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THE DISTRIBUTION OF FILMS

PRODUCED IN THE COUNTRIES OF THE COMMUNITY

STUDIES
CULTURAL SECTOR

A Study made for the
Commission of the European Communities
by
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The study before you is one of three financed by the Commission of the European Communities in the context of its cooperation with the Council of Europe, in the cultural sector.

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Thus, the provisional version was a contribution to the Conference, which in turn brought its a contribution to this, the final version.

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THE DISTRIBUTION OF FILMS PRODUCED IN THE COUNTRIES OF THE COMMUNITY

A. INTRODUCTION

a. This Study has arisen out of the European Parliament's debate of 17-18 January, 1979, when it discussed the Communication from the Commission on 'Community Action in the Cultural Sector'. Herr G. Brunner, the Commissioner responsible for this Sector, then gave an undertaking on behalf of the Commission to improve the machinery for the distribution of films.

b. Distributors are middlemen and are so defined, at some length, in Article 3 of the Third Film Directive issued on 15 October, 1968, but they are very often also a source of finance and a central agent in the production of films. Certainly the main interest of this study will be not the technicalities of distribution but the success or failure of the distribution of the Community's films in the country of origin, in the other countries of the EEC and in the Rest of the World.

c. The Title says 'films produced in the Community' but some films made totally within the area of the Community are not given the status of a national film of one of the Member States: it is with national films (including co-production films given national status) that we will be concerned.

d. We will concentrate on 'long films'. These are defined in Article 2 of the First Film Directive (issued on 15 October 1963) as films with a length of not less than 1600 metres (about 58 minutes running time), but the statistics of the U.K. use a dividing line of 72 minutes. Unfortunately it will not be possible to deal with the special problems of the short film and all references to 'films' are references to 'long films'.

e. Some mention will be made of relationships with non-EEC countries in the Council of Europe, but this important issue will not be receiving the attention it requires.

f. It is peculiarly difficult to find adequate statistics in some areas of crucial importance. Most official statistics need not be questioned, but in such matters as exports the statisticians can be no more accurate than the information they have been given by private companies. Many non-official statistics are selective, for the inner story may be (understandably) kept as a commercial secret: one rarely, for instance, knows how much profit or loss has been made in respect of a particular film and who have been the beneficiaries or sufferers. The traditional obscurantism has aroused some harsh comments from critics, one of whom (Thomas H. Guback) has attacked "the intentional creation of public ignorance through the selective withholding of information about a social process as crucial as communication ..."

g. Government Departments, Trade Associations and many individuals have been most helpful in supplying documents, statistics and advice. The trade paper 'Variety' has been a rich mine of information. The writer would like to express his thanks to all of them and most particularly to 'Le Complément Mensuel d'Informations Européenes', and to its Editor M. Claude Degand, whom Film Echange has described as the "prophet and pilgrim" of Europe in the world of the cinema.

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Andrew Filson

THE BACKGROUND

Cinema Admissions

1. The patient's temperature chart has been reported often enough, but this must still be our starting point. In the last twenty five years the fall in cinema admissions has exceeded 50% in France and Holland: 60% in Italy: 70% in Denmark: and 80% in Belgium, Germany and Great Britain (where there has been a 92% fall since 1946). In the last two or three years admissions have improved in some countries, but the basic decline is almost certainly irreversible. More detailed figures are given in Table 1.

TABLE 1

Cinema Admissions: 1955-1978

(in millions)

	1955	1960	1965	1970	1975	1976	1977	1978	% fall since 1955
Belgium	110	80	45	30	25	23	22	-	80%
Denmark	59	44	34	24	19	19	17	17	71%
France	411	354	259	184	182	177	170	177	57%
Germany (West)	818	605	294	160	128	115	124	136	83%
Great Britain	1182	501	328	193	124	107	108	127	91%
Holland	66	55	36	24	28	26	26	31	53%
Italy	819	745	663	525	514	455	374	317	62%

Source: 'Statistiche Comparate' published by the Centro Studi Del Cinema Europeo in 1978. Their table has been updated from national sources of the countries concerned.

Growth of Television

2. Other industrialised nations have had similar falls in admissions. The trend started in USA, where they fell from a peak figure of 4,400

million in 1946 down to 820 millions, but rose again to over 1100 millions in 1979. The recent improvement has been mainly due to a number of outstanding films and has to some extent been repeated in Europe as well, but it cannot overcome the basic decline, whose cause has been the increasing intensity of the competition for the leisure time and money of the public. The cinema has many competitors, but it is generally agreed that the main agent in its decline has been the growth of television. In 1955 no country in the then EEC area had a million TV sets, but Britain had nearly 7 million sets and had already suffered a traumatic decline in admissions. By 1965 Italy had more than 5 million sets, France more than 6 million and Germany more than 10 million. By 1977 Italy had more than 12 million sets, France more than 15 million, Germany and Britain more than 20 million.

Films on Television

3. The correlation (clear enough, though not precise) between the growth of television sets and the fall in admissions does not, however, mean that the film has been superseded by television, for in fact audiences for films have increased dramatically. In 1978 cinema admissions in France had fallen to 177 millions, but films were seen on Television by 4,000 millions, with 524 transmissions - 349 of them in peak hours - to 15 million sets; in Germany there were 1000 transmissions of films to 20 million sets; and in Great Britain TV 1300 transmissions to over 20 million sets. In all these countries films had become more popular, but they were not being seen so much in cinemas. The experience of Italy is even more illuminating. The film industry had enjoyed an agreement with RAI (Radiotelevisione Italiana) limiting the numbers of films which could be shown (120 a year) and the times of

showing, so for many years admissions to Italian cinemas suffered only a relatively small decline - from 550.8 million in 1969 to 513.6 million in 1975. Then private television stations began to spread rapidly and they were not parties to the RAI agreement. They have been showing films 3,500 times a year and it can be no coincidence that Italian admissions fell sharply down to 319 millions in 1978. In Italy, as in other parts of the Community, it is films on television which have been sapping the strength of the cinema. The film has not lost its popular appeal, but in France, for example, it has been calculated by La Federation Nationale des Cinémas Francaises that French films get 96% of their audiences on Television.

4. Other technological developments such as Cable Broadcasting, satellites, Cassettes, home video recording etc. also threaten the cinema. Some believe that its day is over and that films will be made for television and other forms of homeviewing with a handful of cinemas offering some specialised facilities. Let us hope - and ensure - that this will not be so. The Cinema offers the pleasures and the social benefits of a shared experience, a communal activity of value in modern society. Moreover films made for the larger screen can offer strengths and subtleties which get lost on the smaller screen, so if there are to be only films-made-for-television there would be a serious erosion of quality. One day further technological advances may make this argument obsolete, but in the meanwhile the maintenance of the highest standards depends on the vitality of the cinema. And, if the cinema fades away, will Television finance films of today's quality? At present films get about 90% of their income from cinemas and there are no signs that Television would even attempt to raise any such volume of finance for the making of films, so production values could no longer be maintained

and the quality of what would be seen on Television would also decline.

The Box Office

5. The Cinema may be desirable, but it will not survive unless it makes commercial sense, so we need to look beyond the mere admission figures given in Table 1. Adequate profit and loss figures for different branches of the industry are not available, but we have to start with Table No. 2 showing trends in Box Office Receipts.

TABLE 2

Box Office Receipts 1955-1978

(in millions of national currency, except for Italy where the figures are for milliards)

	1955	1960	1965	1970	1975	1976	1977	1978	Percentage change since 1955
Belgium	1500	1555	1100	1247	1696	1690	1826	-	+22%
Denmark (Note A)	-	83	138	149	160	219	219	244	+188%
France (Note B)	548	682	790	882	1573	1757	1839	2097	+283%
Germany (West)	956	863	611	542	627	592	653	748	-22%
Great Britain	105	68	87	60	76	80	90	119	+13%
Holland	72	75	76	77	137	142	165	201	+175%
Italy	116	121	159	182	363	375	343	347	+199%

Notes (A) The Danish percentage change relates to 1960.

(B) The French figures, unlike the others, exclude sums paid for film aids. In 1978, for example, 283 million FF were levied for film aids, so if this had been included the total Box Office would have been 2380 million FF.

Source: 'Statistiche Comparate' published by the Centro Studi Del Cinema Europeo in 1978. Their table has been updated from national sources of the countries concerned.

6. In all the countries except Germany the Box Office is higher, sometimes much higher, than it has been before for the simple reason that seat prices have been increased by at least 300% (by 900% in the UK) partly to keep pace with inflation, partly to pay for the higher standards of comfort and projection required by modern audiences and partly because policy decisions have favoured the dearer cinemas in the best sites.

7. Box Office figures have to be quoted, but they are a very incomplete guide if taken by themselves. Not all the money goes to the recoupment of production costs. Taxes of different sorts, such as Entertainment Duties, VAT and parafiscal levies for film aids, have to be deducted (except in France - see Note to Table 2): the totals have varied over the years and now range from 6% to over 20%. From this Box Office a percentage which varies from country to country (around 60%-66%) is retained by Exhibitors for their own expenses and profits. Additionally they can earn considerable sums (which are not shared with Distributors and Producers) by the sale of refreshments and advertising facilities. The figures for this additional income is not known, but in USA the President of the National Association of Concessionaries offered the surprisingly high estimate that it can equal the Exhibitor's income from the projection of films. Most exhibitors outside the big circuits have a problem of survival, so we will not pursue this side issue, but it would be interesting to know how much money is involved.

8. Distributors also can have additional income, sometimes on a considerable scale, from e.g. the exploitation of musical rights, perhaps through a subsidiary or sister company. No statistics are available, but obviously much depends on the nature and popularity of the film as well as on the music itself. Sometimes the income does not go into the accounts of the film, but stays with the music company and the conglomerate which owns it.

An anecdote illustrating this aspect of film financing is told by Alexander Walker in his 'Hollywood England'. When the late Mr. 'Bud' Ornstein was persuading a reluctant Walter Shenson to take on the production of the first Beatles film, he pleaded for a favour because "Our Records division want to get the album to distribute and what we lose on the film we'll get back on the discs."

9. These sources of additional income depend greatly on the success of the film at the Cinema box office - if it attracts crowds there will be more people to buy refreshments and ask for the music. In the same way other sources of income, Sales to Television and Exports to foreign markets (both of which will be discussed later) have a relationship with the home Box Office results. The Television Stations want to buy films which through their cinema reputation may be known by name to television viewers. Also, few films succeed abroad if they have not first succeeded at home, partly because their results get known and partly because, if a film does not appeal to the home audience, it rarely appeals to foreigners.
For such reasons the Box Office figures given in Table 2 can, in spite of their incompleteness, give an indication of general trends.

State Aids

10. One further source of finance for films must be mentioned now (and will be discussed at a later stage) - the state aids without which national films would have suffered complete disaster. As Mr. Joop Voogd said in his summing up of the Lisbon Conference organised by the Council of Europe in June 1978 "The Cinema in Europe must be protected - state aid is necessary for its survival ...".

Inflation of Costs

11. Film revenues must be weighed against the background of inflation which has been troubling Western Europe the last twenty years. It costs more to

make a film in 1979 than it did in 1955 or in any year since then, because all the ingredients of a film are dearer. Moreover, not only would a successful film of 1955 be more expensive to make in 1979, but the replica (if such were possible) would almost certainly not have the same success, for audience expectations are in some ways more demanding. The public has the choice of so many entertainments and can see so many films on TV that, when they go out for an evening's enjoyment, they need some special attraction to make them choose a cinema. The situation is not unlike that described by the literary figure of 18th century London, Dr. Samuel Johnson, who spoke of a dinner party that "it was a good dinner, but not good enough to invite a man to". Similarly even a good film needs a special appeal to attract people out of their homes and away from other forms of entertainment. Many recent successes have been large-scale treatments of science fiction or disasters, for this sort of film is much more effective on the large than on the small screen. Even in the case of ordinary human dramas with no epic pretensions the audiences want greater 'production values' than formerly - more action, more locations in interesting (perhaps remote and expensive) scenery, more incidents calling for 'special effects'. Even a good story well acted nowadays needs a good setting. All this calls for a higher level of expenditure, so films would be costing more to make today even if prices had remained stable.

12. What has been said in the previous paragraph cannot easily be supported by statistics as 'averages' are misleading. On the one hand a couple of very expensive films can distort the figures for a year: for instance Germany recently had one film whose production costs were over 25 times the national average. On the other hand a large number of e.g. cheap pornographic films, which do not need to spend much money on actors, locations or costumes, can obscure the position of the important group

of middle and upper-middle budgets. Whatever the available statistics may be, who connected with the industry will deny that production costs have for most films risen even higher because of the more exacting demands of modern audiences?

13. Very often the producer tries to insure against these greater risks by engaging expensive stars who, it is hoped, will be sure to attract audiences. At any rate he may have to work this way in order to get the support of a distributor. Now even more money is at risk (one actor is demanding $5 million for a film with more to come if the film is a success), so further expenditure on a large scale is needed for the promotion of the film. M. René Bonnell (in his book 'Le Cinéma Exploité') calculates that in France the publicity costs of a film amount to one-eighth of its costs and one-thirteenth of its receipts. Obviously this average will cover a wide range of variation and at the top of the scale the distributor has to compete in a game of high stakes. General figures are not available, but one example from USA is interesting. 'The Muppet Movie' was released on 22 June 1979 and by early September five million dollars had been spent on advertising and publicity (according to a company spokesman quoted in the 'Variety' issue of 12 September 1979).

American figures have been quoted because the American industry sets the tempo for the others and this is the world in which European films have to compete.

Clearly with such increases in production and promotion costs the films of the Community need good results in good home markets as a springboard for further exploitation in other markets. Let us now see what has been happening.

THE HOME MARKETS

14. The main home markets will be considered in turn, but Ireland and Luxembourg will not be included.
The treatment of the markets will be similar but not identical, partly because each has its own history and problems, partly because the statistics of each country are collected and published in different ways.

GREAT BRITAIN

Admissions and Box Office

15. In 1946 the admissions were 1,635 million. They had fallen to 1182 million by 1955 and the subsequent story is shown in the following extract from Tables 1 and 2.

TABLE 3

Great Britain: Admissions and Gross Box-Office Receipts: 1955-1978

	1955	1960	1965	1970	1975	1976	1977	1978
Admissions (in millions)	1182	501	328	193	124	107	108	127
Gross B.O. Receipts (in £m)	105	68	87	60	76	79	90	119

Admissions have fallen more severely in Great Britain than in any other country of the EEC, though there has been an upswing since 1976. The Box Office has also been improving, as average seat prices have risen dramatically from 21.7 old pence (= 8.68 new pence) in 1955 to 93.7 new pence in 1978. Even so the 1955 Box Office figure was not exceeded until 1978, and then only by 13.3%, a paltry increase in view of the high rate of inflation in Britain.

Films in the Market

16. It is not surprising that fewer British films have been released and fewer foreign films imported, as can be seen from Table 4.

TABLE 4

Great Britain: Films over 72 minutes in length registered at the Department of Trade and Industry : 1969-79

Year	Origin of Films				
	British	EEC	USA	Rest of World	Total
1969	71	117	126	51	365
1970	85	114	124	37	360
1971	90	99	150	47	386
1972	89	80	155	62	386
1973	80	106	145	49	380
1974	78	123	131	70	402
1975	69	81	131	59	340
1976	64	84	127	63	338
1977	42	98	127	51	318
1978	50	80	114	41	285
1979	40	59	139	36	274

NOTES

(a) 'British' includes not only coproductions but also 'Commonwealth' films, which have averaged 4½ a year, excluding 1974 when the Karate phase brought in 12 films from Hong Kong alone.

(b) 'EEC' include coproductions and also films which originated in an EEC country but did not qualify as 'Community films': in 1979 there were 19 of these registered.

(c) 'USA' and 'Rest of the World' include some films initiated or made by British companies, but not qualifying as British.

SOURCE

Annual Tables published by the Department of Trade in 'Trade and Industry' (now 'British Business').

The relative position of British and EEC films has worsened. British films started as 19.5% of the total, never reached 25% and ended as 14.6% while EEC films started as 32% (their highest figure) and ended as 21.5%. On the other hand films from USA started as 34.5% of the total, never fell below 30% and ended as 50.7%. Of course these proportions need not be reflected in shares of the box office, but this point will be discussed shortly.

American financing of production

17. The decline in British production has followed the reduction of the amount of American finance invested in British films. No statistics are collected, or at any rate published, about the financing of films, but some information can be inferred from certain tables published by the Department of Trade regarding the money received from abroad by film companies in respect of the production of films, either for the complete financing of a film or for e.g. the studio expenses. The films so financed may be British or may be foreign (e.g. 'Star Wars'). In spite of their vagueness the statistics seem to indicate clear trends, as will be seen from Table 5. American investment declined from the peak figure of £33.4 million in 1968 to the lowest point of £3.3 million in 1974. There has been an upturn since then with a sudden doubling to £13.3 million in 1978, but this is not necessarily any sign that there will be a return to the high figures of the 1960's.

TABLE 5

Great Britain: Overseas Transactions of Film Companies: Receipts in respect of the Production of Films

	Receipts in £ million from			
	North America		Rest of the World including EEC	Total
1964	9.8		2.9	12.8
1965	16.2		1.2	17.4
1966	19.5		1.5	21.0
1967	25.5		7.9	33.4
1968	33.4		2.4	35.8
1969	26.5		4.6	31.1
1970	15.5		2.0	17.5
1971	18.9		3.9	22.8
1972	15.1		3.2	18.3
		EEC	Rest of World	
1973	4.8	1.2	3.1	9.1
1974	3.3	1.1	3.0	7.4
1975	5.6	1.4	2.9	9.9
1976	8.3	0.6	2.6	11.5
1977	6.3	1.0	3.6	10.9
1978	13.3	1.0	3.1	17.4

Source: Annual tables in 'Trade and Industry' (previously 'The Board of Trade Journal'.

