

COMMISSION OF THE EUROPEAN COMMUNITIES

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**COMMISSION COMMUNICATION
ON EVALUATION OF THE
ACTION PROGRAMME
TO PROMOTE THE DEVELOPMENT OF THE
EUROPEAN AUDIOVISUAL INDUSTRY
(MEDIA)
(1991-1995)**

ACCOMPANIED BY GUIDELINE REMARKS

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1. INTRODUCTION

- On 21 December 1990 the Council adopted a Decision¹ on implementation of an action programme to promote the development of the European audiovisual industry (MEDIA) over the years 1991 to 1995.

- Article 8 of the Council Decision requires the Commission to produce an evaluation report on the MEDIA programme after the first two years (that is to say, 1991 and 1992). The results and any proposals for amendments are to be referred to the Council, Parliament and the Economic and Social Committee within six months .

The evaluation has just been completed. It was carried out by the Commission on the basis of an audit conducted by a firm of management consultants and discussions with the industry. As required by the Council Decision, the Advisory Committee of representatives of the Member States which assists the Commission in implementing the programme was consulted throughout the evaluation exercise.²

The guidelines emerging from the evaluation have led the Commission to propose a number of technical and institutional adjustments to the MEDIA programme. For the time being, the Commission transmits to the Council, the Parliament and the Economic and Social Committee the Audit report as well as the initial remarks on the evaluation exercise.

2. OBJECTIVES AND LINES OF ACTION OF THE MEDIA PROGRAMME

- The MEDIA programme is an integral part of the Community's audiovisual policy which is based on three elements: a regulatory framework, mastery of advanced technologies, and support for the programme industry. MEDIA concentrates on development of the programme industry but complements the other elements of the Community's policy.

¹ Council Decision 90/685/EEC, OJ No L 380, 31 December 1990.

² The management consultants' report, produced in English, is attached.

From the economic point of view, the aim is to exploit creative resources in the media industry: given appropriate stimulus these resources could develop considerable commercial potential and increase the competitive capacity of European products. In this way the programme helps to preserve and enhance specific cultural identities.

- In promoting the Community dimension of the activities and structures of the media industry, the programme, as required by the subsidiarity principle, complements initiatives taken at national level.
The primary aim is to improve the environment of the European industry by strengthening all links in the audiovisual chain, from the training of media professionals to the promotion of products in the single market.

- Based on two principles - economic action and subsidiarity - the MEDIA programme is geared to the following objectives:

2.1. Objectives

2.1.1. Creation of a European audiovisual area

- The programme sets out to promote the effects of scale in the enlarged economic area by encouraging collaboration between national media industries and improving their position on the European market.
Experience has shown that national barriers disappear if appropriate incentives are forthcoming: European products will find their own market provided the environment in a new audiovisual area is favourable.

- By linking national producers across frontiers, the programme helps to restructure the industry by enabling it to overcome dispersion and market fragmentation. The formation of networks of companies and the trans-European mobilization of capital create synergies which make it possible not only to combine but to multiply the potential of the partners.

New infrastructures are needed in all areas of the audiovisual media, upstream and downstream of production proper. They are particularly important in the area of promotion and marketing, at European level of products generated by the industry. Cross-frontier distribution, exhibition and marketing networks should be developed to ensure that European products reach all corners of the single market.

2.1.2. Balancing market forces

- The programme gives priority to independent producers and distributors. More often than not, these are small businesses, the living fabric of the industry, and they are increasing in importance despite an unstable economic situation. By supporting these small businesses and encouraging them to come together, it is possible to compensate for the insufficient number - or indeed the total absence - of large companies in key areas such as distribution and animated film production.
- The concern with market balance extends to relations between different-sized countries and industries. Expansion of the audiovisual media implies that the gap between "big" and "small" must be bridged by action to promote minority languages and cultures.
- Finally, despite their gradual interpenetration, a balance must be struck in promoting the different media - cinema, television, video, new technologies.

