EUROPEAN OPPORTUNITIES FOR OUR CINEMA III

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Models of public support in Europe inspiring public policy developers in Slovakia.

Notes for a Brainstorming in Bratislava

by

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The following are Notes aimed at inspiring and complementing the seminar discussion of the topic "Models of public support for a small European country (such as Slovakia)".

The views expressed in these Notes, including interpretation of figures and other available data, represent only the personal point of view of their author, based on his experience as an expert. They should in no way be ascribed to any institution for which he works or has worked or which he is or has been a member of.

Discussion Topic:

What is the ideal model of support of the film culture in a small European country with a small cinematographic film production?

Contents

In the following sections:

1. We try to identify similarities and differences between small European countries. The question “what is a small European country?” might look like an academic question, but it allow us to realise how difficult it can be to compare small European countries and which are the major factors that describe the real situation and perspectives of each country.

   We also evoke a few crucial aspects of public support measures, policies and strategies for film and audiovisual, which might be the basis for identifying major types or models of support systems and policies.

   These considerations should make us aware of the substantial diversity of situations and policy options. They also invite us to deeply evaluate each system against its legal and market background and in relation to its goals and results.

2. We highlight a series of important points that could usefully be taken into account when designing a specific model for Slovakia.

   and

3. We try to ascertain, in particular, the main European opportunities for Slovakia and how these should also be taken into account when designing a national support policy.

1. What is a small European country?

The well known notion of “countries or regions with a low audiovisual production capacity and/or a restricted linguistic or geographical area”, used namely in the framework of the audiovisual policy of the European Union, applies to every European country but the 5 “big ones” (France, Germany, Italy, Spain and the UK).

According to this “definition”, Slovakia is a small country in the same way as, for instance, Portugal, Sweden, Greece, Luxembourg, the Netherlands or Poland.

Furthermore, according to the present European conceptual framework, Slovakia is a “new” Member State of the EU. (A question might arise here: when do the new Member States become old, or not new anymore?)

How can we compare (small) European countries as regards their audiovisual markets?

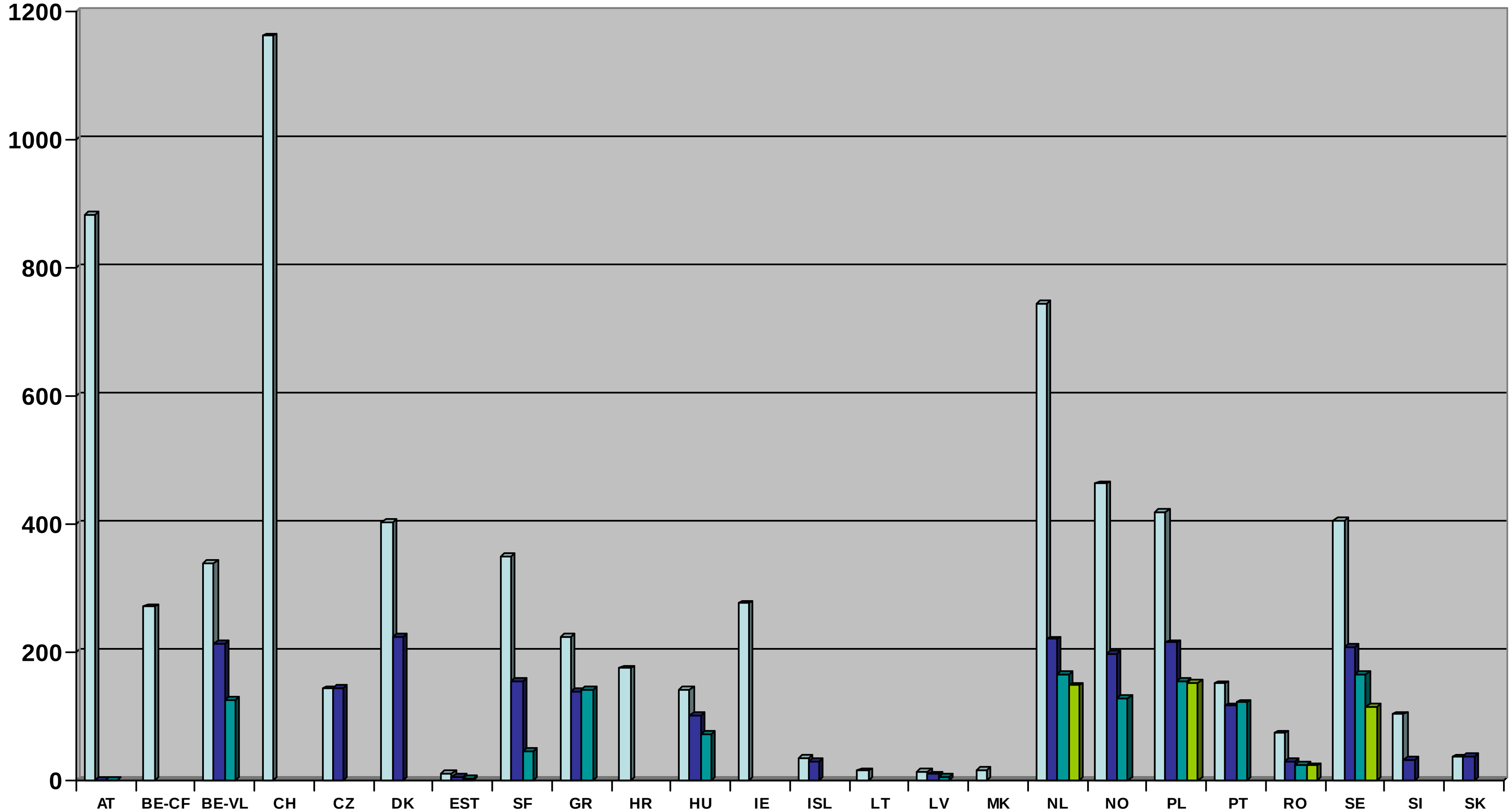
GDP per head is an important general economic indicator also for evaluating audiovisual markets potential. It has to do with purchasing power, hence with potential for film box-office, video/DVD sales, pay-TV revenues, advertising revenues, etc.

