

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(93) 462 final

Brussels, 29 October 1993

## COMMUNICATION FROM THE COMMISSION

on the action programme to promote the development of the  
European audiovisual industry (MEDIA)  
(1991-1995)

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### Proposal for a COUNCIL DECISION

amending Council Decision 90/685/EEC concerning the  
implementation of an action programme to promote the development  
of the European audiovisual industry (MEDIA)  
(1991-1995)

(presented by the Commission)

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## 1. INTRODUCTION

On 21 December 1990 the Council adopted a Decision<sup>1</sup> 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. The Commission based the evaluation on an audit conducted by an independent firm and on discussions with the industry, in consultation with the Advisory Committee which assists the Commission in implementing the programme. On 23 July 1993 the Commission adopted the evaluation together with guideline remarks,<sup>2</sup> to be referred to the Council, Parliament and the Economic and Social Committee.

The conclusions of the evaluation have led to the present proposal to amend the Decision of 21 December 1990 with a view to improving the budgetary and organizational aspects of the MEDIA programme. Due regard for the principle of subsidiarity entail that the purpose of the Community's measures in this area should not be to replace but to complement what is being done by the authorities in the Member States.

## 2. SUMMARY OF THE EVALUATION OF THE MEDIA PROGRAMME

A short summary of the evaluation will underline the main trends of the conclusions from three points of view:

- the impact of Media on the general structures of the industry in accordance with the objectives laid down by the Council;
- the impact of Media on the various sectors of industry identified by the Council;
- the impact on Media of developments in the general economic context.

### 2.1 Operations affecting industrial structures

The programme supports the economic development of the programme industry in expectation of the European audiovisual area. The prerequisite for such development is to reinforce industrial structures in line with the requirements of the new area.

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<sup>1</sup> Council Decision 90/685/EEC, OJ L 380, 31.12.1990, pp. 37-44.

<sup>2</sup> COM(93)364.

In many areas the programme has launched industrial structure operations directed towards this goal. According to the audit, these are the most visible effects of Media and are clearly seen to have the most potential.

In line with the basic aims of the Council, the structural operations mainly entail:

#### 2.1.1 Setting up trans-frontier structures

To promote the enlarged market Media fosters cross-frontier cooperation between national audiovisual operators. By setting up such networks the programme achieves one of its fundamental aims which is to overcome the fragmentation of the industry.

But networking is only a first step towards setting up genuine pan-Community structures. By re-grouping enterprises Media has already brought about a significant increase in the turnover of those concerned.

There is a general will to achieve restructuring throughout the industry, but although this is vital for the European audiovisual industry it requires launch capital on which the returns will only be gradual.

#### 2.1.2 Balancing market forces

The programme gives priority to independent firms, especially small businesses, which compensate for the absence of large companies in key areas such as distribution. It practises positive discrimination in favour of small businesses in countries with less widely known cultures and languages.

The lion's share of the programme's budget was allocated to these firms and their groupings. Priority was given to operators with a genuine development potential, in terms both of the ability to innovate and of human resources, with a view to developing a solid industrial fabric. The audit clearly underlined the advisability of such a selective approach.

Today, support for small businesses seems all the more important given that they tend to be particularly affected by the decline in the economic situation. In this context Media should contribute to stabilizing precarious situations, in particular by preserving and developing employment in line with Community concerns.

### 2.1.3 Stimulating new financing structures

The programme is not a system of non-repayable subsidies. It provides seed capital intended to attract fresh funds to the industry in the form of investment structures associating private and public partners.

The evaluation shows that the programme has a considerable multiplier effect: at present Media's contribution to the activities generated by the projects is only 24% of the total financial volume, the remainder coming from other sources.

After two years of operation, the average return on investment is still low, but in some sectors it is nearly 20%. This shows the effectiveness in market terms of cross-frontier financing structures.

### 2.1.4 Promoting structural coherence in the audiovisual chain

The programme seeks an overall approach to the industry and aims to be coherent and cover all links in the audiovisual chain.

Consistency will enable it to ensure economic and commercial follow-up for the products generated by the industry at all stages of development.

As an instrument to enhance the industrial aspects of programmes, Media seeks to ensure the best conditions for success, from the drawing board to the market. The audit underlines the importance of this aspect which should be reinforced through a number of specific financial, economic and commercial instruments.

In the long-term the aim is to make the industry more independent in view of the budgetary constraints in the Community so that professionals - especially in the smaller countries - can benefit fully from the new conditions opened up by the single market.

## 2.2 Lines of action in different branches of the industry

Taking the objectives defined by the Council, 19 projects in five main areas of action have been developed in the framework of Media.

