



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 9.1.2009  
SEC(2008) 3097 final

C6-0011/09

**COMMISSION STAFF WORKING DOCUMENT**

**Accompanying document to the**

**Proposal for a**

**DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**ESTABLISHING AN AUDIOVISUAL COOPERATION PROGRAMME WITH  
THIRD COUNTRIES**

**MEDIA MUNDUS**

**SUMMARY OF THE IMPACT ASSESSMENT**

{COM(2008) 892 final}  
{SEC(2008) 3098}  
{SEC(2008) 3102}

## 1. INTRODUCTION

The audiovisual sector is an essential vector for creating highly skilled future-oriented jobs and for conveying and developing cultural values. In the frame of the Lisbon strategy the audiovisual sector is particularly relevant and contributes to the Lisbon agenda, namely to boost training, prosperity, growth and jobs in a knowledge-based economy. The audiovisual sector plays a major role in the i2010 initiative — the policy umbrella for the European Union's information society and media policies — as part of the Lisbon agenda.

Furthermore the audiovisual sector is important in the context of the *UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions*. This convention emphasises the specific and dual (cultural and economic) nature of cultural goods and services.

The major problem faced by the European audiovisual industry on international markets is the poor circulation of audiovisual works. Foreign films — other than those from Hollywood studios — face a similar problem of limited circulation on European markets, although there is a demand for more diverse audiovisual content.

The international audiovisual landscape has changed significantly over the last two decades, notably from the impact of technological developments like multi-channel digital television, digital cinema projection and video on demand. In some foreign markets this has created strong financial growth and promising investments and consequently, a growing demand for more audiovisual content. Structural weaknesses affecting the circulation of European works on foreign markets and inadequate financing of European audiovisual companies prevent the industry from benefiting fully from this new expansion of international opportunities.

Against this background the Impact Assessment identified two overall policy goals and general objectives for international cooperation:

- To increase the competitiveness of the EU audiovisual industry on global markets.
- To increase consumer choice and cultural diversity on the European and international markets.

Consultations with the main stakeholders and professionals, such as participants in the current MEDIA 2007 programme, professionals from third countries, and MEDIA committee members have been extensive; an open public online consultation was launched in April 2008 and in the context of a public hearing, several conferences and meetings, stakeholders provided extensive input. Furthermore several services of the Commission have been consulted and DG INFSO, the author DG, concluded a service contract with *Technopolis / Media Consulting Group* to acquire external expertise on and input for the impact assessment integrating ex-ante evaluation requirements.

## 2. BACKGROUND OF THE INITIATIVE

Considering the problems and challenges for the European audiovisual sector arising from the internationalisation of markets the European Parliament adopted, on 13 December 2007, for the 2008 budget, a Preparatory Action MEDIA International focusing on developing European Union relations with third-country audiovisual markets. At the joint invitation of Viviane Reding and Gilles Jacob, President of the Cannes Film Festival, and in the presence of José Manuel Barroso, ministers in charge of audiovisual matters in the European Union and the EFTA countries met informally in Cannes on 19 May 2008, and adopted a declaration welcoming the European Parliament's initiative on the MEDIA International Preparatory

Action and encouraging the Commission “to pursue the development of this initiative and to examine the desirability and the possibility of presenting, before the end of the year, a proposal for a support programme to promote cooperation between European audiovisual industry professionals and industry professionals in third countries for the mutual benefit of all participants”. The results of the call for proposals for the Preparatory Action showed a rapid and strong response from professionals with training, promotion and cinema network projects already covering the major Latin American and Asian markets.

With a view to proposing a legal basis following the Preparatory Action MEDIA International, DG INFSO prepared this Impact Assessment on a possible future MEDIA Mundus programme.

### **3. PROBLEM DEFINITION AND RATIONALE FOR THE INTERVENTION**

The major problem identified by the Impact Assessment for the European audiovisual industry on international markets is the poor circulation of audiovisual works. This problem affects not only European professionals who cannot fully benefit from the internationalisation of audiovisual markets but also the consumers that are faced with a limited choice and limited cultural diversity. The European Union itself, a major player in the negotiation of the UNESCO Convention on Cultural Diversity, is therefore confronted with high expectations regarding its implementation, and could risk losing its credibility in this regard.

