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"Activities of the European Audiovisual Observatory in the Field of Statistical Information"

Résumé

Créé en décembre 1992, l'Observatoire européen de l'audiovisuel est un organisme de service public consacré à la collecte et à la diffusion de l'information sur l'industrie audiovisuelle (cinéma, télévision, vidéo, nouveaux médias) en Europe. Trente-cinq États européens en sont membres ainsi que la Communauté européenne. L'Observatoire fonctionne dans le cadre d'un Accord partiel élargi du Conseil de l'Europe et remplit sa mission avec un réseau de partenaires, de correspondants et d'organismes professionnels.

La collecte et la diffusion d'information statistique constitue une de ses activités principales. On en présentera la stratégie générale, les principaux problèmes méthodologiques, la mise au point de diverses bases de données ainsi que quelques résultats récents.

Abstract

Established in December 1992, the European Audiovisual Observatory is a unique pan-European public service organisation dedicated to gathering and distributing information on the European audiovisual industry (film, television, home video, new media). Currently 35 European States as well as the European Community are members of the Observatory. The Observatory functions within the framework of an enlarged partial agreement of the Council of Europe and carries out its mission with a network of partners, correspondents and professional organisations.

Collection and publication of statistics is one of the important activities of the Observatory. General strategy, methodological issues, databases and recent results will be presented.

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1. The European Audiovisual Observatory

Set up in December 1992, the European Audiovisual Observatory is the only organisation of its kind to gather and circulate information on the audiovisual industry in Europe. The Observatory is a European public service body with 35 Member States and of which the European Community is also a member. It owes its origins to Audiovisual Eureka and operates within the legal framework of the Council of Europe. The Observatory works alongside a number of partner organisations, professional bodies from within the industry and an extensive network of correspondents.

A Challenge for Europe

The audiovisual sector is one of the fastest growing areas of the European economy and a leading global market. Internationalisation and integration of what previously were mostly national media landscapes, boosted by rapid technical progress, means that the audiovisual sector now stands out above other branches of the economy.

As well as huge potential, the dynamism, size and incredible diversity of the sector implies considerable challenges for the players involved. One such challenge lies in public understanding of the entire audiovisual sector or of its component parts, over and above linguistic, cultural and national boundaries. Such an understanding depends on reliable, up-to-date information, the need for which has never been as great as it is today.

Transparency through Information

According to its Statute, "the aim of the European Audiovisual Observatory shall be to improve the transfer of information within the audiovisual industry, to promote a clearer view of the market and greater transparency. In doing so, the Observatory shall pay particular attention to ensuring reliability, compatibility and comparability of information".

The Observatory's task is therefore clearly defined: to improve the transfer of and access to information. Achieving this means developing and providing information services in whatever format audiovisual specialists need them most.

Fields of Activity and Responsibility

The Observatory has adopted a pragmatic definition of the audiovisual sector in which it works. Its principal areas of interest are:

- Film,
- Television,
- Video/DVD and the expanding field of,
- New Media.

In these four areas, the Observatory provides information services through the activities of two departments: the Legal Information Department and the Markets and Financing Information Department.

As far as its geographical scope is concerned, the Observatory monitors, records and analyses developments in its Member States. In addition, where pertinent and practically possible, countries relevant to Europe are included.

Information Services and Target Groups

The various stages involved in providing information include the systematic collection and processing of information and data, together with their dissemination to users.

The services offered by the Observatory can be divided into five groups:

- Print Publications,
- Online Publications,
- Online Services,
- Databases,
- Conferences and Workshops.

In addition, the Observatory assists in the transmission of requests for information outside the scope of it's activities to the relevant contact persons.

The Observatory's primary target groups are audiovisual experts, including decision-makers in the various national ministries responsible for media, press officers of public administrations, journalists, scientists, researchers, lawyers and consultants.

2. Observatory Activities in the Field of Statistical Information

This short presentation of the European Audiovisual Observatory clearly demonstrates that the Observatory is <u>not</u> an Institute for Statistics. In Europe, the collection of official statistics is delegated to national statistical institutes. Statistics on the audiovisual sector are also collected by EUROSTAT, the statistical body of the European Union, working in close collaboration with the various national institutes. The European Audiovisual Observatory and EUROSTAT started to collect audiovisual statistics at around the same time (in 1993). This parallel work by two European bodies has been a matter of concern for some Members of the European Parliament, but the complimentarity of the two projects now seems both recognised and accepted. The

Observatory and EUROSTAT attempt, as far as possible, to co-operate and to share relevant experience. Although EUROSTAT undertakes some work in the field of cultural statistics, its principal approach to the audiovisual sector is in terms of business statistics. EUROSTAT works mainly through the data collection process organised at a national level by the national institutes and within the framework of international classification systems (mainly the NACE).

The Observatory has adopted a different approach: as its mission is mainly the improvement of the transparency of the sector in the interest of professionals, it has adopted an approach of *statistical information*. This means that it attempts to achieve greater rapidity in data collection as well as to come as close as possible to industry professionals' information requirements. This does not mean that methodological issues are not a concern – quite the contrary – but that the statistics made available are intended to be a useful tool in understanding the rapid evolution of markets.

2.1 The *Statistical Yearbook* as a reference publication on the various branches of the audiovisual industry

In the early years of it's activity, the Observatory decided to work principally with thematic pan-European partners (i.e. partners specialised in at least one relevant field of statistical information on a pan-European level) rather than with national correspondents. Sending omnibus questionnaires to a network of correspondents in the hope that they would be able to collect information on sectors as diverse as film, television and video, not to mention advertising and multimedia, would have been a nonsense.

Thanks to this strategy of identifying thematic pan-European partners, the Observatory has been able to cooperate with organisations (either public and professional organisations or private companies) that were already active and specialised, managing networks and well positioned to organise the harmonisation process in their specific areas. The idea was to facilitate access to existing, but frequently little known and expensive, publications.

The following list give an idea of the main sources used by the Observatory:

- in the field of household equipment data: GfK and (until 2001) the European Association of Electronic Consumers Manufacturers Association (EACEM);
- in the field of TV audience data: the Eurodata-TV service provided by the French audience measurement institute Médiamétrie;
- in the field of information on public service broadcasting: the EBU Information Statistics Network;
- in the field of information on companies, the Observatory has worked during several years with IDATE, but during the last two years elaborated its own strategy using the AMADEUS database published by the Bureau Van Dijk (see below);
- in the field of advertising: the statistics group of the former European Advertising Tripartite, now managed by the British Advertising Association;
- in the field of cable data: the European Cable Communication Association;
- in the field of video and multimedia data: Screen Digest, a private company working in close collaboration with the International Video Federation and national associations of entertainment software.

