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Communication

from the Commission to the Council and Parliament

on audi

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Introduction

The purpose of this Communication is to be put before the Council and Parliament:

- the analysis made by the Commission of the prospects for the European audiovisual market at the end of the year 1989 which was marked by the holding of the Audiovisual Conference, the launching of the EUREKA audiovisual programme, the adoption of the "Television without frontiers" Directive, the adoption of the Community strategy in the field of high-definition television (HDTV) and pursuing the pilot phase of the MEDIA programme (measures to promote the development of the audiovisual industry);
- the way in which the Commission intends to respond to the guidelines laid down by the last three European Councils, in particular the one which met in Strasbourg, which "considered it essential to consolidate recent achievements" and expressed the hope that "the efforts to produce the European HDTV system will be stepped up, that the Community action programme extending MEDIA will receive the necessary financial support and that the necessary synergy with audiovisual Eureka will be ensured".

This is thus a position paper which provides the framework for overall action and lays down the specific deadlines for each of the three sections of the audiovisual "triptych": the rules of the game, the programme industries and new technologies. It responds to a legitimate expectation of information on the part of the Council and Parliament, though it does not presume to prejudge the treatment which will be reserved in parallel, and sometimes simultaneously, for various specific proposals.

This document takes largely into account the analysis made and the recommendations drafted by the numerous professionals of this sector who attended the Audiovisual Conference held on 30 September 1989 in Paris and who performed a major task on behalf of the European audiovisual industry.

0. Summary

1. The European audiovisual market

Against a background of rapid and constant change, the European audiovisual industry is seeking an appropriate development space likely to enable it to take the place it is entitled to claim.

Subjected to the pressure of a world market dominated by American and Japanese firms, the structural constraints of the European market are obstacles to be overcome and the present inadequacy of supply in relation to demand must be faced in a resolutely dynamic spirit.

We must expect a continuation of the technological change which is upsetting the traditional relations between those involved in the audiovisual industry by offering new opportunities for distribution and a diversification of sources of income. The gradual exploitation of these new opportunities coupled with changes in regulations is accompanied by an increase in demand which is causing a new industrial dynamism in which independent production is trying to find its appropriate place.

Having developed mainly within a national framework, the European audiovisual industry is currently having to overcome the present fragmentation of the market and adapt its production and distribution structures, which are too narrow and insufficiently profitable.

The setting-up of an audiovisual area by developing the free movement of programmes, the organization of a financial framework likely to bring about a sharing of risks at European level, the promotion of the programme industry and mastery of new technologies will make it possible to liberate fully the potential of this sector in a competitive market.

2. An overall Community policy

Defined and confirmed by the last European Councils, Community audiovisual policy aims at developing coordinated action geared to three issues: the establishment of the rules of the game, promotion of the programme industry and mastery of new technologies.

In line with the principle of subsidiarity, achievements in this field (the television without frontiers Directive, the joint strategy in respect of promotion of HDTV and implementation of the MEDIA pilot programme) must be supplemented by in-depth action.

A. The basis provided by the television without frontiers Directive must be supplemented so as to constitute an environment beneficial to the competitiveness of the audiovisual industry.

The first addition needed is harmonization of national copyright laws to provide effective protection and equitable remuneration of authors throughout the Community. The Commission will, in particular, have to deal with the problems presented by cable distribution and satellite broadcasting by seeking, within the framework of a draft Directive, a consensus reflecting a balance between the various interests involved.

Next it will be necessary to ensure that development of the audiovisual sector is not at the expense of pluralism but, on the contrary, helps to intensify it by promoting, in particular, the diversity of the programmes shown to the general public.

Furthermore, a policy of competition guided by a concern for legal security will have to make it possible to ensure an effective containment of national aids and avoid the creation of new obstacles deriving from agreements contrary to the rules of competition.

Finally, the Commission will look at how it can help to promote independent production and encourage the development of a secondary rebroadcasting market, taking account of the prime role the Member States will have to play in this area.