18. The vacuum left by the withdrawal of American finance has not been adequately filled from British sources. Recently two major British companies, EMI (headed by Lord Delfont) and ACC (headed by Lord Grade) have been very active in production, but their main interests have not been in British films. EMI has aimed to establish itself as a major force in American production and ACC has made multinational films in many parts of the world. Their activities are not distinguishable in the Department of Trade statistics, which now have to be read with some caution.

19. In the absence of adequate British finance for British films (and partly also as a result of some tough taxation rates) a large number of British directors have been making American films in America. These include Michael Anderson, John Boorman, David Greene, John Guillermin, Anthony Harvey, Douglas Hickox, John Hough, J. Lee Thompson, Ronnie Neame, Alan Parker, Karel Reisz, John Schlesinger, Michael Winner, Peter Yates and others. Their work has included the Oscar winning 'Midnight Cowboy' and such box office winners as 'Towering Inferno' and 'Poseidon Adventure'. Many benefits, commercial and artistic, can come from an interchange of talents, but not from a mass exodus of creative personalities driven from their own industry (some permanently) by a lack of opportunity.

The sharing of the UK market

20. Figures are not available about the shares of the British market going to films of different national origins, but the relative share of British and foreign films is shown in Table 6.

TABLE 6

Great Britain: Sharing of Receipts between British and Foreign Films: 1969-78

	BRITISH		FOREIGN		TOTAL
	£.m	%	£	%	£
1969	9,150	42.7	12,267	57.3	22,417
1970	8,313	39.8	12,575	60.2	20,888
1971	9,157	43.7	11,779	56.3	20,936
1972	9,264	41.5	13,076	58.5	22.340
1973	7,403	36.9	12,640	63.1	20,044
1974	6,397	27.0	17,228	73.0	23,625
1975	7,687	29.5	18,387	70.5	26,074
1976	6,478	22.5	22,274	77.5	28,752
1977	7,027	19.7	28,726	80.3	35,753
1978	10,572	26.1	29,875	73.9	40,447

Sources: UK Overseas Statistics Office 'Business Monitor: MA 2: Cinemas' (An Annual Publication).

Notes: a. This Table concerns Receipts from 'Public Cinema Performances and Performances at Navy, Army and Air Force Stations'.

b. The 1979 issue of MA 2 dealing with the figures for 1978 comments that "Because of poor response the results for 1978 are considerably less reliable than for previous years."

In the four years 1975-78 an average of 25% went to British films, including, for example, the James Bond, the 'Pink Panther', the 'Omen' films and other successful British-registered films financed and distributed by the American Majors.

21. An average of 75% went to Foreign films and there is no doubt that the bulk of this went to American films, though there are no statistics to prove this in detail. Some indication may be got from Department of Trade statistics about the amount of money sent abroad in payment for performances in Cinemas

and on Television. Table 7 is based on these statistics.

TABLE 7

Great Britain: Overseas Transactions in respect of film companies: expenditure for performances in Cinemas and on Television

Year	Total paid in £m	Amount paid to UK Subsidiaries or major US film companies in £m	as proportion of total
1965	16.7	14.8	88.6
1966	17.1	16.0	93.6
1967	14.7	12.9	87.6
1968	14.3	13.4	93.7
1969	14.0	12.7	90.7
1970	12.9	11.4	88.4
1971	14.3	12.5	87.4
1972	10.1	4.1	40.6
1973	13.7	6.4	46.7
1974	18.9	15.0	79.3
1975	18.6	16.3	87.6
1976	21.2	18.3	86.3
1977	22.8	19.7	86.4
1978	31.8	25.6	82.3

Sources: Based on annual tables published in 'Trade and Industry'.

For several reasons Table 7 has a limited value and it cannot be married with Table 6, but the joint effect of these two Tables is to make very clear the dominance of American films and the American Majors in the British market.

Film Aids

22. Film Aids contributed greatly to the growth of British production, but have not prevented its decline.

The National Film Finance Corporation, a state-funded Film Bank, which has since 1948 advanced about £31 million and lost £9 million, proved to be a good national investment because it helped to finance a high proportion of the best indigenous films of the period and supported the early work of many filmmakers who later won international successes. Now, however, it is crippled by a lack of funds.

The British Film Production Fund is financed by levies on admission tickets and is then distributed for the benefit of British film production. After some special payments (e.g. to the National Film School) the rest of the money is allocated to British films pro rata to their distributors' rentals. It is less effective than it used to be partly because the size of the Fund has not increased as fast as the inflation in production costs and partly because it has not been reformed to deal with the problems of today.

23. Only since 1979 have details been published about the payments made to particular films and a statement has now been issued of the provisional allocations made for the 52-week period ended 22 September 1979. (It is not likely that the final figures will show any significant differences.) The total allocated to films was £5,827,638, of which approximately £5,827,638 went to short films and £5,011,769 to long films. The allocation to long films is summarised in Table No. 8.

Of course many of the films which got little or almost nothing were older films which had been reissued. On the other hand, those with high payments will get further money during the rest of their period of eligibility (normally five years). The Table gives a fair picture of the situation. 37% went to the top two, a further 38% to the next thirteen and only 25% to all the rest, which numbered over 250. The first three, which took over 45% were distributed by American Majors.

TABLE 8

British Film Production Fund: Summary of Allocations to Long Films for the 52-week period ended 22 September 1979

Name of film	Distributor	Allocation (£)		Percentage of Total	
1. Superman	Warner Bros.	1,025,727		20.5%	
2. Moonraker	U.A.	825,680		16.5%	
Total of 1 & 2			1,854,407		37.0%
3. Watership Down	CIC	429,528			
4. Death on the Nile	EMI	246,875			
5. Midnight Express	Columbia	240,562			
Total of 3-5			916,965		18.3%
6 - 10 Five films with allocations of over £100,000 and under £200,000 (four with British distributors and one with an American distributor)			677,118		13.5%
11 - 15 Five films with allocations of over £50,000 and under £100,000 (three with British and two with American distributors)			310,988		6.2%
Total of 1 - 14			3,759,478		75.0%
16 - 268 253 films with allocations of over £100,000 and under £50,000, plus unstated number of films with allocations of under £100			1,252,291		25.0%
		TOTAL	5,011,769		100.0%

Source: List published in 'British Business' 11 January 1980 (with some additional information supplied directly by the British Film Fund Agency).

24. A limit of £500,000 has now been placed on the amount any film can draw from the Fund, so the pyramid will not be so steep in future, but the main beneficiaries of the change will be the other most successful films. In 1978-79, for instance, if the maximum of £500,000 had been in force, £1,854,407 would have been taken from the top two films and about 60% of this would have gone to numbers 3-15 on the list. The system is geared to reward success and in the past it did certainly attract investments into British production, but in recent years it has been less effective and the native industry continues to decline. The 'automatic' system is not proving satisfactory any longer, but there is a very limited willingness to contemplate a complete reshaping of the purposes and methods of the Fund, partly because of a fear that this would further reduce the volume of American investment.

Exhibition and the Distributor

25. In Britain Rank and EMI (which took over ABC) have long dominated Exhibition though now there is a minor third force, the circuit of cinemas which ACC has acquired 'in self-defence' as Lord Grade said. Rank and EMI still hold most of the key theatres in the key cities and are able to set a general pattern for the country as a whole, since normally 37% of a film's cinema revenue comes from Greater London and a further high percentage from a small number of big cities. With this strength the two circuits are able to book and keep the most likely films, starving out the smaller exhibitor. They are helped by an archaic network of 'bars' whereby a film shown at Cinema X cannot be shown for a long time within a large area: each cinema has its own 'barring rights' and some of them need major revision. Not only the small exhibitors but also the smaller distributors are dominated by the strength of 'the duopoly'.

26. The circuits cannot, however, bully the American Majors in the same way and in practice a modus vivendi of power sharing has been reached. EMI and

Rank and the American Majors virtually arrange the market between them. Blind and block booking are practised in the politest manner, probably over lunch. These things are difficult to prove, but it is a fact that the Majors will expect (and normally get) as a sort of right a certain number of weeks' screen time from the circuits.

27. The big exhibitors and the American Majors have what they might call a sensible and civilised relationship for their mutual benefit, but even they would not claim that the benefits are shared by small distributors and small exhibitors. All the emphasis now is on the city centres and the key cinemas, so the closures of independent cinemas are accepted philosophically by those who have helped to make their survival impossible. It is increasingly difficult to find a market for films which are not being distributed by EMI or Rank or one of the American Majors. The main victims of the present system have included new British films which do not fit the accepted pattern and of course foreign language films, however good. Nevertheless a number of cinemas specialising in quality product have been able to show that there is an enthusiastic audience, but not yet a large one, for foreign films: what has not been properly tested is whether a careful policy of promotion would increase that audience.

Downhill

28. At the end of the 1960's the British film industry could look back on a decade of triumph, during which four British films had won the Oscar for the Best Film Of The Year - ('Lawrence of Arabia', 'Tom Jones', 'A Man for All Seasons' and 'Oliver!'): three British films had won the Grand Prix at the Cannes Festival - ('The Knack', 'Blow Up' and 'If..'): and many others had enjoyed both commercial and critical successes. How different it was in May 1979, when the Second Report of the Interim Action Committee under Sir Harold Wilson said that the British industry had been failing "as an originator, promoter and producer of British films". There can be no

single cause for the decline, but one fact does stand out: all the seven films named above and most of the unnamed successes referred to had been financed and distributed by the American Majors. When they drastically reduced their investments in British films, there did not seem to be the power or even the will to inherit and use the talent which had created the winners of the past decade. One is reminded that many centuries ago the Roman occupation of Britain gave the country peace and prosperity, but, when the Romans left, the natives of the country proved incapable of looking after themselves. There are lessons to be learnt about the dangers of a comfortable dependence on a patron: and that is why what may seem a disproportionate space has been given to the decline of the British industry.

FRANCE

Admissions and the Box Office

29. Although admissions have fallen by 57% since 1955, they are now relatively stable, while the Box Office is 382% of the 1955 figure. The position can be judged from Table 9 which is an extract from Tables 1 and 2 above.

TABLE 9

France: Admissions and Box Office 1955-78

	1955	1960	1965	1970	1975	1976	1977	1978
Admissions (in millions)	411	354	259	184	182	177	170	177
Box Office (in million FF)	548	682	790	882	1573	1757	1839	2097

The French market seems to have weathered the storm as well as any other in the Community.

French Production

30. As will be seen from Table 10 the numbers of French films has actually increased in spite of the 20 year crisis. Moreover a higher proportion are 100% French films, so the commitment of the French industry is higher than it

was in 1955.

TABLE 10

French Production 1969-1978

	100% French	Coproduction films majority French	Majority foreign	Total
1969	70	49	35	154
1970	66	44	28	138
1971	67	35	25	127
1972	71	49	49	169
1973	85	54	42	181
1974	101	41	49	191
1975	101	36	25	162
1976	112	20	24	156
1977	112	19	13	144
1978	116	19	25	160

The Table underestimates the real volume of French production for it does not include films in the special category of sex and violence, of which there were 167 in 1978. They were low budget films made at an average cost of 200,000 FF. They are shown in specialist cinemas.

Source: CNC 'L'Activité cinématographique francaise en 1978'.

Imported Films

31. Meanwhile the competition from foreign films has increased:

- the number of visas issued for long films in a dubbed version was 125 in 1969; rose to a peak of 261 in 1974 and has since fallen in 1978 to 144 (which is still higher than the 1969 figure):
- the number of visas for long films in an Original Version as well as a dubbed version was 117 in 1969 and, after eight years when the highest

figure was 96, suddenly shot up to 137 in 1978:

- the number of visas for films in the Original Version only (and these cannot expect any wide circulation) were 82 in 1969 and 151 in 1978.

Sharing the Box Office

32. More important than the number of films of different nationals is their sharing of the market. Table 11 will show how the audiences have been divided between films from (a) France, (b) the other main EEC Countries, (c) the USA and (d) the Rest of the World. (Figures have not been available for all the EEC countries, so the figures for Germany, Great Britain and Italy have been combined to make an EEC total.)

TABLE 11

France: Percentage of Audience secured by films of different national origin

1969-78

Year	French Films	Films from Gt. Britain, Italy & W. Germany	Films from USA	Films from rest of World
1969	46.33	21.49	26.11	6.07
1970	49.03	19.92	25.98	5.07
1971	52.99	17.18	24.79	5.04
1972	53.51	17.10	24.32	5.06
1973	58.32	15.01	19.72	6.96
1974	53.87	13.83	21.28	11.02
1975	50.64	11.72	26.94	10.70
1976	51.12	12.50	27.71	8.67
1977	46.53	16.15	30.38	6.94
1978	46.05	14.17	32.62	7.16

Note: The results for 1974 and 1975 showed the temporary vogue for Karate films, which caused a sudden rise in films brought in from the Rest of the World.

Source: CNC L'Activité Cinématographique Francaise en 1978 page 20.

The lessons of the Table are clear enough. The American share initially declined (as an aftermath of their production crisis of 1969-71), but each year since 1974 has been better than the last. Their advance has been at the expense first of the 'Other EEC' films, but then also of French films, whose share climbed from 46% to 58% of the audiences but has since faded back to the original 46%. It is still a fairly good home base for French films, but if the curve of decline continues there will be serious trouble.

33. Such global figures obscure the wide range of success and failure. In 1978 some 5,000 films in the French language were circulating, but 25 of the 5,000 got 28.5% of the admissions and the top three films (all American) got over 6% of the admissions. For a great number of films the market results have already been disastrous.

34. The concentration of strength in the hands of the American Majors is also demonstrated by Table 12.

TABLE 12

France: Sharing of the Market among Distributors in 1977

	No.	Turnover (FF)	% of total
Distributors mainly selling American films	6	264,765,559	34.9
Distributors mainly selling French films	103	460,713,194	60.9
Plus those specialising in selling films in the cinemas "d'art et d'essai"	49	31,852,348	4.2
Total	158	757,331,101	100.0

Source: CNC 'L'Activité Cinématographique Francaise en 1978'.

Note: The films "d'art et d'essai" are discussed separately in paragraphs 37-39.

35. A statistically complicating factor is the participation of American companies in French production: the Malecot Report estimated that the investments of American companies in 'French' films was about 200 million FF

in the years 1970-75. There has also been American finance behind some of the foreign partners in French co-production films (as in the recent case of 'Moonraker'). Figures of American investment for the period since 1975 are not available, but it seems probable that they have invested in fewer films, though such films as 'Moonraker' may mean an increase in the total volume of finance provided.

Aids

36. Fortunately France has a long established system of aids, which include a variety of loans, advances on receipts and automatic payments pro rata to box office receipts. Their overall effect has certainly been to sustain the French industry, particularly as the money from the automatic aid is reserved for the financing of future films and has stimulated a level of production which some consider too high. This may become less true because the results of releases are now more and more polarised, with a few big successes and many failures, so an increasing proportion of the aid will inevitably be concentrated on a few films. Logically one should therefore expect a fall in the number of films made.

The loans and advances on receipts are subject to discretionary decisions which have helped to maintain the quality of French films. However, with budgets needing to be higher the contribution of the Aid system to the financing of a film becomes proportionately smaller and less important.

The whole system has done much to ensure the survival and progress of French films, but has not been able to give the French industry its proper place in the markets of Europe and the world.

Cinémas d'Art et d'Essai

37. One part of the French Aid System deserves some special attention not so much for its actual achievements as for the principles which have inspired it. Steps have been taken to encourage the showing of films of quality:

cinemas classified as 'Cinémas d'Art et d'Essai' have tax benefits when they show films of this category. In 1978 there were 669 such cinemas, of which 133 were in Paris, 115 in its suburbs and 421 in the Provinces, some of them in towns with less than 20,000 inhabitants. They represented 14.7% of all French cinemas, but, as was seen in Table 12, the turnover of Distributors specialising in this sector took only 4.2% of the total distributors' turnover. This may be a small sector of the exhibition industry, but it could be of considerable importance in offering opportunities to young French filmmakers, to films in their Original Version from other Members of the Community and indeed to quality films from all parts of the world.

38. A statistical analysis published by the C.N.C. (No. 79/28) has shown that within this group of cinemas success has been concentrated on a relatively small number of films: 56 (9.5%) of the 587 recommended films circulating in 1978 attracted 71.4%, while 179 films (30.5%) attracted only 0.3% of the total admissions. The films most successful in these cinemas were also successful in the normal cinemas: for example, the 29 films which had the highest number of admissions in these Classified Cinemas had twice as many admissions in other (non-classified) cinemas. Audiences are being properly selective, but at least they are being given a wider choice of quality films from which to choose. The national origins of Recommended films are shown in Table 13.

TABLE 13

France: Films fully recommended for the Cinémas d'Art et d'Essai:

National Origins and Results - 1978

Films from:	Results of Recommended films in the classified cinemas: No. of films	Admissions No. (mill)	%	Results of Recommended films in other cinemas: No. of films	Admissions No. (mill)	%
USA	127	4,200	34.2	104	7.550	39.7
France	214	3,838	31.2	147	7,321	38.5
Italy	50	1,510	12.3	45	1,676	8.5
Germany	37	456	3.7	29	314	1.7
Great Britain	31	264	2.1	25	392	2.1
The Rest	128	2,029	16.5	83	1,762	9.3
Totals	587	12,797	100.0	433	19,015	100.0

Notes: - The films of France, Italy, Germany and Great Britain include coproductions.

- The basis of the right hand part of the Table is that e.g. 104 of the 127 USA films also were shown in other cinemas, 147 of the 214 French films similarly etc.

Source: Bulletin du CNC Jun-August 1979.

