Statistical landscape in the mist

The nostalgic nature of the title of this editorial is easy to explain. On the one hand, this is an opportunity for the author of these lines to pay tribute to Theo Angelopoulos, whose untimely death last January left a sadness that, like a beautiful shot by that master filmmaker, will take a long time to fade. On the other hand, it enables me to draw attention once again to one of my favourite *transparency blues*: while the European Audiovisual Observatory is celebrating its twentieth anniversary this year, the current situation of statistics in the film industry and, more generally, the audiovisual sector, remains very unsatisfactory. Investors, policymakers, rights holders, analysts and journalists continue to point out that the statistical information at their disposal is insufficient or unsatisfactory for understanding the rapid developments taking place.

It has admittedly been possible to make some progress on gathering statistics on the cinema in the last twenty years, and the Observatory is proud to have made its own contribution, especially with regard to summarising core European (and, in this *Focus*, international) data on the more traditional indicators (number of films produced, admissions, box office receipts and market shares). The *LUMIERE* database [(1)] (which is also accessible via *Cinando* [(2)]) on annual admissions to films distributed in Europe is a much appreciated tool that provides authors, directors, producers and sales agents worldwide with a more complete picture of the success of their films. The co-operation, which we have intensified over the years, with the heads of the film agencies' research and statistical services through the EFARN network has also enabled significant progress to be made on speeding up the circulation of information, on clarifying methodologies and on the discussion of new questions arising from the development of distribution channels or cinema digitisation. At the global level, the UNESCO Institute for Statistics has made efforts to modernise its method of collecting data on the cinema and to facilitate access to the results. [(3)] A number of specialised private companies are engaged in large-scale work collecting data on box office results, on the audiences of films broadcast on TV and on DVD sales volume. In some countries, they are also beginning to develop data on the success of VoD services and of films distributed in this way. The number of internet-accessible databases on the cinema, especially filmographies, has proliferated. Here too, the trade press is not lagging behind and is playing a major role in the provision of information on professional activities, including, in some cases, the publication of original statistics.

However, the situation is far from perfect, hence the use of the fog metaphor in the title.

Harmonisation headaches for production, investment and tax incentives

The main problem involved in the international harmonisation of statistics (especially those relating to the number of films produced or co-produced) remains that these figures are produced in the context of national procedures and in accordance with specific criteria, and the national agencies generally do not possess the resources necessary to reprocess data according to international criteria (which may, incidentally, vary depending on the respective standards of the various international organisations that initiate collection processes). When does the counting take place: at the moment production approval is given, when the film is completed, when it receives a rating from classification boards or when it is commercially exploited? Are feature documentaries included or not? How are minority co-productions or co-funding not covered by co-production treaties taken into account? How are films produced in a country thanks to investments by the major Hollywood studios to be counted? To complicate matters, the same agency may decide to modify its criteria. For example, in its last report the BFI decided to include for the first time films with a production budget less than GBP 500 000. As a result, the figure for the number of films produced in the United Kingdom rose dramatically: for 2010 alone it went up from 128 to 322. Of the 169 domestic UK features registered in 2011, 98 had budgets under GBP 500 000.

The fact that statistics are often produced in the context of the national agencies' administrative procedures may have a significant skewing effect. The possibility offered by digital technologies of producing films at lower cost has led to the proliferation of "unofficial films", that is to say works made without any public funding and, therefore, in most cases not counted in the official statistics. In Norway, for example, a change in the support arrangements has led producers to make films using own investment with the hope that they will benefit from ex-post support if sales prove favourable.

(1) http://lumiere.obs.coe.int
(2) http://www.cinando.com
(3) http://www.uis.unesco.org/Culture/Pages/movie-statistics.aspx

Seven feature-length films were produced in 2011 without being included in the official statistics.

The inclusion in or omission from production statistics of feature-length documentaries may also lead to significant discrepancies. In the case of Europe, the Observatory has succeeded in clarifying the situation thanks to its co-operation with the various agencies, but the figures we are publishing in this *Focus* for the other regions of the world may or may not include this type of production.

The gaps and statistical problems are even more obvious when an attempt is made to measure the volume of investments and public funding. As far as assessing the amounts invested is concerned, very few countries are able to provide systematic data, and when they do so the figures they give are generally based on the estimates of production costs submitted by producers as part of the support application procedure. To our knowledge, no national agency produces its statistics on the basis of audits of producers' accounts (which audits are, incidentally, not conducted systematically).

There are also many gaps with regard to how the size of public funding is measured. In Europe, the transparency of direct public funding is relatively well established and the European Audiovisual Observatory recently published a new study that puts the total amount in 2009 at 2.1 billion euros. (4) However, summary data on the extent of tax reductions granted by states in connection with policies to provide incentives to invest in film and audiovisual production are, to our knowledge, neither available for Europe nor for the other regions of the world (especially the United States, where the amounts are probably significant).

Analysing the circulation and success of films

Analysing the circulation and success of films also remains a significant problem. The monitoring of box-office takings on the initiative of film agencies, professional organisations or copyright collecting societies is still limited to a relatively small number of countries. Even on markets as big as North America or the United Kingdom, the only information available is that produced by private companies (especially Rentrak), which collect data from exhibitors. In a significant number of countries, the only data available are in the form of statements from distributors, which are usually obtained by the trade press. Systems based on the mere willingness of exhibitors or individual distributors to provide information quite clearly have their limits. It may sometimes be rendered impossible to analyse a market with any precision if one of the principal players simply refuse to communicate the results of the films it distributes, as recently occurred in Belgium. And in many countries – including some in Europe – there is no system for collecting data on admissions and box-office receipts.