B. The MEDIA programme, which will end its pilot phase in 1990, will, in 1991, have to be the subject of a Council Directive on the continuation and intensification of its activities as part of an action programme to promote the audiovisual industry. With an eye to the single market, MEDIA has demonstrated its ability to inspire synergies by creating networks of crossfrontier cooperation and attracting public and private capital by the use of seed capital. By giving priority to the SMEs, MEDIA is contributing to the restructuring of the audiovisual industry and seeking to promote a balance between the large and small national industries. Upstream and downstream of production as such, MEDIA is developing a set of supplementary operations which derive the specific value from the Community dimension and which are geared to the four main aspects of this issue: distribution, production, training and financing.

As part of its forward-looking dynamism, MEDIA will explore new fields of action and cooperation such as the new audiovisual services, audiovisual facilities in the less-favoured regions and collaboration with the professionals of other European countries.

The proposal for a programme to support the audiovisual programme industry will also include a major component, "Eureka audiovisual", so as to ensure synergies, in line with the wishes expressed by the Strasbourg European Council, between the two initiatives and in order to establish legal bases for Community participation in Eureka Audiovisual.

The new programme, to fulfil another wish expressed by the Strasbourg European Council, will have to receive the necessary financial resources.

C. As regards new technologies, the Council is moved, on the one hand, by the wish to optimalize the exploitation of the new broadcasting facilities deriving, in particular, from the development of satellites. To this end it will draft a proposal for a Directive to replace the 1986 Directive on the family of MAC/packets standards and, as part of the telecommunications policy, it will send to the Council a Communication on satellite communications in Europe. On the other hand, in the vital field of European HDTV, Community action will aim mainly at implementing a coordinated and planned strategy for its gradual introduction in Europe over the 1992 to 1995 period.

Apart from its commitment along with industrialists to the development of the technologies themselves as part of Eureka 95 and under its research programmes, the Commission has brought about the setting-up of a European Economic Interest Grouping (EEIG) which brings together manufacturers of equipment, producers and distributors so as to promote the European system by means of demonstrations and the building-up of a stock of quality programmes. At the same time, the Council, on a proposal from the Commission, adopted a Decision on joint action to ensure adoption of the European standard for programme production and exchange as a world standard at the meeting in May 1990 in Düsseldorf of the International Broadcasting Advisory Committee.

3. External aspects

The direct external implications of this Community audiovisual policy are many and various. The setting-up of the single market and, in particular, the free movement of programmes against a background of rising demand provides major opportunities to both Community and non-Community entrepreneurs in the audiovisual sector.

The technological field involves an "external cooperation" aspect with major implications, especially with regard to the promotion of the European HDTV standard.

Furthermore, the Community is taking part in the international talks now under way, especially those under the aegis of GATT (Uruguay Round) on the liberalization of international trade in the services sector.

4. The work plan

The work plan shows the main deadlines in 1990 for the implementation of the Community's audiovisual policy.

1. The European audiovisual market

Against a background of rapid and constant change the European audiovisual industry is seeking an appropriate development space likely to enable it to take the place it is entitled to claim.

The sector covers the cinema, video and television, but this definition is tending to be overtaken by technological developments, for developments in information services, consumer electronics and audiovisual products are converging to such an extent that their present designations are likely to be no longer valid in a few years' time. At the same time, new interest groups are emerging, including equipment manufacturers, advertising agencies, makers of electronic games and video discs, and multimedia groups. Combined with a major rise in demand on the part of both households and undertakings, the technological developments now under way are throwing into disarray the conditions under which the European audiovisual industry is operating.

One of the constraints we have to put up with in trying to inventarize this sector is the lack of data - and the unreliability of what data exist. Those relating to final receipts, which represent some 60% of the sector's turnover, show that these receipts amount to ECU 16 thousand million for the Community as compared with ECU 33.5 thousand million for the United States. However, the two hours a day which the average European spends in front of his television set and their impact on the general public in terms of news, consumer fashions and life styles are such that the sector's importance cannot be measured solely in terms of its contribution to the GDP.

1.1 Diagnosis - characteristics of the European market

Having developed mainly within a national framework, the European audiovisual industry has somewhat the look of a random mosaic, put together in the context of a market open to the outside world and on the basis of structural constraints imposed by the current organization of the market in Europe.

