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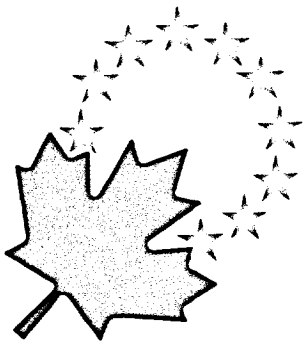
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**CANADA
EUROPE**

**EUROPEAN FILM
& TELEVISION
MARKETS**

Canada

This Study Was Jointly Commissioned by External Affairs and International
Trade Canada (EAITC) and Communications Canada

Dept. of External Affairs
Min. des Affaires extérieures

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For further information and additional copies of this study, please contact the EAITC InfoExort hotline at 1-800-267-8736 or write:

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* This publication was developed by Communications Canada prior to the restructuring of the Federal Government announced by Prime Minister Kim Campbell on June 25, 1993. Under the restructuring, the programs administered by Communications Canada became part of the Canadian Heritage portfolio.

OVERVIEW

Contents

1	INTRODUCTION	
1.1	AIM OF THE REPORT	1
1.2	FORMAT OF THE REPORT	1
1.3	SOURCES OF INFORMATION	1
2	SUMMARY	
2.1	OVERVIEW	3
2.2	IMPLICATIONS FOR CANADIAN PRODUCERS	7
3	THE EUROPEAN COMMUNITY	
3.1	INTRODUCTION	13
3.2	EC AUDIOVISUAL POLICY	14
3.3	TELEVISION WITHOUT FRONTIERS DIRECTIVE	15
3.4	HARMONISATION OF COPYRIGHT	15
3.5	WIDESCREEN TELEVISION POLICY	17
3.6	OTHER RELATED DIRECTIVES OR STUDIES IN PROGRESS	18
3.7	MEDIA 95	20
3.8	OTHER EUROPEAN INCENTIVES	25
3.9	COUNCIL OF EUROPE CONVENTIONS	26
4	GLOSSARY	29
5	CONTACT DIRECTORY	
5.1	EC MEDIA PROGRAMMES	31
5.2	OTHER EUROPEAN INCENTIVE SCHEMES	35
5.3	CANADIAN EMBASSIES IN EUROPE	35
5.4	TELEFILM CANADA IN EUROPE	36
5.5	EUROPEAN OFFICES OF CANADIAN PRODUCERS/DISTRIBUTORS	36
	APPENDICES.....	38

FRANCE

Contents

1	FILM	
1.1	INTRODUCTION	1
1.2	REGULATORY FRAMEWORK	1
1.3	SOURCES OF FUNDING FOR FRENCH FILMS	4
1.4	THE PRODUCTION SECTOR	8
1.5	THE DISTRIBUTION SECTOR	15
1.6	THE EXHIBITION SECTOR	17
1.7	THE VIDEO MARKET	20
2	TELEVISION	
2.1	INTRODUCTION	25
2.2	REGULATORY FRAMEWORK	26
2.3	TELEVISION REVENUE	28
2.4	BROADCASTERS	29
2.5	PRODUCTION AND DISTRIBUTION	36
3	CONTACT DIRECTORY	
3.1	FILM	44
3.2	VIDEO	51
3.3	TELEVISION	55

GERMANY

Contents

1	FILM	
1.1	INTRODUCTION	1
1.2	REGULATORY FRAMEWORK	1
1.3	SOURCES OF FUNDING FOR GERMAN FILMS	2
1.4	THE PRODUCTION SECTOR	9
1.5	THE DISTRIBUTION SECTOR	11
1.6	THE EXHIBITION SECTOR	12
1.7	THE VIDEO MARKET	17
2	TELEVISION	
2.1	INTRODUCTION	21
2.2	REGULATORY FRAMEWORK	22
2.3	TELEVISION REVENUE	23
2.4	THE BROADCASTING SECTOR	24
2.5	PRODUCTION AND DISTRIBUTION	32
3	CONTACT DIRECTORY	
3.1	FILM	37
3.2	VIDEO	40
3.3	TELEVISION	45

SPAIN

Contents

1	FILM	
1.1	INTRODUCTION	1
1.2	REGULATORY FRAMEWORK	1
1.3	SOURCES OF FUNDING	3
1.4	PRODUCTION SECTOR	7
1.5	DISTRIBUTION SECTOR	14
1.6	EXHIBITION SECTOR	15
1.7	THE VIDEO MARKET	19
2	TELEVISION	
2.1	INTRODUCTION	24
2.2	REGULATORY FRAMEWORK	25
2.3	TELEVISION REVENUE	25
2.4	BROADCASTERS	26
2.5	PRODUCTION AND DISTRIBUTION	30
3	CONTACT DIRECTOR	
3.1	FILM	36
3.2	VIDEO	41
3.3	TELEVISION	43

UNITED KINGDOM

Contents

1	FILM	
1.1	INTRODUCTION	1
1.2	REGULATORY FRAMEWORK	1
1.3	SOURCES OF FUNDING FOR UK FILMS	2
1.4	THE PRODUCTION SECTOR	12
1.5	THE DISTRIBUTION SECTOR	19
1.6	THE EXHIBITION SECTOR	20
1.7	THE VIDEO MARKET	25
2	TELEVISION	
2.1	INTRODUCTION	31
2.2	REGULATORY FRAMEWORK	32
2.3	TELEVISION REVENUE	36
2.4	BROADCASTERS	36
2.5	PRODUCTION AND DISTRIBUTION	44
3	CONTACT DIRECTORY	
3.1	FILM	50
3.2	VIDEO	57
3.3	TELEVISION	62



OVERVIEW

Contents

1	INTRODUCTION	
1.1	AIM OF THE REPORT	1
1.2	FORMAT OF THE REPORT	1
1.3	SOURCES OF INFORMATION	1
2	SUMMARY	
2.1	OVERVIEW	3
2.2	IMPLICATIONS FOR CANADIAN PRODUCERS	7
3	THE EUROPEAN COMMUNITY	
3.1	INTRODUCTION	13
3.2	EC AUDIOVISUAL POLICY	14
3.3	TELEVISION WITHOUT FRONTIERS DIRECTIVE	15
3.4	HARMONISATION OF COPYRIGHT	15
3.5	WIDESCREEN TELEVISION POLICY	17
3.6	OTHER RELATED DIRECTIVES OR STUDIES IN PROGRESS	18
3.7	MEDIA 95	20
3.8	OTHER EUROPEAN INCENTIVES	25
3.9	COUNCIL OF EUROPE CONVENTIONS	26
4	GLOSSARY	29
5	CONTACT DIRECTORY	
5.1	EC MEDIA PROGRAMMES	31
5.2	OTHER EUROPEAN INCENTIVE SCHEMES	35
5.3	CANADIAN EMBASSIES IN EUROPE	35
5.4	TELEFILM CANADA IN EUROPE	36
5.5	EUROPEAN OFFICES OF CANADIAN PRODUCERS/DISTRIBUTORS	36
	APPENDICES.....	38

1. INTRODUCTION

1.1 AIM OF THE REPORT

This report has been prepared by KPMG Management Consulting for the Department of Communications in association with External Affairs and International Trade Canada as a review of the film, video and television markets in France, Germany, Spain and the UK. The aim of the report is to provide Canadian audiovisual producers with a detailed overview of the key European markets and to assist them, where possible, in identifying appropriate strategies for doing business in those markets.

1.2 FORMAT OF THE REPORT

The report is divided into five volumes. This volume, the first, provides an overview of the European context in which France, Germany, Spain and the UK now exist. In the summary section we outline some pointers as to the likely future opportunities and threats in each market, and identify useful lessons for Canadian producers, based on other producers' experiences of those markets. There then follows a profile of the relevant European Community legislation which affects each of the four countries under consideration. As appendices to this volume, we have included a bibliography of sources, a list of people who were interviewed or who responded to questionnaires, and also a number of case studies of Canadian companies/producers which have experience of dealing with Europe.

The remaining four volumes, one for each country, provide detailed information on the relevant legislation, size and structure of the audiovisual market and consumer demographics. Each volume looks at film and video, and television separately as these are self-contained although related industries. It should be noted that for this reason, where possible, we have also separated out film and television co-productions, and figures given for Canadian co-productions may therefore **appear** to differ from official Telefilm Canada statistics which combine film and television. In each sector we look at the methods for production and distribution of audiovisual product and give brief details of the key players, including producers, distributors and industry organisations. At the end of each volume is a contact directory of those organisations mentioned in the text.

1.3 SOURCES OF INFORMATION

This report has been compiled using published sources of information, such as directories, trade magazines and newsletters, analysts' reports and yearbooks, supplemented by a wide range of interviews with representatives from key organisations in each country and with Canadian companies which have done business in Europe successfully. Although we have attempted to provide as much information as possible and to ensure that it is as accurate as possible, we would recommend that anyone wishing to rely on information contained in this report take advantage of the contact details given to check any changes since it was written in May 1993.

EXCHANGE RATES

Local currencies, where quoted, have been converted into US Dollars using historic or current exchange rates. Current exchange rates used are as follows:

- \$1 = DM1.586
- \$1 = FFr5.351
- \$1 = Pta 115.9
- \$1 = £1.571

2 SUMMARY

2.1 OVERVIEW

On 1 January 1993, trade barriers between the European Community member states were dismantled to form the Single European Market. The intention of this is to enable the free movement of goods and services between the member countries. There is, therefore, an external perception that Europe is now one homogenous territory, which can be approached by having a single "European" strategy. There are two reasons why this is a misleading premise. First, because the European Community comprises only 12 member countries, and at present excludes areas such as Eastern Europe, most of Scandinavia, and Switzerland and Austria. It is worth noting here that Canada already has official co-production treaties with 13 European countries. The second reason is that there are still wide cultural and linguistic differences between the countries which cannot be demolished as easily as trade barriers, if at all. Further, the current controversy over the signing by all 12 members of the Maastricht Treaty - intended to strengthen the bonds between the states - highlights the depth of some of the divisions between the countries, in particular the fears (debated openly in countries such as Denmark and the UK) that the Maastricht Treaty threatens to undermine national sovereignty.

In reality, Europe should still be seen as a group of different, albeit closely linked, film and television markets. The European Commission, which is the EC's main legislative body, operates an audiovisual strategy - spearheaded by its MEDIA 95 programme, and also its Television Without Frontiers Directive (the Commission's audiovisual policy and the MEDIA programme are outlined in detail in Chapter 3) - which is intended to assist the harmonisation of cultural and economic differences between the member countries' audiovisual sectors, and to encourage their development.

There is, however, no EC-wide regulation of the film industry as the main piece of legislation - the Television Without Frontiers Directive - relates only to television. National film legislation varies widely - from the UK where there is little regulation, to France and Germany which have extensive film subsidy schemes in place. In particular, the French Government traditionally has pursued an interventionist film policy in order to support what it sees as an important cultural industry. One of the final acts in office of former minister of culture Jack Lang was to promise a number of reforms to the state's film funding policy. However, no new legislation was passed and the new cultural minister, Jacques Toubon, is not expected to make any changes until the opening of parliament in August.

Despite such regulation, the film industries of all four countries are subject to domination by Hollywood, a pattern being replicated throughout much of the world. The French film industry is by far the most successful of the four, with five of the top 10 films for last year having some French involvement (of these three were co-productions and two were fully-domestic features). The remaining five were all US blockbusters - *Basic Instinct*, *Lethal Weapon 3*, *Hook*, and so on.

In Germany, there was only one German film against nine US movies; in Spain and the UK all of the top 10 were from the US.

There is little prospect of the US being toppled from this dominance of European film markets, although there is strong lobbying from some quarters that the US majors are effectively operating a cartel in these markets and that either the EC or the national governments should investigate their position. What it does mean is that except where there are domestic exhibition quotas in place or a particularly promising film for release, even domestic films have difficulty obtaining release other than in art-house cinemas. There will always be a demand from the specialist and art-house cinemas for strong films, both domestic and foreign productions; the only problem is that because of the relatively limited number of venues, unless a film is particularly successful its run may be curtailed to make way for another release.

There is some optimism in the conspicuous trend in Europe towards television companies investing in features. This is helping to breathe new life into film industries - as seen in the UK in the Eighties with Channel 4, and with Canal Plus in France which has been far more ambitious in its investment, putting money into big-budget Hollywood movies such as *JFK*. Some people argue that there is a creative price to be paid for the increasing role played by television companies because the kind of films being made are often little more than television films, upgraded to movie status by an inflated budget and a theatrical release. But it does at least ensure that there is a relatively steady supply of finance from television into the film industries, and therefore ensures a supply of hopeful producers trying to piece together projects through co-production funding. This presents opportunities for Canadian producers because low to medium budget feature films (and these are still the ones with which broadcasters tend get involved) are likely to be co-productions as they are difficult to finance from one source (co-production is also a familiar concept for most film producers, unlike television where deficit financing is still a relatively new concept, particularly in the UK).

In all four countries, the regulation of television is far stricter than for film. At this point it should be noted that the Television Without Frontiers Directive - in common with other EC directives - sets a minimum standard with which all member countries must comply, but it does not replace a member state's national legislation which may set higher standards for its own domestic industry. The most obvious example of this is in the area of import quotas: the Directive stipulates that a majority of programmes must be EC-originated, but individual countries may have national legislation which stipulates (either implicitly or explicitly) that a far higher proportion of total output should be domestic in origin. Similarly, the Directive says that 10 cent of programmes must be commissioned from independent producers, but national legislation in the UK, for example, sets an independent quota of 25 per cent.

It should also be remembered that, in terms of television, each of the European markets is at a different stage of development, and therefore has different programming requirements (although throughout Europe there is a trend towards domestic programming, with few imported

programmes attracting top ratings). For example, French television underwent deregulation in the mid-Eighties when state broadcaster TFI was privatised; the UK, with its mature terrestrial television services, has only recently undergone deregulation to open the market to new media channels. In Spain, national commercial television was introduced only a couple of years ago, and the new channels are still struggling to establish themselves.

French television, having been opened up to competition earlier than its neighbours, is seen by some as an indicator - although not necessarily the ideal role model - for how other European countries' television systems may evolve. For example, its state broadcasters, with mixed funding from both licence fees and advertising, are forced to compete with commercial broadcasters for audience share (in order to attract sufficient advertising revenue), and as a result are increasingly cash-starved. There is no doubt that all public service broadcasters in Europe are operating under increasing financial constraints (although, as the example of the CBC illustrates, this is not an exclusively European phenomenon). Some, such as RTVE in Spain (which until recently was fully funded by advertising), and ARD and ZDF in Germany, already have mixed sources of funding. RTVE, in particular, has experienced serious financial pressures during the past 18 months, during which period much of its production and acquisition activity was shelved. Although it appears to be beginning to emerge from this crisis, it will take some time to return to its previous level of commissioning and buying. Others, such as the BBC, are being forced to reassess their roles in order to justify continued state funding at its existing level, and although it will continue to acquire and co-produce, it can be expected to concentrate increasingly on quality programming with domestic, rather than international, appeal.

Meanwhile, after a slow start, Canal Plus is now a well-established and respected broadcaster. Unlike other new media channels, which still rely heavily on imported programming to fill their schedules, Canal Plus' success is enabling it to invest more money in its own production or coproduction. It is arguable that, although other new media channels should eventually reach this stage of evolution, Canal Plus' phenomenal success has allowed it to reach this stage of development faster than other new channels may do. Canadian producers such as Nelvana have already benefited from Canal Plus's willingness to involve itself in co-production through its production arm Ellipse. In Spain new commercial broadcaster Antena 3 has announced plans to increase its original productions, with a slate of five sitcoms, two mini-series and a drama series¹, while in the UK, British Sky Broadcasting is beginning to Commission some original drama.

One of the ironies of the deregulation of French television is that it is in fact still highly regulated, and is subject to government intervention. Senior appointments at the state broadcasters are political appointments, and in the wake of the recent general election, the new communications minister, Alain Carignon, has already commissioned a report into their funding.

¹ Moving Pictures International

Also, the success of Canal Plus has been attributed in part to the degree of freedom from regulation afforded it by the previous Socialist Government.

One area which has caused consternation both inside and outside France is the imposition of 40 per cent French language quotas on television channels in France. While this may have serious implications for other non-French speaking countries working with France, for French-speaking Canadians in particular this can be an opportunity rather than a threat. As detailed in Chapter 2 of this Report, the number of television co-productions between France and Canada has increased steadily since 1988 (with a slight drop in 1990), largely as a result of French language productions. For example, Quebec-based Productions du Verseau co-produced its recent feature *Leolo*, and a 26 episode TV series *L'Or Et Le Papier*, with French partners, chosen because of the shared language, even though with *Leolo* part of the story was set in Italy.

In 1992, only three out of the 19 Franco-Canadian co-productions were made only in English. This does, however, mean that many projects are shot in both French and English in order to be sold to certain non-French speaking territories. This increases the production costs, but also increases the international sales potential, and weighing additional cost against the extra revenue potential is another business decision for the producers to make. The UK and US are prime examples of markets where non-English programmes will not be bought because of audience resistance to dubbed or subtitled programmes, except those programmes which fall into a "cultural" category and will appeal to a more highbrow audience. Also, channels in Scandinavia and the Netherlands, where English is widely spoken, may prefer to buy English-language versions of programmes, rather than French.

Differences in new media penetration

The real growth in direct to home (DTH) new media services in Europe at present is satellite television. This expansion has been led by Astra (owned by the Luxembourg-based Société Européenne des Satellites) which is the dominant satellite operator in Europe and will have 84 channels by the time Astra 1c is operational in 1995. It has a particularly strong reception base in the UK, where BSkyB is its main client with six of the available transponders on Astra 1a. In Germany RTL Plus, Sat 1, Premiere and Eins Plus are all available on both Astra 1b and the German satellite Kopernicus 1. Spain and France are still relatively undeveloped in terms of TV services available by satellite.

But, despite the number of transponders becoming available on the various European satellites, there is likely to be a shortage of available transponders as a result of the large number of new channels which are expected to launch in the short to medium term. A recent analysis by UK publication New Media Markets listed 79 proposed new channels in Europe - 33 of them English language - seven French-language, eight German-language (including Vox which has now launched), and five Spanish channels.

The new satellite services now launching in Europe are primarily demand-driven, unlike some of the cable services. Although certain territories, such as the Benelux countries and Germany, are well-cabled, until recently their systems had been developed for geographical reasons, to improve reception (as with the US and Canada) rather than in response to viewer demand for new sources of programming.

In contrast, France, Spain and the UK are all underdeveloped cable markets, and can be expected to grow in response to viewer demand. As a result, there is expected to be a considerable expansion in cable in Europe over the next few years. For example, Zenith Media predicts that cable will be connected to over 55 million European households by the year 2000, and almost 60 million by 2003².

In the short-term, new media (with the exception of channels such as Canal Plus) is unlikely to offer significant co-production opportunities for Canadian producers because they will not be generating sufficient revenue to invest in original production. They will, however, be interested in buying programming and, regardless of how strictly the 51 per cent EC-originated programming quota (as set out in the Television Without Frontiers Directive) is interpreted, it will still enable channels to import 49 per cent of their schedules should they wish to. However, the problem for producers/distributors in Canada (and other countries outside the US) is more a question of whether they can deliver programming that the new channels want. New services, particularly general entertainment channels, seeking to establish themselves, may be more interested in high volume, low cost programmes which can be stripped across the week and build viewer loyalty. This is the kind of programming which the US majors have a seemingly endless supply of, and with which many other distributors find it difficult to compete - in terms of price and quantity.

In the longer-term, as competition intensifies and the number of services increases, channels can be expected to seek to differentiate themselves from their rivals by improving the quality of their output, and an obvious way to do this is by increasing the level of original production or co-production which they transmit.

2.2 IMPLICATIONS FOR CANADIAN PRODUCERS

The area of legislation which is most relevant to Canadian producers is that in the Television Without Frontiers Directive which concerns domestic production quotas (see section 1.2).

Although the imposition of what is effectively a 51 per cent European quota has been criticised from several quarters - most vociferously by the US distributors - it is not clear what impact the quota will have in practice. Some countries already operate their own, more stringent domestic quotas. In France, for example, the government introduced new quotas last year, stipulating that the five broadcasters (this is now four following the demise of La Cinq) should reserve at least

² Zenith Media Worldwide, Television In Europe To The Year 2003

Review of the European Audiovisual Markets

60 per cent of transmitted hours for works originating from the EC. Of this, at least 40 per cent should be reserved for French works.

In the UK, ITV and the BBC have traditionally operated their own higher domestic quotas, and it is unlikely that in the short-term either will increase significantly the level of imports -EC or non-EC - that they transmit.

The new quotas are likely to have the greatest impact on the new commercial channels. For example, the new Spanish networks have protested about the restrictions on US imports, saying that they can't fill their airtime with 50 per cent of European programmes, because the kind of programming they are looking for doesn't exist in Europe.

A lot will depend on how strictly these new rules will be interpreted, particularly for the new channels. Under clause 4.3 of the Directive, member states must report every two years on the application of quotas, stating reasons for failure to attain the quota, and measures being taken to achieve it. Specific circumstances the EC will take into account include "the particular circumstance of new television broadcasters, and the specific situation of countries with a low audiovisual production capacity." This means that the EC can make exceptions for fledgling services which rely on a high proportion of cheap US soaps, comedy and drama to fill the schedules and build ratings.

A report by Booz Allen Hamilton for the EC, stated that implementation of quotas could be made more difficult by those member states which either do not support quotas, resent EC intervention, or do not have the means to monitor and control the broadcasters as required. "As a result," it concluded, "several authorities are likely to drag their feet in the implementation of the directive. Some will frustrate the implementation process by attempting to prove that the whole concept is unworkable."

There have already been representations from broadcasters in some countries - Spain and Italy in particular - that their national regulators should not implement the Directive too rigorously, too quickly. October 1993 is the first interim report stage, when national regulators must notify the Commission of how well their respective industries are progressing in complying with the Directive's various criteria. Until then, no-one is certain how strictly it will be adhered to, or how the Commission will respond if it considers the results to be unsatisfactory.

Also relevant are the regulations governing which co-productions qualify as European. In its report, Booz Allen argues that productions should be evaluated case-by-case, but that as a general guide, to qualify as European, over half the creative/management and production staff should be European. Again, the implications of this will vary depending on the channel and the country.

Most of the main European territories import well under the 50 per cent quota, as illustrated in the table below.

Table 1.1 European television: imported programming, 1990

Country	%
UK	20
France	31
Spain	23
Germany	10

Source: Intermedia/Coopers & Lybrand Deloitte

Quotas are only likely to become an issue on those channels which operate using a higher than average level of imports, and which the EC does not consider to qualify for exemption under clause 4.3. However, in the long-term all channels will have to conform to the EC regulations, unless they could be exempted by virtue of their dependence on specialist programming which cannot be sourced from Europe.

In the area of feature films, where quotas do not apply, the level of imports is far greater, although in all four territories, the exhibition industry is dominated by US releases, as seen in the following table.

Table 1.2 European Film: Indigenous vs US Share of National Admissions, 1991

	US(%)	Indigenous(%)
France	58.7	30.1
Germany	77.0	11.0
Spain	75.0	10.0
UK	93.0	5.5

Source: Screen Digest

The impact of quotas on EC-originated material may also be lessened in those territories with which Canada has co-production treaties in place, and where co-productions are recognised as official under those treaties. Canada currently has co-production treaties with France, Germany, Spain and the UK (although the Canadian-Spanish treaty covers only film at present because the Spanish authority with which it was agreed is responsible only for film). The purpose of such treaties is to allow co-producers to access the subsidies and tax incentive schemes, and to qualify their project as domestic content for broadcast purposes in their respective countries. The net effect is to maximize sources of financing as well as revenues. However, producers often find that the terms of the treaties can too restrictive, especially with respect to the use of American

actors, scriptwriters and directors, and choose to carry out "co-ventures" instead, provided that their project qualifies for this designation and their foreign partners do not require the official co-production status in their own country.

The technical distinction between official co-productions and co-ventures should be noted here. A "co-venture" is a classification awarded by the Canadian TV regulator, the CRTC, for projects that have a foreign co-producer but are at least fifty percent Canadian in the case of a co-venture with a partner from a Commonwealth or a francophone country or a country which has a co-production treaty with Canada. In the case of a co-venture with a partner from a country that does not fall into any of the above categories (for example, the United States), the project must meet the same minimum criteria as regular Canadian content programs except that the producer functions may be shared with non-Canadians. Like official co-productions, such "co-ventures" count as Canadian content for broadcast purposes and qualify for partial Telefilm funding, but unlike official co-productions, they are not eligible for government tax credit and tax shelter schemes.

In some cases a production may be certified as both an official co-production and as a co-venture, as was done in the case of the Québec film *Léolo*. This can only occur when the minimum CRTC requirements of a co-venture are met, which effectively requires that the project be a 50/50 or a majority Canadian production. The advantage of such a "double certification" is that the CRTC is able to process applications in as little as 14 days and before the project is completed. On the other hand, final accreditation of official co-productions takes longer because both Telefilm and the foreign partner's country have to approve the terms of the project and final Telefilm certification cannot be given until the project is completed and costs have been audited. In cases where financing agreements are dependent on some kind of Canadian content status, it may therefore be necessary to obtain the co-venture accreditation at an early stage to secure a deal or to expedite cash flow on the production.

It is also worth noting that although the terms co-production and co-venture have specific meanings in Canada, they are used far more loosely in many European territories, and, depending on the context, may be applied to any kind of collaboration on a production, regardless of financial input, editorial control or domestic content.

Canadians may also participate in multilateral European co-productions under the new European Convention on Cinematographic Co-productions. This has, however, led to some confusion, as a recent article in *Screen International* questioned whether or not Canadian producers would still be eligible for Canadian national benefits, since the country is not a member of the Council of Europe and a multilateral co-production would not conform with any of Canada's bilateral treaties³. However, the official Canadian position is that this is an erroneous argument, because

³ Source: Cameron McCracken of solicitors Simon Olswang (writing in *Screen International*, 27 November 1992)

Canadian producers will still be eligible for Canadian national benefits while participating in a co-production under the Convention up to a maximum of 30 per cent and be funded indirectly by Eurimages.

An example of this is the co-production *Mirage*, produced by Richard Sadler of Les Films Stock International and financed by France (50 per cent), Germany (20 per cent), Switzerland (10 per cent), and Canada (20 per cent). With this structure in place, under the Convention's co-financing clause Switzerland is considered to be a financial partner with 10 per cent participation. Eurimages considers that the Europeans are majority partners, having invested 80 per cent, and they can therefore have access to Eurimages funds as well as to their national benefits. For the Europeans, it is a quadripartite production. For Telefilm Canada, it is a tripartite co-production with France (as the majority partner) and Germany. The Canadian co-producer, therefore, still has access to Canadian national benefits, under Canada's bilateral co-production agreements with France and Germany, while the co-production also gets Eurimages funding.

The main beneficiaries of the Convention will be European countries, and the move is reflective of a trend towards greater co-operation between European partners, and less reliance on US productions. Unfortunately, a rejection of US programming may also include a rejection of Canadian productions, which are considered to have some similarities in style and content matter. There will therefore be a greater need for Canadians to align themselves with European tastes and find programming material that is of interest to these markets.

The Canadian producers - Primedia, Nelvana, Alliance, Atlantis and others - which have formed solid, and successful relationships with Europeans are those which have invested time, energy and money in getting to know the markets and making contacts. There is no substitute for good personal relationships. Although these can be bypassed in order to get one co-production off the ground, unless a strong working relationship based on common goals and mutual interest is established, there is no guarantee of repeat business which is surely the ultimate aim of most co-producers.

There are undoubtedly some opportunities in all four markets. The increased competition resulting from the explosion of channels means that no-one has sufficient money to wholly finance all their own production, and that means they have two options: acquire or co-produce. But, precisely because so many channels/producers are looking to co-produce, there is increasingly stiff competition, and that is where established relationships and track records will become more important.

In the next few years, Europe's television scene can be expected to undergo a North American style transformation with an explosion in the number of channels available. Inevitably this will lead to increased demand for material, and will therefore provide opportunities for enterprising producers, eager to sell or co-produce their programming. The drawback is that the available pool of money for programming is highly unlikely to keep pace with this growth, although there may be a significant increase in revenue from pay-TV services. The effect of this will be to

Review of the European Audiovisual Markets

reduce the unit price which broadcasters will be willing or able to pay for programming, whether commissioned or acquired.

