

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(94) 523 final

Brussels, 08.02.1995

95/0026 (SYN)

95/0027 (CNS)

## COMMUNICATION FROM THE COMMISSION

### AUDIOVISUAL POLICY

#### STIMULATING DYNAMIC GROWTH IN THE EUROPEAN PROGRAMME INDUSTRY

(MEDIA II - 1996-2000)

Proposal for a  
COUNCIL DECISION 95/0026 (SYN)  
on the implementation of a training programme for professionals  
in the European audiovisual programme industry  
(MEDIA II - Training)  
(1996-2000)

-----

Proposal for a  
COUNCIL DECISION 95/0027 (CNS)  
on a programme to promote the development and  
distribution of European audiovisual works  
(MEDIA II - Development and Distribution)  
(1996-2000)

-----

(presented by the Commission)

**AUDIOVISUAL POLICY**

**STIMULATING DYNAMIC GROWTH  
IN THE EUROPEAN PROGRAMME INDUSTRY**

**(MEDIA II - 1996-2000)**

## Contents

### CHAPTER I

#### New guidelines for Community support mechanisms

- I. Competitiveness in the programme industry
- II. The need to rethink support mechanisms
- III. Action: principles and methods
  - III.1 Training
  - III.2 Project development or pre-production
  - III.3 Production and distribution
- IV. From MEDIA (1991-1995) to the new Community mechanisms (1996-2000)
  - IV.1 Evaluation of MEDIA and experience gained from it
  - IV.2 New terms of action

### CHAPTER II

#### Training programme for professionals in the audiovisual programme industry

- I. Introduction
  - I.1 Translating growth into jobs
  - I.2 Shared responsibilities
  - I.3 Grounds for Community action
- II. Current position
  - 1. Training infrastructure
  - 2. Levels of training
  - 3. Training content
- III. Guidelines for European action
  - 1. Objectives
  - 2. Priorities

Proposal for a Council Decision

Annex

Financial Statement

## CHAPTER III

### Programme for encouraging the development and distribution of European audiovisual productions

#### I. Introduction

#### II. Current position

- 1 Development: a neglected stage
- 2 Structural weaknesses in distribution

#### III. Guidelines for European action

- 1 Development
- 2 Distribution
- 3 Financial instruments

Proposal for a Council Decision

Annex

Financial Statement

Annex: European audiovisual conference, session on support mechanisms

# STIMULATING DYNAMIC GROWTH IN THE EUROPEAN PROGRAMME INDUSTRY

## CHAPTER I: New guidelines for Community support mechanisms

### Introduction

The structural shortcomings of the European programme industry are such that without a policy to safeguard its competitiveness in the medium term, the anticipated cultural and economic benefits of the information society will not materialize.

The Green Paper adopted by the Commission in April 1994, entitled "Strategy options to strengthen the European programme industry", identified the following shortcomings:

- the industry is fragmented into national markets, which means that producers are too small to compete on European and world markets;
- the partitioning of national markets is compounded by a low rate of cross-border programme distribution and circulation;
- the industry is trapped in a spiral of chronic deficit;
- the industry is unable to attract the financial resources needed for its recovery.

Consultations held on the basis of the Commission's Green Paper<sup>(1)</sup> with the Member States and people in the industry have revealed that there is widespread agreement on the seriousness of the state of the programme industry and its possible consequences. The current situation makes it particularly difficult for the European audiovisual industry to prepare itself for expected developments in the information society and the explosion of broadcasting capacity they will bring. There is an obvious risk of seeing an ever-widening gulf between the supply of European productions and the growing demands of broadcasters. This would dramatically limit the choice of programmes, leaving viewers with programmes made, for the most part, by producers outside Europe and potentially leading to a backlash.

What is at risk, in the long term, is the ability of European producers, in whatever medium, to gain access to the communications vectors. The stakes are the radiation of the influence of national cultures, and, more immediately, the very return on infrastructure investments, given that programme failure would prevent investment paying off as planned.

---

<sup>(1)</sup> "Strategy options to strengthen the European programme industry in the context of the audiovisual policy of the European Union - Green Paper": COM(94) 96 final, 6.4.1994.

Following the Corfu European Council, the Council meeting (industry and telecommunications) of 28 September 1994 stressed the issues raised by the information society, emphasizing the "special urgency" of "improving the competitiveness of the European audiovisual and information industry on the world market, including the necessary development of a European programme industry with due regard for specific cultural characteristics and the impact of these programmes on society".

**This means that a major objective for the European Union is to develop a European programme industry that is capable of satisfying the information society's cultural and economic requirements, that is competitive and will guarantee cost-effectiveness in the long term.**

#### **I. Competitiveness in the programme industry**

The competitiveness of European audiovisual programmes has declined tremendously in recent years.

- In the space of ten years, European films have lost two-thirds of cinema audiences in Europe, with their market share falling to less than 20%. European films have been the worst hit by the drop in cinema attendance, which has been particularly drastic in Europe (from 1.2 billion spectators to 550 million in fifteen years).
- The number of hours of television broadcast by European stations has more than doubled since 1988 (from 500 000 hours to the current 1 000 000 hours) without any corresponding increase in the production of European works. In terms of cost-effectiveness, European programmes are always far less attractive than their American rivals which are available on the market at prices sometimes ten times lower. Since European works are usually aimed at a specific regional or national audience, they tend not to circulate well on the European market.
- All this means that the Community's audiovisual trade deficit, which with the United States is already some 3.6 billion dollars, continues to grow larger.

The difficulty which European operators have in compiling programme catalogues explains to a large extent the low competitiveness of the industry in Europe. Catalogues are a key element in any development strategy, since they are the means by which the information society will become cost-effective and assert itself.

The changes in the set-up of the European audiovisual industry that are likely to follow the introduction of new broadcasting capacities and the arrival of new services will doubtless be considerably more far-reaching than the changes that took place after the first wave of liberalization. The number of stations could exceed 500 and broadcasting hours could rise from their present level of 1 million to over 3.5 million by the end of the century. With its current level of competitiveness the European audiovisual industry is unlikely to be able to cope with this new challenge and, if the opportunities of the information society are

missed, there will be very few Europeans benefitting from the extra business and jobs (more than 1.8 million of them) that are expected to be created as these new services become widely available.

## **II. The need to rethink support mechanisms**

For a long time now all Member States have operated support mechanisms for the audiovisual industry, sometimes extremely generous ones. In 1990 the Community adopted the MEDIA programme, which runs until the end of 1995, and in 1993 it adopted the Action Plan for the introduction of advanced television services in Europe.

Consultations held on the basis of the Commission's Green Paper and the report by the Think Tank have amply demonstrated that the weaknesses in the European programme industry affect to differing degrees the whole production and distribution chain: training systems are under-developed; pre-production and marketing suffer from under-investment as compared to what large producers outside Europe invest in the development stage of their projects; production rarely reaches the necessary critical size; distribution and transmission are all too often limited to a particular region or country and mean that productions have a low circulation rate; and Europe's stock of cinemas as a whole is not suitable.

Regional, national and Community support mechanisms have sought to respond to the difficulties encountered throughout the audiovisual production and distribution chain. It is true that there have been some remarkable successes, enabling certain countries to maintain genuine production; but their effect on the overall performance of the European programme industry has been limited.

It is undeniable that the economic risks of audiovisual production are particularly high and that its cultural dimension is essential. And yet surely we must rethink the organization of the industry and its support mechanisms when only 200 of the 500 films produced in Europe each year ever actually get screened and only a tiny number of those that do achieve any success, and even then often only in a single country.

It would be misguided to base a recovery and development strategy on a simple rethink and mobilization of Community support mechanisms. For one thing, these mechanisms constitute only a small part of all the incentives to the audiovisual industry available in the Community (less than 10% of total public support); for another, it is not the purpose of the Community mechanisms to replace the mechanisms operated by Member States to foster their national cultural identities. This means that the mobilization plan for the European audiovisual industry will have to bring together regional, national and Community mechanisms in such a way that they complement each other.

## **III. Action and support: principles and methods**

The aim of creating a European programme industry that is competitive, with strong potential for growth and jobs, and capable of meeting the challenges of the information society will require unprecedented mobilization of human and

financial resources. In addition to regulations and general measures to attract investment, support mechanisms for the audiovisual industry must, first and foremost, encourage the mobilization of the resources necessary for achieving competitiveness and reestablish dynamic operation of the market.

This will need to include public-sector measures for pre-market activities, such as research and training, and to take account of the diversity of national cultures and the need to help them flourish. However, it is obvious that the radiation of the influence of national cultures is itself dependent to a considerable extent on the industry's general competitiveness.

This development strategy is intended to ensure that support mechanisms help the industry develop towards a more efficiently organized set-up. This will be best achieved by avoiding fragmentation of resources and seeking to concentrate resources on structural objectives as well as ensuring that the various regional, national and Community schemes are clearly demarcated and complement each other through all stages in the audiovisual chain where action needs to be taken.

The principle of complementary action is to be found in the Treaty on European Union which lays down new terms for action by the Community. The Treaty affirms the principle of subsidiarity and Article 3b of the EC Treaty, as inserted by the Union Treaty, states that "*the Community shall take action, ..., only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community.*" Furthermore, the Treaty gives the Community new responsibilities in the areas of industrial policy (Article 130), vocational training policy (Article 127) and cultural policy (Article 128), where Community action is to support and/or supplement the action of the Member States while fully respecting their own responsibilities.

Pursuant to the new Article 130(2) of the EC Treaty regarding industrial policy, which reads "*The Member States shall consult each other in liaison with the Commission and, where necessary, shall coordinate their action. The Commission may take any useful initiative to promote such coordination*", the Commission is proposing to promote coordination by setting up a framework for exchanging views and discussion with representatives from all the relevant national authorities. This structure will be operated by the Commission and its principal aims will be:

- to compile a database on national support systems;
- to exchange experience as regards attracting investment, training and supporting production and distribution.

Without anticipating the outcome of this coordination, the focus and thrust of the new support mechanisms may be summarized under the following headings:

### **III.1 Training**

The series of consultations highlighted the indispensability of public-sector intervention at the training stage. In accordance with Article 127 of the EC Treaty, as introduced by the Union Treaty, the Member States are responsible for implementing a vocational training policy that prepares people for jobs and adapts them to industrial changes, in this instance in the area of audiovisual programmes.

The Community's role is to support and supplement action by the Member States, stimulate cooperation on training between educational or training establishments and firms, and develop exchanges of information and experience.

This action must take account of "*cultural aspects*" (Article 128(4)) and respect national and regional diversity.