Since development of the programme industry presupposes mastery of the new technologies - European technologies in particular - the MEDIA programme attaches importance to their utilization in the production and distribution of European products.

2.1.3. Mobilization of financing for the programme industry

- The funding provided by the MEDIA programme is designed to attract complementary financing by interested parties. It therefore has a multiplier effect on investment. Viewed as seed capital it takes the form of a refundable advance against earnings; advances repaid are reinvested under the programme.
- Since the mobilizing power of seed capital is considerable, the effect could be extended in the future by diversifying incentives and reducing the rate of assistance.

2.1.4. Overall approach to Community action to assist the audiovisual industry

- Given the interdependence of the audiovisual media, the programme aims to be coherent and cover all sectors of the industry. There is permanent coordination between the different initiatives which are, in any event, complementary. The specific interest of the MEDIA programme lies in this cohesiveness, which is applied at Community level and is directly linked to national initiatives.
- Since the MEDIA programme is only one facet of the Community's audiovisual policy, coordination is needed in this context too, notably in the area of technological development (advanced television services, for instance).

2.2. Lines of action

Taking the objectives defined in Article 2 of the Council Decision as a starting point, five main lines of action have been developed, each encompassing one or more initiatives known as "projects".

Nineteen projects have been launched so far. They are managed by associations of professionals, specifically formed for the purpose, and involve more than 20 000 companies and institutions.

- Creation of an audiovisual area by forming cross-frontier networks presupposes active commitment by the industry to the European objective. This is why the Commission was at pains from the outset to involve the economic and cultural players in implementation of the programme. The precise scope of projects and management arrangements were determined following extensive consultations.

Projects are decentralized in the Member States, management structures being strategically located. The Commission provides coordination in four main sectors: distribution, exhibition and promotion; improvement of production conditions; financing; training.

2.2.1. Distribution, exhibition and promotion:

- In the context of action to develop European distribution, exhibition and promotion infrastructures, eight projects have been put in place. The number and scale of these projects is evidence of the priority attached to this sector with a view to improving the distribution of European products in the single market.
- **Distribution and cinema exhibition of films:**
The European Film Distribution Office (EFDO) supports cross-frontier distribution of films to cinemas. The twin projects known as "MEDIA Theatres" and "Europa Cinemas" set out to promote cinema screenings.
- **Video distribution:**
EVE (European Video Area) promotes the production and cross-frontier distribution of European films and programmes on video cassette.
- **Support for multilingualism:**
"Broadcasting Across the Barriers of European Language" (BABEL) promotes the circulation of programmes by providing support for dubbing and subtitling.
- **Promoting a European presence on international markets and the distribution of independent productions:**
EUROAIM (European Association for an Independent Productions Market) promotes independent producers at major festivals and organizes special festivals for them. GRECO (European grouping for the circulation of works) promotes the transmission of television programmes produced by independent producers.
- **General promotion of the European film:**
(see 2.2.5. European Film Academy)

2.2.2. Improvement of production conditions

The seven projects in this sector reflect the need for a wide variety of activities upstream and downstream of production.

Production proper is excluded from the MEDIA programme since the Commission cannot act as co-producer. However, there has been extensive collaboration with the EURIMAGES Fund, set up by the Council of Europe, it complements MEDIA.

- **Development and preproduction:**
The European Script Fund (SCRIPT) encourages the development of screenplays and the preproduction of works of fiction. There is a companion project called DOCUMENTARY. In association with these projects SOURCES (Stimulating Outstanding Resources for Creative European Screenwriting) sets out to improve screenplay writing by organizing training courses for European authors and scriptwriters.
- **Restructuring of the animated film industry:**
CARTOON sets out to make the animated film industry competitive by reorganizing production infrastructures, providing incentives for projects and training professionals.
- **Promotion of advanced technologies**
The MEDIA Investment Club promotes the utilization of advanced technologies in programme production, notably high-definition, digital and interactive television.
- **Contribution to the establishment of a "second market"**
MAP-TV (Memory-Archives-Programmes) encourages the development of archive-based programmes for television. The "Lumiere" project helps to preserve the film archive by rescuing and restoring films.