The difficulty in assessing the potential this channel explosion will offer Canadian (and other) producers is that France, Spain, Germany and the UK are all relatively immature new media markets, still experiencing the uncertainty that accompanies such a transformation.

3 THE EUROPEAN COMMUNITY

3.1 INTRODUCTION

The European Community consists of 12 member states⁴ and has a total population of 320 million. There are five major languages spoken within the Community - German (78 million speakers), English (60 million), Italian (60 million), French (58 million) and Spanish (40 million).

The main legislative body, the European Commission, issues directives which once passed are binding on all member states. There is occasional confusion between the Commission's directives and the conventions issued by the Council of Europe whose jurisdiction reaches a wider community of 27 member states⁵ plus those non-member countries which have signed the European Cultural Convention. (Conventions come into force only when they have been ratified by the minimum number of four member countries. They are difficult to enforce because they are purely voluntary, with members free to choose whether or not they wish to adopt a particular convention. If a convention is signed and ratified by a country, then it is binding and must be integrated into its national legislation.)

In particular, confusion arises when, as in the case of broadcasting, both the Commission and the Council issue documents relating to similar areas. All EC countries are obliged to meet the terms of the Television Without Frontiers Directive regardless of whether they chose to adopt the Council of Europe's Convention on Transfrontier Broadcasting (which came into force on March 1 1993).

- Within the Commission, there are four Directorates which deal with audiovisual or media-related issues; Directorates General III, IV, X and XIII. At the end of last year, there was a restructuring which reallocated some portfolios, and split others between Directorates. Responsibility for bringing national governments into line with the Television Without Frontiers Directive has been transferred from DG III to DG X, although DG III - with its responsibility for the Internal Market - retains responsibility for harmonisation of national media regulation, and for copyright. The main Directorates for audiovisual issues are as follows:
- DG III (Commissioner - Raniero Vanni D'Archirafi) Issues for which it is responsible include institutional issues, the Internal Market, and enterprise policy.

⁴ These are: Germany, France, Italy, United Kingdom, Spain, Netherlands, Belgium, Denmark, Greece, Portugal, Ireland, and Luxembourg

⁵ These are: Austria, Belgium, Bulgaria, Cyprus, Czechoslovakia, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, San Marino, Spain, Sweden, Switzerland, Turkey and the UK.

Review of the European Audiovisual Markets

- DG IV (Commissioner - Karel Van Miert) Issues for which it is responsible include Competition;
- DG X (Commissioner - Joao de Deus Rogado Salvador Pinheiro) Issues for which it is responsible include relations with the European Parliament, relations with member states concerning transparency, communication and information; audiovisual and cultural affairs;
- DG XIII (Commissioner - Martin Bangemann) Issues for which it is responsible include industrial affairs, telecommunications, HDTV, information technology and information.
- There are also plans to link the 12 members of the EC with the seven countries in the European Free Trade Association (EF TA)⁶, under the European Economic Area (EEA) Treaty signed between EF TA and the EC in 1991. This would allow the EF TA members to become participants in the EC's MEDIA 95 programme (which comprises 19 projects to support and promote the EC's audiovisual sector, outlined in section 2.7), although some of them are already affiliated to various individual MEDIA projects. However, the creation of the EEA has been delayed by the outcome of a Swiss referendum in December 1992 which rejected the EEA Treaty.

3.2 EC AUDIOVISUAL POLICY

- Over the past few years, and in keeping with its aim of introducing a Single Market by 1993, the European Community has developed its audiovisual policy around the following guidelines:
- to ensure the free movement of films and television broadcasts within the EC within an appropriate legal framework,
- to encourage the development of the European programme industry to meet growing demand and to compete with productions from outside the Community,
- to formulate a common technological strategy for contemporary systems and high definition television.

Although the EC's audiovisual policy relates to both film and television, the vast majority of the legislation relates specifically to television since this is the medium which is deemed to require new regulations to control or facilitate its rapid expansion as a result of the explosion of new media channels which is currently taking place in Europe.

⁶ These are: Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland

3.3 TELEVISION WITHOUT FRONTIERS DIRECTIVE

One of the primary pieces of EC legislation in the audiovisual/cultural sphere is the Directive on Television Without Frontiers. It came into force on 3 October 1991, and commits all television companies in all member countries to a minimum standard with which they must comply.

The Directive covers a range of issues including programming origination, advertising, sponsorship, and programming content issues such as violence on television and right to reply by those who feel they have been misrepresented on television. The clauses which are most relevant to this study are those relating to origination of programming. These are as follows:

- Article 4: requires broadcasters to transmit a *majority* of European works, excluding news, sports events, games, advertising, teletext. "European" is defined as community member states. To qualify works must be made by producers established in these states, or production must be supervised and actually controlled by such producers. Co-productions count if European contribution is "preponderant", and the co-production is not controlled by producers established outside Europe,
- Article 5: stipulates that 10 per cent of transmission time or programme budget is to be allocated to European works by independents (ie., producers who are independent of broadcasters). Again, this excludes news, sports events, games, advertising and teletext,

Although national governments will be responsible for reporting on the progress broadcasters are making towards meeting the above clauses, there have already been indications that it may be possible for certain specialist or thematic channels to avoid these quotas. For example, in the UK, a letter from the Home Office to non-domestic satellite licensees (such as BskyB, which although aimed predominantly at the UK, is uplinked from Luxembourg) stated that the nature of service would be taken into account, and that a channel which served a specialised audience, such as film channel would not be expected to meet the provisions of Article 4. This, presumably, is in recognition of the fact that it may not be possible to meet EC quotas on services which rely on non-EC sources for much of their programming; popular movie channels are a prime example of this since a high proportion of their output is likely to be acquired from the US.

A key phrase in terms of the application Articles 4 and 5 is "where practicable and by appropriate means". This gives considerably leeway, and it is expected that there may be some broadcasters who will be slow to comply with the new regulations.

3.4 HARMONISATION OF COPYRIGHT

The EC also intends to introduce legislation to harmonise copyright throughout the Community, and is working on a number of related draft directives. The first of these is the Directive on Rental Right and Lending Right, which was passed in November 1992.

Directive on rental right/lending right and certain rights relating to copyright

The principle aims of this directive are to protect intellectual property in audiovisual works from unauthorised exploitation in the marketplace and to harmonise this protection across Europe to prevent market distortions which lead to unfair trading practices. This is deemed necessary because not all major EC states allow producers and live performers to control the replication and distribution of their work by video, cable or satellite.

The EC wants to extend copyright legislation to protect the income of authors and performing artists from unauthorised exploitation of their creative achievements; the new legislation would be based on a system of droit d'auteur, which is already common to several European territories. But some producers and broadcasters, particularly in the UK which could be hardest hit, fear it will reduce the number and range of productions. This is because effectively it increases the risk to a producer's investment as any payments to artists or directors may have to be supplemented by uncertain future payments (ie., a share of future earnings) if a production is subsequently rented out.

The rental and lending directive applies retrospectively to all works protected by the copyright law of member states as of 1 January 1993. It has implications for the scale and range of new productions and there are fears in the UK that it could seriously reduce the potential value of existing programme and film libraries by increasing the amounts payable to "new" copyright holders other than the producer such as the director, and other creative and performing talent.

The directive on rental and lending is the first of several directives on harmonisation of copyright law. In addition to the directive on copyright in cable and satellite (see below), the others include:

- ratification of the Paris Act of the Berne Convention and the 1961 Treaty of Rome,
- home-copying of sound and visual recordings (which may include the imposition of a levy on blank tapes),
- the length of protection of copyright and certain related rights.

In addition, it is reported that four-related studies in the fields of moral rights, reprography, resale rights, and the management of collecting societies are to be commissioned.

Coordination of copyright in the field of cable and satellite

On April 5, 1993 the Council of Ministers reached a common position on this directive. In effect this means that they agreed to the substance of the directive and it will now be sent for a second hearing by the European Parliament on May 24, 1993. Parliament then has four months to consider the directive and final adoption is expected in October or November. The deadline for member states to adopt the legislation into their national law has been set at 1 January 1995.

The Co-ordination of Copyright Directive is intended to fill a gap in the Television Without Frontiers Directives which does not cover copyright of cross-border transmission by cable or satellite. This has led to some confusion about whose responsibility it is to pay copyright royalties or fees on such broadcasts. Its main clauses include the following:

- authors to have the right to authorise/prohibit broadcasting of their works by satellite,
- broadcasters to have the right to authorise/prohibit simultaneous transmission by satellite of their broadcast,
- a satellite broadcast will be deemed to be made in a member state where the broadcaster takes a single decision on the content and transmission of the programme rather than in every country in the footprint, (although the rights owner can take the size of intended footprint into account in negotiation of fee),
- cable operators will still be able to clear copyright in the programmes they transmit. (Given the difficulty of this in practice, copyright and neighbouring right owners will only be able to authorise/prohibit cable retransmissions of their works through a collecting society or broadcaster to which they have granted cable retransmissions rights),
- broadcasters will be free to license their own rights and rights transferred to them without appointing collecting societies,
- there will be no compulsory licensing of broadcast or cable retransmission rights; these rights may be acquired only by agreement.

According to Kirstin Jörna, administrator of DG IV (and previously with DG III) the Directive will have significant implications for broadcasters and programme producers. Broadcasters will have to clear rights in the country where they are established. This ends the confusion over whether the broadcaster has to abide by the copyright laws of the country in which the broadcasts are received or the country in which they are produced, and should therefore make life easier for satellite broadcasters. For producers there will be a greater need to co-ordinate rights across different territories, to prevent situations arising where a satellite broadcast of a programme or film clashes with its theatrical, video or television release in that territory.

3.5 WIDESCREEN TELEVISION POLICY

The EC has a three part policy framework for the introduction of widescreen television and high definition television services in the EC. The policy is to promote D2-MAC as the standard for widescreen and eventually standard aspect services distributed by cable or satellite, providing an evolutionary path to HD-MAC, which is specified as the standard for European non-fully digital high definition television.

The EC has already enacted a directive specifying HD-MAC and D2-MAC as the required standards for high definition and wide screen broadcasting by cable or satellite. However, a key part of the Commission policy related to the approval of an Action Plan to provide financial incentives of up to ECU 850 million (US\$1 billion) for widescreen cable and satellite services. This Action Plan has failed to be adopted as it requires unanimous acceptance by the Council of Ministers and the UK in particular has withheld its approval. The Commission is currently rethinking its policy in this area, and is reported to be considering abandoning its commitment to HD-MAC and adopting the US-developed transmission standard for digital HDTV.

Although the EC policy on widescreen and high definition broadcasting is being reconsidered, it is likely that over the next decade an increasing number of such services will be launched. Already some broadcasters and producers are investing in using widescreen compatible formats for some productions - particularly those which are prestigious or likely to have a long shelf life.

3.6 OTHER RELATED DIRECTIVES OR STUDIES IN PROGRESS

Other directives or studies in progress include the following:

- Data Protection Directive - an amended version of the Directive was submitted to the European Parliament in October 1992 and is currently undergoing its first reading. The Commission hopes to have reached a common position by the end of this year. The key question for broadcasters is whether they would be obliged under the act to have to inform, in advance, subjects on whom personal data is compiled (whether on computer or other form). The obvious problem with this is that the subject of a programme may object (that is, not give prior consent) and could therefore oblige broadcasters to destroy/rectify the data. Specific information about such files would have to be supplied to a supervisory authority set up by the directive.

The directive would also bar commercial organisations (including TV companies) from processing data relating to criminal convictions. The impact of this is that it would prevent them from revealing criminal convictions even if a crime were being committed.

Article 9 of the Directive specifically addresses these problems and concludes that it will be up to individual member states both to protect the individual's privacy and safeguard freedom of speech. However, critics say that the implications for investigative journalism could be devastating if subjects must be informed in advance of programmes and therefore could prevent filming, and that collating material to fight a libel action, recording corroborative interviews not intended for transmissions and even filing evidence to justify seeking permission for secret filming could all become impossible. It could even affect 'soft' topical shows such as chat shows, and may undermine journalistic protection of sources.

- Liberalisation and harmonisation of satellite industries - the Commission is currently preparing legislation that will bring an end to the monopolies held by satellite operators in certain member states and open up the market to competition. It also wants to harmonise

satellite legislation in different member states so as to make the operation of pan-European services easier. In the course of 1993, two proposals will be presented to the Commission. The first is the mutual recognition of equipment approval between member states and the second is mutual recognition of satellite licences.

Studies have also been commissioned recently in the following areas:

- Satellite transponders - a study on the positioning, allocation and regulation of satellite transponders, published in March 1993. A public hearing with trade representatives is to be held.
- Satellite News Gathering (SNG) - a final draft of this study, examining the practical problems and implications of SNG, is currently being completed and the commission hoped to be able to invite key representatives from the industry to discuss the study in June.
- Exclusivity in broadcasting rights - it is not known whether the results of this will be made publicly available. The Commission says the study has no legislative ambitions, but is merely intended to discover the way by which major players in the audiovisual industries obtain exclusive rights to programmes, specifically sports and feature films.

Merger regulations

EC Merger Regulations came into force on 21 September 1990. The EC regulates large scale mergers (with a worldwide turnover of more than ECU 5 billion US \$6.16 billion) or where turnover (EC) is above ECU 250 million (US\$308 million).

EC competition law is intended to encourage the "free movement of information, goods or capital" throughout the Community. Companies cannot structure their business or create barriers through contractual arrangements which would prevent this.

However, currently there are no merger control regulations designed specifically for the media, and problems have arisen from the fact that each country has its own regulations restricting foreign ownership of television stations (see following table). For example, the UK ITV companies claim that they are discriminated against, since they are open to takeover by companies in other EC countries but are prevented from making reciprocal takeovers by more stringent foreign ownership rules operated in those countries.

In December 1992, the EC published a Green Paper on Pluralism and Media Concentration in the Internal Market, which could curb the power of major media groups. Its aim is to assess the need to "safeguard pluralism in view of mergers and acquisitions taking place within the media sectors", and to consider potential measures. In particular, it is concerned whether differences in national legislation governing concentration of ownership acted as "an obstacle to the running of the internal market, by restricting or distorting competition, restricting the free movement of services or causing legal uncertainty."

The Green Paper outlines three options: no EC action; a recommendation on transparency; and harmonisation of laws restricting media ownership, and possibly the establishment of a committee of independent national authorities.

The Commission is currently considering the responses of broadcasters and other interested parties, and hopes to hold a hearing in mid-93 before deciding on any further action.

Table 1.3 Summary of Foreign Television Ownership Restrictions

EC Investors	Non-EC Investors
France	
25% maximum holding for any company	Maximum of 20% of total capital of any terrestrial channel; allowed a majority interest in cable
UK	
No restriction	The ITC has discretion to determine what it considers to be a controlling interest up to a maximum of 30%. No restriction on cable
Germany	
No legal statute restricting investment. However, licensing procedures favour companies with 51% or more German ownership	Investment restrictions are the same as those for EC countries. The same conditions apply to cable television
Spain	
No explicit limit on ownership in terrestrial TV. Although there is some limited cable, Spain is still awaiting legislation to formally permit cable TV	25% limit in franchise holding companies. Franchises are not transferable and the company holding the franchise must be registered in Spain

Source: Coopers & Lybrand Deloitte/EMB&F Research3.7

3.7 MEDIA 95

In addition to the statutory legislation outlined above, the EC has also initiated a programme to support and promote the audiovisual sector throughout the community. Following a phase of consultations and pilot experiments from 1987, this initiative, MEDIA 95, was adopted by the Council of Ministers in December 1990 to run for five years with an estimated budget of ECU 200 million (US \$246.6 million). It is part of the EC's overall policy for the audiovisual industry.

The MEDIA Programme has five guidelines:

- to create a European audiovisual area by promoting national industries at a Community level,
- to set up synergies with industry professionals, grouped in cross border networks,
- to mobilise seed capital,
- to maintain a balance between market forces, both as between large and small companies and between large countries and those with a smaller audiovisual capacity, and
- to maintain a balance between media - cinema, television, video and new technologies.

MEDIA 95 aims at a balanced promotion of the film and television industries. In 1991, it is estimated that film (including video) constituted 55 per cent of promotion and television constituted 45 per cent. With the development of new technologies, such as HDTV, this will become more complicated.

In terms of economic viability, the Programme estimates that on projects which have been active for a "significant period", reimbursement on its investments are already over 20 per cent.

A mid-term review of the Programme was completed in April, evaluating its efficiency and effectiveness, costs and benefits. According to the review the Programme has been successful at meeting its two overall objectives: to increase the industry's competitive potential and to assist smaller European countries and companies. It therefore recommended that MEDIA's annual budget should be increased or at least remain at 1993 levels, and warned that without its continued support many of the individual projects would either collapse or be forced to reduce their activities.

In addition the review insisted that local partners provide individual projects with the degree of funding originally planned, and recommended that the maximum level of 50 per cent for MEDIA's input into individual projects might be reviewed at some stage. For example, it noted that reducing the level to 25 per cent would double the investments attracted by MEDIA.

Reductions in overheads were suggested in several areas as were the establishment of a controlling office and a public relations office. Some form of central monitoring system was also recommended to enable stricter control of the programme and provide some idea of its impact on the market. Another problem noted by the review was possible overlapping between projects and greater co-operation was suggested.

At present, there are 19 projects in the MEDIA Programme. These can be grouped by function type:

Training of professionals

- **EAVE (European Audiovisual Entrepreneurs)** - aimed primarily at European independent producers, EAVE's main objectives are to train European film and television producers in economics and marketing, develop genuine European co-productions, create a pan-European network for producers and disseminate this expertise as widely as possible,
- **The Media Business School** - this is a training, research and development centre set up to provide the European audiovisual sector with help in taking advantage of the Single European Market. Projects on all aspects of the audiovisual industry in Europe are funded by up to 50 per cent by the Media Business School and participants form a wide cross-section of relevant professionals from all over Europe.

Improvement of production conditions

- **European Script Fund** - this provides development loans for European film and television projects. The fund lends money to writers and producers in the EC, Switzerland and Austria. Preference is given to projects with interest from co-development partners in countries other than those from which a project is submitted. Stories that travel across one or more European border are particularly encouraged and countries with a smaller audiovisual industry are given special consideration. All applications are judged by a panel of European experts and over 10 per cent of projects submitted receive funding,
- **SOURCES (Stimulating Outstanding Resources for Creative European Screenwriting)** - aimed at professional European screenwriters, (ie., both film and television), SOURCES attempts to create inspiring and stimulating workshops during the development of scripts. Workshops are held for both writers (at treatment or draft phase) and producers (at pre-production phase) and the first workshops are due to take place in May 1993,
- **Documentary** - MEDIA set up a project specifically for documentaries in order to define and stimulate the genre. Loans are available for the development and funding phase and the marketing and exhibition phase for both independent producers and film-makers acting as producers in the EC. The interest-free loans are repayable from distribution income,
- **Cartoon** - this was set up to provide support to the European animated film industry, particularly in the area of production consolidation and development. The intention is to provide studios with a stable operating environment in Europe which can be built upon to ensure development into the world animation market. Support, in the form of training and financial aid, is given to all professions in the industry,
- **Media Investment Club** - the primary objective of this project is to promote audiovisual creation and production by means of advanced technologies. It intervenes in three main areas:

- applications in the audiovisual field of digital and computer techniques (computer graphics, computer-aided animation, special effects),
- the production of programmes in European standard High Definition video,
- the production of interactive multimedia programmes (CD-I and CD-Rom linked to a computer).

Such techniques are transforming production and it is essential that European companies are familiar with these media if they are to remain competitive in a future high-tech environment. The club therefore initiates and runs activities on new techniques (eg., CD92 and HD Media) and develops training courses for professionals involved in such areas.

- **SCALE (Small Countries Improve their Audiovisual Level in Europe)** - SCALE was established to support the audiovisual industries of the "small" countries of Europe so that the audiovisual industry in Europe may grow as a whole. In order that the volume and quality of audiovisual production and distribution in Europe will improve, SCALE will establish a Resource Centre to provide incentives to such initiatives. SCALE will provide up to 50 per cent of the costs of any such projects. The 12 countries belonging to SCALE are: Belgium, Denmark, Greece, Holland, Ireland, Luxembourg, Portugal, Sweden, Norway, Iceland, Austria and Finland.

Distribution mechanisms

- **EFDO (the European Film Distribution Office)** - was initiated to assist in the distribution of European theatrical films from the EC, Austria and Switzerland. This was in response to the fact that 80 per cent of all European films do not cross the borders of their country of origin. EFDO supports the distribution of European film when at least three distributors from three different countries agree to exhibit the film together and, ideally, at the same time. EFDO supported 13 European feature films in its second round of awards for 1992,
- **EVE (Espace Video Europeen)** - was set up to establish and promote systems to encourage the publication and distribution of European audiovisual products on all formats (video, videodisc, etc.) for domestic use (this is an area dominated by the US). There are various EVE loan schemes; these are available to all producers, publishers and distributors of European audiovisual products. In October 1992, EVE held its first pan-European video conference, A European Video Perspective. This conference inspired several initiatives to tackle the "crisis" facing the European film industry; these included improving distribution channels, a European co-ordination unit to clear rights and co-ordinate release dates, and instigating more market research. Designed to "inform and facilitate the exchange of ideas" between European video publishers, the conference was attended by around 100 delegates who agreed that it should be held annually,
- **GRECO (Groupement Europeen pour la Circulation des Oeuvres)** - this favours the circulation of high quality television fiction, both in Europe and throughout the world.

GRECO aims to strengthen independent producers in the areas of development, distribution and marketing, encouraging them to secure lasting distribution rights. A board of independent experts decides the merit of each applicant with GRECO support awarded only to projects which qualify and are to be delivered in three linguistic versions.

- **EURO AIM (European Association for an Audiovisual Independent Market)** - a service and support structure for the promotion and marketing of European independent production. It provides the link between independent European production and distribution companies and those partners necessary for the financing, marketing and distribution of their work. This includes marketing initiatives (eg., subsidised stands at major media events), information databases (listing independent European production companies, thus allowing potential partner targeting) and consultancy services,
- **BABEL (Broadcasting Across the Barriers of European Language)** - BABEL is concerned with multilingual production and aims to promote the wider distribution of television programmes by providing financial support for dubbing/subtitling. This particularly involves less widely spoken languages and BABEL provides training in the multilingual audiovisual sphere and research into new technologies. Advances offered are generally repayable; however, some non-reimbursable subsidies are awarded occasionally, on the recommendation of the Consultants' Committee.

Cinema exhibition

- **Media Salles** - with a budget of 600,000 ECUs (US \$739,827) for 1992, Media Salles' remit is to promote the cinema as a service to local communities. Its members are the associations of professionals of cinema exhibition. Media Salles proposes initiatives within the fields of promotion, information and training, including marketing,
- **Europa Cinemas** - the net aim is to promote European films in major EC cities and to increase their audience by improving the conditions in which they are presented to the public. Cinema exhibitors which present the best guarantees for coherent and long-term action in favour of European films will be eligible for technical and financial support to help development of their programming, promotion and in-house activities,
- **European Film Academy (EFA)** - founded in Berlin in November 1991 to promote European Cinema worldwide and to strengthen its commercial and artistic position. The EFA promotes international meetings for film professionals, organises Masterschools for young professionals, produces publications and arranges film screenings for the general public. It is perhaps best known for its annual European Film Awards.

Contribution to the establishment of a "second market"

- **MAP TV (Memory - Archives - Programmes TV)** - its objective is to enhance the value of European audiovisual archives, particularly by helping set up co-productions of archive based creative programmes. The association attracts independent producers looking for

European partners to co-produce archive based programmes, broadcasters interested in these programmes and archive holders wishing to publicize their holdings. Co-productions are positively encouraged. Repayable development grants are available; proposed projects must have attracted the interest of producers from three different countries and also one broadcaster,

- **Lumiere Project Association** - set up to help European film archives protect and preserve films which are in danger of decomposing. This is to include the creation of a database on the holdings of European film archives, the promotion and preservation of restored films and the search for lost films.

Stimulation of financial investments

- **Euro Media Guaranties (EMG)** - founded to provide financial guarantees across Europe for European independent producers and the financial institutions providing loans for audiovisual productions. Up to 70 per cent of the loan finance can be guaranteed. To qualify, co-producers from at least three European countries have to be involved; distribution should already be arranged in those countries.

3.8 OTHER EUROPEAN INCENTIVES

- **Eurimages** - is a pan-European fund established by the Council of Europe in 1988 to encourage European co-production and distribution. Twenty two countries (with the UK shortly to bring the number to 23⁷) have access to its annual funds of FFfr120 million (US\$22.6 million). It recently relaxed its rules to encourage bigger budget productions. The minimum requirement is for three independent European co-producers, but one of these may now be a purely financial investor contributing 10-25 per cent of total costs. Rules which limit individual co-producer's participation to between 10-60 per cent can now be waived to allow companies from small countries (defined as those which produce under 40 feature films a year) to contribute as little as 7.5 per cent.

Other elements taken into consideration are the track record of the producers involved, whether the language used is that of one of the member states involved, and that the director, main cast and crew members are European, preferably from a member state. A documentary must involve at least two independent producers from member states. The project also has to be **pre-sold** to broadcasters or distributors in at least three member states of the fund, including those of the co-producing countries involved. Distribution support is focused on

⁷ These are: Austria, Belgium, Bulgaria, Cyprus, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Turkey and the UK. Other countries, in particular some of the central and eastern European countries, have shown an interest in Eurimages and are likely to join in the near future.

those countries without access to the established EC MEDIA Programme projects such as EFDO.

Support is in the form of conditionally repayable interest-free loans. Up to FFr5 million (US\$940,000) is available for feature films while creative documentaries can receive up to FFr1 million (US\$188,000). Producers who have entirely or partially repaid a previous loan are treated preferentially. In its first four years of activity, Eurimages supported the co-production of 144 European films and 18 creative documentaries, involving over 500 European producers, with a total of FFr346.31 million (US\$65.1). Eurimages also supported 73 distributors for the distribution of 31 films. Recent examples include *Homo Faber (The Voyager)* a French/German/Greek co-production which received FFr4.5 million funding (US \$846,000), and *Toto Le Heros*, a Belgian/French/German co-production which received FFr2.5 million (US\$470,000).

- ACE (formerly STUDIO) - Launched at this year's Cannes film festival, ACE is a collaborative venture by a number of Europe's top film directors, which intends to develop European films for the international market. Headed by Colin Young, ex-director of the UK's National Film and Television School, ACE will move into its headquarters in Paris this Autumn and will start selecting scripts for development in September.

European writers, producers and directors will be attached to the scheme for up to six months, during which time they will not only draft scripts and begin production, but also learn to research the marketplace and learn about and begin the process of raising production finance. The scheme should nurture European film-makers who are able to attract investment in a film which will recoup from worldwide markets -not just national ones. Completed projects will be available on a "first look" basis to investors in the scheme.

The primary funders of the project are the Media Business School and Canal Plus. Also involved are Cinevox in Germany, the UK's Channel 4 and the French rights collection society PROCIREP. The City of Paris is also supporting the project by providing office space. The project also has an office in London and one initial hope was that it might use the old Ealing studios. However, it is now unclear whether ACE will maintain an office in England beyond 1993.

3.9 COUNCIL OF EUROPE CONVENTIONS

Although technically the Council of Europe is quite separate from the European Community, we include it here as the second source of European-wide legislation which will impact upon the four territories under consideration - France, Germany, Spain and the UK - and therefore on the potential for Canadians to work with them in the areas of film, video and television.

As outlined in section 2.1, countries which do not belong to the Council of Europe can become signatories to conventions such as the European Cultural Convention, which allows them access to the Cultural Fund, and to also be a signatory to other related conventions dealing with cultural issues, heritage, education, sport, film, television, sound recording, etc.

In addition to the Convention on Transfrontier Broadcasting which covers broadly the same ground as the Television Without Frontiers Directive, there are a number of other Conventions under discussion, including one on copyright in the field of cable and satellite which is parallel to the EC's planned directive on the subject.

At the beginning of October 1992, a European multilateral Co-production Convention was opened for signature. This is designed to make it easier (for those 37 states which have signed the Cultural Convention) to put together multilateral feature film co-productions, and to harmonise regulations. At present, relationships between countries have been bilateral and therefore when tripartite co-productions are in negotiation, relationships between the various countries - depending on the terms of their bilateral agreements - are not necessarily identical. The document aims "to increase the strength of European film production by allowing qualifying European co-productions to have automatic eligibility for whatever national benefits would be available to the individual participants if they were wholly domestic productions - such as subsidies from national production funds."⁸ Co-producers would also be eligible for Eurimages funding.