But GDP (and not GDP per head) is also important for the study of audiovisual markets, namely for aspects such as critical mass for industrial development, economies of scale and broadcasters revenues (especially potential revenues from license fees for public service broadcasters).

Film production (number of films and budgets) and box-office revenues are the classic parameters for evaluating film markets.

Major broadcaster revenues are paramount in countries where broadcasters have legal or contractual obligations of investment or contribution for film/audiovisual funds. But they are important in general, in order to assess whether broadcasters would be able to play a more active role in film and independent TV production. Here, the differences are enormous:

Table 1: Revenues of major broadcasters in Europe
(Source: Yearbook 2004, European Audiovisual Observatory)



Even though there is a European Directive for broadcasting ("Television without Frontiers" Directive), the situation is perhaps even more complex and diverse in the TV market than in the film market, and detailed information about TV production is less easily available than information about the film sector (some good sources, such as "Economy of Television Fiction in Europe" (by French INA, for the European Audiovisual Observatory and the French CNC") and "Eurofiction" (by the Italian Fondazione Hypercampo, published by the European Audiovisual Observatory) often cover only the five big markets.

An extremely interesting, even though statistically weak indicator is the table of the results, by country, of support, by the Media II and Media Plus programmes (European Union) to TV programmes (see tables of results by call for proposals in http://europa.eu.int/comm/avpolicy/media/distr_en.html#2, and global tables in the Evaluation Reports: http://europa.eu.int/comm/avpolicy/media/results/rmed2_en.pdf for Media II, and http://europa.eu.int/comm/avpolicy/media/eval2_en.html for Media Plus mid-term evaluation).

Those results are extremely favourable for France (even above its relative weight in the European TV market), good for Germany and below its relative weight for the UK. Small countries such as Belgium and Denmark perform extremely well, Ireland also very good, and Spain and Italy are much below their relative weight in the global European market.

These imbalances are certainly to be explained by the way the national markets and support systems interplay, better or worse, with this support scheme of the Media programme. The main factors involved, to different extents in each country, are, in our point of view, the following:

- Legal obligations, framework agreements or stable practices of investment by broadcasters.
- Broadcasters budgets for programming and acquisitions.
- Typical costs per hour.
- Legislation and practices concerning copyright and the status of independent producers.
- Existence of public funds for independent television production. There are, for instance, national or regional funds that support TV production in France, Belgium (French Community), Denmark, Germany, etc. Special funds also in the Netherlands (CoBo and STIFO) and, more recently, in Austria. Absence of such funds in Italy and Spain (except regional funds in Spain). Some fiscal mechanisms also allow for TV productions.
- Shape of the programming grids, in particular the prime time grids.
- Dominating programming trends and formats. "Serialisation" rate.
- Regional cooperation or integration. Example: Scandinavia).
- Investment in animation and programmes for children.
- Existence of independent producers with international know-how, ambition and capacity.