Additionally, in order to compile data on the TV fiction market, the Observatory established collaboration with the Fondazione Hypercampo (Università di Firenze), which manages the Eurofiction network, as well as with ETS, a private company based at Pinewood (UK) which monitors imports of TV fiction by the 100 leading TV channels in Europe.

For statistical data on the film industry, the Observatory prefers to undertake itself the yearly data collection process, working directly with the national primary sources (of varying types according to the countries in question). There are several reasons for this choice, not the least of which is the fact that most of the national film centres are represented within the Executive Council of the Observatory, and that in many countries it is these film centres themselves that are the primary source for data.

The above strategy of data collection has rapidly established the Observatory's *Statistical Yearbook* as a recognised source in the various fields of the audiovisual industry. The eigth edition of the *Yearbook*[1], published in 2002, is split for the first time into five thematic volumes:

1. Economy of the European Audiovisual Industry
2. Household Audiovisual Equipment – Transmission – Television audience
3. Film and Home video
4. Multimedia and the New Technologies
5. Television Channels – Programme Production and Distribution

2.2 Other studies and publications with a statistical dimension

In complement to the *Yearbook,* the Observatory also either edits or publishs various publications with a significant statistical dimension:

- The *FOCUS. World Film Market Trends* is published every year, since 1998, in collaboration with the Marché international du Film (Cannes). This brochure provides the basic figures of the recent market developments in the various areas of the world[2].
- The *Eurofiction* report, edited by Prof. Milly Buonnano, is now in its 6th edition[3]: it provides qualitative and quantitative analysis of fiction programming in the five leading western European markets (Germany, France, Italy, Spain and the United Kingdom) using a harmonised methodology. Collaboration with five specialised national teams (researchers at the British Film Institute, the Institut national de l'audiovisuel (France), at Siegen Universität (Germany) and at the Universitat Autonoma de Barcelona (Spain)), has allowed regular monitoring of this strategic (but difficult) branch of the industry. As a result historical data series covering volume, duration, genre and other parameters of television fiction programming are now available.

1. Last edition available: Yearbook 2002. Film, Television, Video and Multimedia in Europe. European Audiovisual Observatory, Strasbourg, 2002. / Annuaire 2002. Cinéma, télévision, vidéo et multimédia en Europe. Observatoire européen de l'audiovisuel, Strasbourg, 2002/Jahrbuch 2002. Film, Fernsehen, Video und Multimedia in Europa. Europäische Audiovisuelle Informationstelle, Straßburg, 2002.
2. Last edition available: *FOCUS 2002. World Film Market Trends. Tendances du marché mondial du film*, Marché du film/Observatoire eurpéen de l'audiovisuel, May 2002.
3. Last edition available: M. BUONANNO (ed.), *Eurofiction. Television fiction in Europe*, 6th Report, European Audiovisual Observatory, Strasbourg, 2002.

- A complementary study on the financial dimension of television fiction was published by the Observatory in 2000[4]. This study, based on the application of an original method of "standard costs" was elaborated by Jean-Pierre Jezequel

  (Institut national de l'audiovisuel, France), allowed estimates to be made both of the financial value of television fiction, and of the relative weight of independent and of the in-house production. An up-date of the study will published by the end of 2002 by the Centre national de la cinématographie (France), and co-financed by the Observatory and the DDMA (Ministry of Communication, France).
- Reports on specific countries are occasionally commissioned from national experts and published on the Observatory website. In 2002, the Observatory published two such reports on the film and video markets in the Russian Federation. These reports were commissioned from recognised Russian experts (the Double-D consultancy for film and Interactive Research Group for video). A third report on television in Russia has recently been commissioned from Internews and should be available in 2003.
- The Observatory also provides advice to national governments on the possibility of improving their statistical tools related to the audiovisual sector. For exemple a report was prepared for, and a workshop on film statistics organised in collaboration, with the Turkish Ministry of Culture.

2.3 Database creation strategy

In the framework of its third triennial Action Plan (1999-2002), the Observatory enlarged its strategy of statistical data collection to the establishment of databases. The Observatory now manages two databases with statistical dimension: LUMIERE (http://lumiere.obs.coe.int) and KORDA (http://korda.obs.coe.int). Since 2000 the Observatory also makes extensive use of the AMADEUS database, published by the Belgian company Bureau van Dijk Publishing, and has created significant added value by indexing and completing the database.

This policy of database creation has allowed the Observatory to develop more precise statistical tools (improving thereby the quality and the scope of its publications). At the same time access to the LUMIERE and KORDA databases is freely available through the Internet. This move (as well as a restructuration of the Observatory's website) has dramatically improved the Observatory's relations with the professional world. Whereas the *Statistical Yearbook* is mainly useful for managers, strategic planners, consultants and those involved in forecasting, the LUMIERE and KORDA databases have been designed to provide information directly to a wide professional public such as individual producers, directors or distributors as well as researchers and students.

2.3.1 The LUMIERE database on admissions to films released in Europe

The LUMIERE database provides a systematic compilation of available yearly data on admissions to films released in European cinemas since 1996. The database is the result of collaboration between the European Audiovisual Observatory and various specialised national sources as well as the MEDIA Programme of the European Union.

4. J.-P. JEZEQUEL and A. LANGE (ed.), *Economy of European TV Fiction, A study carried out by the Institut national de l'audiovisuel* (INA) in collaboration with the Eurofiction team for the European Audiovisual Observatory and the Centre national de la cinématographie (CNC), European Audiovisual Observatory, 2000.

The idea of setting up a database of ticket sales for films distributed in Europe was originally put forward by the Advisory Committee of the Observatory. A feasibility study was carried out in 1997, which concluded that such a database was necessary to meet various needs within the industry. It also suggested that, if adequate resources were made available, it was feasible to set up such a database, and it recognised that the European Audiovisual Observatory was the ideal body to carry out this task.

The Observatory had regularly collected data on admissions to films distributed in Europe since 1996. Software for the new database was developed in summer 2000 and the LUMIERE database was launched on 13 November 2000 on the occasion of the European Cinema Forum held in Strasbourg. It has since that date been accessible on-line. The database has rapidly found its public: there are now an average of around 100 visits per day. As at mid-September 2002, the database includes information on 9700 films with data on 27 different territories. The rate of coverage and the quality of information varies widely, however, from country to country. In countries like Denmark or Spain it is possible to obtain 100% coverage, including data for films with only one admission in the year! At the other end of the spectrum, for countries like Russia or Greece it is very difficult to obtain even a list of the top ten films by admissions for each year. Within the European Union, the current rate of coverage is close to 90%. For the 35 Member States of the Observatory, the rate of coverage is estimated at around 80%.