In this area Community action must therefore aim to take account of the European angle in the various training courses in order to enable people who work or will be working in the industry to take on board the development opportunities offered by the European and world market, whether in management, marketing or new technologies. The Community must avoid interfering in Member States' cultural policies; training on writing audiovisual works, for example, is most definitely outside the Community's remit.

Community action should also aim to create a network of training facilities. A scientific committee on training will be set up with representatives of the main public-sector or industry-based audiovisual training bodies to provide the Commission with the necessary expertise.

### **III.2 Project development or pre-production**

The series of consultations revealed that European works suffer from a lack of investment at the pre-production stage. Project development is primarily the responsibility of companies in the industry, possibly backed up by regional or national support mechanisms.

Although the creation of audiovisual works is not an exact science, the direction in which a work will go is determined right from the design stage. If at that stage no thought is given to the European and international dimension, the work in question is unlikely to have any appeal outside the area where it was conceived and is therefore unlikely to break into additional markets which could help make the initial investment pay off.

The extra investment needed for pre-production must be matched by broader distribution of films and transmission of television programmes. The Community will encourage this structural development by taking action in accordance with Article 130 to develop projects that take account of the European dimension in their distribution/transmission strategy. The Commission will invite regional and national authorities also to step up action in this direction.

### **III.3 Production and distribution**

A key task for the future of the European programme industry will be organizing production and distribution structures more effectively so as to make the most of the size and cooperation potential of the single market as a way of breaking into the world market.

Moreover, the extra human and financial resources needed will not be forthcoming unless we do have films and television programmes capable of circulating both in Europe and elsewhere and distribution and transmission networks that make investments pay off.

Better organization of structures is primarily the financial responsibility of businesses themselves, but it also concerns the public authorities since the vast majority of support systems relate to production and distribution. When it comes to revising these mechanisms, it is clear that stepping up action to promote production would have little effect unless potential outlets were better organized. Likewise, stepping up action to promote, for example, trans-European distribution networks would be meaningless unless the productions in question had the editorial capacity and critical financial mass for them to reach different audiences. Without productions of this type, any distribution or transmission circuits set up at European level would be left handling predominantly non-European productions.

As stressed by both the Green Paper and the Think Tank report, the aim is to have "a market for our products and products for the market".

Businesses in the industry need to work on producing and distributing on the European market audiovisual works with high circulation potential. The design and finish of the works must be attractive enough to ensure a better return on investments and to enable programme catalogues to be compiled.

To this end, after a period in which distributors have tended to stand back from pre-financing production, the role of the support mechanisms will be to stimulate a more dynamic relationship between producers and distributors on a European scale. The spin-off of increased cooperation would be further enhanced by the production and distribution in Europe of large-budget films, a market segment in which Europe is somewhat under-represented. This means that the audiovisual industry would no longer have to miss out on investment for this market niche. Experience has shown that the higher a film's budget the more likely it is to be successful in financial terms, and the European audiovisual conference (Brussels, 30 June to 2 July) concluded that 15 to 20 large-scale films a year should be produced and distributed throughout Europe.

In this context, the Member States are responsible for seeing to it that their support mechanisms take account of the accepted objectives and contribute to the introduction of structures that are appropriate for their own market and the European market. Action they take, with their commitment to cultural identity and creativity, should cover the whole range of activities involved in production and

distribution, including the necessary upgrading of cinemas, which is also a matter for regional and local authorities.

Article 130 of the EC Treaty, as inserted by the Union Treaty requires the Community to take steps aimed at "speeding up the adjustment of industry to structural changes" by deciding on "specific measures in support of action taken in the Member States" in order to ensure the conditions necessary for the competitiveness of the Community's industry. For both cinema and television, Community action should also encourage cooperation between producers and distributors/broadcasters with a view to producing works aimed at both the European and world markets and supporting the setting up of Europe-wide transmission and distribution networks.

#### **IV. From MEDIA (1991-95) to the new Community mechanisms (1996-2000)**

##### **IV.1 Evaluation of MEDIA and experience gained from it**

Set up by the Council (90/685/EEC) to run for five years (1991-95), the MEDIA programme to encourage the development of the European audiovisual industry was intended to take action on all aspects of the industry, except financing productions. Nineteen structures were set up, ranging from vocational training to distribution. From the outset the funding granted to the structures was to enable them to become self-financing as they gained financial momentum.

The series of consultations showed that the results obtained from MEDIA were far from negligible, as had already been concluded by a mid-term assessment report drawn up by the Commission on the basis of an independent audit report and consultations with people in the business. In particular, MEDIA has been an important springboard: each ecu invested mobilized on average three ecus from other sources on the market. The ratio of MEDIA investment to turnover generated was between 1 and 26, if account is taken of receipts from distribution via the different media (cinemas, TV, video, etc.). By the end of 1994 support had been given to over 5 000 professional initiatives. In addition, MEDIA enabled the setting up of European-level networks of businesses and professionals, which are a resource for future development.

Despite these results, certain shortcomings were identified: the financial resources allocated to the programme proved insufficient for the job they were supposed to do. There was a feeling that resources were spread too thinly over the whole range of activities and that there was an inability to take any in-depth action on the structure of the European programme industry.

The vast majority of those involved in the consultations (Member States and people in the industry) felt that it was essential to concentrate Community support on specific European objectives and large-scale activities in order to improve performance and make a real structural difference.

#### **IV.2 New terms of action**

In the light of the Union Treaty and the outcome of consultations based on the Commission's Green Paper, Community action for the programme industry must:

- include measures with structural impact on the industry;
- take full advantage of the potential of Community-wide measures;
- encourage Community and national measures that complement each other as well as promoting joint financial responsibility on the part of the audiovisual industry;
- set up financial incentive mechanisms, by making greater use of returnable advances and soft loans rather than non-returnable grants;
- make greater use of automatic aid systems rather than selective aid systems.

To put this into practice, two instruments are proposed, one for training and one for development and distribution. In addition, the Commission is planning to encourage the creation of financial engineering mechanisms to stimulate the mobilization of financial resources for audiovisual production (cinema and television).

The Commission may prepare draft legislation introducing a financial instrument and specifying how it is to be funded; any Community underwriting will be based on sound budget management and financial discipline so as to cover the risks associated with loans and loan guarantees granted by third parties for audiovisual production

## CHAPTER II: TRAINING PROGRAMME FOR PROFESSIONALS IN THE AUDIOVISUAL PROGRAMME INDUSTRY

### I. INTRODUCTION

#### 1. Translating growth into jobs

The rapid growth in the supply of audiovisual programmes as a result of the proliferation and diversification of production and transmission channels means that the industry has great potential for expansion. The European programme market has been among the fastest growing in the world with a growth rate of 6% a year in real terms.

The rapid expansion of the programme industry and its translation into jobs will need a backbone of highly qualified professionals. This was the Commission's conclusion in its White Paper on growth, competitiveness, employment.

#### 2. Shared responsibilities

Vocational training has nowadays come to be an issue outside its traditional school and university domain. Rapid changes in the economic and technological environment require not only high-quality initial training, but also regular continuing training throughout working life to preserve competitiveness.

This is a matter for all those involved in the industry - firms, training centres, professional associations, the authorities - whatever their level of involvement. They must each play their part within an overall strategy.

#### 3. Grounds for Community action

Support systems for the audiovisual industry, whether national or Community, will not be effective unless they are backed up by the right skills to meet the new challenges.

This means that it is essential to match any investment in businesses with investment in the men and women who are responsible for developing them. It is the job of the authorities to promote and support vocational training as part of a medium and long-term programme.

The importance of training policy in the European Union is now acknowledged as a Treaty objective (Article 127).

Responding to calls heard, in particular, at the European Audiovisual Conference (Brussels, 30 June to 2 July 1994), the Commission feels it essential to include vocational training in its audiovisual policy in order to provide a future for our audiovisual industry.

In addition to steps taken by Member States, Community action is needed for the following purposes:

- to round off the vocational skills of those working at European level (basically as regards management and new technologies);
- to make existing vocational training centres aware of the European dimension in the audiovisual market and encouraging them to incorporate appropriate up-to-date teaching in their courses;
- to create a network on existing training in order to facilitate the transfer of know-how and cooperation between training centres; this cross-border approach is crucial nowadays, especially in the area of new technologies where equipment is costly and rapidly goes out of date.

## II. CURRENT POSITION

### 1. Training infrastructure

The countries of the European Union have an extremely large and varied training infrastructure for cinema and the audiovisual industry. There are more than four hundred establishments, which fall into four main categories:

- vocational colleges which are highly equipped and provide basically technical training;
- establishments where teaching is based on theory with very little on the practical side;
- establishments, mostly universities, providing general communications courses with the audiovisual industry as one component (this is the largest and most varied category);
- colleges teaching the techniques of computer graphics (the smallest category).

There is very little crossover between these different types of establishment, since their courses focus either on theory or on practice.

### 2. Levels of training

- Initial training

For some 40 years Europe has had a network of colleges providing training for careers in cinema and television, often alongside technical colleges dealing with sound and image. The initial training they provide is generally held to be good, although they all suffer from the same shortcoming: lack of training on how the audiovisual market works.

- Continuing training

There is very little in the way of continuing training, except within certain broadcasting companies and professional associations. Rapid developments in technology and within the market itself mean that initiatives need to be set up in each Member State to ensure that writers, directors, producers and technicians maintain a high level of skill and productivity throughout their career.

### 3. Training content

The following shortcomings in existing training have been identified:

- Training for the career of producer (developing a production project, drawing a financing plan and marketing strategy, etc.) is virtually non-existent on traditional courses.
- The same applies to distribution, transmission and operation, for which there is hardly any specific training in Europe.
- Vocational training on new film and television technologies (digital techniques, multimedia, interactive TV, etc.) is rather haphazard, since it is usually provided on a one-off basis by industry in the form of on-the-job training, workshops and seminars.

## **III. GUIDELINES FOR EUROPEAN ACTION**

### Objectives

- 1.1. The overall aim of action taken by the Union should be to keep pace with developments in the industry and bolster its competitiveness by contributing to the development of both initial and continuing training of audiovisual professionals, particularly in the following fields:
  - European-level management of the audiovisual industry in order to provide those working in it with the right skills they need to take full advantage of the European dimension of the audiovisual programme market and in order to encourage them to develop programmes that meet the requirements of that market;
  - utilization and development of advanced creative technologies for the production of programmes with high value added intended for the European and world market;

Both types of training activity must take due account of European aspects;

- 1.2. Action taken should be designed to step up cooperation between the various parties involved in training: training establishments, the industry, businesses.

- 1.3 Action should take account of structural objectives such as developing the independent production industry, in particular small and medium-sized businesses, and developing potential where audiovisual production capacity is low, such as in small countries or regions with less widely spoken languages.
- 1.4 The Commission will see to it that the proposed operations are consistent with other Community training schemes, particularly under the Leonardo da Vinci programme and in line with the objectives of the European Structural Funds.

