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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)

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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⁽¹⁾ 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.

⁽¹⁾ "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.

