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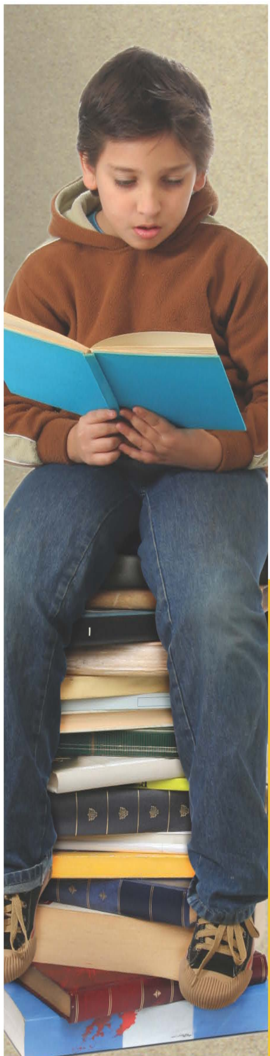

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THE MEDIA STRAND OF THE CREATIVE EUROPE PROGRAMME 2014-2020

NOTE

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NOTE

This document was requested by the European Parliament's Committee on Culture and Education

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Abstract

This note is a critical assessment of the Creative Europe Programme-MEDIA Strand and the provisions of the Cross-Sectoral Strand relating to the audiovisual sector. It describes provisions set out in the proposed regulation on the Creative Europe Programme, compares them to measures provided by the previous MEDIA programmes and analyses planned actions with regard to the main challenges for the European audiovisual sector. It proposes policy recommendations to improve the proposed text and ensure effective support.

IP/B/CULT/FWC/2010 - 001/LOT3/C2/SC1 August 2012

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CONTENTS

LIST OF ABBREVIATIONS

ACT	Association of Commercial Televisions
BFI	British Film Institute
CCS	Cultural and Creative Sectors
CIP	Competitiveness and Innovation Programme
DG	Directorate General
EAO	European Audivisual Observatory
EBU	European Broadcasters Union
ECIA	European Creative Industries Alliance
EFTA	European Free Trade Agreement
EEA	European Economic Area
EGDF	European Game Developers Federation
EIB	European Investment Bank
EC	European Commission
EU	European Union
FERA	Federation of European Film Directors
MPFG	Media Production Guarantee Fund
MFF	Multiannual Financial Framework
SAA	Society of Audiovisual Authors
SMEs	Small and Medium Enterprises
VOD	Video On Demand

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EXECUTIVE SUMMARY

This briefing note provides the European Parliament's Culture and Education Committee with a critical assessment of the Creative Europe Programme-MEDIA Strand and the provisions of the Cross-Sectoral Strand relating to the audiovisual sector.

The European audiovisual sector, covering the film, television, video games and multimedia sectors, produces approximately €107.4 billion value-added a year, employs 1.2 million people (MEDIA Desk Slovenia) and it is estimated that the filmed entertainment market[1] will grow by 3.4% per year in Western Europe and 6.9% in Eastern Europe (PwC, 2009, p.317) to 2013. The sector is chiefly composed of SMEs and micro-companies, with the presence of several large, mostly US-owned vertically integrated companies (KEA, 2005, p. 227). A strong audiovisual sector can positively contribute to the European project by strengthening identities, enabling expressions of cultural diversity, as well as enhancing economic development, social integration and innovation.

The Creative Europe Programme proposal of the European Commission (EC) has been designed to help the audiovisual sector (and the CCS in general) to overcome four major challenges:

- The fragmentation of the market: in Europe, production and distribution of audiovisual works is closely linked to cultural and linguistic borders. This contributes to high cultural diversity, but limits the transnational circulation of works;
- The difficulties for the cultural and creative sectors (CCS) in accessing finance: audiovisual companies experience difficulties in accessing loans, as they are unable to offer security (unpredictable demand, intangible nature of assets, difficulty of evaluating creativity, originality, talent...) and financial institutions often lack expertise in evaluating audiovisual projects;
- The impact of globalisation and the digital shift: digital technologies and globalisation put pressure on traditional distribution mechanisms and business models, demanding important investments to keep pace with technological developments and stay competitive;
- The shortage of comparable data: accessing private investment and evidence-based policy making is difficult in the audiovisual sector, because of a lack of comprehensive data on the European audiovisual market: its players and audiences as well as circulation of European audiovisual works.

Creative Europe's objectives are to foster the safeguarding and promotion of European cultural and linguistic diversity and to strengthen the competitiveness of the cultural and creative sectors with a view to promoting smart, sustainable and inclusive growth. It is composed of three strands: the Culture Strand, the MEDIA Strand (replacing the current MEDIA and MEDIA Mundus programmes) and a Cross-Sectoral Strand covering the transversal aspects of the first two.

The EC has proposed a 37% budget increase in relation to the previous programmes (Culture, MEDIA, MEDIA Mundus) to reach a total budget of €1.8 billion for 7 years, resulting in €990 million for the MEDIA Strand (28.6% increase).

[1] Including theatrical distribution, video rentals and retail offline and online.

The MEDIA Strand

The MEDIA Strand establishes the following priorities to reinforce the capacities of the sector and to promote the transnational circulation of European audiovisual works:

- training and networking of audiovisual professionals, with a particular focus on adaptation to the digital shift;
- capacity building of audiovisual operators to produce more audiovisual works circulating in European and transnational markets;
- facilitation of European and international coproductions;
- development of business to business exchanges through access to markets and business tools for audiovisual operators, and support for the exposure of their projects in European and international markets;
- theatrical distribution, including transnational marketing, branding, distribution and exhibition of audiovisual projects;
- transnational marketing and distribution on online platforms;
- audience building and stimulating interest for audiovisual works, including promotion, events, film, literacy and festivals;
- flexibility of new distribution modes to foster the creation of new business models.

The Cross-Sectoral Strand

The Cross-Sectoral Strand introduces a financial facility for the cultural and creative sectors and measures for transnational policy cooperation.

The financial facility is a debt instrument with a planned budget of € 200 million, targeted at small and medium-sized enterprises in the CCS. It is conceived to partly cover the risk of default for financial institutions and is expected to raise €1 billion of investment in the CCS (EC 2012, p.13). It also includes capacity building activities to provide financial intermediaries with additional expertise to enable them to evaluate the risks associated with operators in the CCS. It will also provide capacity building programmes for operators in the CCS, helping them to develop the appropriate fundraising and business skills.

Support measures for transnational policy cooperation are targeted at the following activities:

- transnational exchange of experiences on new business models and networking;
- collection and analysis of market data and support to the European Audiovisual Observatory to foster data collection and analysis in the cultural and creative sectors;
- testing activities of new and cross-sectoral business approaches to funding, distributing and monetising creation;
- conferences, seminars and policy dialogue, including in the field of culture and media literacy;
- support to newly created Creative Europe Desks' network (merging the existing MEDIA Desks with the Culture Contact Points).

Comparison with previous programmes

The key developments from the previous MEDIA 2007 and MEDIA Mundus programmes can be summarised as follows:

Table: Creative Europe and key developments from previous programmes

Key developments from previous programmes	Creative Europe (Media and Cross-Sectoral strands)
A joint framework programme	- merges previous Culture and MEDIA Programmes into a common framework - less sectoral approach, programme for the "Cultural and Creative Sectors" - creation of Creative Europe Desks - general objectives in line with previous MEDIA programmes - audiovisual sector explicitly includes video games
Budget Increase for MEDIA	€ 990 million (28.6% increase)
Cross-Sectoral Strand:	
New financial instrument	€ 200 million Guarantee Fund Capacity building programme
New support measures	- support to EAO (contribution fee) - EAO to collect data for CCS - specific support to conferences, seminars and policy dialogue
MEDIA Strand:	
Priorities inherited from previous programmes	- acquisition and improvement of skills - support for development sector - distribution and focus on VOD platforms - promotion (events and markets) - international distribution and promotion

New priorities	- audience building
	- promotion of new business models through:
	  - flexible distribution modes
	  - support for innovative actions

Previous priorities not included in current proposal	- dissemination of audiovisual heritage

Source: KEA European Affairs

Industry views on the new programme for the audiovisual sector

Most industry stakeholders are generally positive about the new MEDIA Strand, but highlight some points that could be added or changed, such as the inclusion of increased support for experimentation with business models and distribution of new platforms, support for digitisation of screens, for audiovisual heritage, and the inclusion of other formats, such as cross media or short films. Concerns expressed regarding the new financial facility cover uncertainties about eligible financial intermediaries (banks only, or also specialised intermediaries in the audiovisual sector) and applicable fees and interest rates. There are also voices calling for more targeted audience development in relation to children and older people.

An ambitious programme responding to the industry's needs

The Creative Europe MEDIA Strand can be seen as an adequate response to the sector's needs, as it identifies most of the relevant challenges for the sector, foresees an increase of 28.6% in the budget for media funding and continues the support measures from previous programmes which are acknowledged to work well.

Furthermore, through the introduction of a new financial instrument and capacity building activities, the MEDIA Strand clearly responds to the sector's need for better access to finance. However, SMEs from smaller Member States, with especially difficult access to finance, need some form of safeguard to ensure they have equal access to the guarantee fund. It is also important that the scheme is well publicised across the EU.
The MEDIA Strand is very positive in that it focuses even more closely on digital technologies. However, it does not explicitly mention support to new story-telling formats and projects to facilitate licensing initiatives for online rights. In this respect, it still appears to be quite focused on film and the traditional distribution of films and is not clear enough with regard to its overall scope.