A database of admissions to films distributed in Europe has many different uses.

a) Verification of attendance and income

A variety of parties are interested in obtaining precise figures with which to measure a film's commercial success:

- distributors would like to know how many tickets are sold by cinema owners as a result of the exhibition of their films;
- right-holders (producers, directors, etc) are interested in precise figures showing how successful their films are;
- public bodies would like detailed information about films they have supported financially. This information is particularly important since the MEDIA Programme launched a system of automatic distribution aid based on the number of tickets sold for European films outside their national market. The European co-production fund, Eurimages, also part of the Council of Europe, is particularly interested by this data, as one of it's tasks is to ensure reimbursement of the advances on receipts which it provides to producers.

The LUMIERE database systematically compiles data available in the various European Audiovisual Observatory Member States and thus meets these needs to a certain degree. However, the Observatory is not in a position to verify the accuracy of the data provided by national sources. The figures contained in the database must therefore be considered as indicative.

b) Statistical analysis of admissions to films for market research purposes

A compilation of data indicating how successful a film has been can prove useful in various types of market analysis:

- analysis of a film's success in different geographical areas;

- analysis of shares in a particular market;
- analysis of a film's success abroad;
- analysis of trends specific to a particular region;
- analysis by genre;
- analysis of the performances of producers, distributors, directors and actors.

Various groups of people may carry out this type of analysis: film industry analysts (working for companies and professional bodies); national or European film institute managers; consultants; journalists; university researchers.

It is therefore in the general interest to create an easily accessible, transparent-managed European database. The LUMIERE database includes various calculation functions designed to facilitate market analysis (analysis of market share, comparison between supply and demand, degree of concentration of film attendance, exportation rates, film attendance charts). For various methodological and technical reasons, these tools are not available on-line. The Observatory can however provide tailor-made reports.

c) Analysis of ticket sales for the purposes of estimating the commercial value of directors, actors, films or film libraries

- Information on a film's commercial success in cinemas can be used to assess its commercial value in other markets:
  - distribution to cinemas abroad,
  - video sales,
  - sale of TV rights.
- Generally speaking, cumulative information on films is taken into account in order to estimate the value of directors and actors.

2.3.2 The KORDA database on public funding for the film and audiovisual sector in Europe

In March 2002, the Observatory made available for consultation by the public a trial version of its KORDA database. The database, accessible on-line through the Observatory's Internet platform, provides a compilation of available information on public funding for film and audiovisual production and distribution in Europe. It includes profiles and regulations of national, regional and some pan-European bodies, as well as information on individual funding schemes, and forms a pendant to the LUMIERE database described above.

The KORDA database is the result of collaboration between the European Audiovisual Observatory and the funding bodies concerned, as well as with a number of specialised national sources. Information covering most of the European Union countries is at present available on-line, and geographical coverage is gradually being extended. The final aim is of including data on funding programmes in all the 35 member states of the Observatory.

The initial idea for the database grew out of a joint publication by the Observatory and the French *Centre national de la cinématographie*. This study, "Public Aid Mechanisms for the Film and Audiovisual Industry in Europe" was published in 1999 in two volumes, and covered support mechanisms in eighteen of the Observatory's Member States.

Given the constant evolution of the public funding landscape in Europe, the difficulty of updating such a study soon become apparent, and the creation of a database, in line with Observatory strategy, appeared to be a preferable solution.

KORDA is structured around two principal elements: on one hand the funding body, and on the other the funding programmes administered by that body. Public access to the information is proposed through an on-line search form, which permits to search by funding body and by funding programme but also to browse by country, by type of production and by phase of production. It also offers the possibility of combining these different parameters in multi-criteria searches.

These functionalities are principally aimed at providing relevant information to professionals in the film and audiovisual sector, for whom the identification of non-national funding opportunities has in the past been a difficult exercise.

However, the database also targets a second user group, that of fund administrators and policy makers seeking to obtain aggregate information useful both in the evaluation of current programmes and as a basis for future policy. With this group in mind, the internal interface of the database offers the possibility of extracting aggregate statistical data, in the same way as the LUMIERE database.

The data collected in KORDA allows the Observatory to obtain a unique overview of public funding for the film and audiovisual industry in Europe and it's evolution over the period 1997 to 2001.

- The database focuses on sector-specific direct funding schemes relating to the development, production and distribution of films and audiovisual works. The primary focus is therefore on project-oriented funding.
- The emphasis has been placed on obtaining coherent data relating to funding for the various phases of production and for distribution. Support for exhibition and for training has been included where such schemes are administered by a body also administering production and/or distribution support programmes.
- The criterion of public funding has meant that a number of high-profile initiatives are not included, as they fall into the private domain. This is the case for the media investment funds in Germany, for example, but also the case of the FINE tax incentive programme in the Netherlands.
- Budgetary data on funding has been drawn wherever possible from the annual reports and reviews of the funding bodies concerned.

It should be underlined that the KORDA database is still in development, and the extension of coverage depends on the availability of information. Monitoring constant changes in the funding landscape represents a considerable challenge for the Observatory, and implies continuous updating of KORDA, making it difficult to be entirely comprehensive at any given moment in time. Nevertheless, the data drawn from KORDA and published in volume 3, "Film and Home Video", of the Observatory's *Statistical Yearbook* gives a reliable and unique overview of public funding for the film and audiovisual sector in Europe at the end of 2001.

The following are the principal conclusions drawn from the Observatory's work on the KORDA database: overall public funding to the European film industry grew by an estimated 13% between 2000 and 2001. Within the European Union, the amount of public funding allocated to the film and audiovisual sector in the European Union has grown by an estimated 45% between 1997 and end 2001. This represents an annual average growth rate of almost 10%.

However it was the non-European Union countries for whom data is available that showed the most vigorous overall rate of growth between 2000 and 2001, with the total funding available in these countries climbing by 37%, compared to an increase of less than 1% between 1999 and 2000. Switzerland, Hungary and Norway all reported significant increases in funding allocated during this period.

Despite strong growth in funds allocated by non-European Union countries, their share of total funding represented only 5% of the total support allocated in Europe in 2001. France alone accounted for almost a third of the total funding allocated, and the five major markets (Germany, Great Britain, France, Italy and Spain) were responsible for the allocation of a total of 77% of funding.

2.4 Towards a financial analysis of the European Audiovisual Industry

Data published by the Observatory in the *Statistical Yearbook* may be mainly defined as "functional statistics" in the sense that it provides statistical data useful in understanding audiovisual markets. However, description of markets in terms of supply of products and services and of consumption practices is not sufficient to understand current developments. It is clear that the progressive industrialisation of the sector requires a more in-depth economic and financial analysis. The Observatory took the somewhat ambitious option of moving towards the provision of a kind of business statistical analysis, but within a different methodological framework and drawing upon sources other than those used by EUROSTAT.