These areas cover:

- distribution, exhibition and promotion (eight projects): distribution and cinema exhibition of films; video distribution: support for multilingualism; presence on international markets; distribution of independent productions.
- improvement of production conditions (seven projects): development and preproduction of fiction works and documentaries; support for the animated film industry; use of new technologies; establishment of a "second market".
- stimulation of investment (one project): guarantee fund.
- training in business and marketing for professionals (two projects): long courses for young producers; training for all categories of professionals with specific needs.
- development of potential in countries which are small in terms of production capacity, geography and language (one project).

#### 2.2.1 Scale of operations

In the two years since its inception the programme's potential impact on the general structures of the industry can be seen, but it is difficult to make a detailed evaluation at microeconomic level.

The audiovisual industry operates in long time-spans: it takes several years to develop a product from initial idea to market release.

Only since early 1993 have all the activities planned by the Council for Media been fully operational. Half the projects were set up recently and some are still in the launch phase. Funding levels vary considerably, depending on the aims and context of the projects.

Given the differences in scale the impact of Media sectoral projects can only be assessed with caution. However, certain aspects of industrial strategy must be based on these assessments.

### 2.2.2 Quality of operations

The overall image is positive. On a scale drawn up by the auditor fourteen out of eighteen projects<sup>1</sup> were rated "excellent" or "very good", three "good" and one "fair". This judgment is borne out by professionals who perceive the programme as "an effective catalyst for improving the competitiveness of the industry".

The projects are generally seen as an appropriate response to market requirements. Most of the projects are perceived as achieving their goals within the limits of available resources.

### 2.2.3 Relevance of projects

Although every sectoral project can be justified from the professional's point of view, some reorganization seems advisable. Given the limited budget of the programme, it would be wise to concentrate part of the effort on projects to which more priority tends to be given in terms of industrial strategy. They include the following:

- in preproduction (development of fiction works, documentaries, animated films and programmes using new technologies);
- in distribution, dissemination and promotion (cinema, television, video, multilingualism, international markets);
- in vocational training, on which the Commission will place more stress to respond in terms of jobs to the development potential of the industry.

The concentration of effort, which it is anticipated will strengthen the programme, must be accompanied by the integrated management of projects, their activities and their impact on the market.

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<sup>1</sup> One project could not be assessed.

#### 2.2.4 Sectoral impact of operations

After two years major changes in sectors of the European industry cannot be measured by instruments for short-term analysis. According to the audit such changes can be measured only after 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 co-productions, development of animated films and exploitation of audiovisual works on the "second market".
- Training measures, especially in the economic and marketing areas, were rated very highly by the audit.

By contrast, in many other areas, especially video, the resources available to the programme do not allow it 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.

#### 2.3 Effects of the economic context

The trend in this context is all the more marked now that the audiovisual industry is confronted by more intense competition from outside the Community.

Also affected by the crisis, the North American industry in particular is adopting a more aggressive approach to the European market where the profits are essential to its survival. The US industry already needs to make 30% of its film sales on the Community market, and up to 60% of its video sales. This growing aggressiveness is subjecting the European industry to pressure which the small businesses - one of Media's priority targets - are finding it increasingly difficult to resist.



In some sectors small businesses have little room for manoeuvre; for example, in Germany film distribution is 98% dominated by the US, and on the UK video market, the figure is nearly 99%.

In television the outlook is equally worrying. Besides the numerous American programmes seen on European channels, whole channels of North American origin are becoming established in the European audiovisual area.

New technologies - digital, interactive and multi-media - are being developed, ensuring continuous expansion of the industry, but they will not enable European small businesses to develop original programmes. If all software is taken together, the United States has increased its audiovisual exports by 50% in the last two years in readiness for future European markets.

The fast expansion of the audiovisual sector could probably allow important industrial developments with positive effects on employment. Nevertheless, to preserve these potentialities, we have to encourage the professional cross-boarder cooperations and take advantage of the single european market.

### 3. BUDGET IMPLEMENTATION

The last recital of Council Decision 90/685/EEC puts the budget for the entire Media programme (1991-1995) at ECU 200 million and states that allocations will be determined on the basis of the financial perspective and within the limits of annual budget availabilities. Article 1 puts the funds for Community participation in 1991 and 1992 at ECU 84 million.

Commitment appropriations of ECU 32.459 million and ECU 45.162 million were allocated to the programme in 1991 and 1992 respectively, making a total of ECU 77.621 million. For 1993 the figure is ECU 48.822 million. The appropriation in the preliminary draft budget for 1994 is ECU 49 million.

From the conclusions in the audit, it emerges that once the programme becomes fully operational in 1993 its annual budget requirements (to implement the lines of action in the Decision) will be about ECU 50 million, taking account of the general economic background.