In addition, while the programme prioritises audience development, it neither recognises the need to grow specific audiences, such as children or older people, nor does it mention the need to enhance media literacy. It also does not envisage providing support to audiovisual heritage.

Policy recommendations

Several recommendations can be made to the European Parliament to improve the text of the regulation to ensure that the audiovisual sector receives the most effective support.

Policy objective: Ensure better coordination of support schemes to the cultural and creative sectors

Given that there are many other European programmes from which the sector could greatly benefit, it should be specified how complementarity could be achieved. This could be done through:

- consultation of management entities and beneficiaries of Creative Europe on related initiatives, in order to encourage audiovisual companies to benefit from other European programmes;
- creation of targeted communication campaigns towards the audiovisual sector for suitable programmes;

Policy objective: Ensure that Creative Europe makes the best use of new technologies to create, disseminate and make accessible European audiovisual works

Support in the programme for the audiovisual sector should focus more explicitly on:

- the use of digital technologies for the development of new content formats;
- the use of digital technologies for the distribution and dissemination of all types of audiovisual content on new digital platforms (smart phones, tablets, games consoles, PCs…);
- the provision of support for innovative mechanisms facilitating rights acquisition and rights management for online distribution, such as collective approaches or rights aggregators and databases.

Policy objective: Ensure better access to finance for audiovisual SMEs across the EU

To enable the audiovisual sector to gain the most benefit from the proposed new financial facility, several proposals can be made:

- allow access to the facility by specific audiovisual media investment institutions;
- guarantee access across all countries of the European Union, and especially to SMEs in smaller countries, through matchmaking and networking mechanisms between investors and companies from smaller countries;
- ensure that several financial intermediaries benefit per country, including sector specific specialists.

Policy objective: Increase demand through audience building and better branding

More targeted priorities and actions to respond to the sector's needs for increased demand should be developed through:

- audience development initiatives focusing on children and young people;
- guaranteeing support, other than through "conferences, seminars and policy dialogue", to media literacy;
- focusing on older audiences in particular, also in relation to media literacy;
- guaranteeing support for subtitling of European films;
- ensuring the branding of European audiovisual products e.g retaining the MEDIA Logo.

Policy objective: safeguard and promote European audiovisual heritage

The Creative Europe Programme should provide support for:

- audiovisual archives for the digitisation of audiovisual heritage;
- dissemination and circulation of European audiovisual heritage through all types of digital platforms.

INTRODUCTION

This briefing note seeks to provide the European Parliament's Culture and Education Committee with a critical assessment of the Creative Europe Programme-MEDIA Strand and the provisions of the Cross-Sectoral Strand relating to the audiovisual sector. This is done in the context of the forthcoming debates on the European Commission's proposal for the Multiannual Financial Framework (MFF 2014-2020).

The audiovisual sector, covering the film, television, video games and multimedia sectors, is largely composed of SMEs and micro-companies, but has also oligopolistic elements, with the presence of several large, mostly US-owned vertically integrated companies (KEA, 2006, p. 227).

The audiovisual market produces approximately €107.4 billion value-added a year and employs 1.2 million people (MEDIA Desk Slovenia). Up till 2013, the filmed entertainment market should grow by 3.4% per year in Western Europe and 6.9% in Eastern Europe (PwC, 2009, p.317). The video games market will grow by 6.9% in Europe, Middle East and Africa (PWC,2009, p.364).

The audiovisual sector plays an instrumental role in the European project: it not only strengthens identities, enables expressions of cultural diversity, but also enhances economic development, entrepreneurship, social integration and innovation thus contributing to the building of a cohesive and competitive Europe. A strong European audiovisual industry creates engagement and pride in European citizens towards the European Union.

The briefing note has been conceived as an answer to the following questions:

- Which are the constitutive elements (culture and media) of the Creative Europe Programme and to what extent do they differ from the current Programmes? (Section 1)
- Does the programme respond to the (high) expectations of the cultural sector? (Section 2)
- To what extent can Creative Europe be expected to improve outcomes and efficiency in the fields of culture and media? What potential strengths and shortcomings of the Commission's proposal can be discerned in this respect? (Section 3)
- Which recommendations might be given to political decision-makers in general and to the European Parliament in particular for revising and amending the existing proposal(s)? (Part 4)

The briefing note is a five weeks assignment, conceived in July 2012. It is based on bibliographical research, a survey among 45 stakeholders of the European audiovisual sector, followed by semi-structured interviews with stakeholders, policymakers and experts (please see annexes for a list of consultations).

1. THE MEDIA STRAND AND THE CROSS-SECTORAL STRAND: DESCRIPTION AND COMPARISON WITH PREVIOUS PROGRAMMES

In the context of the revision of EU programmes for the next multiannual financial framework 2014-2020, the European Commission (EC) has proposed a regulation establishing the “Creative Europe” programme (EC 2011). Creative Europe has been designed as a single framework programme that will bring together in two strands the current Culture ("Culture-Strand")[2], MEDIA[3] and MEDIA Mundus[4] programmes ("MEDIA-Strand"). In addition, it will introduce in a cross-sectoral strand measures to cover the transversal aspects of these two strands.

According to the EC, this new structure is aimed at simplifying and thus facilitating access to the programme by European cultural and creative sectors[5] and enabling synergies across them.

Table 1: General structure of Creative Europe

Structure and provisional budget of Creative Europe	
Cross-Sectoral Strand (including new financial instrument) Provisional budget: **€270 million**	
Culture Strand (replacing previous Culture Programme) Provisional budget: **€540 million**	**Media Strand** (replacing previous MEDIA and MEDIA Mundus Programmes) Provisional budget: **€990 million**
Total provisional budget of Creative Europe: **€1.8 billion**	

Source: European Commission (2011)

[2] Since 1993 the European Commission has a programme to support cross-border cultural projects. The current EU’s Culture programme (2007-2013), builds on Culture 2000 (2000-2007) and the Ariane, Kaleidoscope and Raphael programmes (1996/7-1999). It has a budget of €400 million and funds cross-border co-operation between cultural operators and institutions for projects and initiatives in the fields of cultural diversity and cultural heritage.

[3] MEDIA 2007 is the forth EU support programme for the European audiovisual industry, following MEDIA I (1991-1995), MEDIA II (1996-2000), MEDIA Plus (2001-2006) and MEDIA 2007 (2007-2013). For the funding period 2007-2013 it has a budget of €755 million to co-finance training audiovisual industry professionals, the development of production projects, as well as the promotion of European audiovisual works.

[4] MEDIA Mundus is the programme to co-finance international cooperation of the audiovisual industry from 2011-2013, with an overall budget of €15 million. It follows the preparatory action MEDIA International, running from 2008-2010. It focuses on projects in the fields of training, market access, distribution and circulation of audiovisual works.

[5] In the regulation, the "cultural and creative sectors," are defined as all sectors whose activities are based on cultural values and/or artistic and creative expressions, whether these activities are market or non-market oriented and whatever the type of structure that carries them out. These activities include the creation, the production, the dissemination and the preservation of goods and services, which embody cultural, artistic or creative expressions, as well as related functions such as education, management or regulation. The cultural and creative sectors include in particular, architecture, archives and libraries, artistic crafts, audiovisual (including film, television, video games and multimedia), cultural heritage, design, festivals, music, performing arts, publishing, radio and visual arts (Article 2).

The EC has proposed a 37% budget increase in relation to the previous programmes (Culture, MEDIA, MEDIA Mundus) to reach a budget of €1.8 billion for 7 years (30% for the Culture strand, 55% for the MEDIA strand, and 15% for the Cross-Sectoral strand). All of these figures are, however, subject to change as long as negotiations on the multi annual financial framework last. Although a partial agreement on the proposal was reached at the Education, Youth, Culture and Sport Council meeting on 11 May 2012 (European Council 10 and 11 May 2012), net contributors to the EU budget had already voiced their opposition to this budget increase (European Parliament, public hearing on 29 April 2012).

The following section describes and analyses the new Creative Europe MEDIA strand and the Cross-Sectoral Strand and compares them to the two previous programmes providing support to the audiovisual sector.

1.1. A response to major challenges for the European audiovisual sector

Creative Europe is designed to contribute to both the economic and social objectives of the Europe 2020 strategy (EC 2010). This should help to overcome **four major challenges** facing the CCS, including the audiovisual sector, identified in recital 9 of the regulation:

- The fragmentation of the market: in Europe production and distribution of audiovisual works is closely linked to cultural and linguistic borders. This contributes to high cultural diversity, but limits transnational circulation of works.
- The difficulties for the CCS in accessing finance: audiovisual companies experience difficulties in accessing loans, as they are unable to offer security (unpredictable demand, intangible nature of assets, difficulty to evaluate creativity, originality, talent...) and financial institutions often lack expertise in evaluating audiovisual projects.
- The impact of globalisation and the digital shift: digital technologies and globalisation put pressure on traditional distribution mechanisms and business models and demand important investments to keep pace with technological developments and stay competitive.
- The shortage of comparable data: accessing private investment and evidence-based policy making is difficult in the audiovisual sector, because of a lack of comprehensive data on the European audiovisual market, its players and audiences, as well as circulation of European audiovisual works[6].