2.4.1 Sources

To meet this challenge, the European Audiovisual Observatory draws upon different types of sources:

Annual Reports of the Major Communications Groups

The major communications groups publish annual reports describing their activities and publishing their consolidated accounts. These reports are increasingly frequently published on the companies' Internet sites and, for American companies, are available on the Stock Exchange Commission's EDGAR database[5].

The AMADEUS database

Most of the tables and graphs on financial situations published for the first time in the 2002 edition of the *Yearbook* are elaborated from data compilated in the AMADEUS database, published by Bureau Van Dijk Electronic Publishing (Brussels)[6]. This DVD-ROM provides the profit and loss accounts, balance sheets and ownership structures of some five million companies in

5. http://www.sec.gov/edgar.shtml.
6. http://www.bvdep.com/.

Europe and facilitates the collation of statistics, calculations of ratios etc. The European Audiovisual Observatory has completed the major project of indexing this database (in particular a systematic reclassification of some 30,000 companies in the audiovisual sector on the basis of their main activity) and of adding to the base (in particular the inclusion of the accounts of public companies).

The AMADEUS database, augmented by the Observatory, thus represents a unique tool for in-depth analysis of the audiovisual sector. However certain limits to the use of the database should be pointed out from the start:

- Harmonisation of accounting practices is still a long way from being achieved, even within the European Union. There can be problems of designation in the case of certain companies, particularly in relation to their balance sheets[7].
- Published accounts are collected by the Bureau Van Dijk in collaboration with a network of national accounts centres. This system is generally both efficient and reliable. It is, however, limited by the differing national legal requirements relating to transparency in company accounts and by the variants in the extent to which these are met[8]. Within the European Union there are significant lacunae for the following countries: Denmark, Germany, Ireland, the Netherlands and Portugal and, to a lesser degree, Italy, Luxembourg and the United Kingdom. For countries that are not members of the Union, AMADEUS has appeared useful for companies in the Czech Republic, Iceland, Norway, and Poland.
- AMADEUS does not provide the appendices to the accounts and therefore, in particular, does not give information on the breakdown of revenues by activities. This information has been incorporated by the Observatory in the case of more than 700 television companies, but within the limits described below.
- Comparison of the expenditure structures of audiovisual companies is a virtually impossible statistical exercise. We have limited ourselves to allocation, where possible, to one of the three major basic areas: purchase of goods and services, personnel costs, and depreciation.

Studies and Questionnaires Carried out by Professional Organisations

The European Audiovisual Observatory continues to have privileged access to the studies and questionnaires carried out by European and national professional organisations. The questionnarev administrated yearlyy by the Information and Statistics Network of the European Broadcasting Union (EBU-UER-ISN) provides complementary data on public service financing, in particular the breakdown of public organisations revenues.

National Reports

Various reports and national collections of statistics have been used as additional information.

7. For more information, see the European Commission's Europa Web site: http://europa.eu.int/comm/internal_market/fr/company/account/index.htm.
8. The publication of annual accounts for public and private companies limited by shares or by guarantee in the European Union is regulated by Section 10 of the Fourth Council Directive (amended) of 25th July 1978. A consolidated version of the Directive including successive amendments was published on 26th June 1999. (http://europa.eu.int/eur-lex/fr/consleg/main/1978/fr_1978L0660_index.html).

2.4.2 Defining the Audiovisual Sector

The first difficulty in analysing the overall economy of the audiovisual sector lies in the very definition of the sector itself. From the outset the Observatory has adopted a pragmatic approach, with the aim of providing statistics helpful in understanding changes in the market.

The logic of *statistical information* has the advantage of allowing for a certain flexibility in organising the collection of data and in attempting to make the best possible presentation of the major categories and developments in the sector. This approach must therefore be seen as different from but complementary to a *statistical logic of national (or Community) accounts,* such as is practised by the national statistical institutions and EUROSTAT. These base their work in the context of broad classification systems, defined by international agreements, which seek to encompass all economic activity and which follow regulatory procedures whose justification resides in the need for harmonisation and overall compatibility. The chief of these classification systems is the NACE (Classification of economic activity)[9].

The fact that the European Audiovisual Observatory is not constrained by the NACE's categories permits a certain flexibility in it's approach to classification. This does not, however, imply a lack of rigour. We set out here our methodology, attempting to compare it with that of work based on the use of the NACE.

The four branches of the "filière de l'image"

An approach in terms of the "branches of moving image" produces four main branches in the audiovisual sector:

1. the film branch;
2. the television branch;
3. the home video branch (generally deriving its products from the film branch and, to a lesser extent, the television branch);
4. the other forms of audiovisual production (commercials production, corporate and educational production…).

This approach by branches is notably that followed by the European Commission in its recent working paper *Commission staff working paper on certain legal aspects relating to cinematographic and other audiovisual works SEC(2001) 619,* although the branch of "other productions" (commercials, corporate, educational…) is not included.

To these four traditional branches it is necessary nowadays to add entertainment multimedia. The European Audiovisual Observatory cannot ignore developments which, increasingly, relate to its field of study. Not every multimedia product or service is necessarily a part of the audiovisual domain: a database on DVD-ROM or on the Internet, unless it incorporates moving images or sound, is not an audiovisual product. But a growing number of multimedia products or

9. The principal aim of national accounts is to measure national production (or Community production in the case of EUROSTAT). A typical example of the differences caused by the application of the differing logics of national production as opposed to statistical information (as applied by the Observatory), is that observed in the treatment of the public resources of audiovisual companies. Strict respect of statistical laws for the calculation of national production proscribes the inclusion of subventions as part of production. As a result, national statistics ought logically to treat differently licence fees amounts that are paid in the legal form of a subsidy to the radio-television company (as is the case in Belgium, for example) and licence fees collected directly by the organisation itself (as is the case for the BBC or RAI). From our statistical information point-of-view, intended to facilitate sectorial analysis, such a distinction appears unnecessary or at least of minor importance.

services do incorporate images and sound and are therefore relevant to the field that we are committed to cover. The branch of multimedia products (entertainment software, including video games) is beginning to converge with that of the disc and the video branch in so far as distribution and sales are concerned, as these are often carried out through the same networks. From the economic point-of-view the sale of such products (discs, cassettes, video games, DVDs, CD-ROMs…) via the Internet seems to us to be no more than a new form of retailing.