To qualify as European, films would be judged using a points system similar to that used in France to measure French content, although this is a flexible system which can be waived (under Appendix II of the Convention) by the competent authorities in order to grant co-production status to a work which they feel reflects "a European identity" even though it may fail to reach the normally required 15 points.

Although in principle technical and artistic contributions are required from all parties, this can be waived under Article 9 of the Convention to allow financial co-productions, subject again to approval by the competent authorities. Christian Zeender, chair of the Council of Europe's working group for the Cinematographic Co-production Convention, explained the logic behind this in a recent interview. He was quoted as saying: *"If necessary, we would prefer to have a French co-production which was exclusively French made, albeit with German and Italian financial involvement, so long as the Germans and Italians did the same. This does not necessarily mean that a director or producer will only select collaborators of his or her own nationality but they must be free to chose whom they wish. This is very much the direction being taken by the Community, with the enlargement towards the European Economic Area and the free circulation of individuals."*

Part of the rationale for the Convention is that it is often not possible to finance an entire film from EC countries alone. In these cases, the Convention will apply as long as not more than 30 per cent of the total production budget comes from outside the EC. This means that Canadian producers can be minority partners up to a maximum of 30 per cent. The Convention could also

⁸ Source: Screen Finance

Review of the European Audiovisual Markets

be substituted for bilateral agreements between countries where such agreements do not already exist. It is also intended to enable smaller countries to have access to funds from wealthier ones.

The Convention is expected to come into force in October 1993.

The Council is also working on further media projects, including:

- drafting of guidelines for a standard European production contract for European multilateral co-productions;
- a draft convention on cable and satellite copyright;
- a study of media concentration, under which it has established a committee of experts to set up a system to report periodically on measures being taken by governments to avoid negative impact of media concentration or mergers on pluralism, the independence of the media and diversity of information.
- a convention on the protection of audiovisual heritage (see also Lumiere Project Association in section 2.7.6). Christian Zeender has been given responsibility for co-ordinating all European activities for the celebration of the Centenary of Cinema, in association with the MEDIA programme and the Lumiere Project Association.

4 GLOSSARY

ADRC - Agence pour le Développement Régional du Cinéma	Public body providing support for regional French cinema
ANEPA - Asociacion Nacional de Empresas de Produccion Audiovisual	Association of Spanish independent producers
BAPT - Bundesamt Fur Post Und Telecommunication	German regulatory body for cable and satellite
BFC - British Film Commission	Marketing organisation for the UK film industry
BFI - British Film Institute	Cultural body which, among other activities, provides investment for UK films
BMI - Bundesministerium des Innern/ Filmreferat	Cultural film assistance programme of the German Ministry of the Interior
BVA - British Videogram Association	UK video industry association
BVV - Bundesverband Video	German video industry association
CERICA - European Centre for Research and Information on Film and Television	Non-profit organisation to promote knowledge of the European film and TV market
CNC - Centre National de la Cinematographie	French cinema regulatory and funding body
CSA - Conseil Superieur de L'Audiovisuel	French TV regulatory body
CSEA - Chambre Syndicale de L'Edition Audiovisuelle	French video industry association
Cuica - Comite Unitario Interprofesional de la Cinematografia y del Audiovisual	Spanish film and TV trade association
DBS - Direct Broadcast by Satellite	
DGMCS - Direccion Generales de Medios de Communication Social	Spanish television regulatory body
D2-MAC	The EC specified standard for broadcasting widescreen cable or satellite services
ECU - European Currency Unit	US\$1 = 1.182 ECU
EEA - European Economic Area	
EFTA - European Free Trade Association	

FFA - Filmförderungsanstalt	Public body providing funds for German films
HD-MAC	The EC specified standard for broadcasting non-digital high definition TV services.
HDTV - High Definition Television	
ICAA - Instituto de la Cinematografía y de las Artes Audiovisuales	Spanish cinema regulatory and funding body
IFCIC - Institut pour le Financement du Cinéma et des Industries Culturelles	French film production and development fund
ITC - Independent Television Commission	UK commercial television regulator
Kuratorium Junger Deutscher Film	German film funding body
LFA - Bayerische Landesanstalt für Aufbaufinanzierung	Bavarian film funding body
SOFICAs - Société de Financement des Industries Cinématographiques et Audiovisuelles	Tax shelters for French cinema and television investment
SMATV - Satellite Master Antenna TV	Shared satellite reception system (eg., for an apartment building)
UFCA - Union pour le Financement du Cinema et de l'Audiovisuel	Private investment fund for French films
DGNCS - Dirección Generales de Medios de Comunicación Social	Spanish broadcasting regulator

5 CONTACT DIRECTORY

5.1 EC MEDIA PROGRAMMES

Media 95

Commission of the European Communities
Directorate General Audiovisual, Information, Communication, Culture
120 rue Treves
B-1040 Bruxelles
Tel: 32 2 299 94 36
Fax: 32 2 299 92 14
Head of Media Programme: Holde Lhoest

EAVE (European Audiovisual Entrepreneurs)

14 rue de la Presse
B-1000 Bruxelles
Tel: 32 2 219 09 20
Fax: 32 2 223 00 34
Managing Director: Raymond Ravar

Media Business School

10 Torre Galindo
E-28016 Madrid
Tel: 34 1 359 02 47
Fax: 34 1 345 76 06
General Manager: Gudie Lawaetz

European Script Fund

39C Highbury Place
London N5 1QP
Tel: 44 71 226 9903
Fax: 44 71 354 2706
Secretary General: Bo Christensen

SOURCES (Stimulating Outstanding Resources for Creative European Screenwriting)

92 Jan Luykenstraat
1071 CM Amsterdam
Tel: 31 20 672 0801
Fax: 31 20 672 0399
Secretary General: Dick Willemsen

Documentary (Project Development)

29A Skindergade
DK-1159 Copenhagen K
Tel: 45 33 15 00 99
Fax: 45 33 15 76
Secretary General: Thomas Stenderup

Documentary (Promotion Packaging)

2 Jan Luykenstraat
NL-1071 Amsterdam
Tel: 31 20 67 91 351
Fax: 31 20 66 22 736
Secretary General: Hans Klap

Cartoon

418 boulevard Lambertmont
B-1030 Brussels
Tel: 32 2 245 1200
Fax: 32 2 245 4689
Director: Corinne Jenart

Media Investment Club

4 avenue de l'Europe
F-94366 Bry-sur-Marne Cedex
Tel: 33 1 49 83 28 63
Fax: 33 1 49 83 25 82
Secretary General: Patrick Madelin

SCALE (Small Countries improve their Audiovisual Level in Europe)

Rua Dom Joao V, 8
-R/C - D
P.1200 Lisboa
Tel: 531 1 386 06 30
Fax: 531 1 386 06 47
General Secretary: Artur Castro Neves

EFDO (European Film Distribution Office)

14-16 Friedensallee
D-2000 Hamburg 50
Tel: 49 40 390 90 25
Fax: 49 40 390 62 49
Chairman: Dieter Kosslick

EVE (Espace Video Europeen)

The Irish Film Institute

6 Eustace Street

IRL-Dublin 2

Tel: 353 1 679 57 44

Fax: 353 1 679 96 57

Chief Executive: John Dick

**GRECO (Groupement Europeen pour
la Circulation des Oeuvres)**

33 Bahnhofstrasse

D-8043 Unterfohring bei Munchen

Tel: 49 89 950 83 290

Fax: 49 89 950 83 292

Coordinator: Maritta von Uechtritz

**Euro AIM (European Association for
an Audiovisual Independent Market)**

210 Avenue Winston Churchill

B-1180 Brussels

Tel: 32 2 346 1500

Fax: 32 2 346 3842

General Director: Nicholas Steil

**BABEL (Broadcasting Across the
Barriers of European Language)**

c/o UER/EBU

17A Ancienne Route

67 Case postale

CH-1218 Grand-Saconnex (Geneva)

Tel: 41 22 717 21 11

Fax: 41 22 798 58 97

Coordinator: Frank Naef

Media Salles

Agis Lombardia

Piazza Luigi di Savoia 24

I-20124 Milan

Tel: 39 2 66 98 44 05

Fax: 39 2 669 15 74

General Secretary: Elisabetha Brunella

Europa Cinemas

22 rue du Pont Neuf

F-75001 Paris

Tel: 33 1 42 33 35 16

Fax: 33 1 42 36 30 39

Chairman: Claude-Eric Poiroux

European Film Academy

Katharinenstrasse 8

D-1000 Berlin 31

Tel: 49 30 893 41 32

Fax: 49 30 893 41 34

Secretary General: Alina Bellis

MAP TV (Memory Archives Programmes TV)

1 Place de Bordeaux

F-67011 Strasbourg Cedex

Tel: 33 88 56 68 47

Fax: 33 88 56 68 49

Contact: JJ Lemoine/AJ Hindhaugh

Lumiere Project Association

Rua de San Pedro de Alcantara, 45

P-1200 Lisboa

Tel: 351 1 347 86 44

Fax: 351 1 347 86 43

President: Jose Manuel Costa

Euro Media Guaranties

66 rue Pierre Charron

F-75008 Paris

Tel: 33 1 43 59 88 03

Fax: 33 1 45 63 85 58

Coordinator: Sylvie Depondt

5.2 OTHER EUROPEAN INCENTIVES SCHEMES

Eurimages

Council of Europe

Strasbourg

France

Tel: 33 8841 2640

Fax: 33 8841 2000

Secretary General: Ryclef Rienstra

Studio

10 Greek Street

London

W1V 5LE

Tel: 44 71 287 0607

Fax: 44 71 0487

Contact: Colin Young

5.3 CANADIAN EMBASSIES IN EUROPE

Canadian Embassy (France)

35 Avenue Montaigne

75008 Paris

Tel: 33 1 4443 32 00

Canadian Embassy (Germany)

Friedrich Wilhelm Strasse

5300 Bonn

Tel: 49 228 2310 61

Canadian Embassy (Spain)

Edificio Goya

Calle Nunez de Balboa

35 Madrid

Tel: 34 1 431 4300

Canadian High Commission (UK)

Canada House

Trafalgar Square

London SW1

Tel: 44 71 258 6600

5.4 TELEFILM CANADA IN EUROPE

Telefilm Canada (France)

15 rue de Berri
75008 Paris
Tel: 33 1 45 63 70 45
Fax: 33 1 45 25 33 61
Contact: Pierre Lampron

Telefilm Canada (UK)

22 Kingly Court
London W1R 5LE
Tel: 44 71 437 8308
Fax: 44 71 734 8586
Contact: Robert Linnell

5.5 EUROPEAN OFFICES OF CANADIAN PRODUCERS/DISTRIBUTORS

Alliance International

40 bis rue Boissiere
75116 Paris
Tel: 33 1 47 55 44 49
Fax: 33 1 47 55 94 83
Contact: Stephane Sperry

Astral Europa Communications

16 rue de la Paix
75002 Paris
Tel: 33 1 42 96 00 81
Fax: 33 1 42 96 01 35
Contact: Denis Heroux

Atlantis Releasing

Tesselschadestraat 4-12
1954 ET Amsterdam
Tel: 31 20 618 4011
Fax: 31 20 618 8719
Managing director: Wendy Bernfeld

Nelvana Enterprises (France)

44 rue de l'Ermitage

75020 Paris

Tel: 33 1 46 36 12 02

Fax: 33 1 46 36 86 96

Director: Emmanuel Petri

Nelvana Enterprises (London)

1 Hay Hill

Berkeley Square

London W1X 7LF

Tel: 44 71 408 1734

Fax: 44 71 409 2557

Director, Co-productions: David Ferguson

Téléscène

Studio 8

125 Moorepark Road

London

SW6 4PS

Tel: 44 71 384 1022

Fax: 44 71 371 5958

Managing director: Jamie Brown

APPENDIX 1

BIBLIOGRAPHY

Periodicals

Broadcast
Electronic Media International
European Media, Business & Finance
Denton International Film and Television Newsletter
La Lettre
Moving Pictures International
New Media Markets
Screen Digest
Screen Finance
Screen International
SJ Berwin & Co Media Review
Television Business International
TV World
Variety

Reports

Aides à la Production et à la Distribution Cinématographiques en Europe et au Canada, CNC 1992
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Telefilm Canada Yearbook, 1991-92

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Australian Film Commission

L'Agence Developpement Regional du Cinema, France

Mediametrie, France

Ministere de la Culture et de la Communication, France

SPIO/FSK, Germany

Telefilm Canada

APPENDIX 2

INTERVIEWEES/QUESTIONNAIRE RESPONDENTS

France

Heinz Thym: Director of Sales, Pandora
Patrick Frater: Screen International
Adrienne Frejac: IMA
Christina Hoffman: Flach Film
Simon Hart: Ellipse
Kirsten Cunningham: NBdC
Fabrizio Chiesa: Hamster
Christine Ravet: MK2 Diffusion
Danielle Bourdekas: Alpa International
Olivier Spinner: Creativite & Development
Mr Rassam: AMLF
Jean Boyenval: Claire Films
Michael St Jean: Diaphana Distribution
Pierre Francois Rarcine: UFCA
Francois Hurrard: CSA
Merry Mullings: Canal Plus Distribution
Stephane Melliere: Associate Director, Gedeon
Dominic Sidot: Molecule
Josette Affergan: Telmondis
Annie Belet: Quartier Latin
Jean-Luis Bironne: Director of co-productions, Quinta Communications
Florence Canta: France 2
Vincent Chalvon: Production Manager, Saban International
Jacques Dercourt: Telecip
Marie-France Han: Executive VP International, Tele Images
Pascale Lamche: Amaya

Lise Lemeunier: Head of Creative, Pandora

Jean-Louis de Turenne: AMI

Marie-Pierre Ombradanne: Sygma TV

Marc du Pontavice: Gaumont Television

Francois Voiduron: Eureka Productions

Germany

Georg Althammer: Monaco Film

Joseph Andorfer: Sat 1

Michael Bischoff: Tele-Munchen

Martin Blaney: Screen International

Ralph Bugner: Production Manager, CCC Television

Bernd Hellthaler: Hellthaler International

Theo Hinz: President, Futura

Susanne Finken: Telcast International

Christian Lehmann: Igelfilm

Dr Hans-Jurgen Steimer: ZDF

Ami De La Jara: Beta Film

Helga Dyckerhoff: Concorde

Wolfram Tichey: Time Medienvertiebs

Marianna Dolt: Tobis Filmkunst

Christina Gleitsmann: Ravensburger

Werner Kupper: Tristar Film & TV

Mr Luterberg: Head of Development Media Business, Hypo Bank

Delf Ness: Multimedia

Thomas Ohrner: Head of Acquisitions, DSF

Ulrich Schaeffer: Transtel

Horst Schering: WDR

Andreas Von Schorlemer: ARD Degeto

Martina Schulz: Polyphon

Anne-Kathrin Seif: Managing Director, TBA

Review of the European Audiovisual Markets

Alexander Thies: Neue Filmproduktion tv

Judy Tossell: Regina Zeigler

Katharina Trebitsch: Trebitsch Produktion

Thomas Wagner: Wagner Hallig

Herman Weigel: Neue Constantin

Mr C Welger: NDR

Spain

Margaret Nicols: Canal Plus Espana

Mercedes Borrueal: Audiovisuales Nebli

Jorge Bosch: Executive International Department, Laurenfilm

Anne Bugugnani: D'Ocon Films Productions

Lluis Ferrando: Figaro Films

John Hopewell: Moving Pictures International

Sergio Lopez: Zoom TV

Carlos Martinez: English Speaking Co-productions, TVE

Jeronimo Molero: Telson Internacional

Javier Naya: Filmayer Video

Mercedes Rico: Head of Project Development, Tesauro

Carmelo Romero: ICAA

Maite Ruiz de Austri: Head of Development, Episa

Miss Balaguer: Cyrk Films

UK

Mark Shivas: Head of Drama, BBC

June Dromgoole: BBC TV

Michael Dobson: BBC Enterprises

Francis Berwick: Channel 4

Andrew Brann: Channel 4

Don Gale: ITV Network Centre

Charles Armitage: Noel Gay Television

Luke Randolph: Working Title
Jane Balfour: Jane Balfour Films
Dorothy Bowen: Zenith
Philip Clark: Diverse Production
Susan Crawley: Yorkshire Tyne Tees International
Christopher Courtenay Taylor: World Wide International Television
Nicola Davies: NBD Television
Carol Haslam: Hawkshead
Clare Vincent: ITEL
Sophie Turner Laing: HIT Entertainment
Angus Fletcher: Jim Henson Productions
Ralph Kamp: Majestic Films and Television
Robert Besem: Artificial Eye
John Daly: Hemdale Film Corp
Marie Hoy: Cori Film Distributors
John Gaydon: Polygram TV International
Joanna Deakin: Goldcrest Films and Television
Heather Hampton: Channel X
Chris Haws: InCA
Nadine Nohr: Granada/LWT International
Linda James: Red Rooster
Howard Kitchner: National Leasing & Finance Company
Richard Leworthy: Primetime
Bob Linnell: Telefilm Canada
Roger Miron: Thames Television
John Needham: Mentorn
Susan Sharples: Talbot/Fremantle
Chrissie Smith: Barraclough Carey Productions
Lavinia Warner: Warner Sisters
Nick Witkowski: The TV Sales Company

Canada

Richard Sadler: President & Producer, Les Films Stock International

Louise Baillargeon: President, APFTQ

Isme Bennie: Paragon

Jamie Brown: Telescene

Neil Court: Ex MD Nelvana

Steven Denure: Alliance

Pat Ferns: Primedia

Jean Gerin: Les Productions du Verseau

David Grimes: CRTC

Camille Gueymard: Telefilm Canada

Michael Hirsch: Nelvana

Danny Iron: Head of Business & Legal Affairs, Rhombus Media

Patrick Loubert: Nelvana

Sandra MacDonald: President CFTPA

Michael MacMillan: President, Atlantis Films

Ted Riley: President, Atlantis Releasing

Paul Painter: VP, Telescene

Lorraine Richard: President & Producer, Cite-Amerique

Louise Terrillon Mackay: Department of Communications

Christine Yencko: IMAX Corporation

Other

Alain Brun: European Commission - DG XV (Directorate E)

Kirstin Jörna: European Commission - DG XV (Directorate E5)
(previously with DGIII -Directorate F5)

Mr Anskof: European Commission - DG XIII (Directorate F1C)

APPENDIX 3

CASE STUDY I

Neil Court - formerly MD of Nelvana, now a co-production packager based in the UK

Since its launch in 1987, animation producer Nelvana has been one of the most active Canadian co-producers. Its key partners have been French, but according to Neil Court, ex-managing director of Nelvana and now working in Europe as a co-production packager, the basic strategy for market entry has been repeated in Spain, the UK and Germany.

Nelvana's first big production, *Babar*, is a perfect example of that strategy. Nelvana took a demo tape of *Babar* to its first Mipcom in 1987 but it wasn't until it hired an agent in France that it found a co-production partner for the project. In retrospect, Court still believes it was worth paying the 10 per cent commission to get into the market quickly.

The partner Nelvana chose was Ellipse, the television production arm of Canal Plus. Canal Plus was chosen because Nelvana was looking for a well-funded broadcaster, and also Canal Plus had two or three good slots for animation. According to Court, a good strategy for any Canadian producer would be to deal as much as possible with broadcasters directly.

The link with Canal Plus provided them with contacts elsewhere in France and after a year an agent was no longer needed. Canal Plus brought in FR3 (now France 3) as a partner on another production *TinTin*. For Nelvana, the forging of these co-production links also made it easier when selling programming to both broadcasters, and Canal Plus and FR3 ended up pre-buying a lot of Nelvana programmes produced for the US. The relationship also led to the creation of Le Studio in Paris, a joint venture between Nelvana and Canal Plus. Prior to this, Court had been visiting Europe about once a month to keep in touch with European partners and current tastes. However, following the establishment of offices in Paris and also in London there was "a quantum leap in European business," he says.

In Spain, Nelvana followed the same philosophy of dealing directly with the broadcaster, in this case TVE, which was brought in as partners on *Rupert Bear*, although the two have not worked together since. Nelvana also worked with Canal Plus Spain, on *Dog City*, being produced with Jim Henson Productions. This relationship was developed independently of the existing links with Canal Plus in France. Again Court spent a lot of time building up relationships in Spain and the local broadcaster Tele Madrid was also brought in as partner. This in turn led to closer links with the network of regional broadcasters.

In the UK and Germany, Court says Nelvana had found less demand because there have been fewer players. The UK was also difficult to work with while the ITV auctions were going on. However, now Court believes things are starting to change: Scottish TV has commissioned *Rupert Bear* for a third year, and Channel 4 was a partner on *Dog City*.

Review of the European Audiovisual Markets

It is Germany, though, with its various new channels and growth in advertising revenue, which Court describes as "the place to be in the next few years." So far, Nelvana has already worked with the Kirch group's Beta Taurus, which provided additional funds, along with Canal Plus, for *American Tales*, a series for CBS. The company has also worked with ZDF on *Dog City*, and Court's last project was putting together a deal for Henson, commissioned by the ARD broadcaster WDR. This involves producing in Cologne to access funding from the NWR film fund.

France, on the other hand is no longer as favoured a partner for Nelvana as it once was. According to Court since the closure of La Cinq, Nelvana hasn't done any new co-production deals with France. He says the situation has also been made worse by the continuously changing regulatory environment, and last year the company was unable to work for six months as it awaited for Jack Lang's new TV legislation. In particular, Court finds the requirements set for official French co-productions restrictive. When Nelvana has to work in France its costs are considerably higher because it must pay 50 per cent social security on wages.

CASE STUDY II

Richard Sadler - President and Producer, Les Films Stock International

In the last five years, Les Films Stock International's Richard Sadler has produced around six or seven feature films, all of them with European co-production partners. As a Quebec-based producer, Sadler's key partners have been French-based companies, but he has also worked with Germany and Switzerland and is now looking for partners in the UK and Spain.

Sadler believes co-producing with European partners and accessing national and EC subsidies is vital, but he acknowledges that it presents various problems. For example last year, in order to qualify for a French subsidy, he had to mix the film in France, which cost him twice as much as mixing in Canada. It therefore becomes important to weigh up the benefits of co-producing under official treaty with the resulting additional costs. One way around the problem is twinning, whereby each partner produces a separate film. However, Sadler says this is far easier for a TV production than a feature film because of the smaller scale of the project.

In terms of making contacts, Sadler has found the Cannes Film Festival to be the most important place to meet potential partners and discuss deals. Every year for the last 20 years he has attended Cannes where he spends a minimum of 10 days. He says personal contact is vital: "You can't depict a film on four pieces of paper. You have to meet people." In addition to Cannes, Sadler has spent a lot of time in Europe "watching a lot of television and speaking to a lot of people." He maintains this is the only way of getting to know the market. "It takes a long time to get the know-how of the markets, but you have to know the market if you want to make a deal."

Stock's most recent co-production was *Coyote*. Sadler acquired the rights to the novel, and took the idea to French producers Molecule, which was also a partner on Stock's 1991 co-production, *Rouge du Couchant*. The film was released in Montreal last June and was the third biggest box office success and the best-selling video in French Canada. However, Molecule was unable to find a distributor in France, and Sadler says that it was only with considerable effort on his part that the film was finally sold and will go on release in Paris later this year.

Similar problems were encountered with *Scream of Stone* made in 1990, with German and French partners. The film was sold successfully in Europe via a German sales agent but the agent was unable to sell to the US market. Sadler again had to take over responsibility for selling the film. As a result he is now trying to negotiate contracts that allow him to take the film back after two years if the sales agent is unable to sell it. With conventional contracts of around 10 years at least, the film may end up low down the distributor's list of priorities if it isn't an immediate success.

These two examples illustrate the difficulties Canadian producers face selling to the world market. In particular, Sadler stresses the importance of producing in English. "If you don't have an English language version, you're in big trouble," he says. But to access French production subsidies, Sadler also has to produce in French, which adds further to the costs.

CASE STUDY III

Paul Painter - Vice President, Telescene

Telescene is another Canadian company that has succeeded in establishing links with European partners by spending a considerable amount of time and money on travelling to and from Europe, and on setting up an office in London. "The one and only way we have found of doing business is on a face-to-face basis," says Telescene vice president, Paul Painter. This, he continues, means more than just attending markets which provide a valuable, but brief and very expensive, opportunity to make contacts. To build real relationships takes a far longer period of time, which most companies can't afford. That's why, says Painter, the co-productions tend to be dominated by the older and bigger companies.

Telescene now has 17 co-productions in various stages of development, which would have been impossible without a permanent base in Europe. So far, the only completed co-production has been a series of four programmes based on the suspense novels of Mary Higgins Clark, and a four way co-production with Steve Walsh Productions in the UK, *Cameras Continentales* in France and *Gemini* in Germany.

The first company to get involved was Steve Walsh in the UK, with which Telescene had built up a close relationship over several years. Steve Walsh brought in *Cameras Continentales* in France and the *Gemini Group* in Germany. In effect, the project became a "quadruple twinning", with each country producing one programme and providing a big-name domestic actor. Each programme was made on a budget of around C\$3.3 million. The *Mary Higgins Clark* series has been an international success, sold to Canal Plus and TF1 in France, Astral in Canada, and into syndication in the US.

Unfortunately, for Telescene such a co-production would no longer be possible with France because of the new language requirements for co-productions. Although Telescene is a fully bilingual company, Painter is reluctant to shoot in any language other than English, because the market is so much smaller. This is partly why Telescene decided to open an office in London, headed by Jamie Brown. But as Brown admits "the UK is the hardest market even when you're here". Both he and Painter attribute this to a combination of economic and political factors. In addition, the fact that there are no UK production subsidies means that there is sometimes little financial incentive for overseas producers to work with UK companies. But despite this, Brown sees the market as one of the most important, because of its creative talent, the language, and the fact that if you can crack it, it's extremely valuable.

According to Painter, though, the most promising market is currently Germany, which is "unquestionably number one" in his opinion. "The producers are easy to work with and highly professional, and nine times out of 10 their word is their bond." Germany also has no language restrictions, but one drawback that Brown points out is that state funds are often dependent on some of the filming being done in Germany. As in other territories Telescene has chosen to work

with producers, such as Neue Constantin, rather than broadcasters. According to Painter, this is because getting through to broadcasters is often a very lengthy process. Even then, he says, it is hard to know which producers are the established players, and producers can spend a long time building a relationship with a partner only to discover it is little more than a one-man operation.

Painter also points to the importance of co-producing in volume, and says that one-offs are hardly worth the time and effort involved in getting a co-production together. In addition, he maintains that it is crucial to cover all genres. Among the current projects Telescene has in development there are series, feature, films and movies-of-the-week. As Painter says, "I cannot afford to specialise. If I did I'd be dead."

CASE STUDY IV

Les Filles De Caleb

One recent example of a Canadian programme that has enjoyed considerable success abroad is *Les Filles De Caleb*, based on Arlette Cousture's 1985 novel. The series of 20 one-hour episodes was produced by the Quebec-based company, Cite-Amerique, in 1989 on a budget of \$10.4 million, or \$520,000 an episode. In Quebec it was broadcast on Radio Canada, the French arm of the state broadcaster CBC, and achieved record ratings for a drama series, with a peak audience of 3.6 million viewers - an 85 per cent market share.

Overseas sales of the series were handled by the Canadian producer-distributor Alliance Entertainment, which put in deficit financing in return for foreign sales rights. Alliance debuted the programme at MIP in 1991. Germany was first to buy, but France proved a tougher market to crack, despite the common language.

The first signs of interest came from France Television in the autumn of 1991 but after a change in management the deal fell through. However, the new head of programmes at France 3, Raymond Vouillamoz, liked the show and thought it would work on France 3. In addition Cite-Amerique had also just sold 35 per cent of its shares to Cosexpand, which is 49 per cent owned by the French company Expand. This provided further contacts within the French market and allowed Cite-Amerique and Alliance further opportunities to promote the series.