It can be said that the European Commission has identified the right challenges for the audiovisual sector, reflecting the reality of the market. In order to respond to these challenges, several needs of the audiovisual sector can be identified:

6 A more detailed analysis of the challenges for the audiovisual sector can be found in Annex 1.

Table 2: Challenges and needs of the audiovisual sector

Challenge	Needs of the audiovisual sector (non-exhaustive)
Market fragmentation	- experimentation with the use of new platforms for cross-border distribution - support to innovation for content creation and experimentation with new media formats - support for transnational circulation of audiovisual works - promotion of European audiovisual products internationally - support for translation and subtitling of audiovisual works - audience development to attract non-national audiences
Difficulties in accessing finance	- better access to private funding, as public funding decreases - better understanding by financial intermediaries of the sector's assets and opportunities - acquisition of skills in relation to business planning, access to finance
Impact of globalisation and the digital shift	- continuous investment in new technologies to adapt and stay competitive - experimentation with new possibilities for content creation, new formats in order to engage with future audiences - adaptation of distribution models to digital - digitisation and accessibility of audiovisual heritage - adaptation of rights licensing practices and facilitation of the acquisition of rights for online distribution - finding new, innovative business models
Shortage of comparable data	- better access to macroeconomic data from national statistics or European companies for the European Audiovisual Observatory - increased evidence of market developments - better coordination and exchange between national statistical institutions - systematic evaluation of outcomes of MEDIA-programme, MEDIA –Strand as well as national support policies

A fifth challenge could be added: developing the audiences of tomorrow.

Box: A fifth challenge for the audiovisual sector

A 5TH CHALLENGE
Developing the audiences of tomorrow

An additional challenge of the audiovisual sector is to develop new audiences in order to sustain demand for audiovisual works. Consumers nowadays have an increasing choice of alternatives of how to spend their free time and audiovisual content is only one of many in this race for consumers' attention. In particular, younger audiences, the so-called "digital natives", mainly under 20 years old, are accustomed to watch, share and interact with audiovisual content, play, listen to music, read, chat with friends and be active on social networks on a variety of devices. Furthermore, while the cinema remains for most people the favourite way to watch a film, audiovisual content is accessed in parallel "on-demand", be it cinema on demand, catch-up TV, video on demand or user-generated content. Interactive experiences used in cross media[7]or transmedia[8], as well as in games are also increasingly attractive for audiences. There is also evidence about the ageing audience for European arthouse audiovisual productions and the failure of traditional marketing methods to connect with new audiences (Gubbins 2012, p. 6).

The European audiovisual sector is, therefore, confronted with changing consumption habits and has to find innovative ways to connect and engage with those audiences of the future, not only in a national context but EU-wide and internationally. In addition, given important competition from Hollywood studios and other international productions, this is a major challenge for the competitiveness of the sector.

Needs:
- improved communication on the value of all European audiovisual productions;
- experiments with innovative, high-quality new formats and storytelling to acquire a competitive position in the new media market;
- ensuring presence of European content on various distribution platforms and promotion events;
- enhanced engagement with, and pride in, European content;
- ensuring media literacy;
- better branding of European content.

1.2. General objectives of the Creative Europe Programme

The Creative Europe programme's general objectives are to foster the safeguarding and promotion of European cultural and linguistic diversity (Article 4a)[9] and to strengthen the competitiveness of the cultural and creative sectors, with a view to promoting smart, sustainable and inclusive growth (Article 4b).

[7] Cross-media can be defined as: "A media property, service, story or experience distributed across media platforms using a variety of media forms" (Manto A/S, 2012 p. 3).
[8] Transmedia can be defined as "Storytelling across multiple forms of media in order to have different "entry points" in the story; entry points with a unique and independent lifespan, but with the different role in the narrative scheme" (Manto A/S, 2012, p.3).
[9] if not specified, all references to articles refer to articles from the proposal for a regulation on establishing that Creative Europe Programme COM (2011)785/2.

1.3. The MEDIA Strand

The MEDIA Strand is designed as a support programme to the audiovisual industries. In the proposal for a regulation, "audiovisual" is defined as including film, television, video games and multimedia (Article 2-1). This strand is seen as a replacement for the MEDIA 2007 and the MEDIA Mundus programmes. This implies that the new MEDIA strand will be open to audiovisual professionals from EU, EEA and third countries[10].

The priorities of the MEDIA Strand, defined in Article 11 of the proposal for a regulation, and designed to respond, together with the new financial facility, to the most pressing challenges of the sector identified by the EC (see above) are:

Box: Priorities of the MEDIA Strand

Priorities (Article 11)

1. In the field of reinforcing the sector's capacity:

(a) facilitating the acquisition of skills and the development of networks and in particular encouraging the use of digital technologies to ensure the adaptation to market development;
(b) increasing the capacity of audiovisual operators to develop audiovisual works with a potential to circulate in Europe and beyond and to facilitate European and international coproduction including with TV broadcasters;
(c) encouraging business to business exchanges by facilitating access to markets and business tools for audiovisual operators to increase the visibility of their projects on European and international markets.

2. In the field of promoting transnational circulation:

(a) supporting theatrical distribution through transnational marketing, branding, distribution and exhibition of audiovisual projects;
(b) supporting transnational marketing and distribution on online platforms;
(c) supporting audience building as means of stimulating interest for audiovisual works in particular through promotion, events, film literacy and festivals;
(d) Promoting flexibility of new distribution modes in order to allow the emergence of new business models.

Support measures as described in article 12 should be provided to:

[10] Participating countries are: EU members, acceding countries, candidate countries and potential candidates, benefiting from a pre-accession strategy, EFTA countries which are members of the EEA, the Swiss confederation and countries of the European neighbourhood area (Article 16-2). In addition, the programme might also be open to other targeted countries or regions, which should be determined later on (article 16-3). It shall also be open to cooperation with countries not participating in the programme and with international organisations such as UNESCO, Council of Europe, OECD or the World Intellectual Property Organisation (article 16-4).

Box: Support measures of the MEDIA Strand

Support measures (Article 12)

(a) support the development of a comprehensive offer of new skills acquisition, knowledge sharing and networking initiatives;

(b) support audiovisual operators to develop European audiovisual works with enhanced crossborder circulation potential;

(c) support activities aiming at facilitating European and international co-productions, including television;

(d) facilitate access to professional audiovisual trade events and markets and the use of online business tools inside and outside Europe;

(e) establish systems of support for the distribution of non-national European films on all platforms and for international sales activities;

(f) facilitate circulation of European films worldwide and of international films in Europe on all platforms;

(g) support of a European cinema owners' network screening a significant proportion of non-national European films, including the integration of digital technologies;

(h) support initiatives presenting and promoting a diversity of European audiovisual works;

(i) support activities aiming at increasing knowledge and interest of audiences;

(j) support innovative actions testing new business models and tools in areas likely to be influenced by the introduction and the use of digital technologies.

The programme remains quite vague as regards specific funding mechanisms, beneficiaries and eligibility criteria for each of the support measures. Indeed, in order to guarantee flexibility in relation to technological and market developments (EP, Public Hearing on Creative Europe, 27 April 2012), the same functioning as previous MEDIA programmes will apply and work programmes will be released annually, by means of implementing acts (Article 17). They will set out the objectives to be pursued, the expected results, the method of implementation, the total amount of financing plan, as well as a description of the actions and allocation of budget and indicative timetable. They will establish more specific priorities, the essential evaluation criteria and the maximum rate of co-financing for grants.

1.4. Cross-Sectoral Strand

The Cross-Sectoral Strand is structured around two parts: a CCS facility (financial facility) and transnational policy cooperation.

1.4.1. Cultural and Creative Sectors facility (Financial Facility)

This facility, targeted at all cultural and creative sectors is the major new element introduced by Creative Europe to allow SMEs of the CCS to access bank loans. It is expected to raise €1 billion of investment in the CCS (EC 2012, p.13). It will be composed of two pillars: a guarantee fund for financial intermediaries (Annex I -1a) and capacity building activities to provide financial intermediaries with additional expertise and capacity to evaluate risks associated with operators in the CCS (Annex I-1b).

The proposed regulation is imprecise on the concrete implementation of the Financial Facility. Some additional information not legally binding however, can be found in the document issued by the European Commission answering Frequently Asked Questions in relation to the Cultural and Creative Sectors Loan Guarantee Facility (EC 2012).

1.4.1.1. Debt instrument

This debt instrument has a planned budget of € 200 million and is targeted at small and medium-sized enterprises in the CCS. It is conceived to partly cover the risk of default for financial institutions (Annex 1). Recital 13 explains the particularly difficult situation in CCS arising from the intangible nature of many of their assets, the prototype profile of their activities, the lack of investment-readiness of the operators in the sector, as well as the insufficient investor-readiness of financial institutions.

The aim is to make investing in CCIs more appealing through alleviating the risk incurred for selected financial institutions. It should increase the number and geographical scope of financial institutions willing to develop loans or portfolios of loans for CCS, to foster private investment in the sector, and to obtain economies of scale and savings. In addition, it seeks to encourage a more entrepreneurial model of financing the audiovisual sector, thus strengthening the competitiveness of CCS while reducing their dependence on public funding (EC, 2011b, p.5).