The Statistical Categories of the NACE

The NACE Rev.1 categorises audiovisual activity as follows:

92.1 Motion pictures and video[10] activities

1.1 Motion pictures and video production
1.2 Motion pictures and video distribution
1.3 Motion picture projection

92.2 Radio and television activities

This subdivision diverges in a significant way from a branch-based analysis.

On the one hand, a number of activities in the moving image branch are not represented in Groups 92.1 and 92.2:

- Video retail activities;
- Manufacture of audiovisual supports (video cassettes, DVDs, …).

On the other hand, radio activities are intermingled with those of television in Category 92.2. This combination of radio and television activities is explained by the fact that, historically, radio and television activities were carried out by the same organisations. Furthermore this remains true in the case of public service organisations in ten of the fifteen Member States of the Union[11], as well as in a number of non-Member States (Croatia, the "Former Yugoslav Republic of Macedonia", Iceland, Latvia, Lithuania, Norway, Slovenia, Switzerland and Turkey). In the other countries of Central and Eastern Europe (the Czech Republic, Estonia, Hungary, Poland, Romania and the Slovak Republic), public service radio and television are operated by separate organisations.

2.4.3 The Classification of Company Activities by the European Audiovisual Observatory

Our analyses are based on an indexation, established by ourselves, of each of the companies listed in the AMADEUS database: each company is placed in a category according to what is

10. The NACE category definitions unfortunately bear little relationship to current professional usage. In the context of the NACE, video should be understood to mean 'audiovisual activity' (as opposed to cinematographic activity which is designated by 'motion picture') and not publishing and distribution of home video. Editors and distributors of home video ought in principle to be found under NACE 92.12, but they do occasionally appear under NACE 2214 (Production of recorded media).

11. Countries with integrated radio-television organisations: Austria, Belgium, Denmark, Finland, Germany, Greece, Ireland, Italy, the Netherlands, the United Kingdom.
Countries with distinct radio and television organisations: France, Portugal, Sweden. Spain has an intermediate structure, where a holding company regroups distinct radio and television companies. Luxembourg has no public service radio or television company, with public service duties shared between a private radio-television company and an association of radio companies.

considered to be its main activity[12]. This indexation is established on the basis of a descriptive classification of these activities which does not correspond to the NACE system.

The problem of the integration of radio and television in a certain number of public service organisations produces the difficulty of separating the "audio" branch from the "image" branch. It should furthermore be noted that, in practice, this confusion of the two branches is also found in the activities of facilities companies (recording studios, copying of digital discs…) as well as at the retail sales level (it is often the same companies which sell audio discs and video formats such as video cassettes and DVDs). As a result it seems to us that the wisest approach is to take the "audio" and "image" branches together (Table T.1.1.)

A table showing reconciliation with the NACE can be fairly easily produced (Table T.1.2.).

The NACE does not for the moment envisage a category of companies' publishing and or distributing entertainment software nor of companies selling via the Internet. This omission presents a genuine challenge to statisticians. It is clear that a system of classification like that of the NACE, in its current version, is not sufficiently modern to include in a coherent manner the new activities deriving from the "digital revolution". A rapid scan of a significant and coherent sample of 146 French companies publishing multimedia products or services reveals that these companies, of which almost half have been established since 1995, are classified, for lack of specific categories, in no less than 34 of the NAF's (the French equivalent of the NACE) different sub-categories! Work on modernisation and specific studies are being carried out by the OECD, EUROSTAT and national statistical institutions on the "information society" in order to bring the classification systems up to date and to provide for better coverage of current developments.

2.4.4 Analysis of television companies

We have classified television companies into seven main categories:

SPTV: public service television companies

In this category we include television broadcasting companies whatever their legal constitution (public body, public limited company, corporation…) or their financing sources (licence fee, subsidy, advertising, subscription), but taking as our criterion the fact that they are owned by a public organisation. Applying an economic logic, rather than a legal one or one of broadcasting policy, we no longer refer to the public service, but rather to the public sector.

This criterion has the advantage of a certain practicality, since cases of mixed companies are rare (ORT in Russia, TV-2 in Denmark, certain French and British thematic channels…). The Dutch public service sector poses a particular problem, since it is controlled by a public organisation (the NOS), but for a large part is operated by private companies (the associations of broadcasters), whose accounting transparency is only partial.

Under this criterion we regard as public service companies Channel Four (often wrongly categorised as part of the private sector), including its subscription channel FilmFour, but also

12. Such indexation obviously has its limits. The principal problem is evidently that of companies active in multiple branches. We do not presume to have identified the principal activity of all of the 30,000 companies registered in the database, and in particular that of the small- and medium-sized enterprises among them. Progressive verification of the information is however underway through our network of correspondents. We can at least guarantee the relevance and homogeneity of our indexation of the larger companies active in the various branches of the sector.

commercial companies, generally classified as outside "public service", such as RAISAT s.p.A., public companies publishing French thematic channels such as Histoire, Mezzo, Régions, Festival…).

We also include within this "public sector television" category:

- Companies addressing regions or territories, often neglected in European comparisons (the regional stations of the ARD of course, but also the Spanish "autonomous community" broadcasters", RFO in France, small companies such as the BRF of the German-speaking Community in Belgium, or the Welsh channel S4C);
- Companies with an international remit such as BBC World Service, TV5-Satellimages, Canal France International, Deutsche Welle…;
- Channels with specialised services such as educational or training channels (France5/La Cinquième, UR in Sweden), services for the armed forces (The Services Sound and Vision Corporation in the United Kingdom) or parliamentary channels.

On the other hand we do not include within this category publicly-owned production companies, or those under public control (such as Studio Hamburg, Bavaria, France Cinéma, RAI Cinema…) facilities organisations (BBC Resources, SFP, NOB…), transmission companies (TDF, NOZEMA, RAI Way…), media buying agencies, autonomous organisations for the collection and administration of licence fees (GEZ and KEF in Germany) nor the autonomous bodies of regulation or control. Suffice it to say here that the great diversity in the internationalisation or externalisation of these various activities imposes significant limits on European statistical comparisons.

We have also excluded local television broadcasters financed or managed by local authorities, which are of only a marginal economic significance and where it is not possible for us to make a systematic collection of accounts.

ADTV: private television companies financed by advertising

There are almost no difficulties in identifying companies of this kind. However the following problems should be noted:

- a certain number of these companies either do not publish accounts or publish them very late;
- it is seldom possible to obtain breakdowns of the turnover of these companies, which may include revenues other than those deriving from sales of advertising space (sales of rights, merchandising, etc);
- certain companies generate the majority of their turnover in a country other than that in which they are legally based. Our statistical aggregates are created following the logic of the country of registration and not of the target country whose advertising market is being exploited.