Eventually France 3 bought the show, for FFfr350,000 (US\$66,000) per episode, a total of approximately C\$1.5 million. The Quebec accents then needed to be redubbed for French audiences to understand them. Then Alliance had the task of promoting the show with France Television, with a launch budget of C\$100,000 (some of which came in the form of grants and loans from Telefilm Canada). This included running four on-air promos a day in the two weeks preceding the first episode, arranging press coverage and launches and even running a competition for a holiday in Montreal. As Rola Zayed, VP of international TV sales explained: "You don't just sign a contract and go home, you work with the broadcaster to create a success."⁹

When it finally aired on France 3 in December 1992, with the new title of *Emilie: La Passion D'Une Vie*, the first six episodes attracted an average of 3.5 million viewers, a 15% market share that made it one of France 3's top five rated shows. Ratings then went up to four million. Cite-Amerique has already shot the sequel *Blanche*. Alliance is signed to sell it and Raymond Vouillamoz, now at Swiss broadcaster TSR, has bought the series. Alliance is reported to be in discussion with France 3 and to be hoping to pursue similar strategies in other territories with other Canadian shows such as *ENG*, *North Of 60* and *The Boys of St Vincent*.

⁹ Moving Pictures International

FRANCE

Contents

1	FILM	
1.1	INTRODUCTION	1
1.2	REGULATORY FRAMEWORK	1
1.3	SOURCES OF FUNDING FOR FRENCH FILMS	4
1.4	THE PRODUCTION SECTOR	8
1.5	THE DISTRIBUTION SECTOR	15
1.6	THE EXHIBITION SECTOR	17
1.7	THE VIDEO MARKET	20
2	TELEVISION	
2.1	INTRODUCTION	25
2.2	REGULATORY FRAMEWORK	26
2.3	TELEVISION REVENUE	28
2.4	BROADCASTERS	29
2.5	PRODUCTION AND DISTRIBUTION	36
3	CONTACT DIRECTORY	
3.1	FILM	44
3.2	VIDEO	51
3.3	TELEVISION	55

1 FILM

1.1 INTRODUCTION

The French film industry is currently the most active in Europe, with French films accounting for more than a fifth of all films produced in Europe. Although the country's film production sector went through a serious downturn in the mid-1980s, an extensive government programme of support has been successful in assisting and sustaining its recovery. French banks take an active interest in the industry and have played an important role in the development of a handful of powerful multi-media operators capable of competing not only throughout Europe but also with the US. France is making a serious bid towards becoming the film production centre of Europe.

1.2 REGULATORY FRAMEWORK

The film industry in France is strongly supported by the State through a complex system of subsidies and funding, the result of successive governments' belief in the importance of sustaining the status of French language films. The cornerstone of this system is the Centre National de la Cinématographie (CNC).

Formed in 1946, and reporting to the Secretary of State for Culture, the CNC is a powerful public body set up to supervise and control the French film industry. Any company operating in the film industry has to be licensed by the CNC, all tickets sold at cinemas are printed and sold by the CNC and all cinemas have to make weekly returns to the CNC.

In 1990-91, Government support for the French film industry was FFr874 million (US\$160m), increased from FFr790m (US\$140m) in 1989/90. Of this amount, FFr345m (US\$60m) went on production subsidies and guarantees.¹ In October 1992, the CNC announced that it had an additional 7.5 per cent of funds to make available for 1993, with the emphasis on feature films.

Films wishing to qualify for aid have to be authorised by the CNC and the producer has to be licensed by the CNC, which manages all financial aid from the state to the film industry. This funding derives from two government taxes: a levy on the price of cinema tickets and on the revenue of television companies. From July 1993, a further levy will be charged on the sale and hire of pre-recorded videos. This 2 per cent tax is expected to raise FFr25 million (US\$4.6 million).

Automatic aid is given to all French films in relation to their box office takings; the scheme raises money from a 10 per cent tax on cinema tickets. The CNC then pays a producer 120 per cent of the tax collected from the box office over a period of five years after the film has been released. To qualify, the film must be French language with predominantly French personnel,

¹ Source: Screen Digest

and the producer must commit to providing 15 per cent of the budget. About 80 per cent of French films qualify for this support.

Automatic aid is also available for distributors and exhibitors, and producers of features shown by a French TV channel or cable network reaching no less than 100,000 homes. This latter grant has to be re-invested in the production of new films within four years. For distributors the CNC provides several different types of subsidy. Automatic aid is available to distributors handling French films and also reinvesting in domestic production. Selective aid is available to distributors who handle films of high quality and financial risk, or of an experimental nature; for producers handling films that are rarely shown; and for companies distributing films of cultural importance from Germany, Belgium and the Far East.

Advance on Receipts (Avance sur Recettes) - these grants are administered by the Commission d' Avance sur Recettes. Preference is given to innovative projects, projects with new talent or of high cultural ambition, and which would not go ahead without public assistance. In 1993, the Commission's total budget was increased by 10 per cent to FFr115 million (US\$21.5 million), and the average grant is between FFr1-2 million (US\$180,000-360,000). Advances are given in the form of interest-free loans which are reimbursed from the gross income of a film. If the advance is sought after it goes into production, the producer must have a distributor attached to the project, and the maximum award is restricted to FFr500,000 (US\$95,000). In 1992, 54 films out of 551 applications received advances on receipts awards, totalling around FFr105 million (US\$19.8m).

Development finance - the CNC's Development Committee allocates grants for projects to be shot in French, and of not less than 60 minutes. Preference is given to projects of strong cultural interest, with a relatively high budget, and which are likely to get made. The size of grant is linked to the producer's personal investment in the project, to a maximum of 10 per cent of the budget, or FFr1 million (US \$180,000).

Other government incentives include support for film music and bilateral agreements with other countries (see also section on Co-production).

Following the defeat of the Socialist Government in the 12 March general election, some shake-ups in the audio-visual industry are expected, although the new right wing Government has yet to announce its intentions. Before leaving office, former Culture Minister Jack Lang announced his intention to implement most of the directives contained in the Cluzel Report. The report, by the head of France's financial inspectorate Jean-Paul Cluzel, was completed in December 1992, and recommended making changes to the way that film subsidy is allocated. The major aim of the report is to restructure the funding system in favour of films that do well at the box office. In particular, Lang intended to restructure script development aid, with more funds going into fewer more established production companies - just four or five a year - to allow longer development periods and hopefully encourage better scripts. The amount given will be larger, but this will be for a slate of productions, rather than an individual picture. Other changes

included indexing the price of broadcast and video rights for feature films to box office results, and increasing the allocation for extra prints for small towns where it would not be profitable to release films. Lang did not mention whether US films should be excluded from this subsidy, but his conservative successor, Jacques Toubon, supports such a move and recently promised to "lead the fight against Jack Valenti".²

Whether or not Toubon will go ahead with Lang's changes remains unknown and any new legislation is unlikely to be confirmed until the re-opening of parliament in August. However, Toubon has promised a number of packages to boost film production. To compensate for the loss of La Cinq, Toubon has proposed increasing the number of films shown on terrestrial TV by 52 per channel to 242 each a year. He also intends to standardise the broadcast window at 30 months; currently it is 24 months if the broadcaster is a co-producer and 36 months for other films. As yet Toubon has not decided how to set the windows for pay-tv and video, currently both at 12 months. As far as distribution is concerned Toubon has promised to replace the present commission with a new team of experts, and wants to encourage independent exhibitors to develop an alternative circuit. Other proposals include re-negotiating tripartite co-production treaties and adjusting the quota system.³

Tax incentives

As outlined above, the CNC works by off-setting film budget costs against a tax levied on tickets sold at the box office. Taxe Speciale Additionelle (or cinema admission tax) is increased by 50 per cent for pornographic or violent films. Since January 1991 these films also incur a sales tax of 22 per cent on box office revenue, rentals and rights transfers, compared to the normal rate of 5.5 per cent.

The other tax shelter introduced by the government is the SOFICA, a measure introduced to trigger more private money investment in the French film industry (see below).

Quotas

All films must be handled by a French distributor. They also have to be submitted for an exhibition visa, for which a fee is payable. There are tight regulations concerning how many hours of films can be transmitted on TV (not more than 192 films a year) and at what times these films can be shown; a maximum of 104 films may be screened before 22.30, films cannot be shown before 20.00 on Sundays or during prime-time on Wednesdays, Fridays and Saturdays. Following considerable lobbying from the film industry, the Government decided recently that Canal Plus cannot show films on evenings and afternoons on weekends and holidays. All broadcasters must invest a minimum amount in French film production.

² Source: Moving Pictures International

³ Source: Screen International

1.3 SOURCES OF FUNDING FOR FRENCH FILMS

Public funding

SOFICA

The SOFICA scheme (Société de Financement des Industries Cinématographiques et Audiovisuelles) was created as a tax shelter for cinema and television investment in 1985 by the Government. Private investors, such as banks, production and distribution companies, are offered tax free incentives to buy shares in the SOFICA which is then used to support film production. Investors can gain a deduction of their initial investment of up to 25 per cent of their taxable income while companies can get a 50 per cent deduction in the first year, but income tax has to be paid in France. SOFICAs must remain in existence for a minimum of five years before being wound up for the benefit of investors.

Almost every big budget French film has been financed by the SOFICA structure, including *Cyrano De Bergerac* and *Milou En Mai*. Gilles-Marie Tiné, director of the CNC's production department estimated that the impact of the SOFICAs on production finance in France is about 20 per cent of total investment.⁴

Under the 1993 Finance Bill, SOFICAs are now allowed to invest up to 20 per cent of their funds in "co-productions shot in the language of the country of a majority co-producer of EC nationality." This effectively opens up the SOFICAs to non-French language production.

Although most beneficiaries of SOFICA are French, non-French films can apply for the scheme. Projects wishing to use the scheme have to apply for the "agrément" in France and comply with one of three conditions:

- the film's original version has to be in French,
- 50 per cent of expenditure must occur in France, or
- the production board must be established in France and the majority of it must be of French nationality, or citizens of an EC country, or a non-EC citizen established in France for more than five years.

Co-productions made under a bilateral co-production agreement (such as that which exists between France and Canada) can apply if they are shot in the language of one of the EC co-production partners.⁵

⁴ Source: Moving Pictures International

⁵ Source: Moving Pictures International

In 1990, SOFICA funds of FFr250 million (US\$50 million) part-financed 53 films, almost a quarter of all production funding. By the end of 1990, a total of FFr1,200 million (US\$240 million) had been invested in the French film industry by SOFICA.⁶

In 1991, 55 films received a total of FFr173.7 million (US\$30.8 million) from the SOFICAs - 13.6 per cent of their overall combined budget. Investimages, Sofiarp (whose principal shareholders include Canal Plus) and Sofinerie were the most active SOFICAs in 1991, raising FFr45.2 million (US\$8 million) in 38 films, FFr43.9 million (US\$7.8 million) in 23 films, and FFr41.9 million (US\$7.5 million) in 17 films, respectively.⁷ Investimages was set up by the IFCIC in association with various financial institutions in 1985, and had invested in 66 films by 1991 and had raised FFr160 million (US\$28.4 million).

Investors' Club

Investors' Club, is funded by the Ministry of Culture and the CNC, and aims to invest in 10 big budget films a year in order to improve French cinema admissions. In its first two years it funded five such films to the value of FFr48.5m (US\$10m).

Regional aid

ADRC (Agence pour le Développement Régional du Cinéma) is an agency which provides assistance to regional exhibitors to create and modernise cinemas in rural areas and to improve cinema admission figures, specifically by the speeding up of film prints. In 1992, the ADRC spent FFr30m (US\$5.5m) on the modernisation of cinemas, and a further FFr40m (US\$7m) on the printing of copies for remote communities.

There are many other regional schemes in France to promote film production and distribution; perhaps the most well-known is ARCA (L'Association Régionale du Cinema et de L'Audiovisuel) which was created in 1988 by the Conseil Régional de Haute Normandie. In its first year ARCA provided assistance to 10 film projects.

Private Funding

UFCA

UFCA (Union pour le Financement du Cinema et de l'Audiovisuel), a wholly owned subsidiary of Banque Worms, which acts as a pooled investment fund for private investors. The fund is used to offer secured loans for producers and distributors, which amount to around FFr900 million a year. Ninety per cent of the loans are made to French companies but the funds are available to any companies which have secured sales contracts with French broadcasters. UFCA loans are also guaranteed by the IFCIC.

⁶ Source: Screen Digest

⁷ Source: European Film File

IFCIC

IFCIC (Institut pour le Financement du Cinéma et des Industries Culturelles) was created in 1983. It is 40 per cent funded by 13 finance organisations, with additional funding by the state, Credit National and CEPME (20 per cent each). IFCIC offers financial backing and completion guarantees to producers and distributors; its remit also covers music, the theatre and other art sectors.

The IFCIC has other funds for high risk, high budgeted films and a venture capital fund for start up and development capital. It is also a participant in Capital Images, a venture capital fund created in 1989, with the purpose of investing in cultural enterprises - particularly film and programme production.

Finance from television companies

After the CNC, the second major source of finance for French films is the television sector. French law states that television channels have to invest a proportion of their turnover in French films or in co-productions involving French companies. For each of the six free television channels this meant the creation of a film-production subsidiary; the subsidiaries act as co-producers on films and the parent company has to buy the television rights to these films.

In 1991, according to the CNC, broadcasters invested about FFr800 million (US\$145.5 million) in the 109 French produced or majority co-produced films. This accounted for 24.3 per cent of the total budget. Of this the six free-to-air French television companies invested a total of FFr384.5 million (US\$69 million) and Canal Plus invested FFr358.2 million (US\$66 million). Canal Plus, the only pay-television channel, is required to invest 20 per cent of its turnover in film acquisition, half of it for French films. In addition its film production arm Studio Canal Plus, bought TV rights on four films, for a total of FFr16.8 million (US\$3 million).

In addition, the CNC notes that a further 47 films were made in which French companies were involved as minority co-producers, which brings the total investment by French broadcasters up to FFr1.840 billion (US\$324 million). French television companies therefore play a more significant role in domestic production than any other European television sector.

In 1992, France's free television channels increased their investment to FFr391.9 million (US\$74.2 million), funding 69 films, either through pre-sales or co-production finance. TF1 invested FFr158.4 million (US\$28.2 million), while France 2 invested FFr107.4 million (US\$18.5 million). In addition to this, 124 films also received funding - in the form of pre-sales - from Canal Plus, whose global investment amounted to FFr561.9 million (US\$106.4 million). In 1992, M6 invested FFr13.7 million (US\$2.6 million) in seven feature films; La Sept, the French arm of the Franco/German cultural channel Arté invested FFr33.7 million (US\$6.38 million), in film production; and France 3 invested FFr75.9 million (US\$14.4 million) in 16 films.⁸

⁸ Source: CNC

The collapse in 1992 of fifth channel, La Cinq, has led to various law suits concerning the rights of films produced by Ciné Cinq and already assigned to La Cinq.

A third - FFr165.4 million (US\$31.3 million) - of the total television investment in film production in 1990 was spent on film co-finance.

Canal Plus is the most successful pay-TV station in the world. Its 1992 financial results show a net profit of FFr1 billion (US\$209 million) on an annual turnover of FFr7.9 billion (US\$1.5 billion). Having gained a firm base for its operations in France, with three million subscribers, it has established joint ventures in Spain, Belgium, Germany and North Africa. In Germany it has a 37.5 per cent stake in Premiere, the pay-TV station launched in February 1991. Its partners are the Kirch-owned Beta Taurus film and TV group and Bertelsmann, the second largest communications company in the world. Canal Plus also has a 5 per cent stake in US production company Carolco.

Most significantly, Canal Plus is one of the major investors in French feature films. According to director René Bonnell, Canal Plus invests FFr1 billion (US\$169 million) in French films each year. Bonnell claims that the key to his approach is to ensure that Canal Plus minimises risk by acquiring territorial rights through co-production deals. The company has recently strengthened its already considerable commitment to the production of feature films with the establishment of Studio Canal Plus, a film production arm with the brief of producing internationally successful feature films. The studio plans to produce five or six films a year with Canal Plus's 49.5 per cent owned Les Films Alain Sarde, and another five or six with other French independents.

Under French law, Studio Canal Plus investment cannot account for more than 49 per cent of a French film's budget. This means many of the company's films are co-productions, and in addition to 10 or 12 French features per year, it aims to work with six European and 10 American projects. Recent international projects include co-production of *Terminator II* with America's James Cameron, and a co-production deal with Arnon Milchan's Regency Enterprises of a 20-picture package, including *JFK* (distributed internationally by Warner Brothers). Recent French projects included Maurice Pialat's *Van Gogh*, Roman Polanski's *Lune De Miel* and Claude Miller's *L'Accompagnatrice*.

Ciby 2000 is the recently launched feature film production arm of leading private French network TF1 (which has the Bouygues Group as its largest investor). It aims to produce films for the international market and has already signed deals with Pedro Almodovar, Bernardo Bertolucci and a three-picture arrangement with David Lynch. New projects also include producing the next film by Phil Janou, director of *State Of Grace* and a first feature from Karl Zéro, which may be a co-production with Le Studio Canal Plus. This would be the first time that these two major French production companies have co-operated on a feature.

1.4 THE PRODUCTION SECTOR

The strong support of the Government and the financial institutions has fostered the development of more large and well-established film producers in France than in any of its European neighbours. In many cases these companies have big non-film shareholders such as the broadcasters Canal Plus and TF1, and media groups such as Hachette. In particular three French theatrical majors have emerged with involvement in production, distribution and exhibition.

Chargeurs (Renn) - in 1990, Chargeurs, formerly a textile and transport combine, acquired one of the country's major theatre chains Pathé Cinemas, for FFfr1.1 billion (US\$205 million). With 129 screens, the chain is one of the three French majors and also owns the TV production arm Pathé TV and Pathé Archives. Since acquiring Pathé, Chargeurs has allocated FFfr300 million (US\$55 million) for constructing new multiplexes in 1992-93, and has entered a joint rationalisation agreement with France's second largest theatrical chain, Gaumont. Under this agreement Pathé will swap most of its cinemas in Paris for Gaumont's provincial ones.

The company also has a 42 per cent stake in Claude Berri's Renn productions, which produced *The Valmont* and international box office success *The Bear*. Between 1980 and 1989 Claude Berri was one of the country's most successful producers with seven films in the annual top tens during the period, a figure equalled only by Gaumont. Chargeurs has a stake in a SOFICA - Sofiarp, in Pricel, a rights company specialising in the acquisition of US product for French distribution, and in France's largest distributor AMLF.

Overseas investments include a 15.9 per cent stake in the UK satellite operation, BSkyB and a 41 per cent stake in Allied Filmmakers, headed by the Canadian director Jake Eberts. In July 1992 Chargeurs agreed to buy Guild Entertainment, the UK's biggest independent film distributor from Wembley Plc, with the intention that Guild would forge links with AMLF.

Gaumont is one of France's theatrical majors with interests in production, distribution and exhibition. Annual production is between 5-8 films a year on an estimated average budget per picture of FFfr40 million. Gaumont focuses on producing high quality French films by renowned directors such as Luc Besson (*The Big Blue*, *Nikita*) and Jean Jacques Beniex (*Betty Blue*, *Roselyne And The Lions*). It also produced (*Jean De Florette* and *Manon Des Sources*). The company now handles all of Walt Disney's catalogue in France, since forming a joint venture with Buena Vista at the end of 1992.

Hachette Premiers & Cie was established in 1982, and is a subsidiary of the media and communications group Hachette. It has produced around 20 films, including Jean Paul Rappeneau's international success *Cyrano De Begerac*. Other films produced or co-produced by Hachette have also performed comparatively well in the international market, and include *Tenue De Soiree*, *Monsieur Hire* and *A Strange Place To Meet*.

MK2 is a successful producer and distributor of art-house films with involvement in exhibition as well. Recently it strengthened its position with a cash injection from the GAN insurance group and the CIC bank. It pursues an idiosyncratic but successful production policy concentrating on French and European authors, and 'reasonable' production budgets. MK2 has produced or co-produced films such as *Melo* (Alain Resnais) and *Au Revoir Les Enfants* (Louis Malle). In production in 1992 were *Mazeppa*, by equestrian circus director Bartabas, and a trilogy of films by Polish director Krzysztof Kieslowski. All four films were being produced for a total of FFr150 million (US\$27 million).

As a distributor, MK 2 handles French producers such as Christian Vincent, whose company Lazennec Productions has three features awaiting release. Foreign productions also make up a significant part of its output.

Revcom/Films Ariane - are subsidiaries of major French publishing group Editions Mondiales. Revcom handles all television production and distribution, while Ariane is the film production arm. Ariane focuses on projects with strong international potential and produced *The Watch And The Very Big Fish* and *Afraid Of The Dark* (both of which starred British and American actors/actresses). Ariane co-produced the Oscar-winning *Cinema Paradiso*. Revcom produces most of its programming in English and, in 1989, arranged a co-production deal with US major Paramount. The company has an annual production base of around 40-50 hours.

Telecip (Paravision) - is a producer of high quality, international orientated television fiction programming, is a subsidiary of programming and video supplier Paravision International. Paravision is a privately-owned company, whose main shareholder is L'Oreal. Telecip produces around 30 hours annually, much of it through co-production arrangements with German, Italian, UK and Canadian production companies.

UGC, the third of France's integrated theatrical majors, has a network of independent theatrical producers who operate with UGC funding but have creative control. The producers include Rene Cleitman, Ariel Zeitoun and Maurice Bernard. UGC owns and programmes France's largest theatrical circuit and has the country's most extensive film library.

Another measure of the health of the production sector is the recent rise both in the number of films produced and in the average budgets being spent, as illustrated in the following tables.

Table 2.1: Number of French Films Produced, 1975-1992

	Films Produced (including co-productions)	Of which, Co-productions
1975	162	-
1980	189	45
1985	151	45
1988	137	44
1989	136	70
1990	146	65
1991	156	83
1992	155	83

Source: Screen Digest, CNC

The table above shows an increase of 10 French films produced from 146 in 1990 to 156, in 1991 and 155 in 1992. There was also a rise in the number of co-productions in 1991, 18 more than in the previous year. (Although European FilmFile estimates the number of French films produced in 1991 to be nearer 144 in total, this figure excludes the 12 co-productions with East European producers backed by the CNC, hence the difference).

The generally increasing trend in the number of French films produced annually in the last few years has strengthened France's position as the leading European film producer. The 156 films produced in 1991 give France a 28.3 per cent share of European production.

Moreover, these 156 films were, on average, produced on a budget of FFr25.5 million (US\$4.5 million), compared to FFr20.2 million (US\$3.6 million) in 1990, with 20 films budgeted over FFr40 million (US\$7 million). Average film budgets therefore rose by FFr4 million (US\$0.7 million) between 1990 and 1991, although in 1992 average budgets remained static. It therefore appears that the French Ministry of Culture's programme to encourage investment in bigger budget domestic films may be paying off.

In terms of funding for all French films in 1991, the following table shows the percentage of funding provided by each sector. The highest proportion of investment (27.3 per cent) in French films still comes from French production companies while 20 per cent comes from television broadcasting rights.

Total investment for 1992 was over FFr3.5 billion (US\$620 million), with around FFr470 million (\$80 million) coming from foreign investors. This marked a decline in total investment of 4 per cent from the 1991 figure of around FFr3.7 billion (US\$740 million).

Table 2.2: Sources of production financing for French films and majority French co-productions, 1985-1992 (%)

	1985	1986	1987	1988	1989	1990	1991	1992
Production companies								
French	26.1	27.6	29.4	27.8	28.7	32.9	24.6	30.3
Foreign	8.1	5.5	4.9	8.5	16.2	11.8	16.0	10.3
Production fund								
Selective support	7.1	5.2	4.5	4.1	4.7	5.4	4.7	4.6
Automatic support	5.5	6.5	4.2	7.6	9.5	7.6	7.6	5.8
Television								
Co-productions	4.7	4.6	7.6	4.7	3.6	3.9	4.6	5.4
Broadcasting rights	4.7	7.1	13.4	14.5	14.2	15.9	18.9	24.7
Distributors' guarantees								
French	23.9	18.8	7.3	5.6	1.9	2.8	4.4	5.4
Foreign	6.5	5.3	6.6	5.7	4.4	3.5	4.2	1.2
Participations	5.8	7.4	4.4	6.0	4.1	5.0	5.0	3.2
Credit	7.6	7.2	6.5	5.9	3.4	4.1	3.4	2.7
SOFICAs	-	4.8	10.5	8.9	7.5	6.7	5.9	6.1
Sale of video rights	-	-	0.7	0.7	1.8	0.4	0.7	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source - CERICA (European Centre for Research and Information on Film and Television):
Statistics of the Film Industry in Europe, 1992/CNC

Co-production

France has co-production treaties with 30 countries, including Brazil, New Zealand, Canada and various Eastern European countries. In 1992, there were 83 co-productions, accounting for 53.5 cent of all production. It is worth noting that Moving Pictures International estimates that there were only 69 co-produced films during 1991, the majority of which were with Italy, Spain and

Switzerland. The difference in these figures illustrates the problems involved in assessing which films are genuine co-productions.

Overall, film co-productions between 1980 and 1990 were mainly with Italy, Germany, Belgium, UK, Canada and Switzerland, as shown in the table below, which includes co-productions where more than two producers were involved. In contrast with CERICA's figures, Telefilm Canada lists nine official film co-productions with Canada in 1990, rather than eight, and just four in 1988 rather than six.

Table 2.3: Major co-producing countries with France, 1980-1990

Country	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Germany	11	11	7	8	4	9	7	4	5	9	12
Belgium	4	3	2	5	2	4	5	3	4	4	6
UK	-	1	-	1	1	2	-	-	4	4	5
Italy	16	15	14	5	8	12	9	12	23	31	17
Canada	4	2	3	2	7	3	5	4	6	6	8
Switzerland	3	3	3	2	6	6	9	8	9	6	9

Source: CERICA, Statistics of the Film Industry in Europe, 1992

Table 2.4: Co-productions: majority funding, 1982-1992

Majority funding	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
French	16	17	16	25	15	17	22	35	26	36	41
Foreign	15	13	25	20	22	20	22	35	39	47	31
Total co-productions	31	30	41	45	37	37	44	70	65	83	83
Co-productions as per cent of production	18	23	25	30	28	28	32	51	45	53	54

Source: CERICA - Statistics of the Film Industry in Europe, 1992/CNC

Of the 83 co-productions in 1992, 41 were French majority funded and 31 foreign majority funded. A further 11 films were co-produced with Eastern Europe.

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Belgium	4	3	2	5	2	4	5	3	4	4	6
UK	-	1	-	1	1	2	-	-	4	4	5
Italy	16	15	14	5	8	12	9	12	23	31	17
Canada	4	2	3	2	7	3	5	4	6	6	8
Switzerland	3	3	3	2	6	6	9	8	9	6	9

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Source: CERICA - Statistics of the Film Industry in Europe, 1992/CNC

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There is automatic aid for feature films made in accordance with treaty co-production arrangements. International co-productions can also benefit from CNC subsidies, although recently the CNC tightened its rules on this, making it more difficult for non-French producers to obtain this subsidy. Now, it will only give its support to films shot in a language other than French if it is a minority French co-production with the majority participation coming from the country whose language is being used.⁹

In 1991, France invested FFr14 million (US\$2.5 million) in Eastern European co-productions. Further co-productions with Eastern Europe are planned, with funding from Fons Eco. (a Government scheme which provides funds for business development in Eastern Europe).

Co-productions with Canada

France has a strong history of co-production with Canada. Telefilm Canada lists the following four official film projects involving the two countries for 1992:

- *Kabloonak*, which is a co-production between French producers IMA Production, UGC Images and FR3 Films, and Canadian producer Bloom Film. UGC, FR3 and Bloom Film are all investing cash for equity, with FFr600,000 (US\$114,000) development aid being given by CNC, and investment from Telefilm Canada.
- *L'Homme Sur Les Quais*, which was co-produced by Frouma Films International and Blue Films in France, and Les Productions du Regard in Canada, also under the Franco-Canadian Treaty. All three companies are investing in the film, and it is receiving aid from the CNC and Telefilm Canada.
- *Coyote*, which is a co-production between Molecule (French) & Les Films Stock International (Canadian),
- *Ma Soeur Mon Amour*, which is a co-production between Garance SARL (France) & Les Films Rachel Inc (Canada).

A fifth project *Yamaniche* was to be co-produced between Slav Productions (France) & ACPAV (Canada), but the deal fell apart when Slav pulled out. Other particularly successful co-productions of recent years include:

- *Leolo* - a co-production between Aimee Danis of Les Productions Verseau Films in Canada and Flach Film in France which was presented at 1992's Cannes Film Festival to critical acclaim, and
- *Jesus De Montreal* - another internationally acclaimed French/Canadian co-production, this time between Max Films in Canada and France's powerful UGC. To receive the backing of such a major foreign partner remains unusual for a Canadian film.