Its main features are:

- Financial institutions will propose a portfolio of loans dedicated to CCS SMEs, to be backed by this guarantee scheme.
- The European Investment Bank (EIB) will provide for these global loans to participating financial intermediaries (EC 2012, p.13).
- 1-2 financial institutions will be selected from any country participating (EC, 2011b p.7).
- There should be no guarantee fees incurred for the financial intermediary and the SME requesting the loan (EC, 2012, p. 14).
- This is a capped guarantee instrument, so it will only repay a percentage (up to 25 %) of the whole portfolio. Furthermore, the percentage of losses covered may vary (EC 2012c, p.20).
- Access to this guarantee fund will not be available for costs already covered or partly covered by a grant, except when grants and loans are used on different phases of the same project (EC, 2012 p.8).

1.4.1.2. Capacity-building programmes

To address the problem of lack of expertise among financial institutions in the area of the financial analysis of cultural and creative SMEs project results in Europe (EC, 2011b p. 131), the financial facility will offer programmes to financial institutions to acquire the relevant expertise, as well as technical assistance and networking measures (article 7-1b). The objective is to provide each financial intermediary with additional expertise and capacity to evaluate risks associated with financing the cultural and creative sectors (Annex I-4). These capacity building activities could consist of initial training programmes for financial intermediaries wishing to benefit from the guarantee, follow-up support during the launch phase of the portfolio, as well as ad-hoc advice on specific credit application files (EC 2011c, p. 16.). The scheme should disseminate the existing expertise of the few European financial institutions more widely among European financial intermediaries (EC 2011c, p.17).

In addition, the proposed regulation, envisages capacity building programmes for operators in the cultural and creative sectors, helping them to develop the appropriate skills to elaborate business plans, and to prepare accurate information on their project that would assist the financial intermediary in its evaluation. (Annex I-4)

1.4.2. Transnational policy cooperation

Support measures for transnational policy cooperation are aimed at fostering policy development, innovation, audience building and business models in the CCS (Article 8). Among the activities to be supported are:

- transnational exchange (Article 8a) of experiences and know-how on new business models, peer-learning activities and networking among cultural operators and policymakers related to the development of the CCS;
- collection and analysis of data: to respond to the need of the sector for more data, there are support measures dedicated to market data, studies, anticipation skills and jobs' tools, evaluations, policy analysis and support for statistical surveys (Article 8b) and the contribution fee for the membership of the European Audiovisual Observatory to foster data collection, analysis in the cultural and creative sectors (Article 8c);
- testing activities of new and cross-sectoral business approaches to funding, distributing and monetising creation (Article 8d);
- conferences, seminars and policy dialogue: Article 8e) establishes that support measures for conferences, seminars and policy dialogue, including in the field of culture and media literacy will be provided;
- creation of Creative Europe Desks' network (merging the existing MEDIA Desks with the Culture Contact Points): Article 8f) provides that there should be support to the national members of so-called Creative Europe Desks, in charge of:
  - promoting the Creative Europe Programme at national level;
  - assisting the CCS regarding the Programme and providing information on the various types of aid;
  - stimulating cross-border cooperation between professionals, institutions platforms and networks;
  - supporting the Commission by providing assistance regarding the CCS in the Member States;
  - supporting the Commission in ensuring proper communication and dissemination of the results and impacts of the programme.

1.5. Comparison with previous programmes[11]

1.5.1. A joint framework programme

The major change introduced by the Creative Europe Programme in comparison with the MEDIA 2007[12] and the MEDIA Mundus programmes[13] is that the new Programme links the previously distinct Culture and MEDIA programmes within a common framework. Thus, it follows a far less sectoral approach than the previous programmes. It considers the cultural and the audiovisual sectors under the broader term of "cultural and creative sectors" and is based on the assumption that all cultural and creative sectors face common challenges (Recital 9). This reflects a recent paradigm shift of European policies in the field of culture towards a more entrepreneurial vision of the sector, recognising increasingly the contribution of culture to social and economic development and innovation.

One consequence of the new framework programme is the proposed merger of the current MEDIA Desks and CULTURE Contact Points (functioning as information and promotion centres in each Member State) into one Creative Europe Desk responsible of the entire Creative Europe Programme (Article 8f).

1.5.2. A budget increase

Another main change concerns the proposed budgetary increase for the Creative Europe Programme. Should the provisional budget be maintained, Creative Europe's MEDIA strand will have a 28.6% increase in budget compared to previous MEDIA and MEDIA Mundus programmes, giving it a a total of €990 million.

1.5.3. A new financial instrument

The introduction of the Financial Facility for the creative and cultural sectors is another major evolution in relation to previous programmes.

Previous MEDIA programmes developed different funding mechanisms through pilot actions. These have served as pilot projects for the new, large-scale financial instrument:

- the MEDIA Production Guarantee Fund (MPGF), set up in 2010 was aimed at facilitating access to loans for SMEs in the audiovisual sector. This €8 million fund covered 50% of the default risk on loans to the audiovisual sector. It was managed by the French and Spanish entities IFCIC and Audiovisual SGR.
- 'i2i for audiovisual', with an annual budget of €3 million, covered costs incurred by the interest on bank loans, and supported financial instruments such as completion bonds, production loans and insurance.

The new instrument will be on a much larger scale – €200 million over the 2014-2020 period accessible to all cultural and creative sectors– and will, in addition, include a capacity building programme (see section 1.4.1.2). Similarly to the MPGF, it will work as a

[11] In relation to the provisions applying only to the audiovisual sector, it must be noted that the current proposal is far less detailed compared to regulations establishing the MEDIA 2007 and the MEDIA Mundus programmes, as there are no annexes in relation to the MEDIA Strand, detailing the implementation of the programme.

[12] Decision no 1718/2006/EC of the European Parliament and of the Council of 15 November 2006 concerning the implementation of a programme of support for the European audiovisual sector, OJ L 327, 24.11. 2006, p.12 (MEDIA 2007).

[13] Decision No 1041/2009/EC of the European Parliament and of the Council of 21 October 2009 establishing an audiovisual cooperation programme with professionals from third countries, OJ L 288, 4.11.2009, p. 10 (MEDIA Mundus 2011-2013).

guarantee fund, but will be managed by the European Investment Bank (EIB) (EC, 2012, p.13), instead of specifically designated entities and will demonstrate the following differences with regard to the existing MPFG:

Table 3: Comparing MPGF and the New Financial Instrument

	MEDIA production guarantee fund	New Financial Instrument
Budget	€8 million	€200 million
Duration	4 years	7 years
Sector	Audiovisual	All cultural and creative sectors (film, video games, publishing, music, design, etc).
Financial product	Interim Finance	Interim Finance, gap finance, working capital, tax incentive related products
Management model	Indirect centralised management delegated to third party bodies	Fiduciary and Management Agreement with the entrusted entity
Estimated total amount of loans covered	€100 million	€1 billion
Estimated number of participating financial intermediaries	10	1-2 per country (some countries could be covered by the same financial intermediary/group)
EIB involvement	None	Global loans to participating financial intermediaries (optional, and subject to EIB approval)
Guarantee Fees	0.5% to 1.5%	0%
Estimated number of final beneficiaries	50-100	Up to 15,000

Source: European Commission (EC 2012, p.13-14)

1.5.4. New specific provisions on studies, data collection and statistics and support to the European Audiovisual Observatory

The Creative Europe Programme highlights for the first time the need for more and better data collection. To address this, new specific provisions on data collection and the allocation of the contribution fee for membership of the European Audiovisual Observatory to foster data collection and analysis have been included within the Cross-Sectoral Strand (article 8b) and c)). The proposal does not specify the amount of the contribution to the European Audiovisual Observatory.

Under the Creative Europe proposal, the European Audiovisual Observatory will also cover the whole CCS, whereas it previously collected data and provided analysis solely for the audiovisual sector.

1.5.5. Specific support to conferences, seminars and policy dialogue

The Cross-Sectoral Strand also introduces the possibility of finding support for conferences, seminars, and policy dialogue including the field of culture and media literacy. Support to conferences, seminars and policy dialogue was not explicitly provided for in the previous MEDIA 2007 programme or in the MEDIA Mundus programme.

1.5.6. Explicit inclusion of videogames in the scope of the programme

For the first time, video games are directly mentioned as types of audiovisual works in the programme (article 2-1). While video games developers were eligible for support from the previous MEDIA, MEDIA II a, MEDIA PLUS and MEDIA 2007 programmes under calls for proposals for “multimedia” and “interactive works”, the MEDIA 2007 restricted eligibility in the past few years to games which were adaptations of films or television productions and reduced the budget allocated to support for "interactive works" (EGDF response to survey). The explicit mention of videogames in the Creative Europe Programme regulation is, therefore, to be seen as an acknowledgement of videogames as audiovisual products to be taken seriously and as a commitment to supporting this highly innovative branch.