PAYTV: television companies offering films on payment

We include within this category pay-TV channels whose basic programme consists of films, even where the programming may sometimes demonstrate a hybrid character (as is the case with the Canal+ channels). Secondary receipts, such as advertising, sale of rights or merchandising revenues are not always identifiable.

PACKTV: the "packagers" of programmes

We include within this category those companies which sell packages of programmes, such as BSkyB, Canalsatellite, Viasat, PremiereMedien, DTS-Via Digital or the new terrestrial digital television companies (On-Digital, Quiero, Senda i Sverige…). These packagers are often the publishers of several theme channels themselves. The breakdown of these companies' receipts (which can include receipts for advertising and the rebates on subscriptions paid by cable distributors) is not always a simple matter. In some cases this type of company is registered in a country which is not its actual market. Here we have also followed the logic of country of registration for statistical allocation.

There are significant collection problems for this category in certain countries where the packagers do not publish their accounts (Premiere World in Germany, TPS in France) or publish them very late or in a fragmentary manner. Given the size of the investments made by these companies – and, from information published in the press – the size of their annual deficits and their accumulated debt, this lack of transparency produces extended grey areas in the analysis of the market.

We have not adopted the logic followed by certain statistical bodies by which cable operators are included within this category of packagers. It is open to discussion but we feel that the cable operators rarely perform a truly editorial function (with the notable exception of Stream in Italy and TV Cabo in Portugal) and that their service remains an essentially technical one (see below).

ThTV: the publishers of private themed channels

We include within this category those companies that operate themed channels other than those published by the packagers. The breakdown of the receipts of this type of company is normally not available. Receipts are most often made up of rebates on subscription receipts paid by the cable distributors or by the packagers, but also of advertising receipts, in certain cases direct receipts from sales, and finally other receipts.

InTV and PPVTV: interactive and pay-per-view television companies

The receipts of these companies are still only a marginal factor in the audiovisual sector's economy and we intend in Volume 4 of our *Yearbook* to study methods of economic and statistical analysis for this type of company.

HSTV: home-shopping companies

The receipts of this type of company come basically from the sale of the goods advertised by the channels specialising in "home-shopping". It is this type of receipt that showed the most significant growth between 1996 and 2000. We include these companies and these types of receipts in our general table, even though it could be argued that this is an activity more relevant to the retail trade than to the audiovisual sector.

2.4.5 Analysis of film companies

In October 2002, the Observatory will publish volume 3 of its *Yearbook*, including for the first time a financial analysis of the film sector for the period 1997-2000. The preparation of this study has brought into evidence methodological issues different from those highlighted by our analysis of the radio-television sector.

In this case, account needs to be taken of a number of shortcomings. These are generally the result of differing national practices in the publication of company accounts.

- In Germany, limited liability companies (GmbH) do not usually publish their accounts. AMADEUS gives only estimated figures for operating revenue.
- In Denmark, the Netherlands, the United Kingdom and Sweden, companies often publish their balance sheet but not their profit and loss accounts.
- In France, limited partnership companies (SNC) are not required to publish their accounts.
- The information available on Austrian and Irish companies is extremely limited.
- A number of companies publish their results late. In some cases the data for 2000, or even for 1999, is not yet available.

Where we considered it possible, gaps have been filled using a range of approximation procedures, which cannot be explained in detail here.

A further difficulty arises from the actual structure of the companies; a number of them operate in several branches of the industry and do not publish a breakdown of their accounts by activity. We have therefore classified them according to what appears to us to be their principal activity. We have also tried as far as possible to take into account the phenomena of consolidation, merger and absorption in order to provide coherency in the historical series. The classification of the branch remains fairly traditional (production, theatrical distribution, exhibition, video distribution). Companies with activities such as provision of facilities, international sales or management of rights libraries have not been taken into consideration at this stage.

Film Groups

In general business statisticians prefer to use companies' non-consolidated accounts. In principle this choice allows us a closer view of a company's base activities and ensures the avoidance of double accounting. We generally follow this practice. However, when dealing with the film sector we need to take account of the existence of a number of groups with activities in more than one branch. For this reason we propose firstly a financial analysis of the 50 leading companies, based on an aggregation of their consolidated accounts. It may be considered that the financial evolution of these fifty companies indicates the overall trend for the cinematographic industry in Europe. It can be seen that these companies developed considerably in the period from 1997 to 2000; total assets more than doubled and operating revenue also almost doubled. This substantial growth has not, however, been accompanied by an improvement in performance. Indeed, the significant increase in the debt (gearing) ratio during the period from 1997 to 1999 reflects a period of investment characterised by deteriorating profitability in the sector. The operating margin (which indicates the relationship between operating revenue and operating costs) indicates that costs are relatively stable. However, the other performance indicators point to a very serious deterioration of margins resulting from deterioration in financial operations. In 2000, the level of profitability achieved by the sector was practically nil.

Production companies

The ranking of production companies indicates the serious instability of this branch. Operating revenue (an indicator that is generally considered to be more relevant than turnover because, in addition to sales, it also takes account of subsidies and production in stock) varies enormously from one year to the next. It can also be seen that, in the case of the United Kingdom, companies are set up specifically for the production of a single film.

Cinematographic production has expanded considerably, since in the period from 1997 to 2000 operating revenue and assets increased by more than 50%. Performance ratios, however, remain stable but very low, varying little at between –1 and +1%. The cinematographic production branch in Europe does indeed seem to operate, even in structural terms, on the financial water line. At the same time, however, debt and solvency ratios deteriorated over this period.

Distribution companies

During the period under consideration, the operating revenue of distribution companies increased by 33%, while assets increased by 67%. Analysis of distribution companies requires that a distinction be made between the subsidiaries of American companies and companies whose capital is European. The latter have seen growth in their operating revenue (71% compared with just 5% for the subsidiaries of American companies), and have seen assets increase by 80% compared with just 35% for the American subsidiaries. The operating margins of European companies are substantially better than those of the American subsidiaries, which would appear to indicate a better control of costs. However, the American subsidiaries make up for this in their financial operations, and in the end achieve better profit margins and above all better rates of returns on shareholders' funds and on assets. Their solvency and debt ratios also tend to be better.

Exhibitors

In the context of the large-scale investments necessary for the development of multiplex cinemas, the exhibition branch has seen increased concentration in recent years. The activity nevertheless remains very scattered (more than 1 700 exhibition companies identified). We estimate that operating revenue increased by 47% over the period from 1997 to 2000, whereas assets increased by 90%. Despite an increase in cinema-going, the exhibition branch has seen a significant deterioration in its financial situation, to such an extent that in 2000 it appears to be the most fragile branch in the sector, with all the performance indicators in the red. The first data available for 2001 for a few of the major groups indicates that the situation appears to be far from improving.

