

European Communities

EUROPEAN PARLIAMENT

Working Documents

1983-1984

15 JULY 1983

DOCUMENT 1-504/83

Report

drawn up on behalf of the Committee on Youth, Culture,
Education, Information and Sport

on the promotion of film-making in the Community
countries

Rapporteur: Mrs M.-J. PRUVOT

PE 76.975/fin.

At its sittings of 8 May 1981 and 6 July 1981 respectively, the European Parliament referred the motion for a resolution by Mr TINDEMANS and others on the promotion of European film-making (Doc. 1-217/81) and the motion for a resolution by Mr DILIGENT and others on film-making in the Community countries (Doc. 1-336/81) to the Committee on Youth, Culture, Education, Information and Sport as the committee responsible and to the Committee on Budgets for an opinion.

On 24 September 1981 the Committee on Youth, Culture, Education, Information and Sport appointed Mrs PRUVOT rapporteur.

It considered the draft report at its meetings of 24/25 February 1982, 17/18 May 1982, 18/19 October 1982, 18/19 January 1983, 25/26 April 1983 and 22/23 June 1983. It adopted the motion for a resolution at the latter meeting unanimously with one abstention.

The following took part in the vote: Mr Beumer, chairman; Mr Hahn, vice-chairman; Mrs Pruvot, rapporteur; Mr Beyer de Ryke, Mr Bøgh, Miss Brookes, Mrs Buchan, Mrs Gaiotti de Biase, Mr Gauthier (deputizing for Mr Arfe'), Mr Marck (deputizing for Mr Pedini), Mrs Perry, Mr Simmonds, Mr Turner (deputizing for Mr Cottrell) and Mrs Viehoff.

At its meeting of 16 June 1983, the Committee on Budgets decided not to deliver an opinion.

The report was submitted on 29 June 1983.

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A.

The Committee on Youth, Culture, Education, Information and Sport hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the promotion of film-making in the Community countries

The European Parliament,

- having regard to the opinion of the Economic and Social Committee of 20 December 1978 on the communication from the Commission to the Council on Community action in the cultural sector¹ and, in particular paragraph 2.5 thereof²,
- having regard to its resolution of 18 January 1979 embodying its opinion on the above communication and, in particular paragraph 5 thereof (Doc. 325/78),
- having regard to the studies entitled 'The distribution of films produced in the Community countries'³, 'The economic situation of the United States' film industry'⁴, and 'The production and distribution of short films in the Community Member States'⁵ carried out on the instructions of the Commission in response to the wish expressed by the Economic and Social Committee and the European Parliament that the Commission should cease to regard the film industry exclusively in industrial policy and competition policy terms,
- having regard to its resolution on national financial aids to film-makers (Doc. 1-1088/81) adopted on 11 March 1982 pursuant to Rule 48 of the Rules of Procedure,

¹ Bulletin of the European Communities, Supplement 6/77

² ESC 1245/78

³ XII/234/80

⁴ XII/206/80

⁵ SG/Culture - 2/81

- having regard to the resolution by Mr TINDEMANS and others on the promotion of European film-making (Doc. 1-217/81) and the resolution by Mr DILIGENT and others on film-making in the Community countries (Doc. 1-366/81),
- having regard to its resolution on radio and television broadcasting in the European Community (Doc. 1-1013/81) adopted on 13 March 1982,
- having regard to the European Charter of Audio-Visual Producers adopted on 24 February 1983,
- having regard to the report of the Committee on Youth, Culture, Education, Information and Sport (Doc. 1-504/83),

A aware of the feelings aroused in the film industry following the reasoned opinions addressed by the Commission to five Member States concerning nationality clauses for the allocation of aid for film-making,

B whereas, unlike the United States' film industry, which is more prosperous than ever, film-making in the Community countries is in the throes of a serious economic crisis; whereas on its internal markets it is exposed to pressure from supranational giants and their subsidiaries, and new large-scale enterprises set up by the media industry are threatening its existence,

C Stressing that this crisis is having a disastrous impact in social terms (on employment and on the incomes of all those working in the film industry) as well as in cultural terms, jeopardizing the future of a medium for the cultural expression of every nation,

D taking the view that the crisis in the film industry in the Community countries is not attributable to any lack of quality at the production stage (the general level of which is as high as ever) but is due on the one hand to the role of television and new forms of leisure in the daily lives of potential cinema-goers and, on the other hand, to the weaknesses in the distribution of European films,

E noting in this connection that the present arrangements for distributing films produced in the Community countries are not stemming the tide of American films on the Community market, far less helping the industry to gain a firm foothold on the world market,

F whereas, as is shown by the fortunes of the American cinema, the film industry's success in turning its artistic, cultural, technical and commercial resources to account depends in part on its ability to respond to the new demands posed by the medium of television,

G concerned at the decline in short films, which, owing to lack of organization on a European scale, are increasingly suffering from the influx of foreign films, even though they offer the major advantage of providing a testing ground for European producers actors and technicians,

H convinced that films are part of the Community's cultural heritage and that they should therefore be passed on to future generations by affording them the same protection as other features of our heritage

I pointing out that the cultural identity of each Member State's films must be preserved,

1. Draws attention to the fact that films from Community countries facing fierce competition from the US film industry must also compete against one another;
2. Contends that national aids and other forms of assistance are essential for the production of films and that their abolition or reduction would lead to the total disappearance of film-making in the Community countries, which would be of enormous benefit to the American film industry;
3. Emphasizes the need to strengthen the provisions aimed at ensuring that the aid is not misused for the benefit of films which are not genuinely European in terms of finance and production;
4. Notes with satisfaction the Commission's decision to seek agreement, in conjunction with the Member States concerned, on a solution which while ensuring compliance with the provisions of the EEC Treaty on the free movement of persons and services, would not prevent the Member States from pursuing their policies of supporting the film industry nor affect the ability of films to express the cultural identity of the country of origin;
5. Points out that the free movement of persons and services is a right of all Community citizens and not an obligation or constraint on them;

6. Points out in particular that, in the case of the film industry, the free movement of persons and services in no way implies the forced internationalization of film-making but is there to be used as a facility and source of cultural enrichment if the employment of non-nationals is justified by the subject matter or by artistic considerations;
7. Calls on the Commission to take the necessary action finally to establish cooperation between the television and film industries on a mutually beneficial basis, in particular through the increased participation of television in the production of films and the establishment of fair rates for film broadcasting rights;
8. Suggests that the Commission finance various pilot experiments, involving all branches of the film industry, on ways of encouraging the trend towards greater cinema-going, now discernible in a number of Community countries.