1.5.7. Similar general objectives

It is difficult to compare the Creative Europe Programme's general objectives and the MEDIA Strand's priorities with objectives and priorities of the two previous MEDIA programmes, as the structure of the regulations does not follow the same logic, mainly owing to the new broader framework programme. Nevertheless, it can be said that in relation to general objectives (MEDIA 2007 Article1-2 and Creative Europe Article 4):

- The programmes broadly share the same general objectives, with a dual approach focusing on safeguarding and promoting European cultural and linguistic diversity, on the one hand, while reinforcing the competitiveness of cultural and creative sectors on the other hand.
- Contrary to the previous MEDIA programme, cinematographic and audiovisual heritage is not specifically mentioned in the current proposal.
- The previous global objective of "increasing the circulation and viewership of European audiovisual works inside and outside the European Union, including through greater cooperation between players (MEDIA 2007, Article 1-2b) has been included in several paragraphs in the specific objectives of the Creative Europe Programme (Article 5).

1.5.8. Less focus on audiovisual heritage, more focus on digital, new business models and audience building

There are slight differences in relation to specific priorities: both prioritise fostering skills and knowledge, the potential of European audiovisual works to circulate, and strengthening the audiovisual sector and audiovisual professionals, but the new programme does not refer to the dissemination of audiovisual heritage – a priority in MEDIA 2007 (MEDIA 2007 article 1-4a). In turn, the new MEDIA Strand introduces:

- the priority of audience building (Article 11-2c);
- the priority of promotion of flexible distribution modes to allow the emergence of new business models (article 11-2d);
- support to innovative actions testing new business models and tools using digital technologies (article 12j), previously not explicitly mentioned and supported through pilot projects (MEDIA 2007, Article 7).

In the MEDIA Strand no substantial changes have been made in relation to support activities. Just like its predecessors, the programme provides support to training, development, co-productions, promotion, distribution, circulation, and exhibition (article 12). There have, however, been several shifts of focus or the addition of priorities:

- With regards to acquisition and improvement of skills in the audiovisual sector, the new MEDIA Strand seems to focus slightly more on digital technologies (article 11-1a). In relation to the previous MEDIA Mundus programme where there was a specific focus on “market intelligence” (MEDIA Mundus Article 5a), the MEDIA – Strand no longer mentions this.
- For the development sector, the MEDIA 2007 programme highlighted support for development projects by independent production companies (MEDIA 2007 article 4-1a), whilst there is no reference to this in the new MEDIA Strand (article 11-1b). This might, however, be due to the fact that the regulation on the Creative Europe Programme is much less detailed than the previous regulation. Yet, in relation to international coproduction, the new MEDIA Strand specifically mentions that TV broadcasters will be eligible for support for co-productions (article 11-1 b), where there was no such mention in the MEDIA Mundus programme.
- In relation to support measures for distribution, it seems that the new MEDIA Strand is more focused on promoting new distribution modes, making use of digital technologies as well as online platforms. A priority is to promote the flexibility of new distribution modes (Article 11-2d). While the previous MEDIA 2007 regulation also focused on distribution through "any medium" (MEDIA 2007 Article 5b), it more explicitly focused on cinema exhibition and cinemas’ exploitation of the possibilities offered by digital distribution (MEDIA 2007 Article 5e).
- Support measures to promotion, such as support for trade events, markets, as well as festivals will be continued. However, a greater emphasis has now been placed on the use of online business tools inside and outside Europe (article 12d).
- Furthermore, the new MEDIA Strand focuses also on international distribution and promotion in markets outside Europe (Articles 12 d), e), f)) so following on from policies started through the MEDIA Mundus programme.

Table 4: Creative Europe: key developments from previous programmes

Key developments from previous programmes	Creative Europe (Media and Cross-sectoral strands)
A joint framework programme	- merges previous Culture and MEDIA Programmes into a common framework - less sectoral approach, programme for the "Cultural and Creative Sectors" - creation of Creative Europe Desks - general objectives in line with previous MEDIA programmes - audiovisual sector explicitly includes video games
Budget Increase for MEDIA	€ 990 million (28.6% increase)
Cross-Sectoral Strand:	
New financial instrument	€ 200 million Guarantee Fund Capacity building programme
New support measures	- support to EAO (contribution fee) - EAO to collect data for CCS - specific support to conferences, seminars and policy dialogue
MEDIA Strand:	
Priorities inherited from previous programmes	- acquisition and improvement of skills - support for development sector - distribution and focus on VOD platforms - promotion (events and markets) - international distribution and promotion

New priorities	- audience building
	- promotion of new business models through:
	    - flexible distribution modes
	    - support for innovative actions

Previous priorities not included in current proposal	- dissemination of audiovisual heritage

Source: KEA European Affairs

2. VOICES FROM THE AUDIOVISUAL SECTOR

Despite these differences, most industry stakeholders have expressed themselves largely in favour of the new programme. They have however also commented on some points that could be added or changed[14].

2.1. A joint framework programme for culture and media

Some stakeholders have expressed concerns about the new framework programme bringing together the Culture programme and the MEDIA Programme. They have made clear that a distinction between these two programmes, and hence sectors, also needs to be made in future. While responding to some extent to similar challenges, the two sectors are nevertheless distinct and follow different logics.

2.2. Challenges of the audiovisual sector

A majority of stakeholders consulted in the survey considered the digital shift and globalisation as the most important challenge for the sector, followed by access to finance, market fragmentation and shortage of reliable data. While such a rating, depends on each stakeholder's position and interests (and is therefore to be noted with caution), it still indicates that the digital shift and access to finance are perceived by many members of the audiovisual industry as the key challenges.

2.3. Responding to the digital shift

Many voices have been raised in the survey, but also in the official online consultation by the European Commission regarding the future MEDIA programme, in favour of more support for experimentation with new digital business models and supporting more flexibility of new distribution modes in order to allow the emergence of new business models (ACT- Association of commercial televisions, ARTE, …WIK Consult p. 30). Many point out that the audiovisual sector needs to become more digital-friendly (CapDigital, ARTE, BFI), which can be achieved through training and support for new business and distribution models (WIK Consult p. 30). In this respect, Europa Distribution brought up the idea of creating a VOD automatic support scheme based on the VOD downloads, similar to the automatic scheme that already exists for theatrical distribution of European works.

The online consultation also showed that support for the digitisation of cinemas would be welcomed by the sector, as well as the digitisation of archive and heritage content (WIK Consult p. 28-29). With regards to the latter, there were voices deploring the absence of any mention of audiovisual heritage in the text of the new regulation.

On the other side, distributors fear that more support for distribution through different platforms, will shift the focus and not provide enough support to theatrical distribution, which is, in their view, still the major distribution channel for audiovisual works. It is not a "platform", but should be clearly earmarked as a distinctive distribution channel – "the theatre".

[14] Stakeholders have expressed themselves in the survey and interviews for this briefing note, and contributions to the EC's public consultation regarding the MEDIA and MEDIA Mundus programmes after 2013 have been taken into account.

2.4. Inclusion of various other formats

There are also calls for the inclusion of a variety of audiovisual formats:

- Several stakeholders have called for more targeted support for new digital media formats and in particular for cross media and transmedia (ARTE, Power to the Pixel, Cine-REGIO) as well as the development of applications (Cap Digital), as these are formats and distribution modes that make full use of technologies and connect well with audiences' needs and behaviours (WIK Consult p. 22).
- Others, such as the SPI- the French union for independent audiovisual producers - insisted that the MEDIA Strand should also support short films, which are an essential driver of cinematographic creation, as they support young artistic and technical talents (response to online consultation and WIK Consult p.23).
- The Games Developer Federation welcomed the inclusion of video games in the MEDIA programme, but highlighted the fact that the proposal is still very much focused on film, and suggested that the film focused support measures of the MEDIA Strand be open to other audiovisual works, mainly games (response to survey).

2.5. The Financial Facility

Most of the stakeholders welcomed the financial facility, but many questions and fears have also been expressed in relation to the details of how it will work in practice. There is a lot of uncertainty, as not enough information has been provided by the European Commission on the specific criteria and operating mechanisms. A major concern was who will be considered a "financial intermediary". Some stakeholders were in favour of opening up the guarantee scheme to other financial intermediaries apart from banks, in order to guarantee that specialised investment funds for the audiovisual sector which are less risk averse and conservative in their investment decisions can also benefit.

Another concern was that larger countries would benefit most from the instrument, because it is often more difficult, if not impossible, in smaller countries to find banks ready to engage in the audiovisual sector (Cine-regio, F.I.LM.S - Danish investment fund for audiovisual sector). There was also uncertainty with regard to the fees and interest rates applicable for beneficiaries of the instrument (BFI, F.I.L.M.S, Cine-Regio, Audiovisual SG): according to these stakeholders' information the fees of the previous MEDIA Production Guarantee Fund were quite high for audiovisual SMEs, and, while the European Commission states in its Frequently Asked Questions Document about the Financial Facility (EC, 2012c p. 14), that there will be no fees for the new financial facility, there is no mention of interest rates.

Some also expressed the view that there is not enough recognition of private investors in the MEDIA strand, and that the strand itself is not sufficiently business oriented.

2.6. Market fragmentation

With regard to measures to address market fragmentation, most of the stakeholders agreed on the fact that market fragmentation is a structural feature of the European audiovisual market, and support measures should continue to focus on increased circulation of audiovisual works (festivals and support to distribution) as well as cooperation of European audiovisual professionals in order to enhance exchange and networking (EBU, ARTE, Europadistribution). The professional networking through support of venues and film festivals was also encouraged in the public consultation (WIK Consult p.25).