At the end of 1994, the fourth year of implementation, Media will have used ECU 174.841 million of the estimated ECU 200 million in commitment appropriations required to implement the programme over five years.

There are several reasons why annual expenditure exceeded the average of ECU 40 million.

Primarily, as mentioned earlier:

- The difficult economic context affects the industry in general and in particular the fabric of small businesses which form the main component of the industry in Europe. The tougher competition from outside Europe increases the stresses, especially in the areas of exhibition and distribution.
- Returns on investment in projects did not match up to expectations. The audit points out that the development-production-marketing phase for audiovisual products must be assessed over five to ten years. This is why returns on investment, which vary from one project to another, cannot yet significantly refinance the project budgets.
- The massive response of industry to the Media projects, especially in the fields of training and development of production projects.

This response is encouraging in that it favours long-term effects and makes it possible to act upstream of the industrial stage, the better to orient products towards the European market.

But it means that the resources allocated to these projects were exhausted before the five years initially planned.

In view of the above, the budgetary authority allocated annual amounts over and above the average ECU 40 million over five years provided for under Article 5 of the Decision.

Since the audit estimates that the annual budget requirements of the programme stand at about ECU 50 million at the present stage of implementation, this level of financing should be maintained until 1995. Therefore a further ECU 30 million should be added to the initial estimate of ECU 200 million.

#### 4. COLLABORATION WITH NON-MEMBER COUNTRIES AND AUDIOVISUAL EUREKA

##### 4.1 General context

Involvement in the MEDIA programme is becoming more and more important given the political impact of the audiovisual industry and the interest being shown by non-member countries. The Council Decision makes provision for such involvement on three conditions (see Article 4 and Annex II):

- the countries concerned must be members of Audiovisual Eureka;
- they must have a formal cooperation agreement with the Community in the audiovisual sector;
- they must make a financial contribution in proportion to their involvement.

A further point, in the Commission's view, is that the Community's audiovisual policy is a coherent package of measures designed to strengthen Europe's audiovisual capacity, the MEDIA programme being one element. This being so, it believes that non-member countries wishing to participate in the MEDIA programme must endorse the overall objectives of the Community's audiovisual policy and be prepared to take the necessary steps to attain them.

The situation differs for each of the three groups of countries:

- countries belonging to the European Economic Area;
- countries that have a "Europe agreement" with the Community;
- countries that have a bilateral cooperation agreement the Community.

##### 4.1.1 EEA countries

The EEA countries are Austria, Finland, Iceland, Norway and Sweden. Their participation is governed by the EEA Agreement both in the case of the Media programme (see Article 9 of Protocol 31) and the other aspects of audiovisual policy (see in particular Annex X on audiovisual services which relates to Council Directive 89/552/EEC - the "television without frontiers" directive).

The contribution of EEA countries is covered by Article 82(1)(a) of the Agreement (calculations based on GDP) and (b) (cover for the effective costs of each party's participation).

Pending entry into force of the EEA Agreement, ad hoc participation was made possible from 1992 through Audiovisual EUREKA, without however prejudging the final arrangements to be decided when the time comes to implement the EEA Agreement in this sector. For the moment, the EEA countries' provisional contributions are paid direct to the projects via Audiovisual EUREKA.

#### 4.1.2 Europe agreements

The multi-sectoral "Europe agreements" make express provision for collaboration in the audiovisual sector. The countries which have concluded "Europe agreements" are Hungary, Poland, Slovakia, the Czech Republic, Romania and Bulgaria. The provisions are similar in each case and cover the legislative framework (the "television without frontiers" directive), the Media programme and advanced technologies. There was no significant involvement of these countries during the reference period (1991 and 1992) pending entry into force of the framework agreements. Since January 1993 Poland has been participating in one Media project, and from January 1994, Hungary will be fully involved.

#### 4.1.3 Bilateral agreements

Exploratory talks are in progress with Switzerland and Cyprus. Applications have been received from Slovenia, Turkey and Israel.

#### 4.2 Consequences of the involvement of non-member countries for the future of the programme

Media is not a cooperation programme according to the terms of Council Decision 90/685/EEC. The principle of proportional funding applied to non-member countries wishing to participate in the programme is consistent with this. The participation on an interim basis (total or partial) of non-member countries in the programme presents problems.

The programme and its lines of action as approved in 1990 set out to establish a balance between the five Member States with a population of over 30 million and the seven Member States with a population of less than 20 million. The operation of projects attaching special importance to the second group of countries and the creation of a specific project (SCALE) for these countries reflect the concern for balance.

It now appears that the balance of the programme might be disrupted by admitting the countries referred to above, which are all in the second group.

Opening up admission to the programme also presents considerable budgetary problems.