39. Though the scheme has not in practice achieved nearly as much as its idealists founders hoped, its basic principles can point the way to future action. These cinemas have offered opportunities to what is good or new or both, but they have not become cultural ghettoes, for they also show commercially successful films of artistic quality. It will be worth considering whether some similar system of encouragement could be operated throughout the Community to encourage the showing of films of Community origin.

Exhibition and Distributors

40. France, like Great Britain, has experienced monopolistic problems in the exhibition industry. Three big circuits between them control the programming of nearly all the first run cinemas in Paris, most of the first run cinemas in other big cities and altogether about a third of the country's cinemas, yielding about half the total box-office. No distributor can expect any of his films to be commercially successful, unless he deals with one of the circuits, which inevitably have acquired some dictatorial habits, including the remarkable one of unilaterally revising contracts which turn out to be disadvantageous to them. The circuits are so strong and tough, that independent exhibitors who do not co-operate as desired can be denied a supply of worthwhile films. Complaints about the circuits and their abuse of power have been very bitter and eventually an independent exhibitor bravely lodged a formal complaint with the Competition Commission about a supply of films being withheld from him. The Minister of the Economy ordered the Competition Commission to investigate.

41. In October 1979 the Opinion of the Commission and the Decision of the Minister were published. The Commission was highly critical of the Circuits, but recommended that at this stage rather than imposing any penalties it was best "to call on the groups concerned to cease the practices in question without waiting for the elaboration of a code of good conduct normalising the relationships between the distributors and exhibitors of cinematograph films as well as the relationships within these professions." The Minister has written accordingly to the three major groups concerned. It remains to be seen what will be the practical results of this affair: one remembers how little was changed in Britain in spite of the Report of the Monopolies Commission in 1966.

42. This issue is primarily a matter for France, but it is also of interest to other Member States because (as in Great Britain) the best able to make

arrangements with big circuits are the big American distributors and also because the centralised control of programming tends to favour the mass promotion of American films. All this puts at a disadvantage many other films from the industries of other Member States. Insofar as these practices impede the free flow of films within the EEC, they are a breach of the Treaty of Rome, Articles 85 and 86, which will be quoted and discussed at a later stage.

43. The monopolistic practices of the exhibition circuits, and pressures of the American Majors have added greatly to the difficulties of the smaller French distributors. Many who have given finance or guarantees to films which failed have themselves ceased trading. In 1957 nineteen distribution companies were operating on a national scale, but the position in 1978 can be seen from Table No. 14.

TABLE 14

France: Billings of leading distributors in 1978

Year ending	Company	Billings in FF millions
31 October	Gaumont	141
30 November	+ CIC	128
30 November	+ Warner/Columbia	91
30 September	AMLF	83
30 November	GEF CCFC	65
30 June	+ Walt Disney	59
3 December	+ 20th Century Fox	50
30 November	+ United Artists	49
30 April	Parafrance	37
31 August	Planfilm	27
1 December	S.N. Prodie	15
1 December	S.N.C.	9

+ means 'American Company'.

44. All is not bleak, for French films have a greater stability and a better home base than any others in the Community, but the factors already described together with a disappointing volume of exports make profitability difficult. In reply to the question "Is there a cinema crisis?" the Malecot Report said "The reply is affirmative and it is not surprising that one can always talk of a cinema crisis as its economy is fragile and the cultural values at stake are important."

W. GERMANY

Admissions and Box Office

45. The collapse of the German market between 1955 and 1975 is revealed in the following Table 15 which has been extracted from Tables 1 and 2 above:

TABLE 15

W. Germany: Admissions and Gross Box Office 1955-78

	1955	1960	1965	1970	1975	1976	1977	1978
Admissions (millions)	818	605	294	160	128	115	124	136
Gross Box Office (DM millions)	956	863	611	542	627	592	653	748

Admissions fell disastrously, but have been recovering since 1975. Seat prices have gone up less in Germany than elsewhere (partly because the general rate of inflation has been lower), so the Box Office is still below the 1955 figure.

Fewer films

46. The decline of the German market has helped to reduce the numbers of new films released on it, as can be seen from Table No. 16. Films from 'The Rest of the World' have actually increased since 1955, but there have been fewer films from Germany itself, from the Rest of the EEC and from USA. Since 1972 the numbers from USA have been relatively stable, but the numbers from Germany and the Rest of the EEC still seem to be declining.

TABLE 16

W. Germany: Films released for the first time in 1955-1978

Analysed by country of origin

Countries of Origin	1955	1960	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978
W. Germany	122	98	56	106	116	118	86	82	58	63	58	60
Rest of EEC	112	192	156	154	111	139	117	110	122	104	103	88
USA	215	175	111	117	127	102	114	101	84	87	106	103
Rest of World	37	57	50	33	31	46	71	68	59	65	73	63
Totals	486	522	373	410	385	405	388	361	323	319	340	314

Source: The figures have been taken and summarised from issues of the 'Filmstatisches Taschenbuch' published by S.P.I.O. (Spitezenorganisation der Filmwirtschaft).

Notes: a. W. German films include co-productions between W. Germany and other countries.

b. Films from Great Britain, Denmark and Eire are included in films from 'Rest of EEC' for the years before those countries joined the EEC.

Sharing the Market

47. Much more revealing is Table No. 17 which shows the amount of film rentals earned by films from different groups of countries.

TABLE 17

W. Germany: Film Rentals in 1955-1978

Shares earned by films of different national origins

A. In DM. millions

Films from:	1955	1960	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978
W. Germany	142.3	131.5	76.3	76.9	71.0	65.5	55.2	58.3	29.8	23.6	25.2	31.8
Rest of EEC	32.2	60.6	70.4	37.8	38.8	54.8	60.5	64.5	81.6	66.3	88.5	54.9
USA	97.4	97.5	81.2	64.4	74.2	66.7	70.3	76.5	95.5	89.5	83.1	136.1
Rest of World	29.0	31.1	37.2	17.0	12.9	13.1	24.1	20.4	23.9	28.4	23.5	25.3
Totals	300.9	320.7	265.1	196.1	196.9	200.1	210.1	219.7	230.8	207.8	220.3	248.1

B. As percentages of the totals

	1955	1960	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978
W. Germany	47.3	41.0	28.8	39.2	36.1	32.7	26.3	26.5	12.9	11.4	11.4	12.8
Rest of EEC	10.7	18.9	26.6	19.2	19.7	27.5	28.8	29.4	35.3	31.9	40.2	22.1
USA	32.3	30.4	30.6	32.9	37.7	33.3	33.5	34.8	41.4	43.1	37.7	54.9
Rest of World	9.7	9.7	14.0	8.7	6.5	6.5	11.4	9.3	10.4	13.6	10.7	10.2
Totals	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: The figures have been taken and summarised from issues of the SPIO 'Filmstatisches Taschenbuch'.

Notes: a. 'Rentals' means films rentals less rentals from newsreels.

b. 'Rest of the EEC' includes figures from France, Great Britain and Italy only as figures for the other Member Countries are not available.

48. German films have become weaklings in a weakened home market. The total of film rentals in 1978 was 17.5% down from 1955 in spite of inflation and higher seat prices: the rentals earned by German films in 1978 were over 75% lower than the 1955 figure: in each of the four years 1975-76-77-78 German films had less than 13% of the total rental, whereas in 1955 they had 47%. It is also clear that

American films have acquired and maintained a position of great strength (though they may not hold the 54.9% of the market they won in 1978). The trends regarding 'Films from the Rest of the EEC' are much less clear, for there seems to be no pattern in the fluctuations. This is perhaps largely due to the effect which one or two blockbusters may have on the Table. For example, the 1979 figures may show much higher figures for 'Films from the Rest of the EEC' because of the release of 'Moonraker', which is a Franco-British Co-production, and 'Superman' which is legally and statistically a British film. Both are being distributed by American Majors and even if they confuse the statistics, they will in practice further strengthen the American domination of the market.

Weakness of German distributors

49. The collapse of the German market following the explosive growth of Television brought disaster to German distributors as well as to producers; they crumbled one after another, so now there is no German distributor strong enough to offer any real competition to the American Majors. It is significant that the three German films which in the course of 1979 were winning an international reputation were all being distributed in the home market by a Major - 'Tin Drum' and 'Maria Braun' by U.A. and 'Nosferatu' by Fox. 'Tin Drum' earned more revenue in Germany in 1979 than did all German films put together in 1978, but the profits will not be all available for reinvestment by a German distributor in German films.

Tax Shelter Schemes

50. The absence of substantial German distributors has made it difficult to finance films with the production values required by most audiences today. The gap was not filled for German films by the Tax Shelter laws (which will in any case by less important after the changes due in mid-1980), as most of the films financed this way were non-German films made by American producers.

Television and German production

51. An active relationship was created by an agreement between the two national TV chains and the Aid Authority (the FFA) in 1974, and in the years 1974-1978 60 films were co-produced with Television bodies who invested 44 million DM in them. The follow-up of this scheme has not yet been settled, but it is likely that a further 75 million DM will be invested during the period 1979-1983.

The relationship of 1974-78 was not an entire success, for many of the co-produced films have not secured a cinema release, because (it was said) projects were supported more for their Television than for their cinematic appeal. Nevertheless the part played by the Television authorities has been of great value, for the programme has not only included investments in such films as 'Nosferatu' and 'Maria Braun', but has also given opportunities and experience to many new writers, directors and producers. Television has been an important factor in the development of the New German Cinema.

Film Aids

52. Germany has a somewhat complicated variety of aids, loans, prizes and subsidies available, mainly for quality films. Without them the new German films certainly could not have developed in the 1970's. However, a measure of the commercial weakness of the German production industry is that of the fifty or more films which have benefited from the project subsidies only four have so far been able to repay their loans.

Exhibition and Distribution

53. The Exhibition industry in Germany is not dominated by large circuits. There is a certain amount of common programming, but the biggest programming unit has only 150 cinemas. Some small circuits have a local monopoly or perhaps a monopoly position in two or three localities, but there are no signs of these developing into national circuits. Though no major groups exist to oppose the strength of the American Majors, the bigger units can

operate as a moderating force, particularly as they all meet round the table in the Spitzenorganisation der Filmwirtschaft. The modus vivendi achieved is not always to the liking of the smaller exhibitors, distributors and producers, so it is no surprise to hear talk of setting up a rival organisation parallel with SPIO.

54. In the meantime it seems that the German market as a whole is primarily geared to the distribution of the programmes of the American Majors. The legality of their operations has been questioned. The cartel of four companies representing six Majors (CIC, Fox/MGM, UA and Columbia/Warners) was investigated by the German Cartel Commission and acquitted, amid expressions of protest and surprise. The issue is not dead as it has been raised again in the Bonn Parliament.

The Future

55. In spite of all the difficulties and disappointments considerable encouragement can be drawn from the vitality of the New German Cinema, which seems to be breaking out of the inward-looking attitudes of a cult and finding wider audiences at home and abroad. It remains to be seen whether Germany can develop its own national cinema even further or whether its growing success will persuade the American Majors to increase what has been a modest level of investment and use the new talent for the making of other sorts of films. Clearly much will depend on the fate of the 1979 Aid Law, which at the moment of writing is under discussion with the Commission in Brussels, for without constructive state aids the recent progress of German films will not continue into the 1980's. It is also essential that German distributors should become strong enough to finance and sell the best German films, so that the German film industry can be master in its own house and build its future on the successes of today.

ITALY

Admissions and Box Office

56. Table No. 18, which is extracted from Tables 1 and 2, summarises the decline of the Italian Cinema.

TABLE 18

Italy: Admissions and Box Office 1955-1978

	1955	1960	1965	1970	1975	1976	1977	1978
Admissions (millions)	819	745	663	525	514	455	374	318
Box Office (Milliards of lire)	116	121	159	182	363	375	343	347

Admissions have fallen by 72%, but as seat prices have increased substantially, the Box Office has trebled, but of course there has been severe inflation in this period. The final 1979 figures have not yet been published, but the results for the 12 months ended 31 July 1979 indicate a further fall in admissions.

The competition from Television

57. The part played by Television in the collapse of the Italian cinema was described in paragraph 3 above. There are no signs that the Commercial Stations will be less of a threat in the future: for example, a recent check by the Italian exhibitors revealed that 22 local commercial stations in the Rome region of Lazio transmitted films 900 times in a fortnight. One day no doubt the backlog will be exhausted, but that day is being postponed because the stations are supplementing cinema films with previously unshown episodes of American TV series. Any voluntary change of policy seems most improbable, as their business is based on cheap ready-made programmes. Nor will it be easy to get governmental coercion, as the political parties need the commercial stations for electioneering. The industry will continue its campaign and their strength has been increased by the opening of the Producers Association to Television Producers, but it is only realistic to

expect that the competitive power of films on television will continue to impoverish the Italian Cinema. This means not only a loss of admissions, but also, according to some experts, a debasement of public taste by hours of viewing inferior product on television.

Italian Production

58. The boom in Italian production was ended by the collapse of the market (with the aid of other factors). The number of Italian films (including co-productions with Italy as the majority partner) rose from 117 in 1955 to 215 in 1976, but has fallen to 145 in 1977, 116 in 1976 and 131 in 1979. The network of important producers and producer/distributors is now smaller and different. Many have emigrated or set up headquarters in other countries and these include such prominent personalities as Dino De Laurentiis, Alberto Grimaldi and Carlo Ponti. Others have reorganised their companies and methods, sometimes after difficulties with Banks and creditors. The industry is beset with problems and lives precariously.

Foreign films in the Italian market

59. In spite of the contraction of the market, which has helped to reduce the number of Italian films, there have been more foreign films distributed in an Italian language version, as can be seen from Table No. 19.

TABLE 19

Italy: Foreign films distributed in Italian 1976 and 1979

Films from	1976	1979
Rest of the EEC	107	142
USA	145	156
Rest of the World	68	83
Total	320	381

Sharing of the market

60. In the immediate post-war period the USA had a backlog of films, so it could supply the cinemas. Even in 1948 USA films had had 80.2% and Italian films only 13.3% of gross revenue, but the position changed rapidly in favour of Italian films as can be seen from Table No. 20.

TABLE 20

Italy: Sharing of the market according to national origins of films

Year	Italy	Rest of EEC	USA	Rest of World
	Percentage going to films from			
1955	34.8	5.8	58.0	1.4
1960	41.2	10.1	45.6	3.1
1965	47.0	10.0	41.1	1.9
1970	59.9	7.8	29.5	2.8
1971	63.9	5.8	27.6	2.7
1973	60.8	8.1	23.3	7.8
1975	59.3	10.6	26.8	3.3
1976	57.0	9.0	30.4	3.6
1977	52.4	10.4	32.7	4.5
1978	43.1	11.4	40.2	5.3

Notes: (a) 'films from Italy' include co-productions:

(b) 'films from the Rest of the EEC' include films from the present Members of the EEC, though in 1955 the Community had not yet been formed and the Six did not become the Nine until 1973.

Source: Cinema D'Oggi 15 January 1980.

In 1971 Italian films reached their peak of 63.9% and in 1973 American films their low point of 23.3%. The trends then reversed, with the Italian share falling to 43.1% and the USA share rising to 40.2% in 1978. The 1979 figures have not been published, but a table published in the 'Giornale dello Spettacolo' for the year ended 31 July 1979 gave the Italian share of the market as down to 36%.

Film Aids

61. An extensive system of film aids has operated for over 50 years, with provision at present for automatic aids (based on a percentage of box office takings), some low-interest loans and some awards on a selective basis. Its value for a long time has lessened firstly by recurrent difficulties over renewals of the legislation and secondly by enormous delays (sometimes as long as four years) in the actual payments of benefits. On occasion, however, the delays have been partially caused by the producers themselves, who have waited for the first results of a film, so that they can judge whether it will be worth spending time and money on making any application at all. This is an indication that the Italian automatic Aid (like other automatic schemes) also benefits the successful and brings little help to the majority of films.

Financing of films by Television

62. Radiotelevisione Italiana (RAI) has been active in film production. Among the films it has helped to finance were two which won the Grand Prix at Cannes ('Padro Padrone' in 1977 and 'L'Arbre Aux Sabots' in 1978). At the 'Sorrento Film Encounter' of October 1979, which was devoted to the Italian film industry, eight of the thirteen films on the main programme had been produced by RAI. At this Encounter it was pointed out that recent films by Rosi, Olmi, Montaldo and Fellini might not have been made without RAI which has certainly given employment to filmmakers, won prestige for the industry and aroused commercial interest.

The reaction of the film industry has, however, been very hostile, as can be seen, for instance, in the Report on the Sorrento Encounter included in the 'Variety' issue of 24 October 1979. ANICA, the trade association to which Producers, Distributors and others belong, demanded that RAI should go out of Film Production unless it co-produces with recognised members of ANICA on equal terms and with equal financing. An even stronger position was taken in a document signed by 25 leading filmmakers, who wanted RAI to invest $50 million in Italian filmmaking without any right to select projects or exercise production controls.

63. The motives for this cold welcome were mixed. It is certainly not enough to blame it all on some shortsighted jealousy. Film industry leaders have resented the erosion of the cinema through the showing of old films on Television (but the real culprit was the Commercial Stations not RAI) and they have resented also the poor prices paid for these films. More basically they have felt that RAI is primarily interested in building up its supply of films for the future, so it will think more about a film's suitability for a later television screening than about any renaissance of Italian films in the markets of Italy and abroad. The apparently arrogant demand for $50 million is not after all so unreasonable. Perhaps the best way to raise the money would be that RAI and the Commercial stations should pay into a Production Fund a levy each time they show a cinema film. Obviously there would need to be some detailed formula, but an arrangement on these lines would not only tend to reduce the number of films shown but also contribute to the financing of Italian production. A similar proposal was made by the Interim Action Committee in Great Britain, with the Television Authorities naturally objecting, but such objections need not be allowed to prevail.