9. Calls on the Commission to examine the compatibility with the competition rules in the EEC Treaty of the commercial practices (block booking, blind bidding, exclusive rights, priorities, etc.) of distribution companies - notably American - whose abuses have put films out of reach of the public, both financially and geographically; and at the same time, to strengthen the resources of those distribution companies in Community countries which are particularly attentive to the needs of the Community film industry in the different Member States;
10. Hopes that the Commission will take fresh action in 1983, in close collaboration with the film industry, to increase substantially the efficiency of the distribution arrangements for films produced in the Community countries on the national market of each country, on the markets of other Community countries on the national market of each country, on the markets of other Community countries and on the markets of third countries, devoting particular attention to the ACP countries and the US, where our film industry appears to be engendering a certain amount of interest after remaining virtually unknown for a long period;
11. Calls on the Commission to examine the possibility of instituting an annual European film festival to be financed partly from European funds and of providing financial support for the distribution of films which have gained distinction at the festival and thus assure them a wider circulation;

12. Hopes that Community action to help the film industry will induce distributors in a number of Community countries to establish distribution organizations which are sufficiently powerful to guarantee our film industry the wider distribution which it deserves on grounds of equality and which it needs to make it viable, while taking account of the fact that the variety of film production in Community countries must be matched by an equally wide range of distribution opportunities;
13. Hopes that Community action in the film-making field will include short films under conditions appropriate to their specific production, distribution and development requirements;
14. Hopes that the Commission will, by analogy with the practice for consumers' associations, support organizations of cinema-goers, cinemas showing experimental and avant-garde films, film clubs and municipal cinemas, which together form a very large market, in terms of quantity by bringing back to the cinemas a considerable proportion of the general public which television has attracted away from the commercial circuit and, in terms of quality, by developing a cinema culture creating a demand which the production sector will, as a result, meet with a supply of films of a high cultural level;
15. Hopes also that the Commission will provide assistance for film archives, in particular by launching a programme of research into techniques which could improve the conservation of films and reduce the cost;
16. Calls on the Commission to examine the question as to whether the provisions of the EEC Treaty relating to the approximation of laws would not permit the extension to film-makers of the system of payment in proportion to receipts, in conformity with the basic principle of copyright;
17. Calls also on the Commission to conduct a study into the measures to be taken in response to the development of new means of transmitting films (by cable, video recording, satellite etc.) in order to
 - protect original works from any infringement of their cultural value or their significance,
 - guarantee film-makers a share in the financial gain deriving from the secondary exploitation of their work,

- counteract effectively the threat to the showing of films in cinemas represented by the lawful or unlawful use of the various systems of copying and transmission;

18. Instructs its President to forward this resolution to the Council and the Commission of the European Communities.

EXPLANATORY STATEMENT

1. The text below is largely based on the two motions for resolutions on the promotion of film-making in the Community countries which were tabled on 7 May and 6 July 1981: documents 1-217/81 (PE 73.202) and 1-366/80 (PE 74.039).

2. In most of the Member States the year of signature of the Treaty of Rome establishing the European Economic Community coincided with the beginnings of a new era in the history of the film industry; an era which has culminated in the serious crisis facing the industry at present.

The crisis has two main aspects: first, a dramatic decline in cinema audiences - connected with the advent of television; and second, the overwhelming predominance of the American film industry in the European film market.

3. It is generally agreed that the main cause of the decline of the cinema as the favourite form of popular entertainment has been the development of television.

Over the past 25 years the decline in the number of cinema-goers has varied from 57 to 91%, depending on the Member State concerned. Although audience figures have tended to stabilize in the last few years, this underlying decline seems to be irreversible.

4. While television has deprived the film industry of its monopoly of audio-visual expression, it has also provided a new medium for disseminating cinematic works. In fact, it has opened up a new market for the film industry.

For the number of films broadcast by the various television networks is enormous. By way of illustration, in Rome local television channels have broadcast no less than 430 films in two weeks.

This shows that the film has lost none of its prestige in the eyes of the general public. Not only the viewing figures - which suggest the size of a television programme's audience - but also the indices of viewer satisfaction accord a privileged place, if not the highest position, to television broadcasts of films. The audience has never been so large - but when it goes to the cinema, it stays at home.

Moreover, advertising revenue, which in most of the Member States constitutes an important source of television finance, is related to the

size of audience. Thus television has come to regard the film industry not only as the mainstay of programme planning but also as a source of finance.

The rate for one minute's advertising time is generally enough to cover the fee for broadcasting one film.

However, in Europe television is not a market on which the film industry can rely to finance its production costs. The cost of purchasing a film for a television network represents on average no more than 3% of its cost of production. This proportion is between 30 and 35% in the United States, where television makes up 45% of the film industry's revenue on the national market. In the Community, the share of film earnings from television, though it varies from one country to another, remains derisory.

As a rule the television authorities enjoy a national monopoly and hence are not subject to effective competition. This enables them to abuse their dominant position as film 'buyers' to keep prices too low. If television paid more for films there can be no doubt that the excessive number of films broadcast would diminish appreciably.

It should be noted that the broadcasting rights for one film cost television between 9 and 25 times less than a broadcast of equivalent length and prestige whose production costs are directly met by television.

5. The decline in cinema-going has revealed the overwhelming domination of the American film industry. Its hegemony is due neither to a general superiority in terms of quality - as might be believed - nor to any conviction on the part of the public that only American films are worth seeing, and that any American film should be seen without fail.

The fact remains that the extensive and continuing penetration of the market by the American film industry - owing to a meticulously organized sales policy, backed up by the technical perfection of its films - has certainly had some effect in changing public taste in favour of American film-making, or 'American-style' cinema.

In this respect it is significant that the American film industry takes an overall share of up to 47% on the four main European markets, in Italy, France, the United Kingdom and Germany.

This market share should be compared with the share held in the same markets by:

Italian films	24%
French films	16%
British films'	8%
German films	3%.

This comparison speaks for itself: 47% for a single industry and 51% for four different industries!

The American cultural presence thus takes a share almost equal to the European cultural presence of four countries.

The six other Community countries account only for the remaining 2%.

