important part in the drafting of the television directive, particularly as regards the possibility for new suppliers to enter the market as private television organizations. Extensive discussions were needed before it was possible to reach a compromise under which the bulk of television programmes are to be reserved for European programmes.

The GATT negotiations have left Europe the necessary scope within the audiovisual sector. In our view, we should if possible continue to maintain a flexible and open attitude *vis-à-vis* our North American partners in order to shape developments by means of dialogue and cooperation. Although the European Union and the USA are competitors, they have things in common in terms of values.

We also still need to conduct an in-depth discussion on further shaping of the MEDIA programme and possible main points of emphasis, while at the same time heeding the budgetary constraints with which we are all familiar. It should be a matter of special importance for us to develop cooperation with Central and Eastern Europe. We must support and encourage these new States and fledgling democracies and launch promotion programmes for them. I would therefore like to expressly thank the Commission for its proposals in this direction. Although we want to join together in getting audiovisual production in Europe moving, we must not cut ourselves off; rather, we must be receptive to exchange and collaboration, not least in the interests of preserving our cultural diversity and common values.

The German Presidency will endeavour to reach fair compromises and to prepare objectively sound decisions. In this connection, we will cooperate closely and trustingly with the French and Spanish Presidencies which will succeed us.

## CLOSING REMARKS PROF. JOÃO DE DEUS PINHEIRO

Ladies and gentlemen

On the eve of the 'digital revolution' that will induce deep changes not only in the audiovisual sector but on our society as a whole, I believe that we have an opportunity to reverse the declining trend of the European audiovisual industry.

The Commission will put forward a strategy framework which shall be based on your debates and other contributions we have been receiving. There will be no healthy European information society without a strong content strategy.

But that will not be sufficient.

It is imperative that the professional associations, the national authorities join forces with European institutions to reach the common goal.

Strong political will and vision is required. Now!

I would like to thank you very deeply for your active participation in this three day-conference. I know that the debates have been interesting and fruitful. Controversial points were raised and discussion was lively. All to the benefit of a common cause: the re-definition of an audiovisual policy in a world of transition.

As I mentioned to you on the opening day of this conference, the Commission wishes to propose and implement a sound, effective and efficient audiovisual policy. For this purpose your full cooperation was, is, and will be indispensable. The strategic elements of this policy are now well known but I feel I should refer them to you once again:

(a) remove barriers between national markets;

(b) ensure genuine choice for the European public;

(c) optimize opportunities for an industry with a future;

(d) in the long term ensure the profitability of a sector in deficit.

We shall take full stock of your conclusions as presented by the chairmen of the different thematic auditions and the Forward Planning Group. They will be analysed in all their respective aspects and possible implications.

But even at this early stage, I believe it is possible to identify a few clear trends:

1. The possibility of creating a global market for the European audiovisual sector exists, provided that the proper conditions are met and the cultural specificity of the sector is recognized and safeguarded;

2. Training is crucial;

3. European productive and creative capacities do exist but need to be able to realize their full potential at the service of the global market.

I shall try to elaborate on these three ideas.

### 1. A GLOBAL MARKET FOR EUROPE

The single European audiovisual market exists for operators from across the Atlantic, but it does not seem to exist for our own operators. US productions accommodate very well to our market while we have been unable to do so. Action is, therefore, required from our side. I am sure that we in Europe will be able to do what others have done both at home and abroad.

Future actions to implement a great European audiovisual market will have to take into account all its dimensions — cultural, linguistic, economic, technological and regulatory — under the assumption that they are of an interactive nature and that they are equally important.

Our continent has a unique diversity of languages and cultures. We feel identified by our roots, our past, our national and regional identities. Europe is indeed a multicultural mosaic. The often alluded to concept of an audiovisual 'Europudding', where every nationality, every culture, every taste, every artistic trend were to be mixed together in some kind of European melting-pot is a notion that I do not share and it is a course of action that I will not propose. Cultural diversity should be seen as a major asset, in formulating a global audiovisual policy.