## 2. Priorities

- 2.1. Promoting the creation and updating of training modules or supplementary refresher courses on how the European and world audiovisual programme markets operate and the prospects they offer.

Various modules for both initial and continuing training will be devised in conjunction with people involved in training (and in line with experience gained from MEDIA) in the course of 1995 so as to be operational by the start of the MEDIA II programme.

The modules will cover:

- management training (European aspects)

The principal objective will be to make people in the industry aware of the European and worldwide dimension of the audiovisual market and develop their ability to exploit this aspect to the full. This will involve mainly the development of production projects for the European market; means of financing; distribution in all its forms, market research and promotion; maximizing profit from audiovisual programmes; and legal aspects.

- training on new technologies

The technologies in question are ones with direct impact on the production and distribution of audiovisual programmes that are essential for guaranteeing competitiveness. In this connection, it should be noted that virtually all audiovisual careers are affected by the advent of digital techniques. However, particular emphasis will be given to the new careers introduced by these techniques, such as virtual image designers, multimedia and interactive programme designers and new technology project leaders.

Given the speed of developments in the audiovisual industry, the contents of training courses will have to be regularly updated.

- 2.2. Uptake of modules by training centres

The aim of Community action in this field is to see to it that both initial and continuing training centres in the Member States, such as universities, colleges

and vocational centres, incorporate the modules in their educational or training syllabuses.

The Community will contribute financially to their doing so, by covering up to 75% of the real cost of the operation up to a maximum of ECU 100 000 per year and per training centre. The aim is to ensure that the subjects covered by the modules get a permanent place on training courses.

### 2.3. Networking of training bodies

A good way of speeding up the impact of the proposed operations will be to foster cooperation and cross-border transfer of know-how between the various parties potentially involved, such as training centres, businesses and people working in the audiovisual industry, management and labour and the like.

The Community could contribute financially to the following:

- 2.3.1. Facilitating exchanges of teachers specializing in appropriate subjects and circulation of students and training specialists, by providing study grants (maximum grant ECU 5 000 a year);
- 2.3.2. Organizing work-experience placements in companies in other Member States to supplement training in the classroom;
- 2.3.3. Organizing teacher training seminars.

The training programme could involve between 60 and 100 training establishments and 400 or so grant-holding students each year.

Proposal for a  
COUNCIL DECISION  
on the implementation of a training programme for professionals in the  
European audiovisual programme industry (MEDIA II - Training)  
(1996-2000)

-----

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 127(4) thereof,

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

Having regard to the opinion of the Economic and Social Committee<sup>(2)</sup>,

Acting in accordance with the procedure laid down in Article 189c of the Treaty,

Whereas the Heads of State or Government, meeting as the European Council in Brussels on 10 and 11 December 1993, adopted the White Paper on Growth, Competitiveness and Employment as the basis for action by the European Union and its Member States, supporting an industrial development approach based on global competitiveness as the key to growth and jobs; and whereas the White Paper, and Chapter 7 thereof in particular, states the need to adapt vocational skills in line with industrial and technological developments;

Whereas the Heads of State or Government, meeting as the European Council in Corfu on 24 and 25 June 1994, took note of the report by the Bangemann Group entitled "Europe and the Global Information Society - Recommendations to the European Council", in particular acknowledging the strategic importance of the audiovisual programme industry in terms of content;

Whereas Article 128(4) of the Treaty requires the Community to take cultural aspects into account in its action under other provisions of the Treaty; whereas participation in the Programme should reflect European cultural diversity;

Whereas the Council, at its joint industry/telecommunications meeting of 28 September 1994, issued a favourable opinion on the Commission communication of 19 July 1994 entitled "Europe's way to the information society: an action plan"<sup>(3)</sup> and emphasized the need to improve the competitiveness of the European audiovisual industry;

---

<sup>(1)</sup> OJ No L

<sup>(2)</sup> OJ No L

<sup>(3)</sup> COM(94) 347 final, 19.7.1994.

Whereas the Council took formal note of the Commission communication of 1 September 1994 entitled "An industrial competitiveness policy for the European Union"<sup>(4)</sup> which identified "the close correlation between the development prospects of individual technologies and products ... of the programs (... audio-visual programmes, etc.) and of the associated services and networks" and the need to raise training standards in order to make European industry competitive;

Whereas the Council took formal note on 17 June 1994 of the Green Paper "Strategy options to strengthen the European programme industry in the context of the audiovisual policy of the European Union"<sup>(5)</sup>;

Whereas the Commission consulted the people in the industry on the options put forward in the Green Paper, in particular by holding the "European Audiovisual Conference" in Brussels from 30 June to 2 July 1994;

Whereas the European Parliament, in its Resolution of 6 May 1994<sup>(6)</sup>, examined the problems of the audiovisual industry, following Council Directive 89/552/EEC<sup>(7)</sup> (the "Television Without Frontiers" directive), in preparation for the European audiovisual conference, and took the view that the priorities established inter alia during the discussions on amendments to the MEDIA programme, namely the financing mechanisms, pre-production, distribution and training, were the best means of establishing coherent, stable European networks;

Whereas the Economic and Social Committee issued its opinion<sup>(8)</sup> on the Green Paper on strategic options to strengthen the European programme industry, stating that European-level programmes such as MEDIA could have a positive influence on the development of programme structures and means of production in Europe;

Whereas the Commission implemented the programme of measures to encourage the development of the European audiovisual industry (MEDIA 1991-95), adopted by Council Decision 90/685/EEC<sup>(9)</sup>, including training measures to upgrade the vocational skills of people working in the audiovisual programme industry;

Whereas the Council, at its meeting of 5 November 1993, after taking note of the Commission communication of 23 July 1993 on the MEDIA programme mid-term evaluation report, felt that it would be appropriate to examine suitable measures for launching a MEDIA II programme after 1995;

Whereas the European Council in Essen on 9 and 10 December 1994 called on the Commission to present proposals for a new MEDIA programme;

---

(4) COM(94) 319 final, 14.9.1994.

(5) COM(94) 96 final, 6.4.1994.

(6) OJ No C 205, 25.7.1994, p. 561.

(7) OJ No L 298, 17.10.1989, p. 23.

(8) ESC 1000/94, 14.9.1994, p. 6.

(9) OJ No L 380, 31.12.1990, p. 37.

Whereas the Council, at its meeting of 6 December 1994, adopted Decision 94/819/EC<sup>(10)</sup> setting up the Leonardo da Vinci Programme for implementation of a vocational training policy in the European Community, of which Article 8(1) requires the Commission to see to it that the Leonardo da Vinci Programme is coordinated with all the other Community training schemes;

Whereas there should be proper coordination with vocational training operations undertaken pursuant to the objectives of the structural Funds;

Whereas the emergence of a European audiovisual market requires vocational skills adapted to the new dimension of the market, particularly as regards economic and commercial management of the industry and the utilization of new technology at all stages of programme design, development, production and transmission;

Whereas people in the industry must be provided with vocational skills that enable them to take full advantage of the European and world-wide dimension of the audiovisual programme market; whereas they should be encouraged to devise projects that meet the demands of that market;

Whereas the initial training of future audiovisual professionals should incorporate the right economic and technological components; whereas the speed of change in these areas necessitates continuous training;

Whereas networking between vocational training centres should be encouraged so as to facilitate the transfer of know-how and the development of training modules at European level;

Whereas support for vocational training should take account of structural objectives such as developing the independent production industry, in particular small and medium-sized businesses, and developing potential where audiovisual production capacity is low, such as in small countries or regions with less widely spoken languages;

Whereas operations in this Programme are all aimed at cross-border cooperation which will enhance the value of action taken in the Member States or by those responsible for training, in accordance with the principle of subsidiarity,

HAS DECIDED AS FOLLOWS:

#### Article 1

A training programme (hereinafter referred to as "the Programme") is hereby established to run for five years from 1 January 1996, with the aim of supplementing the action taken by Member States and thereby providing professionals in the European audiovisual industry with the skills they need, particularly as regards economic and commercial management and use of new technologies, to exploit the European dimension of the market to the full.

---

<sup>(10)</sup> OJ No L 340, 29.12.1994, p. 8.

## Article 2

The aims of the Programme are:

- (1) to meet the needs of the industry and bolster its competitiveness by contributing to the development of initial and continuous training of audiovisual professionals on the know-how and skills they need in order to take account of the European market in developing businesses and projects, in particular in the fields of:
  - economic and commercial management, including legal aspects;
  - utilization and development of new technologies for the production of programmes with high value added;
- (2) to encourage cooperation and exchange of know-how between the parties involved in training, namely training establishments, the industry and businesses.

## Article 3

The measures described in the Annex shall be put into effect in order to achieve the objectives laid down in Article 2. They shall be implemented in accordance with the procedure set out in Article 6.

## Article 4

As a rule, recipients of Community support working on implementation of the measures laid down in Article 3 must provide a proportion of the funding. Community funding shall not exceed 75% of the cost of operations.

## Article 5

- (1) The Commission shall be responsible for implementation of the Programme.  
  
The Commission shall also be assisted by the Advisory Committee set up by Council Decision 95/.../EC of ..... 1995 a programme to promote the development and distribution of European audiovisual works (MEDIA II - Development and Distribution) (1996-2000)<sup>(11)</sup>.
- (2) The draft measures taken by the Commission and the procedure for consulting the Committee on that draft shall be the same as those laid down in Article 6(2) and (3) of the Decision referred to in paragraph 1.

---

<sup>(11)</sup> OJ No

Article 6

Within the six months following the first three years of the Programme's implementation, the Commission shall submit to the European Parliament, the Council and the Economic and Social Committee an evaluation report on the results achieved, with proposals if appropriate.

When the Programme has run its full term, the Commission shall submit a report on the implementation and results of the Programme to the European Parliament and the Economic and Social Committee.

Done at Brussels,

For the Council  
The President

## ANNEX

### **1. ACTION TO BE TAKEN**

The programme is intended to help people in the industry adapt to the European and worldwide dimension of the market by promoting training on economic and commercial management, legal aspects and new technologies.

The operations will cover both initial and continuing training.

#### **1.1 Training on economic and commercial management**

This aims to develop the ability of people in the industry to conceptualize and exploit the European dimension in development, production, distribution and broadcasting of audiovisual programmes.

The operations will cover the following:

- Promoting the definition and updating of training modules on management to supplement national and regional initiatives by giving them a European angle (initial and continuing training);
- Encouraging incorporation of the modules into existing syllabuses;
- Networking of training programmes; facilitating exchanges of teachers and students/professionals by providing grants and organizing work-experience placements in companies in other Member States and contributing to teacher training.

