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Commission Communication to the Council
accompanied by two proposals for Council Decisions
relating to an

ACTION PROGRAMME
TO PROMOTE THE DEVELOPMENT OF
THE EUROPEAN AUDIOVISUAL INDUSTRY
"MEDIA"
1991-1995

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1. PREAMBLE

In its Communication to the Council and Parliament on audiovisual policy (COM(90)78 final), the Commission defined a general framework for measures to promote the European audiovisual programme industry.

Pursuant to the plan of work announced in the Communication, the Commission is presenting to the Council these proposals for Decisions relating to a five-year action programme starting in 1991 based on the results of the MEDIA pilot experiments and setting out the arrangements for the Community's involvement in Audiovisual EUREKA.

Without repeating in full the analysis of the European audiovisual market presented in the Communication, it is worthwhile recalling a number of facts which justify the proposed programme and explain the urgent need for its introduction.

2. CONTEXT

2.1 THE PROGRAMME INDUSTRY: A GROWTH SECTOR

The audiovisual sector is now seen as a strategic sector for the services industry in the European Community. Although relatively modest in economic terms, its growth is significant: put at ECU 25 billion in 1990, it should grow to around ECU 35 billion at the end of the decade. In addition to its potential for economic growth, the audiovisual sector is important because of its socio-cultural dimension: as a vehicle for the wealth and diversity of European cultures, its development gives expression to the very essence of the Community. It helps to shape public opinion and to establish references for both behaviour and consumption.

The growth forecasts are based above all on the development of television services, whose volume in terms of broadcasting time will increase by more than 50% over the next five years. In addition to television stations, new audiovisual services will come into being thanks to the proliferation of techniques such as video, cable, telematics and other computer technologies.

The audiovisual sector is quite clearly one in which demand is set to grow substantially: demand for "programmes" in the broader sense of the term -- TV programmes, cinema films and miscellaneous audiovisual services -- engendered by new broadcasting, recording and interactive communication opportunities and techniques.

2.2 A MAJOR PROBLEM: THE MISMATCH BETWEEN SUPPLY AND DEMAND

However, the audiovisual programmes industry is already marked by a conspicuous mismatch between supply and demand, with demand far in excess of the industry's ability to satisfy it. There is also a danger that the gap between supply and demand may grow considerably wider.

There are many reasons for this:

- The circuits for the distribution/broadcasting of audiovisual works on the European scale are inadequate.

Nearly 90% of European products - all types together - never go beyond the frontiers of their country of origin. Consequently, better circulation of such products throughout the Community market would help substantially to meet the shortfall in the supply of audiovisual products for television, video and cinema.

- Production capacities are fragile because they are limited by the excessively narrow structures of the national industries. The national limitations are reflected by the small size of firms, investments and markets. The inadequate profitability level of national products is aggravated by the constant rise in production costs. This rise is especially felt in the field of fiction, i.e. films for cinema and television series. And yet fiction is an essential area of audiovisual activity. It is the public's favourite type of product and the type on which the media base their appeal on the European and world markets and will be central to the development of the industry in years to come.
- The European industry has hitherto been unable to develop a "second market" for its products. The creation of such a rebroadcasting market should open the way for the further exploitation of large stocks of programmes which, at the present time, cannot be used profitably owing to problems concerning royalties, archive management or simply absence of catalogues.
- Lastly, from the point of view of investment, the audiovisual sector is regarded by the financial world as a high-risk sector, precisely because of the limitations of the production and distribution markets. There are too few investors willing to operate on the basis of cross-frontier distribution of risks.

2.3 IMPORTANT OBSERVATION: THE ACCENTUATION OF "NON-EUROPEAN" SUPPLY

The European audiovisual sector is in a particularly difficult situation on world markets. This situation is likely to get worse as the gap between supply and demand in Europe widens.

The effects of the world context on the audiovisual industry in Europe are already numerous and there is a danger that this industry will become trapped in a vicious circle of underdevelopment. Some examples:

- Companies of American origin control, on average, 60% of film distribution in Europe (over 90% in some countries such as the United Kingdom);
- 40% of European videocassette distribution networks are in the hands of groups of non-European origin;
- In 1988 Europe bought 700 million dollars' worth of television programmes from the United States, mainly in the fiction category;
- Out of 11 000 hours of animated cartoon programmes broadcast by television stations in the European Community in 1989, only 350 were of domestic origin. The bulk of these programmes were supplied by Japan (60%).

The European industry by contrast, because its ranks are divided, hardly manages to gain a foothold on the world market. In the United States and Japan it accounts for barely 2% of audiovisual and cinema programmes.

2.4 A SOLUTION: THE CREATION OF COMMUNITY COOPERATION STRUCTURES

The fact that the European audiovisual sector has grown up in national frameworks means that its weaknesses are essentially structural in nature: they lie in the fragmentation of the market and the dispersion of the industries. Only cooperation between economic and cultural forces can lead to the creation of a European audiovisual area, which is the sine qua non for a strong industrial structure.

Cooperation will have to develop in all sectors along the whole length of the creation-financing-protection-distribution chain, through the establishment of company networks and common infrastructures, by means of which the potential of the single market in the audiovisual sector can be turned to advantage:

- The audiovisual sector is made up of a large number of small and medium-sized firms. These small independent production companies must be encouraged to set up co-production, co-financing and commercial promotion structures suited to the requirements of both the European and the international markets.
- At the same time, distributor networks will have to be set up to remedy the lack of "multinational" structures for the circulation of films in the Community and elsewhere in the world. In particular, these networks must be given incentive mechanisms by means of which the language barrier, which is the major obstacle to European and worldwide distribution, can be overcome. These mechanisms will be vital for the productions of countries with less widely spoken languages.
- The creation of a second market by increasing the cross-frontier profitability of programmes is a necessary complement to the promotion of independent production and distribution. The difficult problems connected, in particular, with the exploitation of archives can be solved only through European-scale cooperation networks.
- Lastly, the European audiovisual sector will have to take advantage of new techniques for production and broadcasting/distribution. In a rapidly changing context, every opportunity offered by technological development must be seized in order to encourage the expansion of the European audiovisual market. Furthermore, the cost of technological innovation and of its uses in programmes warrants the pooling of resources in the context of cross-frontier exploitation structures.
- In general terms, in addition to the establishment of company networks, capital will have to be raised by means of new systems for the involvement of investors and the distribution of risks both over the sector itself and at Community level.

An overall and coherent action programme is needed to meet the challenges posed by the future of the European programme industry.

Strengthening the audiovisual capacity of Europe will involve structural changes on the scale of the Single Market. This is a task of Community magnitude requiring coordinated efforts on the part of the public authorities in the Member States and at Community level. A Community programme within which each party would play its own role is an imperative requirement for the development of the necessary instruments for cross-frontier cooperation and in order to set up the incentive mechanisms needed to give structure to the European audiovisual area.

3. AN ACTION PROGRAMME FOR THE PROMOTION OF THE EUROPEAN AUDIOVISUAL INDUSTRY

The proposed action programme is based on the desire to improve the economic context of the audiovisual industries in readiness for the advent of the Single Market. To achieve this objective, incentive measures of a practical nature will be required in order to generate Community synergies in each sector. These measures will have to be set into a coherent programme which takes account of the complex nature of the audiovisual sector and its specific mechanisms and which is designed to exploit the wealth and diversity of European cultures.

Before presenting a definitive programme, the Commission was determined to make a pragmatic evaluation of the instruments needed for a development strategy. After consulting a wide range of professional circles, the Commission therefore launched pilot experiments intended to gauge the appropriateness and effectiveness of a number of economic incentives for the audiovisual sector. On the basis of the analysis of these experiments, a set of realistic proposals can now drawn up finely tailored to the requirements of the industry and the market

3.1 WHAT THE COMMUNITY HAS DONE SO FAR: THE MEDIA PILOT PHASE

The pilot projects have been grouped together under the heading "MEDIA" (Measures to Encourage the Development of the Audiovisual Industry).

The MEDIA initiatives were designed to explore possible ways of providing economic support for the European cinema and television industry (cf "Action programme for the European audiovisual media products industry" COM(86)255 final of 26 April 1986).

In Parliament, MEDIA is one of the "absolute priorities" of the Committee on Youth, Culture, the Media and Sport (PE 107.501/FIN). On the basis of a report submitted by Mr G Papapietro, in 1988 the Committee adopted a resolution in favour of its development (doc A2-135/88 of 1.7 88).

This development is now a matter for a Council decision. During the 1990 budgetary procedure, the Commission undertook to present the Council with a proposal for a decision for the continuation of the MEDIA measures from 1991 onwards. To honour this pledge, the Commission is preparing to bring the experimental phase of MEDIA to a close; it intends to move on to the principal phase in the context of a Community action programme designed to operate synergetically with Audiovisual EUREKA, thereby answering the call made to this effect by the Strasbourg European Council.

The action programme is the culmination of a coherent series of initiatives consisting of three phases:

- Consultation of industry phase (1987)
This, the first consultation exercise on such a scale carried out with the audiovisual industry in Europe, lasted a year and involved more than 2 000 representatives of the professions involved. It was accompanied by in-depth market studies in the production and distribution sectors.
- Pilot experiment phase (1980-90)
On the basis of the consultations and studies, some ten pilot projects were set up during 1988, which now involve more than 10 000 people and firms in the Community.
- Main phase (beginning in 1991)
On the basis of the pilot experiments, the Community action programme will have to ensure that the achievements and guidelines emerging from the trial phase bear fruit on a significant scale, and are supplemented where necessary by means of collaboration arrangements with Audiovisual EUREKA.

In proposing the action programme, the Commission refers to the opinions expressed by European professional circles meeting at the Audiovisual Conference held in Paris last October. The audiovisual professionals recognized the great illustrative value of the projects of the pilot phase, which, they consider, must be developed in liaison with Audiovisual EUREKA. It is proposed that this dialogue with the professionals should be continued and intensified by setting up new mechanisms for consultation providing an appropriate framework for their involvement in the implementation of the new programme.

Further to the analysis carried out at the audiovisual conference, these projects were evaluated by an independent group of experts. The Commission has carefully examined the report produced by the experts and taken due account of it in its proposal for a programme.

It is proposed that, in implementing the action programme, the Commission should be assisted by an advisory committee consisting of representatives of the Member States. This committee, as well as the new mechanism for the consultation of professional circles set up by the Commission, will have an important role to play, especially in ensuring optimum transparency in the management of the programme and appropriate publicity for the various projects (thus partly answering the concerns expressed in this connection in the review report, particularly points 1.3 and 2).

It is also proposed that, as suggested in the review report (point 2.1.5), the implementation of the programme should be the subject of a new evaluation two years after it starts. It is to be noted that the analysis of the sector to which the report refers is an ongoing exercise being carried out both by the Commission and in other contexts (e.g. Audiovisual EUREKA, with the establishment of the European Audiovisual Observatory).

3.2 PRINCIPLES OF COMMUNITY ACTION

The programme proposed by the Commission sets out to improve the environment of audiovisual businesses without directly intervening in production. The measures will be located upstream and downstream of audiovisual production along the whole length of the industrial chain:

they will concern training, pre-production, the multilingualism of programmes, the use of new technologies, distribution mechanisms and commercial promotion, the creation of a "second market" based on the exploitation of archives, and the improvement of the financing framework for the audiovisual sector.

