

LUX Prize – Ten years of support for EU cinema

This year Parliament marks the 10th anniversary of one of its best known cultural initiatives – the LUX Film Prize – awarded annually by the institution since 2007. Over the last 10 years, the prize has contributed to the promotion of 100 films, supporting the dissemination of European (co)productions in a bid to overcome the language and distribution barriers faced by the European film industry.

The LUX Film Prize: a European Parliament initiative

The Lux Film Prize focuses on fundamental EU values such as the fight against poverty, the need to combat violence against women and the integration of vulnerable communities. At a recent [celebration](#) of the prize's anniversary, British director and two-time winner of the *Palme d'Or* Ken Loach praised the LUX Prize for its achievements, and noted that its name – *lux* being the Latin word for light – suited it well, since 'light is needed in cinema, both to make films, and to shed light on our public discourse'.



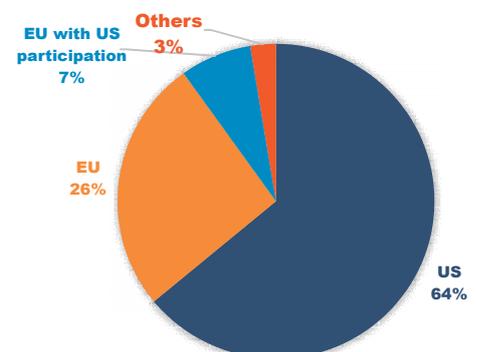
As a rule, the films in the competition are proposed by a selection panel composed of film professionals appointed by the European Parliament's Committee on Culture and Education, but entries can also be submitted by Members or cinema professionals. Ten films are selected by the panel, of which three enter the competition and one is awarded the LUX Prize following a vote by Members.

The prize [targets](#) distribution – the Achilles' heel of European cinema. In 2015 European film makers [produced](#) 1 643 films, over twice the number of American productions (791). The latter however account for 64 % of the European Union (EU) market, while European companies hold just 26 % (see Figure 1). This situation is largely owing to the fact that the majority of European films are screened only in their country of origin. This also explains why the winner does not receive a direct grant. Instead, during the [LUX Film Days](#), the three films in the competition – this year, [A peine j'ouvre les yeux](#), [Ma vie de courgette](#), and [Toni Erdmann](#) – are subtitled in the 24 official EU languages and screened in more than 40 cities and at 18 festivals, allowing a large number of Europeans to see them and to vote for the 'Audience Mention'. For most countries, the screenings are also national premières.

The EU film industry: situation and trends

The fragile balance between cultural and industrial components of the film industry is the [source](#) of significant tension between creative and market considerations. Its high fixed production costs and relatively low reproduction costs account for its strong reliance on public funding and the extensive regulation framework that accompanies it. In addition, there is a weak link between the quality of a film and the price of a ticket (which remains stable regardless of production costs or demand). In other words, films need to achieve a critical mass of viewers to be profitable and to offset the costs of less lucrative productions. Risk is therefore inherent within film-making and one way of dealing with it involves spreading out fixed costs across larger international markets. An [illustration](#) of this is the dominant position of US companies, which rests partly on the intricate international distribution networks through which their films are circulated.

Figure 1 – Film production: estimated market shares, 2015



Source: European Audiovisual Observatory, [Focus – World Film Market Trends](#), 2016



Yet, in spite of the ever increasing US presence, 2015 was another exceptional year for European cinema after the high levels registered in 2014. [Gross box office revenues](#) in the 28 EU countries hit a record level – €7.4 billion – with a year-to-year increase of just over 16 %. Likewise, 976 million tickets were sold across the EU, which represents the second highest level registered in the EU in the past 10 years. Last but not least, all EU markets, except France, registered an increase in cinema attendance.

Support schemes and incentives

The dual cultural and economic characteristics of the film industry, and the reality of a strong US presence on the EU film market, account for a long tradition of public support that has aimed to improve the global competitiveness of the European film industry. Over the years, a complex framework has been built across Europe, within which public funds co-exist with tax incentives. A 2016 [analysis](#) shows that a yearly average of €2.5 billion was paid into 215 funds in a sample including 33 European countries between 2010 and 2014. In France – the country with the highest level of funding for film – levies and taxes represent 80 % of income. However, for the rest of Europe, 74 % of total resources come from central, European, regional and local government. When it comes to EU funding, between 2014 and 2020, over €800 million will be available for film through the [Creative Europe](#) programme. A further €121 million has been accessible as of 2016 for a new financial [guarantee facility](#), making it easier for small companies to obtain bank loans.

Perceived threats

Despite the excellent global performance of the EU film industry, it is faced with a number of new challenges. One of them is the recent Commission proposal on the modernisation of copyright which seeks a difficult balance between cultural values and the objectives of market integration. Indeed, the [funding model](#) of the film industry relies essentially on the [territoriality principle](#) which allows national distributors to acquire rights offering them the exclusive exploitation of a piece of work in a specific territory. In spite of [assurances](#) provided by the Commission that it does not intend to scrap the territoriality principle, filmmakers expressed their [bewilderment](#) at the recent European Commission investigation into possible [anti-competitive practices](#) by six major US film studios and the British pay-TV channel Sky that aimed to examine whether they were benefiting from 'absolute territorial exclusivity'.

Yet another cause for concern for filmmakers is the contribution to the funding of film production by distributors of pay-TV services and/or operators of video-on-demand (VOD) platforms. Currently, this [contribution](#) is mandatory in 10 EU countries. In some places – such as France, Germany, Poland, Spain, Belgium, Portugal and Croatia – it plays an essential part in public-support policies and provides a large proportion of the necessary funding. Practitioners argue that the development of pan-European VOD services, such as Netflix or Amazon Instant Video, established in EU countries not requiring compulsory contributions, may undermine the complex equilibrium of EU funding mechanisms. The Commission's recent proposal to [modify](#) the [Audiovisual Media Services Directive](#) (AVMSD) aims to minimise this phenomenon by allowing EU countries to impose financial contributions on providers of VOD services established in other Member States (but only on the turnover generated in the imposing country).

The presence of European films in the catalogues of VOD services is an additional challenge. A 2015 [analysis](#) by the European Audiovisual Observatory showed that while approximately 47 % of European films premiered between 2005 and 2014 were available as VOD at the end of 2015, this was the case for 87 % of American films. The explanation for this discrepancy possibly resides in the fragmentation of the European film market along national and linguistic borders.

While the presence of European titles in VOD catalogues matters, it is active promotion that makes the difference. The results of another study carried out by the observatory in 2015 on the main VOD platforms in Germany, France and the United Kingdom [revealed](#) that only a limited number of titles were advertised, with 10 films (eight American and two European) together accounting for 40 % of promotional space. Similarly, the analysis highlighted that only very recent titles were promoted, with 90 % of promotional space devoted to films produced within the previous two years. Last but not least, the study found that 28 % of promotional space was dedicated to European films. This motivated [criticism](#) on the part of the French association of authors, directors and producers of a new provision in the AVMSD proposal requiring that at least 20 % of the VOD on offer give prominence to European works (without, however, defining 'prominence'). It is argued that this percentage does not go far enough, not least given the fact that France already applies a minimum quota of 60 %. Consideration of this proposal is still ongoing in Council and [Parliament](#).