

Data and analysis prepared for Copenhagen

TRANSPARENCY, INFORMATION AND THE EVALUATION OF PUBLIC SUPPORT FOR FILM AND AUDIOVISUAL WORKS IN EUROPE

Contribution to the ThinkTank by

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On the methodology of a comparative evaluation of film policies: the need for information on the complex European film policy landscape.

The main objective of the ThinkTank is “to examine why and how we use public funds to support film, and how we could support film more effectively in terms of advancing public policy objectives and improving film’s artistic quality and its ability to prosper in the market place”.

Although Henning Camre and Jonathan Davis have invited me to join the Advisory Committee of the ThinkTank *intuitu personae*, it is difficult for me not to approach this issue from my professional point of view: that of an expert at the European Audiovisual Observatory with the intellectual requirements my statute implies (the duty of reserve, of neutrality and of abstention from the setting of standards).

However, my prudence in relation to this topic is motivated not merely by my statute but by the complexity of the subject itself. We all know,

that in the current period, the question of how public funding is organised is a highly political issue with regular debates between the European Commission on one side, and national governments, films agencies and professional organisations on the other. From time to time academic economists and various political groupings may call into question the legitimacy of this kind of public support, thereby rendering public debate on the issue relatively difficult. Any in-depth questioning of the legal basis and *modus operandi* of public support schemes, any critical analysis of a particular failure, any misinterpretation of statistics may turn into radical attacks or inform paranoid attitudes.

Finally, as co-author of one of the (relatively) few recent comparative studies on film funding in Europe, my main observations will be on the heterogeneity and complexity of the topic, a complexity that cannot be treated only with brilliant theses in Lutheran or post-Feuerbach style neither by ticking yes/no choice questionnaires but which requires patient work in order to compile a marquetry of information, aiming to describe with accuracy and nuance the complex European landscape of film policies.

Before theorising and before celebrating the success of one particular national model, one needs detailed and precise information on the legal framework, on the underlying economic organisation and on the cultural context of the film policies of the neighbouring countries.

Since the beginning of its activity, the European Audiovisual Observatory has undertaken this task of information on film policies and provided some tools for analysis:

- two comparative reports have been published on public support schemes (1998, 2004);
- various legal reports have been published on topics such as the legal basis of public funding, film support within the WTO framework, broadcasters’ obligation to invest in film production;
- three databases with direct relevance have been set-up: the KORDA database providing a systematic description of almost 200 funding bodies with more than 600 funding programmes; the IRIS-MERLIN database proposing abstracts of legal developments related to film policy and the LUMIERE

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As agreed both with the direction of the European Audiovisual Observatory and the organisers of the Think Tank the participa-

tion of André Lange is in a technical capacity only. In conformity with the statute of the Observatory, neither André Lange nor the Observatory are committed by the documents, reports and eventual recommendations of the Think Tank.

database compiling the admissions figures for almost 14,000 films with commercial release in Europe since 1996.

- Statistical publications such as the Yearbook, the FOCUS and various ad hoc reports have provided systematic information on the European film market and on the success of European films;
- A complementary work of co-ordination and (where possible) of harmonisation of the process of film industry market data compilation and collection has been undertaken in collaboration with the European Film Agency Researchers Network (EFARN), a network born in the framework of the network of European Film Agencies Directors (EFADs).
- A report on support for the international promotion of films has also recently been published on our website.

Comments of the ThinkTank on the qualities and weaknesses of the Observatory's contributions for the comparison and evaluation of film policies will certainly be useful for the improvement of our 'European film information policy'. We are certainly ready to take advice from the ThinkTank in order to improve our work and make it even more useful for professional and public executives.

Rather than celebrating our achievements, I would like to take the opportunity of the ThinkTank

conference to underline two current weaknesses of the Observatory in the field of monitoring film policies, but also to analyse a deeper, structural problem that we are facing in collecting reliable information necessary for the assessment of the efficiency of public policy.

Two current weaknesses of the Observatory as illustrations of the weaknesses of 'European film information policy'.

These two weaknesses are directly related to staff problems outside of the control of the Observatory Secretariat:

- In 2003, the Executive Council of the Observatory adopted the 'Porvoo decision' recognising the need for the Observatory to reinforce its capacities by appointing one expert in the field of fiscal law (with the clear objective of monitoring the growing importance of fiscal incentives) and one expert in the field of new technologies. For budgetary reasons, this decision has not yet been implemented, making it impossible for the Observatory to publish a long-awaited reference report on fiscal incentives or an in depth analysis of the impact of digital technologies on the value-chain of the film industry.
- In 2005, the General Secretary of the Council of Europe (of which the Observatory is a body) implemented a moratorium related to job classifications.