The effect of all these measures will be to establish the conditions for a Community programme. This will:

- contribute to the completion and operation of a substantial part of the common market in services;
- aim to bring about the departitioning of the national industries by creating cross-frontier cooperation networks;
- help find a balance between countries of different sizes by seeking to safeguard their identities;
- form a coherent set of activities, whose effectiveness will derive from Community dimension;
- be based to a large extent on the financing of measures by the programmes industry.

3.2.1. Contributing to the completion and operation of a substantial part of the common market in services

The action programme will seek to respond to the Community's priority objective by endeavouring to produce the "dimension effect" of the new economic area in the programmes industries:

- by strengthening the national industries through the distribution of their products on a Community scale to a potential audience of 320 million people;
- by establishing arrangements for cooperation between these industries based on increased production and distribution capacities on the international market.

The pilot experiments carried out under the MEDIA banner have shown that the economic approach brings out the best from the capacities for original programme production in the programme industries. They tend to show that, if appropriate stimulants are provided, vast markets can be opened up in sectors long regarded as uneconomic because they were based on what were termed "cultural" industries. It is now becoming clear that the products of these industries can reveal considerable commercial potential in a "departitioned" economic area.

3.2.2. Departitioning of the national markets and creation of cross-frontier cooperation networks

This will be based on a simple mechanism, the effectiveness of which has been shown by pilot experiments: the linking up of the economic and cultural operators in the programmes industry to form a network.

The cross-frontier cooperation networks provide effective solutions to the major structural problem of the European audiovisual sector, which lies in the fragmentation and dispersion of the industries. The effectiveness of these networks lies in their potential for "synergy", the effect of which is not merely to pool but actually increase the potential of the partners.

The action programme will continue to develop a "networks policy" as regards both companies and capital:

- by establishing and extending networks of companies in the form of Community cooperation and exchange federations;
- by raising capital by means of new financial engineering techniques in the audiovisual sector.

As in the past, the coordination centres of these networks will be decentralized in the Member States. However, in order to respond to the criticism set out in point 12 (penultimate paragraph) of the review report, a better geographical coverage of the Community will be ensured.

3.2.3. Support for the restructuring of the audiovisual industry with priority for small firms

In setting up enterprise networks, the programme will focus above all on small and medium-sized firms, which form the living fabric of the bulk of the European audiovisual industry and the importance of which will tend to increase in future. Each of the networks will be organized in relation to a specific project managed by professional associations set up for the purpose and operating in different countries. Some 10 000 people and firms are already involved in the projects being conducted in the experimental phase of the MEDIA programme.

Organizing the audiovisual sector in federations of small firms will, as it were, make it possible to restructure the market from the ground up by giving birth to a new type of "multinational group". These groups may remedy the absence or inadequacy of large industrial companies in key areas of the audiovisual sector, for example in film distribution or the animated cartoon sector.

3.2.4. Finding the right balance between "small" and "large" industries

By guaranteeing solidarity between countries and markets of different sizes the existing cooperation networks, through their density and cohesion, are an important factor for the harmonious expansion of the European market. The scope of the networks makes it possible to overcome the division between "small" and "large" and to carry out "balancing operations" in favour of the less widespread cultures and languages in Europe.

The desire to ensure such a balance will be evident in all the projects contained in the action programme. It will take the form of incentive mechanisms taking account of the particular difficulties which certain national industries encounter in penetrating the European market.

3.2.5. Launching a coherent set of complementary measures, whose specific value lies in the Community dimension

The networks set up will be as extensive as possible in order to produce effects of scale and exploit the potential for synergy by covering all the countries of the Community. It is this Community scope which will guarantee their impact, giving them a specific value impossible to achieve on narrower markets.

Since the problems of the audiovisual industry can only be solved through cooperation at Community level, the action programme will not therefore take the place of national initiatives but will play a subsidiary role in relation to them.

Furthermore, the networks will be complementary or "interactive" in nature. They are already combined within a coherent experimental framework which encompasses all the functions of the audiovisual industry. It is in this coherence of the measures that the specific value of the Community-scale programme will lie. It would serve little purpose to increase the number of isolated, one-off projects with no functional links. Since all the different areas of the audiovisual sector are interdependent, an overall approach must be adopted involving a set of complementary initiatives.

3.2.6. Large-scale recourse to market finance for the programmes industry

The programme does not propose a system of subsidies: its basic principle consists in injecting seed capital into the industry so as to attract additional finance from private investors, professional organizations and various promotion bodies.

The power of attraction of the money advanced for the pilot experiments in progress is considerable. At the end of 1989, the experiments launched under the MEDIA programme had a total value of around ECU 40 million compared with an initial outlay of ECU 13.5 million. This figure can be expected to double in the course of 1990.

The action programme sets out above all to stimulate the market: no project will receive a financial contribution of more than 50% of its cost, the aim being to limit funding to 30%.

Furthermore, the amounts assigned to the pilot projects have hitherto been allocated in the form of loans repayable to the bodies responsible for managing the project and are intended to be reinvested. These mechanisms, which will continue to be applied during the main phase, should enable the projects to become self-sufficient after a few years thanks to the creation of their own capacity to generate finance (see review report, points 1.2 and 2.1.2). This mechanism is already in operation as regards the pilot experiments; initial returns on investment confirm the economic validity of the measures undertaken and justify hopes for their viability in the long run.

The large sums raised in a very short time are a pointer to the enormous potential which can be harnessed for the development of the audiovisual sector in the European Community. This potential will grow further through the extension of initiatives beyond the frontiers of the Twelve, as already shown by the participation of Switzerland and Austria in certain projects. The involvement of new non-Community partners - particularly in the Audiovisual EUREKA context - will serve to increase the potential for synergy and make the European industries more competitive on the world market (see review report, point 2.1.3).

However, the resources available to the MEDIA programme in its pilot phase were very limited compared with the requirements of the single audiovisual market. In its main phase, the action programme will therefore have to be endowed with far more substantial means if it is to have any significant impact on that market. The new financial resources will have to be modulated over time: their curve will have to rise in the early years before declining as the projects become self-financing (see review report, points 2.1.1 and 2.1.2).

3.3 LINES OF ACTION

The lines of action proposed for implementing the programme take account of the lessons learnt from pilot projects and consultations by MEDIA, the proposals made by the Audiovisual Conference and the recommendations of the Group of Experts set up to assess the results of the pilot stage.

The action is to be taken both before and after actual production at all stages of the production chain, but will not involve the direct financing of specific works. The object is to create a climate which will help the development of firms by allowing incentives to be offered and cooperation networks to be set up in order to compensate for the fragmentation of markets and the dispersion of the industry. The programme is not designed to provide a framework for direct production subsidies. This approach was substantiated by the review report (point 1.3). However, in line with the report's recommendations, implementation of the main phase of the programme will take account of the need to consider the production chain as a whole whose links are becoming increasingly interdependent.

Four sectors have been considered: distribution/promotion, "periproduction" (or production environment), the financing framework and training.

3.3.1. Mechanisms for encouraging distribution and commercial promotion

Activities on this front are priorities with an eye to maximum exploitation of the potential of the single market. The circulation of European productions is hampered both by the language barrier and the partitioning of national markets and by the inadequate efforts deployed in distribution and commercial promotion.

3.3.1.1. Film distribution in cinemas

80% of European films go no farther than the frontiers of their country of origin, while an average of 60% of film distribution circuits in Europe (over 90% in some countries like the United Kingdom) are controlled by companies of American origin. Only cooperation between European distributors will enable them to send films across frontiers and so attempt to create a single cinema-film market.

- An initial pilot experiment has been conducted: it was mounted by EFDO (European Film Distribution office), in support of transnational distribution of European films in cinemas. It demonstrated that the advent of the single market is boosting the profitability of films and using creative potential to advantage. Run by producers and distributors, EFDO is helping to set up co-distribution networks by fostering cooperation between companies which were previously operating in isolation on their national territory. EFDO grants distributors advances against receipts of between 50% and 100% of the costs of dubbing/subtitling, copymaking and promoting European films, provided these are co-distributed in at least three countries. Priority is given to films presented by the largest number of distributors of various countries by means of a points system which favours films originating in the small countries and their film distributors.

Since EFDO started up in November 1988, 25 films have featured in 107 launchings in 13 countries (the Community countries and Switzerland). The number of tickets sold to see these films in cinemas will soon reach 5 million. Box-office receipts are enabling distributors to start paying back EFDO's advances (more than 10% by way of contribution to recapitalization). These sums are ploughed back into the launching of other films.

- The Twelve produce over 500 full-length films a year, but over 80% of these films never leave their country of origin. To have any significant impact on the Community market, incentives to cross-frontier distribution should extend to at least 20% of this output, i.e. to a hundred or so films. Stimulating the market, by strengthening the network of European distributors, will also have a positive effect on the circulation of films not directly supported by the system.
- In the pilot stage EFDO confined itself to promoting works which cost less than ECU 2 250 000 to produce (i.e. 80% of European output). To promote better circulation of films costing more than that (which are increasing in number because of the proliferation of co-productions and rising costs) the support system will have to be extended to cover the distribution of films costing between ECU 2 250 000 and ECU 4 500 000 (see review report, points 2.2.1 and 3).
- A special effort must be made for European film promotion campaigns outside the Community in order to boost their distribution and their international competitiveness (offices to promote European film and television programmes, particularly in the United States and Japan, group presence at festivals and fairs) (see review report, point 3).

Lastly, the EFDO pilot project has confirmed that, to be fully effective, the distribution of European films calls for an enhancement of the film-projection sectors, i.e. the cinema network/circuit. Measures to promote this sector will be developed so as to promote the programming of European films.

3.3.1.2. Distribution in videocassettes and on television

A growing proportion of film receipts is now accruing from their screening as videocassettes, although this market represents a volume of only ECU 3 billion compared with ECU 7 billion in the US. European films are very much under-represented on these circuits. That is why a series of measures must be envisaged in addition to the support for cinema distribution:

- The EVE (European Video Area) pilot project has devised a scheme of advances against receipts to promote the cross-frontier issue and circulation of European works, based on the model tested by EFDO (see review report, points 2.2.9 and 11). A maximum advance of 40% of issuing, dubbing/subtitling and promotion costs will be earmarked for European films not issued on video and distributed by at least three issuers in different countries.

The scheme will be supplemented and reinforced by organizing

cooperation between existing European public mediatheques and libraries to encourage the issue of video films and the constitution of subject "collections", particular in the field of documentaries and children's films.

- The circulation of European films by the television channels is the next stage in ensuring optimum exploitation and a growing source of revenue, in view of the increasing number of competing distributors. Some measures seeking to boost the proportion of European films in circulation have already been tested and will be strengthened (see below 3.3.1.3.), but additional measures are needed, particularly to promote independent production.

3.3.1.3. Support for multilingualism in television programmes

Multilingualism is one of the basic requisites for the circulation of audiovisual production. The need to develop it will be even greater with the growth of direct satellite broadcasting, which will make it possible for each programme to be available in several language versions over extensive geographical areas, and even in all the countries of Europe (see review report, points 2.2.8 and 10).

- The BABEL pilot project (Broadcasting Across the Barriers of European Language) has confirmed the substantial needs in the multilingualism sector, a key factor in the circulation of European productions. The assistance with dubbing or subtitling provided by BABEL is granted by an International Committee of experts on multilingualism and production, priority being given to works using the less widely spoken languages in Europe, to works of fiction (especially those intended for young people, including cartons), to pilot TV series and documentaries.

With limited funds, BABEL has so far managed to support the dubbing or subtitling of 52 television programmes and series from 13 countries for 102 transmissions in several languages: 32 of these programmes originate in "small countries".