USA and the financing of production

64. American companies are at present financing only about five to eight Italian films a year and have shown no definite signs of intending to expand their programmes, though obviously they will be noting the commercial success of, for example, UA's Franco-Italian co-production 'La Cage Aux Folles' and wanting to use Italy's great fund of filmmaking talent.

At the end of 1979, however, an initiative was taken by the Minister for Entertainment (Signor Bernardo Arezzo) who was pressing for an increase in American investment so as to rectify the lack of balance in the film trade between the two countries. In December 1979 he led a 50-man delegation which returned from the USA with some hopes that the American Majors would invest substantial sums in Italian production, but the facts are not yet clear and the attitudes in Italy are conflicting. The Minister has indicated that if a substantial investment does not materialise, he would be forced into energetic action, which might include protective legislation. This would be welcomed by some sections of the industry, but ANICA as well as the Exhibitors have spoken out for the principles of Free Trade. Negotiations are still proceeding and it is not possible to forecast what results they will produce.

Exhibition and Distributors

65. There are no large national chains of cinemas in Italy, the biggest being one which has 40 cinemas under direct management and another 20 in association for programming. In consequence the market is much more under the control of distributors than in countries such as France and Great Britain, where strong exhibition chains can act as a balancing force. As Italian distributors have been in decline, it is American distributors who have mainly benefited: their power has grown and is still growing.

The Future

66. Prophesying is always difficult in the film industry and particularly so when conditions are as unstable as they are in Italy. Unless some radical changes take place, admissions will probably continue to decline and the Italian distribution-production industry continue to weaken. One solution envisaged is a greater intervention by the American Majors, but that would not solve the prime problem of rebuilding an Italian industry. It was the

President of ANICA who warned that they should not think of types of films and solutions far removed from the Italian way of life and thought: he urged that it is not the international but the Italian market which should be engaging their attention. American finance on the other hand would be seeking projects which would suit the American market and, incidentally, one result would be to put up the costs of production for films of all types. The appeal of all those dollars is alluring, but in the long term a better solution would be found in a European context, unless Italy is content to become a service industry for USA films. The aid system should be revitalised, relationships with Television should be rationalised (with some sort of levy for a production fund) and consideration given to other measures which will be proposed at a later stage of this study.

HOLLAND

67. The Dutch home market has survived the general crisis of the last 25 years with a smaller loss of audiences than any other in the Community. This can be seen from Table No. 21 which has been extracted from Tables 1 and 2.

TABLE 21

Holland: Box Office and Admissions 1955-1979

	1955	1960	1965	1970	1975	1976	1977	1978
Admissions (in millions)	66	55	36	24	28	26	26	31
Box Office (million flo)	72	75	76	76	137	142	165	201

Though admissions fell badly in the 1960's they have been rising in the 1970's, while the Box Office has also risen continually, though not so much as in France. The most likely reason for the stability of recent years is the modus vivendi between the industry and Dutch Television, which in practice has shown only a limited number of cinema films per year (about 120) and only a few at weekends.

Production

68. The market is still not a large one and it is not supplemented by other markets where Dutch is spoken, so production is maintained at a sensibly low figure (12 films in 1978). Even such a level could not be achieved without the state aids which provide 50-60% of the finance for production, but only on a selective basis for films which express the Dutch culture. The state investments have been rewarded by the success of the films. Of the 20 films which in 1978 were the most successful in the Dutch market (and earned 42.2% of the gross box office) six were Dutch. Altogether 323 new films had been released and only 12 of them had been Dutch, so it was a considerable achievement for half of the Dutch films to get placed in the first twenty.

Sharing the Box Office

69. The general division of the Box Office between films of different origins is summarised in the Table No. 22.

TABLE 22

Holland: Shares of Screentime and Gross Box Office Receipts Obtained by films of different national origins

	Screentime			Gross Box Office Receipts		
Films from:	1976	1977	1978	1976	1977	1978
Holland	7.11	8.01	9.20	8.48	11.56	8.82
Rest of EEC	40.57	38.10	33.83	35.53	34.09	35.78
USA	41.24	43.07	48.50	44.85	44.50	49.56
Rest of World	11.08	10.82	8.47	11.14	9.85	5.84
Totals	100.00	100.00	100.00	100.00	100.00	100.00

Source: Based on the Nederlandse Bioscoopbond 'Jaarverslag 1978' (page 17)

70. Dutch films did remarkably well considering that they were few in number and had been made with modest budgets. Films from the Rest of the EEC have been moderately successful, while films from USA have done very well, but

perhaps less well than expected.

71. One can only guess why Dutch films have survived so successfully in a small home market. One reason must be that the state production finance has been granted with a skilled selectivity, for at least half the 1978 films were 'winners'. A second may be that Dutch distributors have not collapsed as in Germany: of the twenty most successful films in 1978 Dutch companies distributed thirteen, including three of the American winners. The strength of the Dutch distributors means that domestic films have a better chance of finding their audiences.

Exhibition and Distributors

72. There are elements of monopoly practices on the part of some larger chains of exhibitors, but it has not become a serious issue. There is also a measure of restrictionism in the operations of the Bioscoopbond, the organisation to which all sections of the Dutch industry belong, but its strength has been beneficial, for it has helped to safeguard the vitality of the Dutch industry without damaging the national industries of other Member States.

BELGIUM

Admissions and Box Office

73. Table No. 23 which is drawn from Tables 1 and 2, shows that the decline in admissions has slowed down, but Box Office receipts have remained at a low level.

TABLE 23

Belgium: Admissions and Box Office Receipts 1955-1978

	1955	1960	1965	1970	1975	1976	1977
Admissions (in millions)	110	80	45	30	25	23	22
Receipts (in BF millions)	1500	1555	1100	1247	1696	1690	1826

Prospects for the future are not encouraging, as there is no agreement or understanding with Television about the numbers of cinema films to be shown on TV or about their age or about the times of screening. Moreover, Belgium is proportionately the country with the largest amount of Cable TV in the world, so yet another rival to the cinema is growing stronger.

Production

74. Belgium has a high reputation for its short films, but has not established itself as an important producer of long films. In the early 1970's the output averaged 10 films a year (including co-productions), but in recent years the average has been 4 and in 1978 all 4 were co-productions. Without state aid in the form of loans to selected projects, there might be no production of long films at all. Their difficulties are not surprising, for it is a country with two home markets, the Flemish one being small and the French one open to all the films from France.

Sharing the Market

75. No statistics are now published about the sharing of the Belgian market among films of different national origin. A study made in 1973 by Francis Buyle (and quoted in the C.R.I.S.P. Report 'Le secteur cinématographique en Belgique) showed that in 1972 Belgian films (including co-productions) had 3.5% of screen time; French films 19.1%; films from the rest of the EEC 27.6% and films from USA 36.3%. It is believed that the USA films are still in the lead, though French films have improved their position.

Exhibition and Distributors

76. A Memorandum from 'La Chambre Syndicale Belge de la Cinématographie' said in 1978 that "In Belgium as in most of the Member States of the Community the cinema market is dominated by a few oligopolies which control the best centres of Exhibition. In most of the towns of our country, the chance of showing a film to the public depends often on just one person, sometimes on

two, rarely on three. One group by itself controls a circuit of cinemas which is responsible for 95% of the programming in three provinces. It is inevitable that these mini-monopolies and oligopolies are tempted to abuse their dominant position and it very frequently happens that films cannot get any release or are hired out at extremely low prices." The Memorandum pressed for a solution on the lines that no person or group should be allowed to control, directly or indirectly, more than 25% of the market in any town or region.

Oligopoly arrangements normally favour the big films and the big distributors, so the survival of a modest sector of Belgian film production is always at risk.

DENMARK

Admissions and Box Office

77. As can be seen from Table No. 24 (which is drawn from Tables 1 and 2), admissions have fallen less seriously in the last few years, partly, no doubt, because Television shows few films which have had a cinema release, so cinemas are spared the competition of well-known films being seen in homes.

TABLE 24

Denmark: Admissions and Box Office Receipts 1955-1978

	1955	1960	1965	1970	1975	1976	1977	1978
Admissions (in millions)	59	44	34	24	19	19	17	17
Box Office (in million kr.)	-	83	138	149	160	215	219	244

Production

78. The annual output which was normally 15-20 during the 1970's, fell to 11 in 1979, but is expected to get back to 15 in 1980.

Previously some 50% of production finance came from private sources, but now a film is unlikely to be made unless it is supported by public funds administered by the Danish Film Institute. Occasional investments on a minor scale are made by Television, but they do not affect the general position. When there is a pause in the state funding, as there was in 1979, production comes almost to a standstill.

Sharing the Box Office

79. Table No. 25 shows how the box office was shared 1976-77-78, but figures were not published for previous years. On this limited evidence generalisations must be hesitant, but it would seem that the Danish share is declining; and that the American share is substantial.

TABLE 25

Denmark: Sharing of the market according to national origins of films: 1976-1978

(percentage shares)

Films from:	1976	1977	1978
Denmark	35.2	30.9	29.6
Rest of EEC	15.5	23.2	17.7
USA	40.4	37.1	45.5
Rest of the World	8.9	8.8	7.2

Exhibition and Distributors

80. There are no strong chains of cinemas in Denmark, but in practice the smaller and local cinemas are being squeezed out of business. Films are being held in Copenhagen and other key centres for long periods, particularly in the multiscreen complexes, so people are coming into the city instead of waiting for the film to have a local screening (which may never happen). Some of the old local audiences travel to the city centre (perhaps reluctantly), but others abandon the cinema altogether when the local one closes.

81. The main beneficiaries of these trends are the American Majors, who like the higher priced city cinemas for their big films and can persuade exhibitors that they should take other films as well, for block booking in a discreet style is commonly practised. The closures of cinemas in less sophisticated areas, where subtitling is not much liked, affects American

less than Danish films. In an interview ('Screen International' 20 October 1979) the Director of the Danish Film Institute said "The lack of Danish production is a disaster for the small provincial cinemas which make most of their money from our own films." Danish films and Danish local cinemas need each other; and Danish social life would be poorer without them.

General

82. Denmark provides a clear example of a social and cultural need for an indigenous film production industry. The market is so small that no large industry is to be expected, but it is no use suggesting that efforts should be concentrated on two or three films a year, for that would not be enough to attract, develop and retain the creative and technical force needed. The Danish audiences like Danish films - it is a considerable achievement for these to be getting nearly 30% of the market. It may be argued that this is not strange as all other films are in Original Language Versions, but the answer is that Danish audiences are surely entitled to some films in their own language if that is what they want. Altogether the governmental policies of state aids have been justified by results.

THE HOME MARKETS - A SUMMARY OF THE PROBLEMS

83. The basic problem has been the decline in admissions. In so far as this has been due to long term changes in leisure habits, there is very little that can be done to reverse or even halt the trends. Much of the decline has, however, been due specifically to the number of cinema films shown on Television: the relationship of the Cinema Industry and Television will be the subject of paragraphs 88-106.

84. A second issue is the growth of monopolistic practices in most of our markets, where the smaller exhibitors, distributors and producers have found it increasingly difficult to survive: this is important for those who want to see European films prosper in Europe and will be the subject of paragraphs 107-115.

85. A third issue is the dominance of American films and American distribution companies whose strength is threatening the independent industries of Europe: this will be the subject of paragraphs 151-173.

86. A fourth issue is the question of State Aids, which have done much to ensure the survival of film production in the Community, but have not brought prosperity, for they have not been directed to the key problem that films must be sold as well as made. That problem will be further considered in paragraphs 176-178.

87. Some might say that there is a fifth major issue - over-production. In fact, however, the numbers of European films has already fallen and will continue to fall, if that is what the market conditions demand. We do not yet know what is the real demand and will not do so until certain monopolistic practices have been modified and until a more healthy relationship has been established with Television. The need for filmed stories will continue to be enormous in various media and it would be a mistake to assume that supplies are excessive. Of course it would be wiser not to make any bad films, but these are not made deliberately and in any case we cannot have the high mountains without the foothills.

TELEVISION

Ambivalence

88. The Cinema world has an ambivalent attitude towards Television. Exhibitors, unless they are associated with companies which have television interests, tend to see Television as the Devil which has taken away their audiences by showing films which should be seen only in cinemas. Many distributors and producers are also indignant about losing audiences when other people's films are shown on Television, but want to sell their own when the time comes. Strong views have also been voiced by Unions representing creative talent - writers,

directors, actors and others: they complain both about the artistic harm which can be done to cinema films when they are shown on the small screen and about the loss of employment for their members when Television shows old cinema films instead of commissioning new programmes of their own. Yet creatively the two media belong to the same family (often quarrelling like close relatives) and commercially Television is in practice another market for films, so it is desirable and surely possible that some constructive relationship should be established.

89. We need not repeat from paragraphs 2 and 3 the facts and arguments which showed how the growth of Television, particularly its screening of old films, has been the main agent in the decline of the cinema. For the exhibitor who has been driven out of business there is no redress, but let us see what compensation is offered to distributors and producers who have lost so much of their traditional audience in the cinema.

Prices of Films

90. The statistics of sales to Television are spasmodic, generalised and often confusing. Very often a 'package' of films is sold, some old and some quite new, some foreign and some domestic, some good and some bad. The package is sold for an overall price and then the Distributor may allot a share to each film, perhaps according to formulae of his own making. (Recently in the USA the claimants in a law suit argued that United Artists had sold 30 films for $16 million and then divided the money up in a way that unfairly and unreasonably increased the amount which would go to UA itself and reduced the amount which would go to the claimants' film 'West Side Story'. The Arbitrator saw enough validity in their arguments to raise the allotment to 'West Side Story' from $365,000 to $1,250,000.) Such factors make it difficult to work out 'Averages', but nevertheless there are some normal rates and some useful tables have been prepared.

91. Our present aim is to get an idea of the sort of money which is paid for

a cinema film in Europe. Some of the prices in USA - such as an offer of $12 m for two showings of a film - belong to a different world. The more modest payments prevalent in Europe can be judged from the three sets of estimates given in Table 26.

TABLE 26

Estimates of Average Payments made by Television Stations in the EEC for Cinema Films

- A is a 'Variety' estimate of average payments for American films (published in the issue of 9 January 1980).
- B is a 'Variety' estimate of average payments for British films (in the issue of 18 April 1979).
- C is an estimate made by the 'Comité des Industries Cinématographiques de la Communauté Européenne' (which is composed of representatives of the Associations of Producers, Distributors and Technical Services) in June 1979 for domestic films.

	A $ thousands	B $ thousands	C local currencies
France	30 to 40	40	200,000 FF
Germany	50 to 150	40	100,000 DM
Holland	5 to 6.2	2.5	10,000 Fl
Italy	14 to 30	3.8	12 to 15 mill. lire
U.K.	60 to 250,000	No estimate	No estimate

These estimates may not be accurate in detail, but they give an indication how little is normally paid.

92. As far as France is concerned the Competition Commission said in its Opinion that "The Television Programming Companies enjoy a dominant position in the broadcasting of cinematograph films and have obstructed the normal functioning of this market by keeping the prices paid for the right to broadcast cinematograph films at a level clearly incompatible with what is needed for the amortising of these films." That is a judgement which could be applied also to the position in the rest of the Community.

93. Some revealing comparisons were made in the Submission presented to the Commission of the EEC in June 1979 by the 'Comité des Industries Cinématographiques

de la Communauté Européenne'. They take France as an example, but point out that the situation they describe 'is a general phenomenon' in all countries of the Community. The average cost of producing a television drama is 2 million francs, while the average cost of acquiring a film for transmission is 200,000 francs. For the lesser sum TV gets a bigger audience. The attraction of a film is proved by the rate card for advertising time: on a Sunday evening after 8.30 p.m. the cost of 15 seconds advertising time is from 26,000 francs on 'A2' which does not show films, but from 78,000 francs on 'TF 1', which does, so three lots of 15 seconds pays for a film. Though 96% of a film's audience may be on TV, perhaps 88.5% of its revenue will on average come from the cinema. (These were the June 1979 figures.) Of course averages are dangerous, but such is the general picture. The cinema supplies its executioner with caviare and champagne at bargain prices.

94. So far there seem to be two inescapable conclusions: a chaotic excess of films is shown in most countries and far too little is paid for the right to show them. Both evils could be significantly lessened if the Television stations paid much more for fewer films.

95. Such a solution will, however, be difficult to achieve. The nature of the market would obviously not permit any system of price fixing, though perhaps some minima could be settled. On the other hand, a fixed limitation on the numbers which can be shown would make it more of a buyers' market and therefore reduce the prices offered. Perhaps the answer is that when a cinema film is screened the television station should pay some levy into a fund for the financing of future cinema films.

Excessive screening of non-EEC films

96. There is a danger that an excessive proportion of non-EEC films will be shown on TV screens in the Community. That position has already been reached in W. Germany, as can be seen from Table No. 27.

TABLE 27

Germany: Transmission of Long Films on Television in 1978:

Analysis by Country of Origin

	German-speaking countries*	Rest of EEC	USA	Rest of World	Totals
1 Programm (ARD)	35	36	115	35	221
11 Programm (ZDF)	43	53	94	25	215
Totals	78	89	209	60	436
Regional Programmes					
BR	40	35	144	19	238
HR	8	29	62	10	109
NDR/RB/SFB	12	17	93	5	127
WDR	13	41	85	16	155
S3	13	49	39	19	120

Note* includes Austria, Switzerland and East Germany.

Source: Filmstatisches Taschenbuch 1979 Table 41.

American films were 52% of those shown on Programme 1 and 43.7% on Programme 2, while on the Regional Programmes listed the percentages were 60.5, 56.5, 73.2, 54.8 and 32.5. Such a domination not only hurts the German and European filmmakers today, but helps to build up a future taste for foreign films in the Cinema and on Television.