⁹ Source: European Film File

Review of the European Audiovisual Markets

Other projects which are in development or pre-production¹⁰, but not under official co-production treaties, are:

- *Fermina Marquez* which is being developed by French producer Molécule, and is planned as a co-production with Les Film Stock International and Alliance of Canada. It is currently seeking finance,
- *Le Musher* is being developed by MC4 (France), Duckster Productions (France), Movie Partners Inc (Canada) and Broadstar (US). Fifty per cent of the finance from France, with the remaining 50 per cent from Canada and the US. Discussions with SOFICAs are taking place,

One of the most active co-producers of Canadian films is Molecule, an independent producer with strong links with one of the major distributors AAA. So far this year Molecule has worked on five Canadian co-productions with Alliance and Stock International. These include *Coyote* and *Fermina Marquez*, and *Le Mirage*, an official co-production with Stock International, CCC of Germany and Artemis of Switzerland. Stock is providing three technicians, supervising the post-production and raising Canadian finance. Telefilm Canada provided a co-production subsidy, and additional funds also came from the CNC and Eurimages.

According to CNC annual figures for 1991, public networks appear to be concentrating on co-productions with other European partners, while private networks are co-producing with Canadian or US counterparts.

In addition, *Map Of The Human Heart* was a complex four-country co-production shot under two separate treaties. The partners were: Sunrise Films (Canada), Working Title (UK), Vincent Ward (Australia) and Les Films Ariane (France).

As an example of co-productions with another Commonwealth country, Franco-Australian projects¹¹ during 1990/91 were:

- *Dingo*, a feature co-produced by Marc Rosenberg & Giorgio Draskovi, Gevest (Australia) and Marie Osterrieth (France),
- *Until The End of The World*, a Wim Wenders feature, co-produced by Anatole Dauman (France) and Kim Vecera, Roadshow Coote Carroll (Australia) (1990). Although this was financed as an Australian/French co-production, Wender's German company, Road Movies was also involved,
- *Green Card*, the box office hit which was co-produced by Jean Gontier (France) and Peter Weir (Australia) who was also the director (1990),

¹⁰ Source: Telefilm Canada & European Film File, 1992

¹¹ Source: Australian Film Commission, 1992

- *Deep Water Haven*, a documentary series co-produced by Brendon Lunny, Beyond (Australia) and Pascal Bensoussan, F Productions (France) (1991).

1.5 THE DISTRIBUTION SECTOR

French distributors have a strong presence in the market, and the US majors do not enjoy the same domination of the market as in the UK. In 1992, AMLF kept its position as the leading French distributor. However, it was knocked off the overall top spot by Warner Bros and lost market share to other domestic distributors. AMLF's two main rivals UGC and Gaumont both increased their share, with UGC enjoying the better year, thanks mainly to *Basic Instinct*, the top grossing movie in France in 1992. BAC films also performed well with two French hits, *Indochine* and *Le Zebre*, which helped to move the distributor up from eleventh place to seventh. Other independent distributors which increased their admissions in 1992 were AFMD, Pyramide and Les Films Number One.

Table 2.5: Paris distributor ranking 1992 (1991 ranking in brackets)

	Distributor	Admissions (million)	Change (%)	No of releases	Market share (%)
1 (3)	Warner	5.2	61	37	17.0
2 (1)	AMLF	4.5	(10)	41	15.0
3 (2)	Columbia	3.6	(20)	28	12.0
4 (4)	UIP	3.0	9	30	10.0
5 (6)	UGC	2.5	22	18	8.3
6 (7)	Gaumont	2.1	10	22	6.9
7 (11)	BAC	1.2	77	11	5.6
8 (13)	AFMD	1.2	150	18	3.9
9 (5)	Fox	0.9	(60)	14	2.8
10 (10)	Pan-European	0.7	1	16	2.2
11 (18)	Pyramide	0.5	76	6	1.6
12 (8)	AAA	0.5	(36)	12	1.5
13 (23)	Number One	0.4	165	4	1.3
14 (15)	Metropolitan	0.3	(21)	4	1.1
15 (9)	MK2	0.3	(54)	6	1.0

Source: Screen International

Despite the strength of the production and distribution sectors, the number of French films released in 1991 fell by 6.4 per cent from the 1990 figure of 95 to 89, while the number of US releases grew from 138 to 169. In addition, there is growing concern in France over the decrease in audience figures for French films. This is partly blamed on the ongoing battle for release dates and screens. This has led to a large number of films being released on the same date, which is bad business for the industry as a whole, and smaller films in particular.

The near duopoly position of the French and US majors is one reason for this position, and is also making life difficult for the smaller independents. Key groups of distributors and producers, controlling 21 per cent of the screens, collect more than half the annual box office receipts and are therefore reluctant to allow an independent to release a film. This has led to some independents making formal complaints to the Government, but the latter's limited response so far has been to fine FFfr 680,000 (US\$120,000) each. Smaller companies are able to receive some financial help from the CNC and ADRC in their fight against this duopoly (as outlined earlier, both these organisations offer funding to smaller companies and subsidies for wider release in smaller towns). Another option is the introduction of written contracts between distributors and exhibitors to smooth distribution problems, as suggested by the Government ombudsman recently.¹²

Distribution of foreign productions

The main distributors of foreign features in France are the US and French majors, with the bulk of foreign films shown being mainstream US productions. The large French companies also distribute non-US films, which tend to be less commercial although as Gaumont, UGC and Pathé have a combined 20 per cent stake of the domestic exhibition industry - and 50 per cent of the total box office receipts - they can still reach a reasonably wide audience. The smaller French distributors are more likely to pick up films from outside the US, especially art-house releases. However, the market for non-French art films remains the most difficult of all, and distributors can have difficulty getting them shown.

Two recent examples are the Canadian films *Leolo* and *The Grocer's Wife*. *Leolo* was picked up by a small French distributor Diaphana and ran for seven weeks, attracting just 17,000 admissions. *The Grocer's Wife* was picked up by Claire Films and was only shown on one screen. With such difficulties getting theatrical release it is important for distributors to obtain rights to video and TV as well, although it is often equally difficult to sell to French TV.

Foreign films are generally dubbed into French rather than subtitled. One reason for this is that the French market is large enough to support the higher costs of voice replacing, which on average costs around US\$30,000 to US\$45,000. Dubbing of major US films is always done in France and the big distributors such as UIP and Warner, employ bilingual dubbing managers in the country.

¹² Source: Moving Pictures International

1.6 THE EXHIBITION SECTOR

French cinema screens

In common with other European territories, the exhibition sector has suffered as a result of competition from other media and lack of reinvestment, but is now showing signs of picking up. Owners of theatre chains have embarked upon massive refurbishment and reinvestment programmes which now appear to be paying off.

Table 2.6: French cinema screens, 1950-1991

1950	1960	1970	1980	1985	1989	1990	1991
5,213	5,821	4,381	4,540	5,153	4,658	4,518	4,441

Source: Screen Digest

Since 1985, there has been a downwards trend in the number of cinema screens in France which is typical of the major European film markets, except the UK, at present.

Admissions

Despite the production boom in France, box office sales fell almost five million between 1990 and 1991.

In 1992, despite predictions from the Centre National de la Cinematographie (CNC) that cinema admissions would rise by five million to 122 million, estimates indicate that they have remained at around 116 million. Although first quarter admissions were 7.5 per cent fewer than in 1991 (30.1 million in 1992, compared with 31.4 million in 1991), the CNC director general, Dominique Wallon, claims that most of the deficit of last year was wiped out in the summer of 1992.¹³

These figures bring some relief to the French film industry which has seen attendances fall from almost 175 million in 1980 to 117 million in 1991; although cinema admissions were up in 1990 for the first time in a decade, they fell again in 1991 by almost five million, as demonstrated in the table below.

Table 2.7: Cinema admissions, 1950-1991 (millions)

1950	1960	1970	1980	1985	1986	1987	1988	1989	1990	1991
370.7	354.7	184.4	174.8	175.0	167.8	136.7	124.7	120.9	121.9	117.0

Source: Screen Digest

¹³ Source: Screen International

In 1991 there was a fall in gross box office revenue by US\$35 million despite strong growth the previous two years, again reflecting the general trend in Europe. In fact, total film receipts in 1991 only marginally exceeded production spend at FFr3.8 billion (US\$670 million).

Table 2.8: Gross box office revenue, 1950-1991 (US\$m)

1950	1960	1970	1980	1985	1986	1987	1988	1989	1990	1991
73.9	135.0	159.8	621.3	577.7	686.7	709.4	599.5	635.6	745.9	710.8

Source: Screen Digest

French films' share of the box office

Admissions to French films have also fallen during this period, by 67 per cent. This decline has been particularly steep over the last two years. French films took only 35.2 million tickets in 1991, compared with 45 million in 1990. Despite this, France still has the highest percentage of admissions for national films in Europe, at 30.1 per cent. Its nearest rivals are Italy with 20 per cent, Germany with 13 per cent and Spain with 10 per cent.¹⁴ Only seven films out of the top 25 admissions in 1991 were French, the highest being *Une Époque Formidable* in seventh position with 458,410 admissions. The remainder were all US films, which drew approximately 19 million admissions in total.¹⁵ In 1992, two of the top 10 films were French, while a further three were co-produced with France as shown in the table below.

¹⁴ Source: Screen Finance

¹⁵ Source: Moving Pictures International

7 *

Table 2.9: Top 10 films in France, 1992

	Film	Distributor	Admissions (m)	Gross (\$m)
1	Basic Instinct (US)	UGC	4.5	27.0
2	Lethal Weapon 3 (US)	Warner	4.3	26.0
3	Hook (US)	Columbia	3.4	20.5
4	L'Amant (The Lover) (Fr/UK)	AMLF	3.2	19.0
5	1492: Conquest Of Paradise (Fr/US/Sp)	Gaumont	2.8	16.8
6	Beauty And The Beast (US)	Warner	2.8	16.5
7	JFK (US)	Warner	2.6	15.7
8	Indochine (Fr)	BAC	2.5	15.0
9	Le Zebre (Fr)	BAC	1.9	11.1
10	High Heels (Fr/Sp)	UGC	1.5	8.7

Source: Screen International

Table 2.10: French box office performance of indigenous/US films, 1986-1991 (%)

Year	1986	1987	1988	1989	1990	1991
France	43.7	35.6	38.6	33.8	37.5	30.1
US	43.3	43.8	45.9	55.3	56.9	58.7

Source: Screen Digest

At the end of August 1992, the CNC stated that domestic films' box-office share was 35 per cent. This is an increase of 5 per cent on 1991, when French films accounted for an all-time low of 30 per cent.¹⁶

However, according to CNC figures published in June 1992, ticket sales for French-films actually rose by 30 per cent in the first quarter of 1992 compared with 1991, while admissions to US films dropped by 27 per cent. (Total cinema admissions for the quarter were down by 7.5 per cent) As a result of these changes, US films' share of admissions dropped to 48 per cent (compared with 62 per cent in first quarter of 1991) and French films' share rose to 44 per cent

¹⁶ Source: Screen International

(compared with 32 per cent for the first quarter of 1991).¹⁷ The CNC does not yet have figures for the whole of 1992, but says it is expecting final totals to be in line with its earlier forecasts of 116 million.

1.7 THE VIDEO MARKET

Introduction

Although France has the third largest video market in Europe, it remains relatively immature compared with other major European territories. The most significant factor in the market's underdevelopment has been the country's low rate of VCR penetration, which was largely a result of high VAT. Until 1989, sales tax on VCRs and blank cassettes was 33 per cent, customs regulations blocked video cassette recorders in French ports and distributors were banned from advertising on television. The combination of these factors and the strong competition from the country's cinema-going tradition and from pay-tv movie channels such as Canal Plus which share the same release window as video, resulted in a period of slow growth for the video market.

Between 1989 and 1991 these tax levels were reduced to 18.16 per cent and advertising restrictions were removed, and since then the level of VCR penetration has grown by 58 per cent and the video business has experienced a dramatic boom. This growth has been seen mainly in the sell through market which has become one of the largest in Europe. The rental market has remained static, however, a trend which has been blamed partly on the absence of a major chain of specialist rental outlets and on the widely-held theory that the French prefer to own rather than borrow.

Legislation

From 1 July 1993, a two per cent levy is now charged on revenues from the sale and rental of video cassettes. It is estimated that the tax will bring in an extra FFr25 million (US\$4.6 million) in revenue, which will go to aid the production and distribution of French films. The Government also charges a 10 per cent levy on cinema admissions and on the revenue of television companies.¹⁸

¹⁷ Source: Screen Finance

¹⁸ Source: Screen International

VCR Penetration

Table 2.11: Penetration of video in French households, 1981-1991

	1981	1985	1988	1989	1990	1991
Number of video homes ('000s)	440	3,070	6,935	8,178	9,372	10,527
Penetration of TV households (%)	2.5	16.3	35.8	41.6	46.6	51.6

Source: Screen Digest

With the EC average of 52 per cent video penetration of TV households, France was still underperforming in the video hardware market in 1991. Unlike the UK, which is nearing saturation point with its penetration rate of 72 per cent, the French market has not yet reached maturity. Instead, it has seen a consistent 5 per cent annual growth since 1988, and it is estimated that penetration reached around 58 per cent in 1992¹⁹, and that 13-17 per cent of VCR homes are active in software rental.²⁰

Market Sales and Trends

Table 2.12: Video distributor revenue, 1990-1992 (US\$m)

	1990	1991	1992
Rental	81.5	84.1	67.4
Sell through	347.4	412.9	413.6
Total	428.9	497.0	481.0

Source: Screen Digest, January 1993

¹⁹ Source: Espace Video European

²⁰ Source: CIC Video International

Table 2.13: Video software retail revenue, 1990-1992 (US\$m)

	1990	1991	1992
Rental	234.0	239.7	192.3
Sell through	503.0	571.9	572.8
Total	737.0	811.6	765.1

Source: Screen Digest, January 1993

As the two tables above illustrate, the French home video market had a depressed year in 1992 after four consecutive years of annual growth of almost 60 per cent. Total expenditure on video software fell from US\$811.6 million to US\$765.1 million as the rental market fell from US\$239.7 million in 1991 to US\$192.3 million. Even the sell-through market registered only minimal growth in 1992, but still accounted for 75 per cent of the total market. However, unit prices are relatively low, averaging around FFr120 (US\$24.00). Less than 2 per cent of tapes are priced over FFr200 (US\$39.25) and 13 per cent cost less than FFr100 (US\$19.60).

Table 2.14 Units Shipped in Millions (1990-91)

	1990	1991
Rental	0.90	0.90
Sell through	19.6	23.0
Total	20.5	23.9

Source: Screen Digest, January 1993

Software spend per head

Table 2.15: Video software spend per head, 1990-1992 (US\$m)

	1990	1991	1992
Rental	4.15	4.23	3.38
Sell through	8.93	10.10	10.08
Total	13.08	14.34	13.36

Source: Screen Digest, January 1993

France had the fifth highest average spend per head on video software in Europe in 1992 (US\$13.36), behind the UK (US\$29.61), Ireland (US\$25.26), Germany (US\$18.59) and Denmark (US\$16.70). Average expenditure on rental was the second lowest in the EC at only US\$3.38. In terms of sell-through, however, it has the second highest, with expenditure of US\$10.08 per head in 1992, compared to the UK with US\$14.65.

Video distribution

Table 2.16: Distributors' Market Share 1991

	Company	Rental Market Share (%)	Sell Through Market Share (%)	Total Market Share (%)	Total Sales (FFr m)
1	Buena Vista	4.86	19.33	16.68	353.0
2	Gaumont Columbia	21.56	9.76	11.92	252.2
3	Warner Home Video	10.05	11.63	11.34	240.0
4	TF1 Video	2.42	10.09	8.69	183.9
5	CIC Video	15.68	6.87	8.48	179.5
6	Fox Video	15.43	6.78	8.37	177.1
7	Delta	15.26	5.66	7.42	157.0
8	Fil A Film	1.55	5.59	4.85	102.6
9	NMV	3.16	4.68	4.40	93.1
10	Polygram	0.00	5.11	4.18	88.5

Source: CSEA

Nearly 70 per cent of the rental market is held by the majors - Buena Vista, Warner, Fox, CIC and Gaumont Columbia - and 30 per cent by around 20 French independents. However, French companies perform better in the more lucrative sell-through market, accounting for around 45 per cent compared to the US majors with 55 per cent. This weaker performance by the majors in the sell-through market reflects the difference between what types of videos are successful in sell-through compared to rental. While feature films remain the bulk of rentals, television programmes, sport and specialist videos such as music compilations and "how-to", are becoming an increasingly important element of the sell-through market.

Because of the growing demand for non-film titles, some of the majors are beginning to move into this area of the sell-through market. Warner Home Video now includes special interest titles such as fitness videos and French-produced documentaries in its catalogue of 100 titles, although they still account for just 10 per cent. The remaining titles are feature films (60 per cent) and childrens and cartoons (30 per cent).

Review of the European Audiovisual Markets

Fox Video has also moved into special interest and acts as a distributor for French producers of sports programming such as Club Med, and for Le Monde produces documentaries. Fox does not acquire the rights for these programmes but charges a commission and invoices the producers for the costs of distribution and promotion.

Broadcasters have a strong presence in the video market, especially the private network, TF1 and the pay-TV service, Canal Plus. TF1 has used its dominant position in the television market to launch a distribution operation that competes directly with the major US distributors. Canal Plus runs its own video distribution operation and is also a partner in NMV (Nouvelle Messagerie Video) along with Chargeurs/Renn AMLF and two groups of French producers and directors.

Although the sell-through market has experienced dramatic growth, video still suffers from an enforced 12-month cinema window (a measure designed to protect the theatrical film industry). Recent cable laws in France now allow pay-TV channels, such as Canal Plus, to show films 12 months after their theatrical releases, therefore putting them on an equal footing with video. However, the French video trade association CSEA has mounted a campaign against the law allowing films to be released on pay-TV and video simultaneously. Its chairman, Hervé Pasgrimaud, has publicly deplored the new measures, claiming that they may damage the video market, "If a film is broadcast on PPV at the same time as its video release how many spectators will continue to go out and get a video cassette?" he asked.²¹

²¹ Source Screen International

2 TELEVISION

2.1 INTRODUCTION

France has a population of over 58 million people, forming around 20.5 million households with television, or approximately 95 per cent of all households²². Around 91 per cent of homes have colour television.

On average, the French viewer watched television for just over 22 hours a week in 1991, a slight reduction on 1990. The weekly reach (ie., the percentage of the population watching television at least once a week) has held steady in recent years at just over 86 per cent.²³

However, France has a relatively low VCR penetration compared with other developed markets, which is partly a reflection of the strong cinema going tradition in France, resulting in a slower take-off for rental of films on video.

There are currently five main broadcasters, two public - France 2 and France 3 (previously called Antenne 2 and FR3) - and three private - TF1, Canal Plus and M6. A sixth broadcaster La Cinq was launched in 1986, but was declared bankrupt in April 1992, in the face of extremely high operating costs and restrictive regulatory obligations. In addition there are a number of cable channels and a state-owned satellite service, La Sept. Summary details such as penetration and prime time audience share are set out below.

Table 2.17: Summary of French terrestrial broadcasters

Channel	Household Penetration %	Daily hours of transmission	Audience Share (%) (prime time)	Admins per week	Year Started
TF1	96	21	42.0	494	1935
France 2	96	19	24.6	286	1964
France 3	96	14	13.6	148	1972
Canal Plus	87	20	5.2	87	1984
M6	68	19	10.8	254	1986

Source: Médiamat

²² Source: Zenith

²³ Source: Médiamat

Deregulation of the French broadcasting industry began in 1987 with the privatisation of the state-run broadcaster TF1. This was followed by the launch of the La Cinq, the youth-oriented M6, and Canal Plus, the highly successful, terrestrially transmitted pay-television channel. Only two of the commercial channels, Canal Plus and TF1, recorded a profit in 1991.

As a result of increased competition, both public channels, France 2 and France 3, (formerly Antenne 2 and FR3) saw audiences and advertising revenues decline dramatically.

However, in 1992 the two channels enjoyed higher audience shares and advertising revenues thanks to the demise of La Cinq and a policy of closer co-operation under the guidance of Herve Bourges. Bourges' policy to get both channels out of the red has included sharing resources between the two, and appointing joint heads of the various departments of each channel.

In the long-term Bourges hopes to merge the two channels completely, but the creation of the common structure has provoked criticism. The main independent producers association, USPA, is opposed to it because "*it weakens the public channels*". Bourges has also angered employees with redundancies and low pay proposals, and earlier this year news programmes on F3 were affected by a one-day strike. But with the average market share of the two channels exceeding that of TF1 from June to September 1992, it appears that Bourges' policies are paying off.

La Cinq's night-time frequencies have now been allocated to Arté, a joint venture between France's La Sept, and the German public service channels, ARD and ZDF. The channel's daytime frequencies were expected to be awarded to the Government-backed education channel Eureka, but in January 1993 the CSA refused to give Eureka a licence because it feared the channel was reliant on state funding, despite 75 per cent of its shareholders being private companies. Other applicants include another education channel, Parallel TV, and a breakfast channel.

2.2 REGULATORY FRAMEWORK

Despite recent market expansion, the privatisation of TF1 and other attempts at deregulation, the French television market remains relatively tightly regulated by the French government. Under the new French Government television falls under the authority of the minister of communications Alain Carignon who is also responsible for radio, press and publishing.

The government's interventionist policies have in the past led to frequent changes in the regulatory environment and have been criticised for creating confusion and uncertainty among broadcasters and producers. With the fall of the Socialist government this spring further changes were anticipated but have not yet materialised.

So far, Carignon's most significant move has been to set up a committee examining the future of the public channels France 2 and France 3. The report, due out in September, will seek to investigate criticisms that the public channels are behaving too commercially and consider

whether the licence fee should be increased. Much of the criticism has been aimed at president of both channels, Hervé Bourges, and there is some pressure from the Right for him to be removed, although it seems likely that he will stay until the end of this year, when his mandate ends.²⁴

The regulatory body for the industry is the Conseil Supérieur de L'Audiovisuel (CSA), which is overseen by a committee of civil servants appointed by the government. The CSA's principal areas of responsibility include:

- awarding licences to terrestrial, satellite and cable broadcasters,
- enforcing programme quotas,
- ensuring compliance with advertising restrictions,
- policing ownership restrictions.
- Programme quotas

There are a number of programme quota requirements. Terrestrial channels must show at least 40 per cent French language and 60 per cent EC originated material (previously, it was 50 per cent French language). These quotas have also recently been extended to cover French cable channels. Other quotas include minimum investment in French language feature films, documentaries and animated programmes, a maximum number of films to be shown each year and minimum level of drama programmes to be independently produced. Canal Plus' two subscription film channels are also banned from showing films during the afternoons and evenings on weekends and holidays.

Devised as a means of protecting French cultural identity, the quota system appears to be flouted by a number of the stations. Producers and broadcasters doubt the ability of the system to sustain even the recently reduced 40 per cent figure without negative fiscal consequences. USPA has never been in favour of a broadcasting quota, arguing that *"You cannot impose quota obligations on broadcasters. A production quota based on a percentage of the broadcaster's turnover should be devoted to production by independents."* In 1992 TF1 was fined FF30 million (US\$5 million) by the CSA for failing to meet the 1991 original production quota obligations. The channel has not paid the fine yet and is appealing against it.

The new definition of French-produced material, which came into effect in April last year, has inhibited co-productions. The production has to be French-language and shot totally on French soil. The USPA argues that the strict definition makes it impossible for French producers to co-produce with non-French producers.

²⁴ Source: Television Business International

Advertising regulations

Advertising is restricted to an average of six minutes per hour, with additional limits in force during prime time. During films or drama programmes on the private channels, only one advertising break is allowed of up to 4.5 minutes in length. The public channels may not have advertising breaks at all during films.

Advertising for alcohol, tobacco and retailers are not allowed on television. F2 and F3 are not allowed to have any single advertiser account for more than 8 per cent of their advertising.

Ownership restrictions

Individual shareholders are restricted to 25 per cent holdings in the private channels, and non-French shareholders are restricted to holdings of 20 per cent in total for any channel. There are also extensive cross-media ownership restrictions.

2.3 TELEVISION REVENUE

Since 1984 television advertising revenue has increased. Canal Plus subscriptions have also increased significantly. The result has been a rapid growth in total television revenue. The table below shows that, whereas in 1986 total television revenue was FFr9,430 million (US\$1,400 million), by 1989 the total had grown to over FFr19,000 million (US\$3,000 million).²⁵

Table 2.18: TV revenue sources, 1986-1991

Revenue (FFr million)	1986	1987	1988	1989	1990	1991
Licence Fees	3,620	3,040	3,180	3,000	4,016	4,511
Advertising	5,890	8,000	10,160	11,456	12,600	13,364
Subscriptions	1,700	3,070	3,990	4,630	5,173*	5,847*

- These figures relate only to Canal Plus' subscription revenue and therefore do not include other sources of subscription revenue which may have been incorporated into earlier figures.

Sources: CSA, Annual Reports, Datamonitor, Zenith Media, UBS Phillips & Drew

Gross advertising expenditure on television is estimated to have grown on average by 10 per cent per annum in the second half of the 1980s. However, the current recession has taken its toll on the overall advertising market and in 1991 growth fell by 6 per cent in real terms compared to a growth of 5 per cent the previous year. Television managed to sustain growth of just 2.9 per

²⁵ Source: CSA, Annual Reports, Ministere de la Culture et de la Communication

8.7

cent, capturing FFr13,364 million (US\$2,369 million) of ad spend. In 1991 television became the most important advertising medium for the first time as its share of ad spend overtook both that of newspapers and magazines. This figure has grown from an estimated 14 per cent in 1980 to almost 25 per cent in 1991. This gain has been at the expense of magazine advertising and, to a lesser extent, radio and poster advertising.

TF1 takes over 50 per cent of French television advertising, reflecting its dominant audience share of over 40 per cent.

Both F2 and F3 are partially funded by a licence fee payable each year by all TV set owners. The French licence fee is the lowest in Europe, costing FFr600 (US\$108.6) a year for a colour licence and FFr500 (US\$90.5) for black and white. F3 relies on licence fees for most of its revenue although F2 generates over half its income from advertising. F2 and F3 take about 14 per cent and 6 per cent respectively of total advertising (compared with their audience shares of around 22 per cent and 5 per cent respectively).

Subscription revenue is collected almost exclusively by Canal Plus. The fact that it now collects total subscription revenue well in excess of the total licence fees and approximately half the size of total TV advertising revenue indicates the financial strength of Canal Plus.

2.4 BROADCASTERS

Public broadcasters

France 2 (formerly Antenne 2)

Once the most watched channel in France, F2 has seen both its audience and advertising share eroded since deregulation in 1987. Prior to the privatisation of TF1, F2's audience share stood at 42.7 per cent, while today it is around 24 per cent. Although that puts it in second place behind TF1, the channel has failed to post a profit since 1987 and in 1991 it recorded losses of FFr93 million (US\$16.5 million).

However, in 1992 the channel has benefited both from the demise of La Cinq and from a policy of closer co-ordination with F3. La Cinq's collapse enabled it to increase its audience share and advertising revenue. In 1991, it accounted for 14 per cent of the total television advertising market while in 1992 this figure is expected to rise to 16.4 per cent. The proportion of total revenue collected from advertising is restricted to 55 per cent, and in 1991 amounted to 260.7 million (42.9 per cent). Advertising is permitted only between programmes unlike the private networks which transmit during programmes.

In 1991, the licence fee accounted for almost 51 per cent of A2/F2's total revenue (US\$309 million) according to Zenith estimates. The total 1991 revenue was FFr3414 million (US\$606.6 million). The programming budget for 1992 was FFr2.7 billion (US\$480 million).

In addition to the terrestrial distribution network, the channel also has two satellite transponders, via which the same schedule as the terrestrial service is transmitted to 15 million television households in Algeria, Tunisia and Belgium, in addition to some widescreen versions of its normal French service.

France 3 (formerly FR3)

Launched in 1972, F3 is a government-owned regional service which transmits 17 hours a day in each region. It consists of a network of 12 regional services which makes it the most complicated to operate and the largest broadcaster in terms of staff numbers.