In the case of the EEA countries experience has shown that the proportional contribution to the programme (calculated on the basis of Article 92(1) of the EEA Treaty) by these countries is well below the additional burden their participation places on it. The operating costs of projects and new requests for assistance entail an exponential increase in requirements.

Before finalizing the agreements with the EEA countries it is essential to envisage a supplementary basis for contribution to the programme, namely Article 82(1)(b) and submit it for approval to the Joint EEA Committee.

Participation by countries which have a Europe agreement with the Community will raise two types of problem likely to increase budgetary strain: the technical difficulty of objectively calculating their proportional contribution, and the financial difficulty they may encounter at the time of making the contribution. Although most countries expressed the wish to participate in the programme, their cooperation is bound to be very limited in practice.

Accordingly, the Commission considers that alternative means of financing should be found to cover admission to the programme of the countries which have a Europe Agreement.

Following recommendations of the Copenhagen European Council in June 1993, the Commission is preparing a communication to the Council on the participation of non-member countries associated with Community programmes.

Opening up admission to the Media programme will be discussed in this context. The Commission proposes to carry out an impact study of any enlargements of the Media programme. In the meantime existing agreements will continue to be provisional.

With respect to any other bilateral agreements (for example, with Switzerland or Cyprus) the Commission will present to the Council negotiating briefs based on the twin conditions of acceptance of the overall objectives of Community audiovisual policy and full cover by each partner of the real costs of participation.

#### 4.3 Collaboration with Audiovisual EUREKA

Collaboration with Audiovisual EUREKA continued throughout the reference period. It contributed to the establishment of a European Audiovisual Observatory in 1993, in cooperation with the Council of Europe, and the opening-up to non-member countries for which EUREKA served as a stepping stone.

The Commission also participated in the "labelling" of 15 EUREKA projects, four of them under the Media programme. This involvement entailed no additional financial contribution over and above the aid already granted to the Media projects. The appropriations available under the Media programme were allocated in accordance with the rules applicable to the programme. Generally speaking the Commission considers that the labelling scheme is of limited value.

The Community's annual contribution to the budget of Audiovisual EUREKA (Secretariat and Observatory) under Article 4 of the Council Decision is ECU 450 000 at present. Once the Observatory becomes operational, the Community's contribution (under the annual budget for the Media programme) will have to increase.

Certain amendments will therefore have to be made to Articles 4 and 7 of Annex I to the Decision.

#### 5. COMMISSION PROPOSALS FOR STRENGTHENING THE PROGRAMME

##### 5.1 Guidelines

The Commission presented the conclusions of the audit to the Advisory Committee, the representatives of the professional organizations and those in charge of Media projects.

The following options emerged from their discussions:

- ensure the continuation of the Media programme generally appreciated by industry by maintaining the present level of financing at least until 1995. The results of this assessment should be taken into account in 1995;
- promote closer coordination, or even alignment of certain activities, the better to concentrate available resources on priority objectives;
- reinforce project management by more systematic monitoring of their operation;

- study closely the impact of opening up admission to the programme to non-member countries before enlargement is finally established;
- in a second stage, envisage extension of the programme beyond 1995 after consultations with those concerned while adapting priorities and procedures to changes in the audiovisual industry.

## 5.2 Proposals

### 5.2.1 Proposals involving amendment of Council Decision 90/685/EEC

The Commission considers that, given the positive results of the programme in a number of areas, and to enable it to continue to develop within the timeframe set by the Council (1995), annual expenditure should be maintained at the present level.

Accordingly, the Commission takes the view that the amount considered necessary for the programme should be raised by ECU 30 million.

The evaluation has clearly shown that failure to maintain the annual level of expenditure would result in:

- sub-critical funding of all projects, leading to a fall in the programme's overall effectiveness; or
- the interruption of certain projects; this would mean that investment already approved would be wasted and would leave gaps in the coverage of the audiovisual industry.

To take account of the consequences of the participation of certain non-member countries described under 4.2, it is proposed that Article 4 of the Decision be amended. The Commission believes that it is advisable not to finalize the agreements before carrying out a study on the impact of enlargement on the programme.

Certain amendments to Articles 4 and 7 and Annex I of the Decision are necessary in the light of comments on Audiovisual Eureka (see 4.3). They relate in particular to the "projects" concept, for which the mechanisms have proved inoperable. In addition, provision must be made for a Community contribution to the European Audiovisual Observatory of the European audiovisual industry.

These amendments render Annex II of the Decision obsolete.

To give effect to the measures described at 5.2.2 it is proposed that Annex I be amended and a new Annex II be added to the Decision, containing the operating procedures of the associations responsible for the management of the Media projects.

5.2.2. Adjustments to the programme falling within the Commission's executive powers

The consolidation of Media's resources proposed by the Commission will be accompanied by reinforced strategic priorities and improved project management.