2.2.3. Stimulation of investment

Initiatives in this area are limited because of the financial world's reservations about a high-risk industry.

EMG (Euro Media Guarantees) helps to attract investors by sharing the risk. A second project, the "European Audiovisual Investment Company", along the lines of a venture capital fund, is being considered.

2.2.4. Training in business and marketing for professionals

Improving professional skills is an element common to most MEDIA projects. However, two projects concentrate on training in business and marketing with an eye to the single market. EAVE (European Audiovisual Entrepreneurs) provides long courses for young producers. MBS (MEDIA Business School) provides à la carte training for all categories of professionals with specific needs.

2.2.5. Development of potential in countries that are "small" in terms of production capacity, geography and language

A horizontal development project has been launched under this heading. Called SCALE (Small Countries Improve their Audiovisual Level in Europe), it encourages the indigenous media industries. There is a particular emphasis on independent production but also on distribution, financing and training.

This last segment of the MEDIA programme also allows for the possibility of "other measures". One such initiative was the European Film Academy (EFA), an association formed by prominent figures in the media industry to promote the European film in general. Logically this initiative should appear under 2.2.1.: Distribution, exhibition and promotion.

3. EVALUATION OF THE MEDIA PROGRAMME

3.1 Procedure adopted

- The Commission has made an evaluation of MEDIA's first two years of operation as required by Article 8 of the Council Decision.

It took the following into account in reading its conclusions;

- The results of an audit carried out by Roland Berger & Partner, a firm of management consultants selected by the Commission, in consultation with the Advisory Committee, from the forty or so companies which replied to the invitation to tender published in the Official Journal in July 1992¹.

The audit was carried out between between 1 December 1992 and 31 March 1993. The final report was submitted to the Commission on 4 April 1993. Roland Berger & Partner proceeded in three stages: a "vertical" audit involving a "functional inspection" intended to determine the extent to which the nineteen MEDIA projects had achieved their aims; a "horizontal" audit entailing an "organizational analysis" of the overall structure of MEDIA and its guidelines; lastly, an "overall" audit focusing on how effectively the resources of the programme had been invested.

¹ OJ C 181, 17.7.1992, p. 16 - Invitation to tender 92/C181/09.

Two basic procedures were used: desk research (document inspection) and interviews. The interviews served as the main source of evaluation and were conducted with some 250 people: audiovisual professionals, members of the Advisory Committee, and those responsible for MEDIA and its projects.

- Observations made by members of the Advisory Committee, notably at a meeting held on 24 May 1993.
- Observations made by representatives of the main professional associations at a meeting held on 4 June 1993.
- Observations made by the project coordinators at a meeting held on 10 and 11 May 1993.

The operational proposals discussed by the Commission in its conclusions come under two heads:

- A small number imply a partial revision of the programme and call for amendments to the Council Decision of 1990. They relate in the main to the dimensions of the programme in terms of resources and duration.
- A larger number relate to internal adjustments to the structures and management of the programme and the projects. These fall within the executive powers of the Commission assisted by the Advisory Committee.¹

3.2 Conclusions drawn from audit and consultations: Commission's observations

3.2.1 - Overall assessment of the MEDIA programme

- The Commission notes that the programme as a whole is familiar to the European audiovisual industry. According to Roland Berger & Partner, it has achieved "high acceptance" in all Member States and its reputation in professional circles is "excellent". It is correctly perceived as an instrument of integration in the context of the single market and viewed as an effective catalyst for improving the competitiveness of the industry.

- Project quality

- The nineteen projects, which cover fifty-odd areas of activity, are generally seen as an appropriate response to requirements throughout the audiovisual industry. The Commission notes that there is no demand amongst professionals for direct MEDIA involvement in the funding of productions although they do endorse the programme's promotional role in improving the general environment of the industry.