1.1.1 The context of world markets

To think of the audiovisual sector solely in terms of national criteria would be a mistake, for there are several audiovisual markets competing with each other. As regards fiction, there is not only a world market, but language markets and national markets. As regards news, we also discover local or regional markets. The part played by American firms in the creation of a world market - firstly as regards films and the cinema and then as regards television programmes and videos - and their level of development (roughly double that of the audiovisual industry in Europe) give them a predominant position on the world market. Nevertheless, other countries such as Australia, Brazil and Japan (as regards cartoons) have also been able to establish themselves in this market. It is, above all, ownership of a stockpile of ready-to-go programmes and an efficient marketing structure which are the prerequisites for success on world markets. The existence of this world market means that no policy can be conceived exclusively in terms of European conditions, but must also take that market into account.

1.1.2 Organization of the market in Europe

The organization of the market in Europe at the present time constitutes a series of structural constraints on its development. For example, the cinema and television have traditionally functioned as separate activities despite the large number of films shown on television. From the beginning, the European television networks took the form of organizations integrated vertically with their own production studios and often their own transmission facilities. There was very little inducement for these broadcasters to embark on a transnational activity because their resources and aims were laid down originally in purely national terms in their broadcasting charters. Debarred from producing television programmes, the cinema industry remained highly fragmented.

This situation is very different from that existing in the United States, were a regulation of the Federal Communications Commission forbids the networks to programme their own productions with the exception of news and sports coverage. The major American studios were thus able to diversify into the production of television programmes, assisted in this by the emergence of a secondary market of rebroadcasting by local stations. Thus there has always been a balance between producers and distributors in the United States, a balance which is lacking in Europe.

Structurally speaking, the audiovisual sector is characterized by the existence of a large number of small and medium-sized undertakings, often highly enterprising, which dominate at the production stage, confronted by very large undertakings at the distribution stage, especially as far as the television networks are concerned. This concentration may be attributed in part to the lack of a national secondary market for programmes broadcast in Europe, made up of local and rebroadcasting stations. Another factor is the inadequate liaison between the various stages of the sector, which detracts from the efficiency of the sector as a whole.

However, the audiovisual scene in Europe is changing very rapidly, mainly because of the combining of changes in regulations and in technology. The decision by the public authorities to allow new networks to broadcast, something made possible in part by the development of cable and satellite television, combined with a prolongation of the daily amount of screen time of existing networks, has brought about an explosion in the number of hours programmed.

1.1.3 The situation of the programmes market

In 1988, Europe bought 700 million dollars' worth of programmes from the United States. However, the present imbalance between supply (production of programmes) and demand on the part of broadcasters is to be understood exclusively as the result of a number of developments in the audiovisual sector and therefore as revealing more deep-seated difficulties rather than as a problem in itself. The European shortage of television programmes, a recent phenomenon, is to be explained both by high production costs, especially for fiction, and by the increase in broadcasting hours. The decline in film production resulting from the 40% drop in cinema box-office takings in the 1980s and the rise in costs, which has not been offset by a comparable increase in income from video and television broadcasting rights, have exacerbated the problem.

Given viewers' marked preference for programmes of national origin, recourse to imports from the world market is seen above all as being made chiefly for want of a better solution, for rights to the stock of existing European programmes are held by competing national broadcasting companies, which may refuse to allow new entrants to use it. Being unable either to produce or to buy enough new products to fill their schedules, new entrants are obliged to obtain their supplies from stocks which are available and easily accessible elsewhere, i.e. mainly American products.

1.1.4 Impact of the new technologies

The impact of the new technologies is to be felt throughout the sector and entails a substantial increase in the capital required whilst at the same time eliminating what used to be unavoidable technical restrictions. For example, high-definition television may have a series of implications for the operation of the audiovisual sector. Firstly, high-definition technology increases the tendency towards convergence between television and cinema production, a phenomenon which is taking place for commercial reasons. Secondly, it has major consequences both for the large-scale consumer electronics industries, entailing, as it will, the re-equipment of homes with receivers, and for broadcasting methods, especially satellite broadcasting. The high-definition video standard is also likely to be of interest to firms, which are purchasing more and more audiovisual services for their training and communication needs. Lastly, the large number of microprocessors which the high-definition standard will necessitate will probably cause receivers to become intelligent machines, around which the development of new interactive services could be envisaged.

The emergence of the new technologies is creating major needs as regards training and will require special efforts in the field of promotion.