- Given more substantial funds (with, as for other incentive schemes, a scheme of advances against receipts for "sound" postproduction of programmes), BABEL will have to stimulate circulation more effectively and thus boost the profitability of European products designed for television, especially those made by independent producers.
- BABEL must also support the development of multilingual broadcasts, including the provision of simultaneous interpreting in television discussion programmes, particularly in the field of information, training and culture to affirm European identity and benefit from the diversity of its constituents ("Euronews" project; broadcasts of the Seven; programmes on Olympus, ...).

3.3.1.4. Development of the independent productions market

All in all, almost 90% of European television productions remain within their country of origin. Better circulation of existing productions

throughout the Community market would, however, help to make up the deficit in audiovisual supply. The marketing of these productions is an essential stage in their distribution.

- EURO-AIM (European Association for an Independent Producers market), set up in the MEDIA pilot project, organizes grouped producers' attendance at international media trade fairs, offers guidance on the presentation of films and contacts with buyers, and facilitates access for its members to productions available through its data base. Presence in EURO-AIM's stands on special financial terms is intended first and foremost for producers who have not previously had access to these fairs.

The services offered to independent producers by EURO-AIM in the pilot stage have confirmed that this is the right approach. For an investment of ECU 1.5 million during MEDIA's trial period more than a thousand production companies were promoted at seven major international fairs, achieving a turnover of ECU 20 million.

This volume must be increased

- by highlighting the profile, promotion and effectiveness of the European presence on the major markets and by featuring particular sectors of production (archives, documentaries, youth productions, etc.);
- by developing these promotional activities on non-Community markets to stimulate sales of European productions, notably in North America and Japan, in conjunction with the activities to promote the European cinema (see above);
- by developing the services (legal and marketing assistance; contacts with buyers; promotion guidance; coordination of co-productions) available to small production firms, outside the fairs;
- by expanding the EURO-AIM data base to cover all the parameters of the independent production market (producers and buyers, rates, available productions, planned co-productions, etc.) and by facilitating use of the data base by setting up a decentralized network of access points.

These services should continue to be offered at reduced rates during the first two years of the programme. The possibility of charging for them at cost price should then be considered (see review report, points 2.2.7 and 9).

3.3.2. Mechanisms to improve production conditions

The discussions conducted before the launching of the MEDIA pilot phase, like the Audiovisual Conference, emphasized the quantitative deficit of European production. To help make up the deficit, the effort of the action programme will focus on improving production conditions, both before and after the programmes are actually made. This will facilitate the development of "preproduction",¹ rationalization of infrastructures, use

¹ Which is, in a manner of speaking, the equivalent in audiovisual terms of "research and development".

of advance technologies, use of programme stocks for the creation of a second market and, more generally, the conditions for financing production and distribution.

3.3.2.1. Developing pre-production (film and documentaries)

Fiction is the type of work for which public demand is greatest and is the product most sought after by distributors, in Europe and throughout the world. It constitutes a major commercial prize. A large variety of pre-production material containing story lines well suited to the requirements of a transnational audience must be available to attract the essential investments by financial institutions and so expand European production capacity and competitiveness.

- The pilot project of the European Script Fund, which examined a thousand files and backed a hundred or so pre-production plans, offers a sound basis for development. SCRIPT set up a Steering Committee consisting of experienced professionals from each of the twelve Community countries in order to organize and supervise the selection of fiction scripts to be developed up to the production stage. The scripts approved by an executive panel assisted by a network of readers and consultants throughout Europe received loans averaging 50% of the screenplay and pre-production costs invested by the producers, directors and writers.
- In order to reach a significant threshold with a real impact on production in Europe, SCRIPT's funding capacity must be at least doubled and backed by specialized professional services so that projects can be tailored more closely to market requirements (see review report, points 2.2.2 and 4).

To give these projects the best chances of reaching production, SCRIPT should offer two additional forms of assistance:

- (i) assistance with screenplay writing ("script monitoring");
 - (ii) assistance with production financing, to facilitate contacts between potential associates.
- The assistance provided for development and the pre-production of projects must be extended to production companies offering a set of projects.
 - While priority will be given to works of fiction, these measures could also be applied to the development of creative documentaries involving cooperation between a number of countries. Most of the documentaries produced in Europe are of a specifically national cast, which limits their potential for screening.

3.3.2.2. Restructuring the cartoon film industry

Despite the universally recognized talent of its cartoonists and despite a priceless heritage in the art of drawing, Europe is handicapped by its cartoon studios' lack of production capacity, in an internationally expanding market. 11 000 hours of cartoon programmes were broadcast in the Community in 1989, whereas only 350 were produced by the domestic industry.

- The networking of European studios, begun during the second pilot phase by CARTOON (European Animated Film Association), is the response to the problem of the dispersion of production structures, and facilitates the production of major, high-quality cartoon series at competitive prices. Each network, made up of 3 to 5 studios based in different countries, will receive for a maximum of three years an advance against technical coordination and management costs.
- Eventually, some twenty pools will group over 80 studios to develop solid production infrastructures and increase the share of the international market held by Europeans. This partnership of studios should be strengthened by industrializing their working methods, harmonizing the materials used and computerizing production techniques. It will help to ensure in Europe the volume of activity currently being subcontracted to the Asian industries, which represents a turnover of over ECU 80 million a year.
- As with other types of products, the pre-production and production stages of pilot films are essential in the making of cartoon films. To obtain quality material they demand substantial start-up capital in the form of advances against receipts. Up to now, some twenty projects have been successfully completed; the aim is to produce fifty "pilots" a year (see review report, points 2.2.4 and 6).
- In addition, an information system specific to European cartoon-film making will be developed:
 - by organizing, twice a year, a "CARTOON Forum" attended by distributors and studios to match supply to demand, speed up co-production of projects and shorten the time taken to put together financial packages;
 - by developing the data bank on cartoon-film makes and artists, available studios and facilities, projects in hand and training programmes.

3.3.2.3. Promoting the use of European new technologies in programme production

The new technologies (infography, digital television, high-definition, interactivity) represent a rapidly expanding market. To gain a foothold on this market, dominated by the United States and Japan, Europe must group its efforts to obtain synergies in research, production and information.

- To help meet this challenge, in the pilot phase, the "MEDIA Investment Club for Advance Technologies applied to the Production of Audiovisual Programmes" has brought together industrial companies, communications groups and financial institutions to promote the place of audiovisual in leading-edge technologies. It represents a "meeting point" for exchanging information and providing incentive. Its current members are: Thomson Techniques de Communication (F), Philips International (NL), PESA Electronica (E), Maxwell Communications (UK), CDC Participations (Caisse des Dépôts et Consignations) (F), Antenne 2 (F), Radio-Televisione Italiana/RAI (I), Nederlandse Omroepbedrijf (NL), SEP (I), the Institut National de l'Audiovisuel/INA (F), and the Commission.

A Technical Committee, assisted by a permanent secretariat whose operating costs are partly borne by the Community budget, selects innovatory projects concerning audiovisual creation and production (generally presented by smaller companies), training and information technology. Initial financing is provided from a fund made up of club members' fees and by a matching contribution from the Community budget. In a second stage the most promising projects from the marketing angle are financed solely by their promoters.

Up to now, the Club has handled 60 projects, of which it has supported two European-standard HDTV productions, two synthesized image 3D productions, a European infography and synthesized image training programme, an interactive compact-disc production (CD-I) and a production by the IMAX-OMNIMAX cinematographic process.

- As its activity in the pilot phase is still below the critical threshold, the Club must expand in order to achieve the volume of finance which will make it the effective catalyst for a European scheme to boost the innovative and creative capacity of European companies engaged in the production of audiovisual programmes (see review report, points 2.2.5 and 7).
- In order to put to work the assets represented by Europe's know-how in research and development, creation, information and training, the Club will issue invitations to tender to promote innovatory projects in infography, composite techniques (mixture of real and synthetic images), interactive systems and high-definition television.

In liaison with EUREKA and Audiovisual EUREKA and with the EEIG "Vision 1250", created with Community support and grouping industrialists and distributors involved in the development of HDTV, the Club must support measures to promote the making of films and programmes utilizing European-standard HDTV. It must help with the training of professional image-makers in the use of the new equipment.

3.3.2.4. Creation of a "second market" using archive material

Although they could be making up the deficit in the supply of European programmes, considerable resources are locked away in television and cinema archives. These constitute substantial assets, both economically and culturally.

- The MAP-TV (Memory-Archives-Programmes) project, supported during MEDIA's pilot phase, has created a network between the archive services of European TV companies, cinema-film libraries and other repositories of audiovisual material. It is endeavouring to make use of the archives, both for documentary and news productions and for fiction. The Community must provide financial support to operate and expand this network.
- Turning the assets of this "memory bank" to advantage by reissuing and rebroadcasting works or by using them in the production of new series

will help to create a genuine "second market" designed to reduce the European deficit in production and boost the sector's profitability.

- All this will necessitate agreements between producers and distributors in order to find solutions to the problems of royalties, which often hamper the use of archives, and to compile the catalogues required to promote them on the market.

3.3.3. Mechanisms to stimulate financial investment in the audiovisual sector

The restructuring of the European audiovisual industry, the impetus given to carefully prepared projects and the outlets offered by the single market must all help to attract new investors to the audiovisual sector. The purpose of the action programme will be to study and, by coordinating the efforts of the operators and encouraging them to join together on a European scale, to develop new financial mechanisms adapted to the sector's specific problems.

Whenever it proves essential to mobilize and coax the investors, the programme will provide finance to initiate the setting-up of the structures which, if need be, can subsequently be developed in liaison with Audiovisual EUREKA. The aid arrangements will be studied according to the nature and specific needs of each mechanism, with reference being made to the initiatives already launched by the Community, especially in favour of small firms and companies developing new technologies.

In the MEDIA pilot phase, two structures have been developed: a risk-capital fund - MEDIA Venture - and a guarantee fund - MEDIA Guarantee. The plan is not to renew this form of Community assistance, in line with the suggestions of the review report (points 2.2.6 and 8).

The Commission nevertheless considers that, because of the absolute necessity to improve the financial framework of production and distribution, appropriate measures must be taken to prompt the establishment at European level of other mechanisms, some of which exist solely at national level. To this end, the Community's role should mainly consist of promoting innovation in the setting-up of new transnational investment mechanisms in the audiovisual sector, in establishing new networks and in contributing to the "getting together" of professionals operating in this field. One example of the type of measure to be applied would be the setting-up of a network (creation of an association and a data bank) of European suppliers of risk capital operating on the audiovisual front or prepared to do so.

Moreover initiatives in this field may give rise to developments in liaison with Audiovisual EUREKA.

3.3.4. Development of professional skills

The development of the European audiovisual sector depends on the skill and proficiency of its operators. The action programme will include many activities in this area, which have already been fully tried and tested during the MEDIA pilot phase. These activities have one common

feature: they are all concrete measures involving professionals on the job, and are therefore of an essentially pragmatic nature designed to meet the practical needs of the market.

They split into two types: awareness-stimulating and knowhow-transfer measures linked to each of the programme's lines of action, and the specifically economic training of the "new managers" who will be needed by the audiovisual industry operating on the scale of the single market.

3.3.4.1. Activities linked to the other lines of action

This bears first and foremost on multilingualism, screenplay writing, cartoon designing and the new technologies.