All this apparent paradoxes and difficulties in comparing national audiovisual landscapes should lead us to be aware of how complex the audiovisual sector is and how necessary it is to fully understand the specific, national or regional characteristics and perspectives of each case, if we want to develop public support policies, and especially if we want to develop a detailed, organised and goal-oriented policy or set of policies – i.e., a strategy.

The national (including regional) political and policy options concerning support to film/audiovisual.

Recent public information sources offer us interesting global pictures of the main characteristics, situation and difficulties of the audiovisual policies and markets in the EU Member States.

Two good examples of this kind of exercise are the *Study of the audiovisual landscape and public audiovisual policies in the candidate countries*, a study by IMCA for the European Commission (available on line, in http://europa.eu.int/comm/avpolicy/stat/studi_en.htm), and the *Mid-Term Evaluation of Media Plus and Media Training*, by MCG-SECOR-APRIL for the European Commission (Annexes, pp. 79-101, also available in http://europa.eu.int/comm/avpolicy/stat/studi_en.htm).

In 2002, in *Outlook of development of the Market for European audiovisual content and of the regulatory framework concerning production and distribution of this content,* a study for the European Commission, Arthur Andersen Belgium had made an extensive analysis of (EU + EEE) markets and value chains. A combined analysis in page 53 of the Andersen's *Outlook* (http://europa.eu.int/comm/avpolicy/stat/tvoutlook/tvoutlook_finalreport.pdf and http://europa.eu.int/comm/avpolicy/stat/tvoutlook/tvoutlook_finalreport_attachments.pdf) identifies the following five types of market:

Segmentation	Size	*Industry structure & revenue model*	Distribution	Countries
Large markets	Very large markets (larger than 10 mill. TV households with average per capita income)	Mixed, market share divided between commercial and public programme packagers Public funding, advertising and subscription revenues are all well developed	Highly dependent on country. Each country moves to digital distribution	United Kingdom, France, Germany, Italy, Spain
Mixed markets	Small to medium markets with average per capita income	Mixed, market share divided between commercial and public programme packagers Higher than average public funding but well developed advertising markets	Cable or cable/terrestrial combination	Belgium, The Netherlands, Sweden, Finland, Norway, Iceland and Ireland (after 1998)
“Monopolistic” markets	Small markets with average per capita income	Public service programme packager dominates the market Strong dependence on public funds	Cable or satellite	Austria, Denmark, Ireland (before 1998)
“Commercially” driven markets	Small to medium markets with below average per capita income	Commercial programme packagers dominate in terms of market share Highly dependent on advertising, even for the public service programme packagers	Mainly terrestrial, start of digital development to enhance capacity	Portugal, Greece
Importers	Extremely small markets	Import content from neighbouring countries (or same cultural region) Very small local advertising budgets flow to foreign programme packagers	Cable networks with foreign programming	Luxembourg, Liechtenstein

In: *Outlook of development of the Market for European audiovisual content and of the regulatory framework concerning production and distribution of this content,* Andersen Belgium, 2002, page 53.

In 2003, in the framework of a comparative analysis of support policies and trends in the «old» 15 EU Member States (later incorporated in a Study on the Value Chain of the Audiovisual Sector in Portugal, a document by OBERCOM, the Portuguese Media Observatory, for ICAM and ANACOM, the Portuguese Telecomunications Regulator), we proposed a set of short portraits of national audiovisual landscapes, trying to combine, comprehensively, markets, public policies, problems and trends. Our main sources have been the KORDA and MERLIN databases of the European Audiovisual Observatory, the EFAD (European Film Agencies Directors) Survey on national situations, many reports and data collections (paper and on-line) concerning the film agencies concerned and, in certain cases, enquiries by telephone.

Since then, we have seen different developments taking place, such as the approval of the new Portuguese film law (but after a long procedure and still waiting for its implementing rules and the specific rules (including legal definition) and guidelines for its most wanted and polemic new instrument (a second support fund fed by financial contributions by cable and satellite distributors, broadcasters and pay-TV operators). Or the cuts in financing by the Italian General Directorate for Film and the transition to the implementation of the new Italian film law.