A direct consequence of this moratorium on the composition of the Observatory's team is that the up-dating of the KORDA database is in stand-by since March 2006 and will remain so for several months. As a consequence, the publication of the up-date of the Public Funding report will have to be pushed, at the next, back to the end of 2007.

In illustrating those two current weaknesses of the Observatory, I am not just defending my own wicket: these two examples are just an illustration of how an 'European film information policy' is still fragile, notwithstanding the number of conferences, consultancies, commissioned studies, databases and other publications supported with public money at the national or at the European level. The fragmentation and the redundancy of 'public film information policy' in Europe is certainly one of the numerous weaknesses of the industry.

Transparency issues

A problem of a more structural nature is certainly the lack of transparency of the European industry in general, and in particular of the production branch. In an ideological context where public support to a specific industry has increasingly to be justified, the lack of transparency of part (but not all) of the film industry may raise a serious problem for the legitimacy of the public support.

I am well aware of the specific economic nature of the cultural industries and I do not and would not wish to criticise the argument of cultural diversity, conceived to defend the legitimacy of public support to the cultural industries. A large part of public support to the film industry is motivated by cultural arguments and, in this case, cultural criteria should lead the evaluation and economic indicators should not be of first relevance.

Nevertheless, we have to recognise that the legal basis of the public support in the larger European countries, as well as the MEDIA Programme of the European Union, are also motivated, and legally organised, as industrial programmes. A correct economic analysis is then needed not only for the assessment of the opportunity of specific support measures but also to defend the economic legitimacy of public support to a supposedly fragile industry.

When the objectives are mainly industrial, the criteria of evaluation and the indicators used should of course mainly be of an economic nature and statistical indicators should probably be the primary tools of analysis. Precise analysis of the balance of payments, of the added-value to GDP, of the branch's profitability, of the number of jobs created, data on the number of companies, jobs and market shares would be needed.

With twenty years or so of experience of data collection at a

European level, I can assert the following: not a single European country, even France, has a complete statistical apparatus allowing a comprehensive evaluation of the economic significance of the film industry and, in particular, of the impact of the public support.

This absence of a comprehensive set of economic indicators may be partly explained by the specific and complex economic nature of the film industry, which makes the establishment of coherent data collection particularly difficult. But those methodological difficulties do not explain everything.

One may really question the willingness of part of the industry to cooperate in the economic transparency of the sector, and I am not referring only to the traditional *fin de non recevoir* advanced by the MPAA in response to some of our information requests. As long as leading companies in major markets do not accept a minimum of transparency in relation to their economic activities, they make the in-depth economic analysis of their national and, as a consequence, of the European market almost impossible.

We put the finger here on a puzzling contradiction. Even when justified by economic objectives, public support is allocated, in most cases, to individual projects, not to companies. It seems rather easy for a producer to demonstrate that without the public support, the effectiveness of an individual project (related to a specific work) would be impossible.

Public support is then an accumulation of micro-economic decisions, but the macro-economic analysis of the effects of the support is very often impossible, in particular when related to support to production. Four years ago when I presented to the Observatory's Advisory Committee the results of a statistical analysis of the financial statements of more than 2,500 film production companies, demonstrating that the average profit margin was around 0%, the representative of a producers' association noted that this kind of data could undermine the arguments in favour of the bankability of the industry and the willingness of investors to invest in production. A more in-depth analysis of our sample of companies lead us later on to a disturbing observation: a fairly significant number of production companies involved of the production of successful European films were not included in our analysis, for the simple reason that these companies do not disclose their financial statements, while at the same time drawing down important amounts of public support. We then stopped publishing data on the profit margin of production companies, supposing that our 0% profit margin was probably a bit too pessimistic and based on a biased sample.

On the same way that I am not arguing that public support should be attributed only to likely profitable films, I am of course not arguing that public support should be attributed only to companies demonstrating that they are not profitable. I am just

arguing, with the point of view of the citizen, that a requisite of the public support for economic objectives should be a minimum of transparency of companies' accounts. It means availability of audited balance sheet and profit and loss accounts, but also analysis of revenues. Managers of public funds will probably be unanimous in recognising that they lack precise information on the real producers returns on sales to TV and sales to video distributors. This is not by chance that the EFARN network has indicated the collection of data on the TV broadcast of European film and data on the success of European film on DVD as a priority objective for the Observatory. It is recognised that the LUMIERE database has largely resolved the problem of the assessment of theatrical success even if improvements would be necessary in the national box-office monitoring systems* and in the monitoring of non-European theatrical distribution. The problem is that the tracking of those data is a very expensive operation, undertaken in Europe by private companies of which the main clients are U.S. right holders. Again, it is interesting to note that while the US stakeholders are ready to spend a rather significant amount of money to monitor the European film market, European are rather shy in

their initiatives and often reluctant to mutualize them between Europeans.