#### **1.2 Training on new technologies**

This aims to develop the ability of people in the industry to use advanced creative techniques, such as computer graphics, multimedia and interactive technologies.

The operations will cover the following:

- Promoting the definition and updating of training modules on new audiovisual technologies, to complement national and regional operations;
- Encouraging incorporation of the modules into existing syllabuses;
- Networking of training programmes; facilitating exchanges of teachers and students/professionals by providing grants and organizing work-experience placements in companies in other Member States and contributing to teacher training (initial and continuing training).

## 2. IMPLEMENTATION PROCEDURE

### 2.1 Approach

In implementing the programme the Commission will work closely with all parties concerned, such as training centres, professional associations and businesses. The Commission will see to it that there is a good geographical spread among the professionals participating in the programme and that Europe's cultural diversity is reflected.

### 2.2. Funding

Community funds are intended to encourage the national/regional parties concerned to supplement existing training courses with modules on management and new technologies.

Community outlay shall not exceed 75% of the training costs. The remainder will be provided by the national/regional parties concerned, who will be selected by tender.

How much is allocated to management training and how much to training on new technologies will depend on the proposals submitted following the invitation to tender.

### 2.3 Implementation

In implementing the training programme the Commission will be assisted by a contractor capable of coordinating the performance of the tasks laid down in the action plan.

The contractor will be selected by invitation to tender.

The Commission will draw up terms and conditions for the contractor specifying how the tasks laid down in the action plan are to be implemented.

The contractor must be a general-interest non-profit-making body.

Selection will be based largely on the following criteria:

- professional experience in the training business, particularly economic and commercial management training and training on new technologies;
- contacts with the relevant parties at national, regional and European level;
- depth of familiarity with the European audiovisual industry and the Union's policy on it;
- experience of cross-border or European management;
- calibre of staff and soundness of management infrastructure.

## FINANCIAL STATEMENT

### 1. TITLE OF OPERATION

Training programme for professionals in the audiovisual programme industry

### 2. BUDGET HEADING INVOLVED

B3-2010

### 3. LEGAL BASIS

- Article 127 of the EC Treaty, as introduced by the Treaty on European Union
- Council and Parliament Decision of .... on the implementation of a training programme for professionals in the audiovisual programme industry

### 4. DESCRIPTION OF OPERATION

#### 4.1 General objective

The rapid growth in the supply of audiovisual programmes makes the industry a field with considerable potential for expansion.

The anticipated developments in the programme industry will not be able to be translated into jobs unless people working in the industry receive high-quality vocational training, as concluded in the White Paper on Growth, Competitiveness and Employment. In the same way, the support mechanisms for the audiovisual industry will not be fully effective unless they are backed up by the skills needed to meet the new challenges.

Vocational training is no longer the preserve of traditional schools and universities. Rapid changes in the economic environment and technology require not only extremely solid initial training, but also continuing training throughout working life.

Training policy in the European Union is recognized as a Treaty objective (Article 172). In addition to steps taken by Member States, Community action would:

- round off the skills of professionals operating in a European context;
- make vocational training centres aware of the European dimension and encourage them to include appropriate up-to-date courses on their syllabuses;
- network existing training facilities.

Action by the European Union should proceed on three fronts:

- (1) Development and updating of supplementary training modules or refresher courses on how the European and international audiovisual programmes market operates and the prospects it offers.

These modules will cover:

- management training with a European dimension;
  - training on new technologies.
- (2) Uptake of modules by training centres in their syllabuses.
  - (3) Networking of training centres by:
    - circulating teachers and students/experts on training (by providing grants);
    - organizing work experience placements in companies;
    - organizing teacher training seminars.

The Commission will be assisted by a contractor capable of coordinating the performance of the tasks laid down in the action plan. The contractor will be selected by invitation to tender.

The Commission will see to it that the proposed operations are consistent with other Community training schemes, particularly under the Leonardo da Vinci programme and in line with Objective 4 of the European Structural Funds.

#### 4.2 Period covered and arrangements for renewal or extension

- Five years (1996-2000)
- Possible renewal following assessment
- Council Decision required for renewal

### 5. **CLASSIFICATION OF EXPENDITURE OR REVENUE**

5.1 Non-compulsory expenditure

5.2 Differentiated appropriations

5.3 Type of revenue involved: N/A

### 6. **TYPE OF EXPENDITURE OR REVENUE**

- Subsidy for joint financing with other sources in the public and/or private sector.
- There are no provisions for reimbursement or changes in the level of revenue.

Where modules are incorporated into training syllabuses, the Community will contribute financially by covering up to 75% of the real cost up to a maximum of ECU 100 000 per year and per training centre.

As regards networking of training centres, the Community's contribution will take the form of grants of up to ECU 5 000 a year or financial support for traineeship contracts between centres and contracts for work experience placements with companies (up to 75% of the real cost of operations up to a maximum of ECU 100 000 per year and per training centre).

Seminars on teacher training will be subsidized by joint financing from the public or private sectors.

The figures given on this financial statement show the total cost of Community funding, which represents up to 75% of the real cost of the operations.

## 7. FINANCIAL IMPACT

### 7.1 Method of calculating total cost of operation (definition of unit costs)

For the implementation of the plan over the 5 years, funding should be gradually increased over the first two years and then kept at the same level for the last three years.

Two exceptions are teacher training and the development/updating of training modules which will require more funding in the first two years.

How much is allocated to management training and how much to training on new technologies for each item of expenditure will depend on the proposals submitted following the invitation to tender.

Average annual costs (tentative):

- The development and updating of supplementary training and refresher modules will entail an average annual cost of ECU 1 million, or one-twelfth of the average annual budget. This amount was estimated on the basis of information supplied by training centres in the audiovisual field. A large proportion of the expenditure will have to be allocated to research, meetings, travel expenses and translation.

Uptake of at least 60 training modules will entail an average annual contribution of ECU 6 million, or 60 contributions of ECU 100 000. The latter amount (and the maximum percentage of Community subsidy) was based on the maximum amount permitted under the Framework Programme on Training. The estimated number of modules was based on the number of centres likely to participate in the scheme (60 out of the 400 centres in the European Union) in order to reach a significant volume of training courses.

- As regards networking of training centres, 320 separate grants will be provided at an annual average cost of ECU 1.6 million. Of the 400 establishments in the Union providing training in the audiovisual field approximately 80 are likely to be involved in the network.

Allocation of four grants to each training centre gives the average figure of 320 grants of ECU 5 000 a year. The amount was based on the grants provided under ERASMUS, suitably adapted for training for careers in the audiovisual industry. No centre may be allocated more than ECU 100 000 in grants in any year.

The Community's contribution for contracts on work experience placements will entail an average ECU 3 million a year to cover at least 30 such placements.

- The unit cost of organizing teacher training seminars is estimated at ECU 25 000 per seminar. A larger number of seminars should be organized in the first two years of the scheme. The costs to be met involve subsistence expenses, travel expenses, organization, translation, publications and fees.
- N.B. - The Commission will be assisted by a contractor selected by tender. The cost of this is included in the amounts for the various operations and represents 5% of the total.
- The figures in this financial statement show the total cost of Community funding, which is up to 75% of the real cost of the operations.

## 7.2 Itemized breakdown of cost

Amounts are given at constant prices in ECU (1994 base)

*in ECU millions 1994*

Breakdown	1996 budget	1997	1998	1999	2000	TOTAL
Development and updating of modules	1.255	1.255	0.830	0.830	0.830	5.000
Incorporation of modules	2.500	5.000	7.500	7.500	7.500	30.000
Networking:						
- grants	0.680	1.320	2.000	2.000	2.000	8.000
- work experience	1.250	2.000	3.250	3.250	3.250	13.000
- teacher training	0.500	0.500	0.334	0.333	0.333	2.000
<b>TOTAL</b>	<b>6.185</b>	<b>10.075</b>	<b>13.914</b>	<b>13.913</b>	<b>13.913</b>	<b>58.000</b>

7.3 Indicative schedule of appropriations

7.3.1 Schedule for proposed new operation

*in ECU millions 1994*

	1996	1997	1998	1999	2000	TOTAL
Commitment appropriations	6.185	10.075	13.914	13.913	13.913	58.000
1996 payment appropriations	3	-	-	-	-	3
1997	3.185	5	-	-	-	8.185
1998	-	5.075	6.750	-	-	11.825
1999	-	-	7.164	6.750	-	13.914
2000	-	-	-	7.163	6.750	13.913
2001	-	-	-	-	7.163	7.163
TOTAL	6.185	10.075	13.914	13.913	13.913	58.000

7.3.2 Schedule for the preliminary draft budget for multiannual operations whose basic instrument contains an "amount deemed necessary"

*in ECU millions 1994*

Situation by end 1994	1995 budget	1996 draft budget	TENTATIVE SCHEDULE				
			1997	1998	1999	2000	TOTAL
-	-	6.185	10.075	13.914	13.913	13.913	58.000

8. **FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN**

Payment of financial contributions shall be subject to presentation of itemized supporting documents prior to payment and progress reports. There will also be on-the-spot inspections and central monitoring.

In addition, the various control bodies (Court of Auditors, Financial Control, Authorizing Officer) shall carry out checks on the agencies managing the operations and on the recipients.

## 9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

### 9.1 Specific and quantifiable objectives; target population

#### - Specific objectives

To remedy the shortcomings in training for the career of producer: this type of training is either non-existent in traditional courses or deals only in passing with certain aspects which should be developed and tackled in the context of market realities and the European dimension: pre-production, drawing up of business plans, financial arrangements and marketing strategies etc.

To meet the challenge of new technologies. Developments anticipated in this area owing to the advent of the Information Society will require well-targeted training operations that hit the mark. Initiatives will need to be systematic and well coordinated, focusing on digital techniques, multimedia and interactivity.

People working in the industry will need to be equipped with the right skills to take full advantage of the European dimension of the audiovisual industry and to develop projects that meet market requirements and have circulation potential outside a single national market.

Continuing training should upgrade the skills of people already working in the industry so that they can operate more effectively in both economic and technological terms.

Initial training for future careers in the industry must incorporate as early as possible a teaching component relating to the European dimension and technological challenges.

The operations will upgrade economic and commercial management skills in the areas of development, production, distribution/transmission, commercial exploitation and marketing. They are also intended to upgrade vocational skills in using new technologies for the production, distribution/transmission and commercial exploitation of programmes.

- Target population

The target population is mixed comprising: higher education establishments that provide training for careers in cinema and television, colleges specializing in training on computer graphics, universities, people working in the industry, teachers and businesses. The operations are to cover training on management and new technologies. The aim is to translate this into highly skilled jobs at European level (the White Paper on Growth, Competitiveness and Employment predicts an extra 2 million jobs by the year 2000), maintain a high-performance business set-up at European level and systematically incorporate a European dimension into initial training syllabuses.