- Multilingualism: BABEL will provide facilities for perfecting the skills for journalists and other audiovisual professionals working in multilingual environments;
- Screenplay writing: SCRIPT is proposing "script doctoring" sessions intended to increase the professional skills of European screenplay writers;
- Animation: CARTOON will endeavour to promote the transfer of knowhow between the cartoonists, studio managers and graphics coordinators who will be needed to form the networks of cartoon studios;
- New technologies: the MEDIA Club is developing schemes for the initiation of professionals in the use, in producing audiovisual works, of new techniques in image synthesis, digital TV, high-definition TV and interactive TV.

Since these activities constitute any integral part of the actions in question, it is proposed that part of the overall budget allocation per action line be devoted to each of them.

3.3.4.2. Training of "new managers" to cope with the single market

Special emphasis is laid on an original idea, namely economic and commercial training with an eye to the single market. Hitherto absent from cinema and television schools in Europe, this type of pragmatic training is central to MEDIA's activity. It is designed to enable the professionals to adapt to the new economic dimension of the European audiovisual area and to acquire the management skills needed to take full advantage of it.

From that angle, the action programme must continue, and refine, the economic and commercial training courses for young producers, created by "European Audiovisual Entrepreneurs (EAVE) (see review report, points 2.2.3 and 5). Some 80 producers have so far attended the "Entrepreneurs" workshops to develop their production material. Much of this material has already been given tangible shape by financing, which has resulted in the production of full-length cinema films, television films, documentaries and a series of video clips.

In addition, other training, of varying length and level, must be organized as a practical response to the economic and commercial problems confronting the various audiovisual specialities in an environment stamped with the needs of the single market.

As this training measure, although an integral part of the Programme, is not directly linked to the other lines of action, it is proposed that it should receive a specific budget allocation.

3.3.5. Other developments

As announced in the Commission communication to the Council and Parliament on audiovisual policy, the action programme will, in order to maintain flexibility and an open approach, continue to explore new ground with a view to adapting to the longer-term trend of the European audiovisual sector.

3.3.5.1. New audiovisual services

The programme can promote the birth, at European level, of new audiovisual programme services using new communications technologies (interactive communication on videodisc, broadcasting by satellite or in the new cable networks). New specialized services, e.g. subject channels, particularly in areas such as training, tourism and news, can be tried out. The programme will support exchanges of experience and transnational cooperation between European suppliers of this type of service.

3.3.5.2. Audiovisual activities in countries and regions with lesser audiovisual capacity or limited language area

Activities in regions with lesser audiovisual capacity, and in those with a limited language area in Europe, will be designed to enhance their audiovisual potential and affirm their identity and their assets. Moreover, audiovisual development in those regions could have a knock-on effect for their other economic activities. Regional development of the audiovisual industry may have a positive economic impact on those regions and lead to the creation of new and skilled jobs.¹

Measures will be tailored to the specific needs and potential of each area. Transregional initiatives will thus group regions of varying levels in order to combine assets and promote the transfer of skills and technologies.

¹ "Regions with lesser audiovisual capacity" must not be confused with "less-favoured regions" in the macroeconomic sense. Regions or countries with lesser audiovisual capacity are those where the audiovisual sector, either because the market is limited in terms of population size or because it belongs to an area using one of the less widely spoken languages, and regardless of the level of general economic development, is particularly likely, provided certain conditions are met, to benefit from the effects of transnational cooperation. The programme will seek to satisfy these conditions.

One possibility will be to support "horizontal" measures involving the co-production of multilingual cross-frontier magazines, programme exchanges, vocational training and, especially, the training of managers familiar with the characteristics of the countries and regions concerned.

The favoured instrument will be to form networks of media development corporations in regions with either low or high audiovisual capacity in order to prompt mutually beneficial cooperation.

3.3.6. Synergies with Audiovisual EUREKA

3.3.6.1. Two complementary instruments

Both Community policy and Audiovisual EUREKA are pursuing the same general objective, namely to boost Europe's audiovisual capacity (see the conclusions of the Rhodes and Strasbourg European Councils). Annex 2 of the Joint Declaration signed in Paris on 2 October 1989 states that the European Community may take part in Audiovisual EUREKA projects, notably through its programmes, but that these projects are not designed to replace the existing frameworks of cooperation, their objective being rather to extend or supplement them as appropriate. In practical terms the Community will be involved in two ways: the opening-up of Community projects to professionals of non-member countries (on contractual terms to be defined) and Community participation in Audiovisual EUREKA projects which fit into the lines of action described earlier.

The concept of Community "added-value" will determine Commission action in Audiovisual EUREKA.

The complementarity of the two instruments is facilitated by the difference in their nature:

- The action programme is a coherent set of incentive measures acting upstream and downstream of production proper, with an effect of scale deriving from the participation of the twelve Community countries;
- Audiovisual EUREKA offers a host structure (based on the original technological EUREKA) for helping professionals to devise and execute transnational projects by the multiplication of initiatives, especially in the production field, with the flexibility afforded by the involvement of private and public partners in varying proportions.

The specific characteristics of these two instruments can produce synergy of two types:

3.3.6.2. The Community action programme extended to include new partners

The Community gain will be enhanced by the effects of geographical, economic and creative enlargement.

The professionals of the signatory countries to the Joint Declaration are invited to participate in the initiatives of the action programme. Accessions will be formalized in agreements between the new non-Community participants and those responsible for the project in question within the framework of the action programme. The new participants will make a financial contribution calculated on the basis of the operational and management costs of the project.

The action programme is a Community instrument and will be managed by the Commission. However, extending it to non-Community participants will give it much greater commercial and economic potential.

3.3.6.3. The Community as a partner in Audiovisual EUREKA projects

The Community stands to gain from EUREKA projects where the broader dimension might have a positive impact on the activities of the audiovisual programmes industry in Europe.

The Community will be able to participate in Audiovisual EUREKA projects via its action programme. In each case the arrangements will be specified in an agreement.

Participation will be designed:

- to increase the overall coherence of the various initiatives of the action programme by means of participation in projects which build on the measures already undertaken;
- to generate synergies between projects which, when joined together, could have a propulsive effect;
- to stimulate the independent production sector;
- to help in creating a second market for the distribution of European works;
- to provide projects with the extra finance they need in order to use and derive maximum benefit from the European new technologies applied to programmes (notably HDTV);
- to ensure, by means of support for a project, that the potential of regions "with lesser audiovisual capacity" is used to best effect;
- to contribute to the success of Audiovisual EUREKA in order to attain the general objective of boosting Europe's audiovisual capacity.

The projects which will receive for Community support may come under any of the programme's lines of action. Such support will be determined by reference to the specific features of each project and according to whether the Audiovisual EUREKA instrument is suited to the objectives. The Advisory Committee of Member States' representatives will give its opinion on the choice of Audiovisual EUREKA projects to be supported by the Community.

3.3.6.4. Other forms of participation in Audiovisual EUREKA

Finally, the Community will make a contribution - according to the percentage rates agreed within the Coordinators Committee - to the operating costs of the Audiovisual EUREKA Secretariat and to the preparatory work on the European Audiovisual Observatory (and, if the go-ahead is given, to its establishment).

4. PROMOTING COOPERATION WITH PROFESSIONALS OF NON-COMMUNITY EUROPEAN COUNTRIES, INCLUDING CENTRAL AND EASTERN EUROPE

This aspect of the programme is of special importance. Beyond the economic development they stimulate, exchanges in the audiovisual field will have a decisive political impact on the democratic future of the countries concerned and on their cooperation with Community Europe. The aim is therefore to promote, horizontally in all the lines of action of the programme, cooperation between "Western" and "Eastern" professionals.

The synergies with the industries of those countries can not only expand the market to the benefit of all concerned, but also boost the production potential and creativity of Europe as a whole. The programme will include innovatory joint-venture formulas, providing in particular for payment in the form of services in view of the lack of financial capacity of the new partners.

For example,

- on the training side, the operations undertaken within the action programme to improve the economic management of the European audiovisual industry and to improve knowledge of the market will be particularly useful to the professionals from "the East", who will be contending with new problems posed by the advent of a mixed economy, open to competition. In exchange, the Community professionals could benefit, for instance, from the excellent instruction imparted in the Polish and Soviet cinema schools;
- the application of new European technologies will help to impose European standards throughout Europe, especially in the field of HDTV;
- films produced in some of the countries in question will be eligible for the Community schemes of loans to be reimbursed from receipts; Community films will be distributed in cinemas and on video circuits in those countries;
- the exchanges of television broadcasts between East and West will help to reduce the European production deficit and also strengthen the "second market";
- the collaboration of cartoon studios, such as the Czechoslovak, Yugoslav, Hungarian and other studios in the European studios network will help to raise the quality of their products and make them more competitive.

It is proposed that part of the financial allocation earmarked for each line of action be devoted to this type of cooperation. The cooperation agreements already in existence or under discussion with these countries could provide a framework for such measures.

5. CONCLUSION

The Council is requested to endorse the objectives and lines of action presented above by adopting the decisions annexed. The first, which

concerns the entire action programme other than the specific training measure described in point 3.3.4.2., would be based on Article 235 of the EEC Treaty.

The second, which concerns the specific training measure, would be based on Article 128 of the EEC Treaty.

Article 235 may be used only when the Treaty does not provide elsewhere the necessary powers to take action. This is not the case with the training measure. However, the Commission underlines the importance it attaches to the overall coherence of the programme. It considers the decision proposed on the basis of Article 128 as being complementary to the one based on Article 235.

**Proposal for a
COUNCIL DECISION**

**concerning the implementation of an action programme to promote
the development of the European audiovisual industry (1991-1995)**

THE COUNCIL OF THE EUROPEAN COMMUNITIES;

Having regard to the Treaty establishing the European Economic Community,
and in particular Article 235 thereof,

Having regard to the proposal from the Commission,¹

Having regard to the opinion of the European Parliament,²

Having regard to the opinion of the Economic and Social Committee,³

Whereas the Heads of State and Government meeting in the European Council
in Rhodes on 2 and 3 December 1988 underlined the vital importance of
stepping up efforts, including cooperation, to develop Europe's audiovisual
capacity, in matters such as the free movement of programmes, the promotion
of the European high-definition television system or of a policy of
encouraging creativity, production and broadcasting so as to provide an
opportunity of demonstrating the wealth and diversity of European culture;

Whereas the Community already possesses certain instruments designed to put
such a policy into practice;

Whereas on 3 October 1989 the Council adopted Directive 89/552/EEC on the
coordination of certain provisions laid down by law, regulation or
administrative action in Member States concerning the pursuit of television
broadcasting activities,⁴ and that Directive contributes to the
establishment of a large audiovisual market which must benefit both the
audiovisual industry and ordinary citizens and which has yet to be
consolidated;

1 OJ

2 OJ

3 OJ

4 OJ No L 298, 17.10.1989, p. 23.

Whereas on 27 April 1989 the Council adopted Decision 89/337/EEC on high-definition television,⁵

Whereas between 30 September and 2 October 1989 the Commission and the French Government jointly organized the European Audiovisual Conference in Paris; whereas the experts attending the meeting stressed the need for stronger Community action, particularly to encourage audiovisual creative work;

Whereas the Joint Declaration of 2 October 1989 approved by 26 European countries and the Commission established a transnational cooperation structure entitled Audiovisual Eureka;

Whereas the Heads of State and Government meeting in the European Council in Strasbourg on 8 and 9 December 1989 indicated that a Community action programme following on from the Media (Measures to encourage the development of the audiovisual industry) programme should be endowed with the necessary financial resources and that the necessary synergy with the Audiovisual Eureka Initiative should be ensured;

Whereas on the Council favourably received the Commission Communication on audiovisual policy setting out the priority objectives and lines of action of a Community policy to provide an overall approach to regulatory, technological and industrial questions in the audiovisual sector and establishing a timetable for the submission of the specific proposals required for its implementation;

Whereas the development of the industrial aspects of this overall policy will have to be based on the experience acquired and the positive results achieved by the Commission in applying the pilot phase of the Media programme; whereas the evaluation of that phase carried out by the Commission and by a group of independent experts has demonstrated the need, if Europe's audiovisual capacity is to be expanded, for a longer-term programme;

Whereas, beyond the continuation and further development of the projects carried out at the pilot phase, developing new pilot projects may have a catalysing effect on areas of the European audiovisual market which have as yet not been adequately explored;

Whereas, to achieve maximum results, Community action must allow for the European dimension of the audiovisual market, which also entails taking account of the work to be carried out within the framework of Audiovisual Eureka;

Whereas for this purpose encouragement should be given, via the appropriate instruments and in the spirit of the Joint Declaration of 2 October 1989, to the development of additional links between Community schemes and those carried out within the framework of Audiovisual Eureka;

⁵ OJ No L 142, 25.05.1989, p. 1.