Video publishing and distribution companies

Even more than is the case for theatrical distribution, video publishing and distribution is dominated by the subsidiaries of American companies. Of the top 50 companies in the branch, 30 are controlled either totally or partially by the American Majors. Operating revenue increased by 44% in the period from 1997 to 2000, whereas assets increased by 73%. The branch saw a weakening in its performance ratios in 1998, probably because of the increase in operational costs and debt ratios to meet the cost of the launch of DVD. Margins recovered rapidly from 1999 onwards, however, and are currently the best in the sector.

2.4.6 Ancillary Activities and Activities Related to the Audiovisual Sector

Various activities ancillary to those of the audiovisual sector create complications for statistical analysis, either in the analysis of accounts or in the analysis of consumer spending:

Signal transmission activities

The transmission of audiovisual signals (and especially the signals of television services aimed at the public) can be carried out by a variety of technical means: terrestrial transmission (analogue and digital), satellite transmission (in Europe nowadays practically entirely digitised), cable transmission (analogue or digital) and broadband network transmission (cable, ADSL…).

There is debate among statisticians as to the way in which these transmission activities should be classified: should they be classified as telecommunications activities or should they be considered as services ancillary to the audiovisual sector? The debate is not purely theoretical. It is associated with significant problems in the interpretation of company accounts and economic fluctuations.

With terrestrial transmission an understanding of the system is becoming progressively clearer because of the process which has led the public service bodies either to sell their networks (in the case of the BBC), or to create a specialised subsidiary or partnership (recent examples include the establishment of RAI Way in Italy, and of Oy Digita in Finland). Identifying terrestrial transmission activities in company accounts remains difficult, however, in those countries where the television companies, and in particular the public service organisations, have not made this activity autonomous.

Identifying the accounts of satellite transmission companies does not pose any great problem because of the limited number of operators active in this market. The distinction between transmission activities directed at the end consumer and professional transmission activities could, however, become problematic.

Statistical analysis of cable transmission continues to pose significant statistical problems. Analysis on the basis of company accounts remains extremely difficult, due in particular to the recent phenomena of concentration, but also because of the merging of cable distribution activities into companies pursuing other activities such as gas or electricity distribution in countries such as Belgium or the Netherlands. The very nature of cable distribution activities has changed. On the one hand there has been progressive expansion into the provision of services other than the simple relaying of radio and television signals: telephone services, Internet… On the other hand cable operators have become, in certain countries, publishers of television services (in particular, in the Netherlands and Sweden, of pay-per-view services) and, more generally, sales intermediaries for pay channels, packages of channels and theme channels. This function as sales intermediary has brought them (both in operational terms and in terms of the analysis of their activities) close to the packaging companies, as have been described above. In two unusual cases, that of TV Cabo in Portugal and that of Stream in Italy, companies originally established for cable distribution have been seen to develop towards the activities of packagers and publishers of television services which are sold not only on the cable market but also on the direct reception by satellite market.

Financial and revenue flows among cable distributors, packagers and publishers of channels have become extremely complex. A detailed analysis, country by country, would need to be undertaken to follow these flows and to allow for a more comprehensive understanding of consumer spending[13].

The activities of publication and distribution of books and periodicals

A certain number of the major communications corporations are active in the field of book and/or magazine publishing. We do not regard these kinds of activities as part of the remit of our study, even though it is evident that an integrated analysis would be desirable.

The professional and domestic electronics industry, the computer industry and the telecommunications industry

The domestic electronics industry and significant sections of the computer industry are also fields of economic activity which are directly involved in the development of the audiovisual sector. Similarly, convergence, the developments in digital television and broad band transmission have brought the television industry closer to the telecommunications industry (from which it has been progressively diverging since the 1930s). Here too, one might expect the Observatory to take some more significant initiatives. But numerous studies conducted by other organisations such as the ITU, the OECD, the "Information Society" Directorate General of the European Commission, EUROSTAT and the existence of a specialised body like the European Information Technology Observatory[14] commit us to concentrating our efforts on activities central to the audiovisual sector, those which relate to its financing, production, distribution, exhibition and the consumption of its content.

The multimedia market

One of the most difficult challenges is the analysis of the new multimedia market, a market that converges at least partially with the audiovisual sector. Almost no data is publicly available on this sector, as it is mainly monitored by private consulting companies. We are currently testing, in collaboration with Screen Digest and other national experts, the possibility of using AMADEUS to provide the same kind of financial analysis on multimedia and videogame publishers and developers.

2.4.7 Methodology for financial analysis

Annual accounts and analysis of the breakdown of receipts

In ranking companies we generally use operating revenues in preference to turnover. Operating revenues are provided by the companies' annual reports or by the AMADEUS database.

13. Given the impossibility of undertaking this study within the framework of the Observatory *Yearbook*, we would suggest that readers consult the study on the subject which appears to us both the most recent and most serious, undertaken in collaboration with the cable distributors European representative body, ECCA: *European Cable Yearbook 2001/2002*, Screen Digest/ECCA, London – Brussels, 2001. Data concerning transmission and reception, as well as the economic and financial analysis of signal transmission companies, is published in volume 2 of our *Yearbook*.

14. See in particular the *European Information Technology Observatory 2002*, 10th edition, European Information Technology Observatory (EITO) – European Economic Interest Grouping (EEIG), Frankfurt am Main, 2002.

In Volume 1 of our *Yearbook*, the breakdown of the revenue of public service companies is generally derived from the questionnaire of the EBU's statistical information network (EBU-UER-ISN). The total revenues provided by the EBU's questionnaires do not necessarily correspond to the operating revenues published in the annual accounts (for example, in the case of French public companies it does not take account of tied-up production, which is, however, taken into account in the calculation of operating revenue in the company accounts).

In the tables in Chapter 4 of Volume 1 relating to companies considered individually, we provide a minimal breakdown of expenditure: purchase of goods and services/personnel expenditure/ depreciation. Regrettably we cannot give a more analytical presentation of the expenditure of public companies, such as the EBU previously provided for us.

We systematically provide the three traditional headings of results: operating profit (loss), profit (loss) before tax, and net profit/loss.

Balance Sheets

Balance sheets are provided to us by the annual reports and by the AMADEUS database. Although an analysis of the structure of assets or liabilities might be interesting, we restrict ourselves to presenting the sum of the assets.