It is valuable to analyse the American film industry's share of each national market. For while certain markets have managed to resist penetration by the American film industry better than others, this is unfortunately not the case for such countries as the United Kingdom, or indeed Greece - where no linguistic explanation is available.

The market share for American films is as follows:

United Kingdom	92%
Netherlands	80%
Greece	70%
Denmark	60%
Germany	50%
Belgium	45%
France	45%
Italy	30%

It should always be borne in mind that the public has to choose from the films actually on offer.

6. The fact is, that most films produced by the European film industries, though in no way inferior in quality to those produced in the United States, fail to gain access to the market in other Member States, or if they succeed, do not enjoy an equal chance of being seen by potential cinema-goers.

There are two reasons for this.

The first is that, since they are virtually deprived of promotion, our productions fail to attract public attention. Only the major American companies can afford the kind of advertising campaigns likely to affect the choice of potential cinema-goers. According to recent figures, those companies' spending on advertising campaigns has almost equalled the cost of the films themselves. How can a national production, which is forced to cover costs in the internal market of a single country, possibly contemplate investing in advertising on this scale?

The second reason goes to the heart of the film industry's problem.

Film theatre scheduling is controlled by a group of large American distribution companies known as the 'Majors'. These companies took advantage of the separate nature of the national markets before the common market was established to set up a sophisticated and powerful distribution network.

7. The existence of a single network, and their ownership of the exhibition rights in a number of successful films, have enabled the Majors to indulge in a series of anti-competitive practices, the purpose and effect of which has been to strengthen their dominant position and maintain separate national markets.

These practices, which have been officially condemned (though not actually abandoned) in the United States are familiar in all the Community countries and enable a group of companies to determine film industry policy in those countries.

- To dominate a country's film market it is only necessary to control that part of the market which will determine a film's commercial career. This 'test market' is none other than the capital city, which 'defines' artistic taste and new trends throughout the country. Even if the cinema-going public is no less large outside the capital, the latter holds cultural sway and sets the general trend.
- It is not even necessary to control the whole test market. The control of certain film theatres has generally proved to be enough. This means controlling scheduling in 'exclusive/priority' or 'first release' film theatres.

The Majors were the first to create this two-tier system of film theatres, giving some priority or the exclusive right to exhibit a particular film, and thus setting them apart from the rest. Having initially drawn their strength from their strong distribution network, the Majors have, by classifying film theatres in this way, retained the lion's share of profits from the films whose production and/or distribution they have financed.

To demonstrate the importance of this ranking system it should be noted that the main commercial value of a film is realized when it is first released, i.e. when it is shown in 'exclusive' cinemas, and the public impact of advertising is at its height.

The commercial 'life' of a film centres on the first three months after release, during which it captures 75% of its total audience. Almost 40% of cinema-goers see a film in its first months.

Consequently the importance of controlling priority and exclusive film theatres is by no means negligible.

Moreover, the Majors have done their utmost to underline the limited commercial life of a film, at the expense of its artistic merit, although the latter obviously does not evaporate after only a few months' exhibition.

The method used by the Majors is none other than gigantic advertising. Cinema-goers choose from the films which advertising has brought to their notice. Such films can only be seen in the priority/exclusive film theatres. These establishments constantly attract the bulk of cinema-goers, who do not seem to be deterred by higher seat prices when a new film is on offer.

Since the Majors are the only companies whose international scale enables them to invest in advertising on a gigantic scale, they encounter little difficulty in controlling priority film theatres. These - like any cinema - need films whose appeal is heightened by advertising. In other words they need films which have not only artistic value but also a commercial value enhanced by promotion. The demand for such films enables the Majors to perfect their control of the market. The films offered by other distribution companies - films which for the most part are not American - have no effective access to the market.

- The Majors' stranglehold on theatre scheduling is founded on certain anti-competitive practices.

. Cinema managements wishing to show a film that is likely to attract the public into their theatres are required by the Majors to schedule a series of other films, irrespective of their quality or appeal.

. This practice is known as 'block booking', or the 'baker's dozen', as it is revealingly referred to in Greece. It enables the Majors to market all the films for which they hold distribution rights, on the strength of a small number of 'top box-office' films. By maximizing their cinema playing time, the Majors close the market to other distributors and other films. Block booking also enables them to offset the risks arising from inequalities in the product.

- . The 'secondary' anti-competitive practices accompanying block booking deprive other films (and particularly films produced in the Community countries) of practically any opportunity of gaining access to the market, or of doing so on equal terms.

Thanks to the top box-office films, the Majors are able to lay down a minimum number of exhibition weeks for the films under their rental control in such a way that there is no projection time left for other films. By way of example mention may be made of two recent films for which their distribution company demanded no less than eight and sixteen weeks' billing! In other words a single film can take up almost a third of a cinema's annual exhibition time. However, it is not essential to occupy total film scheduling time in order to control the market. Certain periods are considered favourable for the release of a film while other periods are considered to be 'troughs' from the cinema attendance point of view. The trough periods are reputed to spell the death of a film, or cause it to pass unnoticed, which comes to the same thing. Obviously the Majors reserve the favourable periods for themselves.

- . In fact the practice which best illustrates the relationship between the film Majors and cinema management is the practice of advanced booking of films which have not even been completed or, at any rate, have not been seen by the managements concerned. This practice is known as 'blind bidding' and is evidence of the Majors' control of the world cinema market, and hence of the cinema market in the Community.
- . With the help of a score of large-promotion budget films the Majors control film scheduling in priority film theatres which, despite their small number, attract the majority of film-goers. This is harmful to films produced in the Member States of the Community, which have to be content with marginal exhibition in cinemas which are attended only by cinema enthusiasts rather than the general public. As a consequence the barrier between an intellectual élite and the general public continues to grow, provoking increasing distrust on each side of the tastes and demands of the other. The cinema which was once the favourite form of popular entertainment now finds itself in a situation comparable to that contrasting 'classical' music with 'pop' music. Films which do not comply with American standards increasingly meet with public indifference.

8. The absence of a European distribution network powerful enough to take on that of the Majors means that the potential career of any film originating in Europe depends on whether it will be distributed by the major companies' network. These companies, which distribute their own productions and virtually all 'independent' American productions, also commandeer the best productions from Community countries.

This expansion of their film portfolio enables them to provide a sufficiently varied schedule, preventing any other European distribution network from developing.