At a glance, we can realise that some countries seem to have more stable frameworks than other, and not only the models and instruments of support are different, but also the respective political and legal approaches.

Measures, programmes, policies, strategies

A rather crude, but hopefully not too simplistic, and sometimes very useful method of describing national approaches to public support of film and audiovisual allow us to classify countries, or their public policies for film and audiovisual, in the following four categories:

- States with pluriannual agreements/pacts involving different players and contributors and setting priorities and measures for a certain time frame, in general with precise goals. Typical example: the Scandinavian countries (Film Agreement and Media Agreement in Denmark, Film Agreement in Sweden).

- Somehow in the same vein as the previous category, other States develop nor exactly pluriannual formal agreements between different players and contributors, but they establish, usually after in-depth consultation and study, complex, organised and precise policy instruments with a clear set of goals, priorities and means, also on a long-term basis. Examples: the UK, Ireland, the Netherlands, Belgium (Flanders), Canada… One can also include France in this category, even if its legal tradition and typical legal instruments are different from those of the countries mentioned above (France prefers laws to action plans or strategies, but its very long tradition of public policy in favour of the film and audiovisual industry, the stability of its institutions, the great national consensus concerning the importance of the audiovisual sector and a well organised industry make it fit for surviving government changes).

- Cases where, properly speaking, there are no pluriannual agreements or other complex, long-lasting frameworks involving different players, but where namely film agencies have drawn strategic documents and propositions. Examples are Greece and Finland. This role played by film agencies is very important, but its effectiveness might be jeopardised by the absence of a real, strong political consensus and support, the only one that might bind not only the film support institutions, but also broadcasters, producers and distributors, etc.

- Cases where strategic approaches (or at least strategic policy papers) are lacking and where the typical instruments for action and guidance are laws and regulations. The "strategic" elements behind these laws and regulations, if any, are to be identified in sources such as speeches, declarations to the press or the preambles of the legal texts. Portugal is an example of this tradition (the last "strategic" paper dates back from 1998).

Strategies, where they exist, might focus more the cultural dimension or the economic dimension of the film and audiovisual sector. More and more, however, it is possible to find approaches that aim at combining these two dimensions. Especially the regional funds, which have been growing in number and playing a more and more important role in Europe, tend to combine the two approaches, often focusing more the economic/development dimension – and it is in the field of regional support and financing that we can find a few existing examples of use of the European Structural Funds.

The combination of these two logics and the use of Structural Funds is a most promising approach, at least in certain countries or regions. As we are approaching the adoption of the new Financial Perspectives of the EU and new national structural programmes, this subject gains in importance and topicality. However, because of the fact that they typically include a (sometimes strong) economic approach and because regional funding usually imposes strong obligations as regards local expenses, they might be sensitive to the evolution of the European policy on State aid to film and audiovisual. The European Commission has recently launched a call for propositions concerning an important study on territorialisation which will certainly be a major element for debate in the future (expected not before the last quarter of 2005).

2. A few important points to consider when developing the film (and audiovisual) support system for Slovakia.

The scope of this paper is obviously not to propose a concrete, detailed strategy for the development of the film and audiovisual industry in Slovakia. Designing and developing a national strategy needs much more than a quick reading of a few reports and figures, even though these steps are essential for anyone involved in strategy design; but it demands also a deeper knowledge of concrete realities, requires talking to the professionals and assessing their expectations and trends and is best done in close contact with all the potential players involved.

Still, the data made available to the author of these Notes allow a few guiding remarks or topics for discussion to be formulated. They allow us namely to make a few remarks on:

- Main constraints and opportunities of the Slovak film/audiovisual sector.
- A few main points to consider when preparing a national policy or strategy.
- More specifically, European opportunities (and difficulties to be avoided) for Slovakia (section 3).

Main constraints and opportunities of the Slovak film/audiovisual industry

The most general constraints seem to be the same that affect other new member State, namely those aspects that have to do with the recent, fast changes of economic model, the (still) relatively low purchasing power, liberal market and the whole process of adaptation and re-establishment of organisations involved in film support and film culture.

However – and this not a mere rhetoric, void sentence – Slovakia and its “fellow” new Member States have also a – if possible – stronger political reason for supporting and developing their film and audiovisual industries. It has to do with their history and especially with the exceptionally fast rhythm of change that they have been passing through. The dialogue of these societies with themselves and with Europe and the World might be even more sensitive, crucial in Central Europe, in the Baltic or in the Balkans than in other countries. The notion of “culture” applied to the audiovisual field, for example when we argue in favour of cultural diversity, does not have to do only with highbrow works of art, fighting for a place in the timeless realm of artistic glory; “cultural” here means also societal.