The reasons underlying the poor circulation of audiovisual works are the following: the different European markets are fragmented not only on the basis of language but also of market structure. The problem lies with the market size; the original market size determines the strength of the industry on the international stage. Individually all the Member States (and most of their foreign counterparts) have relatively small markets compared to that of the USA. The distribution structure in Europe is made up of small individual companies, unlike their large multinational vertically-integrated counterparts in the USA; hence the lack of competitiveness of the European audiovisual industry. In addition European companies struggle with the problem of under-funding. Audiovisual works are essentially financed with national public resources, limiting the need for foreign investment and export. Moreover demand and viewing habits of audiences dominated by US and/or domestic blockbusters represent a significant obstacle to showing a real diversity. Audiences (in particular young audiences) are not aware of the wide choice of culturally diverse films, although there is well documented demand for greater diversity.

Existing EU programmes in the area of audiovisual support such as MEDIA 2007 have had a successful impact on the audiovisual industry and the circulation of European cinematographic works inside Europe. It cannot, however, address the challenges of the rapid internationalisation of the audiovisual sector. Programmes like EUROMED Audiovisual II or the EU-ACP support programme for cinema and the audiovisual industry are regional development programmes and as such have a different focus and objectives. A new programme could create considerable synergies with these programmes.

Other international activities such as existing international film funds mostly have limited budgetary allocations. Co-production treaties are rarely endowed with budgetary means and therefore inefficient in addressing the problems described above.

#### 4. OBJECTIVES

The general objectives are to strengthen international cooperation in order to increase the competitiveness of the European audiovisual sector, and to increase consumer choice and cultural diversity on the European and international markets.

Four specific objectives have been identified:

- (1) Increase information exchange and market intelligence, in particular through training activities, facilitate networking between European and third-country audiovisual professionals in order to improve access to foreign markets and to build trust and long-term commercial relationships.
- (2) Contribute towards the facilitation of international co-productions in the audiovisual markets.
- (3) Improve transnational distribution of audiovisual works and enhance the visibility of European audiovisual works in third countries and vice versa as well as increasing consumer choice for European and third-country audiences.
- (4) Reach new audiences and promote film literacy.

#### 5. POLICY OPTIONS

Three different policy options (including two different scenarios to implement these specific objectives) have been assessed regarding their economical, social, cultural and environmental impact and their cost-effectiveness.

- (1) *Business as usual* (in the sense of continuing the existing European activities in the audiovisual sector).
- (2) *Extension of existing instruments*.
- (3) *Creation of a new instrument MEDIA Mundus*.

As to the *business as usual* option, in view of the situation evolving on world markets and the technological challenges, the situation for European audiovisual companies would deteriorate significantly over time. *Business as usual* would not entail new costs, but would have a negative cost: if the opportunities of internationalisation are not seized by European companies in the new fast-growing markets.

An *extension of existing instruments* by opening the MEDIA 2007 programme to further participation and cooperation would entail various difficulties related to WTO rules as well as resource-intensive negotiations at governmental level and was therefore considered to be inefficient. Also, an opening of MEDIA 2007, not in the sense of full membership or cooperation, but in the sense that strands for international cooperation could be introduced in the current programme, was considered. In terms of costs and procedure the options are similar. However this policy option, although being an alternative to the creation of a new instrument, was discarded because one programme focusing on internal and external policies at the same time would become very complex, lead to brand confusion and be less effective in meeting the policy objectives defined.

Under the option *creation of a new instrument* the four *specific objectives* were broken down to more detailed *operational objectives / action lines* that refer to the actual deliverables:

- (1) Increase information exchange and market intelligence, in particular through training activities, facilitate networking between European and third country audiovisual

professionals in order to improve access to foreign markets and to build trust and long-term commercial relationships.

- Building up websites and databases (aims at collecting and disseminating information about European and third countries' audiovisual markets)
- Network of contact points (in various regions of the world in order to monitor the regional audiovisual industry)
- Training activities (aims at supporting various training measures such as the certification of training institutions, provide scholarships or continuous and initial training projects)
- Market access mechanisms and events (aims at supporting access to film market and other key events)

(2) Facilitation of international co-productions in the audiovisual markets.

- Supporting the development stage of co-production (aims at supporting script development, partner searching or other activities in the development phase such as financing or casting)
- Supporting the funding of co-productions (aims at a direct funding to co-productions or measures that could facilitate the access to commercial financing of co-productions)

(3) Improve transnational distribution of audiovisual works. Enhance the visibility of European audiovisual works in the world and vice versa and increase consumer choice for European / third-country audiences.