It should be stressed that the Community is the best foreign market for American films. On the list of the five best foreign markets, which alone provide half of the major companies' world revenue, three Community countries appear year in year out. Two others are close behind.

9. The power of suggestion of the audio-visual medium, and hence the cinema - which is the leading aspect from the prestige point of view - is immense. Herbert Clark Hoover (President of the United States from 1929 - 1933) once said, 'Where the American film penetrates the market, we sell more American automobiles, more baseball caps and more American phonographs'.

The consequences, which are cultural as well as social and economic, are particularly grave.

The place for cultural exchange between the Member States - an exchange which would enable the people of the Community to get to know and understand one another better - is taken by the common cultural denominator which the American cinema has become.

That exchange is therefore subject to the yoke of a single culture, and cultural resignation can only be the result of economic dependence. Consideration could be given to carrying out a Commission inquiry to determine whether the American Majors' commercial practices constitute a violation of Articles 85 and 86 of the Treaty of Rome.

It is, after all, the Community's advantage to possess a variety of national cultural expression instead of the American monoculture. The different aspects of this cultural expression could combine and co-exist without threatening one another and would put forward a 'European way of life' - just as American films propose the 'American way of life'.

The national character of our film industries should not be overshadowed by what claims to be an international style, but should be safeguarded.

Film co-productions, which are hybrid creations prompted solely by commercial interests and by definition aimed at an international public, often turn out, simply because they are removed from a national context, to be of interest to no-one. On the other hand national films intended for their own public are the ones which, because of their quality, arouse the interest of foreign audiences. But these national films, which compose and reflect the culture from which they spring and are produced in distinct societies whose change they also influence, are prevented by American dominance both from finding their proper place in the Community and from taking the rich cultural benefits of Europe beyond its frontiers.

What our films need is a commercial structure on which they can rely. They need adequate promotion. They need the Community's interest.

10. If the purpose of the European Economic Community is more than the mere creation of a common market, action is required.

Practical incentives for the distribution of the cinema of the Member States, both within and outside the Community, are needed now. The creative cinema is beginning to disappear.

11. Aid granted to the cinema industry by the Member States should not be stopped but increased to a level at which it becomes more effective. The Treaty of Rome only prohibits aid which distorts competition. It is clear from the figures quoted above that the European film industries do not compete with one another but are all faced by competition from the American industry.

In the present situation national aid offers only meagre compensation for the anti-competitive practices of the major companies.

The competition from television is an additional justification for the Member States to grant aid to the film industry.

12. The rules on competition laid down by the Treaty would find applicable material in many of the anti-competitive practices of the major companies and in the malpractices of the television authorities (see Articles 85, 86 and 90 of the EEC Treaty).

The fact is that national aid to the film industry forms part of 'aid to promote the execution of an important project of common European interest' as defined in Article 92(3)(b) of the EEC Treaty.

The safeguarding of one of Europe's forms of cultural expression ought surely to count as 'an important project of common European interest'.

13. Your rapporteur recommends the vigorous and speedy involvement of the Community to safeguard the film industry of its Member States.

First of all the particular characteristics of the film medium should be duly recognized, so that it ceases to be treated without due regard for its true nature - which is essentially cultural.

Next a long-term strategy should be drawn up to enable appropriate industrial and commercial support to be made available to film production.

This strategy will not only meet cultural needs but will also fulfil needs of a social nature. For at the public hearing held by the Committee on Culture on 24 November 1981 and attended by cultural workers, representatives of producers, actors and technicians in the film industry stressed the

continued deterioration of employment in their industry. The kind of action they expect from the Community is strictly in line with the economic and social responsibilities conferred upon it by the Treaty. It cannot be denied that unemployment calls for direct Community action, in any circumstances and whatever occupations are involved. A preferential loan could be granted by the European Investment Bank (EIB) (under Article 130(c) of the EEC Treaty) for groups of film distributors in the Member States which would be established to facilitate the free movement of cinematographic products.

14. It should be borne in mind that the present level of aid to film production will not be really effective unless it is backed up by aid to the distribution industry.

Distribution in turn begins with promotion.

The Commission has already taken steps towards promoting our film industry. Together with the national television authorities it is preparing a series of television programmes to present the cinema of each of our countries to the public in the others. Its aim is to increase Europeans' knowledge of the cinema which is part of their culture.

Clearly, further action is needed.

The first step should be the organization of a European Film Festival on the Community's initiative and with its support.

It is an extraordinary fact that, of the many specialist festivals taking place throughout the Community, not one is intended to promote the European film as such.

The new Festival would fill a gap.

On its own it would provide some of our films with joint publicity, helping them to make up some of the ground lost to the major companies whose individual advertising benefits each of their big productions.

But besides promotion, the European Film Festival should include aid for the distribution industry itself.

To assist the distribution of films obtaining distinction in the European Film Festival it will not be enough to present them with honorary awards (which would scarcely influence the public during the years needed for the festival to acquire a sound reputation) or even cash prizes - since there would be no guarantee that they would be spent entirely on distribution.

The European Film Festival should therefore follow a formula which is at once original and more effective.

It is this: the Festival will provide one hundred copies of each of the films awarded distinction to the multinational distribution group furnishing proof that it is able to provide the best possible distribution for that film in its country of origin, the other Community countries and elsewhere.

The European Film Festival will thus be a testing ground for the European distribution network which will clearly need to be created at an early date.

The organization of the European Film Festival and the cost of the aid for distribution of the films so distinguished will need to be financed by the Community budget from 1983.

It should be noted that under this formula the precise cost of the aid will be known in advance and hence will not come as a surprise at a later stage.

C O N C L U S I O N

15. There can be no doubt of the real merit of the American cinema, nor of the interest which it rightly attracts on this side of the Atlantic.

The people of Europe want to see the best films from the United States.

But is it necessary that they should be offered absolutely all - including the least-inspired - films produced in that country?

It will also be recognized that it is unacceptable that quality films in which the best of our own culture finds expression should have access only to a minute part of the American public.

16. The Community will not eradicate the present serious imbalance by continuing to hold out to the film industry in its countries the threat of abolition of national aids.

This would amount to the complete disappearance of the European film industry - to the greater profit of its American counterpart.

To contemplate the harsh application of the Treaty's rules on competition is to ignore a situation which is the result of the major companies' activities.

It would be just as unreasonable to condemn aid provided under the Treaty for the free movement of workers.