Ratios

For the first time in the 2002 edition of the *Yearbook* we provide ratios of financial performance. The compilation of data on operating revenue or turnover, useful in estimating growth, is clearly insufficient as a measure of the economic health of the sector or of individual companies. We therefore provide a choice of the following ratios:

- two ratios of financial independence: gearing ratio and solvency ratio;
- three classic performance ratios: profit margin, returns on shareholders' funds and return on assets[15];
- a ratio of industrial performance: the "operating margin" (corresponding to the "EBIT margin" in some terminology). This simple ratio (operating revenue / operating profit) is not part of the classic body of financial analysis. We felt it was useful to introduce it in our industrial analysis as an indicator of cost control in relation to operational revenues. The growing importance of purely financial transactions, including the cases of certain public service companies, may otherwise provide, in the profit margin, a biased view of the efficiency of an organisation's base activity.

15. The use of standard financial performance ratios (such as profit margin and return on shareholders funds) is of debatable relevance in the context of non-profit making public service companies whose asset structure may be atypical (certain may not have share capital or reserves or reduced, even negative, levels of capital and reserves). Nonetheless negative financial performance ratios remain a poor sign, even in the case of public service companies…

Table 1.1

The classification of company activities in the audiovisual sector used by the European Audiovisual Observatory.

	PRODUCTION	DISTRIBUTION	EXPLOITATION
Cinema Branch	PRODCIN (Film production)	DISCIN, SALES (film distribution and sales)	EXH (film exhibition)
Television Branch	PRODT (television programme production)	DIST, RIGHTS (television programme distribution, negotiation of television rights)	TV (television programme transmission activities *including public service radio activities*)
Video Branch	VID (publication and distribution of video cassettes/DVDs)	} } } } { { { {	RET (retail trade in discs, cassettes, DVDs, entertainment software, video games…)
Publication of Entertainment Software Branch	MULTIP (publication and distribution of entertainment software and video games)	WH (wholesale trade in discs, cassettes, DVDs, video games rack-jobbing)	
			E-COM [13](sales via Internet)
Audio Branch	REC (phonogram publication) + PUBM (music publication)		RAD (radio activities, not including public service radio)
Other Audiovisual Products	PRODAD / PRODCORP (commercials production, corporate, audiovisual products for educational purposes…)		
Facilities	FAC (facilities companies including copying DUPL and laboratories LAB)		

Table 1.2
Table of reconciliation between the classification of audiovisual activities by the European Audiovisual Observatory and the NACE.

NACE 92.1		
9211	**PRODCIN**	Producers of cinematographic films (incl. short films)
	PRODT	Production of television programmes for television
	PRODAD	Production of commercials, corporate..
	FAC	Facilities (provision of all kind of services to the various branches of the AV industry)
9212	**DISCIN**	Distributors of cinematographic films
	SALES	International sales of film rights
	VID	Publishing and distribution of video and DVD (does not include duplication activities nor retail)
	RIGHTS	Rights companies, film libraries..
	DIST	Distribution of TV programmes – Rights libraries
9213	**EXH**	Film exhibition
NACE 92.2		
	TV	TV broadcasters (all kinds) includes radio activities of public service organisations when integrated
	RAD	Radio (does not include public broadcasters radio activities when integrated with TV)
NACE 2214		
	REC	Production of phonograms
Part of NACE 52		
	RET	Retailers (Videoclubs, retail sales of phonograms or video..)

Table 1.3
Financial indicators and ratios

Operating revenue	Sales + Capitalised production + Other operating revenues (including grants)
Operating Profit (Loss)	Operating revenues - (Cost of Goods Sold + Other operating revenues)
Profit (loss) before tax	Operating profit + Financial profit
P/L (for Period)	Profit after Taxation + Extraordinary Profit
Gearing (%)	((Non Current Liabilities+Loans)/Shareholders Funds) X 100
Solvency (%)	(Shareholders Funds/Total Assets) X 100
Operating margin (%) (= EBIT margin)	(Operating Profit/Operating revenues) X 100
Return on shareholders **funds (%)**	(Profit before Taxation/Shareholders Funds) X 100
Profit margin (%)	(Profit before Taxation/Operating revenues) X 100
Return on assets (%)	(Profit before Taxation/Total Assets) X 100

Conclusions

In January 2003 the European Audiovisual Observatory will celebrate its 10^{th} Anniversary. It is now both a recognised and respected institution and we are proud of the success we have achieved after years of experimentation, doubt and some institutional turbulence. We are pleased to know that our data is used by the American Majors as well as by the most radical of professional organisations bent on defending the interests of European filmmakers and a romantic view of the freedom of the artist. Increasingly, the European Commission, the European Parliament, national governments or professional organisations quote our figures in their reports. The European Investment Bank, probably the most cautious of the European public bodies in terms of their approach to the audiovisual sector, has recently joined our Advisory Committee, demonstrating that we are also useful for this respected financial institution.

More than ever, transparency remains our key word, our *credo*.

A great part of our credibility in the professional and in the political world is that, although we are a public body, we are genuinely independent in our choice of strategy of data collection, and, in particular, in our choice of sources. Developing a scientific spirit in a pan-European institution dealing with a professional world profoundly divided on the meaning and the purposes of statistical practice was certainly a challenge.

Part of our success is also probably due to our pragmatic approach. Of course, methodological caution is a must in statistical work, but such caution should not lead to sterility. From this point of view, we have resisted the intellectual temptation of over-methodologising our work as well as that of imposing harmonisation. Harmonisation is of course part of our mission and is a concept quoted in our statute. Nonetheless it is not only a methodological concept but is also related to the problematic of the integration of the European market and of implementation of the European audiovisual policy proposed by the European Union institutions. The application to the cultural and audiovisual field of the principle of subsidiarity (stipulating that no need for Community intervention exists where an individual State's initiative may be more beneficial) has a direct bearing on the impossibility of harmonising audiovisual statistics. Willingness to harmonise statistics on very different systems may lead to absurdities or damaging misconceptions.

The position we have obtained as statistical data providers for European – and increasingly – international players in the audiovisual industry magnifies our sense of responsibility. A recent remark by a representative of one of the film producers' organisations that our demonstration of the non-profitability of the film industry may discourage investors from taking risk in this sector illustrates this point. This may indeed be true, but we are also convinced that providing more pertinent tools for the understanding of the market, including the financial performances of it's companies, may be in the long term a more solid and convincing approach in the search for a balanced sectorial economy than the practices of confidentiality that can lead, in Europe as well as in other parts of the world, to spectacular failure. One could also argue that analysing the recent trends in the loss of profitability of a cultural industry could have some positive effects in the long term for this very sector of human activity. Weak profitability for cultural industries may lead to a re-thinking of cultural activities not a simple business sector but as activities that should be supported *per se*. The problematic of social reallocation of economic resources to enable creative practices that are not immediately profitable, once theorised by W. Baumol, will probably find itself back on the political agenda. And a sound policy of reallocation of resources will certainly continue to need a solid statistical apparatus.