5.2.2.1 Structural operations

According to the conclusions of the evaluation (see pp. 2-3), three priorities for industry stand out and should be developed through the projects:

- stepping up the economic promotion of the industry's initiatives throughout the audiovisual chain;
- reinforcing and encouraging cross-frontier groupings, particularly in the areas of production, distribution and exhibition;
- increasing the "mobilization effect" of the programme by diversifying incentives.

5.2.2.2 Recentering sectoral activities

To step up their impact available resources should be concentrated on certain priority objectives (see p. 5), including training, preproduction, distribution and marketing.

Therefore, a two-tier coordination procedure should be established:

- strategic coordination in the framework of the standing control exercised by the Commission over its projects. The aim will be to strictly delineate project activities and the areas of cooperation between them;



- structural coordination between projects operating in the same sector. In some cases it could lead to the integration of various structures in a common framework; in others, it would involve a transfer of activities between projects.

#### 5.2.2.3 Control of project management

The Commission will ensure transparency of the projects' management structures.

It will set up a computerized central control system to monitor the operation, activities and market impact of projects more closely.

### 6. GENERAL CONCLUSIONS

The Council is invited to approve the Commission's proposals requiring amendment of its Decision of 21 December 1990 (90/685/EEC) creating the Media programme, by adopting the attached proposal for a Decision following consultation of Parliament and the Economic and Social Committee.

Since promotion of the European audiovisual industry is necessary for the operation of the single market, and since the EEC Treaty does not provide the necessary powers, the amendments must be based on Article 235 of the Treaty, as was Decision 90/695/EEC. The proposed amendments are as follows:

- an ECU 30 million increase in the budget (last recital);
- changes to certain provisions on Audiovisual EUREKA projects (Articles 4 and 7 and Annex I);
- changes to certain provisions on the participation of non-Community countries (Article 4);
- amendment of lines of action (Annex I);
- inclusion of details regarding operating rules for associations responsible for the management of projects (new Annex II).

PROPOSAL FOR  
COUNCIL DECISION

of

amending Council Decision 90/685/EEC  
concerning the implementation of an action programme to promote  
the development of the European audiovisual industry (MEDIA)  
(1991-1995)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,  
and in particular Article 235 thereof,

Having regard to the proposal from the Commission,<sup>1</sup>

Having regard to the opinion of the European Parliament,<sup>2</sup>

Having regard to the opinion of the Economic and Social Committee,<sup>3</sup>

Whereas the Commission has presented the evaluation report<sup>4</sup> on the first  
two years of operation of Council Decision 90/685/EEC,<sup>5</sup> as required by  
Article 8 of that decision;

Whereas the findings of this evaluation and the results of subsequent  
consultations with the industry have highlighted the need for a number of  
amendments to Decision 90/685/EEC;

Whereas changes on the audiovisual market also call for amendments to  
Decision 90/685/EEC;

Whereas it appears necessary, notably in the light of the findings of the  
evaluation, to step up the programme by improving management;

Whereas, if the objectives of the Community as set out in Article 2 of the  
Treaty are to be achieved, promotion of the European audiovisual programme  
industry is necessary for the operation of the single market; whereas,  
since the Treaty has not provided the necessary powers, recourse must be had  
to Article 235;

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1 OJ

2 OJ

3 OJ

4 COM(93) 364 final.

5 OJ No L 380, 31.12.1990, p. 37.

HAS DECIDED AS FOLLOWS:

Article 1

Decision 90/685/EEC is amended as follows:

1. Article 4 is replaced by the following:

"In implementing the programme, the Community may also contribute to promoting cooperation with professionals in the audiovisual industry in member countries of the Council of Europe. To this end, these professionals may be invited to participate in initiatives under the action programme within the framework of agreements on cooperation in the audiovisual media signed by the community with the non-member countries concerned. Participation in projects shall be formalized by agreements with those responsible for the project concerned; new members shall contribute to the project in proportion to their participation.

The Community shall also contribute to the operating costs of the Audiovisual Eureka Secretariat and to the operation of a European Audiovisual Observatory."

2. The words "participation in Audiovisual Eureka projects", the "second paragraph of" and "and agreements provided for in Annex II" are deleted from Article 7(3)(c).

Article 2

Annex I to Decision 90/685/EEC is replaced by Annex I to this Decision.

Annex II to Decision 90/685/EEC is deleted.

A new Annex II is attached to this Decision.

Done at Brussels,

For the Council  
The President

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ANNEX 1

## MEASURES TO BE PUT INTO EFFECT

## 1. Distribution, exhibition and promotion infrastructures

## 1.1. Distribution and cinema exhibition of films

- Increased support for the cross-frontier distribution of European films to cinemas. Measures to promote European films outside the Community (group presence at festivals and fairs).
- Reinforcement of measures to promote the cinema exhibition sector.