In this respect, several stakeholders also pointed out that it is important specifically to support measures to overcome linguistic barriers and to envisage instruments to support subtitling and synchronisation (EBU, SPI- French union for independent audiovisual producers). This last point has also been mentioned by several respondents in the online consultation of the European Commission (WIK Consult, 2012, p. 24).

In relation to better digital circulation of European audiovisual works, the idea was put forward to encourage transnational platforms via a European label promoting European productions (survey).

Distributors also highlighted that marketing for theatrical distribution is always carried out on a country by country basis, and there is no such thing as “transnational marketing” as stated in the priorities of the regulation. There could be experimentation on pan-European marketing campaigns, but the market reality for the moment does not reflect this priority (interview).

2.7. Audience development and media literacy

Most stakeholders welcomed the increased support measures for audience development, but some raised the point that more specific support should be given to audience building for children and young people, as these are the audiences of the future (BFI, Cine-Regio). In a similar vein, the German Federal Film Fund (FFA) also indicated that digital innovation should be better used to reach a wider audience, in particular abroad.

In addition, Cine-Regio also advocates more support to the development of children's and young people's content and distribution in order to sustain engagement with these audiences.

Furthermore, the EBU pointed out that attention should be paid to media literacy. This has also been expressed by a large number of stakeholders in the consultation on the next MEDIA programme (WIK Consult p.32-33).

2.8. Implementation of the programme

There were also reactions about the planned merger of the MEDIA Desks with the Culture Contact Points into Creative Europe Desks, fearing that it will contribute to confusion among the two close, but still very distinct, communities of professionals.

Similarly, some stakeholders have expressed their opposition to a potential abolition of the brand and logo “MEDIA”, since it is considered as a certificate of quality among professionals.

There are also concerns about the monitoring indicators, set out in the regulation (Article 14), which are seen as too heavily focused on film and not providing a global picture of the audiovisual sector and its potential achievements (CEPI, EGDF).

Simplified and un-bureaucratic application procedures are requested by independent producers (CEPI), EuropaDistribution, the European Games Developer Federation (EGDF) and the German Federal Film Fund.

3. AN AMBITIOUS PROGRAMME

The Creative Europe MEDIA Strand presents itself as a response to the audiovisual sector's challenges (market fragmentation, globalisation and digital shift, access to finance and lack of data see section 1.1). It is meant to be an up-to-date tool to safeguard and promote European cultural and linguistic diversity and to enhance competitiveness of the sector. While the proposal can be seen as an adequate response to the sector’s needs, a few changes could make it even more relevant.

The MEDIA strand has been conceived after extensive consultation and investigation on the sector's needs and issues and, in general, enjoys large support amongst the audiovisual sector (WIk Consult, 2011; DCMS consultation 2012, survey). The regulation, based on a detailed impact assessment, identifies most relevant challenges for the audiovisual sector in recital 9 and highlights all major issues for the sector in recitals 10 to 13[15].

3.1. An increased budget for the audiovisual sector

The provisional budget for the MEDIA Strand is expected to increase from €770 million (MEDIA and MEDIA MUNDUS programmes 2007-2013) to €990 million, an increase of 28.6%. This increase can be justified by:

- The audiovisual sector has important growth potential (3.4% per year in Western Europe and 6.9% in Eastern Europe to 2013 (PwC, 2009, p.317), produces approximately €107.4 billion value-added a year and employs 1.2 million people (MEDIA Desk Slovenia). It has major potential to take on future innovation and be a driver for highly qualified jobs.
- The market is highly globalised and it is important to strengthen European companies to compete with large audiovisual companies from abroad.
- There is an important multiplier effect of funding schemes for the audiovisual sector: every €1 invested generated €6 from other sources (BFI, survey).

[15] Recitals: “9) It emerges from these monitoring, evaluation and public consultation exercises that the Culture, MEDIA and MEDIA Mundus programmes play a very important role in protecting and promoting Europe's cultural and linguistic diversity and that they are relevant for the needs of the cultural and creative sectors, but also that the objectives of any new programme should be realigned to the goals of Europe 2020. It also appears from these evaluations and consultations, as well as from various independent studies, in particular the study on the entrepreneurial dimension of cultural and creative industries, that the cultural and creative sectors are facing common challenges, namely a highly fragmented market context, the impact of the digital shift and globalisation, difficulties in accessing finance and a shortage of comparable data, which all require action at Union level.
(10) The European cultural and creative sectors are inherently fragmented along national and linguistic lines. On the one hand, fragmentation results in a culturally diverse and highly independent cultural landscape, providing a voice for the different cultural traditions forming the diversity of our European heritage. On the other hand, fragmentation leads to limited and sub-optimal transnational circulation of cultural and creative works and operators within and outside the Union, to geographical imbalances and - subsequently - to a limited choice for the consumer. (11) The digital shift is having a massive impact on how cultural and creative goods and services are made, disseminated, accessed, consumed and monetised. These changes offer great opportunities for the European cultural and creative sectors. Lower distribution costs, new distribution channels and new opportunities for niche products can facilitate access and increase circulation worldwide. In order to seize these opportunities and adapt to the context of the digital shift and globalisation, the cultural and creative sectors need to develop new skills and require greater access to finance to upgrade equipment, develop new production and distribution methods and adapt their business models. (12) Current distribution practices underpin the film financing system. However, there is an increasing need to promote the emergence of attractive legal online offers and encourage innovation. Therefore, promoting flexibility of new distribution modes in order to allow the emergence of new business models is essential. (13) One of the greatest challenges of the cultural and creative sectors, especially small operators including small and medium-sized enterprises (SMEs) and micro-enterprises, is their difficulty accessing the funds they need to finance their activities, grow, maintain their competitiveness or internationalise. While this is a common challenge for SMEs in general, the situation is significantly more difficult in the cultural and creative sectors due to the intangible nature of many of their assets, the prototype profile of their activities, the lack of investment-readiness of the operators in the sectors as well as the insufficient investor readiness of financial institutions.”

- Audiovisual media strengthen identities, expressions and enhance cultural diversity. They contribute to social inclusion and better education. They are a powerful tool to communicate values and help Europe to capture the imagination of citizens and to keep the European project alive.
- The MEDIA programme has contributed in the past to building a strong and competitive European audiovisual industry with a larger cultural influence (Searles, 2012) and its achievements show the importance of increased support for the audiovisual sector in Europe.
- An increase in the budget will allow the funding of more high-quality projects, whereas in the current scheme a lot of high-quality projects are rejected due to their high budgets. It will also allow the covering of budget deficits and allow the continuation of successful funding schemes, such as the automatic distribution funding scheme[16], which due to its success has already had to decrease it support by 25% for next year (Europadistribution, BFI).

3.2. Continuation of well-functioning support mechanisms

The MEDIA Strand carries on effective support mechanisms from MEDIA 2007 and MEDIA Mundus. It does not change its approach of funding all stages of the value chain, besides production itself. This is its value-added in relation to national or regional funding schemes which for the most part focus on production funding. The new programme has the potential to achieve the MEDIA Strand's priorities to strengthen the sector's capacity and promote transnational circulation of European audiovisual works.

3.3. Better access to finance

The Cross-Sectoral Strand introduces a new €200 million financial facility in order to generate investment in the creative sectors and to introduce a more entrepreneurial model of financial support to the sector, not based on grants. Compared to the previous (2010-2013) Media Production Guarantee Fund (MPGF), which had a financial capacity of €8 million for four years, this new financial facility represents an increase in size and scope, being eligible not only to production companies, but to all kinds of audiovisual SMEs. The EC expects that it will help in leveraging €1 billion worth of loans (EC, 2011c, p. 13).

The fact that the financial facility is to be accompanied by a capacity building measure for financial institutions, in order to improve their knowledge and expertise of CCS, will potentially contribute to attracting a higher number of financial institutions ready to invest in these high risk sectors. It thereby addresses one of the major impediments to access to finance for CCS companies: lack of expertise and confidence in the sector. Furthermore, this new financial instrument appears to address the main problems of the MEDIA Production Guarantee Fund in place since 2008, such as:

- a national financial institution will access guarantees directly from the EIB, instead of accessing them through one of the two dedicated managing institutions, thus decreasing time consuming and costly administrative burdens and needs for translation;
- through the involvement of the EIB, it will be easier to reach out to non-expert banks and financial institutions and to convince them to invest in audiovisual projects. Indeed, communicating about the instruments and reaching banks was an important issue for the previous MPGF;
- the abolition of fees will ease access to finance for some beneficiaries that might have had problems with the costs in the past;

[16] The MEDIA automatic distribution support is based on distributors' box-office receipts from films (fiction, cartoons, documentaries) from other European countries that they distributed the year before. The receipts determine the amount of support which will be available for reinvestment in new development, minimum distribution guarantees or distribution costs for non-national films. http://ec.europa.eu/culture/media/programme/distrib/schemes/auto/index_en.htm.

- the capacity building measure will increase expertise and therefore the willingness of banks to operate in the audiovisual sector.