On the contrary, it is quite normal and natural that each of our countries should seek to assist the production of films which provide work for artists and technicians whose employment and standard of living are its direct responsibility.

Moreover, none of our countries would wish to disregard the image which its films project of its identity. Clearly, the widest possible involvement of a country's nationals, at every stage of the production process, is an essential condition for the fidelity of that image. In film work, men and women are more important than the equipment. They - and not the equipment - 'make' the film.

The involvement of nationals from several Community countries should be feasible - and indeed encouraged - when it is required by the subject or desirable for artistic reasons.

However, if this involvement were to be imposed from outside, for legal considerations divorced from the cultural realities, it would soon land us with a rootless and depersonalized film industry.

That industry would be 'insignificant' in the true sense of the term.

It would be deprived of any cultural value and would be of interest to no one, whether in the Community or outside it.

Moreover the abolition of national aids would not ensure respect for the spirit of the Treaty and would have no practical impact on the free movement of producers, actors and technicians. For the language barrier and ingrained practices would only allow a small number to work in a country other than their own. Thus the small advantage gained by some would bear no relation to the enormous loss to the public at large from the ruin of our film industries.

17. With regard to national aid, the Community could at most consider harmonization.

But the introduction of a single system of aid should be approached with extreme caution.

Such assistance would be difficult to tailor to very different situations.

These situations vary greatly from one country to another and depend on the size of population, the number of cinemas, the influence of the language, the strength of impact of television, etc.

18. Instead of devoting all its attention to national aid, the Community would be well advised to take a close look at the truly anti-competitive practices - which are actionable as such under the Treaty provisions - which have led to the closure of so many local cinemas in the large cities and have turned smaller conurbations into cinematic wildernesses.

These practices have alienated the cinema from its public: not only in monetary terms (by backing cinemas which demand the highest prices) but also, as it were, geographically - by concentrating cinemas in the commercial areas of urban centres.

Unless these practices come to an end at an early date, it will soon be too late to restore the cinema to the favoured position it has long held as popular entertainment.

It is, however, still possible, on the express condition that the Community at last decides to improve - or permit the Member States to improve - the distribution of European films.

The objective should be to create, by one means or another, a distribution system powerful enough to compete on equal terms with the major companies, not only in each national market but also throughout the Community market and in the international market.

It is not enough to produce excellent films. We must also ensure that those films actually reach the public.

19. The recent, very rapid development of new methods of distribution and reproduction - cable and satellite television and video-cassettes - gives rise to serious concern regarding the exhibition of films in cinemas and the future of film-makers' works and rights.

The growth of these new technologies has not so far had the effect which might have been expected in terms of creativity. Television and video-cassette recordings concentrate on existing films rather than original works. Film-makers are denied their right to a share in all forms of profit made from their films. In addition, they have no follow-up rights concerning the subsequent treatment of their films, which are often altered and sometimes rendered completely unrecognizable for purely commercial reasons.

While a film is launched by being shown in cinemas, often with an accompanying publicity campaign, all possibilities of cinema popularity are destroyed if the film is made available immediately, or too soon, on television or on video-cassettes.

Lastly, the increase in pirate recordings, particularly on video-cassettes, which is equivalent to theft and receiving stolen goods, must impel governments to take measures where none existed before and to coordinate their national legislation. These measures must be accompanied by a campaign to make the public aware of the risks involved in receiving stolen goods and to provide information for police officers and magistrates involved in combating these crimes.

Since the effects of these new methods of distribution extend beyond national frontiers, it is essential that governments, users of these audio-visual methods and the film industry should, as a matter of urgency, reach agreements to put a stop to the present state of anarchy and restore the balance of the distribution and broadcasting market so as to protect and support artistic creativity.

20. The Community must show not only realism but also sensitivity, by building the Europe of the Treaty of Rome without destroying the Europe of the cinema - which is one ramification of the Europe of culture.

The time has come to reverse that famous dictum of André Malraux 'The cinema is an industry, but it is also an art'.

And it must be greatly stressed that the film is not - and cannot be - an industrial product like any other.

The tables are based primarily on figures culled from the bulletin of the Centre National de la Cinématographie Français, updated or supplemented from the following periodicals:

- . le Film Français
- . Film Exchange
- . Variety
- . Giornale dello Spettacolo, etc.

TABLE N° 1

SHARE OF US FILMS IN THE CINEMA MARKET OF 4 EEC MEMBER STATES

France
Italy
United Kingdom
Germany

TOTAL 4 MARKETS

704 million film-goers

334 m	369 m
US Films: 47 %	Italian films: 24% (169 m) French films: 16% (118 m) British films: 8% (58 m) German films: 3% (24 m) Rest of world: 2%

NOTE:

Films from other EEC countries are included in the remaining 2%.

TABLE N° 2

Share of the North American market (United States and Canada) held by the MPAA* in the period 1970 to 1978**

	1970	1971	1972	1973	1974	1975	1976	1977	1978	
%	75.8	69.9	83.4	76.1	78.2	83.3	78.5	84.0	89.1	MPAA-7*
%	84.9	77.9	88.4	82.6	89.0	92.7	89.0	93.0	95.0	***

* MPAA = Columbia
 Fox
 MGM
 United Artists = MPAA-7 (the real MPAA - the 'Majors')
 Warner
 Paramount
 Universal
 Allied Artists = MPAA - 9 (these two 'minors' are affiliated
 Avco Embassy to the MPAA)

** For the purposes of this table only films for which exhibition revenue has reached or exceeded 1 million dollars are taken into account.

*** These percentages apply to the MPAA-7 and two 'minors' not affiliated to the MPAA, Disney Buena Vista and AIP (American International Pictures).

Source: Variety, 15 Jan. 1975; 11 Feb. 1976; 18 Jan. 1978; 10 Jan. 1979

NOTE:

The seven (7) Majors alone hold virtually all the North American market. Their dominant position has been strengthened in recent years to the detriment of all the other companies.

TABLE N° 3

World revenue of MPAA companies in 1976 (in million dollars)

	Film	TV	Total
United States	576	485	1061
Overseas	571	150	721
	-----	-----	-----
Total	1147	635	1782

NOTE:

1. Half of MPAA revenue in the United States derives from television.
2. The rule of 'three thirds' does apply. One third of revenue comes from cinemas in the domestic market, one third from television (United States and overseas) and one third from film exports (576 - 635 - 571).
Obviously the television 'third' is the largest.