#### 9.2 Grounds for the operation

- Need for Community financial aid

The proposed support scheme forms part of the Union's audiovisual policy.

It is to operate on the principle of subsidiarity to support and supplement existing national-level operations. It satisfies the objectives set out in the Treaty, and in particular Article 127 thereof by:

- facilitating adaptation to industrial changes;
- improving initial and continuing vocational training;
- stimulating cooperation on training between training centres or between vocational training centres and companies.

- Choice of ways and means

The aid provided by the Community in the form of grants covering up to 75% of the costs of operations is intended to encourage the parties involved at national and regional level to improve existing training.

A considerable number of new high-level jobs are expected to be created as a knock-on effect.

#### 9.3 Monitoring and evaluation of the operation

An evaluation report will be compiled after the operation has been running three years and a final report will be drawn up once the scheme has run its full course.

#### 9.4 Coherence with financial programming

The expenditure is included in DG X's annual financial planning.

### 10. **ADMINISTRATIVE EXPENDITURE (part A of the budget)**

Six extra posts (2 A, 2 B and 2 C) will need to be made available for managing and implementing the programme.

## CHAPTER III: PROGRAMME FOR ENCOURAGING THE DEVELOPMENT AND DISTRIBUTION OF EUROPEAN AUDIOVISUAL PRODUCTIONS

### I. INTRODUCTION

Among the difficulties currently facing the European programme industry the problem of the low circulation of programmes and films made in Europe is the one cited by people working in the industry as being the most urgent. The European market continues to be dominated by works produced for the most part in the United States, whereas only 15% of works produced in the European Union are ever seen outside their country of origin.

This imbalance, which initially affected film distribution, is now being seen to an increasing extent in other media - video and television - as well.

Two factors are generally blamed for the low circulation of European productions: the lack of cross-border distribution networks and the lack of works designed with the European market in mind right from the development stage.

### II. CURRENT POSITION

#### 1. Development: a neglected stage

The development of an audiovisual work is a key phase that precedes actual production as such. The three main components are: screenplay writing, financial arrangements and marketing. The quality of the preparation of these components determines not only the quality of the work produced, but also the chances of its success on the market. Well developed projects are more likely to appeal to distributors and encourage them to contribute towards financing production.

The industry in Europe devotes far less attention and resources to development projects than the industry in the United States does. Broadly speaking, investment represents a mere 2 or 3 % of the production budget in Europe, whereas in the United States the figure is between 7 and 10%.

For one thing there is little investment in the development of screenplay writing, which is indispensable for the quality of a film project and its attractiveness to the market. What actually happens is that the European system forces producers to start production as quickly as possible because of lack of financial resources.

Furthermore, European producers also devote too little attention to drawing up a financing plan or devising promotion strategies right from the development stage. In budget terms, investment in marketing films produced in Europe is between 3% and 6% of the overall cost of the film, whereas for films produced by the big American studios it may be as much as 50% of the production budget.

## 2. Structural weaknesses in distribution

Circulation of European audiovisual works has structural shortcomings that make it highly uncompetitive when face with the might of American distributors operating in Europe who rake in between 60 and 95% of box-office takings depending on the country.

In the space of ten years, European films have lost two-thirds of cinema audiences in Europe. Revenue increasingly comes from a small number of mainly large-budget productions made for the most part outside the Community.

Of the hundreds of distribution companies operating in the European Union very few have maintained the capacity for pre-distribution investment in the form of advance buying of transmission rights which helps to finance productions. Subsequently access to the most commercially promising European films is increasingly difficult for European distributors. This then means that they are unable to compile sufficiently attractive catalogues and therefore have difficulty finding cinema outlets (lack of available screens, inability to fix release dates). Since distribution companies are not involved with a film right from the pre-production stage, they are rarely in a position to plan promotion campaigns of any significant size.

Poor distribution of European works is also due to a lack of coordination between the successive distribution stages of the same work via different media, i.e. between cinema release, availability on video and TV screening. The cinema distribution and video distribution of the same European film are often handled separately by totally different companies, which means that investment is spread too thinly and marketing strategies are not coherent. Screening of European works on television depends on national markets; foreign programmes from other European countries, especially drama and documentaries, hardly ever get shown (fewer than 10%). Having been made with the domestic audience in mind, the programmes have the further difficulty of the language barrier preventing them from appealing to other audiences.

## III. GUIDELINES FOR EUROPEAN ACTION

### 1. Development

#### 1.1. Objectives

Given the requirements and characteristics of the market, it is essential to step up the resources invested by the audiovisual industry in the development stage of production by encouraging productions made with the European and world market in mind and offering the best chances of commercial success.

At the same time action should be taken right from the development stage to consolidate the economic structures of production companies with growth potential on the European and world market. For this purpose, the companies should be encouraged to network so that they can work together on a set of Europe-wide projects. Experience from the MEDIA Programme has shown that this is the right approach to concentrate on.

Particular attention should be given to production projects using new creative technologies, given the advent of the information society, as well as to companies specializing in the development of projects of this type.

Operations should take account of structural objectives such as developing the independent production industry, in particular small and medium-sized businesses, and developing potential where audiovisual production capacity is low, such as in small countries or regions with less widely spoken languages;

## 1.2. Priorities

Support mechanisms for the development of audiovisual productions (drama, documentary, animation films and series) should be introduced.

The mechanisms will have to address the three main aspects of the development stage:

- screenplay writing (financial support and professional assistance on writing techniques);
- financial engineering for productions (networking potential partners);
- marketing strategy (market research, planning marketing campaigns for the European and world market).

Action is planned on three fronts:

- 1.2.1. Providing additional resources for screenplay writers and producers for developing projects aimed at the European and world market;
- 1.2.2. Supporting the structures of companies, in particular independent production companies, that have European growth potential and long-term strategies for developing a series of works;
- 1.2.3. Encouraging cooperation between companies that have joint development projects aimed at the European and world market.

In implementing the three mechanisms particular attention will be paid to the development of innovative production projects using advanced creative techniques such as digital video, image synthesis, computer animation, virtual reality and dynamic cinema. Priority will be given to multimedia programmes and interactive television applications.

As a rule, the financial support under these mechanisms will be granted mainly to independent European production companies in the form of advances to cover up to 50% of the costs of project development. The advances will be repayable from the first day of shooting.

The implementation of the mechanisms will enable approximately a hundred projects with high circulation potential to be developed each year, including twenty or so involving new technologies.

## 2. Distribution

### 2.1. Objectives

For European audiovisual works to be competitive on their own market and on the world market, their circulation must be stepped up by strengthening production, distribution and transmission structures.

For this to happen, catalogues of European works must be compiled that can be used for the whole range of audiovisual media: film distribution, television broadcasting and video and multimedia production and distribution.

To this end, distributors and broadcasters should be encouraged to be involved in financing works right from the production stage by purchasing in advance all or part of the rights. Their involvement will improve the supply and quality of works by making more resources available for production and ensuring that distributors and broadcasters are better placed to make best use of catalogues.

The economic structures of distribution companies will also need strengthening, particularly in the cinema and video fields, to make them more competitive. Priority will be given to companies with development potential on the European market and long-term commercial strategies.

Structural operations should extend to regrouping the companies into cross-border cooperation networks working together to circulate European works as widely as possible on the European and world market.

Experience from the MEDIA Programme has shown that this is the right approach to concentrate on.

Production and distribution companies, particularly independent ones, should be encouraged to attend large European and international commercial events, such as fairs and festivals, to maintain the effectiveness of their promotion activities.

Operations should take account of structural objectives such as developing the independent production industry, in particular small and medium-sized businesses, and developing potential where audiovisual production capacity is low, such as in small countries or regions with less widely spoken languages;

### 2.2. Priorities

#### 2.2.1. Film and video distribution

Two types of operations are envisaged:

- 2.2.1.1. Encouraging distributors from several European countries to work together on financing film productions, since this is essential for the quality of films, their subsequent distribution and the compiling of catalogues for the European and world market.

- 2.2.1.2. Encouraging the networking of European distribution and production companies (film and video) on the basis of joint cross-border distribution strategies for a certain number of European works.

Financial incentives will be granted to cover up to 50% either of the cost of advance purchasing of rights for works with high circulation potential (point 2.2.1.1.), or of cross-border distribution costs (point 2.2.1.2.) with upper limits to be set in each case.

Support will take the form of advances repayable from the proceeds of exploitation of the rights on the European and world markets.

- 2.2.2. Support mechanism for cross-border transmission of television programmes produced by independent companies (drama, documentaries, animation films and series)

This mechanism will grant loans for joint European productions for the European and world market bringing together independent production companies and television companies that undertake to broadcast the programmes jointly in their countries.

The programmes must be suitable for the secondary market.

The mechanism will simultaneously benefit:

- the works:

by encouraging the involvement of television companies in the production of projects put forward by independent producers and in broadcasting these works across Europe;

by gaining access to the secondary market: video, cable, multimedia, interactive television;

- the companies:

independent production companies will have a certain volume of production that is guaranteed to be broadcast across Europe;

companies managing catalogues will have catalogues suitable for the secondary market:

- cooperation between companies:

in particular between television companies, who will be encouraged to network to guarantee wider circulation of works.

Financial incentives will be granted in the form of loans on the basis of production and distribution plans submitted jointly by independent producers and television companies.

The loans will be granted to television companies in at least two countries working together with independent producers on production projects aimed at the European and world market. The coproducing television companies will keep the rights for initial and secondary transmission (within a time limit of up to 5 years), and the other operating rights, such as for the secondary market, will be held by the independent coproducers who may, where appropriate, transfer them to companies that manage catalogues of rights.

Loans will be repayable without interest as soon as production is completed (on completion of the first episode in the case of series). The repayment deadline may be extended by a year, at the request of the beneficiaries, in which case interest will be charged on the loan.

Real costs relating to dubbing, subtitling or multilingual shooting will not have to be repaid.

- 2.2.3. Alongside measures supporting circulation, there is a need for a set-up of services to help production and distribution companies get more involved in large commercial events organized at European and international level. (Particular attention should be given to small and medium-sized companies with development potential outside their own country).

The services will help gain access to events, support companies' promotion operations, provide information on the type of commercial strategy needed at European level and put them in contact with potential partners.

Particular attention will be given to services that provide more exposure for European companies and their production projects and products at world events, in particular by encouraging them to attend as groups and carry out joint promotion campaigns.

The services will be provided for about ten events a year on the European market and at least two events for the world market.

### 3. Financial instruments

The Commission also intends to encourage the creation of financial instruments to mobilize funding for audiovisual production (film and TV).