## 1.2. Distribution on video cassette

- Stronger measures to promote the production and cross-frontier distribution of European films and programmes on video cassette.

## 1.3. Support for multilingualism in television programmes

- Stronger measures to promote the circulation of programmes by providing support for dubbing and subtitling, by providing research into ways of perfecting these techniques and by organizing training for audiovisual professionals working in a multilingual environment.
- Support for the development of multilingual television programmes and broadcasts.

## 1.4. Development of markets and support for the distribution of independent productions

- Intensifies promotion of independent European producers:
  - . promoting the presence of producers at major international fairs,
  - . organizing special fairs for producers, distributors and investors,
  - . computerizing the compilation and dissemination of data on independent European productions,

- Stronger measures to encourage the transmission by television stations of independent European productions.
- Stronger measures to promote the European film in general.

## 2. Improvement of production conditions

### 2.1 Development and preproduction

- Support for the development of screenplays and the preproduction of works of fiction.
- Strengthening the capacity to develop screenplays and the preproduction of creative documentaries.
- Development of the professional skills of European screenwriters.

### 2.2 Restructuring of the animated film industry

- Stronger measures to promote the animated film industry by:
  - . encouraging the networking of studios and the industrialization of production methods;
  - . supporting the production of series "pilots" and animated films;
  - . promoting contacts between producers and distributors;
  - . computerizing the compilation and dissemination of data relating to the animated film industry.

### 2.3. Use of new technologies in programme production

- Developing the use of new technologies in programme production by:
  - . issuing invitations to tender to encourage innovative projects related to high-definition, digital and interactive television;
  - . promoting schemes to initiate professionals in the use of these techniques.

### 2.4 Contribution to the establishment of "a second market" using archive material by:

- providing support for the development of archive-based television programmes and the compilation of archive inventories.

- developing initiatives to catalogue, conserve, restore and rescue films.

**3. Stimulation of investment**

- Stronger measures to encourage the development of structures to mobilize and stimulate investment in the audiovisual industry.

**4. Training in business and marketing for professionals**

- Intensification of measures to provide training for young producers.
- Further development of activities related to training in business and marketing in different areas of the audiovisual industry.

**5. Development of potential in countries with smaller audiovisual production capacities and/or with a limited geographical and linguistic area**

- Promoting development of the audiovisual industry in the countries concerned, beginning with independent production, by measures designed to improve the management and the structure of firms.

ANNEX 2



**Operating rules of Associations  
responsible for the management of Media programme projects**

1. The Associations shall be legally constituted, under the national law of the country in which they are established, as non-profit-making Associations (except for projects under the heading "Stimulation of financial mechanisms"). Their articles of association shall appear in an official publication.

In the event of the dissolution of an Association, its assets shall be placed at the disposal of another Association active within the framework of the Media programme. Provision for such an eventuality shall be included in the articles of association of each Association.

2. The Associations shall be composed of nationals of the Member States. If the programme is extended to non-member countries, professionals from those countries may also be represented in these Associations.

3. As far as possible, a balance of nationalities shall be maintained on the governing bodies of the Associations, in particular on the Board of Directors.

4. The members of the managing bodies of the Associations shall rotate on a routine basis.

5. Permanent staff members and consultants employed by the Associations shall be recruited after the post has been advertised. The Commission shall be associated with the selection procedure.

6. The Associations' activities shall be open to European firms and professionals in the Member States and non-member countries which may subsequently be admitted to the programme.

7. An annual agreement shall be concluded between the Commission and each of the Associations in the context of implementing the Media programme. The agreement shall include the programme of the Association's activities for the year in question and a budget estimate.

8. The persons in charge in each Association shall be required to give notice in good time and obtain the prior agreement of Commission representatives with respect to all matters affecting the implementation of the programme, and in particular:

- (a) the establishment of, and amendments to, the articles of association and rules of procedure of the Association;

- (b) new initiatives or changes in the programme of activities;
- (c) publications and advertising, and their content;
- (d) public events;
- (e) approaches to international, national or regional political authorities;
- (f) negotiations or agreements concerning the participation of professionals of non-Community countries in the activities carried out;
- (g) in general, any negotiations likely to have repercussions on relations between the Commission and the political authorities and/or professional organizations.

9. Commission representatives shall be invited to attend all meetings of the authorities of the Association (Annual General Meeting, Board of Directors, Steering Committee and Experts' Committee). These authorities shall take the fullest account of observations by Commission representatives.

10. The Associations shall undertake to participate in or arrange to be represented at meetings and general events where their presence is required by the Commission (in particular information days and seminars).