Whereas, as stated in the Joint Declaration of 2 October 1989, Audiovisual Eureka projects are not designed as replacements for Community schemes, their purpose being, where appropriate, to extend or supplement them;

Whereas it is imperative that the European audiovisual industry match supply to demand; whereas it must therefore act to prevent further fragmentation of the markets and overhaul its production and distribution structures, which are too narrow and do not yield an adequate return;

Whereas, in this context, special attention needs to be given to small and medium-sized businesses and to the Community regions with lesser audiovisual capacity, when organizing market structures; whereas action must therefore be taken to ensure all appropriate coordination with the Community initiatives now under way in these fields;

Whereas in the development of the programme-making industry proper regard should be had for the different cultural identities of the various countries and regions; whereas, in the same spirit, account needs to be taken of the position of regions in Europe with less widely spoken languages;

Whereas the development of the programme-making industry calls for a mastery of new technology and should enable economies of scale to be made;

Whereas increased use of new forms of European technology, particularly high-definition television and in the areas of audiovisual programme production and distribution, may help to enhance the value of the technologies in question;

Whereas the response to the cultural, technological and industrial challenges generated by evolving communications techniques and the growing requirement for audiovisual programmes is to be found first and foremost in the commitment and drive displayed by the professionals;

Whereas the media professionals and the Member States must be closely involved in developments during the main phase of the programme; whereas the exchange of information and experience and consultation between the various parties involved and the Commission are vital to the task of enhancing the effectiveness and overall cohesion of the Community's audiovisual policy as a whole;

Whereas the purpose of the Community's action in this area must not be to try to stand in for but to supplement and extend what is being done by the authorities in the Member States; whereas establishing machinery for liaison, cooperation and training complements national moves;

Whereas the primary aim of financial input from the Community must be to arouse interest and contributions from additional sources of financing supplied by interested parties, thereby having a multiplier effect on the development of the audiovisual industry;

Whereas measures designed to establish the internal market in stages over a

period ending on 31 December 1992 need to be adopted; whereas the Internal market comprises an area with no internal frontiers in which freedom of movement for goods, people and services is guaranteed;

Whereas, to attain the objectives of the Community as stipulated in Article 2 of the Treaty, it is clearly necessary to promote the European audiovisual programme-making industry as part of the operation of the single market; whereas, since the Treaty makes no provision for specific powers for that purpose, it is necessary to rely on Article 235;

Whereas the estimated requirement in terms of the Community's contribution to the proposed programme is for 235 million ECU, to be spread over five years from 1991 onwards; whereas the allocations will be determined on the basis of the financial perspectives and within the limits of the amounts available for each year's budget,

HAS DECIDED AS FOLLOWS:

Article 1

An action programme to promote the development of the European audiovisual industry, called "Media", is hereby adopted for a period of five years from 1 January 1991.

Article 2

The aims of the programme shall be as follows:

- to help establish a European audiovisual area within which Community firms will act as a driving force alongside those from other European countries;
- to stimulate and increase the capacity of European film and audiovisual programme makers to supply on competitive terms, with special regard for the role and requirements of small and medium-sized businesses, the legitimate interests of creators and the position of countries in Europe with smaller audiovisual production capacities or less widely spoken languages;
- to step up intra-European exchanges of films and audiovisual programmes and, with a view to securing a better return on investment, to make maximum use of the various means of distribution which either exist or are still to be set up in Europe;
- to contribute towards European production and distribution companies being able to obtain a larger share of world markets;
- to promote and enhance the value of the new European communications technologies in the production and distribution of audiovisual material;
- to encourage an overall approach which allows for the interdependence of the various audiovisual sectors and ensures that moves undertaken at national level complement those undertaken at European level.

Article 3

To attain the objectives set out in Article 2, the following measures shall be put into effect in accordance with the procedure laid down in Article 7:

- the improvement of mechanisms for the distribution of European productions, in particular through the establishment of specialist networks, support for multilingualism and market access for independent productions;
- the improvement of the production environment, with particular reference to the development of screenplay-writing and pre-production, the application of new forms of technology, including high-definition television, the development of specific sectors such as animation and the creation of a "secondary market", notably by making use of archives;
- the creation of a climate favourable to the financing of production and co-production schemes, particularly by encouraging the setting-up of European venture-capital and guarantee-fund networks;
- the promotion of new audiovisual services, particularly those which use new audiovisual techniques for disseminating and transferring information;
- the development of the audiovisual potential of regions with smaller production capacity or less widely spoken languages, particularly through the establishment of transnational networks of media promotion and development agencies;
- the encouragement of cooperation between audiovisual professionals in the Member States and other European countries, especially Central and Eastern Europe.

These measures are described in greater detail in Annex I.

Article 4

The implementation of the action programme shall also involve Community participation in Audiovisual Eureka projects which complement or extend the measures described in Article 3 and satisfy the conditions for Community involvement set out in Annex II.

The Community shall also contribute to the operating costs of the Audiovisual Eureka Secretariat [and to the setting-up of the European Audiovisual Observatory].

Article 5

The resources allocated to the measures provided for in the programme shall be determined in the framework of the budgetary procedure.

Article 6

As a rule, parties to contracts with the Commission for the implementation of the measures provided for in Article 3 must provide a substantial proportion of the funding, representing at least 50% of their total cost.

Article 7

1. The Commission shall be responsible for implementing the action programme.
2. For the purpose of implementing the action programme the Commission shall be assisted by a committee of an advisory nature, consisting of the representatives of the Member States and chaired by the representative of the Commission.

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

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

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

3. The matters on which the Commission consults the committee shall include the following:
 - priority schemes;
 - the criteria for selecting projects and contractors;
 - the allocation of funding for priorities;
 - financial contributions within the meaning of Article 4;
 - the evaluation of projects;
 - exceptions to Article 6;
 - the evaluation of the programme for the purpose of drawing up the report provided for in Article 8.

Article 8

After the programme has been in operation for two years, the Commission shall present a report on the results achieved to the European Parliament, the Council and the Economic and Social Committee.

At the expiry of the programme, the Commission, in accordance with the procedure laid down in Article 7, shall send a report on the implementation and results of the programme to the European Parliament, the Council and the Economic and Social Committee.

Done at Brussels,

For the Council
The President

ANNEX I : Measures
and indicative breakdown of costs (ECU million)

1.	<u>Distribution mechanisms</u>	<u>100</u>
1.1	Distribution of films in cinemas	40
-	Significant development of action taken by EFDO (European Film Distribution Office) to promote the cross-frontier distribution of European films in cinemas; extension of this support system to works produced at a cost of up to ECU 4 500 000;	
-	Measures to promote European films outside the Community (offices for the promotion of European films and television programmes, group presence at festivals and on fairs);	
-	Study and implementation of measures to promote the film sector (cinemas);	
1.2	Distribution on video cassette and television broadcasting	20
-	Prolongation of the EVE measure (European Video Area), which is a system of advances on receipts to promote the production and cross-frontier distribution of European works. Extension of the system, by creating networks of mediatheques and public libraries to promote the output of programmes on video cassette;	
-	Encouragement for the broadcasting by television stations of programmes produced by independent European producers.	
1.3	Support for multilingualism in television programmes	10
-	Extension of the BABEL scheme ("Broadcasting Across the Barrriers of European Language"), to promote the circulation of European products designed for television,	
-	Support for the development of multilingual television stations,	
-	Undertake with the framework of BABEL, measures for perfecting the skills of journalists and other audiovisual professionals working in a multilingual environment	
1.4	Development of markets for independent producers	30
-	Intensification of the EURO-AIM scheme, a services structure which organizes the group presence of independent producers on international markets and gives them advice, it will	

- ensure a more conspicuous European presence on the major markets;
- highlight particular sectors of production (archives, documentaries, youth interests, etc.);
- develop promotional activities on non-Community markets;
- develop the services available to small producers;
- computerize the compilation and dissemination of data on independent European production.

2. Improvement of production conditions 90

2.1 Development of preproduction 25

- Development of the European SCRIPT Fund (encouragement for the development of screenplays and preproduction) by increasing its financing capacity and providing, in addition, professional services such as:
 - assistance in the field of script writing;
 - assistance with regard to the financing of production.
- Extension of aid for development and preproduction to companies presenting "packages" of programmes;
- Extending these measures (intended primarily for works of fiction) to creative documentaries;
- Developing, within the framework of SCRIPT, the professional skills of European screenplay writers, in particular by organising "script doctoring" sessions;

2.2 Restructuring of the animated cartoon industry 25

- Encouragement for the formation of networks of production studios by cofinancing coordination and management costs; ensure that the complementary measures for the transfer of know-how between the cartoonists, studio managers and graphics coordinators who will be needed to form these networks are taken;
- Contributing to the harmonization and computerization of production modes and to the industrialization of working methods.
- Support for the production of "pilots" by providing seed capital in the form of advances on receipts;
- Development of an information system specific to the European animated cartoon industry based on meetings between producers and distributors as well as the computerization of professional information.

2.3 Promotion of the use of new European technologies in the production of programmes 25

- Extension of the activities of the MEDIA Investment Club:
 - by increasing the number of its members,
 - by issuing invitations to tender so as to encourage innovative projects,
 - by providing support for measures designed to promote the production of films and programmes using the European HDTV standard (In liaison with EUREKA-Audiovisual and EEIG "Vision 1250").
 - by promoting schemes for the initiation of professionals in the use, in the production of audiovisual works, of new techniques in image synthesis, digital TV, high-definition TV and interactive TV.

2.4 Contribution to the establishment of a "Second Market", using archive material 15

- Support for the operation and consolidation of MAP-TV (linking up of European archives services);
- Turning this "memory bank" to advantage by reissuing and rebroadcasting works or by using them for the production of new series;
- Research into and experimentation with solutions for the problems concerning royalties, which hamper the use of archives;
- Production of catalogues to be used for the promotion of archives.

3. Stimulation of financial investment 15

- Encouragement for the establishment and development of structures designed to mobilize and stimulate investors (risk-capital fund, guarantee fund, investment pools, etc.).

4. Other measures 30

- Continuing to explore new areas in order to adapt the action programme to developments in the European audiovisual sector. For example, in the following fields
 - promotion of new audiovisual programme services using new broadcasting technologies (development of experiments in fields such as interactive communication, subject channels, etc.);

- development of potential in Community countries and regions with smaller audiovisual capacity or limited language area;

5. Promotion of cooperation with professional circles in Central and Eastern European countries. p.m.

Part of the financial allocation for each of the lines of action (1 to 4) will be devoted to this type of cooperation.