Statistics are not everything

Of course statistics are not everything in the evaluation of film policies. At the Observatory, as important producers of film statistics, we are often concerned by the misuse of statistics in the evaluation of film policies with cultural objectives. Film statistics (in particular statistics on market shares by origin) are most often produced with economic criteria (the origin of the film being identified by the origin of the financing) and, of course, do not say anything about the cultural importance of the films.

If the objectives of a specific film policy are mainly cultural, the use of market statistics may be meaningless in the evaluation. The evaluation of the film policy in creating a cultural heritage, should not principally use statistics but answer to questions like: did the films we have supported contribute to the safeguarding of a minority language, did our support to distribution and exhibition make possible the access to film from other countries**, did we allow older and experienced or young and unknown filmmakers to

explore ambitious, difficult and even extravagant manners of making films, with critical acclaim, but sometimes without popular success?

Again, this is commonplace. But, as far as I know, there is no current framework for the evaluation of the success of the cultural aspects of film policies. The strategy of expert reports for the assessment of national cultural policies (including film policies) undertaken by the Council of Europe in the 80's and 90's has been interrupted. It was however an interesting attempt to design such a framework and it may be worth revisiting this experience.

One of the interesting results of the *Survey of National Funds – Summary of Results prepared for the EFADs* by Jonathan Davis is the importance given to festival awards in the evaluation of film policies. Should the Observatory provide statistics on the breakdown of festival awards by origin of films to supply a new tool for evaluation? I am a bit concerned that such an approach would turn film policy evaluation in some sort of Soccer World Cup and I am even more perplexed when I realise that critical acclaim is not considered as an important element of the evaluation of the success of a film policy. In my personal view, this contempt of film

* In a significant number of countries no real monitoring system exists: distributors have to rely in the good faith of exhibitors, producers and right holders have to rely in the good faith of distributors and administrators of public funds have to rely in the good faith

of producers. The fact that the Observatory proudly announces every year a rate of 85% of coverage of admissions in the European Union for the LUMIERE database means also that there is a black area of at least 15%...

** Communication on satisfactory market shares for national films in a country may also hide tiny market shares for films from other European countries, raising the issue of the success of the support to cultural diversity in the country in question.

criticism by those responsible for film policy is probably as puzzling as the lack of economic transparency of the industry. Why should the often diplomatic and consensual choices of a festival jury be more relevant than the informed, passionate and often contradictory opinions of film critics?

The ThinkTank wisely raises the issue of the modalities of selective support. Who are the members of the commissions, what are their competences, how are they informed, how do they work? The Observatory has so far not investigated on this stimulating topic. As a consequence, I have no systematic analysis to propose. But, by experience, I can indicate that it succeeded that members of advisory committees of a funding bodies are not even systematically informed of the completion of films or audiovisual programmes they have advised to support, not to speak of information on the commercial or critical success of those films or programmes. And of course, very often they do not have the possibility of seeing the film or the programme they have advised to support. Without setting standards, I will just suggest that this is not sound practice. Again, absence of information encourages blind support.

Conclusions

The European Audiovisual Observatory will welcome any recommendations made by the ThinkTank in relation to complementary

information collection that may be considered as necessary to improve the process of evaluation of the film policies. We will of course continue our collaboration with the professional organisations members of our Advisory Committee, with the EFARN network, with the Cine-Regio network, with the executives of the MEDIA Programme 2007 and of Eurimages in order to provide them, in the limits of our capacities, the reliable information they need for the evaluation of film policies.

However, it should be underlined that the means and the manpower of the Observatory are limited (5 experts to cover economic and legal development in 36 countries not only in the field of film, but also of television and new media). The implementation of the 2003 Porvoo decision allowing us to recruit a specialist on fiscal incentives and one on the impact of new technologies for the audiovisual industry is not only an objective for the development of the Observatory: it is a challenge for a sound understanding of European film policies.

Finally the improvement of the transparency of the film industry in Europe should be considered a challenge for both public bodies and the industry if they wish to ensure the efficiency, but also, in the long term, the legitimacy of the various forms of public support.