F3 is in a similar financial crisis to sister channel F2. Tighter advertising controls and a lower audience share have resulted in a lower share of the television advertising revenue. Advertising revenue share hovered around 15 per cent until 1987 when it dipped to 8.1 per cent. Thereafter it has hovered at just above five per cent.²⁶ The channel takes a bigger proportion of the licence fee than F2. F3's total revenue in 1991 was around FFr5.5 billion (US\$980 million).

In the ratings war between the public broadcasters and TF1, F3 has recently enjoyed considerable success. Latest figures give the channel a 35 per cent audience share in the access slot of 19.00 to 19.30, during which it broadcasts the regional news. The regional stations provide an average of 12 hours of local programming per week. F3 has a reputation as an upmarket channel because of its emphasis on cultural and factual programming. It is also the only station to have correspondents in every French region.

Overall, the channel's audience share has risen to over 13 per cent since the closure of La Cinq. This is a marked improvement on its share in 1990 of 10 per cent but is still below the level of 15.4 per cent prior to deregulation in 1985.²⁷

Private broadcasters

TF1

TF1 is the largest television channel in France and a privatisation success story. It was sold by the French government in 1987 with a 10-year licence. It transmits 24 hours a day, taking over 40 per cent of the available audience and over 50 per cent of television advertising revenue.

The Bouygues SA group led the investor group which won the privatisation tender offer in 1987 and retains the largest shareholding at 25 per cent. There are a large number of smaller shareholders, including Crédit Lyonnais (7.9 per cent) and Société Générale (6 per cent).

²⁶ Source: Datamonitor 1992

²⁷ Source: Mediametrie

Prior to 1987, the channel's share of advertising revenue was around 40 per cent, and it also earned a share of licence fees collected. Following privatisation it has not been allocated licence fee income but its share of TV advertising shot up to 52.4 per cent in 1987. Total advertising revenue for 1991 was FFr7.8 billion (US\$1.4 billion), up from FFr7.2 billion (US\$1.3 billion) in 1990.²⁸ In the first six months of 1992 the broadcaster recorded a turnover of FFr3.699 billion (US\$700 million), an increase of 17 per cent. Net revenue was FFr327 million (US\$61.9 million), a 60 per cent improvement on 1991.

TF1 operates a self-imposed restriction on advertising time of four minutes per hour, although the official restriction is for an average of six minutes per hour with a maximum in any one hour of 12 minutes.

TF1's programming budget amounts to around FFr2.8 billion (US\$500 million), and increased by 9 per cent in 1991. It offers a range of general programming with a bias towards more popular material. Since privatisation the number of down-market game shows and variety programmes has risen. This has led to heavy criticism from the CSA and in 1992 it was fined FFr30 million (US\$5 million) for falling seven hours short of the French programming quota.

The channel still has a huge stock of quality programmes from when it was a public broadcaster, and appears to be taking its programming and scheduling obligations more seriously than when it was first privatised. Coverage of major sporting events including the Barcelona Olympic Games ensures a loyal viewership. In May, the channel won the broadcasting rights to Formula One Grand Prix event for an estimated sum of almost £6 million (US\$11 million).

The channel's dominant share of the advertising revenue is a reflection of the popularity of the channel. The audience share for TF1 has always been around 40 per cent in spite of increased competition after the launch of La Cinq and M6.

TF1 took control and management of the pan-European satellite channel Eurosport in May 1991, and announced in early 1993 that it is to merge with rival channel, The European Sports Network. TF1 will take a 34 per cent stake in the merged venture while Canal Plus and ESPN will each take 33 per cent. It has a potential audience of 31 million television households, including 23 million cable households. Its prime market is Germany (11 million TV households). It also broadcasts to the UK, Scandinavia, France, Belgium and Switzerland. Eurosport started broadcasting in French in January 1992 and has been offered to cable systems as a basic service. Currently, it is received by 400,000 connected households. The channel broadcasts 16 hours per day, of which 20 per cent is transmitted live.

In November 1992, TF1 announced that it hopes to have a package of five encrypted pay-TV channels on offer within months. The service would include two movie channels (competing directly with Canal Plus), Eurosport, and possibly a children's channel and an all news channel.

²⁸ Source: Secodip 1991

Canal Plus

In the nine years since its launch in 1984, Canal Plus has become the most profitable station in France, and is the biggest pay TV company outside the US. It has expanded successfully with pay channels in Spain, Belgium, Germany and North Africa and is a major investor in film and TV production.

Canal Plus is privately-owned, with Havas and Compagnie Générale Des Eaux as the largest shareholders with 24 per cent and 21 per cent shares respectively. Canal Plus in turn has a sizeable shareholding in Havas. Several financial institutions such as Caisse des Dépôts, Société Générale and BNP also have small shareholdings in Canal Plus.

The bulk of Canal Plus's revenue comes from subscriptions, which cost FFr166, or US\$30 per household per month. Currently the channel reaches over 3.5 million subscribers, which in 1992 brought in a revenue of FFr6.4 billion (US\$1.2 billion), while advertising brought in a further FFr419 million (US\$79.32 million). Turnover for the year amounted to FFr7,937 million (US\$1,502.65 million) and net profit was up at FFr1,104 million (US\$209.01 million).²⁹

Pay-TV joint ventures in Germany, Belgium, Spain and North Africa lost a total of FFr168 million (US\$31.8 million) in 1992, but Canal Plus expects them to break even by the end of 1993. It also operates a number of thematic channels covering children's programmes, film, sport, music and documentaries, as set out in the table below. Originally carried only on cable, the more popular channels have also been available as a satellite service since 1992.

²⁹ Source: Canal Plus 1992 Annual Report

Table 2.19: Canal Plus' Thematic Channels

	Programming	Canal Plus stake (%)	Subscribers 1992	Subscribers 1991
Canal J	Children's	15.6	750,000	565,000
TV Sport/ESO	Sport	34/33	679,000	513,000
MCM Euromusique	Music	15	667,000	500,000
Planete	Documentary	35	602,000	451,000
Canal Jimmy	Classics	42.5	546,000	405,000
Paris Premiere	General Interest	15	256,000	150,000
Cinecinemas	Film	30	85,000	46,000
Cinefil	Film	30	56,000	16,000

Source: Screen International

Canal Plus's latest project is a joint venture with Rupert Murdoch's News Corporation, "to develop new television services in Europe, taking advantage of future technologies and encryption." In particular both parties are interested in digital compression, which will allow broadcasters to squeeze up to 20 channels onto one transponder.

Canal Plus's success is due partly to its programming, which comprises first-television run feature films and sporting events. It is Europe's leading purchaser of film rights, spending around 20 per cent of its FFfr31 million (US\$5.5 million) budget on film rights.

Another key to the channel's success has been its exclusion from much of the regulation that other French channels are subject to. In particular, its pay-TV status meant it had no obligations concerning TV production and the fulfilment of programming quotas. However, recently the CSA has extended its programme quotas to include cable services. Canal Plus will therefore have to invest 20 per cent of its turnover on the acquisition of film rights, (9 per cent on domestic films) and meet the programming quotas of 40 per cent French programming and 60 per cent EC programming.

Recent reports from financial house Morgan Stanley also suggest that Canal Plus's diversification will not yield dividends for several years. Break-even on investments in home satellite and cable markets, is not expected before 1995 and the Morgan Stanley report argues that French viewers are unlikely to take up the same material on satellite which is already received on cable.

Uncertainty also surrounds the future of Canal Plus after its 12-year licence comes up for renewal in 1996. The new Government is generally perceived as viewing the company less favourably than the Socialists and it seems likely that Canal Plus will have to give up something in return for the renewal of the licence. One possibility is a limitation on advertising revenue but the exact process for renewal will be the subject of major debate.³⁰

Audience share for Canal Plus is around 5 per cent. During certain periods of the day, Canal Plus is transmitted unscrambled, and able potentially to reach a larger audience, estimated to be around 55 per cent of television households.

M6

Launched in 1986, M6 is a youth-oriented channel which transmits 24 hours and has around 77 per cent coverage. It is privately-owned by a wide range of shareholders, the largest of which are Compagnie Luxembourgeoise de Television, CLT (25 per cent) and Lyonnaise des Eaux (25 per cent).

Although its coverage is still limited, it includes all the main urban areas and further expansion is planned. As a niche broadcaster it commands the lowest audience share of the commercial broadcasters: In 1991 this figure was 8 per cent but following the closure of La Cinq this has risen to nearly 11 per cent.

It has commanded a steady rise in the share of advertising revenue. In 1987, a year after the launch, it recorded a 1.6 per cent share, and in 1988 this had risen to 7.5 per cent. M6 lost some share to La Cinq in 1989 but following the latter's closure in 1992 it expects its share to increase to 10 per cent. Total revenue for the channel was FFfr1,048 million (US\$195 million) for 1990 and FFfr1.3 million (US\$235 million) for 1991.³¹ As yet the channel has failed to make a profit, although but in the first quarter of 1992 it broke even.

As a youth-oriented channel, M6 transmits a high proportion of music programming - it broadcasts around 35,000 music videos per year - and US sitcoms such as *The Cosby Show* and *Who's The Boss*. It is obliged to invest 20 per cent of its turnover in production, and spends approximately FFfr160 million (US\$30 million) per year on the broadcast and commissioning of music videos, magazines and shows devoted to pop, rock, jazz, etc. These represent 36 per cent of total programming, and are transmitted mainly in off-peak times, such as early morning, afternoon and late night slots.

M6 also has a commitment to producing quality drama, such as a series of Patricia Highsmith TV films which it co-produced recently with UK ITV company HTV.

30 Source: Television Business International

31 Source: Secodip 1991

Cable and satellite

The impact of satellite and cable has been limited so far. According Zenith Media around 1.3 million homes are currently connected to cable and a further 317,000 can receive direct-to-home (DTH) satellite services. This represents about 7.9 per cent of total television households.

La Sept, launched in 1985, was the first channel to operate on the French DBS satellite. It is financed by licence fee revenue and sponsorship, and aims for quality programming with an emphasis on arts and documentaries. In 1990, it became a pan-European station broadcasting to six million German households. In addition to La Sept, there are other French satellite and cable networks such as Sant Images.

In November 1992 Canal Plus launched a package of five satellite-delivered thematic channels, on the Telecom 2a satellite. The package consists of the documentary channel Planete, MCM Euromusique, TV Sport, children's channel Canal J and youth channel Canal Jimmy. In addition subscribers can also receive two movie channels, Cinecinemas and Cinefil. It has also started talks with Societe Europeene des Satellites (the owner of the Astra satellites) about the possibility of launching some of its French-language channels on Astra.

Television ratings

Last year, TF1 maintained its dominance of the TV ratings in France, as illustrated below. The highest rated programme of the year was its variety show *Le Grand Bluff*, which attracted a record audience of 17.5 million viewers. Otherwise, audiences for light entertainment shows have fallen, and films and sport dominate the ratings with the French feature *The Bear*, attracting the second highest audience in 1992. One Australian and three US films also appear in the top 20, but as in other European countries there are no examples of foreign TV programmes in the top 20.

Table 2.20: Top 20 TV programmes in 1992

	Programme	Genre	Channel	Rating
1	Le Grand Bluff	Humour	TF1	35.2
2	L'Ours (The Bear)	Film	TF1	32.9
3	Cloture Des Jeux Olympiques D'Albertville	Ceremony	TF1	32.3
4	TF1 20 Heures	Information	TF1	30.9
5	J.O. Patinage Artistique/Libre Dame	Sport	TF1	29.6
6	J.O. Patinage Artistique/Libre Danse	Sport	TF1	27.7
7	Le Grand Chemin	Film	TF1	27.1
8	Les Compères	Film	TF1	26.8
9	Crocodile Dundee (Australian)	Film	TF1	26.7
10	Siade Furiani	Information	TF1	26.1
11	Inspecteur La Bavure	Film	TF1	26.0
12	Ceremonie D'Ouverture Des Jeux Olympiques D'Albertville	Ceremony	France 2	25.3
13	Lethal Weapon II (US)	Film	TF1	25.1
14	Honorin Et La Lorelei	TV Movie	TF1	24.8
15	The Gauntlet (US)	Film	TF1	24.6
16	Beverly Hills Cop (US)	Film	TF1	24.2
17	Le Pere Noel Est Une Ordure	Film	TF1	24.1
18	Protection Rapprochee	Film	TF1	24.1
19	Le Marginal	Film	TF1	23.5
20	J.O. Ski Alpin/Descente Hommes	Sport	TF1	23.4

Source: TV World

2.5 PRODUCTION AND DISTRIBUTION

The arrival of the commercial channels prompted unprecedented growth in the independent production sector. As a result there are currently 150 active independent producers, of which 10 to 15 have annual gross revenue of over US\$1.8 million. These companies' share of annual broadcasts is 16.7 per cent, higher than in the UK, Germany or Spain.³²

Independent producers have also benefited from a policy of heavy subsidisation from the government. Through the CNC, a 5.5 per cent tax is levied on all broadcasters' turnover, which is used to provide funds for French independent producers. In 1991 this amounted to FFfr545 million (US\$100 million). The CNC will provide up to 15.7 per cent of finance in a French co-production.

However, after the Eighties boom in production independents are finding the going harder. The closure of La Cinq resulted in a 25 per cent loss in French television production, leaving producers short of work and strapped for cash. Although some of La Cinq's frequencies have been reallocated to cultural channel Arté, this appears to offer few opportunities to producers since, as a France-German venture, it is exempt from the many national quotas and regulations, although it does pay the 5.5 per cent levy to the CNC.

A recent article in trade magazine Broadcast went as far as claiming that French producers among the worst off in Europe, second only to Spain. This was based on two reports published on the independent sector this year. The first, by Telescoop, analysed the accounts of 27 selected independents. It found that while the turnover of these companies had almost doubled from FFfr1.1 billion (US\$205 million) in 1987 to FFfr2.04 billion in 1991 (US\$393 million), 69 per cent of this was from bank loans and the number of companies making a profit had shrunk dramatically, to a mere 2.3 per cent compared with 7.6 per cent in 1987.

According to a second report by the Institut National de l'Audiovisuel (INA), the independents have suffered from a lack of commissions from the broadcasters. In France there is no minimum level set for the broadcasters to commission from independents. Broadcasters also rarely fully-fund commissions, and the typical level is only around 28 per cent of budget. One cause of these problems, according to INA, has been the escalating costs of sports and movie rights, which leave the broadcasters with little money to spend on commissions. Another contributory factor has been the lack of a secondary market for repeats. In addition many broadcasters are now buying exclusive rights in order to prevent programmes being bought by their competitors.

As a result, independent producers are, through USPA, trying to fight the Government's allocation of La Cinq's night-time frequencies to Arté. USPA is also lobbying the CSA to crack down on France 2 and 3, which it claims are failing to commission their share of French productions.

In addition, distributors have found that the practice of bulk selling to broadcasters has become more difficult. Bulk selling, is a process adopted from the film industry, whereby a broadcaster is forced to take a package of programmes which have a limited market value along with the programme they really want. Merry Mullings, director of sales and development at Canal Plus, has said "We do package deals with a rebate ... where unit prices will be reduced if the whole package is taken".³³

32 Source: Screen Digest

Unfortunately, this practice has left broadcasters with a product they do not want and allowed a few distributors with large catalogues to flood the market. But with the shift towards a buyer's market, distributors are having to contend with downward pressure on programming prices.

Major distributors include C&D, Globe Trotter Network, Marathon, Revcom, Le Sabre and SFP, and there is a high degree of integration between production and distribution. Stephane Graells, director of TV co-productions for UGC Droits Audioviduel is among the supporters of closer cooperation between distributors and producers. Graells explained her own policy as a distributor: "I tend to negotiate supplementary rights or a fee for the service. On the other hand, as a distributor I must not take up the producer's profit margins because I need the producer if I am to have programmes to sell".³⁴

Acquisitions and co-productions

The reduction in French programming quotas, from 50 per cent to 40 per cent, should provide opportunities for foreign producers and distributors looking to sell into or co-produce with France. However, other changes in the French television industry have overshadowed the advantages of this legislative change. In particular, the closure of La Cinq has affected foreign distributors as well as the domestic producers, since it was one of the largest buyers of US programming, transmitting 1,445 hours a year. Without La Cinq, there is less competition for bought-in TV movies and animation, and as a result prices paid by broadcasters have fallen. As Heinz Thym, director of sales at the French distributor Pandora, explains, "we now sell fewer TV movies at a lower average price." However, exceptional movies can still fetch a high price.

M6 continues to be the biggest buyer of foreign programming, in particular TV movies and sitcoms. In 1991, 2,628 hours of M6's programming came from the US, which remains the largest source of acquired programming overall. The UK comes second, supplying 1,320 hours in 1991, followed by Japan with 1,078 hours (mainly of animation), and Germany with 890.³⁵

M6's planned budget for productions in 1992 was FFfr140 million (US\$28 million). Of the 40 to 50 TV films it made last year about half were co-productions, but this figure will decrease in 1993 because of the new legislation. One project was a co-production with US network NBC and Canal Plus, and further collaborations between the three are a possibility. Recent acquisitions include the Anglo-Australian mini-series *Frankie's House* and the US TV movie *Hidden Obsession*. The mid evening sitcom slot tends to be youth and family orientated, with shows such as Columbia's *Who's The Boss*, Viacom's *The Cosby Show*, and *Step By Step* from Warner Bros. In addition, the channel also runs cult series from the Sixties such as *The Prisoner*, *The Persuaders* and *The Saint*.

³³ Source: Broadcast

³⁴ Source: Broadcast

³⁵ Source: CSA

TF1 is a big spender on programming, and in 1991 total expenditure amounted to FFfr3.2 billion (US\$565 million), of which about two thirds went on acquisitions. The channel buys a considerable amount of US and European game shows and series for its daytime schedules.

This year TF1 has a budget of FFfr1.4 billion (US\$253 million) to commission and acquire programmes, a sum which exceeds 20 per cent of the channel's revenue. Of this, FFfr750 million (US\$135.7 million) is for the production of fiction - FFfr400 million (US\$72.4 million) of which is for primetime - and FFfr650 million (US\$117.6 million) is for acquisitions. Francis Williaume, administrative and financial director of fiction, oversees a team of 20 people working on 80 - 90 TV movies, including police or crime stories (such as the top-rating *Navarro*, *Le Judge D'application De Peines* or *Commissaire Moulin*), family programmes, mini-series or one-off made for TV movies such as *Une Femme A L'Ombre*. Reality programming is also popular and the channel shows a version of the US show *Rescue 999*, called *Les Marches de la Gloire*. Currently in development is the mini-series *La Belle Epoque*, a co-production between France, Italy, the UK and Germany, for around FFfr80-FFfr90 million (US\$14.5-US\$16.3 million).

According to Claude de Givray, who is responsible for filling the channel's 75 prime-time drama slots, most prime-time fiction is 90 minutes long, and aims to attract a minimum of 8-10 million viewers. TF1 never covers 100 per cent of the budget. "When it's a very franco-French programme, our input can exceed 50 per cent, but we prefer to see each production individually and evaluate our investment accordingly," Francis Williaume said recently³⁶. "In return we always ask for three transmissions over a period of six years."

Williaume is in favour of co-producing to spread financial risk, although it also limits sales potential. "Usually most of the co-producers come from the largest European countries who are also our main buyers." He says he would also find it easier to co-produce drama in English rather than French, but current French regulations prevent him from doing so. In particular TF1 co-produces adventure and romantic TV movies with an international appeal.

According to Guillaume de Verges, who oversees acquisitions, international dramas and TF1's film production affiliate, TF1 co-produced just three international made-for-TV movies and one series in 1992, and output will be much the same in 1993. Total investment in international co-productions in 1993 will be about FFfr50 million (US\$9.04 million). By "international" de Verges means programmes shot in English, with international partners, and strong creative input from TF1. Projects include: *Bye Bye Beauty*, an erotic thriller co-produced with France's GMT, Alliance in Canada and a US partner; *Banco Machinations*, a FFfr30 million (US\$5.4 million) mini-series shot with Germany's Beta Taurus, Italy's Rai Uno and France's Hamster; *Pearls*, a FFfr40 million (US\$7.2 million) mini-series with Berlusconi and Beta; a second series of *Highlander*; and the TV version of *Scarlett* with Tricom and CBS³⁷.

36 TV World

37 TV World

Acquisitions at France 2 represent a far smaller share of the channel's programming budget. Feature films represent the largest source of expenditure, with the channel buying 200 hours a year at around FFr245 million (US\$44.3 million). Of these, 40 per cent are bought from the US, which is also a large supplier of series and cartoons. Germany, Australia and the UK are also major suppliers of series while Japan supplies cartoons. France 2 spends in the region of FFr25 million (US\$4.5 million) on 45 hours of TV movies, FFr163 million (US\$ 29.5 million) on 600 hours of series and FFr64million (US\$11.6 million) on 400 hours of youth programming. One of the most successful Canadian productions on French television has been the drama series *Emilie: La Passion D'Une Vie* (originally broadcast in Canada as *Les Filles De Caleb*). Produced by the Quebec-based Cité Amerique, the programme was sold through Alliance at last year's MIP TV, and has proved popular with French audiences.

The traditional approach to co-producing in France has been to first approach the broadcasters, which may then direct the programme to an appropriate production company. But increasingly, as in other European countries, independent producers are looking for co-production partners in order to finance their programming. However, French producers fear that the introduction of new French language requirements for official co-productions will make France a less important partner for international co-productions and Etienne Comar, head of co-productions at TF1, described the new regulations as "a serious handicap".³⁸ Co-productions shot with considerable French input, but not in French language, will no longer be eligible for CSA subsidies, and will no longer be counted as part of a broadcaster's French language quota.

For companies wishing to produce English language programmes only, France is therefore no longer as attractive a co-production partner as it was. The only way for them to gain access to French funding is to produce programmes in both English and French but this can raise the costs by around 20 per cent. Another problem, according to Steven Denure of Canadian producer-distributor Alliance, is that the lack of a stable regulatory environment makes it difficult to work with French companies. However, France will remain a very important partner for Canada, since the majority of co-productions between the two countries are French language (see Co-productions with Canada section).

Both public broadcasters are continuing to put more money into French and co-produced mini-series and TV movies, rather than foreign acquisitions. At France 2, around FFr500 million (US\$90.5 million) is spent on 300 hours of co-produced fiction annually. Overall more than 1,000 hours of programming are co-produced a year, mainly with French private companies. However, the broadcaster is also an active partner in international co-productions with countries such as Italy, Germany and Canada. Projects tend to be international TV films, mini-series or drama documentaries such as a dramatisation of the Exxon Valdez disaster, co-produced with the BBC (UK), HBO (US) and ZDF (Germany). Recent Canadian co-productions include a

38 TV World

cartoon version of *Robin Hood* with Worldvision/Turner International, *City of Poros* with F Comme Fiction and *Many Affairs* with Son et Lumière.

Canal Plus is not affected by the new legislation, because of its pay-TV status, and plans to increase its co-production from 24 TV movies in 1992 to 28 in 1993.

Leading programme producer Hamster has created a co-production department headed by Fabrizio Chiesa. In 1992 the company will produce 35-40 films, about a third of which will be international co-productions. The company has strong links with North America; it is part-owned by Capital Cities/ABC (owner of US network ABC) and has co-produced with Canadian media group Astral.

Astral also has strong links with French broadcasters TFI, France 2, Canal Plus and Canal J, (in which it holds a 3.66 per cent stake). In 1992, projects which received funding through these alliances included *Diamond Fleece*, *The Final Heist*, *Picture Perfect*, *The Myth That Wouldn't Die* and *Shadows of the Past*, which were all filmed in France and Canada. Astral and TFI were also involved in the packaging of a major theatrical production *Prince Lazure*. Astral recently formed Astral-Warner Europa, a joint venture with Warner Bros, "to develop and finance Canadian content programming destined for international markets". The new venture has offices in Paris.

Independent producer Marathon was specifically set up to produce for the international market, and produced between 75 and 80 hours of internationally-funded programming last year. This included documentaries, family drama and TV movies aimed at French prime-time. Key partners have been German, US and Canadian companies. The company is now developing reality series, and has worked with the Canadian company Cinar on the reality show *Radio Detective* for F3.

Co-productions with Canada

According to Telefilm Canada, the number of official television co-productions with Canadian producers in 1992 was 19, while in 1991 the figure was 17. As in feature film production, France has been involved in more official Canadian co-productions than any other country. As the following table illustrates the number of co-productions between the two countries has steadily increased since 1988, except for a slight fall in 1990. This increase has been largely in French language co-productions, and in 1992 only three out of the 19 co-productions were made only in English. Co-productions that are made in both languages tend to be animated series, such as *TinTin*, *Young Robin Hood* and *Rupert Bear*.

Table 2.21: Official television co-productions between Canada and France (1988-1992)

Language	1988	1989	1990	1991	1992
French	2	3	-	10	11
English	2	3	3	4	3
French/English	-	2	4	3	5
Unknown	2	2	-	-	-
Total	6	10	7	17	19

Source: Telefilm Canada

In addition to these official TV co-productions, the CRTC also lists the following four television co-ventures between French and Canadian companies in 1992:

- *Bordertown* - 26 episodes of the drama series produced by Alliance and Tele- Images in France,
- *La Memoire Des Larmes* - a 52 minute documentary by European-TV Inc. in Canada and Sunset Productions in the UK,
- *Scene Of The Crime* - 22 episodes of the drama series produced by SOTC Entertainment in Canada and Atlantique Productions in France,
- *Counterstrike III* - an action adventure series produced by Cinegrame, and the French companies Gaumont and Atlantique.

Successful recent Franco-Canadian co-productions have included:

- *Omni Science* - over 100 episodes of this well-known French language series have been produced by Quebec-based Coscient Inc. and Creativite Strategic Media in France;
- *TinTin* - 23 episodes of this cartoon were co-produced by Nelvana in Canada and Ellipse in France in 1992. The series has particularly strong international potential, since animation tends to travel well and *TinTin* is a well recognised classic. Nelvana and Ellipse have worked closely on a number of projects, including *Babar* and *Rupert Bear* and the two have set up an animation studio in Paris, called Le Studio for co-productions. With a sales office in Paris and London as well Nelvana remains closely in touch with current themes and trends in the European market and is now looking for further European partners to open a second studio in the EC;

- *White Fang* - a co-production by Atlantis and Neverland in Canada, Falcon Productions in France, and South Pacific in New Zealand. This 25 x 30 minutes animal adventure series, based on the classic Jack London novel, has been an international success;
- *Adventures of the Black Stallion* - 52 episodes of this outdoor adventure series have been co-produced by Alliance in Canada and Atlantique productions in France. Like Nelvana and an increasing number of Canadian companies Alliance believes it is important to maintain a permanent presence in Europe and has opened a sales office in Paris;
- *Tarzan* - a co-production between William F Cook TV Productions in Canada, Balanciaga in France and Telemex in Mexico. This show which is now going into its third cycle has been driven by significant licensing fees for the US.

Programme Acquisition Prices

It is impossible to give a definitive guide to the prices French broadcasters will pay for foreign programming, but the following two tables give some indication of the price range. The key factor determining prices is market demand which has fallen with the collapse of La Cinq, exerting a downward pressure on prices. Other factors affecting prices are the programme's quality, the number of transmissions included in the deal, long and short term output deals, programme packaging and currency fluctuations.