TOTAL 235

ANNEX II

Community Involvement in Audiovisual EUREKA

Both Community policy and Audiovisual EUREKA are pursuing the same general objective, i.e. to boost Europe's audiovisual capacity in accordance with the conclusions of the Rhodes and Strasbourg European Councils. In this connection, Annex 2 to the Joint declaration signed in Paris on 2 October 1989 concerning Audiovisual EUREKA states that the European Community may take part in Audiovisual EUREKA projects, particularly through its programmes, but that these projects are not designed to replace the existing cooperation frameworks, their objective being rather to extend or supplement them as appropriate. In practical terms, the Community will be involved in two ways: the opening-up of Community projects to professionals of non-member countries (on contractual terms to be defined) and Community involvement in Audiovisual EUREKA projects which fit into the lines of action described in Annex 1.

The concept of Community "added value" will determine Commission action in Audiovisual EUREKA.

The positive complementarity between the Community action programme and Audiovisual EUREKA is helped by the difference in their nature:

- The action programme is a coherent set of incentive measures acting upstream and downstream of production proper with an effect of scale deriving from the participation of the twelve Community countries;
- Audiovisual EUREKA offers a host structure (based on the original Technological EUREKA) for helping professionals to devise and execute transnational projects by the multiplication of initiatives especially in the production field, with the flexibility afforded by the involvement of private and public partners in varying proportions.

The specific characteristics of these two instruments can produce synergy of two types:

1. The Community action programme extended to include new partners

The Community gain will be enhanced by the effects of geographical, economic and creative enlargement.

The professionals of the signatory countries to the "Joint Declaration" are invited to participate in the initiatives of the action programme. Accessions will be formalized in agreements between the new non-Community participants and those responsible for the project in question within the framework of the action programme. The new participants will make a financial contribution calculated on the basis of the operational and management costs of the project.

The action programme is a Community Instrument and will be managed by the Commission assisted by the Advisory Committee provided for in Article 7. However, extending it to non-Community participants will give it much greater commercial and economic potential.

2. The Community as a partner in Audiovisual EUREKA projects

The Community stands to gain from EUREKA projects, where the broader dimension could have a positive impact on the activities of the audiovisual programmes industry in Europe.

The Community will be able to take part in Audiovisual EUREKA projects via its action programme. In each case the arrangements will be specified in an agreement.

Participation will be designed:

- to increase the overall coherence of the various initiatives of the action programme by means of participation in projects which build on the measures already undertaken;
- to generate synergies between projects which, when joined together, could have a propulsive effect;
- to stimulate the independent production sector;
- to help in creating a second market for the distribution of European works;
- to provide projects with the extra finance they need in order to use and derive maximum benefit from the European new technologies applied to programmes (notably HDTV);
- to ensure, by means of support for a project, that the potential of regions "with lesser audiovisual capacity" is used to best effect;
- to contribute to the success of Audiovisual EUREKA in order to attain the general objective of boosting Europe's audiovisual capacity.

The projects which will receive Community support may come under any of the lines of action of the programme described in Article 3. Such support will be determined by reference to the specific features of each project and according to whether the Audiovisual EUREKA instrument is suited to the objectives. The Advisory Committee of Member States' representatives will, as provided for in Article 7, give its opinion on the Audiovisual EUREKA projects to be supported by the Community.

3. Other forms of participation in Audiovisual EUREKA.

The Community will make a contribution - according to the percentage rate agreed within the Coordinators' Committee - to the operating costs of the Audiovisual EUREKA Secretariat and to the preparatory work for the establishment, should this be so decided, of the European Audiovisual Observatory.

**Proposal for a
COUNCIL DECISION**

**concerning the implementation of a Community vocational training
measure in the audiovisual sector**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,
and in particular Article 128 thereof,

Having regard to the proposal from the Commission,¹

Having regard to the opinion of the European Parliament,²

Having regard to the opinion of the Economic and Social Committee,³

1 OJ
2 OJ
3 OJ

Whereas the Heads of State and Government meeting in the European Council in Rhodes on 2 and 3 December 1988 underlined the vital importance of stepping up efforts, including cooperation, to develop Europe's audiovisual capacity, in matters such as the free movement of programmes, the promotion of the European high-definition television system or of a policy of encouraging creativity, production and broadcasting so as to provide an opportunity of demonstrating the wealth and diversity of European culture:

Whereas the Community already possesses certain instruments designed to put such a policy into practice;

Whereas on 3 October 1989 the Council adopted Directive 89/552/EEC on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities,⁴ and that Directive contributes to the establishment of a large audiovisual market which must benefit both the audiovisual industry and ordinary citizens and which has yet to be consolidated:

Whereas between 30 September and 2 October 1989 the Commission and the French Government jointly organized the European Audiovisual Conference in Paris; whereas the experts attending the meeting stressed the need for stronger Community action, particularly in the field of vocational training;

Whereas the Joint Declaration of 2 October 1989 approved by 26 European countries and the Commission established a transnational cooperation structure entitled Audiovisual Eureka;

Whereas the Heads of State and Government meeting in the European Council in Strasbourg on 8 and 9 December 1989 indicated that a Community action programme following on from the Media (Measures to encourage the development of the audiovisual industry) programme should be endowed with the necessary financial resources and that the necessary synergy with the Audiovisual Eureka initiative should be ensured;

Whereas on the Council favourably received the Commission Communication on audiovisual policy setting out the priority objectives and lines of action of a Community policy to provide an overall approach to regulatory, technological and industrial questions in the audiovisual sector and establishing a timetable for the submission of the specific proposals required for its implementation;

Whereas the development of the industrial aspects of this overall policy will have to be based on the experience acquired and the positive results achieved by the Commission in applying the pilot phase of the Media programme; whereas the evaluation of that phase carried out by the Commission and by a group of independent experts has demonstrated the need for more transnational cooperation on vocational training in the audiovisual sector;

4 OJ No L 298, 17.10.1989, p. 23.

Whereas for this purpose encouragement should be given, via the appropriate instruments and in the spirit of the Joint Declaration of 2 October 1989, to the development of additional links between Community schemes and those carried out within the framework of Audiovisual Eureka relating to vocational training;

Whereas, in this context, special attention needs to be given to small and medium-sized businesses and to the Community regions with smaller audiovisual capacity, when organizing market structures; whereas action must therefore be taken to ensure all appropriate coordination with the Community initiatives now under way in these fields;

Whereas the primary aim of financial input from the Community must be to arouse interest and contributions from additional sources of financing supplied by interested parties, thereby having a multiplier effect on the development of the audiovisual industry;

Whereas a measure concerning vocational training needs to be added to the other Community measures designed to promote the development of the European audiovisual industry; whereas these measures must be conducted in parallel;

Whereas the estimated requirement in terms of the Community's contribution to the proposed measure is for 15 million ECU, to be spread over five years from 1991 onwards; whereas the allocations will be determined on the basis of the financial perspectives and within the limits of the amounts available for each year's budget,

HAS DECIDED AS FOLLOWS:

Article 1

A Community measure for the development of vocational training in the audiovisual programmes industry covering a period of five years from 1 January 1991 is hereby adopted.

Article 2

The aim of the Community measure shall be to help, in particular by improving the skills of audiovisual professionals in the Community in economic and commercial management, to establish conditions in which undertakings in the sector can derive maximum benefit from the dimension offered by the single market.

Article 3

To attain the objective referred to in Article 2 transnational vocational training schemes in economic and commercial management shall be developed in the sectors of film and audiovisual programme production and distribution.

Article 4

The implementation of the measure may also involve Community participation in Audiovisual Eureka projects which complement or extend the measure.

Article 5

The resources allocated to the measure shall be determined in the framework of the budgetary procedure.

Article 6

As a rule, parties to contracts with the Commission for the implementation of the measure must provide a substantial proportion of the funding, representing at least 50% of their total cost.

Article 7

1. The Commission shall be responsible for implementing the measure and for ensuring coordination with other Community measures to promote the development of the European audiovisual industry.
2. The Commission shall be assisted by a committee of an advisory nature, consisting of the representatives of the Member States and chaired by the representative of the Commission. The committee shall be the one provided for in Council Decision 90/ /EEC⁵ to assist the Commission in implementing the action programme to promote the development of the European audiovisual industry (1991-1995).

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

5. OJ No

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

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

3. The matters on which the Commission consults the committee shall include the following:

- the criteria for selecting contractors;
- financial contributions within the meaning of Article 4;
- exceptions to Article 6;
- the evaluation of the programme for the purpose of drawing up the report provided for in Article 8.

Article 8

After the measure has been in operation for two years, the Commission shall present a report on the results achieved to the European Parliament, the Council and the Economic and Social Committee.

At the expiry of the measure, the Commission, in accordance with the procedure laid down in Article 7, shall send a report on the implementation and results of the programme to the European Parliament, the Council and the Economic and Social Committee.

Done at Brussels,

For the Council
The President

ENCOURAGING EUROPE'S MEDIA INDUSTRY

A Review of MEDIA 92

by

a Committee of Experts appointed
by the European Commission

March 1990

ENCOURAGING EUROPE'S MEDIA INDUSTRY

A Review of MEDIA 92

Preface

We were invited in January by the European Commission to carry out an evaluation of the MEDIA 92 Programme, to be delivered by the middle of March. This required us to work intensively if we were to make what we regarded as the necessary inquiries into each of the projects, and the impact of the Programme as a whole.

The Committee held seven formal meetings. In addition, each member carried out a number of personal inquiries into the impact on users of the various projects. We met the Directors of MEDIA 92 on three occasions and the co-ordinators of each project at least once. Members of the Committee paid visits to projects located in Hamburg and Paris.

We would like to express to all those concerned with MEDIA 92 and its projects our appreciation of their co-operation. We would also wish to put on record the valuable research and drafting assistance we received from Mr Hanno Fry, our editorial assistant.

Sir Ian Trethowan (Chairman)

Mr Bo Christensen

Mr Enrique De Las Casas

Mr Massimo Fichera

Mr Hans Tijssen

[Handwritten signatures and initials corresponding to the names listed on the left]

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MEDIA 92 REPORT

1. Introduction

The European film and television industries reflect both the benefits and drawbacks of the Community's diversity - a rich and varied creative and cultural tradition, but a fragmented distribution system and a lack of a common language. More films are made each year in Europe than in the United States, and many win international awards, but 80% of them never cross the frontiers of their country of origin.

The Community has affirmed its intention to take positive action to foster a distinctive European audio-visual industry, most recently at the Strasbourg summit, and in the Commission's statement to the Council of Ministers which proposes an action programme.

From our own individual experiences, we can say that the Community's positive approach has been a strong encouragement to the European film and television industries. The crucial role played by television in recent events in Eastern Europe has provided a timely reminder of the unique power of the media, and of the fact that any society must be actively concerned in ensuring that its audio-visual industries develop beneficently, and provide a true and distinctive reflection of the peoples it serves.

1.1. The Role of MEDIA 92

The MEDIA 92 Programme was set up to try and create more co-operation in the European audio-visual industry, (cf.1 below). Even the longest-running of its nine projects is still in its infancy, but it is already clear that MEDIA has

1. Programme d'action en faveur de la production audiovisuelle européenne, communication de la Commission au Conseil, COM (86) 255 final

demonstrated the potential to create the coherence and co-ordination which the European film and television industry needs so critically, and which the Commission seeks.

Through MEDIA 92, the Community can try to ensure that, as its economic and political initiatives draw closer together, its constituent national and regional groupings are encouraged to maintain their individuality and diversity, while at the same time contributing to a strong and distinctive European identity.