97. In France the position is less serious, for USA films in 1978 were only 38.1% of the total and French films were 46.8%. The foreign percentage might have been higher had not the French Government made it a condition of licensing that a good proportion of films shown must be French, with monetary penalties for defaults. In Britain there are quota understandings (not a law or decree) that about 86% of the filmed material shown must be of British or EEC origin, but there is no specific quota for cinema films which are treated as part of the 'filmed material'. No analysis has been

published of the films shown - how many are British, how many EEC and how many USA and how many from the Rest of the World.

The television situation in Italy is too chaotic for clear statistics, but all reports indicate that a very high proportion of the flood of films on the commercial screens comes from outside the Community.

Television and the financing of film production

98. So far it has been a story of the harm done by Television to the Cinema, its exhibitors, distributors and producers, but there is another side to the coin. Television bodies have put a lot of money into film production either by setting up their own production companies or by investing in projects submitted to them. Their primary purpose may be to safeguard their future supply of films for television screening, but some have also seen film production as a potentially profitmaking venture on its own.

99. In Germany during 1974-1978 Television participated in the co-production of 60 films in which they invested a total of 44 million DM. As mentioned previously (paragraph 51) very often the films were more suited to TV than to the Cinema, but on balance the investments have been beneficial to the Cinema in that many young creators of talent were given their first opportunities to make films.

100. In Britain the BBC has been cautiously involved in film production, while several of the independent companies have been active both in the making and in the financing of films - most particularly the parent company of ACC. All are stoutly resistant to proposals for making such production investments in any way compulsory.

101. In France 31 of the 160 films made during 1978 had a financial participation from Television, but the size of the investment is not published. Television has not yet played an important part in French film production, but its activity is likely to increase in 1980.

102. In Italy some of the most important of recent films have been made by or with Television bodies, but (as mentioned in paragraphs 62-63) the creative intrusion of Television has aroused strong indignation among filmmakers and led to proposals that Television should be compelled to invest in film production, without having any creative controls.

The need for intervention

103. Experience has clearly shown that the relationship between the Cinema and Television cannot be left to free market forces, for too much competitive power is in the hands of the small groups which control Television. In these circumstances the Governments cannot stand aside, as often they would like to do, and say that it is none of their business, for it is they who have created or licensed the monopolies or oligopolies of Television. They have sufficient powers of licensing and surveillance and should use their powers to enforce a reasonable relationship.

104. Nor should the Commission stand aside when issues of such importance to the Community are involved. No attempt will be made here to propose any detailed course of action, but one general suggestion will be made: that the Commission should initiate a series of discussions with representatives of EEC distributors and producers who are not subsidiaries or dependents of non-EEC companies, with EEC Trade Unions whose members are deeply concerned with this problem, with the film departments of Member States and eventually with the Television Authorities. Such discussions should include the problems briefly discussed in recent paragraphs - the excess number of cinema films on TV, the lowness of the prices paid, the proportions on non-EEC films shown and the role of Television finance in the production of cinema films. There is no need why identical solutions should be devised for all Member States, but under Community leadership progress could be made to arrangements which in the long run serve the interests of Television as well as the Cinema.

Cable Broadcasting

105. The general position has been further worsened by Cable Broadcasting. In addition to the legal problems (not directly relevant here) of rights, authorisations and payments, there is an issue of what seems to be unfair and illegal competition with cinemas. As films are not necessarily distributed at the same time or in the same way in different parts of the Community, it is possible for a film which is being currently exhibited in German cinemas to have completed its cinema career in Belgium and to have been sold to Television. Then a cable distributor operating in parts of Germany near the Belgian frontier can pick up the signals and transmit them into German homes, thereby destroying the commercial prospects of the film in the local German cinemas. Some aspects of the problem are due to be considered by the European Court and the Decisions will not be known until after this Study has been completed. In any event the threat to cinemas from Cable Broadcasting is clear enough and furthermore the advent of transmissions by satellite will create new and potentially greater dangers.

Other technological developments

106. Cable Broadcasting, the use of Satellites and other developments (such as Pay TV and Cassettes) are all part of the technological revolution in communications. This is an international problem with a great deal of the ownership and power vested in non-EEC countries - USA and Japan - so there is a clear case for the Commission to give leadership. The speed of change is so great - with many new opportunities as well as dangers - that the Community needs the vigilance and experience of a Standing Consultative Committee on the technology of the communication industries and one of its tasks would be to watch over the distribution of films on the various and sometimes conflicting industries.

THE HOME MARKETS - MONOPOLISTIC PRACTICES

107. The Belgian Memorandum quoted in paragraph 76 opened with a significant sentence - "In Belgium as in most of the Member States of the Community the cinema market is dominated by a few oligopolies which control the best sectors of Exhibition". This verdict is a sign of the legitimate interest one industry can take in its neighbour's affairs, for monopolistic practices affect not only the country where they take place, but also other Member States, whose trade can be damaged by them. Therefore the Community as a whole should be concerned.

108. Such practices are often undesirable; may be against national laws; and may also be contrary to the provisions of the Rome Treaty.

Article 85 (1) deals with different forms of collective action:

"The following shall be prohibited as incompatible with the Common Market; all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the Common Market and in particular those which ..."

The Article then gives particular example of actions which are incompatible with the Common Market.

109. Also relevant is Article 86, which deals with action by individual undertakings:

"Any abuse by one or more undertakings of a dominant position within the Common Market or in a substantial part of it shall be prohibited as incompatible with the Common Market in so far as it may affect trade between Member States. Such abuse may, in particular, consist in ..."

Some particular examples are then given.

Exhibitors

110. Many examples of monopolistic abuses by exhibitors arise out of what is known as the 'barring system' in Britain or the system of 'priorités' and 'exclusivités' in France. It is reasonable that the most popular films should first be shown in key sites, in big capacity cinemas and at higher prices. It is also reasonable that a film should not be immediately available for a rival neighbouring cinema, which could advertise "Come next week to see that film in our cinema at lower prices". However, the whole system of self-protection has been overelaborated and abused. Many cinemas have exercised barring 'rights' for so wide an area and for so long a time, that other cinemas have been starved of current films and had to close. It has even be found impossible to open a new cinema in a neighbouring town, for this too could be starved of current films. In consequence potential audiences are deprived of cinemas and many of the middle-to-lower budget films have failed to get adequate releases. Among these films will be many from other Member States, whose trade is therefore affected. The practices can be prohibited under Article 86(b) which prohibits the limiting of markets to the prejudice of consumers.

111. Another abuse of a dominant position is the sharing out of the supply of films, as, for instance is done by EMI and Rank in Great Britain. Article 85 (1)(c) prohibits 'concerted practices' which 'share markets or sources of supply'.

112. At this stage, however, it may be better to let each Member State deal with its own exhibitors, for the practices and problems vary from country to country. If, however, warnings such as have been given by the Minister in France do not lead to a genuine improvement, there could be a strong case for the Commission to intervene.

Distribution

113. Distributors can also be guilty of monopolistic practices. Often they

exhibitors; they may argue, with some justification, that their proper business aim is to maximise the revenue for a film and that it is best to concentrate on the better cinemas, then withdraw the film and keep it fresh for a reissue, again in the better cinemas. Unfortunately, even if that is best for some particular films, the long term effect is to drive out the small exhibitor, leave many towns without a cinema and create a collusive elite of big distributors and big exhibitors.

Such operations tend to benefit American films and harm films from other EEC countries. This denial of supplies is prohibited under Article 85 (1)(b) or 86 (b) (depending on whether the denial is done collectively or by a single company).

114. In addition distributors may, if they have the commercial strength, force exhibitors into 'Blind Booking' (whereby the exhibitor has to book films he has not seen) and 'Block booking' (whereby the exhibitor has to book a programme of films, including some he may not want, in order to get those which he does want). Both practices mean that screentime is preempted for certain films and is not competitively available for other films. This is a clear breach of Article 86 (a) which prohibits the imposing of "unfair trading conditions".

115. The American Majors have without doubt used their dominant position in several of the Member States to create conditions favourable for their films at the expense of domestic and other EEC films. This is a matter to which the Community should give early attention.

EXPORTS

Statistics

116. Revenues from the Home Markets and Television are clearly inadequate for the film industries of the Community, so their future prosperity, even in most cases their survival, depends on sales to foreign markets. Unfortunately, as the Malecot Report says, statistics on the export of films are extremely

imprecise, especially regarding the money actually received and sales to foreign television. Moreover, it is very difficult to make comparisons partly because of fluctuations in exchange rates and partly because each country keeps and presents its statistics in its own way for its own purposes. Some improvements may be secured when the newly formed "Bureau Européen du Cinéma" is able to operate, but in the meanwhile we must work with such figures as are available and be cautious about them.

We will discuss each country in turn, first as a market for other EEC films and then as an exporter. This will lead to some general conclusions.

GREAT BRITAIN

Great Britain and EEC films

117. British audiences are used to films made in the English language and have so far given a cold welcome to dubbed or sub-titled films. It was seen from Table 4 above that the number of EEC films imported fell from 117 in 1969 to 59 in 1979: and it can be added that half of recent imports are sex films which give little idea of the achievements of contemporary filmmakers on the Continent.

118. Some idea of the revenues earned in the British market by other EEC countries can be obtained from Table No. 28.

TABLE 28

Great Britain: Overseas transactions in respect of film companies

Expenditure in respect of performances in Cinemas and on TV

£ million

	Total	EEC	USA	Rest of the World
1974	18.9	5.2	12.5	1.2
1975	18.6	5.0	12.7	0.9
1976	21.2	7.6	12.3	1.3
1977	22.8	5.9	16.4	0.5
1978	31.1	6.9	23.5	0.7

Source: Annual Tables published by the Department of Trade.

In addition to these payments by film companies money has also been spent by the BBC and the Independent Television Contractors on EEC material, including films as well as programmes made for TV. These payments totalled £4.8 million in 1977 and £4.5 million in 1978.

119. Clearly the sums remitted for EEC films have remained at a modest level (in spite of a recent increase). On the other hand the sums remitted to USA have nearly doubled. (Moreover, these figures are for remittances only and do not include rentals retained in Britain for production finance.)

120. It would be rash to prophesy any substantial increase in earnings for EEC films, as British audiences are accustomed to American films in the English language. Moreover, the exhibition system is so geared to the domination of the American majors that little room is left for what is new or different. Nevertheless, the strong interest felt by many young people in films of quality justifies a measure of optimism provided some concerted steps are taken to build up exhibition facilities for EEC films.

Great Britain: Exports

121. The heavy involvement of the American Majors makes it difficult to discover any exact figures for British exports and the position is further complicated by British companies exporting 'stateless' films they have financed or made. Some idea of trends may, however, be got from Table No.29. Exports rose considerably in the 1970's and the figures for 1978 looked very encouraging, but interpretations can only be guesses as the names of the successful films are not published. It is probable that the increases have been due to a limited number of films and that several of these have been non-British films made or financed by British companies. Insofar as this is the case the improvements in foreign earnings does not necessarily indicate any present or future revival of British films. However, it is certainly valuable for British films that British companies are building foreign sales organisations - such as AFD in America with perhaps others to follow elsewhere - for they already distribute some British films now and they will be ready for any expanded programme of British films which EMI and

ACC may undertake in the future.

TABLE 29

Great Britain: Overseas transactions of film companies:

Receipts in respect of performances in cinemas or on television

Receipts in £ million from

	North America	Rest of the World including EEC		Total
1966	3.2	8.3		11.5
1967	5.4	6.8		12.0
1968	2.8	5.9		8.7
1969	3.2	6.4		9.6
1970	2.5	6.7		9.2
1971	4.0	7.2		11.2
1972	2.2	7.9		10.1
		Rest of the World	EEC	
1973	6.6	5.0	2.1	13.7
1974	5.3	6.4	3.4	15.1
1975	4.2	7.8	10.6	22.6
1976	5.7	11.4	7.1	24.2
1977	5.3	14.6	7.5	27.4
1978	13.0	17.9	7.4	38.3

Source: 'Trade & Industry' (previously 'The Board of Trade Journal').

FRANCE

The French Market and EEC films

122. In the French market films from other EEC countries have lost ground, as was shown in Table 11 above, for they had 21% of the audiences in 1969 and only 14% in 1978. It is not known what this represents in money, but a calculation can be made. In 1978 the amount of the Box Office going to Distributors was 893,704 million francs: as EEC films got about 14% of the audiences, they may

have got about 14% of the distributors' share - that is, about 125 million francs or probably somewhat less, for the bigger American films would have had more of the audiences paying the higher prices in the better cinemas. Even at some lower figure France is a better market for other EEC films than Britain, but this 125 million (or 120 million) francs is something which exporters in other EEC countries will need to improve.

France as an exporter

123. Statistics published by the C.N.C. have been used to compile Table No. 30.

TABLE 30

France: Revenues earned by granting of rights of exploitation of long films in foreign territories

NOTE: The C.N.C. says that for reasons such as the impossibility of evaluating the revenues earned by percentage deals 20% should be added to the figures given in this table.

	1972	1973	1974	1975	1976	1977	1978
			(in millions of francs)				
Countries where the revenue is earned							
EEC countries	24.9	21.4	28.4	27.4	32.5	23.9	32.8
North America	5.6	13.2	17.8	33.0	18.9	12.7	9.5
Rest of World	16.9	31.9	37.2	37.1	49.4	36.0	37.1
Global Contracts	6.4	29.2	10.1	24.2	27.3	19.0	5.2
Totals	53.8	95.7	93.5	121.7	128.1	91.6	84.6
			(as percentages)				
EEC countries	46.2	22.4	30.4	22.5	25.4	26.1	38.8
North America	10.5	13.8	19.1	27.1	14.7	13.9	11.2
Rest of World	31.4	33.3	39.8	30.5	38.6	39.3	43.9
Global Contracts	12.0	30.5	10.7	19.8	21.4	20.7	6.1

Source: CNC 'L'Activite cinematographique francaise en 1978'.

124. The Table shows that French exports as a whole fell again in 1978, but

the figures are not easy to interpret. Revenue from the EEC has shown a general improvement, though it is still much lower than it should be. Revenues from USA had a sudden rise in 1975, possibly due to some Tax Shelter purchases of French films, but is now back to a ridiculously inadequate figure. One explanation of the small revenues from USA and other foreign territories is that owing to heavy investments in French production, particularly during the period 1970-75, a considerable proportion of the receipts from the world distribution of French films goes to American companies.

125. At the end of 1979 'Variety' reported that "good news came from the American market, where 'La Cage Aux Folles' and 'Robert et Robert' were both doing good business. In fact, 'Cage Aux Folles' may go on to become the all-time top foreign film grosser in the American market." This film, however, is an United Artists French-Italian co-production film and the revenues will not necessarily return to France and Italy for the promotion of future French and Italian productions. Nevertheless there are grounds for optimism based on Gaumont's expanding activity in foreign markets.

GERMANY

The German market and EEC films

126. The weakness of Germany as a market for films from other EEC countries can be gauged from the following Table (which is an extract from Table 17):

TABLE 31

Germany and films from other EEC Countries

	Total film rentals	Share going to films from other EEC Countries	
	DM million	DM million	%
1973	210.1	60.5	28.8
1974	219.7	64.5	29.4
1975	230.8	81.6	35.3
1976	207.8	66.3	31.9
1977	220.3	88.5	40.2
1978	248.1	54.9	22.1

Notes: - 'Rentals' are film Rentals less rentals for Newsreels.

Source: Derived from 'Filmstatisches Taschenbuch 1979'.

As the results have been fluctuating, with 1977 the best and 1978 the worst of these years, no clear trend is discernible and the figures for any year can be greatly dependent on one or two box-office winners. The only firm comment to be made is that the total of the rentals earned by other EEC films is far too low considering the potential of the market.

Germany: Exports

127. The volume of German film exports is still disappointing. In 1978 785 export deals were made in 54 countries - 395 for theatrical rights only, 369 for TV rights only, 18 for both and 3 for both plus audiovisual rights. A total of DM 9,777,926 was obtained, but as 102 of the deals involved minimum guarantees against a percentage and 43 were for percentages only, there could be more money to come. Even, however, if we add (say) an optimistic 20% and make the total about DM 11.7, this would still be poor. The comparable French figure would be 86.6 million FF or, with the 20% increment, about 104 million FF, over three times greater than the German figure.

128. There is interest in analysing the sources of these revenues:-

TABLE 32

German Revenues from Film Exports (Outright Sales and Minimum Guarantees): 1978

Area	in DM millions	% of Total
Rest of EEC	2,791,648	28.6
USA	1,381,011	14.1
Rest of World	5,605,267	57.3
Totals	9,777,926	100.0

Source: Figures supplied by the Spitzenorganisation Der Filmwirtschaft (SPIO).

129. The revenue from the Rest of the EEC was very small, but even so it was over double the revenue from the USA. In the Rest of the World the two most important markets were Austria and Switzerland, each of which yielded more than a million DM., not a large sum, but nearly as large as the yield of the USA and twice the yield from Great Britain. Both Austria and Switzerland have German speaking audiences and these comparative figures show that German films have not yet succeeded in breaking the language barrier.

130. During 1979 a determined export campaign was waged, particularly in the USA, and considerable optimism was generated but we must wait to see how great will be the breakthrough and whether other films will be able to follow up any success achieved. 'Variety' on 9 January 1980 had an euphoric headline "German Pix finally score breakthrough in American market", but the facts are more disappointing. Certainly the films have found appreciative audiences in art houses, but commercially the most that the Variety article could hold out was the expectation that 'Maria Braun' would in the first half of 1980 become the first German film to gross $1 million at the American box office. And how much of that will flow back to Germany to fertilise a new crop of German films?

131. Nor is it likely yet that any breakthrough can be effectively followed up. With a few exceptions most German films are made on budgets which do not allow enough money to be spent on production values; their appeal to foreign audiences is likely to be limited, so dubbing cannot be afforded. Until more money is spent on the production of films, they will not succeed in foreign markets, but, until more revenue is earned from foreign as well as domestic sales, there will not be the money for increased investments. Such seems at present to be the vicious circle.