¹ However, to ensure the necessary flexibility and maintain the distinction between the activities under the programme and the structures responsible for their implementation, the Commission will propose that certain structures should no longer be named in Annex 1 to the Decision.

There would appear to be no shortcomings or overload in the range of initiatives.

- Most of the projects are perceived as achieving their goals.

On a scale drawn up by Roland Berger & Partner for the "vertical" audit, fourteen of the eighteen projects¹ were rated "excellent" or "very good", three "good" and one "fair".

In most cases, this judgment is borne out by professionals interviewed by Roland Berger & Partner on the basis of three criteria: familiarity with projects, response of the project to market requirements and project quality (a table showing the assessments is attached).

In conclusion, some projects will require technical adjustment, which will be made by the Commission under its executive powers, assisted by the Advisory Committee.

- Programme guidelines

However, while the overall assessment is positive, the Commission notes that there is a need to dispel a certain ambiguity surrounding the programme's image. The basic objectives are perceived as cultural and economic. This duality, often seen as a contradiction, appears to create confusion among many professionals, who feel that the programme should concentrate on "market" requirements if it is to be more effective in strengthening the industry.

The Commission would stress that the programme operates in the context of what might be termed the "cultural industries". This implies close interaction between cultural and economic activities, the second serving as the vehicle for the development of the first. In this sense, MEDIA is a programme for the economic promotion of the cultural products generated by the audiovisual industry. It encourages higher quality and greater diversity in these products but it also facilitates market access to make them economically viable.

At the same time, the Commission realizes that the scale of economic promotion varies from project to project. It considers that economic promotion should be more systematic and intensified throughout the programme as a complement to support for creative activity.

¹ SOURCES was not taken into consideration since the first training sessions only began in May 1993.

All projects should adopt an active approach to preparing audiovisual products for the market. They should help the economic and cultural players to develop a rigorous economic structure and appropriate commercial know-how, in particular by providing assistance in the areas of funding, cross-frontier cooperation and marketing. Detailed arrangements for this assistance will be defined in line with the specific requirements of each project.

3.2.2 - Impact of the programme on the industry

- The Commission points out that any measurement of the impact of the programme two years on is bound to be provisional, especially since a number of projects are relatively recent and have not yet reached their full potential. Furthermore, as Roland Berger points out, the audiovisual industry differs from other industries; it progresses in longer cycles because product development - from the initial idea to market release - takes from three to five years. It may take even longer in the case of trans-European production, distribution and exhibition ventures.

- Quantitative impact

As far as the quantitative impact of the programme is concerned, Roland Berger considers it quite normal that no significant changes should have been observed on the European market, particularly in view of the current economic situation. Significant changes can be expected to take five to ten years.

- Nevertheless, there have been developments in some areas that point to the potential impact of the programme. For example, in the film sector, it can be seen that the incentives provided by MEDIA enable it to influence a significant segment of European production. The same holds true for measures to promote television fiction co-productions. Furthermore, in some areas of activity, the rate of repayment of advances against earnings is above 20% and as high as 80% in some instances. This demonstrates the effectiveness of the operations in market terms.
- By contrast, in many other areas, the resources available to the programme do not allow projects to develop sufficiently to attain the critical mass needed to have an impact on the market. The worsening economic situation is hitting the audiovisual industry hard and the problems facing the programme are more difficult than initially anticipated.

- Qualitative and structural impact

As far as the qualitative impact of the programme is concerned, the first effects are to be seen in relation to small businesses, countries that are "small" in terms of geography or language, and cross-frontier restructuring.

- Professionals consider that the efforts being made under the programme to create a balance between market forces by supporting small businesses are progressing satisfactorily.

- "Positive discrimination" by the programme in favour of the "small" countries and the initiatives launched as part of the SCALE project, are regarded as an effective way of ensuring balance between "big" and "small" industries and allowing the latter access to the European audiovisual market. Roland Berger & Partner stress that a third of MEDIA's resources are devoted to this.

