



Press Release

European Audiovisual Observatory

Strasbourg, 7 May 2004

PUBLIC FUNDING FOR FILM AND AUDIOVISUAL WORKS IN EUROPE - A COMPARATIVE APPROACH

On 15 May at Cannes, during the Cannes Film Market, the European Audiovisual Observatory will present *Public funding for film and audiovisual works in Europe - a comparative approach*, a new study written in collaboration with the European Investment Bank (EIB). This 176-page report contains a comparative analysis of direct public funding mechanisms for film and audiovisual works in 35 European states. The total value of this funding is around EUR 1,3 billion.

A common method of public support for the film and audiovisual industry

Alongside other measures such as funding of public broadcasting services, regulation of relations between broadcasters and producers and the implementation of tax incentive schemes, direct funding is one of the most common and important ways in which public authorities support the film and audiovisual industry. Virtually all European states, as well as territorial communities, regions, some municipalities, the European institutions (Council of Europe, European Union) and various intergovernmental organisations have set up direct aid mechanisms. The European Audiovisual Observatory's KORDA database lists 169 support bodies and around 600 different aid programmes (KORDA is accessible on-line free of charge: <http://korda.obs.coe.int>).

This form of funding has increased significantly in recent years, although at a somewhat slower rate over the past two. In the 31 countries on which data is available, the amount increased from EUR 963 million in 1998 to EUR 1 271 million in 2002. Supranational aid (the Council of Europe's Eurimages fund, the European Union's MEDIA Plus Programme, multilateral funds of the Nordic Council, Agence intergouvernementale de la francophonie, Ibermedia, etc.) represents 8,7 % of the 2002 amount.

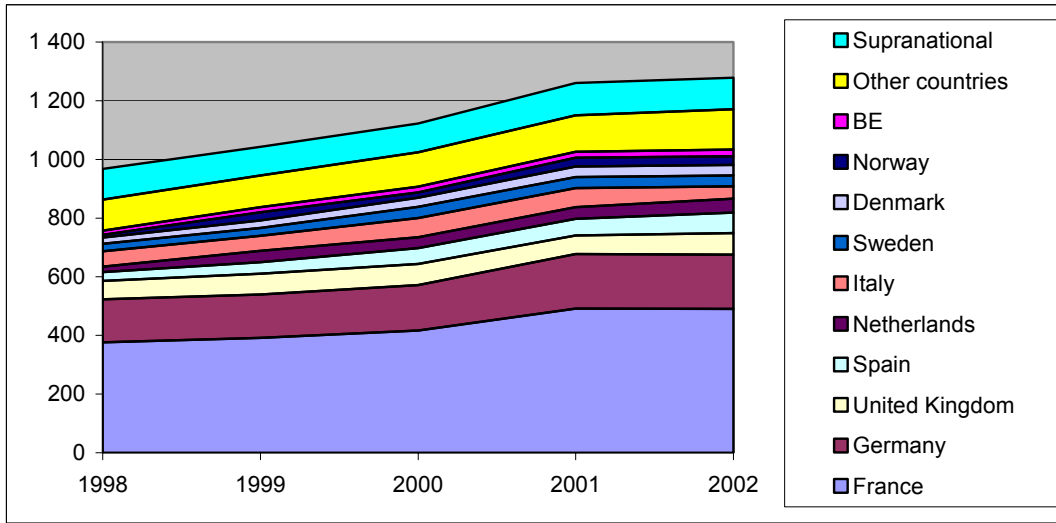
Huge diversity of national aid schemes

Backed up with facts and figures, this study illustrates the enormous diversity of these mechanisms: diversity in terms of legal foundations, the tasks fulfilled by national support bodies, funding, methods of intervention and, in particular, the sums involved.

France is the country with by far the greatest level of direct aid (38,7% of all the funding available in Europe), followed by Germany (14,6%). Direct funding has been increased in the United Kingdom with the launch of the National Lottery. The UK represented 5,8% of the European total in 2002. However, it should be noted that these figures do not take into account indirect aid, such as tax exemptions (which are significant in the United Kingdom, Netherlands, Luxembourg and Ireland) or preferential credit from public lending bodies (particularly in Italy and Spain). Comparisons should also take into account the level of funding of public broadcasting services (twice as high in Germany than in France). Production commitments on broadcasters also vary hugely from country to country.