Tables 2.22 & 2.23: TV Programme Prices in France (US\$)

Feature Movies	TV Movies	Specials	One Hour Series	Half Hour Series
30,000-150,000	30,000-50,000	30,000-50,000	25,000-50,000	10,000-20,000

Source: Variety, April 1992

Feature Movies	TV Movies	Children's (per half hour)	Documentaries (per hour)	Drama (per hour)	Light Entertainment (per half hour)
40,000-400,000	25,000-85,000	5,000-12,000	12,000-25,000	25,000-70,000	7,000-15,000

Source: TV World

3 CONTACT DIRECTORY

3.1 FILM

Regulatory Body

Centre National de la Cinematographie (CNC)

12 rue de Lubek

75116 Paris

Tel: 33 1 44 34 40

Fax: 33 1 47 55 04 91

Government Funding Bodies

ADRC (Agence pour le Développement Régional du Cinéma)

11 rue Marbeuf

75008 Paris

Tel: 33 1 47 23 30 16

UFCA (Union pour le Financement du Cinema et de l'Audiovisuel)

35 rue Guersant

75017 Paris

Tel: 33 1 40 68 07 53

Fax: 33 1 45 74 32 23

IFCIC (Institut pour le Financement du Cinéma et des Industries Culturelles)

55 rue Pierre Charron

75008 Paris

Tel: 33 1 43 59 88 03

Fax: 33 1 45 63 85 58

SOFICAs (Société de Financement des Industries Cinématographiques et Audiovisuelles)

Capital Images

66 rue Charronremoile

75008 Paris

Tel: 33 1 45 63 85 58

Investimages 2, 3 & 4

66 rue Pierre Charron

75008 Paris

Tel: 33 1 43 59 88 03

Directeur Général: Georges Prost

Sofnergie/Sofnergies 2&3

68 Rue Pierre Charron

75008 Paris

Tel: 33 1 42 89 15 48

Président: Pierre Vernimmen

Creations

41 Rue de la Bienfaisance

75008 Paris

Tel: 33 1 42 25 79

Conseiller: Denis Mefnayas

Valor et Valor 2

61 Rue Monceau

75008 Paris

Tel: 33 1 40 74 20 00

President: Stephane Rampelberg

Lumiere

14 Avenue de Tourville

75007 Paris

President: Marcel Jullian

Directeur Général: Thi-Mai Tran

Sofimage

c/o Gestimage

32 Boulevard Flandrin

75016 Paris

Tel: 33 1 45 04 40 40

President: Paul Paclot

Images Investissements

36 Rue Guersant

75017 Paris

Tel: 33 1 40 68 07 53

Directeur Général: Pierre-François Racine

Soffia

12 Avenue Matignon

75008 Paris

Tel: 33 1 44 35 40 00

President du directoire: François Pila

President du Conseil de Surveillance: Gaston Recipon

Sofiarp

66 Rue Pierre Charron

75008 Paris

Tel: 33 1 43 59 88 03

President: Claude Berri

Investimage 2

66 Rue Pierre Charron

75008 Paris

Tel: 33 1 43 59 88 03

President: Hugues de Chastellux

Directeur Général: Georges Prost

Cofimage 2

57 Rue de l'Universite

75007 Paris

Tel: 33 1 45 48 61 43

President: Alain Brochard

Directeur Général: Pierre Chevalier

Cofimage 3

57 Rue de l'Universite

75007 Paris

Tel: 33 1 45 48 61 43

President: François Jouven

Directeur Général: Pierre Chevalier

Cofimage 4

57 rue de l'Universite

75007 Paris

Tel: 33 1 45 48 61 43

President: Marc Wisniack

Directeur Général: Pierre Chevalier

Byimages

90 avenue des Champs Elysees

75008 Paris

Tel: 331 44 20 64 00

Fax: 331 44 20 64 48

Président Directeur Général: Jean-Francois Fonlupt

Slav 1 et Slav 2

16 rue d'Alsace

92300 Levallois Perret

Tel: 40 87 01 88

President: Kemal Zahar

Television Companies

Canal Plus Productions

85-89 Quai André Citreön

75015 Paris

Tel: 33 1 44 25 10 00

Fax: 33 1 44 25 12 34

Contact: René Bonnell

Ciby 2000

90 Ave des Champs Elysees

75008 Paris

Tel: 33 1 44 21 64 01

Contact: Jean Claude Fleury

Production Companies

Ariane

104 Champs Elysees

75008 Paris

Tel: 33 1 45 62 56 80

Fax: 33 1 43 59 88 37

Director: Antoine de Clermont-Donnerre

Gaumont

30 ave Charles de Gaulle
92200 Neuilly-sur-Seine
Tel: 33 1 46 43 20 00
Fax: 33 1 46 43 21 68
President : Nicolas Seydoux

Hachette Premiers

10 Rue de Marignan
75008 Paris
Tel: 33 1 42 25 19 70
Fax: 33 1 42 56 00 81
MD : René Cleitman

MK2 Production

55 rue Traversiere
75012 Paris
Tel: 33 1 43 07 92 74
Fax: 33 1 43 41 32 30
Contact : Christine Ravet

Molecule

9 bis rue Bellot
75019 Paris
Tel: 33 1 40 35 17 18
Fax: 33 1 40 35 19 27
Contact: Dominic Sidot

Renn Productions

10 Rue Lincoln
75008 Paris
Tel: 33 1 40 76 91 00
Fax: 33 1 42 25 12 82
President: Claude Berri

UGC

24 ave Charles de Gaulle
92522 Paris
Tel: 33 1 46 40 44 00
Fax: 33 1 46 24 37 28
Directeur Général : Alain Sussfield

Distributors

AAA

12 bis rue Keppler
75116 Paris
Tel: 33 1 47 23 50 68
Fax: 33 1 47 20 45 54
Directeur : Xavier Gelin

AMLF

10 rue Lincoln
75008 Paris
Tel: 33 1 40 76 91 00
Fax: 33 1 42 25 12 89
Contact : Richard Pezet

BAC Films

5 rue Pelouze
75008 Paris
Tel: 33 1 44 70 92 30
Fax: 33 1 44 70 90 70
Managing Director: John Labadie

Claire Films

8 rue au Maera
75003 Paris
Tel: 33 1 42 71 79 42
Fax: 33 1 42 71 79 44
Director: Jean Boyenval

Columbia TriStar Films

20 rue Troyon
75017 Paris
Tel: 33 1 43 80 70 00
Fax: 33 1 43 80 60 59
President: Richard Dassonville

Diaphana Distribution

24 bd Poissonniere

75009 Paris

Tel: 33 1 48 24 37 18

Fax: 33 1 40 22 02 76

Manager: Michel Sointjaem

Pan Europeene

11 Impasse Bouvery

92450 Gentilly

Tel: 33 1 45 46 13 13

Fax: 33 1 45 46 01 13

MD : Philippe Godeau

20th Century Fox

8 rue Bellini

75016 Paris

Tel: 33 1 44 34 60 00

Fax: 33 1 44 34 61 01

General Manager: Gerard Lefevre

United International Pictures

1 rue Meyerbeer

75009 Paris

Tel: 33 1 40 07 38 38

Fax: 33 1 47 42 57 16

Managing Director: Daniel Goldman

Warner Bros (Transatlantic)

67 avenue de Wagram

75017 Paris

Tel: 33 1 44 01 49 99

Fax: 33 1 40 64 71 93

General Manager: Steve Rubin

3.2 VIDEO

Trade Association

CSEA

24 rue Marbeuf

75008 Paris

Tel: 33 1 42 25 33 04

Fax: 33 1 45 63 36 46

Director General: Hervé Pasgrimaud

Distributors

AB Video

43/45 Avenue Kleber

75116 Paris

Tel: 33 1 49 22 20 01

Fax: 33 1 49 43 74 49

Contact: Claude Berda

AT Productions

46 rue Troyon

92130 Sevres

Tel: 33 1 45 07 86 16

Fax: 33 1 46 26 94 24

President: Alain Carradore

BMG France

17, rue Soyer

92200 Neuilly sur Seine

Tel: 33 1 46 43 67 00

Fax: 33 1 47 45 07 66

Contact: Marc Guez

Buena Vista Home Video

10 Avenue Traelhard

75008 Paris

Tel: 33 1 42 99 58 00

Fax: 33 1 42 99 58 58

Director General: Christian d'Amecourt

CIC Video

1 Bis, rue du Petit Clamart
BP 13
78140 Velizy Cedex
Tel: 33 1 40 94 10 20
Fax: 33 1 40 94 10 04
President: Jean-Pierre Warnke-Dherines

CITEL

20 Rue Royale
75008 Paris
Tel: 33 1 44 50 54 45
Fax: 33 1 42 60 17 52
Director: Michel Jarry

Delta Video

33 Rue du 8 Mai 1945
92396 Villeneuve-La-Garenne
Tel: 33 1 41 85 41 65
Fax: 33 1 40 85 11 47
Marketing Director: Francois D'Amecourt

ECHO

118 Bureaux de la Colline
92213 Saint Cloud Cedex
Tel: 33 1 41 12 09 09
Fax: 33 1 47 71 82 61
MD: Jochen Balan

Editions Montparnasse

10 Impasse Robiquet
75006 Paris
Tel: 33 1 45 48 10 46
Fax: 33 1 45 48 94 69
President: Renaud Delourme

Fil A Film

Les Granges Champenard
BP 120
27600 Gaillon
Tel: 33 32 64 80 00
Fax: 33 32 64 80 80
General Manager: Jean-Francois Davy

First International Production

Parc des Barbanniers/2
Allee des Barbanniers
92632 Gennevilliers Cedex
Tel: 33 1 40 85 96 02
Fax: 33 1 47 92 04 61
Contact: Patrick Zylberman

Fox Video

8 Rue Bellini
75116 Paris
Tel 33 1 44 34 60 00
Fax: 33 1 47 27 24 54
President: Olivier Philippon

France Television Distribution

22 Avenue Montaigne
75008 Paris
Tel: 33 1 44 21 42 42
Fax: 33 1 44 21 57 84
Director General: Marc Bonduel

Gaumont Columbia TriStar Home Video

31 Rue Pasteur
92100 Boulogne-Billancourt
Tel: 33 1 46 84 19 19
Fax: 33 1 46 04 26 18
President: Thierry Register

INA

4 Avenue de l'Europe
94366 Bry-sur Marne
Tel: 33 1 49 83 20 00
Fax: 33 1 49 83 25 88
Contact: Marie-Jo Rouchon

NMV

10 Rue Thenard
75005 Paris
Tel: 33 1 46 33 96 00
Fax: 33 1 44 07 02 10
Director General: Renee Vincent

Polygram

107 Bd Pereire
75017 Paris
Tel: 33 1 44 15 66 15
Fax: 33 1 44 15 95 88
Contact: Jose Covo

Scherzo

96 Avenue Jean Lolive
93500 Pantin
Tel: 33 1 48 91 13 80
Fax: 33 1 48 91 24 06
Contact: Daniel Cohen

Sony Music

1/3 Rue du Chateau
92522 Neuilly Cedex
Tel: 33 1 47 38 08 08
Fax: 33 1 47 38 09 77
Contact: Marina Ristisch de Groote

TF1 Video

Aile Sud - 1
Quai du Point du Jour
Tel: 33 1 41 41 12 34
Fax: 33 1 41 41 29 29
MD: Pierre Brossard

UGC

24 Avenue Charles-de-Gaulle
92200 Neuilly sur Seine
Tel: 33 1 46 40 44 00
Fax: 33 1 46 24 37 28
Head of Acquisitions: Bruno Lesassier

Virgin Video

54 rue du Fbg Saint-Antoine
75011 Paris
Tel: 33 1 43 47 13 00
Fax: 33 1 43 47 33 17
Director General: Frederic Winkler

Warner Home Video

67 Avenue de Wagram
75017 Paris
Tel: 33 1 44 01 49 99
Fax: 33 1 40 54 71 79
Financial & Administrative Director: Phillippe Cardon

3.3 TELEVISION

Regulatory Body

CSA (Conseil Superieur de L'Audiovisuel)

39-43 Quai André Citreön
75015 Paris
Tel: 33 1 40 58 38 00
Fax: 33 1 47 79 00 06
President: Jacques Boutet
Head of Programme Service: Francois Hurard

Broadcasters

Arte

2a rue de la Fonderie
67080 Strasbourg Cedex
Tel: 33 88 52 22 22
Fax: 33 88 52 22 20
Director of Programmes: Alain Maneval

Canal Plus

86-89 Quai André Citroën

75711 Paris

Tel: 33 1 44 25 10 00

Fax: 33 1 44 25 12 34

Director of Film Acquisitions: René Bonnell

Director of Programming: Albert Mathieu

Deputy Director of Purchased Programmes and Fiction Co-Production: Vanina Witkowski-Delaunay

France 2

22 avenue Montaigne

75008 Paris

Tel: 33 1 44 21 42 42

Fax: 33 1 44 21 51 45

Director of Production: Pierre Bertrand Jaume

France 3

116 Avenue du President Kennedy

75790 Paris

Tel: 33 1 42 30 22 22

Fax: 33 1 46 47 92 94

Programme Director: Raymond Vouillamoz

La Sept

50 Avenue Théopile Gautier

75016 Paris

Tel: 33 1 44 14 77 77

Fax: 33 1 44 14 77 00

Directeur of Programmes : André Harris

M6

16 Cours Albert 1er

75008 Paris

Tel: 33 1 44 21 66 66

Fax: 33 1 45 63 78 52

Head of Programming: Thomas Valentin

TF1

1 Quai du Point-du-Jour

92656 Boulogne Cedex

Tel: 33 1 41 41 12 34

Fax: 33 1 41 41 28 40

Head of International Co-productions: Etienne Comar

Production Companies

C&D (Creativité et Developpment)

1, rue Rene Anjoly

94250 Gentilly

Tel: 33 1 49 69 00 10

Fax: 33 1 49 69 01 05

Financial Director: Olivier Spiner

Producer and distributor

This company specialises in animation and produced 72 hours of programming in 1992. With the high costs of production the company finds it impossible not to co-produce and has worked with other European countries, Canada, Japan and the US. Co-productions with Canada have been carried out under official treaty.

Ellipse

15 Square de Vergennes

75015 Paris

Tel: 33 1 45 31 00 01

Fax: 33 1 48 56 80 34

Director of Programmes and International Development: Simon Hart

Producer and distributor

In the last year Ellipse has co-produced 3 animations, 3 drama series and one miniseries. The company has produced several cartoons with Nelvana, including TinTin and Rupert The Bear, and the two companies have set up a studio in Paris.

Flach Film

47 rue de la Colonie

75013 Paris

Tel: 33 1 45 81 11 22

Fax: 33 1 45 80 40 01

Head of International Co-productions: Christina Hoffmann

Specialises in high-budget, prime-time programming. In 1992 the company co-produced miniseries and TV movies with Germany and Italy, and in the past has also worked with Astral, Filmline and Portfolio in Canada.

F Productions

69 rue de la Croix Nivert

75015 Paris

Tel: 33 1 48 42 23 22

Fax: 33 1 48 56 08 39

Co-productions and Fiction: Jean-Francois Luccioni

Has a long history of co-producing with foreign partners on a broad range of products. Recent examples include a children's series Operation Mozart, co-produced with France 3 and Germany's ZDF and a co-produced documentary with Japan on the Pacific.

Gaumont Television

24 rue Jacques Dulud

92200 Neuilly sur Seine

Tel: 33 1 46 43 23 07

Fax: 33 1 46 43 23 20

Secretary General: Marc du Pontavice

Gaumont specialises in TV movies, long running series and documentaries. It produces 50-75 hours each year, for a total budget of around US\$1 -US\$1.3 million. Over half its turnover comes from outside of France either through pre-sales or co-production deals. The company has recently finished two long running series with Alliance, and a mini-series with Astral.

Gedeon

44/50 avenue du Capitaine Glarner

93585 Saint Ouen Cedex

Tel: 33 1 49 48 65 00

Fax: 33 1 49 48 65 03

In 1992 the company produced 18 hours of programming for about US\$4 million. The company specialises in documentaries covering nature, science and the arts. Most productions are international co-productions and 1992 saw the company's first collaboration with a Canadian company. The five hour series, Dance of the Century, was produced with Pixart, which kept Canadian rights. The production was not made under official treaty.

Globe Trotter Network

5, rue d'Artois
75008 Paris
Tel: 33 1 42 80 56 54
Fax: 33 1 48 78 04 23
President: Stephane Dykman
Producer and distributor

In 1992 it spent FFr20 million (US\$3.6 million) on around 20 hours of programming.

GMT

37 rue Marbeuf
75008 Paris
Tel: 33 1 42 89 32 10
Fax: 33 1 42 89 31 09
President and Director General: Jean-Pierre Guerin

GMT began by specialising in documentaries and current affairs but has also moved into drama. This has prompted the company to seek co-production partners to fund projects such as the FFr30 million (US\$5.6 million) series Night of The Fox. In 1992 the company also co-produced Les Histoires du Pere Castor under official treaty with Canada's Cinar.

Hamster

5 rue Jean Mermoz
75008 Paris
Tel: 33 1 42 56 11 33
Fax: 33 1 42 56 01 41
Director of Co-productions: Fabrizio Chiesa
Producer and distributor

With a turnover of around FFr220 million (US\$41.25 million) and a catalogue of over 301 productions Hamster is one of Europe's leading producers. In 1992 the company produced about 40 films, a third of which were co-produced. Most co-productions tend to be TV movies or mini-series, with budgets ranging from US\$1.2 million to US\$3.4 million. Increasingly, the company finds it necessary to co-produce, particularly on TV movies and mini-series. It prefers to do its own productions in France and then swap rights with a foreign partner. In 1992 it co-produced with Canada's Cineroux Films under official treaty, and is currently co-producing four TV movies with Canadian television group Astral and the US network ABC. Two will be shot by Hamster and two will be shot in North America.

IMA Productions

11 rue, Christiani
75018 Paris
Tel: 33 1 42 23 01 01
Fax: 33 1 42 62 57 07
Sales Executive: Adrienne Frejac

IMA began as a producer of documentaries but has diversified into youth programming, TV movies and drama series. Almost all documentaries and fiction are coproduced, mainly with European partners. It has also worked with Canadian companies such as Via Le Monde.

Initial Groupe

14 rue Séguier
75006 Paris
Tel: 33 1 43 26 73 29
Fax: 33 1 43 26 78 84
International Sales: Christine Ghazarian

As well as being a prolific producer of feature films the company has also produced over 1,800 hours of television programming.

Marathon International/Productions

11, rue Christophe Colomb
75008 Paris
Tel: 33 1 49 52 60 00
Fax: 33 1 40 70 12 23
Managing Director: Olivier Bremond
Producer and distributor

Founded in 1990, Marathon is part of the leisure group Pierre et Vacances. The company is mainly interested in children's animation, documentaries and family drama.

Mars International

1 rue Lord Byron
75008 Paris
Tel: 33 1 45 63 49 01
Fax: 33 1 42 25 93 22
President and Director General: Jacques Nahum

NBdC

48 rue Montmartre

75002 Paris

Tel: 33 1 42 21 04 04

Fax: 33 1 42 21 03 30

Head of Marketing and Co-productions: Kirsten Cunningham

Producer and distributor

In 1992 NBdC produced 37 hours of magazine programmes, two hours of documentary, one hour specials and 30 hours of talk shows. The company works on six to seven co-productions a year, mainly with other French producers and UK companies.

Paravision International

73 ave des Champs Elysées

75008 Paris

Tel: 33 1 40 76 97 00

Fax: 33 1 45 63 60 44

President and Director General: Raphael Berdugo

Producer and distributor

Procidis

35 rue Marbeuf

75008 Paris

Tel: 33 1 43 59 44 74

Fax: 33 1 42 25 84 23

President: Albert Barille

Producer and distributor

Specialises in children's programming and has recently completed the cartoon series, Once Upon A Time in America.

Quartier Latin

179 avenue Ledru Rollin

75011 Paris

Tel: 33 1 43 79 44 60

Fax: 33 1 43 79 88 77

President: Michel Noll

Producer and distributor

Produces children's drama, animation and prime-time TV movies and mini-series. It spends FFr120 million (US\$22.5 million) on 30 productions a year. Co-produces mainly with broadcasters in UK, Germany and Poland through local subsidiaries.

Quinta Communications

16 avenue Hoche
75008 Paris
Tel: 33 1 40 76 04 54
Fax: 33 1 42 56 69 21
President: Tarak Ben Anmar
Producer and distributor

In the past year Quinta has worked on one mini-series, one movie of the week, one theatrical release and a 13x60 minutes family series. All four projects were co-produced, mainly with US partners. The company usually obtains rights outside the US, and likes to have some input regarding European actors and locations.

Revcom International

15 du Colonel Pierre-Avia
75015 Paris
Tel: 33 1 46 62 17 77
Fax: 33 1 46 62 17 97
President: Leslie Grunberg
Producer and distributor

A large international producer and distributor with branches in London, Sydney and Los Angeles. The company specialises in primetime and youth fiction, and distributes mainly French, US and UK product.

Saban

3-5 Bd de Courbevoie
92200 Neuilly sur Seine
Tel: 33 1 47 45 20 30
Fax: 33 1 47 45 44 75

Animation specialists Saban produce around 26 hours of programming a year. The company co-produces largely with the US, but has yet to work with Canada.

Le Sabre Groupe

72, avenue Victor Hugo
92100 Boulogne
Tel: 33 1 46 04 49 49
Fax: 33 1 46 04 68 65
President: Georges Campana
Producer and distributor

Originally specialising in feature films, Le Sabre is now a major player in television productions as well. Its portfolio ranges from TV movies and series, to features, magazines and children's programming. The company is also an active co-producer and recently worked with the BBC on the drama Letters to Patagonia.

SFP Groupe

36 rue des Alouettes

75019 Paris

Tel: 33 1 40 03 50 00

Fax: 33 1 42 03 18 35

President: Jean-Pierre Hoss

Producer and distributor

The former state-run conglomerate once survived on mandatory commissions from the broadcasters, but since 1981 has had to compete in the open market for custom. In the following 10 years the company accumulated debts of US\$35 million, but after considerable cost cutting and restructuring it recorded a positive production balance sheet in 1991. Its most recent co-production with Canada was Maitret A New York with Cine-Group.

Sygma TV

42 rue des Tilleuls

92100 Boulogne

Tel: 33 1 47 12 65 65

Fax: 33 1 47 12 93 57

President: Philip Plaisance

Producer and distributor

This producer is part of the Action Time group of companies and specialises in news, current affairs and reality-based programmes. In all distributed 200 hours of new programming in 30 countries in 1992. It has rarely co-produced but might do so in the future through Action Time.

Telecip PPI

6 rue Paul Baudry

75008 Paris

Tel: 33 1 42 56 20 20

Fax: 33 1 42 56 41 71

President: Roland Gritti

Telecip's output of around 6/7 hours a year of drama is entirely co-produced, because of its high cost. Main partners are the UK and Italy and the company has also worked with Claude Heroux Communications in Canada.

Tele Images

64 rue Pierre Charron
75008 Paris
Tel: 33 1 42 56 47 63
Fax: 33 1 42 25 77 56
President: Simone Halberstadt-Harari
Producer and distributor

Produces about 50 hours a year, mainly drama series and TV movies. On average it works on two co-productions a year and key partners have been Canada, the UK and Germany. The company also distributes around 800 hours of programming.

Distribution Companies

(see also producers/distributors under Production Companies)

Amaya Distribution

25 rue de Petit Musc
75004 Paris
Tel: 33 1 40 27 07 01
Fax: 33 1 42 77 60 56
Director of International Co-productions: Helen Asquith

Amaya specialises in top quality music programming and is now developing a documentary library as well. In total it has around 205 hours of programming in its library. Sister company Cameras Continentales produces documentaries and drama. Its turnover in 1992 was FFr180 million (US\$34 million). The company does develop fiction projects with foreign partners, particularly TV-movies and mini-series. It has co-produced with Astral under official treaty.

AMI (Audiovisuel Multimedia International)

116 bis, avenue des Champs Elysees
75008 Paris
Tel: 33 1 42 25 16 45
Fax: 33 1 42 25 42 26
President: Jean-Louis de Turenne

AMI has around 600 titles in its library which it distributes mainly in Greece, Portugal and Spain. It also acts as a sales representative on a commission basis for US companies Orion and Freeze.

123

Alpa International

18, rue Pasteur

94800 Villejuif

Tel: 33 1 46 77 80 85

Fax: 33 1 46 78 18 38

Acquisitions and Sales Director: Daniel Bourdekas

Buys about 30 hours of foreign programming a year, mainly documentaries and cartoons. Rights are held for an average of seven years. The company does not co-produce.

Eureka Productions

9 boulevard Malesherbes

75008 Paris

Tel: 33 1 47 42 98 00

Fax: 33 1 47 42 38 13

President: Joel Nuffer

Distributes over 10,000 hours of programming on behalf of Silvio Berlusconi. Not involved in co-producing.

Pandora

23 avenue de Neuilly

75116 Paris

Tel: 33 1 40 67 77 77

Fax: 33 1 40 67 74 10

Head of Creative Development & Acquisitions: Lise Lemeunier

Over 1200 hours in catalogue, including US, Canadian and French programmes. It acts as a co-financer in two different ways: as a distributor putting up sales advances, and as a mediator finding production money from other sources for producers. Projects include a series of four TV movies produced by La Cinq and Astral's Super Channel in Canada, and two series produced by Canadian independent Velvet Star with US and French partners. Canada is often at the centre of its European and US deals.

Telmondis

15 rue Mesnil

75116 Paris

Tel: 33 1 47 27 03 84

Fax: 33 1 47 27 83 65

President: Josette Affergan

Producer and distributor

Specialises in documentaries on circus and ballet. It has a catalogue of around 300 hours which includes programming from Telemetropole and Radio Canada.

GERMANY

Contents

1	FILM	
1.1	INTRODUCTION	1
1.2	REGULATORY FRAMEWORK	1
1.3	SOURCES OF FUNDING FOR GERMAN FILMS	2
1.4	THE PRODUCTION SECTOR	9
1.5	THE DISTRIBUTION SECTOR	11
1.6	THE EXHIBITION SECTOR	12
1.7	THE VIDEO MARKET	17
2	TELEVISION	
2.1	INTRODUCTION	21
2.2	REGULATORY FRAMEWORK	22
2.3	TELEVISION REVENUE	23
2.4	THE BROADCASTING SECTOR	24
2.5	PRODUCTION AND DISTRIBUTION	32
3	CONTACT DIRECTORY	
3.1	FILM	37
3.2	VIDEO	40
3.3	TELEVISION	45

1 FILM

1.1 INTRODUCTION

The reunification of East and West Germany in 1991 brought mixed blessings both for the country as a whole and for the film industry. Access to a further 17 million consumers reversed a trend of declining attendances, making Germany Europe's largest cinema-going nation. However, reunification also saw the sale of the former state-run Defa studios in East Berlin to the French corporation Compagnie Generale des Eaux (which plans to redevelop it as a European production centre) and the closure of cinema screens in the former Eastern regions. The transition towards a free market economy continues to force up inflation and unemployment.

In the West, meanwhile, the industry remains dominated by the major Hollywood studios, with the share of US films shown in 1991 standing at 77 per cent. This is despite the fact that the German film industry is the third largest producer of films in Europe.

1.2 REGULATORY FRAMEWORK

The German film industry is heavily subsidised by the government - virtually all 62 German films which received a theatrical release in 1991 received some form of public support. The money available for German producers is spread over several sources, including bodies funded by the central government and various schemes operated by the 16 individual länder (states) that make up the federal republic. This results in a lucrative, public-funding scheme, which is also one of the most complicated in Europe.

There are three main types of aid to the German film industry: economic aid administered by the Filmförderungsanstalt in Berlin (which reports to the Ministry of Economics); cultural aid, the responsibility of the Federal Ministry of the Interior in Bonn; and aid for young film-makers provided by the Kuaratorium Junger Deutscher Film in Wiesbaden.

The Filmforderungsanstalt (FFA), which was founded in 1968, is a public body reporting to the Federal Authorities for the economic subsidy of German films. The FFA is responsible for the administration of the Filmförderungsgesetz (FFG), the film support law, which came into effect in January 1968. This was enacted in order to revive the production industry, and to increase the number of films produced; it was revised in 1974, in order to improve the quality of production, and again in 1986. A new film support act came into operation at the beginning of 1993 extending government finance to other EC members, and placing more emphasis on the FFA (which is being threatened by the rise of numerous regional subsidy bodies) to become more commercially orientated, rather than cultural.

Taxation/levies

There is a cinema admission tax, which is based upon exhibitors' annual turnover. Cinemas with a turnover of more than DM80,000 (US\$50,000) contribute approximately 1.5 per cent to 2.5 per cent of their takings. There is also a statutory film tax on the video industry, consisting of a levy on video outlets with a turnover of more than DM80,000. Video outlets contribute approximately 1 per cent to 2 per cent of takings.

There have been no tax incentives available to German film producers since the end of the 1970s, but instead there is a wide range of grants, although the Film Support Law stipulates that films must reach a minimum audience of 20,000, below which certain support measures will not come into effect.

1.3 SOURCES OF FUNDING FOR GERMAN FILMS

Government schemes

In 1992, the FFA saw its annual budget frozen at the 1991 level of DM60 million (US\$38 million). The FFA's funds (after deduction of administrative costs) are allocated as follows:

Table 3.1: Allocation of FFA funds

Purpose	Percentage available (%)
Basic subsidy for officially-graded films	40
Additional subsidy	8
Project assistance	16
Short films	4
Script writing	1
Distribution	10
Cinemas	20
Development in the industry	1
Total	100

The FFA provides two main types of aid to producers. These are available to all members of the European Community.