- Lastly, the creation of new structures in the audiovisual industry thanks to cross-frontier cooperation is seen as one of the most promising effects of the programme, making it possible in the long term to overcome fragmentation of the market. The Commission proposes that "structural" activities should be extended to as many projects as possible by grouping firms involved in production, distribution and exhibition.

However, this will be a gradual process, which cannot be allowed to "force" the market. In a difficult economic situation, national industries and audiovisual players tend to become introspective. A stage-by-stage approach will be needed: strengthening of companies, the provision of strong incentives to form cross-frontier groupings, the introduction of an obligation to cooperate.

The Commission points out that under the present MEDIA budget, the resources available for restructuring - which is of vital importance - are inadequate. In any event, only long-term developments will produce sustainable results.

- "Mobilization effect"

The Commission notes that the "mobilization effect" of the programme is considerable: MEDIA's contribution to the activities generated by the projects in terms of total financial volume is only 24%, the remainder coming from private and public investors in the Member States.

The Commission therefore proposes to follow the suggestion made by Roland Berger & Partner that the limit on assistance under the programme, which currently stands at 50%, should be gradually reduced in the interests of expansion and diversification. However, the reduction should not be compulsory or apply across the board because it could reduce the number of potential partners, particularly among small businesses in the "small" countries without leading to any significant increase in the capital available.

On the other hand, a change in the "50% rule" should work in the opposite direction in the area of research and information. Given the difficulty of raising sufficient funds, the proportion to be provided in this case should be reduced to 20%.

3.2.3 - Project organization

- The Commission notes that, according to Roland Berger & Partner, the projects covered by the programme are progressing correctly within the limits of the goals set. However, a refocusing of efforts around certain centres of activity may appear necessary.

- Reframing of activities

- With this in mind the Commission envisages:
 - A strategic coordination which will aim at defining in a precise way the limits of the projects activities as well as the areas of cooperation between them.
 - A structural coordination between the projects in the important priority sectors for example :
 - training
(training in economic and commercial management, training in the development of production projects depending on the market.
 - pre-production
(development of fiction projects, documentary, animation projects and new types of programmes).
 - distribution
(cinema, video, multilingual distribution, plus the marketing of programmes).

This coordination could in certain cases lead to the integration of different structures within a common framework, in other cases it would consist in a transfer of activities between projects.

Similar concentration of means should enable the strengthening of the impact of the MEDIA Programme in the areas which have shown a superior potential for improvement.

- Transparency of structures

The Commission notes that some projects are criticized for a "lack of transparency" in the choice of their management structures (boards of directors, committees, etc).

- The Commission accepts the need for more openness and suggests the introduction of a rotation system for steering and management bodies with a view to replacing members every two years.
- The Commission will try to ensure that individuals are not involved in several projects at the same time by introducing clear rules on incompatibility.

- Management follow up

The Commission notes that, even if projects have reached different stages of development and operate along different lines, it is vital that their financial management structures should be comparable. It proposes introducing a standard arrangement whereby projects will have to report regularly on their activities on the basis of specified parameters.

A computerized central control system would make it possible to keep a closer watch on developments.

- The operations of each project in each area of activities

- requests for intervention from businesses;
- expertise and selection of projects;
- amount for the attributions decided upon;
- follow up process and should the occasion arise, of recuperation of investments;
- evaluation of productions supported.

- The impact of these operations upon the market

- effects of financial mobilisation;
- broadcasting and distribution of programmes;
- results in terms of audience;
- evidence of community intervention.

- Internal management of each project

- the composition and activities of the management structure;
- implementation of annual agreements passed by the Commission;
- respect for the methods of administration as set out by the Commission.

- Visibility of the Programme

In order to increase the overall visibility of the Programme and to facilitate access to it for the professionals the rôle of the MEDIA Desks and Antennae shall be reinforced.

4. CONCLUSIONS

4.1. - Reinforcement of the MEDIA Programme

The Commission considers that, given the positive results already realised by the MEDIA Programme in numerous areas and its impact upon the audiovisual industry, it is appropriate to reinforce the Programme with a view to allowing the development of its potential impact and avoiding the loss of investments made up to date.