They will be funded in particular from the repayment of advances and loans granted under MEDIA I (1991-95) and under the proposed scheme for the development and distribution of European audiovisual works (MEDIA II).

Proposal for a  
COUNCIL DECISION

on a programme to promote the development and distribution of  
European audiovisual works (MEDIA II - Development and Distribution)  
(1996-2000)

-----

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 130(3) 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 Heads of State or Government, meeting as the European Council in Brussels on 10 and 11 December 1993, adopted the White Paper on Growth, Competitiveness and Employment as the basis for action by the European Union and its Member States, supporting an industrial development approach based on global competitiveness as the key to growth and jobs; and whereas the White Paper, and Chapter 5-C thereof in particular, states the economic importance of the audiovisual industry;

Whereas the Heads of State or Government, meeting as the European Council in Corfu on 24 and 25 June 1994, took note of the report by the Bangemann Group entitled "Europe and the Global Information Society - Recommendations to the European Council", in particular acknowledging the strategic importance of the audiovisual programme industry in terms of content;

Whereas Article 128(4) of the Treaty requires the Community to take cultural aspects into account in its action under other provisions of the Treaty; whereas participation in the Programme should reflect European cultural diversity;

Whereas the Council, at its joint industry/telecommunications meeting of 28 September 1994, issued a favourable opinion on the Commission communication of 19 July 1994 entitled "Europe's way to the information society: an action plan"<sup>(4)</sup> and emphasized the need to improve the competitiveness of the European audiovisual industry;

---

(1) OJ No L

(2) OJ No L

(3) OJ No L

(4) COM(94) 347 final, 19.7.1994.

Whereas the Council took formal note, on 17 June 1994 of the Green Paper on "Strategy options to strengthen the European programme industry in the context of the audiovisual policy of the European Union"<sup>(5)</sup>;

Whereas the Commission consulted the people in the industry on the options put forward in the Green Paper, in particular by holding the European Audiovisual Conference in Brussels from 30 June to 2 July 1994;

Whereas the European Parliament, in its Resolution of 6 May 1994<sup>(6)</sup>, examined the problems of the audiovisual industry, following Council Directive 89/552/EEC<sup>(7)</sup> (the "Television Without Frontiers" directive), in preparation for the European audiovisual conference and took the view that the priorities established inter alia during the discussions on amendments to the MEDIA programme, namely financing mechanisms, pre-production, distribution and training, were the best means of establishing coherent, stable European networks;

Whereas the Economic and Social Committee issued its opinion<sup>(8)</sup> on the Green Paper, stating that European-level programmes such as MEDIA could have a positive influence on the development of programme structures and means of production in Europe;

Whereas the Commission has implemented a programme of measures to encourage the development of the European audiovisual industry (MEDIA) (1991-95), adopted by Council Decision 90/685/EEC<sup>(9)</sup>, including measures to support the development and distribution of European audiovisual works;

Whereas the Council, at its meeting of 5 November 1993, after taking note of the Commission Communication of 23 July 1993 on the MEDIA programme mid-term evaluation report, felt that it would be appropriate to examine suitable measures for launching a MEDIA II programme after 1995;

Whereas the European Council in Essen on 9 and 10 December 1994 called on the Commission to present proposals for a new MEDIA programme;

Whereas experience from the MEDIA Programme has shown that action is needed both before and after production; whereas companies in the sector, in particular small and medium-sized businesses, should be strengthened and cooperation between distributors/broadcasters and producers should be encouraged;

Whereas the emergence of a European audiovisual market requires the development of "European works", which means works from Member States of the European Union as defined in Article 6 of Directive 89/552/EEC;

Whereas the competitiveness of the audiovisual programme industry requires utilization of new technologies at the programme development stage;

---

<sup>(5)</sup> COM(94) 96 final, 6.4.1994.

<sup>(6)</sup> OJ No C 205, 25.7.1994, p. 561.

<sup>(7)</sup> OJ No L 298, 17.10.1989, p. 23.

<sup>(8)</sup> ESC 1000/94, 14.9.1994, p. 6.

<sup>(9)</sup> OJ No L 380, 31.12.1990, p. 37.

Whereas there is a need for improvement in the circulation prospects of European cinematographic works on the European and world market;

Whereas there is a need for improvement in the television broadcasting prospects of European works;

Whereas European producers and distributors should be more numerous and more effective on programme markets;

Whereas the development of the European audiovisual industry requires mechanisms capable of attracting public and private resources;

Whereas support for development and distribution should take account of structural objectives such as developing the independent production industry, in particular small and medium-sized businesses, and developing potential where audiovisual production capacity is low, as in small countries or regions with less widely spoken languages;

Whereas, in accordance with the principle of subsidiarity, action taken by the Community should support and supplement action taken by the relevant authorities in the Member States,

HAS DECIDED AS FOLLOWS:

#### Article 1

A programme to promote the development and distribution of European audiovisual works (hereinafter referred to as "the Programme"), to run for five years from 1 January 1996, is hereby adopted for the purpose of strengthening the European audiovisual industry, particularly in the areas of development and distribution.

#### Article 2

The aims of the Programme are as follows:

- (1) As regards development:
  - to promote the development of production projects aimed at the European and world market and to support companies capable of developing such projects;
  - to develop production projects that make use of new creative techniques and to support companies capable of developing such projects;
- (2) As regards distribution:
  - to encourage European distributors to invest in cinema film production and to set up cross-border structures to distribute the films;
  - to encourage television companies to cooperate in investing in the production of works aimed at the European and world market and to set up cross-border structures to transmit those works;

- to support linguistic diversity of programmes;
- to stimulate access to commercial events promoting European productions, in particular independent ones.

### Article 3

The measures described in the Annex shall be put into effect in order to achieve the objectives laid down in Article 2. They shall be implemented in accordance with the procedure set out in Article 6.

### Article 4

As a rule, beneficiaries of Community support working on the implementation of the measures laid down in Article 3 must provide a significant proportion of the funding; Community funding shall not exceed 50% of the cost of operations.

### Article 5

Financial support under the Programme may be granted in the form of loans, repayable advances or subsidies. The repayments under the Programme, together with the repayments from operations under MEDIA (1991-95), will provide the funds for financial instruments to mobilize public and private financing for European audiovisual production.

### Article 6

- (1) The Commission shall be responsible for implementation of the programme.
- (2) The Commission shall be assisted by an committee of an adivosry nature composed of the representatives of the Member States and chaired by the representative of the Commission.

The representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft, within a time limit which the chairman may lay down according to the urgency of the matter, if necessary by taking a vote.

The opinion shall be recorded in the minutes; in addition, each Member State shall have the right to ask to have its opinion recorded in the minutes.

The Commission shall take the utmost account of the opinion delivered by the Committee. It shall inform the Committee of the manner in which its opinion has been taken into account.

- (3) The draft proposals for measures to be taken by the Commission, as referred to in paragraph 2, shall principally cover the following:
  - arrangements for budget implementation for the Programme;

- arrangements for implementation of the operations set out in the Annex;
- arrangements for monitoring and evaluating the operations.

#### Article 7

Within the six months following the first three years of the Programme's implementation, the Commission shall present to the European Parliament, the Council and the Economic and Social Committee an evaluation report on the results achieved with suitable proposals, as appropriate.

When the Programme has run its full term, the Commission shall submit a report on the implementation and results of the Programme to the European Parliament and the Economic and Social Committee.

Done at Brussels,

For the Council  
The President

## ANNEX

### 1. ACTION TO BE TAKEN

The Programme is intended to enhance the competitiveness of the European audiovisual industry on the European and world market by supporting the development of works with genuine commercial potential and the creation and strengthening of cross-border distribution and transmission networks.

The proposed operations shall cover the following:

#### 1.1 Development

Improving development opportunities (preproduction) for drama, animation and documentaries with a view to access to the European and world market:

- by supporting the development of drama, documentaries and animation (cinema and television) aimed at a European and world audience, in particular by promoting improvement in screenplay techniques;
- by supporting companies that have development project packages with European and world market potential;
- by encouraging networking of companies with joint development projects aimed at the European and world market.

#### 1.2. Distribution and transmission

Improving film and video distribution for European works with high circulation potential on the European and world market:

- by supporting the introduction of European distribution mechanisms encouraging distributors to contribute to funding production of works with commercial potential on the European and world market;
- by promoting networking of European distributors with joint commercial strategies on the European and world market;

#### 1.2.2. Television broadcasting

Improving circulation opportunities for television programmes aimed at the European and world market:

- by introducing a mechanism encouraging television companies to contribute to the financing of works with high circulation potential made by independent production companies and to distribute them on the European market.
- by supporting linguistic diversity by means of dubbing, subtitling and multilingual production.

### 1.2.3. Promoting independent productions

Improving access for independent producers and distributors to the European and world market by operating services and promotional activities at commercial events, such as markets, fairs and festivals, organized at European and international level

## 2. IMPLEMENTATION PROCEDURE

### 2.1. Approach

In implementing the Programme, the Commission will work closely with the public authorities that handle support for the audiovisual industry in the Member States of the Union in order to ensure that the operations complement each other fully in accordance with the principle of subsidiarity. The Commission will see to it that there is a good geographical spread among the professionals participating in the programme and that Europe's cultural diversity is reflected.

### 3. Funding

Community funds are intended to improve market access opportunities for productions targeted on a European and world audience. They are also intended to strengthen production and distribution companies with growth potential on the European market and thereby help restructure the industry.

In either instance, Community outlay shall not exceed 50% of the costs and shall be granted in the form of repayable advances. The remainder will be provided by the industry.

Community support for linguistic diversity in production will be granted in the form of subsidies.

### 2.3. Implementation

In implementing the programme the Commission will be assisted by two contractors capable of coordinating the performance of the tasks laid down in the action plan.

One contractor will handle development, the other distribution as follows:

#### Development:

- development of drama, animation films and series, and documentaries; and support to companies;
- development of programmes using advanced creative technologies;

#### Distribution:

- film and video distribution on the European market;

- broadcasting of television programmes on the European market;
- promotion of access for independent productions to the European and world market.

The contractors will be selected by tender.

The Commission will draw up terms and conditions for each of the contractors specifying how the tasks laid down in the action plan are to be implemented.

The contractors will manage, on behalf of the Commission, the resources allocated to them for the purpose of stimulating development and distribution in the audiovisual industry. Resources will be conveyed to audiovisual project promoters in the form of repayable advance or of loans.

The contractors must be general-interest non-profit-making bodies.

Selection of contractors will be based on the following criteria:

- their professional experience in development and distribution;
- their contacts with the relevant parties in the industry at national, regional and European level;
- the depth of their familiarity with the European audiovisual industry and the Union's policy on it;
- their experience of cross-border or European management;
- the calibre of their staff and the soundness of their management infrastructure.