Film and television are where culture and economics cross. At present the European industry is strong in creative talent and professional skills, but it is relatively weak economically. Strengthening the media in Europe will strengthen both European culture and European economies; both will suffer if some strengthening is not implemented. We have no doubt that an expanded MEDIA programme which pays especial attention to those regions and aspects of the industry which are at present relatively weak, is crucial if the European audio-visual industry is to provide employment and maintain a distinctive European presence on the screens.

1.2. MEDIA's Financing

We attach great importance to the underlying financial philosophy of MEDIA 92. It is, in their own words, "not a subsidy machine". On the contrary, they would aim, over a five years action programme, to bring their operations to financial autonomy. With regard to the administrative costs of the MEDIA 92 projects, these at the moment are usually paid partly by the Commission and partly by the host country. We feel that in future these should be borne in their entirety by MEDIA 92, and should be regarded as repayable loans.

With most of the projects, MEDIA 92 offers seed money, which has to be matched by money from other, frequently commercial sources. Commercial participation is important, alongside that

of public broadcasters. If the European film and television industries can evolve more co-operation and co-production, they should become more financially viable.

1.3. The Committee's View of MEDIA 92's Performance

We shall in our report suggest that some of the projects would benefit from increased funding by the European Commission, and we shall also make a few criticisms of the existing programme and suggest some changes. But we have been impressed by the efficiency and the realism of the small MEDIA Programme central unit and most of the project teams.

Our review of the MEDIA 92 projects has been largely ad hoc. We have made ourselves acquainted with some of the plans MEDIA 92 has been developing for an expanded programme but we have not been in a position to consider them in any detail. We note that many, but not all of the recommendations of the Commission's 1986 programme have been implemented; several new features have found our explicit approval, e.g. the creation of CARTOON. In other cases we have re-emphasised points made in the original document but not implemented, e.g. the close association between distribution in film, television, and video. We have not, however, in the relatively short time available to us, made a systematic assessment of the whole area.

We believe that the time has come for MEDIA 92, and indeed other European initiatives, to be placed clearly in a wider context. We recommend there should be a systematic and thorough study of the entire audiovisual industry to establish the specific needs which have to be filled in Europe and to co-ordinate the various initiatives aimed at meeting those needs. With this as background, and mindful of the rapid changes that some of the projects may be expected to undergo, we recommend that MEDIA 92 should be assessed again in about two years' time. With this we couple the immediate

recommendation that all projects should establish targets and criteria for assessment.

Before turning to the separate projects, there is one general point we would make. The MEDIA Programme is, we understand, precluded from supporting individual productions directly. This is justified since the Commission should not itself choose programmes. There should be no restriction, however, on support of production by the projects of MEDIA 92. Most film and television productions nowadays are based on a financial package which includes an agreement under which the distributor, for film, or the broadcaster, for television, advances a substantial sum of money to the producer before production begins.

Since the central reason for creating MEDIA 92 is to encourage much greater co-operation between the national audiovisual industries within the Community, it is essential that the relevant projects should be free to foster co-production based on partnerships between producers and distributors.

One further general point: if expanded MEDIA 92 is to be fully effective across the Community, we believe that it should take stronger steps to publicise not only the umbrella organisation but each individual project.

2. SUMMARY

2.1. General Recommendations

1. The work of MEDIA 92 should be expanded into a five year action plan according to established targets and methods of assessment;
2. All major MEDIA 92 projects should aim to be self-financing within that five year term;
3. Efforts should be made to harmonise the roles of MEDIA 92 with those of other European audio-visual projects;
4. MEDIA 92 should take steps to make its individual projects more widely known within the European industry;
5. The work of MEDIA 92 should be reassessed in two years' time, after a systematic and thorough study of the European audio-visual industry as a whole;

2.2. Specific Recommendations

- 1) EFDO should be given a substantial increase in funding. Its basic limit to production budgets should be raised to 3 million ecu and it should take special steps to encourage production in very low budget countries;
- 2) The European Script Fund should expand substantially, and should be given extra funding to take its approved projects to the production stage;
- 3) EAVE should be continued, but subject to its courses being inter-disciplinary, to consideration of cost effectiveness and duplication, and to MEDIA 92 promoting additional

inter-professional advanced training in connection with existing film and television institutions;

- 4) CARTOON should be given a substantially increased budget, and encouraged particularly to form links with Eastern Europe;
- 5) The MEDIA INVESTMENT CLUB should continue to be supported, but the extent of MEDIA 92's financial involvement should be reviewed;
- 6) MEDIA VENTURE does not require the continued involvement of MEDIA 92;
- 7) EURO-AIM should be encouraged, but producers should be charged for using its services;
- 8) BABEL is potentially a very important project, but MEDIA 92 will need to introduce a new and expanded structure;
- 9) EVE should be merged with EFDO, or at least work very closely with it.

3. EFDO - European Film Distribution Office

Considering that so many films are made in Europe and yet not distributed, we consider that this is one of the central projects of the MEDIA 92 Programme.

Its object is to stimulate the distribution of films with budgets below 2.25 million ecu; the Office uses a loan fund of 2 million ecu and an administrative budget of 0.35 million ecu. It has 61 advisory members who pay 100 ecu per annum. It makes loans to distributors for one half the budgeted distribution costs which include marketing, copies, dubbing etc. The criteria for making loans are exclusively quantitative. Distributors from 3 different countries must apply, and preference is given to films from countries with low production and to countries with low distribution capacity. Of the total funds 40 percent are given to films with budgets below 0.7 million ecu. Loans are repayable after distributors' investment and 30 percent overheads have been covered by box office takings. An additional sum of up to 10 percent of the loan is also payable if the distributors go into overall profit.

The project has been operating for 18 months. Loans have been made to 107 distributors for 25 films. Six months after the first loans had been made the supported films had been seen by an audience of 1.3 million. By the present time, the audience is estimated at 5 million. Up to the middle of 1989 there had been a return cash flow from the distributors of 0.24 million ecu. We have been given no later figures.

The Report of the Assises Europeennes de l'Audiovisuel (the Assises) (p 130) acknowledged the action taken by EFDO to promote European works within and outside Europe and hoped that it would be sustained and strengthened.

We are convinced that the value of EFDO to the European industry has already been established. We recommend that its

loan fund should be substantially increased so that it can make a more significant impact on the distribution of European films. The total annual production of films in the Community with budgets below 2.25 million ecu is about 500. In the past EFDO has had more applicants for loan funds than it could satisfy.

We take the view that EFDO should raise its limit on production budgets to 3 million ecu, with the exception of European co-productions where a limit of 4 million ecu might be suitable. The present limit of 2.25 million ecu is too low for many of the films that have some chance of success. However, in order to take proper account of the countries where all films have a very low production budget, a third category of low budget with a corresponding points advantage might be introduced.

We consider that the production of films of European interest would be stimulated further by including distribution guarantees (presale) in the distributors' budgets for which EFDO can make loans. Many distributors are involved in the production finance of films. EFDO's loan fund would obviously have to be further increased substantially in order to be able to assume this function.

Furthermore, we would point out that distribution deals for films nowadays include television and video rights. It seems appropriate to us, therefore, that such deals should be supported by one rather than several organisations. An amalgamation of, or at least a very close formal association between, EFDO and EVE therefore seems indicated to us, as well as the inclusion of distribution to television channels.

We support EFDO's intention of opening offices in the United States as well as their efforts to include East European countries in their organisation.

Finally, we wish to stress the need for EFDO and EURIMAGES to come to an agreement regarding their present and future activities. As things stand, there is a danger of a duplication or competition which may not be in the interest of the European public.

4. European Script Fund

The object of the European Script Fund is to stimulate the preparation of development packages for across-border fiction projects. This includes script, production budget, business plan etc. A novel method of selection has been developed. Judgements are made on the basis of treatments - not of scripts - taking into account the characteristics of each country. Loans amounting to one half of the development costs are awarded to applicants who submit treatments with a strong story line, good production potential, and likely appeal to European audiences. The Fund has received over 1100 applications in the first year of operation and has awarded 83 loans totalling some 1.7 million ecu so far. Loans are repayable when production starts plus 15% per annum commission.

One half of the administration budget of about 0.45 million ecu is provided by British industry, the other half by the European Commission. Non-EC countries are preparing to join the Fund by contributing to both administration and loan accounts. Switzerland has recently joined the Fund; Austria has applied.

The Assises gave "unqualified support to the following proposed extensions of the Fund: adding the responsibility for (creative) documentary productions and arts programmes; extending the geographic range to all countries willing to contribute, providing essential support to writers, directors and producers during script development and pre-production, and adding responsibility for incentive funding of production companies" (p 68). Further, "the initiative of the Fund is

considered to have achieved undeniably positive results. Its effectiveness can be extended only on the express condition that the financial resources are increased. The Fund has provided a not inconsiderable launch for screen writing for such countries as Portugal, Ireland, Greece and Denmark."

The Committee welcomes the objects of the Fund; our enquiries have shown that its selections have been recognised as wide ranging and realistic. The work of the Fund can only be fully evaluated after it has existed for a number of years, but we conclude that it is performing a very valuable function in the development area of European fiction. In order for the Fund to achieve this and in order for it to make sufficient impact on the level of quality, and on the range of choice, available to investors in European fiction over a period of five years, we consider that the Fund should concern itself increasingly with bringing the projects it has helped to develop up to the production stage. We recommend that the Fund's financial resources should be increased substantially.

As for the Fund's mode of operation, we endorse the practice of selection by 2 or 3 people backed up by advisors, but recommend that there should be a change in the selectors every 3 years.

Amongst the various aspects of fiction already covered by the Fund we wish to place special emphasis on the development of television series and serials, where Europe is especially weak, and on the collective writing of such projects.

5. EAVE - European Audio-visual Entrepreneurs

This project commenced operations in June 1988. Its object is to train entrepreneurs in the audio-visual industry. Using national organisers as selectors of applicants it has an intake of about 20 participants and 20 observers a year. They take part in, and observe, respectively the comprehensive review by experts of the projects brought by the participants. These progressive reviews are held throughout one year at 3 one-week residential courses.

The project has an annual turnover of about 1 million ecu. MEDIA 92 contributes 0.325 million ecu, French and Belgian ministries and the Brussels film school together about the same amount and 0.2 million ecu are contributed by the participants and observers. As an extension, business seminars are planned in Spain.

The Assises, on page 130, acknowledged the action taken by EAVE and expressed the hope that the initiative will be sustained and strengthened.

We have studied the literature put out by the project and the extension of the project proposed quite recently by the MEDIA 92 Programme. EAVE argues that its courses are a significant addition to the work of the national schools, by making young entrepreneurs more familiar with the realities of the market place, and encouraging associations between entrepreneurs' from different countries. We support this objective but we see two risks: of duplicating work already done effectively in the various national film and television schools, and of over-specialising, separating creative and managerial disciplines.

MEDIA 92's initiatives should concentrate on teaching media professionals how to co-produce in Europe and instructing managers who want to become active in the media in the

essential characteristics of the industry. We judge there is a place for EAVE, provided it brings together all professional disciplines, and concentrates its courses on those relatively inexperienced in the audio-visual industry. Alongside this, MEDIA 92 should help to promote the expansion of advanced teaching based on the already existing film and television schools combined in the European CILECT. We recommend that the cost effectiveness of the EAVE project should be reviewed, that a time-table be developed for making the project self-financing, and that MEDIA 92 should take note of the fact that the inter-disciplinary nature of this particular project, and its geographical spread, require sensitive and effective management.