With regard to the financial facility, more details on the implementation of the instrument would be needed in order to assess it in detail. However, one issue that the financial facility will have to deal with is how to ensure that SMEs in all Member States, including smaller ones with weaker audiovisual markets, will be able to access the guarantee fund. Banks or other financial institutions in smaller countries are usually less inclined to invest in the highly risky audiovisual sector, which would mean that it might be difficult to find willing financial intermediaries in these countries. Furthermore, within the current MEDIA Production Guarantee Fund it has been difficult to raise awareness about the fund and reach out to relevant banks in order to convince them to finance projects.

3.4. A larger focus on digital technologies

The MEDIA Strand introduces a greater emphasis on digital technologies by expressively mentioning digital technologies in the priorities, in relation to training and distribution or in specific support measures for promotion, distribution, circulation and exhibition, and in particular in relation to innovative actions for testing new business models. This is positive, given the fact that the digital shift is not only one of the major challenges but also a key opportunity for the sector.

It explicitly enlarges the scope of the programme to include video games, as the videogame sector is one of the most promising sectors of Europe's CCS (annual growth rate of 6,9% to 2013, PWC,2009) and needs public support especially at the very risky development stage. This highly innovative sector has significant potential, as it uses digital technologies in their entirety and reaches large-scale younger audiences.

While the MEDIA Strand takes into account the challenges of the digital shift, it could nevertheless more explicitly refer to initiatives resulting from this shift, such as cross media and transmedia projects. The development and production of crossmedia, defined as an audiovisual service, story or experience distributed across media platforms using a variety of new forms (Cineregio 2012, p. 3), responds to the changes in consumer patterns (see section 1.1-Box) and technological possibilities. Nowadays, consumers demand access to audiovisual content from any platform (cinema, television, tablet, smartphone, computer) at any time, in an individual way, being able to combine the different film and media projects. This is an opportunity for the audiovisual industry, in terms of innovation, development of new business models, job creation and development of the creative industries (Cineregio, 2012, p.4-7). The MEDIA Strand does not sufficiently take into account these specific outcomes of the digital shift that might help in establishing the European audiovisual sector in a more favourable position in the international market.

With regards to digital distribution, the programme fails to acknowledge the problem of rights licensing for digital distribution, which is a major part of experimenting and testing new business models. Audiovisual SMEs need to be able to benefit from new market opportunities, by accessing at reasonable costs the necessary licenses to set up online platforms. At the moment, this still consumes a lot of time and money and small VOD providers often have neither the financial capacities, nor enough bargaining power to acquire the necessary (pan-European) rights to European audiovisual works.

Linked to the previous point, the proposal would be clearer if it had a better identification of its geographical scope and the benefiting sub-sectors: Article 16 on the geographical scope also leaves some margin for future definitions and it is unclear which specific support schemes will be open to non-EU (EEA) countries and which will not. While the current proposal introduces an enumeration of types of audiovisual works to be considered ("film, television, video games and multimedia"), MEDIA 2007, without any such enumeration, also provided support to documentaries and animations which do not figure in the enumeration. As for MEDIA Mundus, it included a short definition of audiovisual works which provided examples (feature films, documentaries and animation films)[17]. It probably can be assumed that there is flexibility in relation to this and, as pointed out by the EC in its Communication on the Creative Europe regulation, documentaries and animations seem to be eligible (EC, 2011, p.4). However, more clarification would reinforce the regulation's purpose.

The proposal also still seems very much focused on film. On several occasions, it refers to film, when it could enlarge the scope of provisions, and thereby take into account important developments in the audiovisual sector, by referring to audiovisual works. Furthermore, it remains unclear whether the term "film" refers to cinematographic, television, animated film or any other kind of audiovisual work, or whether it refers only to cinematographic film. The performance indicator "number of admissions for European films in Europe and worldwide", also clearly refers only to films and in addition to theatrical release, yet other forms of distribution are to be encouraged by the MEDIA Strand as well.

3.5. Building new audiences

Making audience building a priority is to be seen as a positive shift of the MEDIA programme towards the demand side of the market. Audience development is increasingly necessary in order to stimulate long term demand for European audiovisual content, to increase its market share and create engagement with all types of audiences. It is about communicating the value of European audiovisual productions, which are very often, but not only, arthouse works.

Despite this explicit reference to audience development, the proposed regulation is not specific enough on which types of audiences should receive special attention. There is not simply one audiovisual audience, but many types of audience, distinguishing themselves by age, preferences, habits and so on: research increasingly shows that younger audiences are less attracted by arthouse films and have more diversified consumption habits on different platforms (Gubbins, 2011 p.44-47). While some audiences are important consumers of European audiovisual content, others are not and could benefit from increased attention through audience development projects, in order to increase their knowledge and interest. In addition, article 12i) does not specifically mention which types of organisation or company should benefit from support for audience development: it is not clear, for example, whether it should be focused on audiovisual operators involved in promotion, events, film literacy and festivals or whether other operators, such as education and training institutions also involved in developing audiences could also be eligible.

Media literacy education activities, a crucial factor for engagement with future audiences, is only referred to with regards to conference, seminars or policy dialogue in the cross-sectoral strand. Yet, if the MEDIA Strand is to give priority to audience building, media literacy is definitely a part of this field of activity, even more so, if film literacy is included here.

In this context, attention needs to be drawn to the fact that the MEDIA and MEDIA Mundus logos are expected to disappear under the next programme period. This is as a consequence of a new EU policy which means that from the next multiannual financial framework onwards, the logo of the European Commission will be the standard logo for all programmes, unless provision on a specific visual identity is introduced in its legal basis. For the moment, this is not the case for Creative Europe and more particularly for its MEDIA Strand (Debate on Creative Europe, Aviva Silver).

[17] MEDIA Mundus Article 3-4 "'audiovisual work' means a set of moving images with or without sound. Examples of audiovisual works include feature films, documentaries and animation films;"

3.6. The question of audiovisual heritage

The MEDIA 2007 programme included in its overall objectives an explicit reference to audiovisual heritage, stating that the objective of the programme was to "preserve and enhance European cultural and linguistic diversity and its cinematographic and audiovisual heritage". The proposed objectives of the Creative Europe programme only mention "safeguarding and promotion of European cultural and linguistic diversity", without any reference to European audiovisual heritage. However, European audiovisual heritage is a substantial part of the European audiovisual industry, as future techniques and storytelling, as well as audiences' demands are nourished by past experiences. European cultural diversity largely relies on its audiovisual heritage and audiovisual archives have an important role to play in protecting and making available those audiovisual works.

3.7. A new role for the European Audiovisual Observatory?

While it is positive that solutions to remedy the shortage of data are explicitly mentioned in the proposed regulation, it is questionable whether broadening the remit of the EAO, a research institute specialised in the audiovisual sector, to the whole of the CCS, would or would not diminish its potential to provide more and better statistical data.

4. POLICY RECOMMENDATIONS

On the basis of the present analysis of the Creative Europe Programme's provisions regarding the audiovisual sector, several recommendations can be made to the European Parliament to improve the text of the regulation and to ensure that the audiovisual sector receives the most effective support. The Creative Europe MEDIA Strand is to be seen as an ambitious and well-thought programme, conceived to respond to the major challenges of the audiovisual sector today. However, several points could be emphasised and made more explicit, in order to ensure the most effective and efficient support for the sector.

The following policy recommendations are structured around several major policy objectives which the MEDIA-Strand should be able to achieve, and offer additional thoughts on policy measures that could help the audiovisual sector to stay competitive and to promote and safeguard its diversity.

4.1. Policy objective: Ensure better coordination of support schemes to the cultural and creative sectors

The Creative Europe Programme provides for an important support scheme and a financial facility for the European audiovisual sector. There are, however, other European programmes from which the sector could greatly benefit, such as the European Social Fund, the European Regional Development Fund, programmes from DG Research, DG Connect, as well as from DG Enterprise, and in particular the Competitiveness and Innovation Framework Programme (CIP) of DG Enterprise, as well as the European Creative Industries Alliance (ECIA). Benefiting from grants or the guarantee fund of Creative Europe, should not prevent audiovisual companies from applying for support from other European Union programmes.

Article 13 anticipates that consistency and complementarity with relevant other EU policies (article 13-1 (a)) and funding sources (article 13-1 (b) should be ensured, but without specifying how.

- In this respect, it could be put forward that management entities and beneficiaries of Creative Europe should be consulted on related initiatives, in order to encourage the audiovisual companies to benefit from other European programmes.
- A communication campaign targeted towards the audiovisual sector should be made for appropriate programmes.

4.2. Policy objective: Ensure that Creative Europe makes the best use of new technologies to create, disseminate and make accessible European audiovisual works

The Creative Europe Programme rightly identifies the digital shift and globalisation as one of the major challenges for the audiovisual sector. The regulation acknowledges in its recital 11 that the audiovisual sector needs to seize these opportunities and adapt to the context of the digital shift and globalisation. This acknowledgement should more explicitly be taken into account in the priorities of the programme (Article 5) and the specific support measures relating to the MEDIA Strand.

To fully support the audiovisual sector the programme should focus more explicitly on:

- the use of digital technologies for development of new content formats, encouraging expression of new talents and experimentation with new ways of storytelling;

- the use of digital technologies for distribution and dissemination of all types of audiovisual content on new digital platforms (smart phones, tablets, games consoles, PCs…), to ensure that future-oriented business models can emerge;
- support for innovative mechanisms facilitating rights acquisition and rights management for online distribution, such as collective approaches or rights aggregators and databases.