But the reasons for investing in film and stock television productions are also economic: they are the most exportable and the most exploitable on the long term; and in certain cases, they may have important indirect impacts on the country's image and economy: promotion abroad, attraction of co-production wth impact on the local commerce, tourism and services, etc.

Obviously, Slovakia, like other new Member States, has other priorities, and the politicians easily forget or do not realise the importance of the film and audiovisual sector. However, the investments needed in order to get a meaningful amelioration of the sector are, if they are carefully planned, on a medium to long term basis, not very high, if compared to other sectors of the economy. This is also a reason why "smart" choices concerning support systems and instruments might be important (see below).

There are other constraints which may deemed to be more specific of Slovakia (in comparison namely with its neighbour countries). They seem to have mostly to do with purchasing power and with a comparatively less developed market (including film studios). The current situation of the cable market and of the broadcasting market is not as stable as one might wish, but the players involved in film and TV production should be aware that these sectors are likely to progress and to be more and more able to invest, as the market develops. The sensitive step here is to involve them as soon as possible, gradually if necessary, in an integrated audiovisual policy, and pave the way for a bigger participation, namely financial, as they consolidate their situation. The (audiovisual and telecommunications) regulating bodies might have an important role to play, making sure that the market develops in a balanced, solid way, using growth for promoting development.

Under these circumstances, it might be useful to work with a long term action plan (with B, and C, and …plans), allowing for future evolution. Trying the most efficient articulations with European programmes is a wise effort for a small country like Slovakia. Opportunities under the Slovak national and regional programmes of Structural Funds are certainly worth considering. This might be an urgent step: any efforts in this sense now would be help preparing more stable programmes of that kind after 2007.

MAIN POINTS TO CONSIDER WHEN PREPARING A NATIONAL POLICY OR STRATEGY – A FEW SUGGESTIONS FOR DISCUSSION

Financing (volume, nature and sources) are usually the main concern, at least for support agencies, governments and producers.

- Make institutional behaviour and financing as consistent, solid and predictable as possible.

- Observe carefully rhythms of growth in revenues and try to identify trends and to anticipate future evolutions. Consider planning a progressive yearly growth in contributions, as the markets develop (e.g., advertising, cable/satellite subscriptions).

- Double your preparatory research if you are considering fiscal mechanisms for audiovisual investment. Try to understand not only the national possibilities, but also the main international trends, especially in neighbouring countries, in order to identify your competitive potential, namely for attracting foreign productions or co-productions.

But:

do not concern exclusively with financing and sources of financing, but try to think globally (within realistic boundaries…):

Institutional and legal aspects

- Streamline the system for greatest effectiveness (does not mean to dismiss people!).

- Within the limits of your general legal framework and administrative traditions, try to give the most adequate legal form and methods to the supporting agency(ies). Try to be flexible enough to respond adequately to the needs of the industry.

Policy aspects and implementation

- Define bold but realistic goals and the good mix of cultural/societal and economic goals.

- Allow for purposeful evaluation and revision practices.

- Choose the most adequate support systems or support measures among all the possible ones. E.g., support only Film or also TV, support all or only certain stages of the production and exploitation process (development, production, distribution, exhibition), possibilities and role of co-production, *film commission* and executive production policy, focus on companies or in projects, automatic *versus* selective schemes, etc. (For descriptions of all these different possibilities, cf. the recently published (2004) *Public funding for film and audiovisual works in Europe – A comparative approach*, by the European Audiovisual Observatory, published in cooperation with the European Investment Bank).

- Establish clear and feasible selection criteria.

And more generally:

Whether you develop a strategy or an action plan, or simply adopt and implement a law and regulations, try to base your system on a solid, as broad as possible consensus, in order for it to better resist small (administrative) or big (political) changes:

- Try to involve as many interested parties as possible in open-minded, even though firm, negotiations. Who does not dream of support systems that go beyond one-government measures and that, because they have the support of the industry and even of the opposition parties, can easily survive elections?

- Fight for your goals, but try to negotiate, instead of imposing rules that the affected groups might try to block afterwards, or that might not be implemented.

- Try to highlight the possible advantages to those sectors which are important (or crucial) for the system but which are less acquainted with the specific nature of film and independent TV production.