The situation is even more dramatic if data on video distribution are considered, whether they relate to physical videos or to video on demand. As far as an analysis of general market trends is concerned, consumers' final expenditure can be modelled – as done in the case of Europe by IHS Screen Digest in co-operation with the International Video Federation – on the basis of revenue statements from the principal distributors. For the major markets, the success of individual titles is measured by companies that specialise in tracking the trade in cultural goods in mass distribution outlets. However, data cost a great deal of money to obtain and, despite their joint efforts, the European Audiovisual Observatory and the national agencies have so far not managed to negotiate access to this type of data at the European level.

The transparency of the VoD market: a major challenge

The rapid rise of video on demand, which is available on different networks (the internet, IPTV, cable, satellite broadcasting and digital terrestrial television) and via different models (rental, purchase, subscription, etc.) is becoming more and more noticeable. In February 2012, the Observatory counted no less than 381 dedicated online VoD services established in Europe (not including catch-up television services and services offering adult content). Most of these services mainly provide a catalogue of films, and services with other types of content (TV programmes, music or education) are less numerous. As far as the European online VoD market is concerned, it is necessary also to include services established in the United States (such as Mubi or, more recently, Google Play) or even services established in other regions of the world (such as Shofta, which is offered by the Egyptian group Orascom Telecom Holding and provides access to a catalogue of Arabic films, often with an English version, accessible worldwide). In addition to online VoD services, there are also services available via IPTV networks (more than 70 have been identified in Europe), cable networks (around fifty services),

(4) S. Newman-Baudais, *Public Funding for Film and Audiovisual Works in Europe*, European Audiovisual Observatory, Council of Europe, Strasbourg, September 2011.

some VoD services on digital terrestrial television platforms, various models of VoD or NVoD services employed by satellite platforms, the first VoD services for smart TV, etc. The rapid proliferation of these services, which is only just beginning to be dealt with by audiovisual regulators, has so far drawn little attention from the national film agencies (apart from the CNC, with its pioneering "VoD Observatory"), and the European Audiovisual Observatory has limited resources at its disposal to monitor these developments. Counting these services is in itself complex, but assessing the market (sales and rental volumes, turnover, analysis of success by title) is an altogether more difficult undertaking. Not only are there methodological difficulties in compiling relevant data but neither can it be said that there is a general desire for transparency among the principal providers of services. So many will be surprised by the fairly widespread reluctance of public bodies to tackle this question of the transparency of the new services.

Transparency as the key to market access

The lack of attention to matters concerning the economic transparency of the film markets should, in my opinion, be analysed as a factor that restricts access or distorts these markets. Unfortunately, the conclusions of the meeting of an expert working group held by the OECD in April 2011 on restrictions to accessing the audiovisual markets did not include my proposal on this subject. As far as the cinema is concerned, according to the summary drawn up by the OECD, which simply reiterates traditional themes, most of them emphasised by the United States participants:

"The main barriers affecting trade in motion picture services mentioned by participants include ownership restrictions (both discriminatory equity limits and non-discriminatory cross ownership limitations), quotas (e.g. broadcast time or screen time at cinemas), and different kinds of subsidies and fiscal incentives. Public ownership was additionally raised as an important impediment, and so was lack or limited protection of IPRs. Restrictions on advertising (e.g. domestic content obligations) or dubbing also play an important role, and participants discussed whether language and censorship should be considered as trade barriers as well. While some of these restrictions affect the production of motion pictures, many of them pertain to the distribution process, which is at least as important. The favoured liberalisation approach in the movie sector relies on bilateral coproduction agreements, which can be complex and costly for firms." (5)

In my opinion, the lack of a policy of transparency in the film and audiovisual sector should be considered an additional way of restricting market access.

Since its inception, the film industry has developed in a dynamic international environment often counter-balanced by policies of economic and/or cultural protectionism and by the impact of distribution structures facilitating some kind of *de facto* protectionism. The international strategy of the big international groups (especially the American majors and the pay-TV companies) has generally been to set up national affiliates, thus resulting in a minimum of information being reported to the national authorities and making it possible only to have a minimal understanding of the markets. The *Manual on Statistics of International Trade in Services* (6), adopted in 2010 by the WTO, the European Commission, the IMF, the OECD, UNCTAD and the United Nations, also recognised the importance of taking account of the flows of the "foreign affiliates", especially in the audiovisual sector. But the fact that it is now possible to provide on-demand audiovisual services at the international level by simply setting them up in their country of origin without "foreign affiliates" or, sometimes, by creating an affiliate in a host country less strict on matters of economic transparency constitutes a new challenge for proper market transparency, and therefore for balanced and fair competition.

The creation of the European Audiovisual Observatory twenty years ago was an important step by Europe to improve both the legal and economic transparency of its film market. Some States in other regions of the world are admittedly making similar efforts but all the major players in this sector should do likewise and there should be international co-ordination with the aim of achieving greater harmonisation and comparability.

Let us not forget that mist was one of the factors that led to the sinking of the Titanic. Moreover, I can say from personal experience that the introduction of 3D glasses only blurred things even more…

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(5) OECD Experts Meeting on Trade in Audiovisual Services, 19-20 April 2011, Highlights of Discussion, OECD, Paris, 2011, http://www.oecd.org/dataoecd/56/41/48509354.pdf

(6) http://www.wto.org/english/res_e/statis_e/its_manual_e.htm