ITALY

The Italian market and EEC films

132. In Table 20 it

films from Other EEC countries has ranged around 10% with 1978 being the best year at 11.4%. It must be remembered that Co-production films, even if Italy is the minority partner, count as Italian in the Italian market, so the benefit to other EEC Countries is understated - for example, 'La Cage Aux Folles' would be counted as Italian in Italy. Even so the share of 11.4 is a miserable one - the 1978 comparable figure in Germany was 22% and in France it was probably 14%. This is yet another country where trade within the EEC needs improvement.

Italy: Exports

133. Statistics of exports are not available, for none have been published for nearly 10 years. In 1970 (the last year covered) the revenue coming back to Italy for exports was 20 milliard lire compared with 30 milliards in 1967 - perhaps a decline had already set in.

134. In the absence of Italian statistics some indications can be got another way. The CNC has published a Table showing the percentages of French audiences gained by films of different national origins: the Italian share fell from 12.03% in 1970 to 4.86% in 1975, but then rose to 8.57% in 1978.

135. Similarly, SPIO has published a Table showing how rentals in Germany had shared between films of different national origins. Here the Italian record has been unhappy: in 1978 they got 15.2 million DM compared with 36.9 million in 1973 (though the overall total of rentals had increased) and this represented 6.1% in 1978 compared with their 17.6% in 1973.

136. In other markets it is difficult to draw conclusions without figures, but there is a general impression that Italian films are not the force they used to be. In the most important market of all, the USA, it is of some interest that 'Variety' List of Top Box Office Winners had in its first hundred three Italian (or Italian co-production) films in 1975, three again in 1976, two in 1977, none in 1978 and one in 1979 ('La Cage Aux Folles' which is a Franco-Italian Co-Production generally considered to be French).

Currently some good results are being secured in USA with reissued as well as new films and perhaps the negotiations referred to in paragraph will lead to more sales of Italian films, but certainly the recent record has not been good.

HOLLAND, BELGIUM AND DENMARK

As markets for other EEC films

137. In Holland and in Denmark foreign films are shown in their Original Versions with sub-titles, as the markets are too small to justify the expense of dubbing. In Denmark this has enabled Danish films to enjoy a large share of the market, and, as American films did well in 1978 (45%), there was little left for EEC films (17.7%). The success of Dutch films in Holland has been good, but their share of the market has not been nearly so high and in 1978 other EEC films got 35.78% of the market, even though American films got 49.5%. In Belgium the situation is different, for while the Flemish cinemas show Original Versions, the French cinemas can have not only French films but also films dubbed into French for showing in France. Statistics are not available, but one knows that there are few Belgian films and that French as well as American films are doing well.

As Exporters

138. None of these countries expect large export sales, but each has won recognition with some films in Festivals and specialist cinemas. One Belgian co-production with France ('Préparez vous mouchoirs') won the Oscar for the Best Foreign Film of the year in 1978.

One point of interest is that while Belgium has an active organisation to promote exports (Unibelfilm) and Holland has the Export Department of the Biosoopbond, Denmark has recently reached an agreement whereby Danish films are sold in foreign territories through the Swedish Film Institute.

139. The much greater space devoted in this Study to the four main film countries must not obscure the importance of the smaller countries or the

interests they have in common with the others. Though each is a small market, they can contribute to the development of trade within the Community and though each has a small production industry its cultural importance domestically is considerable and deserves full support in any plans for developing the film industries of the Community.

Export of EEC films - a Summary

140. This rapid review of the export of EEC films can leave us in no doubt about the relative lack of success so far achieved.

Inside the Community each country is a disappointing market for films from the others, as each is dominated by the combined total of domestic films and USA films, which between them in 1978 took over 57% in Holland, over 67% in Germany, over 75% in Denmark, over 78% in France, over 83% in Italy and over 90% in Great Britain. In the EEC as a whole, far and away the most important supplier is USA.

141. Little comfort can be got from markets outside the EEC and the USA. Great cinemagoing countries such as the USSR, China and India are not being discussed, as so far the earnings from sales to them have been minimal - but here are potential markets waiting for development. In the rest of the world sometimes a common language opens doors - Austria for German films is an example - but otherwise a review of the major markets would reveal the now familiar story that first and second places are normally shared between domestic and American films.

142. The USA market is dominated by American films, though success has also come to British films (mostly to those financed by the American Majors). It has been estimated that films from the rest of Europe get about 1% of the American market. During 1979 several European films seemed to be heralding a possible breakthrough and Variety reported that "Foreign films did better in the US than they have in recent memory. 'La Cage aux Folles', 'The Innocent', 'Get Out Your Handkerchiefs' and 'The Marriage of Maria Braun'

all did very strong business. The trend was certainly encouraging to foreign producers who have despaired of the US market in recent years." There is perhaps a touch of condescension in that summary as in practice 'La Cage aux Folles' was the only European film (apart from British films) to get into the Variety list of the top 124 Box Office Winners. The future outlook may be a little brighter, but there is a long way to go, for the earnings so far secured have been minute in relation to the potential of the market.

Sub-titling and Dubbing

143. For the future much depends on the attitudes taken towards the alternatives of Dubbing or Sub-titling. The film and its actors can best be appreciated in the original language version with sub-titles and many regard dubbing as a form of sacrilege, but the commercial facts must be faced - if an exporter wants foreign revenue on any substantial scale the film must normally be dubbed (and this remains true in spite of the great success of 'La Cage Aux Folles'). On the other hand, the Original Version film has special cultural values and can also be a commercial pathbreaker opening up new markets. Both forms of presentations should be encouraged, for sometimes it will be better to sub-title, sometimes to dub and sometimes to have two versions circulating.

144. Some suggestions will be made at a later stage (paragraphs 208-225) about action which might be taken to develop the exports of EEC films.

THE CHALLENGE AND SOME ANSWERS

Does it matter?

145. Enough has been said to show how grave are the difficulties which the national film is facing in every Member State, but does this really matter enough to justify intervention by the Governments or by the Community itself? The film industries have some economic importance, for they give employment, earn foreign currency by sales abroad and save foreign currency by reducing

the need for exports. Also the film can be a salesman and tourism promoter: as the Malecot Report said, "The spread of the American way of life since 1945 - and in consequence the sale of blue jeans - owes more to the cinema than to victories of the G.I.'s: in the same way the French cinema is a tool for the promotion of the trade mark 'France' ..."

146. It is impossible to quantify the advertising value of the industry, but some figures can be given for its general economic importance. In Britain the Department of Trade reported an overall net overseas income in 1978 of £20 million for film companies and £14 million for Television companies. This peak figure of £34m is encouraging (the figure for 1974 was £1.7m), but taken in the context of the national income as a whole, such figures suggest that in purely economic terms the film industry is of marginal importance. There must be some other reason to explain and justify the interest and anxiety which the film industry has aroused at the top level in every country.

The Cultural Importance of the Cinema

147. The reason for this deep concern is that the film is not an ordinary industrial product, but is (with Television) the new cultural medium of the Twentieth Century. These are the popular arts of our times, particularly for young people. "The Cinema" said the Malecot Report, "is the expression of a national identity wherein a country recognises itself and is recognised" and it adds that "The disappearance of the cinema, though economically tolerable, is a cultural assassination ...".

Such considerations would not be fed into the computers of a multinational conglomerate whose empire happens to include a major film company.

148. Cultural considerations have, however, won the close attention of the leaders of the Community. As Commissioner G. Brunner said in his Working Paper on "Community Action in the Cultural Field" - "What is important is to realise the significance of the cultural phenomenon and to recognise that

the peoples of the Community are concerned with more than the production and consumption of material goods. This is particularly true in the present period of change, however much attention economic and social problems still demand." The development of the Community beyond the commercial aims of the Treaty has been strongly influenced by several Summit Conferences of the Heads of States or Governments. They have consistently emphasised that one of the most valuable features of the heritage of Europe is the diversity of its national cultures, which must be cherished and preserved.

149. In this sense a national culture (as Commissioner Brunner says) "is not restricted to the so-called elite, ... but embraces all social and occupational classes and all age groups." This means in the world of the cinema that we are concerned not merely with works of genius, but also with ordinary entertainment films which have no claims to be masterpieces, but which express a sense of national identity. Such films are created (not always, but nearly always) by the nationals of the country, and, although the principle of the free mobility of labour is an essential element in the economic life of the Community, it should not be interpreted and applied in such a way that the national industries which make these national films are allowed to disintegrate.

150. It is for such reasons that the decline of European films - that is the films of the nations of Europe - must be a matter of importance for the governments of the Member States and for the Community itself. If they are abandoned to the blind forces of international competition, the Community will be risking a cultural suicide.

The strength of American films

151. We must, therefore, try to discover why companies whose motivation is to make profits and repatriate them to USA have become far and away the strongest power in European cinema. Of course the immediate source of their strength lies in the films which have been popular in Europe and

throughout the world - but why have they been preeminent in making such films?

152. They have not won just by force of numbers. In 1979 overall production in USA was estimated by 'Variety' at 248 films, an increase of 22% over 1978, and only 99 of these came from the Majors, their highest figure since 1973.

153. Nor does their strength lie in any monopoly of creative talent, for Europe's own achievements have been unsurpassed and it is from Europe that USA has imported so many of the directors and artists who have helped to establish its supremacy.

154. Nor can it be a question of technical skills, for films such as '2001', 'Alien', 'Superman' and 'Moonraker' have been made in Europe. In special effects, art direction, camera work and all technical skills Europe can at least equal USA.

155. Europe has the ingredients, but has not made proper use of them. This is not due to a lack of entrepeneurial drive, for a Dino de Laurentiis can make 'King Kong' and Barry Spikings 'Deerhunter', but both have set up office in USA to do so. There, as people say, is where the action is.

Financial Strength

156. The success of the American film industry is based on its financial strength, which enables them even to survive periods of bad management. They were pioneers in the film business and established an early leadership which they have maintained in the face of all challengers. Success now breeds success, for the box office winners of today are providing and attracting the finance for producing the winners of tomorrow.

The US Home Market

157. They start with the advantage of the richest home market in the world. Its box office is considerably greater than the combined box office of all EEC countries. In addition the prices paid for old films by American TV dwarf the prices paid in Europe.

158. The American market is dominated by American films. The weekly 'Variety' publishes each year a list of the films which had been most successful in the American-Canadian market. (The lists are based on information supplied by Distributors: they are not infallible but are accepted as giving a very good picture of the market results.) An analysis of these lists shows that in the five years 1975-1979 an average of 85% of the first hundred films of each year were American.

159. These 'Variety' lists were not only dominated by American films, but almost monopolised by American distributors. In the four years 1975-78 the first hundred films were all distributed by genuine American companies, none of which were subsidiaries of a foreign company. (In 1979 there was one exception - the "Muppet Movie" distributed by AFD, which had been established by ACC and EMI of Britain.) There is of course nothing strange about the dominance of local distributors, unless we remember the contrasting position in the countries of the Community where American companies take a strong second place or even first place throughout.

160. Among the American companies 'the Majors' - Buena Vista (the Disney company), Columbia, Paramount, Twentieth Century Fox, United Artists, Universal, Warners and MGM (whose films recently have been handled by UA) - have an outstanding position. In the five years 1975-1979 they had on average 75% of the first 100 in the Variety Lists and 97% of the first 25.

161. In financial terms the leadership of the Majors can be judged from Table 33.

TABLE 33

US-Canadian Market
Percentage going to the Major companies
for films earning rentals of $1 million or more

Year	1970	1971	1972	1974	1975	1976	1977	1978
%	84.9	77.9	88.4	85.2	89.3	85.2	89.6	93.9

Source: Table prepared by T.H. Guback on the basis of the 'Variety' lists. The Table was published in 'Who Owns the Media?' edited by Ben Compaine.

162. The Majors' leadership is even stronger in America's export trade, where 40-50% of their cinema revenue is earned. For generations they have been building up, sometimes with ruthless tactics, a network of sales branches throughout the rest of the Americas, Europe, Australasia, much of Africa and Asia. No other company is even a near rival. Their effectiveness in the countries of the Community has already been seen in previous paragraphs and similar stories could be told from other parts of the world. It is not surprising that of all the American revenue from foreign film sales 90% goes to the Majors.

163. In addition American companies have revenues from financing and distributing films which become national films of the country concerned, able to enjoy various subsidies and tax benefits. In the first fifty of the five 'Variety' lists of Box Office Winners for 1975-1979 (that is, 250 films in all), 26 were national films of foreign countries. 24 of these were British, all of which were distributed in the USA by American companies. In Britain 5 of the 24 were distributed by British companies, but the remaining 19 were distributed by American companies, 17 having been financed by an American Major and 1 by an important non-Major American company. It is clear that the American Majors are even stronger than would be appreciated through a consideration of American films alone.

164. The money generated by the sales of films inside and outside the USA has made the Majors rich. They are able to invest heavily in the production or purchase of films, foreign as well as American. Some may lose, but one outstanding success will carry the losers and make a fortune, so the stakes are becoming higher and higher in the mood of a goldrush. 'Variety' had an interesting article in their issue of 20 August 1979 headed 'US Budgets into Megabuck era' and sub-headed 'Inflation running costs out of sight'. The article began "In an ominous trend which was last seen in the industry exactly ten years ago overall budgets have soared with eight 1979 releases carrying price tags of $15 million or more and at least a dozen pictures

due on screens next year expected to cost upwards of that amount."

165. Such huge budgets may seem lunatic, but they are explained by the earnings of the most successful films of recent years. According to a Table published in Variety of 9 January 1980 there are 8 films which have been released since 1978 and have already received over $50 million in the US/Canada market alone - and 'Star Wars' has received $175 million. (If this does not seem such a large amount of money, it must be remembered that there will be further re-issues in USA, sales to Television, a vast sum from foreign revenues and income also from music and various 'tie-ups'). The successful gamblers become very rich and other companies are stirred into planning even bigger films which will reap even bigger harvests, if all goes well.

166. The arithmetic of these major ventures was described in a 'Variety' article (issue of 12 December 1979). For 'Star Trek', it said "Reliable sources indicate a negative cost of around $42 million. That does not include, of course, the ten to twelve million dollars for worldwide ad-pub (advertising and publicity) expenditures, the $1000 per print for 850 or so prints, the 30% distribution charge and additional studio overheads etc. Thus 'Star Trek' will need to come up with a domestic box office gross of at least $100,000,000 to come into the black in this country, although foreign and ancillary markets look to be tremendous." A later article in 'Variety' revised the figures, raising the $100 million up to $125 million.

167. The dramatic success of the Majors in the last few years has been based on a relatively small number of films, as can be seen from Table 34 which is derived from the 'Variety' Lists of Box Office Winners in the US-Canada market.

TABLE 34

Range of earnings of the Box-Office Winners in the US-Canada Market 1977-1979

Number of films earning	1977	1978	1979
over $1 million (including all those below)	118	113	125
over $5 million " " " "	52	54	68
over $15 million " " " "	16	17	20
over $30 million " " " "	6	8	8
over $40 million " " " "	2	6	4

In 1979 the top winner got $81 million (the winners in 1978 and 1977 got $83 million and $127 million respectively): the top twenty earned more than half of all the film rentals generated: and at the other end there were as usual hundreds which did not earn as much as $1 million and never got into the Table at all. The pyramid of prosperity is a steep one.

168. The 'megabuck' strategy of high costs and high rentals has led the Majors into blitzkrieg tactics: the top films of the year break through and others follow. At home and abroad their organisations are geared to fight for early and long lasting exhibition of their best films in the best cinemas, so that interest payments can be reduced to a minimum and a healthy cash flow can be established. 'Films financed at great cost must be protected' said Barbara Scott (a lawyer and Vice-President of the Motion Picture Association of America) in a debate with the President of the National Association of Theatre Owners (reported in 'Variety' 12 September 1979). Big investments, she argued, need advance planning and modern marketing procedures, including in USA the practice of 'blind bidding' whereby an exhibitor bids for a film he has not seen. It is easy to appreciate the possible advantages to both the distributor, who can make his promotion plans and expect to get his cash flow in a healthy state, and to the exhibitor, who can book a probable winner and plan his future programming. It is all, said Mr. Jack Valenti, President of the MPAA, a matter of "advance reservation" (interview in Le Film Francais

31 August 1979).

169. This sounds reasonable enough but it does not explain the virulence of the campaign against blind bidding waged by the American Exhibitors, one of whose spokesmen said that the issue is "tantamount to war". Nor does it explain why by the end of 1979 the Exhibitors had already succeeded in persuading sixteen States to ban blind bidding (which meant the end of the practice in about 30% of the market) and also had expectations that another sixteen States would follow suit.

170. Perhaps the truth lies somewhere in the middle: blind bidding can on occasions be helpful to both parties if - and only if - the business is done under free conditions between genuinely willing parties, but in practice distributors have very often used their great strength to enforce a blind bidding which exhibitors do not want. In Europe the particular American system of competitive bidding (including blind bidding) does not operate, but the practice of 'blind booking' does: exhibitors sometime want to, sometimes have to, book films which they have not seen and which may not in fact have been completed. The exhibitor may suspect that these films will not be good in his market, but he needs to retain the goodwill of the distributor.

171. Some top films are so much wanted that the Majors can openly or tacitly enforce the practice of 'block booking', which in effect means that the Major will let an exhibitor have the big winners if some less successful stable companions are also booked. The deal may never be put into precise words, but strong hints may be dropped in some particular case or a general relationship may be built up whereby it comes to be understood that a Major will have a certain number of weeks in the year virtually reserved for his films.