6. CARTOON

This project has been operating for 2 years. It is primarily designed to encourage European co-operation in the production of animation programmes and the industrialisation of studios. Two groups of studios have been formed, 2 more are about to be formed, and several others are in the negotiating stages. CARTOON is also helping to develop a European training scheme for animators as part of a 3-year emergency plan. Furthermore the project helps to develop scripts for animation programmes using an adapted form of the one used by the European Script Fund. The making of pilots is also supported.

The project has an annual administration budget of 0.25 million ecu provided as to 40 percent by the European Commission. The cost of encouraging co-operation, - including the preparation of a 'technical bible' - has been 0.1 million ecu per annum on average from MEDIA 92 funds, far less than the amount invested by the studios themselves; the turnover of the 2 newly formed groups for current productions is anticipated to amount to a total of 38 million ecu in 2 to 3 years. 0.1 million ecu have been contributed from MEDIA 92 funds to the training scheme,

about 20 percent of its total cost. About 0.5 million ecu out of MEDIA funds has been provided as loans for the development of scripts for 23 projects out of 84 applications in 2 years. This represents some 20 percent of the full development costs. Scripts are selected by a committee of five experts. The developed scripts are estimated to generate a total production budget of 25 million ecu in the next 3 years. In 1990, 0.15 million ecu will be available from MEDIA 92 as conditional loans for making pilots as part of pre-production, representing some 25 percent of the cost.

The Assises expressed support for the work of CARTOON in the area of the training of trainers (p 68).

We are conscious that, on the one hand, animation lends itself admirably to be a pan-European project, and that on the other hand, the European industry is particularly weak in this area. We are impressed very favourably with the achievements of the project so far, and strongly favour its further development. We welcome the project's intention to encourage state-of-the-art technologies in this field.

We consider that the project is underfunded, not least because we feel that in this project, above all, MEDIA 92 can help to promote a highly desirable expansion into eastern Europe, where animation has reached a high artistic and technical standard. We recommend therefore that the project should have substantially increased funding.

7. Media Investment Club

The Media Investment Club of 10 members including MEDIA 92 is just over a year old. The other members are industrialists, financial establishments, communications groups, and television companies. The Club exists to stimulate the use of advanced technology in audio-visual productions and it is also concerned with training, information, and export in the same area.

It is intended to recruit additional members to the Club, the medium term aim being to have 50 members, 30 of which will be small to medium sized companies. This will make it easier for the Club to raise its share of the investment in appropriate projects. The Club also intends to become active in initiating new projects.

The Club has an administrative budget of 0.44 million ecu, half of which comes from the EC. Its investment budget was about 0.9 million ecu last year; this year it will be 0.46 million ecu. It is intended that MEDIA 92 will continue to match the membership fees paid by the other members. Projects are selected by a committee of 6 professionals in the fields of production, engineering, industry and finance. We recommend that someone with editorial experience should be included. Applications are judged for innovation, content, and potential for earning a profit; projects can be supported only if they are sponsored by at least 2 members from different countries.

Nearly 0.6 million ecu have been spent so far for 7 projects out of 76 submitted. The remaining applications were judged not to satisfy the conditions of the Club. In 5 of the projects in which the Club is looking for a return on investment it acted as co-producer. The Club forecasts that some of its projects will be outstandingly successful.

The Club has also subsidised the training of new creators with about 0.1 million ecu.

The new technologies working party of the Assises regarded the MEDIA Investment Club as providing the basis for a solid experiment.

We were concerned initially about two aspects of this project:

1. the relatively small membership fee paid by each of the Club's large enterprises; the small sums collected in this way cannot affect the development of the technologies.

2. why, when all the companies involved were quite large, MEDIA 92 should be needed as a member.

We were persuaded to look at the present situation as part of a medium term strategy which aims at strengthening the smaller and medium sized units of the industry. In this light we have accepted that the Club has needed both the larger organisations and the initiative and participation of MEDIA 92 for its inception, and that it will continue to need the participation of MEDIA 92 for reaching its medium term goal. We came to the conclusion, on the other hand, that the level of financial participation in the future should be reviewed. We were also satisfied that the Club represented a useful forum in which production and industrial developments could be discussed between producers and manufacturers and between different levels of industry.

8. Media Venture

This scheme is expected to start up in a few months time under Luxembourg law and taxation and is not yet fully defined. Its capital is expected to be between 25 and 50 million ecu, with 2 million ecu coming from MEDIA 92. None of the associates will hold more than 10 percent of the capital assets. A number of investors were said to have declared their interest in the scheme; full clarity regarding individual investors could not be reached in the time available to the committee.

Media Venture will invest primarily in high-budget European films and prestige television series with a good commercial potential and in their distribution. They will seek to be involved in co-productions between European and US producers. It is anticipated that the investment will be concentrated on works costing at least 7 million ecu to produce. The Committee were told that Media Venture would not be able to buy the producers' rights, as they were precluded from doing so if they wanted to take advantage of the Luxembourg tax laws. This avenue, however, would be available to other financiers.

Projects will be selected for financing by a subsidiary of Media Venture called Media Venture Conseil consisting of 2 or 3 permanent staff and a network of advisors.

Studies have been undertaken of all European film and television markets from both the legal and financial aspects. The report of these studies has not yet been published but a list of the participants has been supplied.

The Committee has some difficulty in commenting on a structure that is not fully defined. Films budgetted at more than 7 million ecu should, in our view, stand or fall as commercial ventures. MEDIA 92's participation is relatively small, and we

do not believe should be necessary. We recommend that MEDIA 92 should not continue to be involved in this operation.

9. EURO-AIM

Euro-Aim, which has been in operation for 2 years, is a support structure providing a range of services to assist independent producers in the marketing, promotion, and sales of their productions. It facilitates producers' attendance at existing media trade fairs by creating large-scale "umbrella" exhibition stands. This is complemented by new marketing initiatives and by its data bank. Euro-Aim selects the companies it supports, giving priority to companies new to markets, less experienced companies, and those that are judged to be original and creative. To finance its 1989 activities, 1989 Euro-Aim received 1 million ecu from MEDIA 92 and a total of 2.4 million ecu from other public and private sources. Euro-Aim calculate that they have assisted European independent producers to sell nearly 2000 hours of programmes representing sales of 13 million ecu. Over 150 buyers - including some from overseas - have requested searches from the database representing some 30,000 data sheets being distributed.

The Assises (p 130) acknowledged the action taken by Euro-Aim and expressed the hope that the initiative will be sustained and strengthened.

Euro-Aim is launching a new database to help European producers find European co-producers. Euro-Aim is also starting to offer a year-round, free marketing and distribution consulting service to European independent producers.

We consider that Euro-Aim - including its database - is a very useful project, which should be encouraged to concentrate on small distributors and small countries. The project should be supported, and particularly should seek to increase the level

of effort devoted to selection and to follow-up the contacts it has helped to make. We suggest that this will require some increase in funding.

We feel, however, that the project is now sufficiently well established for it to charge producers a fee for services provided, with the object of making it self-financing in the medium term.

10. BABEL - Broadcasting Across the Barriers of European Language

This is an association between MEDIA 92, the European Broadcasting Union, and the Alliance Europeenne pour la Television et la Culture. It grants aid for dubbing and subtitling programmes to be broadcast by television organisations. Since October 1988, 27 projects from 14 countries have been supported with a view to 60 broadcasts in several languages. In addition 4 large multilingual broadcasts with live simultaneous translations were broadcast.

The project has an income of 0.22 million ecu, 0.1 million ecu coming from MEDIA 92. The cost of administration amounting to maybe 30,000 ecu appears to be largely covered by the EBU. All staff is part time. It is not clear whether the cost of staff is included in the administration costs.

The Assises, while recognising BABEL's positive results, saw the need for an increase in its financial resources.

MEDIA 92 intends to transform the project: to start to make advances on receipts instead of granting aid, and to create a permanent full time staff.

We are convinced that the task of making programmes available to audiences in the various European languages is one of the major problems facing television in the coming years.

We support the continuation of BABEL on the revised basis now proposed by MEDIA 92. We recommend in particular that its work should be extended to encompass the new technologies available to maximise multilingual transmissions (such as new television standards and teletext). An increase in funding is required.

11. EVE- European Video Area

The study phase of this project has been completed. The project is run in co-operation between The Irish Film Board and Mediatheque of Belgium. It is intended by the spring of 1990

- to provide a system of advances on receipts for videotapes when the issuer/distributor is reluctant to take the financial risk.

- to arrange co-operation between existing European public mediatheques and libraries to encourage the issue of video-films that are at present unprofitable.

It is intended that the project should have a loan fund of 1 million ecu and an administration budget of 0.4 million ecu covering both the Dublin and Brussels offices.

Dublin is an interesting centre for a MEDIA project, but we had difficulty in seeing the need for an independent existence of this project, since distribution deals nowadays include video rights together with rights for film and television. We consider it should either be incorporated into EFDO or at least work in very close co-operation with it. As for the proposed co-operation between mediatheques, we understand this already exists and we are not convinced that MEDIA 92 need be involved.

12. Comments on Matters Outside the Immediate Remit

During our inquiries into the various MEDIA projects, people in the film and television industries raised with us certain additional issues on which they argued that the Commission could help to promote more European co-operation.

The most substantial handicap for European co-productions is the different laws operating within the audio-visual supporting systems, covering such matters as copyright, financing, trade procedures, technical standards, quotas etc. Many in the industry believe - and we agree - that as a first priority, the EC should work towards harmonising the different laws and systems in order to establish the best possible climate for European co-productions.

Film makers and those responsible for helping the growth of a European film industry urge that the Commission should encourage cinema exhibitions by ruling that cinema seats should be taxed at the lowest rate of VAT. The film industry argues that it is in the cinema that their products are tested, and that it is on its showing in a cinema that a film establishes itself in the video and television market place.

We appreciate that these matters lie outside our terms of reference, but we feel that there is considerable force in them and that given the wish of the Commission to support a distinctive European audio-visual industry, we should mention them in this report.

One issue on which we were not asked to comment but of which we became aware is the geographical spread of the individual MEDIA projects. As we see it, concentrating the projects in one or two centres could be cost effective and encourage interaction

between them. If, on the other hand, it is felt desirable for Community reasons that the projects should be spread widely, then we must point out that at present several are based in Brussels, and of the rest, not one is situated south of the latitude of Geneva.

We hope, in any case, that individual member states will not seek to extract strict proportional quotas from the MEDIA 92 funding. Apart from the practical difficulty of achieving this, we believe that MEDIA 92's role, in addition to stimulating the European industry as a whole, is to give particular support to the smaller countries, and regions, and particularly those with low production. In the medium term, on the other hand, such targeted assistance will benefit the industry right across the Community.

13. EPILOGUE

Subject to our reservations about certain individual projects, it is our judgement that MEDIA 92 has fully demonstrated that a five year action programme would make a major contribution towards developing a European audio-visual industry which would offer a distinctive European perspective on the Community's screens, and would be more internationally competitive and, by no means least, would strengthen the film and television industries in the smaller and less prosperous areas of the Community.

We also believe that several of the MEDIA 92 projects - EFDO, ESF and CARTOON - could be powerful instruments in developing co-operation between the members of the Community and what we may hopefully describe as the newly re-emerging democracies of Eastern Europe. If the Community's action programme is implemented, is it fanciful to speculate that by the end of its five year term MEDIA 92 might be providing an umbrella for audio-visual co-operation from the Atlantic to the Urals?

Sir Ian Trethowan
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