11. The Associations shall provide the Commission with any document requested by the Community institutions, especially in the context of central management control by the Commission. Community financial allocations may be made only if recipients declare in writing that they will allow the Court of Auditors to verify the use made of the sum allotted to them.

12. Every event or publication of the Associations shall state that it is "an initiative of the Media programme of the European Communities".

13. The Associations shall undertake to require recipients of financial allocations to include on the products of their activities the words: "made with the assistance of the European Communities' Media programme".

14. The Associations shall regularly make available to the Commission the information required for central management control, particularly with respect to:

-operations in the following areas:

- requests for assistance from firms;
- expertise and project selection;
- amount of allocations decided on;

- monitoring procedure and if applicable, recovery of investment;
- evaluation of projects supported;

-impact of these operations on the market:

- effects of financial mobilization;
- dissemination and distribution of programmes;
- results in terms of audience;
- visibility of Community intervention;

-internal management of the Association:

- composition and activities of management bodies;
- implementation of the annual agreements with the Commission;
- observance of management rules laid down by the Commission.

FINANCIAL STATEMENT**I. Title of operation**

Proposal for amendment and extension of the action programme to promote the development of the European audiovisual industry (MEDIA) (1991-1995)

**II. Budget heading involved**

Item B3-2010 (part of former Item B3-3000)

**III. Legal basis**

- Article 235 of the EEC Treaty
- Council Decision 90/685/EEC of 21 December 1990 concerning the implementation of an action programme to promote the development of the European audiovisual industry (MEDIA) (1991 - 1995)
- Council Decision... of ... amending the MEDIA programme (1991 - 1995)

**IV. Description of operation****4.1. Specific objectives of operation**

The purpose of the MEDIA programme (1991 - 1995), an integral part of the Community's audiovisual policy, is to support the economic development of the audiovisual industry by providing funding upstream and downstream of production. It contributes to the creation of a European audiovisual area, balance between market forces and stimulation of investment. It covers all industrial functions of the sector with five lines of action and 19 projects run by decentralized associations of professionals in the Member States, involving almost 20 000 companies and institutions.

The Commission provides coordination in four main sectors: distribution, exhibition and promotion; improvement of production conditions; financing; and training.

A recital to Council Decision 90/685/EEC put the Community's contribution to the programme at ECU 200 million for the period 1991 to 1995. The amount actually made available, in commitment appropriations, for 1991, 1992 and 1993 was ECU 125.912 million.

In the preliminary draft budget for 1994, the Commission has entered ECU 49 million in commitment appropriations. Allowing for the progress of certain projects towards full operational status and the decline in the value of money, forecasts for 1995 point to a requirement of the order of ECU 54.450 million.

#### 4.2. Duration

##### 4.2.1 Evaluation of the programme

The MEDIA programme covers the period 1991 - 1995.

Article 8 of the Council Decision requires the Commission to present a report on the programme to the Council, Parliament and the Economic and Social Committee at the end of the first two years.

To comply with this requirement the Commission conducted an evaluation based on:

- the results of an independent audit carried out by Roland Berger & Partner, consultants selected following an invitation to tender;
- observations by members of the MEDIA Advisory Committee;
- comments by representatives of the main associations of professionals;
- remarks by project coordinators.

In the light of these elements, the Commission decided to make a number of adjustments affecting the management and structure of the programme and associated projects.

##### 4.2.2 Justification for additional resources

It also decided to propose a partial revision of the programme, involving an increase in resources (an additional ECU 30 million in 1995) deemed necessary for implementation of the programme.

The increased funding is necessary to take account of four factors:

1. The harsh economic climate affecting the audiovisual sector in general and the fabric of small businesses which are the main component of the European audiovisual sector.
2. The massive response of industry to the programme, especially in the areas of training and development of production projects.
3. The decision to invest in restructuring operations of the industry given its increasingly precarious situation.

4. Inadequate returns on projects based on advances granted on the basis of receipts. The audit points out that the development-production-marketing phase for audiovisual products should be assessed over five to ten years. This is why in the first two years of the programme returns on investment are still marginal.

These proposed changes require amendment of Council Decision 90/685/EEC.

For details of the nature and financial impact of these amendments, see 7.2.

## V. Classification of expenditure

### 5.1 Non-compulsory

### 5.2 Differentiated

## VI. Type of expenditure

In most instances, the exception being training activities which are subsidized directly, the Commission makes a financial contribution to the associations that manage the 19 projects. These then make refundable advances to the various companies eligible under the criteria laid down by the Commission.

Expenditure will be identical under the extended programme and the additional resources.