Development of direct public funding for film and audiovisual works in Europe – Breakdown by country (1998-2002) – Millions of EUR



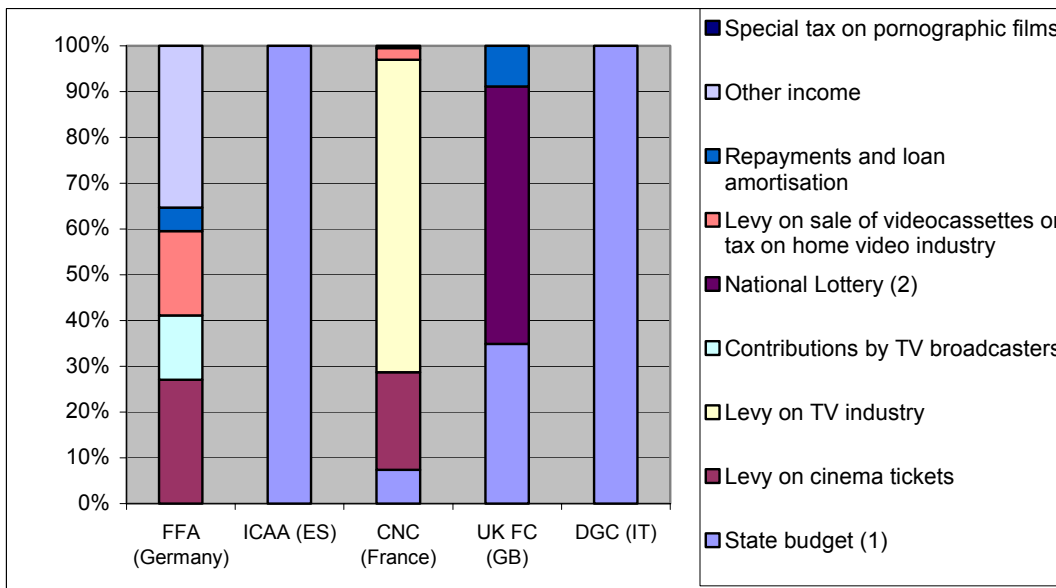
Source: European Audiovisual Observatory

Diverse sources of funding

The way in which support agencies themselves are funded varies from one country to another. In some cases (Spain, Italy, Russia, Turkey, etc.), funding comes mainly from national state budgets. In others, particularly France, Germany and the French-speaking Community of Belgium, funds are principally drawn from levies on the income of various branches of the industry (taxes on the income of TV companies, cable operators, video producers/distributors, etc.). Some schemes (United Kingdom, Finland, etc.) are funded by the lottery, while others (Germany, Sweden) receive voluntary contributions from TV channels.

Sources of funding of the principal national agencies (2002)

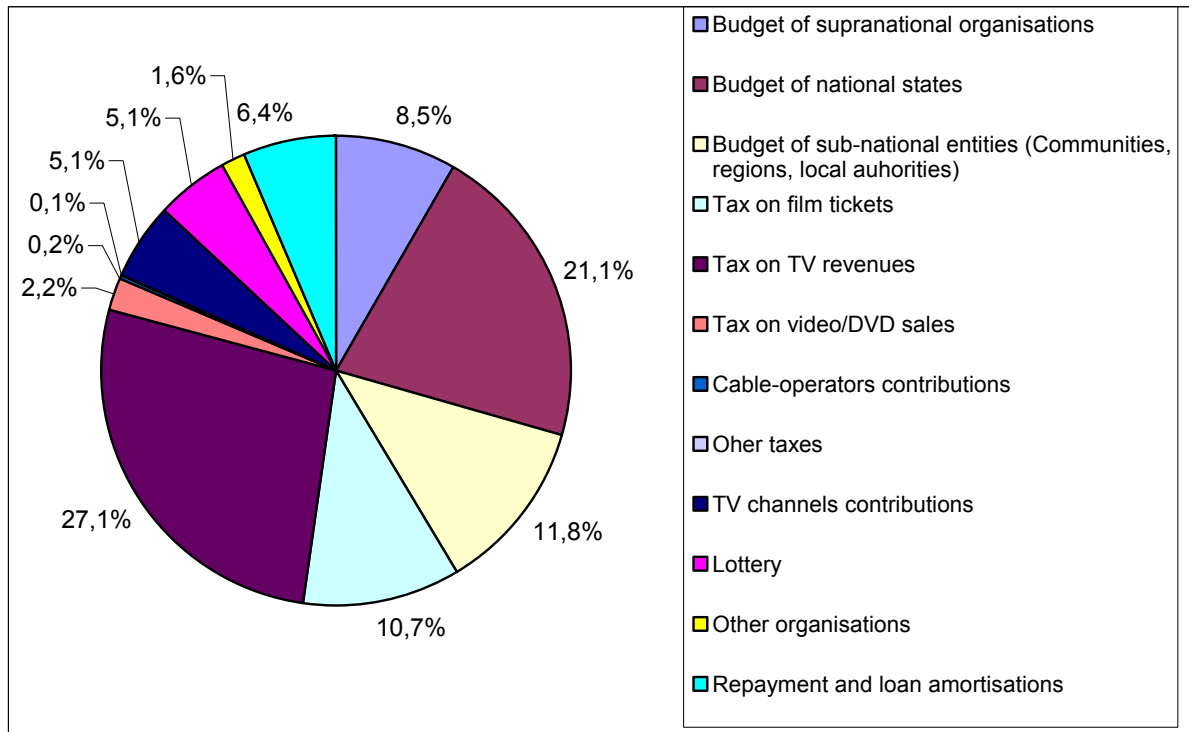
In %



Source: European Audiovisual Observatory



Sources of funding of audiovisual support bodies in Europe (2002)
Based on 31 states.