## FINANCIAL STATEMENT

### 1. TITLE OF OPERATION

Programme to promote the development and distribution of European audiovisual works

### 2. BUDGET HEADING INVOLVED

B 3 2010

### 3. LEGAL BASIS

- Article 130 of the EC Treaty, as introduced by the Treaty on European Union
- Council Decision of      on the implementation of a programme to promote the development and distribution of European audiovisual works

### 4. DESCRIPTION OF OPERATION

#### 4.1 General objective

Low circulation of European programmes and films is today one of the major handicaps of the European programme industry. The European market is still dominated by productions from outside Europe, mostly the United States. Works produced in the European Union are hardly distributed outside their country of origin; only 15% of them are distributed outside the country where they are produced. This imbalance is even more apparent when it comes to subsequent video or television release. The low circulation of European productions is largely due to the lack of cross-border distribution networks and the absence of productions that match market requirements.

Project development is a crucial stage in the life cycle of a television programme or film not just in terms of market access, but also in terms of the availability of pre-production funding opportunities. The industry in Europe devotes far too few resources to the project development stage. Producers tend to neglect the development phase, which has three main components: screenplay writing, financial engineering for production and promotion strategy.

Pursuant to the Treaty objectives (Article 130 in particular) and in the light of the consultations held by the Commission following publication of the Green Paper on the EU's audiovisual policy, development and distribution in the audiovisual industry must be fostered.

As regards development, the action proposed by the Commission will proceed as follows:

The audiovisual industry will be encouraged to step up the resources it invests in the development stage of production, with special emphasis on projects targeted on a European audience.

Operations will be undertaken to consolidate the economic structures of production companies that have expansion potential on the European market. These companies will be encouraged to network.

Particular attention will be given to production projects using new creative technologies, given the advent of the information society, and to companies specializing in developing such projects.

A support mechanism will be introduced to develop audiovisual works in the fields of drama, documentary and animation films and series. It will cover the three main components of the development stage: screenplay writing, financial engineering for production and promotion strategy.

The mechanism will simultaneously benefit:

- (1) the works;
- (2) the companies;
- (3) company regroupings.

As regards distribution, the Commission's aim is:

to make European works more competitive on their own market by stepping up circulation through improved production, distribution and transmission structures.

\* To improve film and video distribution opportunities it is essential to:

- introduce European distribution mechanisms encouraging distributors to contribute to the funding of production of works with commercial potential on the European market (over the five years repayable loans will help involve distributors in the distribution of about 130 to 140 films);
- encourage networking of European distributors with joint commercial strategies on the European market to help compile distribution catalogues of European works aimed at the European and world market. This will help to restructure the economic set-up of distribution companies by regrouping them.

\* To improve circulation opportunities for television productions it is essential to:

- introduce a support mechanism for Europe-wide broadcasting of television productions made by independent companies: drama, documentaries and animation films and series.

\* To improve prospects of access to the European and world market for production and distribution companies - in particular independent ones - it is essential to:

- encourage more numerous and more efficient promotion operations by producers and distributors at commercial and promotional events, such as markets, fairs, festivals and the like.

#### 4.2 Period covered and arrangements for renewal or extension

- five years (1996-2000)
- possible renewal following assessment
- new Council decision required for renewal

### 5. **CLASSIFICATION OF EXPENDITURE OR REVENUE**

#### 5.1 Non-compulsory expenditure

#### 5.2 Differentiated appropriations

#### 5.3 Type of revenue involved: N/A

### 6. **TYPE OF EXPENDITURE OR REVENUE**

#### \* Support for development:

Financial support for development will be granted to cover up to 50% of the costs of project development in the form of repayable advances.

#### \* Support for film and video distribution:

- Financial incentives will be granted to cover up to 50% of advance purchasing of the rights of works aimed at a European audience in the form of advances that are repayable from the proceeds of exploiting these rights on the European and world market.

- Financial incentives for networking of distributors will be granted in the form of repayable advances to cover up to 50% of costs.

#### \* Support for Europe-wide broadcasting of television productions:

- Loans will be granted for coproduction of works aimed at a European audience made by independent production companies working together with television companies which undertake to screen the programmes jointly in their respective countries. Loans will be repayable without interest as soon as production is completed. The repayment deadline may be extended by a year, at the request of the beneficiaries, in which case interest will be charged on the loan. In addition, a non-repayable premium for quality dubbing or subtitling may be paid to broadcasters/producers who buy the programmes.

- All repayments of advances and loans will be collected by the two contractors selected by the Commission by tender. The funds will be used for financial engineering measures, which will be laid down in a future Council Decision, to fund audiovisual production.
- How much is allocated to the "new technologies" component for each operation will depend on the proposals following the invitation to tender.

## 7. FINANCIAL IMPACT

### 7.1 Method of calculating total cost of operation (definition of unit costs)

#### \* Development:

- Support for development has three components:
  - the works;
  - companies;
  - networking of companies.

For companies and company networking the level of support should be gradually increased in the course of the five years of the implementation of the scheme. This would make it possible to consolidate the desired restructuring.

For the support mechanisms for the works, the opposite approach should be adopted: Community contributions should be gradually decreased to help the overall aim of encouraging applications for restructuring operations.

A tentative breakdown of costs based on this approach is shown in Table 7.2. below.

The costs, which were calculated in the way set out in section 7.1, are shown as annual averages. The figures are tentative.

- Support for works:

Judging by the support mechanisms for production development for documentaries, drama and animation under MEDIA I (1991-95), support of ECU 40 000 per work is on average adequate for significant results. Obviously development costs vary according to the type of production: documentary, drama, animation, and within each type there can be significant differences. Over the five years it is estimated that 625 works could receive development support, which means a total of ECU 25 million over 5 years, or an average of ECU 5 million a year.

- Support for companies

Under the MEDIA programm (1991-95) various structures provided financial support for production companies developing various projects at the same time. Previous experience in the field of drama shows that this approach calls for average amount of between ECU 100 000 and ECU 150 000. To provide support for a reasonable number of

production companies over five years, ECU 37 million will be needed (ECU 7.4 million a year on average).

- Support for networking

The MEDIA programme (1991-95) concentrated on networking in the field of animation. Extrapolating from results obtained in that field (10 groupings comprising 30 or so studios), the amount needed per company involved in a grouping is in the region of ECU 150 000. This will need to involve about a hundred production companies (in the different fields of drama, documentary, new technologies and animation) in order to achieve significant results. The amount needed for the five years is ECU 15 million (ECU 3 million a year on average).

The total estimated cost for support for development is therefore ECU 77 million.

The average annual cost of the operation is ECU 15.4 million.

The Commission will be assisted by a contractor selected by tender. The cost of this is included in the amounts for the various operations and represents 5% of the total.

\* Distribution:

The level of support for film and video distribution and improvement of production circulation should be gradually increased over the first two years of the scheme and then maintained level for the following three years. Support for company promotion should, however, be increased throughout the first four years.

Distribution support comprises:

- \* Support for film and video distribution:
  - Incentives for distributors to contribute to production funding;
  - Incentives for networking of distributors to compile catalogues.
- \* Support for improving circulation prospects for television programmes.
- \* Support for promoting companies on the European and world market.

\* Support for film and video distribution:

- incentives for distributors to contribute to production funding:

On the basis of experience of coordination under the MEDIA programme (1991-95) of structures responsible for distribution, and judging by the average number of films produced in the European Union (500), distributors should be encouraged to contribute to financing about 130 to 140 films. People in the industry consulted said that for a large-scale European film costing on average ECU 6 million, average support of about ECU 750 000 would be required to have the desired effect. The cost over the five years would therefore be ECU 102 million (ECU 20.4 million a year on average).

- Incentives for networking

On the basis of the results obtained from film and video distribution under the MEDIA programme (1991-95), regarding the amounts to be allocated, the number of films to be distributed and the number of distributors to include in successful networks, a sum of ECU 800 000 is needed for the coordinated distribution of at least 5 films by 4 distributors. About 12 regroupings a year should be implemented on average. The cost over five years is estimated at ECU 48 million, or an annual average of ECU 9.6 million (see breakdown in 7.2.).

\* Support for improving circulation prospects for European production:

As indicated in particular by the number of hours of television a year produced in the European Union and estimated hourly costs and experience gained from the MEDIA programme (1991-95), the average unit cost per television production is estimated at ECU 500 000.

About 210 or so works should receive support at a cost of ECU 105 million over the five years (average of ECU 21 million a year).

\* Support for promoting companies:

Experience under the MEDIA programme (1991-95) of markets and festivals organized in the European Union and international events (particularly activities to promote European films) suggest appropriate operations and average costs for improving the prospects of European production and distribution companies. Consideration should be given to specific operations for speeding up financial arrangements and coproductions at events specially for these purposes. Over the five years ECU 7.5 million will be needed for events in the European Union and ECU 2.5 million for international events to guarantee the effective presence of European companies. This comes to ECU 10 million over the five years (average of ECU 2 million a year).

- The Commission will be assisted by a contractor selected by tender. The cost of this is included in the amounts for the various operations and represents 5% of the total.

- The figures in this financial statement show the total cost of Community funding, which is up to 50% of the real cost of the operations.

7.2 Itemized breakdown of cost

*in ECU millions 1994*

<b>Breakdown</b>	<b>1996 budget</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>TOTAL</b>
<b>Support for development</b>						
- works	7	6	5	4	3	25
- companies	6	7	7	8	9	37
- networks	2	3	3	3	4	15
<b>Total</b>	<b>15</b>	<b>16</b>	<b>15</b>	<b>15</b>	<b>16</b>	<b>77</b>
<b>Support for film and video distribution</b>						
* incentives for distributors to contribute to production	15	18	20	23	26	102
* networking of distributors to compile catalogues	7.815	9.925	9.086	10.087	11.087	48
<b>Total</b>	<b>22.815</b>	<b>27.925</b>	<b>29.086</b>	<b>33.087</b>	<b>37.087</b>	<b>150</b>
<b>Improving circulation prospects for television productions (including quality dubbing and subtitling)</b>						
Loans	15	15	25	25	25	105
<b>Promotion: improving access prospects to commercial events, trade fairs, festivals and the like.</b>						
European events	0.5	0.5	1.5	2.5	2.5	7.5
World events	0.5	0.5	0.5	0.5	0.5	2.5
<b>Total</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>10</b>
<b>GRAND TOTAL</b>	<b>53.815</b>	<b>59.925</b>	<b>71.086</b>	<b>76.087</b>	<b>81.087</b>	<b>342</b>

7.3 Indicative schedule of appropriations

7.3.1 Schedule for proposed new operation

*in ECU millions 1994*

	1996	1997	1998	1999	2000	TOTAL
<b>Commitment appropriations</b>	53.815	59.925	71.086	76.087	81.087	342
<b>1996 Payment appropriations</b>	38	-	-	-	-	38
<b>1997 Payment appropriations</b>	15.815	42	-	-	-	57.815
<b>1998 Payment appropriations</b>	-	17.925	45	-	-	62.925
<b>1999 Payment appropriations</b>	-	-	26.086	46	-	72.086
<b>2000 Payment appropriations</b>	-	-	-	30.087	54	84.087
<b>2001 Payment appropriations</b>	-	-	-	-	27.087	27.087
<b>TOTAL</b>	53.815	59.925	71.086	76.087	81.087	342

7.3.2 Schedule for the preliminary draft budget for multiannual operations whose basic instrument contains an "amount deemed necessary"

*in ECU millions 1994*

Situation by end 1994	1995 budget	1996 preliminary draft	TENTATIVE SCHEDULE				TOTAL
			1997	1998	1999	2000	
-	-	53.815	59.925	71.086	76.087	81.087	342.000

**8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN**

Payment of financial contributions shall be subject to presentation of itemized supporting documents prior to payment.