172. These practices help to gear the markets of the Community to suit the requirements of the Majors. More and more the exhibition business is concentrated on central sites in the cities and bigger towns with a policy of a limited number of high-priced cinemas, for this is considered to be the way

to get as much revenue as fast as possible for the costly films supplied by the Majors. The market as a whole is thereby made far more difficult for films of medium budgets which find much of the screentime preempted by the Majors and many cinemas closed altogether, because they do not fit in with the present patterns of distribution. Such cinemas could, however, have a valuable role to play in a situation less dominated by the big distributors acting with the big exhibitors. As M. Bonnell said in his 'Le Cinema Exploité', "The Majors are able to impose their laws on foreign markets". The results are undesirable and the methods used are contrary to the Treaty of Rome Articles 85 and 86.

173. Sometimes it may seem that the invading host of films has settled in very comfortably and so charmed the local population that any Resistance Movement is pointless. The Americans know how to make and sell films which European as well as American audiences enjoy: they have the money and the courage to run all the risks: they even have money to spare for financing some of our films as well as theirs. Perhaps it would be more sensible to accept that film production should be mainly an American activity, while we service any films they want to make here and rely on their product for our film entertainment.

We have, however, already discussed the cultural importance of films (in paragraphs 147-149); here is a problem which the Community cannot ignore, for any policy of 'no action' means that we accept the prospect of non-European films dominating the screens of Europe, first in the cinema and then on Television. No one would tolerate such a solution in the case of book-publishing or journalism and, if the issues are properly faced, it is equally intolerable in the case of films. The question is not whether something should be done, but what should be done.

A positive policy needed

174. There should be no negative policy aimed at those popular American films which ought to be welcomed for the pleasure they give, but we need a positive policy which will enable the industries of Europe to make films capable of competing successfully enough to pay their way. This does not mean that the answer to the superepics of USA should be a string of superepics from Europe - perhaps a 300 million dollar programme of 10 Big Films. There is no one cinema market, for the diversity of tastes and interests have created a pluralism of markets. As that great film critic David Robinson pointed out (in a Conference organised by the Polytechnic of Central London in 1974), the filmmaker can not only win audiences by spending a fortune on costly stars and lavish sets, but can also appeal to them through "the suspense and attraction that come from a well-formed screenplay and story and structure: or through the emotional effect which results when the material is handled sensitively by a sensitive director and cutter and stars." Of course such films are unlikely to do epic business, but they will not be made with epic budgets and there is no need to be pessimistic about their commercial prospects, provided they can be assured fair market conditions, that is - a much fairer opportunity to find audiences than is permitted in most of Europe today by the dominating strength of the American Majors, often acting in concert with big chains of exhibitors.

Encouragement and greater opportunities must also be given to certain high quality films which may expect only a minority audience willing to see a film in its Original Language Version with sub-titles.

An internationalist answer

175. Mention has already been made (paragraph 18) of the answer offered to the American Majors from EMI (Lord Delfont) and ACC (Lord Grade). They are both setting out to make large scale films in the American fashion and they have jointly set up a releasing company in USA, 'Associated Film Distributors',

which the Chairman of EMI's Film Division has said "is an American company run by Americans in America ...". In addition to making some British films in Britain, they make films in USA through their own subsidiaries or they finance American independents and they also make or finance films in other parts of the world with directors and stars of many nationalities. It is the declared purpose of EMI first to create a strong base in USA and then to use their experience and distribution strength to develop their British production programme. In the meanwhile most of the important EMI and ACC films are either American or 'stateless' films which do not qualify as British: one commentator has said that some of the films made from a London base are 'as British as the VIP lounge in Heathrow Airport'. So, whatever may be the commercial success of films such as 'Deerhunter' and 'The Muppet Movie' and others, they so not solve the problem of building in Europe film industries which will express the cultures of the Community.

State Aids to production

176. Though the film industries of Europe may have been saved from complete disaster by film aids, the general disarray today indicates that state aids, in their present form at any rate, do not provide the solution. It will not be enough to administer further doses of the familiar medicines, which have often eased the pain, but never cured the disease. Screen quotas have a value, particularly in helping to get bookings for some films which otherwise might have had virtually no release at all, but overall they are of marginal value by themselves. State Film Banks have contributed a great deal to the maintenance of production, but unless their funds are very considerably increased they cannot finance enough films of the quality required. This is also true of other forms of pre-production finance given on a selective basis. Moreover, money invested by either method will continue to be lost until the films so assisted get fair distribution opportunities. Automatic aids,

awarded pro rata to box office success, have in the past stimulated producers to concentrate on films which will please the home audience, but the pragmatic arguments in favour of this system are outmoded, as was shown by the 1978-79 figures for Britain quoted in paragraph 22 above.

An Europe Aid Scheme for Production

177. An alternative strategy is based on the analysis that European films will be able to compete with American films only when they have a home base of comparable strength. At present the markets of Europe, the financing arrangements, the labour forces, the aid schemes, the distribution companies are all divided. Therefore, it is argued, if all resources were pooled, we could have European films made with European labour, financed and distributed by European companies, appealing to European audiences and all equally entitled to what used to be the national aids of Community Member States.

178. This is an unrealistic panacea. The peoples of the USA are far more homogenous than the peoples of the Community, who are divided by many cultural differences as well as by languages. In USA there is a substantial majority culture, but Europe is a network of minority cultures. Nor can one add up the cinemas and admissions of Europe and say that together they make up a market nearly as big as the USA one, for the European market is no more homogeneous than its peoples. Therefore one cannot plan for 'European' films, but only for national films.

179. The dream of Europe rivalling USA by making so-called 'European' films comes from a misunderstanding of the nature of an 'international film', for this is not a multiple hybrid, but a national film with a subject and spirit which can be appreciated in other countries also. The USA has conquered the screens of the world not with 'international' films but with American films made in such a way that audiences in other countries have been entertained. Similarly the films from the Community which have done best

The Malecot Report noted that the three biggest commercial successes France had had in USA were 'Et Dieu crea la femme', 'Un homme et une femme' and 'Z', all films which were 'specifically national'. The best known Italian and German films have also been national rather than hybrid in style. British international successes have included not only American films made in Britain but also thoroughly national films such as 'Tom Jones' and 'Oliver!' A film can be national in spirit even if it has some foreign participants, but it will not have a national spirit if it is planned on some multinational formula for it is likely then to end up with a deadness of spirit. Such would be the proposed 'European films'. What we need are national films made within the context of the Community and made in such a way that they will earn money in other countries also.

180. This will call for a greater investment in films, or in some films at any rate, than has been available in Europe. It has been explained already, that the audience tends now to demand greater production values. As Claude Lelouch said in an interview ('Variety' of 24 October 1979) "French films don't do well enough in foreign countries and so don't provide enough income for us to make expensive, bigger films. Thus extremely talented French directors are limited - not by a lack of imagination but by a lack of money. You'd really like to explode in a scene or two but you don't have the money to do it. When we make a film in France we're too stuck in our neighbourhoods, in our little ways ..."

It sounds as though Europe will not be able to make the sort of films which will be internationally successful unless it has already made and financed successful films which will be a source for the finance needed.

181. Though the concept of 'the European film' provides no solution, the argument for a far greater measure of European cooperation is valid. The need was well expressed - from the point of view of the creative filmmaker - by Luigi Comencini (at the Council of Europe's Lisbon Conference): "Italian films are the only ones I am physically or mentally capable of making, but

I need European machinery for producing and exhibiting them properly." It is not enough to make good films if they do not get good distribution. The success of American films has been dependent on the strength of their distribution/financing companies and, if the Community wants its film production industries to survive as creative forces, then it must help to establish an effective machinery of distribution. We need not start with a blank sheet for there has long been a scheme for European Co-Distribution and Co-Financing, which we will now examine.

EUROPEAN CO-DISTRIBUTION AND CO-FINANCING

Origins of the Scheme

182. The idea of European Co-Distribution and Co-Financing was launched in 1968 by Jean Claude Batz and Claude Degand; was elaborated by Degand in his book "Le Cinéma ... Cette Industrie" (1972); and was endorsed by the International Federation of Distributors' Associations. Eventually after a period of discussion a concrete scheme was presented in 1976 by M. P. Viot, the head of the French delegation to a special conference of Officials of the Member States called in Milan by the Italian Minister of Entertainment.

Co-distribution

183. The purpose of the scheme was expressed as follows: "In associating their efforts on a European scale the national distributors can form groups better equipped to meet this competition (from America) and to give rise to a larger number of films which have roots in a national culture with all the artistic originality that involves and yet can have an international audience because of the important resources put at the disposal of those who make them."

184. The first stage of the scheme itself is essentially simple. At present there is a practice of a distributor giving a 'minimum guarantee' on the basis of which a producer can raise at least part of the finance for his film. The new proposal is that the producer will entrust the distribution

of his film to a Consortium of Distributors of different countries, making a detailed contract with each for his territory and receiving a Minimum Guarantee from each. When the film is distributed the first charge on revenues in each country will be to reimburse the Distributor for his Minimum Guarantee and his expenditure on prints and advertising. The next charge will be a payment into a Consortium Fund from which reimbursement will be made to any other distributor in the Consortium if the film's earnings in his territory have not been sufficient to pay back his Minimum Guarantee and his expenditure on prints and publicity. Thereafter earnings will be divided between producer and distributor (and other entitled bodies) in accordance with ratios previously agreed.

185. The distributor-producer contracts, the management of the central fund and other administrative matters will require detailed thought, but in fact drafts have been prepared and there is no reason to doubt the technical practicability of the proposals.

It is important to ensure that within the Consortium sufficient administrative responsibility is given to one person, so that the producer's relationship with the Consortium is simple and clear.

186. This combination of national resources would open the way for a more ambitious and internationally attractive programme of films, but, as M. P. Viot said "It is not really a matter of making European films, but of large scale national films which, thanks to the universality of their subject and the importance of the resources put to work, will be capable of reaching maximum audiences."

187. The Consortium would begin by operating on a film-by-film basis, but success would probably lead to a continuity of joint operation. Success would also be likely to encourage the development of rivals: indeed it would be most desirable that there should be not one Consortium but several so as to offer a variety of taste and judgement. At this stage, however, it is enough to concentrate on getting the scheme launched.

Co-Financing

188. The second stage is to supplement Co-Distribution with a Co-Financing scheme, the foundations of which have already been laid. In 1973 a number of specialised film banks, members of the 'Commission Internationale de Crédit Cinématographique' (CICREC) considered the possibility of creating a European Banking Pool to be called the 'Office Européen De Financement Cinématographique' (OEFC), whose likely founding members would be the Banco De Credito Industrial (for Spain), the Banca Del Lavoro (for Italy), the Berlinerbank (for Germany), the National Film Finance Corporation (for Britain) and both SOFET-SOFIDI and UFIC for France. Other Banks could join later.

189. This OEFC could handle the credit facilities obtainable on the basis of the Minimum Guarantees given by the Co-Distribution Consortium and would open a special account for each operation under control of the Member in the country which is making the film. As in the case of the Co-Distribution Consortium the details of the administrative machinery have been thought out by the experts who would themselves be involved in the scheme and there is no reason to doubt its practicability.

190. One way of strengthening the scheme has already been proposed by M. P. Viot (at the Conference previously mentioned). Governments could underwrite the Guarantees given by the Consortium of Distributors to the European Banking Pool, thus creating a confidence in the scheme and enabling the Film Bankers to charge lower than usual interest rates. In addition the system of 'cross-collateralisation' between the Distributors could be paralleled or replaced by a similar system as between Governments in respect of the underwriting guarantees each gives to his Bank. In time the procedure could be simplified by the establishment of a Centralised European Fund.

The Scheme is for Community Companies

191. It is implied in the scheme, but not always spelled out, that the distribution companies involved in any Consortium should not be subsidiaries

or dependents of any non-Community company. This principle has a good precedent. On 15 July 1974 the Commission passed a resolution regarding the data processing industry. It wanted European based companies to exist alongside the important companies controlled from outside the Community. In the words of the Eighth General Report on the Activities of the European Communities (paragraph 301) the central objective was to make more viable and competitive that part of the industry which was "de souche Européenne", a phrase which has no equivalent in English except perhaps "of European stock". This key phrase 'of European stock' meant "of Community stock" and this can be confirmed from the 1977 Annual Report of the Economic and Social Committee of the Community which refers on page 22 to a Resolution of the Council (made 15 July and published 20 July 1974) in which it is made clear that a company 'of European stock' is one which "is in practice controlled within the Community". The subsidiaries of non-EEC companies may be registered as companies in a Member State, but they are not 'of community stock' in the sense required.

192. In the Co-Distribution Scheme, not only the distribution companies, but also the production companies involved should be 'of Community stock' (which seems a clearer phrase to use at this stage). Similarly the films must obviously be national films of a Member State (including co-production films granted national status). Moreover the foreign sales rights of the films must be in the hands of a citizen of a Member State or of a company 'of Community stock', except in so far as the foreign rights of a co-production film have to be shared with a non-Community partner.

193. If special arrangements are made, perhaps through the Council of Europe, for a Consortium on an European rather than a Community basis, then the phrase 'of Community stock' would be replaced by 'of European stock' with an appropriate definition of 'European'.

194. It may be argued that under Article 58 of the Treaty of Rome no distinction can be drawn between companies formed in accordance with the law of a Member State and that therefore any Community Aids such as have been discussed must be given equally to the subsidiaries of the American Majors, if they are duly registered as companies in a Member State. There are counterarguments to such an interpretation of Article 58, but, however interesting may be the legal debate, there can be no doubt on one point: if the Community wishes to build up an European system of distribution to compete with the American Majors and offers various forms of aid or support for this purpose, it would be sheer nonsense to offer under legal compulsion the same aid or support to the subsidiaries of the American Majors. It is difficult to believe that such can be the intention or meaning of Article 58.

Stagnation

195. The scheme has been proposed, the machinery has been designed, the Bankers are waiting, but so far the proposals have been left on the shelf. They are taken down from time to time and dusted, but they have never been put to use. Perhaps one reason is that this is a new idea and the industry is often cautious about new ideas, but surely the novelty of the proposals should have worn off by now. The fact remains that no specific film project has yet been able to command such interest from a group of distributors that they have given the necessary guarantees and set up a consortium. It could be inferred that these are mere theories which the industry does not want, but let us first see what are the difficulties and whether they can be overcome.

Is it really practicable?

196. The sceptics will argue that it will not be possible to find films which will transcend the differences of historical background, languages and cultural habits in Europe, so there is no hope of a common film market. Certainly

there are serious limiting factors and arguments of this nature were used earlier (paragraphs 178-9) against the concept of multihybrid 'European films', but what is true about making a film need not be equally true about enjoying a film. Films made in the English language (and not just epic films of action) are enjoyed in the markets of the Community, so films made in French, German, Italian and other European languages should, if they are well dubbed (or well sub-titled) be able to enjoy an equal popularity (except perhaps in Britain). Commercial success or failure need not be entirely dependent on the language of the original version unless the dialogue is too verbose: it is nonsensical to assume that only English language films can be dubbed and succeed. Perhaps European audiences have seen so many American films and the American way of life seems so strangely familiar that the dubbing is more acceptable. If this is so, it is an argument proving that the Community should take action to ensure that the peoples of the Community see more of each other's films and get to know each other better.

197. More important than the language is the subject of the film and the style in which it is made: if these are parochial, the film will bore other audiences. It would, of course, be the task of the Distributors in the Consortium to back films which have a wider appeal and each should know which projects are likely to do well in his territory. They will certainly know that there is now a need for greater 'production values' than many domestic films have been able to afford in the past, but the consortium provides the machinery for raising the extra finance which will make this possible.

The hesitancy of Distributors

198. Distributors can have several reasons why they do not believe in the scheme at all, but why is it that those who support it in principle have not yet backed a film? They say that no film with sufficient multi-market appeal has been proposed to them; the better projects have been offered to other distributors; and they have had the rejects. The question then takes

a different form - why are the best projects not offered to them?

The attitude of producers

199. Some producers prefer to do their own deals with distributors in other countries or to rely on the links they may have established with an American Major or large European company, but in any case producers do not like the proposed system of 'crosscollateralisation', whereby the losses of a Distributor in one territory will be reimbursed with the help of profits of another one. Similar provisions have often appeared in single-distributor contracts, but they have never been popular with producers. Here, however, Distributors feel that the whole scheme would be too perilous for them without some such safeguard: this could be the breaking point unless some solution can be found.

Action by the Community

200. How can the impasse be broken, if the Co-Distributors will not proceed without the cross-collateralisation arrangements which producers will not under present circumstances be likely to accept?

The answer must lie in the Community pledging its support for the Co-Distribution and Co-Financing Scheme and expressing that support in concrete terms.

The Community can take action under Article 130 of the Treaty of Rome which empowers the European Investment Bank to facilitate inter alia "projects of common interest to several Member States which are of such a size or nature that they cannot be entirely financed by the various means available in the Member States". These powers could be used to launch and develop Co-Distribution and Co-Financing on a scale and in a way which would attract producers with the best projects.

201. Two alternative lines of action can be suggested. One is to adopt M. P. Viot's proposal (paragraph 190) that a Centralised Community Fund should be established to underwrite the guarantees given by members of an approved consortium.

202. A second alternative is to introduce a new Community Aid Scheme under which payments would be made to the producer pro rata to the success of the film in the markets of the EEC, if, and only if, the film is distributed throughout the countries of the EEC by an approved Consortium of Distributors. With this inducement producers would be more willing to take good projects to a Consortium, for they would be better able to afford the cross-collateralisation (if any was needed) and they would have all the advantages of securing production finance without the normal expensiveness of pre-production sales.

203. Obviously the Community cannot be expected to issue blank cheques, so a system of proper safeguards would have to be agreed, but here is an opportunity for positive and imaginative action in an important area of the Community's life. If there is the will to act, the machinery can soon be elaborated.