Source: European Audiovisual Observatory.

Recent trends

The Observatory has particularly identified the following recent trends in support policies:

- an increasing number of funds set up by sub-national structures. Since the 1990s, territorial communities with constitutional powers in the cultural field (*Länder* in Germany and Austria, Communities in Spain and Belgium, Nations in the United Kingdom, Cantons in Switzerland) have increased their support for the film and audiovisual industry. In recent years, there has also been a rise in the number of regional and, in some cases, municipal initiatives (in France, the United Kingdom, Wallonia, Sweden and, soon, Italy). In 2002, these various sub-national structures contributed 12% of public funding in Europe.
- an increase in support dependent on success criteria is demonstrated by the fact that there is a greater number of automatic support schemes. Since 1998, automatic support schemes have been set up in the French Community of Belgium, Estonia, Switzerland, Norway, Finland, Hungary and Portugal, while existing systems in France, Spain and Italy have been reformed.
- creation of audiovisual production support schemes under the auspices of broadcasting regulatory bodies (*Fernsehfilmförderungsfonds* in Austria, the Gaelic Television Fund in Scotland, Broadcasting Council Fund in the "former Yugoslav Republic of Macedonia" and ORTT in Hungary).
- increase in the number of tax incentive schemes: such schemes, offering varying levels of support, have existed for several years in the United Kingdom, Germany, France, Italy, Luxembourg, Ireland and the Netherlands. In 2003, new schemes were launched in



Belgium, Hungary and Romania. The Irish and Dutch schemes have recently been extended. Tax relief reforms have been announced in the United Kingdom to prevent abuses of the system.

Despite this variety, which results from the history and political and administrative structure of each European state, the support bodies are keen to define a common conceptual framework for their policies, based on the notion that film and audiovisual creativity cannot be governed solely by the rules of the market and that funding is justified by the need for cultural diversity. The European Commission does not question this principle, although it does have to ensure that funding does not disrupt the correct functioning of the common market. The report describes how this whole area has evolved since 1963 up to the recent European Commission Communication of 16 March 2004, establishing a *status quo* until 2007.

The Observatory's report does not aim to assess the pertinence and effectiveness of direct aid mechanisms. However the Observatory indicates that the industry, particularly the film production branch, is in a fragile financial situation. It estimates that, in the European Union, development and production aid in 2001 represented approximately 4,8 % of the operating revenues of production companies. However, the figure was much higher for film production companies (around 9.2%) than for TV production companies (approx. 2.7%).

The report covers recent events up to spring 2004: mid-term evaluation of the MEDIA Programme, reform of Eurimages, new laws in Germany, Italy and Hungary, draft laws in Poland and Portugal, green paper in Norway, etc.

Finally, Olivier Debande, an expert at the European Investment Bank, analyses the role of private investors and intervention by the banking sector in three countries using distinct models (USA, United Kingdom, France).

Public funding for film and audiovisual works in Europe – A comparative approach

Scientific coordination: André Lange and Tim Westcott
With the collaboration of Olivier Debande and Susan Newman.

The report is available in English, French and German.

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KORDA database on public funding for the film and audiovisual sector in Europe:
<http://korda.obs.coe.int> (free access)

The report will be presented in Cannes on Saturday 15 May at 2 pm
(Salle des Conférences, Level 01, Aisle 2).

It will be discussed by a panel composed of:

- Eric de Cockborne, Head of Division, Audiovisual Policy, DG Culture and Education (European Commission)
- Henry Ingberg, General Secretary of the French Community of Belgium
- Xavier Merlin, Director of European and international affairs, CNC (France)
- Gianni Profita, Direttore generale, Direzione Cinema, Dipartimento dello Spettacolo (Italy)
- Renate Roginas, General Secretary, Eurimages (Council of Europe)
- Jean Cazes, President of the European Producers Club
- A representative of the International Federation of Film Producers Associations (FIAPF).

EUROPEAN AUDIOVISUAL OBSERVATORY, Strasbourg, France

Set up in December 1992, the European Audiovisual Observatory's goal is to gather and diffuse information on the audiovisual industry in Europe. The Observatory is a European public service body comprised of 35 member states and the European Community, represented by the European Commission. It operates within the legal framework of the Council of Europe and it works alongside a number of partner and professional organisations from within the industry and with a network of correspondents. In addition to contributions to conferences, other major activities are the publication of a Yearbook, newsletters and reports, the compilation and management of databases and the provision of information through the Observatory's Internet site (<http://www.obs.coe.int>).