TABLE N° 4

Foreign market share of world revenue of MPAA

1977	41% (of total)
1978	43% (of total)
1979	46% (of total)

Share of five main foreign markets in foreign earnings of MPAA

The historic average for the five best markets has been 44% of total world earnings.

In 1979 it was 46.1%.

The five markets concerned in 1979 were:

- Canada
- Germany - EEC
- Japan
- France - EEC
- Italy - EEC

The EEC as a foreign market for the MPAA

The historic average for the 15 best foreign markets of the MPAA is 75%.

In 1979 it was 79.3%.

These markets include five EEC countries:

- Germany
- France
- Italy
- United Kingdom
- Netherlands

Apart from the Netherlands, which comes higher or lower in the table depending on the year, the four other countries regularly appear among the five best MPAA markets.

TABLE N° 5

UNITED STATES	
average cost of producing one film	average cost of promoting one film
10 million dollars - 1980 (up 221% on 1975) (up 407% on 1972)	6 million dollars (up 20% per annum)

Variety, 22 October 1980

CNC Revue de la presse prof. étrangère N° 61, Nov. 1980, p. 16.

Promotional budget allocated by the Majors (+ Disney) to launch films via television in 1979

Number of films	Cost of launch
149 (up 33% on total for films launched by TV)	128 million dollars (73% of total cost of films launched by TV)
average cost approximately 1 million dollars	

Film français, 13 June 1980

TABLE N° 6

Production trends 1970 to 1979

(in absolute figures)

UNITED STATES

Source of production	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Majors-minors:										
Films made in US	73	66	74	74	58	54	58	70	60	77
Films made abroad	62	42	52	28	62	26	24	22	20	22
TOTAL	135	108	126	102	90	80	82	92	80	99
Independents:										
Films made in US	64	77	107	77	85	44	50	73	60	45
Films made abroad	37	71	63	40	63	52	42	61	63	104
TOTAL	101	148	170	117	148	96	92	134	123	149
TOTAL FILMS MADE IN US	137	143	181	151	143	98	108	143	120	122
TOTAL FILMS MADE ABROAD	99	113	115	68	95	78	66	83	83	126
OVERALL TOTAL	236	256	296	219	238	176	174	226	203	248

TABLE N° 7

FEDERAL REPUBLIC OF GERMANY
Production trends 1970 to 1979

Year	Number of new feature films released	Cinemas	Audience (in millions)	TV Sets	Number of films broadcast on TV
1970	105	3,446	160.1	16,674,742	304
1971	112	3,314	152.1	17,429,730	335
1972	108	3,171	149.8	18,063,892	341
1973	82	3,107	144.3	18,468,197	317
1974	77	3,114	136.2	18,920,063	327
1975	55	3,094	128.1	19,226,029	346
1976	60	3,092	115.1	19,931,000	324
1977	52	3,072	124.2	20,169,280	332
1978	57	3,110	135.5	20,344,838	436
1979	65	3,196	142.0	20,763,137	440

TABLE N° 7a

	1979 %	1978 %
German films	16.0	12.8
American films	39.5	54.9
British films	13.0	7.6
French films	12.3	8.4
Italian films	11.4	6.1
Other countries (rest of EEC and World)	7.8	10.2
	100	100

Film Echo-Filmwoche, 25 July 1980

TABLE N° 8

Italian market 1970 and 1979

(peak years also indicated)

Year	Audience (in thousands)	Share of Italian films in total gross revenue in %	Cinemas (total number)	TV licences
1970	525,066	59.9	9,390	9,635,944
1971		63.9		
1972	553,666			
1979	276,265	37.3	6,592	13,110,109
1981				

Lo spettacolo in Italia - 1979

TABLE N°9

NETHERLANDS

Share of revenue by nationality of films 1977 to 1979

COUNTRY	1977	1978	1979
F.R.G.	4.33	4.08	4.76
United Kingdom	10.89	16.88	16.32
France	8.48	7.77	6.75
Italy	10.39	7.05	11.12
Netherlands	11.56	8.82	11.45
USA	44.50	49.56	44.86
Other countries (rest of the EEC and rest of world)	9.85	5.84	4.74
TOTAL	100	100	100

New films broken down by nationality in 1970, 1976, 1978 and 1979

COUNTRY	1970	1976	1978	1979
USA	113	141	128	127
France	51	41	44	54
F.R.G.	43	30	39	33
United Kingdom	61	32	29	29
Italy	57	17	27	19
Netherlands	4	8	12	13
Denmark	4	3	4	2
Other countries (rest of EEC and world)	25	56	40	43
TOTAL	362	330	323	320

Variety, 7 May 1980

TABLE N° 10

Cinematic character of the EEC

	BELGIUM	DENMARK	FRANCE
Population (in millions):	10	5.1	53
Production of feature films:	10	13	174
Number of cinemas:	540	465	4,480
Audience size (in millions):	20	1.7	174
Total box-office revenue:	Bfrs 1,500 m	Dkr 220	FF 2,460 m
Market share held by American films:	45%	60%	35%
Market share of national films:	5%	35%	47%
Main distribution companies (other than subsidiaries of US Majors):	Belga Films, Cine Vog, Elan Films, Excelsior, Mercury, Gaumont		Gaumont, Amlf, Ugc, Ccfc, Parafrance, Planfilm
Number of television sets (in millions):	2.950	1.850	15.6
Number of television channels:	4 (Brt 1, Rtbf 1, Rtbf 2, Brt 2)	1 Dr	3 (Tf 1, A 2, Fr 3)
Number of films per annum broadcast on TV:	350	100	537
By cable:	2,000 ?		
Number of films distributed:		220	690
Population over 15 (in millions):			10.6
Attendance index:			2.5

TABLE N° 11

(continued)

	GREECE	IRELAND	ITALY
Population (in millions):	9	3	56
Production of feature films:	10		163
Number of cinemas:	1,500	150	7,400
Audience (in millions):	20	15	276
Market share held by American films:	60%		30%
Main distribution companies:	Carayannis-Caratzopoulos, Artistes Associés, Columbia-Fox, Victor G. Michaelides		Titanus, Cineriz, Fida, Euro International Medusa
Number of television sets (in millions):	1.4	0.6	13.2
Number of television channels:	2 (Elliniki Radiophona Tiletrassia (Ert) and Ypiressia Enimerosseos Enoplon Ohynameon (Yened)	2 (Radio Telefis Eireann (Rte 1 - Rte 2)	3 (Rai); private: 400
Number of films per annum broadcast on TV:	500 (?)	230	5000 (?)
Number of films distributed:		300	440
Box-office revenue:			364,000 million lire
Population over 15 (million):			42
Attendance index:			7
Share of national film:			37%