204. There are some who feel it is too late to do anything, as, in their view, the American Majors are so deeply entrenched and have so much of the European industry committed to them that we cannot now hope to stand on our own feet. This would be a sad surrender. After years of analysis and discussion a practicable and potentially effective answer has been suggested in this Co-Distribution and Co-Financing Scheme which tackles the problem at its roots. The Community should help to get it launched and help it to prosper, unless we are to accept that this important medium of culture and communication should become increasingly dependent on the financial strength, the distribution networks and the production judgments of the American Majors. The first step of the Commission should be to call a conference of Distributors, Bankers, Producers and others who support the scheme and could help to make it a live reality.

205. It will be easier to launch the scheme if its supporters could be given a stronger confidence in the future of the industry. Two general measures have already been suggested and will be briefly summarised.

In the first place (see paragraphs 104-108) the Community must tackle the problem of Cinema-Television relationships in such a way that independent producers, distributors and investors will no longer need to fear a continuing erosion of the markets through the showing of films on Television and at the same time can expect reasonable prices for the more limited number of films which will be bought by Television.

206. Secondly, (see paragraphs 113 and 116) the independent sector of the industry will want to feel that the market is no longer so dominated by Exhibitor Chains and the American Majors that the smaller exhibitor, distributor and producer are squeezed out, whatever their merits. Governments and the Community should both be ready to take action.

207. The Community should also without waiting for the establishment of a Consortium, provide help in the field of Exports: this will be the subject of the next section of this Study.

ENCOURAGEMENT OF EXPORTS

208. Exports are essential and the recent record of EEC film industries has been highly disappointing. No doubt the position would be greatly improved if Co-Distribution Consortia were established and started to put on to the market more films of international appeal, but even these could be helped in important ways by Community action. There is a strong case for seeking from the Commission funds for the establishment of an organisation, which will here be called 'UniEurope', to supplement, but not to supersede, existing bodies such as Unifrance, Unitalia, the Export Union of Germany and Unibelfilm, most of which have in any case been less active in recent years.

209. A number of specific suggestions for action by 'UniEurope' will be made, but the list is not exhaustive and no attempt will be made to spell out the details. First of all, some general points, which affect all markets, will be put forward and then separate attention will be given in turn to the markets of the EEC, the Rest of the World (apart from USA) and finally the USA. In all cases success will be impossible unless cautious attitudes of short-run

A Market for the sale of Community films

210. UniEurope could organise a Market each year where only films from Member States would be on sale. The buyers would include importers, not only from Member States but also from the Rest of the World, who might welcome this opportunity of seeing a range of films gathered together in one market so that they can reduce the time they spend in the separate countries of the Community. The Market might be attached to a particular Festival or have a place in Milan's Fair (MIFED) or be independent.

Loans for Export Promotion

211. Exporting costs money for it is expensive to prepare foreign versions, buy extra prints, ensure adequate publicity etc. Many experts feel that a low level of promotion expenditure has been a major reason why more EEC films have not succeeded in foreign markets. UniEurope could help through loans (possibly at preferential rates) against the security of foreign revenues.

The Dubbing of films

212. Though films in their Original Version are artistically superior to films dubbed into another language, dubbing is a commercial necessity if exports are to be substantially increased. Dubbing must, however, be of the highest quality or it can repel audiences, so UniEurope would have a responsibility to raise the standards of dubbing. One way would be to provide loans at preferential rates to distributors or producers who employ 'approved' dubbing companies.

Sub-titling

213. Similarly, sub-titles which are badly translated or clumsily shown on the film can annoy foreign audiences, so UniEurope would also have a responsibility to encourage the best standards and the use of first-class companies.

Trade within the E.E.C.

214. One of the first tasks of UniEurope would be to increase the volume of trade in films between Member States. Clearly this will in any case improve when the Consortia are in operation, but some positive action is desirable immediately.

Consideration should be given to a policy of establishing in each Member State some special relationships with selected cinemas which could become 'shop windows' for films from other parts of the Community. (This is just the sort of work which could be undertaken only by a central body like 'UniEurope'.) The nature of such a special relationship would depend on the circumstances of each case, but it might often include, for instance, some financial co-operation in publicity and even perhaps some form of guarantee.

215. A scheme might also be devised in the light of the experiences of the French 'Cinemas d'Art et d'Essai' (see paragraphs 36-38). National schemes can offer tax reliefs, but the Community has not the taxes from which relief can be offered. It might instead be possible to encourage a scheme whereby two or more Member States mutually agree to offer tax or other benefits to cinemas when they show films of EEC Origin which have been approved as national films of quality by one of the contracting parties. It would be better to have all Member States in the scheme, but it would be a pity if one Member could veto the experiment.

216. Some distributors have already got together (on a wider basis than the Community) and formed the 'European Independent Office' with the objective of improving the trade in films of quality. UniEurope should discuss whether and in what way the work of this (or any similar) group could be helped.

217. Special attention should also be given to the Film Society movement, for although the volume of business done by them is small, their work can help to shape the taste of future film audiences.

218. Action taken under the three previous paragraphs would probably be of special benefit to Original Version films, as these deserve special measures

of support and assistance, but nevertheless it must be also a prime objective of UniEurope to stimulate the trade in films of community origin shown in a dubbed version.

Trade with the Rest of the World (excluding USA)

219. UniEurope must, of course, also look to outside markets, where it should have the financial resources, the status and the bargaining power to achieve results beyond the power of the separate organisations of the Member States. It could, for example, help to get better business in the USSR, Eastern Europe and China, all countries which buy and sell through central organisations and would understand an UniEurope approach (though the actual selling would normally be done on a company basis).

220. Other major markets such as Canada, Japan, South America, Australasia and the European countries outside the EEC could also be tackled on a Community basis with the familiar weapons of Film Weeks and Delegations already used by individual countries. This propaganda could be supplemented and made more effective by the establishing of special relationships with selected exhibitors (as suggested already in paragraph 214 above) and also in this case with some selected distributors.

The U.S.A.

221. Revenues from all these markets could be so increased that they would reduce the importance of the American market, which will, however, still remain the decisive factor for many films and certainly for any with large budgets to recoup.

222. It is tempting to suggest that UniEurope should set up a distribution company in America to rival the Majors, but there has been a history of disappointment for American as well as European challengers. A less perilous alternative is that at some appropriate stage UniEurope should buy an established and respected non-Major American company, especially for the larger films in the programmes of the Co-Distribution Consortia.

223. In the meanwhile there are other things which UniEurope could do in USA. One is to establish relationships with some Distributors and Exhibitors on the lines already suggested for other markets in Europe and elsewhere. It has been too easily accepted that foreign films in dubbed and sub-titled versions have minimal sales in USA. This has certainly been the case for all but a minority - but need that continue? Exhibitors are always crying out for new product - perhaps they have not given adequate attention to what Europe can offer. It could be a good long term investment for UniEurope to win over selected exhibitors and encourage them with some form of guarantees for a period of time.

224. Even if UniEurope acquires an American Distribution Company, many films will continue to be distributed through other established American Companies, Major and Minor. And that is, of course, the practice today (except for AFD). Very many European producers and exporters have a difficulty, which is often shared by American producers also, in understanding the bookkeeping methods of American distributors. The overheads, expenses and fees they charge seem to create very formidable obstacles to the achievements of profits which can be shared with producers. There are many stories, some of them funny, about the mysteries involved, so it would be helpful to a better understanding if UniEurope engaged a firm of U.S. accountants expert in film matters to examine books on behalf of such Community companies as were being perplexed.

It might be added that similar arrangements would be useful in other countries also, except perhaps in those markets where no exporter can ever understand the local system of operating percentage deals and will always sell for a fixed sum.

Beneficiaries

225. Even when Co-Distribution Consortia are working successfully, there will be some producers and distributors who will prefer to make their own arrangements

They should be fully entitled to the help and benefits of 'UniEurope', subject to the proviso that the films must be made by a company of Community stock (see paragraph 191) and must be distributed inside the Community by companies of Community stock, while the export rights of the films must be held by companies of Community stock or by citizens of a Member State (except in the cases of co-production films made under Treaties with non-Member States). This proviso might be modified if any special agreement is made with the Council of Europe, but the general principle is that the Community has no duty to subsidise foreign companies.

RELATIONS WITH THE COUNCIL OF EUROPE

226. The subject of this Study has been the distribution of films of Community origin, but other countries of Europe have been facing similar problems and some of their industry leaders have been thinking on similar lines. Indeed the scheme of Co-Distribution was not initially conceived as something limited to Member States: later on Senor Augusti of Spain played an important part in developing the scheme through the International Federation of Distributors Associations: and a likely founding member of the 'Office Européen de Financement Cinématographique' (paragraph 188 above) was the Spanish Banco de Credito Industrial. It could still be possible to reshape the scheme so as to cover European films from non-EEC countries.

227. There also could be ways in which UniEurope might take joint action with other European countries.

228. In the debate on cultural policy in the European Parliament on 18 January 1979 Mr. Brunner (talking in general terms without any special reference to the film world) emphasised the common interests of the peoples of Europe, whether inside the Community or not; promised to maintain a dialogue with the Council of Europe; and hoped that this would lead to some joint action. The Council of Europe has taken the same position.

229. It is the Community which will have to take the lead when it comes to action, partly because it includes the four most important film industries of

Western Europe and partly because it has what the Council of Europe lacks - the machinery for implementing a new policy. It cannot, however, be expected to launch and subsidise arrangements for the benefit of Members and non-Members alike. The sensible course would be for the Community to go ahead itself, but to frame some at least of its new plans in such a way that particular joint arrangements can now or later be negotiated either with the Council of Europe or with some of its members who do not belong to the EEC. The continuing dialogue with the Council of Europe promised by Mr. Brunner would ensure that the interests and problems of non-EEC countries would at all stages be taken fully into consideration.

CONCLUSIONS

230. (a) The importance of the Cinema

The film is the new cultural medium of our times and its importance cannot be measured by its relatively minor place in the national economies of the Member States. "The Cinema is the expression of a national identity wherein a country recognises itself and is recognised", so each nation wants an industry making some national films, including not only masterpieces but also ordinary entertainment films. This cultural importance of films is the main reason why Governments have intervened to safeguard and promote their national industries and also why it is RECOMMENDED

A That the Community should take measures to develop the film production industries of the Member States.

(b) Television

In a generation of changing social habits the intense competition for the leisure time and money of the public has caused a very severe fall in cinema admissions. The most lethal competitor has been Television, whose main weapon has been the screening of cinema films. In consequence films have had bigger audiences than ever before, but cinema exhibition is in a state of crisis, while distributors and producers have had inadequate recompense from Television for the losses of cinema revenues. In addition, technological advances are creating new dangers - and opportunities - in the form of e.g. Pay Television, Cassettes, Satellites etcetera. Most of the changes are irreversible, but we need to maintain cinema exhibition, because cinemas offer the social benefits of a shared experience and also because, if they collapsed, the quality of filmmaking would decline. Experience has shown that the relationship between the Cinema and Television cannot be left to free market forces and it is therefore RECOMMENDED

B (i) That the Commission should initiate a series of discussions with representatives of EEC Distributors, Producers, Trades Unions, Film Departments and Television authorities in order to work out arrangements which will be in the long run in the interests of Television as well as the film industry.

(ii) That the Commission should set up a Standing Committee on the Technology of the Communication Industries, one of whose tasks should be to watch over the distribution of films in these industries.

(c) Monopolistic Practices

Inside the weakened home markets the producers of each Member State are struggling, and generally failing, to get an adequate share of the box-office. One reason is that monopolistic practices have created systems of release and exhibition which favour the big distributors, especially the American Majors, the big exhibitors, especially the Chains, and the big films. Smaller cinemas are being starved of supplies and driven out of business. Films of the home country and films from other EEC industries are being denied fair treatment. The monopolistic practices have undesirable results, are sometimes contrary to national laws and are prohibited by Articles 85 (1) and 86 of the Treaty of Rome.

It is RECOMMENDED

C (i) That at this stage it is better to let each Member State deal with the monopolistic practices of its own exhibitors, for the practices and problems vary from country to country, but that, if effective action is not taken, the Commission should intervene.

(ii) That the Commission should consider what action is to be taken in respect of the monopolistic practices of the American Majors in the markets of the Community.

(d) <u>The dominance of American films</u>

The American dominance has been largely due to some outstanding films which have been the spearhead for the invasion of foreign markets. The answer to this challenge should not be sought in any negative policies of restrictionism (except in respect of monopolistic practices). Instead a positive effort should be made to develop European industries which can compete worldwide not perhaps with the 'super-epics', but certainly with the middle and upper-middle ranges of American films. This is possible because the source of the present success of American films does not come from a pre-eminence of creative and technical talent, but from the financial strength and distribution networks of the American Majors. To produce good films is not enough. They must be distributed and without the prospects of good distribution, the production finance will not be found.

It is therefore RECOMMENDED

D That the Community's answer to the dominance of American films should be to promote an adequate framework of distribution which will attract the finance for the production of films capable of competing worldwide with the bulk of American films.

(e) <u>European Co-Distribution and Co-Financing</u>

A system of European Co-Distribution and Co-Financing has been under discussion for some years and could be put into operation quickly. The Community should help to get it launched and prosper, unless it is accepted that an important medium of culture and communication should become increasingly dependent on the financial strength, distribution networks and production judgments of the American networks. There are specific ways in which the Community can help through the use of Article 130 of the Treaty of Rome.

It is therefore RECOMMENDED

E That the Commission should call a Conference of Distributors, Banks and Producers who might help to launch the scheme, so that a concrete policy can be determined and action taken.

(f) Encouragement of Exports

To an increasing extent films require foreign as well as domestic sales. The system of Co-Distribution needs to be supplemented by collective action for the promotion of exports.

It is therefore RECOMMENDED

F That funds should be sought from the Community for the establishment of an export promotion organisation ('UniEurope') which could operate in a number of ways suggested in this Study.

(g) Relations with the Council of Europe

The EEC and the Council of Europe have many common interests, particularly in cultural problems. Both parties have agreed to maintain a dialogue. As far as films are concerned, the Community will have to take the lead, because it includes the more important film industries and because it has the machinery for implementing new policies, but in framing new plans it should take into consideration the possibility of joint arrangements with the Council being made at a later date.

It is therefore RECOMMENDED

G That in the continuing dialogue with the Council of Europe the Community spokesmen should keep the Council informed of plans for the film industries such as those covered by Recommendations E and F.

A POSTSCRIPT

(Written after the Council of Europe Conference on "The Role of the State vis-à-vis the Cultural Industries", held in Strasbourg, 28-30 April, 1980)

1. I must apologise for an error: in paragraph 23, line 5 of the English language version, the sentence should read -"The total allocated to films was ₤ 5.827.638 of which approximately ₤ 815.863 went to short film...". (The correction has been underlined)

2. Neither in the Cinema Session nor in the other Sessions did I hear anything which required me to change the conclusions and recommendations of my paragraph 230. Unfortunately the discussions tended to dismiss or ignore the film industries of Europe and concentrate attention on minority interests, as though a popular art such as the film should not seek larger audiences. The debates on the cinema did seem to have the practical relevance achieved by the Council of Europe's Lisbon Conference on "The Cinema and the State" (June 1978), perhaps because unlike the Lisbon Conference this Strasbourg Conference did not include any distributors, producers, directors, writers, actors or senior technicians (or their association spokesmen) from the industries making longfilms in France, Italy, German or Britain. In consequence very little thought was given to the problem of financing and distributing films of genuine European origin capable of meeting the challenge of American films.

3. The discussions did, however, suggest to me that my Study may have been too simple in its approach to the relationships between the Cinema and the Television.
Claude Degand argued that Television does not keep people away from the Cinema, but marely makes them more selective. I do not deny the importance of this selectivity (and indeed mentioned it in my paragraph 11), but surely, if people are selective instead of being regular and automatic in their cinemagoing, this means they attend less frequently. Degand and I reach the same conclusions with differents words. It was also argued that the cinema had irrevocably lost its mass audience to Television, but in spite of its losses the Cinema is still a leisure pursuit of great importance. The cinema may die the day after tomorrow, but it is alive today and there is no need to arrange a premature funeral. And even if it fades away, the problem of financing and distributing films of European origin will persist mutatis mutandis.
I do, however, appreciate that my Study did not set out what should be the pattern of relationships between the Cinema and Television. That is a subject in itself and I limited myself to a few key suggestions and recommending a particular framework for future discussions.

4. The Conference revealed the rapidly growing importance of multi-media companies which are involved in the cinema, television, music and publishing. Conglomerates and multinationals have advantages and disavantages, but they can become definitely dangerous in the field of culture when they are controlled by non-European interests. Each country needs and wants to enjoy - largely but not exclusively - its own films, television programmes, music and books, but this cultural selfexpression can be seriously threatened by foreign multimedia companies.

5. In arguing for the maintenance of national film industries I should have stressed more strongly the need to keep the filmmaking labour force of each country actively employed. If national film industries are allowed to wither away, there will not only be a tragic measure of unemployment for individuals, but also the break-up of creative teams and their technical supports and the nurseries of future talent. These things are easy to destroy, but very difficult to rebuild.

6. In my Study I made only passing references to Copyright problems which are the subject of many other Council of Europe Conferences. I thought that the importance of copyright protection could be taken for granted, but the strangeness of some of the comments made at Strasbourg makes it necessary to repeat the platitude that adequate finance and distribution will not be found unless there is adequate copyright protection.

7. In my Study I said a little, but not perhaps enough, about the importance of encouraging cinemas which will show European films. I still believe that the essential strategy is to build up a distribution system which will find the finance for films which can attract audiences on their own merits, but much can be done to help independent cinemas and to promote municipal cinemas where required. Also, as I said in my paragraph 39, the principaple behind the Cinemas d'Art et d'Essai should be developed in new ways. However, I was writing about Distribution rather than Exhibition and did not expand my suggestion.

ANDREW FILSON