- Distribution support (aims at supporting the costs of acquisition, printing, advertising, dubbing and subtitling etc.)
- Cinema networks (aims at supporting cinema networks in Europe and in third countries that commit themselves to programming of a significant number/percentage of European audiovisual works and vice versa)
- Support to broadcasters and digital platforms (aims at encouraging the showing of European works on TV and platforms like VOD, mobile TV etc. in third countries and vice versa)

(4) Reach new audiences and promote film literacy

- Festivals and special events (aims at supporting festivals that programme third countries' and European audiovisual works or awareness-raising events)
- Networks to target young audiences including education activities
- Support for TV programmes dedicated to young audiences

The definition of the specific and operational objectives was largely inspired by stakeholders' consultation and is based on cost-benefit analyses carried out by the various ex-post evaluations of MEDIA programmes and the ex-ante evaluation of MEDIA 2007.

Two different scenarios have been examined within the specific objective 'facilitation of international co-productions' and 'supporting distribution'. Regarding the facilitation of co-productions the alternative scenarios related either to the setting up of funds by the Commission (development fund for co-productions, co-production funds for feature films, documentary and animation films, gap financing fund), or alternatively the financing of script development training, market access mechanisms and existing co-production funds. In view of the heavy administrative burden, the creation of co-production funding instruments by the Commission was not pursued further. With regard to distribution support, one scenario was more oriented towards the classical MEDIA approach. It was however found that the requirements for international cooperation regarding distribution were different on the internal

and the external markets. Therefore an option focusing the support on partnerships between rights-holders and distributors was assessed to be more effective and appropriate.

The calculation of the cost implications that was used to compare the different scenarios was in particular based on the evaluations of previous MEDIA programmes, the experiences of MEDIA 2007, the public consultations and the Preparatory Action MEDIA International.

In summary the Impact Assessment reached the conclusion that the following scenario should be further pursued in order to achieve the objectives identified:

<b>Specific Objective 1: Information exchange and market intelligence</b>
1) Building up Websites and Databases
2) Network of contact points
4) Initial training
5) Continuous training
6) Market access mechanisms
<b>Specific Objective 2: Facilitating international co-production activities</b>
1) Development
<i>a) Script development</i>
<i>b) Co-production markets/partner search (pitching)</i>
2) Co-production
<i>a) Supplement existing co-production funds</i>
<i>b) Access to finance</i>
<b>Specific Objective 3: Distribution and circulation support</b>
1) Support to partnerships of rights holders, sales agents and distributors
2) Cinema network
3) Support to broadcasters and digital platforms
<b>Specific Objective 4: Reach new audiences and promote film literacy</b>
1) Festivals
2) Special events
3) Networks to target young audiences including education activities
4) Support for TV programmes dedicated to young audiences

In order to take into account the current economic crisis, a third scenario has been built on the basis of a smaller budget than that of scenarios 1 and 2. This "crisis" scenario intends to maximise the effectiveness of the intervention given the budgetary constraint. Hence, only the most effective operational objectives and actions analysed under scenarios 1 and 2 have been selected. They have been gathered into a narrower framework limited to three specific objectives. Such an option would ensure continuity following the preparatory action and could pave the way for a larger programme under new financial perspectives.

<b>Specific Objective 1: Information exchange and market intelligence</b>
1) Continuous training
<b>Specific Objective 2: Competitiveness and distribution</b>
1) Co-production markets/partner search (pitching)

2) Support to partnerships of right holders, sales agents and distributors
<b>Specific Objective 3: Circulation</b>
1) Cinema network
2) Support to broadcasters and digital platforms
3) Support for networks/partnerships dedicated to film literacy

## 6. CONCLUSION

The Impact Assessment on the establishment of an audiovisual cooperation programme with third countries reached the following conclusions: There is a lack of circulation of European audiovisual works in third countries and vice versa. This has an impact on the competitiveness of the European audiovisual sector and, as a consequence, European companies cannot fully benefit from the opportunities of internationalisation. Furthermore, consumers cannot benefit from a wide choice of films and therefore there is limited cultural diversity. A new instrument should therefore pursue those two global objectives: to increase the competitiveness of the European audiovisual sector and to increase consumer choice and cultural diversity.