TABLE N° 12

(continued)

	NETHERLANDS	F.R.G.	UNITED KINGDOM
Population (in millions):	13	62	56
Production of feature films:	13	65	40
Number of films distributed:	300	304	274
Number of cinemas:	507	3,210	1,607
Audience (in millions):	28	142	112
Total box-office revenue:	F1 196 m	DM 822 m	£ 127 m
Population over 15 (million):	10	46	42
Attendance index:	3	3	3
Market share held by American films:	80%	50%	
Market share of national films:	8%	11%	
Number of television sets (in millions):	4	20.8	18.4
Number of public television channels:	2 (Nederlandse Omroep Stichting (N° 1 & N° 2))	3: Ard 1, Zdf, Ard 3 (5 stations)	2 (BBC 1, BBC 2); private: 1 ITA (15 stations)
Number of films per annum broadcast on TV:	145	440	5,000 (?)
Main distribution companies (except US Majors subsidiaries):		Neue Constantin, Tobis, Jugend Film, Film Verlag, der Autoren, Concord Film, Residenz 2 Film, Senator Film	Itc, Emi, Rank

Source: LE FILM FRANCAIS N° 1849 - 13 March 1981

TABLE N° 13

By way of illustration

Percentage breakdown of audience and revenue between exclusive film theatres and other cinemas in Paris, 1979

Audience as %		Revenue as %	
Exclusive theatres	Others	Exclusive theatres	Others
79.83	20.17	85.56	14.44

Source: 'L'activité cinématographique française en 1979'
supplement to N° 182 - 183 of 'Informations CNC', p.2

TABLE N° 14

TAXES ON TELEVISION IN THE EEC

(at 1 September 1980)

Country	Black and White	in F.F.	Position	Colour	in F.F.	Position
F.R.G.	156 DM	364.54	1	156 DM	364.54	4
Denmark	476 DKr	360.14	2	800 DKr	605.19	1
Belgium	2148 Bfr	312.79	3	3348 Bfr	487.51	2
Netherlands	130 Fl	297.32	4	130 Fl	279.32	8
France	221 FF	221	5	331 FF	331	7
Italy	43000 L	211.39	6	81000 L	441	3
Ireland	23 punt	202.60	7	38 punt	334.76	6
United Kingdom	£ 12	119.88	8	£ 34	339.66	5

Screendigest - November 1980

SHORT FILMS

1. The first EEC directive on film-making indirectly defines a short film as a film lasting less than one hour. This official definition is arbitrary, insofar as a film lasting 50 minutes or so would never be regarded as a short film by the audience* .

2. Paradoxically, although a short film is artistically complete in itself it depends commercially upon a full-length film and does not directly generate revenue.

Moreover, as a result of standardization, which itself is dictated by commercial considerations, the length of a film has become a decisive factor in determining the opportunities for such a film to find its public.

While no one would seek to judge the artistic interest and value of a painting, a book or a piece of music by its size, or volume or duration, when it comes to films this factor is of crucial importance and determines its market value.

Since the public is conditioned by the commercial reality of the cinema it will not go out and pay good money to see a film unless its duration appears to justify both the journey and the price.

The existence of television as a source of domestic entertainment only adds to the difficulty.

Programmes made up exclusively of short films have been marketed too seldom to create a public. The only exceptions to this rule are 'articulated' or 'sketch' films, which are actually short films connected by linking passages or a single theme.

(*) Under most national legislation the length of a short film is defined as less than 30 minutes (in Italy, 22 minutes; in the UK, 33 minutes etc.).

Moreover the main film directors abandon the form in favour of longer films once they have cut their teeth on short films. Well-known film actors do the same. The prestige of the short film is bound to be affected.

All this has turned the short film into a supplementary film in marketing terms - rather than a cinematographic genre in its own right. Market realities have reduced the short film to the role of a proving ground for young directors - and this still seems to be its main function in most countries.

3. The general drop in cinema-going as a result of the advent of television, leading to a decline in the film industry, has particularly affected the market for short films, whose scheduling inevitably involves hire charges - which means additional costs.

Commercial advertising, to meet the needs of a consumer-oriented society, has replaced short films in the first part of the cinema programme, whilst enabling management to maintain the opportunity for an interval in which to boost incidental sales*. The volume of such sales is particularly crucial to cinema management since they often equal box office revenue. This means that there will always be an interval and hence a first part of the programme.

The inclusion of a short film in a cinema programme will depend entirely on the profits which the management and distributor hope to secure. The fact is that while short films cost both groups money, they do not earn any, since what attracts the audience into the cinema is the feature film. Consequently, to avoid additional hire charges management and the distributor prefer to eliminate the short film.

The general public has been compelled to accept this new fact of life.

4. Relations between the television authorities and the short film industry are very poor.

* Although advertising films are also short films they are not taken into account in the present report in view of their function.

As a buyer or co-producer television seldom comes to the rescue of short films intended for exhibition in cinemas and not specifically designed for television broadcasts. In any case the price which the networks are prepared to pay is exceedingly low. The overriding need to amortize production costs is the only reason why short films are sold to television networks at all.

5. The trade in short films within the Community is disappearing, while the penetration of other markets has been increasingly difficult for some years. In economic terms the export markets can no longer be relied upon to cover production costs, which continue to rise inexorably.

6. Most of the Community countries have endeavoured, as part of their cultural policy, to counter the present disappearance of short films by introducing schemes for their support.

The efficiency of such schemes has varied from one country to another. State subsidies have been granted both for cultural and economic objectives and are sometimes selective and based on qualitative criteria and sometimes automatic. The latter, however, are not proportional to the commercial success of the short film, but to that of the accompanying long film. The fact is that the revenue on the basis of which the subsidy is granted is earned by the main feature.

Broadly speaking there are two kinds of short film which share financial support by the State: documentaries and fiction films. Cartoons are now rarely made.

State subsidies for short films take the form of encouraging production (with an advance on earnings, co-financing etc.) and, more particularly, of incentives to exhibit. In the most favourable case, the latter subsidies require cinema managements to reserve part of their programme on alternate days for short films.