The Commission will shortly present a proposal in this light.

4.2 Concentration of activities

4.2.1 In order to increase the impact of the measures the Commission proposes to concentrate those here on a certain number of priority objectives, for example: training, pre-production, distribution and marketing.

This would involve a structural coordination between projects coming from the transfers of activity and leading to the integration of certain structures within a common framework.

4.2.2. At the same it would be appropriate to focus further the whole of the Programme's activities on the reinforcement of the industrial effects. This could be done by the following means:

- a deepening of the economic valorization efforts of audiovisual products;
- the extension of the structural action, by the crossborder regrouping of businesses;
- the increase of effort for financial mobilization.

4.3. Management control

The systematic control of the programme's activities, already assured by the Commission in collaboration with the Consultative Committee will be intensified thanks to the setting up of a computerised follow up device:

- the situation concerning the projects operations;
- the impact of these operations on the market;
- the internal administration of these projects.

The legislative proposal will take note of these conclusions.

Audit : Evaluation of MEDIA Projects - Synoptical Table

Evaluation Roland Berger	Evaluation by professionnels : Scores (1 = Fair, 2 = Good, 3 = Excellent)		
	Quality of project	Meeting needs of Industry	Awarenes
1. <u>Excellent</u> - EFDO - Euro-Aim - SCRIPT - Cartoon - M.B.S. - Documentary - Club MEDIA - GRECO - EMG	2,52 2,50 2,41 2,29 2,26 2,16 2,10 2,09 2,00	2,72 2,43 2,63 2,47 2,10 2,47 2,06 2,18 2,24	71% 74% 91% 81% 68% 63% 56% 57% 49%
2. <u>Very Good</u> - EAVE - EVE - Lumière - EFA - Europa Cinéma	2,44 2,06 2,00 1,53 1,44	2,37 1,91 2,25 1,52 2,07	66% 66% 37% 66% 49%
3. <u>Good</u> - SCALE - BABEL - Map-TV	1,92 1,87 1,58	1,90 2,30 1,95	44% 71% 51%
4. <u>Fair</u> - MEDIA Salles No evaluation by Roland Berger - Sources	1,36 1,50	1,89 1,64	43% 28%

EVALUATION ROLAND BERGER UND PARTNERS

Excellent

EFDO
Euro-Aim
SCRIPT
Cartoon
MBS
Documentary
Club MEDIA
GRECO
EMG

Very Good

EAVE
EVE
Lumière
EFA
Europa Cinémas

Good

SCALE
BABEL
MAP-TV

Fair

MEDIA Salles

Not evaluated: SOURCES

EVALUATION BY PROFESSIONALS

SCORES: 1 = Fair; 2 = Good; 3 = Excellent.

"Quality of Project"

"Meeting needs of industry"

1. EFDO	2.52
2. E.AIM	2.50
3. EAVE	2.44
4. SCRIPT	2.41
5. CARTOON	2.29
6. MBS	2.26
7. DOCUM.	2.16
8. CLUB MED	2.10
9. GRECO	2.09
10. EVE	2.06
11. LUMIERE	2.00
** ENG	2.00
13. SCALE	1.93
14. BABEL	1.87
15. MAP-TV	1.58
16. EPA	1.53
17. SOURCES	1.50
18. EUR. CINE	1.44
19. MED. SALL	1.36

1. EFDO	2.72
2. SCRIPT	2.63
3. CARTOON	2.47
*. DOCUM.	2.47
5. E.AIM	2.43
6. EAVE	2.37
7. BABEL	2.30
8. LUMIERE	2.25
9. ENG	2.24
10. GRECO	2.18
11. MBS	2.10
12. EUR. CINE	2.07
13. CLUB MED	2.06
14. MAP-TV	1.95
15. EVE	1.91
16. SCALE	1.90
17. MED. SALL	1.89
18. SOURCES	1.64
19. EPA	1.52