  An example: when they are not obliged to do so, many broadcasters (in particular in small but competitive markets) do not invest in independent stock production, especially “quality” production with export potential. This is one of the problems we can observe in relation to the TV programmes supported by the Media programme of the EU. But isn’t it possible to identify many possible advantages for broadcasters, even though they are not direct beneficiaries of this support scheme? The following arguments, for instance, seem worth considering:

- Broadcasters may not be delegate producers, but they may be co-producers as long as they are not majoritary. This means they may hold important rights and expect revenues from the co-produced works.
- They may benefit from long exploitation periods.
- Like the independent producers themselves, broadcasters benefit from the reinforcement of international potential that the Media criteria impose.
- If broadcasters have investment obligations, this kind of TV (co-) productions may well be an interesting form of investment. If they are not bound by such obligations, this might be a good, smart way to develop voluntary strategies of consolidation and development of catalogues, especially of stock, “prestige” products, with international potential.

3. EUROPEAN OPPORTUNITIES (AND DIFFICULTIES TO BE AVOIDED) FOR SLOVAKIA

Media 2007

- Training – Slovakia and the remaining new Member States are likely to be able to benefit from special positive discrimination measures in the Media programme after 2007. This makes the problem of matching funds a little less dramatic.

- Development - Again, the main problem is matching funds and the development capacity of micro-enterprises. The national decision makers and film agencies should take this aspect in consideration when they establish and implement national support measures for development.

- TV programmes – See our explanation of the problems involved, in the preceding sections.

- Distribution – Should your possible national measures for distribution also interplay with the Media support measures, so that you might get an optimal effect in relation to diversity of offer and market share of European film?

- Exhibition and d-exhibition – Should you support the exhibition of (national and) European films in your country in a way that fits the Europa Cinemas system, thus trying to reinforce the incentives for the national exhibitors, covering the risks they take or the loss of revenues they suffer when they do not screen (so many) non-European films?

Media does not support production and co-production (except TV programmes) neither any actions of strictly national scope and impact.

Information services in relation to the Media programme are supported (Media Desks). The question has arisen whether the Media Desks should have broader goals, namely developing a more comprehensive view of trends and financing opportunities, connection with national measures, active counselling and other bolder, proactive tasks. In fact, in small countries or markets where few institutions are involved in film and independent TV production, one might consider that the development of services of “Audiovisual Intelligence” (i.e., digesting and disseminating specialised, “insider” information to different interested groups: producers, film agencies, broadcasters, etc.). Can and should the Media Desks evolve and become this type of services? Or is it better to develop specific services? If yes, maybe that kind of service can be financed under the Structural Funds (through the national programmes) because they have to do with modernisation, reinforcement and development of export opportunities for the industry (see below).

Others (namely the Structural Funds)

As mentioned in the previous paragraph, a sometimes mentioned, but not so often used source of financing are the Structural Funds. These have to be used through the national development programmes adopted for each country, and these are typically divided in thematic programmes (Industry, Economy, Transports, Urban Development, Information Society, etc.) and also allocated to regional programmes.

In Portugal, an Operational Programme for Culture has been established and implemented under the current Community Support Framework of the EU Structural Funds. It is oriented towards museums and heritage, but covers also a plan of refurbishment, reconstruction or construction of theatres for the performing arts. And it is easy to imagine a similar programme for film theatres – or for d-cinema theatres (see the Swedish "Folk Houses" example), perhaps in connection with programmes of support in the field of the Information Society. The main problems for the implementation of such a support programme is, of course, the local matching funds.

An often forgotten opportunity is ESF or other Structural money for training. This might be useful when there is need for national training actions of a more local scope and ambition than those supported by Media Plus. Or it can be a starting point, before a training action has developed enough experience and know-how to apply to Media Plus.

Other possibilities that include, even if indirectly, support to development and even to production are illustrated by some regional film support and promotion agencies, such as *Film I Väst* (http://www.filmivast.se) in Sweden, the *Northern Film and Media Centre* (see http://www.poem.fi/e_info.php), in Finland, and many regional agencies in the UK, such as Film London (http://www.filmlondon.org.uk/etc) and others.
These agencies play in general a rich and complex role, including advising, information, training, etc. The governments that approve the use of Structural Funds for these purposes recognise that the development of the film and audiovisual industry is an important part of the regional development and of economic development in general. This lesson could be more often listened to in Europe.

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