4.3. Policy objective: Ensure better access to finance for audiovisual SMEs across the EU

It is a priority of the programme to enhance the financial capacity of the cultural and creative sectors, including the audiovisual sector. However, to allow the audiovisual sector to benefit most from the proposed new financial facility, several proposals can be made:

- permit access to the facility of specific audiovisual media investment institutions, to ensure that experienced institutions in the sector, which are in many cases more risk friendly than traditional banks, can better engage in funding innovative audiovisual projects;
- guarantee access across all countries of the European Union, and especially in smaller countries, where it is often difficult to find financial institutions ready to invest in the audiovisual sector: matchmaking and networking mechanisms between investors and companies from smaller countries should be put in place, potentially in collaboration with DG Enterprise and DG Regio;
- ensure that several financial intermediaries benefit per country, including those specialised in a specific sector, i.e. the audiovisual sector, without preventing other financial intermediaries more generalist or specialised in other fields, to access the guarantee mechanism.

4.4. Policy objective: Increase demand through audience building and better branding

It is a priority for the European audiovisual sector to ensure demand for its products in Europe and beyond, to ensure its market position against US American productions. To this end increased audience development as well as branding of European audiovisual productions is necessary. The MEDIA Strand acknowledges the importance of audience development and supports various measures in relation to the promotion of European audiovisual works.

However, more targeted priorities and actions to respond to the sector's needs for increased demand could be envisaged:

- focus on children and young people, as these are the audiences of the future;
- guarantee support, other than through "conferences, seminars and policy dialogue" to media literacy in order to make sure that future audiences will be capable of engaging with European audiovisual works, for example, through supporting ad hoc actions and education projects;
- focus on older audiences, in particular in relation to media literacy, to ensure their participation and access;
- guarantee support for subtitling for European films, in order to enable better cross-border access online
- ensure branding of European audiovisual products, and in this respect the MEDIA Logo, currently seen by the audiovisual sector as a guarantee of quality, should be maintained.

4.5. Policy objective: safeguard and promote European audiovisual heritage

Audiovisual storytelling, as well as engagement with audiences, relies on the rich audiovisual heritage Europe has to offer. Especially in the context of the digital shift, which allows audiovisual archives to digitise their material, the promotion and safeguarding of European audiovisual heritage is a priority for the sector. The proposal, however forgets to make reference to it.

Given this priority, the Creative Europe Programme should provide support for:

- audiovisual archives for digitisation of audiovisual heritage;
- dissemination and circulation of European audiovisual heritage through all types of digital platforms.

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ANNEX 1: DESCRIPTION OF CHALLENGES FOR THE EUROPEAN AUDIOVISUAL INDUSTRY

In the current context, the European audiovisual sector is confronted by several challenges that can be divided between the immediate challenge of adapting to digital technologies and their consequences and challenges resulting from a number of structural deficiencies.

Challenge 1: Responding to digital shift

Digital technology represents an important opportunity for production (digital postproduction, digital formats), distribution (distribution through video on demand, bypassing of distributors), exhibition (digital screens) and consumption (on demand accessibility and interaction) of audiovisual content.

However, these developments put pressure on the audiovisual sector, not only because they require the adaptation of traditional distribution mechanisms and business models, organised around staggered releases in order to maximise revenues (release windows) and largely organised around theatrical release. Digital technologies also demand important investment in technologies, skills and competencies, in order to keep pace with technological developments and stay competitive. The audiovisual sector is also largely affected by the emergence of platforms offering unlicensed content for users to download for free, which undermines the existing business models and heavily impact on the industry's revenues.

Challenge 2: Access to Finance

Companies in the European audiovisual sector experience particular difficulties in accessing finance. This is due to a very high presence of SMEs in the sector; for instance, most European films are produced by small independent producers, out of which a majority does not produce more than one film a year, thus causing significant variations in turnover from one year to another (KEA, 2006, p. 227). In distribution, a large number of national independent distributors is dominated by a number of large vertically integrated companies, most of them linked to American majors. The undersized and undercapitalised companies have especially limited access to finance.

In addition, the specificities of the audiovisual sector and its products make it even more complicated for audiovisual SMEs to access finance. Audiovisual companies are usually unable to access debt finance at a viable cost, or at all, because they are unable to offer security (unpredictable demand, intangible nature of assets, difficulty to evaluate creativity, originality, talent...) and financial institutions often lack expertise in evaluating audiovisual projects (KEA 2010).

This problem is accentuated by linguistic and cultural fragmentation of the market, as it decreases market access opportunities and increases distribution and marketing costs.

Furthermore, the digital shift is turning the traditional business models upside down, thereby increasing uncertainty about future developments and revenues.

Challenge 3: Market Fragmentation

European audiovisual works, and in particular cinema and fiction films, are recognised worldwide for their artistic quality. The European audiovisual landscape is characterised by the production of diverse, high quality arthouse works that often do not attract massive audiences. It is also characterised by a high level of diversity, as cultural and linguistic features of different European countries largely shape audiovisual storytelling and content production. This diversity is what makes, the European audiovisual sector's strength and creativity on the one hand but on the other, it also fragments the market substantially, which is a major impediment to the sector's competitiveness, especially in relation to audiovisual productions from Hollywood.

This market fragmentation hinders the international development of companies, as well as the accessibility of audiovisual products across Europe. Products are marketed for local audiences with different languages but are competing with international products with global appeal. Once a product has been successful in the domestic market, it is distributed on a country by country basis in other European or international markets. Audiovisual productions, be they television films, series or documentaries or cinematographic productions, circulate only very poorly across the internal market. On average the market share of European non-national films in theatre screens in 2009 was 7-8% (EAO, 2010 p.19) and 8.2% of transmission hours on television (EC, 2011b, p. 68). In addition, the production of European films is continuously increasing – in 2010 1,168 films were produced in the EU, compared to 911 in 2005 - while in the US, production decreased between 2005-2008 (EAO, 2010 p.13). Admissions for European films are decreasing: in 2010 they were around 25%, down from 28 % in 2008 and 26.7% in 2009 (Gubbins, 2011, p.39). It remains to be seen whether promising new innovative content, such as video games or cross media circulate better across linguistic and cultural lines.

The internal market often works better for large international companies active in distribution that are vertically integrated and specialised in the production of mainstream content. In addition, Hollywood major productions have budgets available that are not comparable with those of European productions, with regard not only to production costs but also distribution and marketing costs. This difference has been exacerbated with the arrival of digital technologies that decrease production costs and enable Hollywood studios to spend even more on marketing.

Hence, it is a major challenge for the European audiovisual sector to find ways to reconcile its vibrant diversity, which makes its artistic strength, with its market fragmentation impeding its competitiveness without losing out, as much as possible, on either of the two.

Challenge 4: Lack of Available Data

Another challenge, limiting the competitiveness of the European audiovisual sector is the lack of reliable statistical data on the audiovisual sector and its audiences. The European Audiovisual Observatory has been actively producing statistics on the audiovisual sector in Europe. However, there are important gaps in relation to accessibility to data, which hinders coordinated European and national policies from taking informed steps to support the sector. Much of the data collected are either not robust and transparent enough (in particular macroeconomic data collected by Eurostat or WTO in relation to employment or international trade), are difficult and expensive to acquire (such as data on success of films), or are not collected at all by statistical institutes (such as data on volume of investment, financing structures). There is also an important fragmentation of data across Member States, various statistical institutions and industry players.

Comprehensive data on the European audiovisual market, its players, circulation of European audiovisual works as well as on needs and habits of audiences would not only contribute to evidence-based policy making in a sector which is heavily dependent on public funding but would more effectively support the sector. It would also increase the potential of the industry to better justify private investment and leverage funding for audiovisual projects (see challenge 2: Access to finance). In addition, it would help improve and speed up responses to audience and market demands, thereby, enabling European audiovisual companies to better understand market changes, make informed strategic choices and address new challenges.

ANNEX 2: LIST OF CONSULTATIONS

- Agence du Court Métrage
- ARTE
- Association des producteurs de cinéma
- Association of Commercial Television (ACT)
- Audiovisual SGR
- British Film Institute (BFI)
- Cap Digital
- Celluloid Dreams
- Centre national de la cinématographie (CNC)
- Cinérégio
- Cineuropa
- Committee of Regions: Gabor Bihary
- Czech Film Chamber
- Danish Film Institute
- EGEDA
- Eurimages
- Europa Distribution
- European Audiovisual Observatory
- European Broadcasters Union (EBU)
- European Commission: Aviva Silver
- European Cooperation of Independent Producers
- European Game Developers Federation (EGDF)
- European Parliament: Silvia Costa, Piotr Borys
- European Producers Club
- Federal Film Fund
- Federation of European Film Directors (FERA)
- Film London
- Ingenious
- Media Business School (Ronda/Madrid)
- MEDIA Desk Belgium
- MEDIA Desk Spain
- MFG Stuttgart – Cluster Animation MEDIA
- NESTA
- Nordisk Film Fund (Zentropa)
- Peter Buckingham (Kube consulting)
- Power to the Pixel
- Robert Picard (Oxford University)
- Society of Audiovisual Authors (SAA)
- Swedish Film Institute
- Tallinn University – Baltic Film and Media School
- The Match Factory
- Trust Film Sales
- Underthemilkyway
- Visual Arts Flanders

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