Obviously, market conditions will have to be taken into account when establishing the great European audiovisual market. But at the same time, the proper balance should be maintained between big and small countries, affluent and non-affluent ones. Existing barriers to the circulation of audiovisual products will have to come down by removing the awkward ones and by introducing new incentives for the circulation of audiovisual products. In this regard, concrete measures to create an efficient distribution infrastructure of films and television programmes on a European-wide basis will be of the utmost importance.

Technological developments will have to be followed closely as we are in an ever-changing world with new products entering the market on a continuous basis. It must be noted, that the multiplication of new audiovisual sources will increase demand in a dramatic way but will not automatically engender opportunities for European programme producers.

In fact in the past, European supply has not reflected mechanically the increase in demand. We need therefore to have a pro-active attitude and strategy in order to be able to react quickly to new stimuli and take advantage of the new opportunities.

The regulatory framework should take into account the evolution of technology and of the market, not forgetting the specific cultural nature of the audiovisual product. I shall have to ponder very attentively the conclusions you have reached here today in order to assess the next steps to take. In my own view the regulatory framework should not be based on protectionist criteria, but rather on the idea of establishing fair opportunities for the circulation and the promotion of European audiovisual products.

But, whatever the content of the 'television without frontiers', it is desirable to get rid of ambiguities that may exist together with a more efficient system in what regards the application of the rules.

## **2. PROFESSIONAL TRAINING TO TAKE ADVANTAGE OF THE MARKET**

Adequate professional training is necessary to enable operators to take full advantage of the market. We cannot have an amateurish approach to a sector subject to technological and economical challenges, which is going global and where competition is fierce.

We will have to act in a professional way, looking ahead and, thus, preparing our professionals in all possible domains of the sector.

We need to look carefully to the missing links and the professional skills along the chain of audiovisual programme production.

In this regard I hope that the MEDIA programme will be able to play a significantly enhanced role.

On creativity, I should say that Europe has always had the talent to produce its own cultural creations, be it books, music, paintings or films and television programmes. Creativity and talent are here. We just have to create the conditions for them to emerge with full potential and stay ...

## **3. EUROPEAN PRODUCTIVE CAPACITY**

We will have to maximize the potential of the productive and creative capacity of the audiovisual sector.

For instance, we need to build good European catalogues. This will take some time to accomplish and might require public support measures for a limited period, but when this objective is achieved, the industry will be able to stand on its own feet.

But, we need also to stimulate entrepreneurial spirit and the proper business infrastructures in order to produce the products the global market requires.

Innovative financial engineering solutions to allow us to move forward without resorting to subsidies will have to be developed

On this specific point and as a follow-up exercise to this conference, on this specific point, I intend to hold a seminar in the near future with the banking sector and other financial institutions in order to assess the various possibilities.

Many other topics were raised in the course of this conference and it would not be appropriate for me to address all of them. Yet I would like to mention one or two points.

The Commission has not ended its consultation phase and it is still open to submissions from all of those who have shown interest in the development of the audiovisual sector, namely telecommunication operators, equipment manufacturers, book- and music publishers, and last but not least, the consumers and the viewers and listeners associations, i.e. the final end-users of the audiovisual product. All contributions are welcome and all shall be taken into account.

The issue of public broadcasting *vis-à-vis* private operators was posed at several instances throughout the sessions of the Forward Planning Group and the various thematic hearings. Let me make it clear to you that the European Commission does not take sides in this question. It has an evenhanded policy.

Therefore, it treats broadcasting as a whole and makes no distinction between private and public ownership. The audiovisual policy of the Commission is related to the single market and the promotion of film and television programmes.

A final word for our friends of Central and Eastern Europe. We ought to encourage and develop our relationship in a mutually beneficial way, bearing in mind that we have to do it in a spirit of cooperation and partnership. It goes without saying that, of course, national and regional identities as well as cultural values should be fully acknowledged and respected.

European Commission

**Proceedings of the European audiovisual conference**

Luxembourg: Office for Official Publications of the European Communities

1996 — 114 pp. — 21.0 x 29.7 cm

ISBN 92-826-9236-1