In some countries fiscal incentives are granted to cinema managements and distributors.

Moreover the introduction of quality certificates has enabled the marketing of a small number of short films to enjoy not only state protection but also particular prestige.

However, the most effective formula seems to be that requiring the exhibition of a quality short film with any film benefitting from State aid.

7. Irrespective of the letter or the spirit of the law as it affects the film industry, there is always the harsh reality of commercial practice. Producers of short films can only rely upon public authorities to finance part of their production costs. They cannot count on private investors, who know that there is little hope of profit from short films.

Apart from State subsidies, there is no exhibition circuit to cover the production costs of short films. Only the 'parallel circuits', where they exist, offer such films some chance of survival. It should be stressed, however, that a scale of the art cinema and experimental cinema movement (in some countries, this movement includes a good many commercially-run cinemas) has created a potential market for all quality films, including short films.

Outside the traditional commercial sector, a constantly increasing number of cinema clubs shows films which do not have access to normal distribution. Despite some progress this market remains marginal.

On the other hand the rapidly expanding video cassette and video disc market will create new opportunities, but it is still too soon to forecast the place which short films will occupy in that market.

8. Despite some apparently encouraging prospects, the present commercial context is highly unfavourable to the short film. It is alleged that a realistic approach would be, if not to despatch the 'lame duck' short film industry once and for all, at least to let it die of its own accord. Such an approach would be totally devoid of any artistic or cultural consideration.

A cultural policy is by definition active and dynamic. It cannot consist solely of following existing trends but must encourage new ones to enable the policies it has defined to be achieved.

Despite what has been said above it must be acknowledged - and appreciated - that the Community countries' attitude to their film industries, including the short film industry, has been to encourage and safeguard cinematographic expression. Unfortunately this attitude is too reserved, insofar as it is insufficiently oriented - or not oriented at all - towards the promotion of films, without which any production subsidy is futile.

9. The short film market has collapsed. But the decline in the industry is a function only of the present distribution and management conditions. Distributors providing cinema managements with full programmes hold the key to the solution of the problem.

In fact distributors will only schedule short films when it is possible and worthwhile to secure some of the subsidies intended for producers. To schedule a short film they demand and obtain a share of the aid (up to 50%) allocated to producers by the State. The producers have to accept, for little is better than none at all.

Cinema managements on the other hand do not put pressure on the distributors unless the exhibition of a short film is a condition for the granting of certain advantages - such as significant tax relief.

10. Since short films are unlikely to make a profit the only recourse is State support. Unfortunately this is confined to slowing down the rate of decline and extinction of the industry.

The prime consequence of that decline is seen in artistic and cultural terms. Having been forced to abandon the cinema screen for television, producers of short films are compelled to change the way in which they design and produce a film. When a cinematic genre disappears this can only impoverish artistic expression and deprive the film industry of the breeding ground for new talent which the short film industry has always been. The decline in the commercial cinema market is a final - and unmerited - blow to the prestige of short films, since that prestige can only be won in commercial cinemas.

The second consequence is a social one: first from the point of view of the employment of artists and technicians; secondly from the point of view of decentralisation and regional development. The fact is that it is easier to produce short films in the regions than to produce costly full-length films in the capitals in which the whole film industry is now concentrated.

The third consequence concerns the trade in short films between Community countries. This trade is declining very substantially as a result of the fact that marketing prospects make it increasingly difficult to justify dubbing and sub-titling costs. The same goes for exports to third countries.

And yet the volume of such trade ought to be by no means inconsiderable; first of all, because the production of short films has a strong and hallowed tradition in some Community countries; and secondly because short films are likely to enable strong links to be forged between nations.

The fourth consequence largely concerns countries with a small film industry. These have an imperative need for a short film production industry to maintain the infrastructure that is essential for the survival of their full-length sector.

11. The problem of short films cannot be considered in isolation from that of full-length films; the distribution and promotion of both types of film are highly inadequate, not only at the national level but also in the Community.

Practical measures to promote short films could be suggested.

First of all the measures taken by different countries which have best stood the test of time at national level could be adopted by the Community as a whole.

The scheme for the compulsory scheduling of quality short films - which means their distribution is assured and hence that production can continue - should be adopted by all the Community countries. Tax relief arrangements could facilitate its adoption until such time as a new audience for short films emerges.

Every Community country should also encourage the distribution of short films selected by the others.

The short film could regain its status as a wholly separate cinematographic genre, even in market terms, as it used to be.

In conclusion your rapporteur stresses the importance of the short film and urges that it should not just be rescued but actually sustained and promoted.

The combined endeavours of the Member States of the Community to this end would not be out of place.

Table no. I

Production of short films in the Community countries where statistics are available.

	FRANCE ¹	FRG ²	ITALY	UK ³	BELGIUM ⁴
1965	252	364	231	227	33
1970	265	268	230	108	33
1971	354	201	213	84	41
1972	279	167	226	89	42
1973	254	138	204	82	54
1974	320	145	155	72	71
1975	461	154	137	69	20
1976	432	145	139	74	86
1977	484	105	137	64	99
1978	509	113	153	72	108
1979	355	117		87	97
1980				66	64

1. Number of short films obtaining production licences
2. Number of short films previewed by the FSK (a self-control body)
3. Number of official short films
4. Number of short films eligible for State aid (for the period 1973 to 80, 13 films originating in other Member States were authorized and considered eligible).

Table no. II

Marketing of national and foreign short films in the Community.

	FRANCE ¹		FRG ²		UK ³		ITALY ⁴
	short films		short films		short films		
	French	Foreign	German	Foreign	British	Foreign	
1965	351	318	364	320	227	166	
1966							
1967							
1968							
1969							
1970	229	209	268	110	108	61	
1971	249	118	201	87	84	47	
1972	265	111	167	88	81	41	
1973	366	132	138	67	82	60	
1974	291	185	145	76	72	56	
1975	306	143	154	46	69	39	
1976	415	129	145	48	74	29	
1977	394	98	105	47	64	28	
1978	410	73	113	33	72	12	
1979	369	89	117	22	57	17	
1980					66	16	

1. Number of short films licensed for exhibition
2. Number of short films previewed by the FSK (self control body)
3. Number of authorized short films lasting less than 33 minutes
4. Twenty quality prizes are reserved each year for films submitted by the authorities of the other Member States; no figures available.