## VII. Financial impact

### 7.1 Method of calculating total cost of operation

The total cost of the operation during the initial period (1991 - 1995), was calculated by multiplying the average Community contribution by the average number of beneficiaries and then aggregating average costs for the 19 projects (details of these cost elements are given in the audit report annexed to the Commission Communication on the evaluation of the Media programme (COM(93)364)).

To this were added the running costs of project structures and miscellaneous expenditure (promotional costs, participation in Audiovisual EUREKA) which cannot be charged to specific projects.

The method of calculating costs is identical for the additional resources requested.

### 7.2 Breakdown of costs

See Annex.

### 7.3 Indicative schedule of appropriations

See Annex.

### VIII. Anti-fraud measures

Financial contributions are subject to the production of detailed supporting documents prior to disbursement.

Furthermore, the various authorities responsible for control (Court of Auditors, Financial Control, authorizing department) conduct regular checks on beneficiaries and the associations managing the projects.

Regular audits are provided for under the programme. The first, covering 1991 and 1992, has just been completed. A second is planned for the end of 1994.

### IX. Elements of cost-effectiveness analysis

9.1 The programme sets out to stimulate and reinforce the capacity of the audiovisual industry to offer European products by contributing to the creation of a European audiovisual area.

Five main lines of action have been developed under the programme since 1991 and will be developed further between now and the end of 1995.

1. Development of European distribution, exhibition and promotion infrastructures.
2. Improvement of production conditions upstream and downstream of production proper.
3. Stimulation of investment.
4. Business and marketing training for professionals.
5. Development of audiovisual potential in countries that are "small" in terms of production capacity, geography and language.

The beneficiaries of these lines of action are to be found at various points in the audiovisual chain: directors, producers, financiers, distributors, exhibitors. Priority is given to independent producers and small businesses.

9.2 The MEDIA programme is an integral part of the Community's audiovisual policy, intervening to assist the programme industry.

As required by the subsidiarity principle, the programme complements national support measures.

It operates through ad hoc associations of professionals that ensure that Community support is adapted to the real, changing needs of the media industry. The associations managing projects, under permanent Commission surveillance, usually provide refundable advances.

The multiplier effect is in excess of four: Community support for the MEDIA programme represents no more than 24% of the investment generated for projects.

9.3 The external audit carried out after the first two years' of operation came to the following operational conclusions and made the following suggestions (a summary of the audit is attached to the Commission's Communication):

- The MEDIA programme has a high profile and is well-accepted in the Member States.
- The overall objectives of the Council Decision - industry potential and balanced variety - have been respected.

#### Industry potential

It is too early to expect the programme to have produced significant results in terms of quantity but the qualitative approach is judged to be excellent.

#### Balanced variety

The impact on small businesses and the media industry, notably in the "small" countries, is considerable and balanced between the different media (television, cinema, video).

Concentration on efforts to improve competitiveness is regarded as justified.

#### Main suggestions for changes and improvements

##### Budget and timeframe of programme:

MEDIA's budget is small compared with total support for the audiovisual industry.



The programme should be seen as an additional measure for promoting and integrating the European audiovisual industry.

1993 is the first year that projects are operating with fully-fledged structures and proper planning of activities.

It is therefore vital that the resources available for projects in 1994 and 1995 should be of the same order as in 1993.

Of those projects in hand that are subject to audit, nine need additional resources if they are to continue (two subject to modification). Seven could continue as at present, while two would have to be scaled down.

Budget allocations must be evaluated in the light of three main criteria (critical mass of intervention, definition of target groups, and verification of the value of all activities, present or planned).

In the interests of sound management, an early decision on MEDIA's future budget must be taken.

#### Main proposals for organizational and structural changes

The Commission will establish a computerized central monitoring system so that the functioning, activity and market impact of projects can be checked more closely.

Project coordinators should be in charge of all the tools used by the different projects and a management-by-objective system should be introduced.

#### X. Administrative expenditure

Not applicable.

ALL AMOUNTS ARE EXPRESSED IN CURRENT ECU (million) - ANNEX

BREAKDOWN BY LINE OF ACTION	PROGRAMME 1991-1995					
	91	92	93	94	95	TOTAL
1. Distribution, exhibition and promotion infrastructures	13,813	19,465	20,506	20,825	23,670	98,279
2. Improvement of production conditions	12,188	17,175	18,064	18,375	20,500	86,302
3. Stimulation of investment	1,623	2,000	2,413	2,450	2,450	10,936
4. Training of professionals	2,438	3,320	3,619	3,675	4,500	17,552
5. Development of potential in "small" countries	2,438	3,200	3,618	3,675	4,000	16,931
GRAND TOTAL	32,500	45,160	48,220	49,000	55,120	230,000 (1)

(1) Including the ECU 30 million requested for 1995.

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**DOCUMENTS****EN****15**

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