

European Film Agency Directors
Study on the economic and cultural impact, notably on co-productions, of territorialisation clauses of State aid schemes for films and audio-visual productions

Contribution to the online consultation
July 2007

On July 6th, the European Commission organised a consultation workshop in Brussels where Cambridge Econometrics presented the preliminary results of its *Study on the economic and cultural impact, notably on co-productions, of territorialisation clauses of State aid schemes for films and audio-visual productions*. The subject could not be exhausted in one day, and stakeholders were invited to send back written contributions by 31st August 2007.

This paper constitutes the contribution of the European Film Agency Directors (EFADs)¹.

I. THE STUDY

- The EFADs welcome this opportunity to submit their comments, and thank the consultants' consortium for the impressive work they've been carrying out: the study represents a much needed analysis of the role of territorialisation in State aid schemes.
- **The conclusions mirror conclusions previously drawn by the EFADs' position (as set-out in a number of Declarations on this topic – see attached):**

The report presents results which confirm that “territorialisation” should not be confused with “protectionism” in terms of preventing the functioning of the internal market, nor prevents European producers from making co-productions. The study makes clear that national support for audiovisual production to a large extent constitutes the foundation of the diverse European audiovisual sector, and enables artistic and cultural exchanges between European countries - in line with the audiovisual policy of the European Union. It rejects the assumption of causal links between territorialisation and the malfunctioning of the internal market, highlighting the fact that the market alone cannot sufficiently stimulate co-productions.

- **While the EFADs welcome these findings, we wish to bring to the attention of the consultants the following issues:**

The way data were collected and analysed

EFADs are unpersuaded by the way the level of territorialisation has been calculated, statistical analyses and the conclusions drawn from them (for example the link made between

¹ EFAD is hereby commenting the report that was posted online on the consultants' website, before the workshop took place in Brussels, and not subsequent revised versions of the same report.

prices and the level of territorialisation), as well as the lack of exhaustiveness and accuracy in the national “legal fact sheets” delivered.

The assessment of the “cultural impact”

Part of the consultant’s brief was to assess the cultural impact of suppressing/maintaining territorialisation. This task was not carried out with the same level of detail and attention as for the micro- and macro- economic assessments. Whereas film policies are first and foremost cultural policies, we regret that the section addressing the cultural impact of territorialisation lacks depth, breadth and any real insight.

A failure to grasp the specifics of the EU film environment

Given the study brief, the issue of the specific characteristics of the EU film environment cannot be addressed *per se* and it must be linked to its context, i.e. to the specific characteristics of the European film market.

Whereas the European film market is part of the audiovisual market with its high potential for growth, innovation and dynamism, it is at the same time split into different markets, defined by different languages and cultures. Operating mostly within their national borders, film-companies are predominantly small and medium-sized enterprises, producing often only one or two films per year. As a result, film markets in Europe are essentially a function of regional or national conditions, representing the multitude of cultural identities, and the market for European film in Europe does not resemble the European internal market for merchandises (goods and services).

In addition, and this is not a particularly European feature but a genuine characteristic of the creative economy, for the creation of films to take place, a number of inputs need to be combined, including artistic inputs (authors, actors, technicians), technical inputs (human know-how, equipment, plant) and economic inputs (investment capabilities, financing, sales and marketing, distribution, exhibition, etc.). In other words, the development of a creative and competitive film industry requires the development of industrial “clusters”, and is difficult to reconcile with an open market without frontiers. This was clearly demonstrated in the *Study on the economy of culture in Europe*, undertaken for the European Commission and published in Autumn 2006.

On all these three important issues, EFAD would have welcomed deeper investigation.

II. THE CHALLENGE: A RESTRICTIVE
INTERPRETATION OF THE 2001
COMMUNICATION

Over and above our comments on the Cambridge Econometrics study, the EFADs would like to reaffirm their serious concern at the way the 2001 Communication is currently being interpreted and applied. These concerns were stressed in the EFAD Declaration issued in Cannes this year.

With the European Commission's recent emphasis on the necessity for National Film Agencies to define "cultural tests" (recent examples include Hungary, Finland, Slovakia and The Netherlands), the four criteria set out in the 2001 Communication appear to be interpreted and applied very differently than has been custom and practice.

Any automatic introduction of cultural tests could lead to the adoption of a restrictive and reductive approach towards film and culture. While the "four criteria" of the 2001 Communication have succeeded in reconciling Community competition principles with the right and duty of each Member State to implement cultural policies that help promote and develop European cultural diversity for film, EFAD is concerned that the new approach could lead to a less sustainable European film industry, thus threatening cultural diversity.

This move is all the more surprising as:

- the recent announcement by the European Commission to postpone until the end of 2009 the revision of the 2001 Communication was aimed to secure legal certainty for film professionals;
- the Commission unveiled in May this year an ambitious "cultural agenda", with the objective of developing a coherent policy approach to the cultural sector, in partnership with all stakeholders.

In this context, the EFADs take the opportunity of the current consultation to:

- **Strongly reaffirm that State aid to cinema, provided according to the criteria set out in the 2001 Cinema Communication, is a *sine qua non* condition to strengthen European cinema and cultural diversity.**
- **Reiterate serious concerns at the way EU competition policy is implemented, and urge the Commission to maintain the implementation of existing criteria without changing the interpretation it makes of these criteria.**
- **In the light of the principles laid down under the recent Communication *on a European agenda for culture in a globalised world*, insist on the need to develop a coherent policy approach to the cultural sector, and to implement a constructive discussion process with all stakeholders, including EFAD.**

European Film Agency Directors - Membership

Österreichisches Filminstitut (Austria)
Centre du Cinéma et de l'Audiovisuel de la Communauté française (Belgium)
Vlaams Audiovisueel Fonds (Belgium)
National Film Centre (Bulgaria)
Cultural Services of the Ministry of Education and Culture (Cyprus)
Czech Film Chamber (Czech Republic)
Danish Film Institute (Denmark)
Estonian Film Foundation (Estonia)
Filmförderungsanstalt (Germany)
Greek Film Centre (Greece)
Finnish Film Foundation (Finland)
Centre National de la Cinématographie (France)
National Film Office (Hungary)
Irish Film Board (Ireland)
Ministero per i Beni e le Attività Culturali - Direzione Generale per il Cinema (Italy)
National Film Centre (Latvia)
Ministry of Culture - Department for Arts (Lithuania)
Film Fund Luxembourg (Luxembourg)
Maltese Film Commission (Malta)
Nederlands Fonds v.d. Film (Netherlands)
Polish Film Institute (Poland)
Instituto do Cinema Audiovisual e Multimedia (Portugal)
Centrul National al Cinematografiei (Romania)
Instituto de la Cinematografía y de las Artes Audiovisuales (Spain)
Slovak Film Institute – The National Cinematographic Centre (Slovakia)
National Film Foundation (Slovenia)
Swedish Film Institut (Sweden)
UK Film Council (United Kingdom)