In addition, the various control bodies (Court of Auditors, Financial Control, Authorizing Officer) shall carry out regular checks on the agencies managing the operations and on the recipients.

## 9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

### 9.1 Specific and quantifiable objectives: target population

- Specific objectives

#### Development

To remedy the industry's shortcomings as regards the project development stage (production project development, drawing up of financing plans, marketing and promotion strategies, financial arrangements etc.) and in particular the development of innovative programmes using new technologies.

#### Distribution

To overcome the economic handicaps due to low circulation of films and television programmes which deprives the industry of the benefits of a large-scale market. This will be achieved mainly by bringing the distribution and production industries closer together, particularly in the area of films.

To promote transmission and cooperation agreements between producers and television broadcasters.

To improve market access for European productions.

- Target population

The target population comprises various parties, such as production companies, distribution companies, television companies and companies handling new technologies.

### 9.2 Grounds for the operation

- Need for Community financial aid

The proposed support scheme forms part of the Union's audiovisual policy.

It is to operate on the principle of subsidiarity to support and supplement existing national-level operations. It satisfies the objectives set out in the Treaty, and in particular Article 130 thereof by:

- *speeding up the adjustment of industry to structural changes;*
- *encouraging an environment favourable to initiative and to the development of undertakings throughout the Community, particularly small and medium-sized undertakings;*
- *encouraging an environment favourable to cooperation between undertakings;*
- *fostering better exploitation of the industrial potential of policies of innovation, research and technological development.*

- Choice of ways and means

Financial incentives to mobilize additional investment from the industry and increase the volume of activities considerably. This approach is fully compatible with market realities, since it is designed to stimulate the market.

The mobilization of capital under the first MEDIA programme (1991-95) meant that financial support from the Community had a multiplier effect of 4 on average. This time support will help restructuring and will step up the leverage of Community intervention.

The main areas of uncertainty relate to the fact that the audiovisual industry is an intrinsically high-risk industry owing to its innovative nature.

### 9.3 Monitoring and evaluation of the operation

An evaluation report will be compiled after the operation has been running three years and a final report will be drawn up once the scheme has run its full course.

- Performance indicators:

There will be a central monitoring system comprising two types of evaluation:

- statistical and financial information for evaluating management of the operations;
- statistical data will be collected and interpreted to evaluate the impact of the scheme as whole on the market (for example: how many companies are involved in networks; how many of the projects developed go into production; how much projects that are worked on after receiving development support under the scheme are worth; how many works are helped to go into circulation etc.).

- Details and frequency of planned evaluations:

Questionnaires, statistical data collection; interpretation of replies and data; inspections carried out on the management structures.

- Assessment of the results obtained

Reports are to be drawn up on a regular basis.

### 9.4 Coherence with financial programming

The expenditure is incorporated into DGX's multiannual financial programming.

**10. ADMINISTRATIVE EXPENDITURE (part A of the budget)**

Management and implementation of the scheme will require 25 extra posts to be made available:

- for development operations ( 2 A posts, 2 B posts and 2 C posts = 6 posts);
- for film and video distribution support operations, networking of distributors to compile catalogues; and improving circulation prospects of television works (6 A posts, 4 B posts and 6 C posts = 16 posts);
- for promotion and improving access to commercial events: (1 A post, 1 B post and 1 C post = 3 posts).

2 July 1994

EUROPEAN AUDIOVISUAL CONFERENCE

Group discussing Community support mechanisms

Chaired by: Michael FLINT

In its discussion of the issues raised by the Green Paper regarding Community support mechanisms, the group took account of the four basic conditions which will determine the future of the European programme industry:

- \* it must be competitive in the context of an industry that is increasingly open and global;
- \* it must be forward-looking and participate actively in the development of the information society;
- \* it must reflect the creative talent and personality of the peoples of Europe;
- \* it must be capable of translating growth into new jobs in Europe.

The group acknowledged that these were the basic directions for the industry's future.

The following points were also made:

- \* the audiovisual industry is at the forefront of industries with strong growth potential, especially in terms of job creation;
- \* the issue of preserving the diversity of national and regional cultures is now clearly linked to the development of a European programme industry of a decent size that can pay its way;
- \* digital compression technology is seen as revolutionary and is likely to radically alter the economics of the industry, in particular as it pushes the strategic role of the programme industry to the fore;
- \* If the European Union intends to step up its audiovisual policy, it should do so soon.

Diagnosis

The group accepted the diagnosis of the current state of the film industry as formulated in the Green Paper:

- \* the fragmentation of the industry into national markets, which means that companies are too small to compete on European and world markets;

- \* the partitioning of national markets is compounded by a low rate of cross-border programme distribution and circulation;
- \* the industry is trapped in a spiral of chronic deficit;
- \* the industry is unable to attract the European capital, which is nonetheless available for investment in the programme industry outside Europe.

The television industry is facing:

- \* soaring demand and increasing production costs;
- \* low rate of programme circulation within Europe;
- \* poor production structures and programme catalogues that are not attractive to European audiences.

### Objectives

The discussion group also agreed with the objectives set out in the Green Paper. The European Union should mobilize its human and financial resources to develop a programme industry that is competitive on both its own market and the world market to serve as a vehicle for its cultures, create jobs and generate wealth. It is a medium and long-term policy, the ultimate aim being to make the European programme industry a profit-making concern in an open and dynamic world market.

The so-called "Europuddings" that come out of contrived co-productions should be avoided.

### Existing Community instruments

The group agreed unanimously that the financial resources granted under the MEDIA programme were inadequate for the desired objectives.

Potential solutions:

- \* to keep the number of MEDIA projects at its present level, but to increase funding considerably;
- \* to concentrate on a smaller number of projects and increase resources.

There were no criticisms of the action plan, since it is generally viewed as a success, though it is still too early to make a full evaluation.

### Other European instruments

The group felt that the overall results of *Eurimages* had been positive within its limited remit of encouraging European television drama and film co-productions. However, it needed additional funding, given the number of applications it receives, and it was suggested that the eligibility condition which requires three countries to be involved in the co-production should be changed to require producers from two countries plus a distributor in a third country.

It was thought to soon to make any assessment of EUREKA Audiovisual.

### Priorities

The group went on to discuss the suitability of the priorities set out in the Green Paper:

- \* training (geared towards the market and new technologies);
- \* preproduction and project development;
- \* distribution and marketing, in particular high-quality dubbing and subtitling;
- \* stimulating private investment.

There was unanimous agreement that training should focus on:

- \* writers;
- \* producers;
- \* commercial businesses and financial management;
- \* interactive and multimedia technology.

There was all-round support for prioritizing preproduction and project development.

As regards distribution and marketing, there was a consensus on the basic need for high-quality subtitling and doubling to improve the circulation rate of programmes in Europe.

A distinction should be made between support mechanisms for television production and support mechanisms for film production.

As regards television, a common position emerged between television broadcasters and producers that a system of incentives in the form of premiums should be introduced in order to encourage the screening of programmes from other European countries. Incentives would be necessary because programmes from other European countries work out much more expensive for broadcasters than non-European programmes. Since cheap non-European programmes get shown so often in Europe, the audiences have got used to them and are now more receptive to American programmes than to productions from other European countries. It has nonetheless been shown that foreign programmes can appeal to European audiences, if given enough exposure.

The objective that emerged most clearly (and was agreed on by a large majority) was to produce and distribute between 15 and 20 large-scale film productions a year throughout Europe.

Incentives for distribution of full length films throughout the single market and encouragements given to production via distributors would help, but there was no agreement on what form they should take.

As regards the proposal to encourage private-sector investment, the group felt that soft loans financed from the resources mobilized by the EU plus national mechanisms would be an adequate support system.

The question of whether priority should be given to companies or projects would have to be decided in accordance with the type of incentives.

#### Geographical scope, timescale and financial implications of support mechanisms

Notwithstanding the comments below on the Member States and regions with low production capacity, there was agreement that any EU support system should have genuinely European objectives. Although unanimity was not reached on how to put this into practice, most of the group supported European (EU) mechanisms which would provide incentives only to projects with international potential. National mechanisms should also take European objectives into consideration.

In any case, there was agreement that a system of recycling funds within the audiovisual industry would not be effective and new funds would be necessary. The incentives should take the form of soft loans or guarantees that could be repaid or recovered, once a project or a company started making a profit. However, the group felt that certain incentives could not take the form of loans, but would have to be granted as direct aid, for example for training, restructuring of the industry (as was the case in the animation industry) and premiums to promote the circulation of programmes from other European countries.

The group was unanimous in the view that the current level of financing, although concentrated in priority areas, was inadequate. Although there was no all-round agreement on exactly how much would be needed, certain parties floated the idea of ECU 1.5 billion.

The group was of the opinion that if the EU saw the audiovisual industry as strategic for employment, the level of support granted to it should match the level of support given to other strategic priorities.

As regards film distribution, the group's opinion was that distributor groupings should be encouraged. The group did not agree on concrete steps for achieving this, but it was suggested that the Commission should look into the matter in cooperation with a working party made up of financial backers and distributors. The support should be intended to create distribution systems covering the whole EU.

If the Americans have set up systems of this type, it is hard to see why Europeans should not be able to undertake Europe-wide film distribution.

Certain types of programme, for example documentaries, could be produced with the international market in mind, provided that the right type of incentives are introduced, which need not be costly.

Member States or regions with low production capacity

On this matter the group reached the conclusion that maybe incentives should be introduced at EU level to help the audiovisual industries in small countries to gain access to the wider market and to the structures that should be set up to enable the EU programme industry to get the most out of the European market.