Basic subsidy

- Automatic aid is given to officially graded films. To qualify as a graded film (Referenzfilm), a film must fall within one of the following categories:
- feature films (at least 79 minutes long) with outstanding commercial success. In the new Film Support Act this means films with an audience of 100,000 or more within two years of release. Producers of German features and German co-productions can both qualify for this basic subsidy,
- feature films with less commercial success - at least 50,000 admissions - and fulfilling one of the "quality" conditions below,
- documentary films and children's films over 59 minutes, with admissions of 100,000 over five years and one "quality" condition,

The three quality conditions are:

- a quality label approved by the Approval Committee of Wiesbaden, independent of the FFA,
- a "good entertainment" label given by the Approval Committee of the FFA, or
- first prize at an international festival.

Half of the total funds available for the basic subsidy is divided equally between all the eligible films; the remaining half is distributed according to the admissions generated by each film.

The money is given to such films on the understanding that it will be reinvested in feature production within two years; in practice, it is treated as company cashflow. The investment ceiling is DM4 million (US\$2.5 million) or 50 per cent of the new film budget, and, in the case of co-productions 50 per cent of the German share. If funding is granted to a co-production where the German share is less than 50 per cent, then the aid must be reinvested in a film where the German share exceeds 50 per cent. Also eligible for aid are multi-party co-productions where the German share is less than 50 per cent but exceeds the investments of the other producers.

The other main source of aid given by the FFA is that given to new films:

New Films (Projektfilmen) - films which have not yet gone into production can receive interest-free loans of up to DM500,000 (US\$317,000) or up to DM2 million (US\$1.3 million) for exceptional projects of special cultural significance or strong box office potential, as judged by the FFA Selection Committee.

The criteria for these funds are:

- the producer must invest a minimum of 15 per cent of the budget, or of the German share exclusive of television investments,

Review of the European Audiovisual Markets

- a distribution contract, or firm plans for theatrical distribution must be in place.
- there must be a track record of repayment success with loans.

Ten per cent of the loan becomes repayable if the film recovers over 20 per cent of its costs, then 20 per cent once the film recovers 60 per cent, and 50 per cent once the film recovers all of its costs.

Other FFA Subsidies

Screenplay subsidies are limited to a maximum of DM30,000 (US\$19,020), except in exceptional circumstances when this may be increased to up to DM50,000 (US\$31,700).

Film print subsidy - introduced in 1986 in response to demands from rural cinemas, this ensures that prints arrive at rural cinemas in time. Each state receives around 20-30 subsidised prints of popular films each year, to be shown in cinemas of towns with a population of less than 20,000. Prints are received about two weeks after the initial release of the film.

Interest free loans are also available for short films (no longer than 15 minutes), the distribution of German films (up to DM250,000 (US\$158,500) or DM500,000 (US\$317,000) in exceptional circumstances and the modernisation of cinemas - up to DM 200,000 (US\$126,800) and video outlets - DM60,000 (US\$38,040).

Bundesministerium des Innern (BMI)

This is the cultural film assistance programme of the Ministry of the Interior and it is the oldest of the existing film support systems in Germany (established in 1951). With a budget in excess of DM22 million (US\$13.20 million) every year, DM15 million (US\$9.5 million) is earmarked for actual film production and marketing. The BMI offers non-repayable grants of DM300,000 (US\$190,000) for each of 12 films a year. It also supports film festivals: in 1991 DM4 million (US\$2.5 million) was spent on various film festivals.

Production grants - There are various grants available for a range of projects, including children's films and documentaries. These include:

- up to DM500,000 (US\$317,000) for outstanding feature projects,
- up to DM25,000 (US\$15,800) for short film projects,
- up to DM20,000 (US\$12,700) for scripts, (rising to DM50,000 (US\$31,700) in exceptional circumstances).

Cinema programming and distribution - In 1988, 58 cinemas benefited from BMI awards for film programming to a total of DM680,000 (US\$387,500). Awards are made in particular to

cinemas whose programming has a high level of good German films. Awards of up to DM80,000 (US\$50,720) are also made for promoting the distribution of German films.

Kuratorium Junger Deutscher Film

The Kuratorium is renowned for backing innovative and experimental projects and fostering unknown talent. It also provides subsidies for exhibition and distribution. Inaugurated in 1962, the Kuratorium was initially financed by the Ministry of the Interior, but, in 1968 the 10 federal states and West Berlin took over responsibility for it.

The Kuratorium Commission meets twice a year to consider projects, and is composed of producers, critics and media experts. Around 14 per cent of projects submitted are approved for assistance. Foreign film-makers can apply to the Kuratorium for funding if their project is considered to belong to the field or realm of German culture.

Support is provided for production, distribution and film theatres. Production loans are interest-free but have to be repaid through the distribution of the project. Distribution subsidies are awarded to films which have received a merit certificate from the Film Bewertungsstelle. All such loans have to be repaid with the profits from the film's distribution during the first five years after the film premiere. Loans are provided to film theatres that buy 16mm projection equipment; this means that they can show films that are only available in this format. The loan is reduced whenever the cinema shows a film assisted by the Kuratorium or graded by the Film Evaluation Board, thus encouraging the presentation of low-budget films.

Regional aid - Provincial (Lander) subsidies

This form of funding is more important to film production in Germany than it is in the other European countries because of the size of the funds available to regional bodies.

The main two regional aids are Die Berliner Filmförderung (The Berlin Film Subsidy Programme) and the LFA (Bayerische Landesanstalt für Aufbaufinanzierung).

Berlin

Berlin supports feature film production through the provision of loans repaid with interest to a five bank consortium. The city also hosts the Berlinale - The Berlin Film Festival, whose Silver Bear awards have become almost as prestigious on the international festival circuit as the Cannes Film Festival's Palme D'Or.

The Berlin Film Subsidy Programme makes loans as advances on receipts, on condition that at least the equivalent of the sum loaned is spent in Berlin. The programme has a budget of around DM32.5 million (US\$20.6 million) and its aim is to improve the commercial potential of productions.

Review of the European Audiovisual Markets

Loans to producers are guaranteed by the Berlin Senate following recommendations from the Film Credit Commission. The Commission meets every six weeks and grants aid for film production in the categories below:

- **Feature films.** This category is open to any nationality. It is not necessary to have a German partner and the film may be shot in English. The line of credit may be up to 30 per cent of the production costs to a maximum of DM2 million (US\$1.27 million), provided that 1.5 times the amount of the loan is spent in Berlin.

The producer must provide an appropriate share of the financing. They can hold back receipts up to the amount of 20 per cent of production costs (to cover personnel investment, distribution guarantees, and advances and outside investment with unconditional repayment obligations), but following that the subsidy will be repaid from 50 per cent of all returns realised by the producer.

The obligation to repay the subsidised loan terminates five years after the commercial release of the film. The obligation to pay interest on the loan terminates 12 months after its commercial release, or 18 months after delivery of the answer print, whichever is earlier.

- **Low budget films.** A subsidy is available for short films with a maximum running time of 15 minutes and production costs not exceeding DM80,000 (US\$50,700), and for feature films with production costs of not more than DM400,000 (US\$254,000). This grant is available to any nationality and the production need not have a German partner (although this is recommended).

The subsidy may amount to 70 per cent of the production costs and the full amount of the grant must be spent in Berlin. At least 10 per cent of the remaining production costs must be provided by the producer.

After the producer's investment is recouped, and after repayment of all capital investment from third party investors with unconditional repayment obligation, the remaining amount of the subsidised loan will be repaid by the producer from 50 per cent of all sales. Only 50 per cent of proceeds from television sales may be used to recoup the producer's investment and to repay unconditional repayment third party loans.

The obligation of repayment will terminate four years after the commercial release of the film and the obligation of interest repayment will cease 12 months after delivery.

Bavaria

The LFA (Bayerische Landesanstalt für Aufbaufinanzierung) provides grants for the production of feature films, the development and writing of scripts, for distribution and sales of features, for cinemas and investment in film technology enterprises in Bavaria. It also hosts the Munich Film Festival. Annually, Bavaria distributes around DM20 million (US\$12.7 million) in state subsidies to the film industry, with the LFA offering production loans up to DM2 million

(US\$1.2 million), repayable at market rate, and non-repayable subsidies up to DM30,000 (US\$19,000). Production funds are decided by a state committee that meets six times a year to make funding decisions. The following conditions are attached to any award :

- there are no German nationality requirements, but the German share of the financial package must not be below 30 per cent of the budget,
- the grant may be as high as 30 per cent of the German participation in the project to a maximum of DM2 million (US\$1.2 million), repayment must be made within five years following theatrical release of the production, with an interest rate of 10 per cent (following other investors' recoupment), and
- productions need not be in the German language but the loan must be spent in Bavaria, and Bavarian technical facilities must be used.

All of the regional film funds demand that the producer spends within its region a sum equivalent to at least 100 per cent of the amount it is giving or lending.

North Rhine-Westphalia Film Foundation

The North Rhine-Westphalia Film Foundation was set up in 1991 by the local government and the broadcaster WDR. With an annual budget of around DM50 million (US\$31.7 million) the foundation is the second largest in Europe after the CNC in France. Support is offered to authors, directors and producers from any country, including Canada, as long as 150 per cent of the grant is spent in the region. Low budget films (under DM1 million) can receive up to 65 per cent funding. For films over this budget there is no maximum limit set for support.

The fund also supports local cinemas and distributors, and is also responsible for launching INCOME (International Co-production in Europe), a co-production market for producers from the US, Canada, Australia, New Zealand, Japan and Europe. The aim is for producers, film financiers and distributors to get together and present TV and feature film projects aimed at the global market. The three day event takes place in Cologne from June 13, and is part of the fifth North Rhine-Westphalia Media Forum. More than 2,000 film, TV and broadcasting executives as well as politicians and journalists will be present at the Forum to discuss key aspects of media business.

Hamburg

Film funds are provided by two bodies in Hamburg; the **Film Buro** which is responsible for cultural projects and **Film Fonds**, which deals with more commercial projects. The Film Buro provides subsidies in two different areas. In area A, which consists of projects with total production budgets exceeding DM300,000 (US\$190,200), support of up to DM800,000 (US\$507,200) can be granted. In area B, which covers projects with budgets under DM300,000, up to DM200,000 (US\$126,800) can be granted. Around 40 projects are funded each year and

applicants must either be from residents of Hamburg, or film makers planning to use Hamburg as a location. The Buro also offers script development funds, which rarely exceed DM50,000 (US\$31,700), but can amount to DM80,000 (US\$50,720) in exceptional circumstances.

"The shape of the German subsidy system, together with the wish of broadcasters to work with recognised producers, has led to something of a two-tier industry, dominated by a handful of names with the economic clout to borrow money directly from a banking system which is generally wary of intervention in film production.

"The end result is a mixture of big-budget, frequently English language films with international potential, and smaller, frequently parochially regional films, with little interest to audiences outside a defined area." ¹

Investment by television companies

Both the public stations, ZDF and ARD, are legally bound to invest in the film industry, through co-production agreements and through the payment of levies. Half of the total levy raised by the Government from the audiovisual industry comes from the television sector. Most of the money provided by the Government is given on the condition that a television partner is prepared to invest in the film. Film producers with a medium-to-large budget must therefore persuade a national broadcaster that a project is suitable for television broadcast. Once agreed, the film producer and TV broadcaster apply together for money from either the FFA or the BMI. Although these two organisations do have some funds available for projects that do not have a television partner, producers are normally reluctant to apply for official funds without a broadcaster involved, for fear that this will imply that the film is unsuitable for broadcast, thus reflecting badly on the project.

The Cinema-Television Agreement, which was set up to formalise the supply of television money, co-ordinates such co-operation. For 1993 the stations will pay a total of DM11 million (US\$7 million) to the FFA's film funds and put around DM14 million (US\$8.9 million) into co-productions. Since 1992, this agreement has also taken in the private channels, and negotiations are currently taking place to set their levy for 1993. Until last year this agreement gave the broadcaster television rights in perpetuity, thus depriving the producer of a crucial source of future revenue and making it difficult for producers and production companies to build up their own libraries. However, this has now been limited to three years.

Financial institutions

Financial institutions have been wary to invest in the German film industry but both the Berliner Bank and the Hypo Bank offer financial services for film makers.

¹ Source: European Film File

Hypo Bank has spent three years investing in the German film industry, and favours German film makers or projects shot in Germany. Loans are provided for films in the DM20-40 million range (US\$12.7-25.4 million), with pre-sales secured.

According to Wolfgang Hofmann, Berliner Bank vice president and head of special finances, Berliner is willing to lend money even if pre-sales contracts only cover 80 per cent of the budget, provided that serious sales estimates cover the remaining 20 per cent. The bank is also a partner in a London-based subsidiary, Film Investment Loan and Management Services (FILMS). FILMS specialises in arranging loans financing deals in excess of \$5 million for feature films, TV movies and mini-series.

1.4 THE PRODUCTION SECTOR

Historically, the German film industry has had a healthy background, being one of the top three European film-producing countries. As a result of strong government support there are a number of major production companies, including Neue Constantin, CineVox, Connexion Films and Bavaria Films, and the country is also home to such internationally acclaimed directors as Wim Wenders and Werner Herzog.

In recent years, however, the number of films produced has fluctuated greatly, with 1980 and 1990 proving bad years with only 48 or 49 films being made. However, 1991 was a good year for the production industry, with 72 German films produced, compared with the previous year's total of 48.

Germany has been the third most prolific European film producer since 1988, beaten only by Italy and France. Germany's share of European production has varied by 5 per cent over the last six years and it has consistently held its third place in the EC. In 1991, Germany had a 13 per cent share of European production.

Table 3.2: Germany's share of European film production, 1985-1991 (%)

	Share of European Production (%)
1985	10.8
1988	9.9
1989	12.8
1990	8.6
1991	13.0

Source: Screen Digest

Co-production

Germany has co-production treaties with Austria, Belgium, Brazil, Canada, France, Israel, Italy, Portugal, Spain, Sweden, Switzerland, the UK and Yugoslavia. In 1991, it made 19 films which were co-productions (see table below) thereby exceeding its previous record of 18 co-productions in 1985 and 1987. The interim years had seen a decline in the number of co-productions, with a dramatic fall to just eight in 1988 and 10 in 1990.

Table 3.3: Major co-producing countries with Germany, 1980-1992

Country	1980	1981	1983	1985	1986	1987	1988	1989	1990	1991	1992
Number of films produced	49	76	77	64	60	65	57	68	48	72	63
Co-productions	12	16	8	18	15	18	8	15	10	19	10
Austria	-	4	-	3	2	2	-	-	-	1	1
France	3	4	5	5	1	6	1	4	-	4	-
UK	1	-	-	1	-	1	1	1	2	-	2
Italy	2	1	1	1	4	-	1	1	-	-	-
USA	-	-	-	1	1	3	-	1	1	1	1
France/Italy	3	1	-	-	2	-	1	-	5	-	-
Co-productions as a % of productions	24.5	21.1	10.4	28.1	25.0	27.7	14.0	22.1	20.8	26.3	15.9

Source: CERICA, Statistics of the Film Industry in Europe 1992

It is clear from the above table that France has traditionally been the main production partner with Germany, both as a single partner and in tripartite co-productions involving Italy.

It is interesting to note that Italy, once a strong co-producer, has not made any films with Germany over the last three years, while the number of films made with the US and the UK has grown over the same period.

Co-productions with Canada

The last officially co-produced feature film between Germany and Canada was *Salt On Our Skin* in 1991. The partners involved were Telescene Film Group (Canada), Neue Constantin

(Germany) and Torii Production (France), all of which were providing equity and shooting in their own countries. The project has received backing from the FFA (DM1 million or US\$0.63 million) and a regional production subsidy from the Bayerische LFA (DM1.8 million or US\$1.1 million).

In 1989 and 1990, there was just one co-production between the two countries each year. These were: *Scream of Stone* produced by Sera Filmproductions in Germany, Molecule in France and Stock Films in Canada; and *Buster's Bedroom*, produced by Productions du Verseau in Canada and Metropolis Film in Germany.

Other German/Canadian projects currently in production (1992) are:

- *Pepolino* is a co-production between Infafilm (Germany) and Matima Film Productions (Canada) which is investing cash for equity and taking an equal role in production. DM700,000 (US\$443,900) was raised from German free-TV rights,
- *Schwarz Hochzeit* is a co-production between Gemini Filmproduktion (Germany), Caméras Continentales (France), Steve Walsh Productions (UK) and Telescene (Canada). The film is part of a series, with each partner shooting one film in its own country and investing cash for equity in the others. A regional production subsidy for DM2 million (US\$1.27 million) came from the Filmstiftung Nordrhein-Westfalen.² Telescene describes the project as a "quadruple twinning"

1.5 THE DISTRIBUTION SECTOR

As elsewhere in Europe, the distribution sector is heavily dominated by the US majors and a few large German distributors that also deal largely with US productions. For example, Neue Constantin, one of the few German producers which also has a distribution arm, achieved its largest success of 1991 with *Dances With Wolves*. As a result of this US influence, locally produced films are rarely picked up for theatrical release, and German producers often look for US partnerships or English scripts.

The top German distributors in 1991 are set out in the table below.

Table 3.4: Top German Distributors, 1991

Distributor	Market Share (%)
Neue Constantin	10.2
Tobis	8.0
Senator	7.7
Concorde	6.1

² Source: Telefilm Canada, European Film File

Tobis and Neue Constantin are two separate companies which sometimes co-operate; together they had 7.5 million admissions and over 18 per cent of the market in 1991. This is four times larger than their market share in 1990 and is due primarily to their choice of product which combined commercial foreign independent product and their own productions, for example *Dances With Wolves*, *Werner Beinhart*, and *Pappa Ante Portas*.³

Overall in 1992, US films captured 80 per cent of admissions. Warner Bros led the field with a 25.3 per cent market share (up from 16.45 per cent in 1991), followed by Columbia TriStar with 17 per cent and UIP with 16.5 per cent. Between them, these three distributors accounted for 60 per cent of admissions.

The poor performance of the German distributors has been blamed on a number of factors. Rising promotional costs, which can be upwards of \$700,000, compared with half that figure only a few years ago, are making it tough for both the indies and the majors. But the main problems facing the German distributors are a lack of competitive German films and the aggressive release strategies of the US majors. When the majors release their films in Germany they flood the market with a large number of copies. As a result, smaller distributors find it difficult to get their films screened because the market is clogged up by a handful of blockbusters, and some fear the German public is becoming used to a narrow choice of films.

Terms of Acquiring and Licensing Foreign Product

With the major US and German distributors dealing largely with US mainstream productions, the way into the German market for non-US and art-house films is via the smaller independent distributors. The one recent exception was Canadian Feature *The Black Robe*, distributed by Concorde, a mini-major by German standards.

One particular company which has a history of acquiring Canadian productions is Time Medienvertriebs, headed by Wolfram Tichy, who has spent 15 years working with Canadian companies. Canadian productions make about a quarter of acquisitions and the company aims to put out about six films a year. As with other distributors, rights are acquired for cinema, TV and video, although there is not yet any market for art-house videos, and are held for around 10 years. Tichy claims to put 70 per cent of expenditure into theatrical releases but earns 70 per cent of income from television.

1.6 THE EXHIBITION SECTOR

Traditionally, the small to medium-sized company structure of the exhibition centre has reflected the structure of the German economy as a whole. Previously, around half of the exhibitors owned only one cinema, with only five owning more than 40 screens. The introduction of multiplexes is, however, changing this.

³ Sources: Moving Pictures International, Variety

Multiplexes

Unlike their counterparts in the UK, German exhibitors did not eagerly embrace the concept of the multiplex initially. However, spurred by US investment and multiplex development, there are now signs that the exhibition sector has woken up to the fact that it has to modernise to survive. There are currently six multiplexes in Germany, accounting for 80 of the country's 3,700 screens.

There are plans for 13 new multiplex complexes, totalling around 130 screens, over the next few years. UCI (which already has 2 multiplexes, totalling 32 screens) plans three further multiplexes; the takeover and renovation of Berlin's showpiece cinema - the multi-theatre Zoo-Palastone-planned for 1994 - a 10-screener at Kiel and another 10-screener in Leipzig, the first in the ex-GDR. Flebbe/Scriba & Deyhle Cinemaxx plan three multiplexes: at Kiel, Munich and Hamburg. Ufa Theater AG, the country's largest cinema chain with 504 screens already plans five multiplexes. Ufa is now heavily involved in the old eastern Germany, having purchased 80 of the 722 cinemas in existence at the time of reunification from the Treuhand privatisation agency. In addition, it has just completed a fully refurbished seven-screen complex in Dresden.

One major multiplex operator, Constantin-Warner, which had ambitions to build 10-15 multiplexes over 10 years collapsed recently before embarking on its grand scheme. The break-up of the \$500m alliance has raised questions about the future of some of the joint-venture projects.

There is some concern in Germany that large multiplexes will endanger the middle range cinemas, as multiplexes tend to dominate the blockbuster releases. On the other hand, the multiplex boom may represent an opportunity for the smaller distributors, who have problems getting their non-blockbuster product into cinemas at all. Smaller cinemas may have more free slots, allowing them to take on smaller, more ambitious films.

Recent research into multiplexes by the FFA has revealed that the six existing multiplexes, which currently represent 2.4 per cent of all screens, accounted for 64 per cent of the increase in admissions in 1991. In 1991, five multiplexes pulled in US\$23.3 million. Multiplexes are expected to generate 7.9 per cent of total turnover in the western part of Germany in 1992.⁴

Undoubtedly, the growth of multiplexes means that city cinemas have to ensure that they meet the challenge by improving their own facilities. This is currently happening in various areas in Germany, especially Munich, where cinema owners are restoring sites and improving the technology used.

⁴ Source: Moving Pictures International

Table 3.5: German Cinema Screens, 1950-1991

1950	1960	1970	1980	1985	1989	1990	1991
3,962	6,950	3,763	3,422	3,418	3,216	3,754	3,686

Source: Screen Digest

The number of cinema screens in Germany in 1991 was almost the same as in 1970, although both figures are only half the number there were in 1960 (as is the case in most European countries). Although 1990 saw an increase of 500 screens, this fell marginally in 1991.

The picture in the former East Germany is currently one of decline, with the number of screens having shrunk from more than 800 to only 428.⁵ However, there is now some limited development by Western companies, such as Ufa.

Admissions

Table 3.6: Cinema admissions, 1950-1991 (millions)

1950	1960	1970	1980	1985	1986	1987	1988	1989	1990	1991
487.40	604.80	167.40	143.80	104.20	105.20	108.10	108.90	101.60	102.50	119.90

Source: Screen Digest

In 1991 there was a large increase in cinema admissions, after two particularly poor years in 1989 and 1990. 1989 was the lowest year for cinema admissions in Germany, with 1990 showing only a very slight increase on the previous year. In 1991, however, a rise of 17 million, brought admissions to their highest point since the early eighties.

Although Moving Pictures International gives a smaller estimate of admissions for 1991 than Screen Digest (MPI's figures are 101.8 million for 1991 and 92.5 million for 1990), it also reports a huge increase between 1991 and 1990, arguing that the quality of the product in 1991 did much to improve these figures. Blockbuster US films, such as *Pretty Woman* and *Ghost*, and good indigenous films such as *Werner Beinhart* and *Pappa Ante Portas* boosted box office figures.

Although this high number of cinema admissions made Germany Europe's largest cinema-going nation in 1991, recent admission figures are very poor, with an unprecedented slump reported throughout the country. Initial estimates for 1992 indicate a 14 per cent decrease in admissions

⁵ Source: Screen International

in the West and a 7 per cent decrease in the East. Overall total admissions are likely to be around 104 million for 1992.⁶

Table 3.7: Gross box office revenue, 1950-1991 (\$m)

1950	1960	1970	1980	1985	1986	1987	1988	1989	1990	1991
103.3	208.5	148.7	462.0	314.4	404.3	516.0	461.6	467.0	554.2	586.4

Source: Screen Digest

Although the number of admissions grew in 1990 by just one million, the gross box office revenue grew by around \$87 million. The huge increase of 17 million admissions in 1991, however, is not reflected in the 1991 gross box office revenue, however, which rose by \$32 million only.

Table 3.8: Annual box office spend per head of population, 1980-1991 (US\$)

1980	1981	1985	1986	1987	1988	1989	1990	1991
7.51	6.77	5.15	6.62	8.43	7.54	7.64	9.08	9.61

Source: Screen Digest

Germany's box office spend per head of population, was US\$9.61 in 1991, continuing an annual growth since 1988, putting it third in the EC behind France which had an annual box office spend of US\$12.56, and Ireland with US\$9.69,

German films' share of the box office

German films' share of the national market has fallen rapidly over the last three years, as shown in the table below. In 1988, German films took 23.4 per cent of the national market, the highest share for more than 10 years, and then dropped by almost 7 per cent in 1989, and a further 7 per cent in 1990, at 9.7 per cent share in that year. 1991 saw a minor increase to 11 per cent, but this is still less than half of its 1988 share.

Table 3.9: German box office performance of indigenous/US films, 1986-1991

	1986	1987	1988	1989	1990	1991
German (%)	22.1	17.2	23.4	16.7	9.7	11.0
US (%)	62.6	58.3	64.4	65.7	84.8	77.0

Source: Screen Digest

⁶ Source: Moving Pictures International

Review of the European Audiovisual Markets

It is estimated that in 1992 the German share decreased slightly to 10.5 per cent. At the same time, the US share of the German market has gone from strength to strength. According to Screen Digest, the US share of the market has grown from 54.9 per cent in 1980, to an average of around 63 per cent in the 1980's, to a peak of 84.8 per cent in 1990. In 1991, it dropped to 77 per cent, but this is still a high percentage of US films in the German marketplace. Moreover, other sources put the US share of Germany's box office even higher; in September 1992, Variety stated that the figure was nearer 85 per cent.

Of the top 20 films in Germany in 1991, 15 were American, one - *Green Card* - was a Franco - Australian co-production, and four were German. Of these four German films, two were in the top ten - *Werner Beinhart* came third, and *Pappa Ante Portas* was ninth. The fact that the animated comedy *Werner Beinhart* knocked out both *Robin Hood: Prince Of Thieves* and *Terminator 2: Judgement Day* shows that some commercial German productions can succeed at the box office.

However, as shown in the table below, by 1992 only one German film reached the year's top 10 films:

Table 3.10: Top 10 Films in Germany (1992)

	Film	Distributor	Admissions (m)
1	Basic Instinct (US)	Penta	4.5
2	Hot Shots (US)	20th Fox	3.9
3	Hook (US)	Columbia	3.4
4	The Rescuers Down Under (US)	Warner	3.1
5	JFK (US)	Warner	2.9
6	Otto: Der Liebesfilm (Germany)	Tobis	2.8
7	Beethoven (US)	UIP	2.3
8	Lethal Weapon 3 (US)	Warner	2.3
9	My Girl (US)	Columbia	2.2
10	Curly Sue (US)	Warner	2.1

Source: Screen International

1.7 THE VIDEO MARKET

Introduction

Germany has the second largest home video market in Europe, with a total retail value of 1.1 billion. However, as the table below illustrates its total share of the European market has fallen slightly between 1988 and 1992, from 20.2 per cent to 19.2 per cent.

Table 3.11: German share of European video software market, 1988-1992 (%)

	1988	1992
Rental	21.7	20.1
Sell through	11.4	18.3
Total	20.2	19.2

Source: Screen Digest

As in other areas of Germany, the video market differs enormously between the Eastern and Western regions. Following reunification the East German rental business exploded and at one point accounted for 50 per cent of the country's total rental market. However, the boom lasted just six months, and the East now accounts for just 15 per cent of the rental market.

In the West, the rental market has been in decline for several years and the active rental base dropped to from 30 per cent to 20 per cent. According to Screen Digest, this will shrink further, to around 15 per cent, within the next two years. Sell through, on the other hand is experiencing strong growth, but has yet to overtake rental as dramatically as in the UK and France. The sell-through market is generally felt to be under-performing, partly a result of outdated competition laws which bolster exclusive distribution agreements for key retail groups.

Table 3.12: Proportions of German & Austrian film market, 1991-1992 (%)

	1991	1992
Pay TV	2.85	7.99
Video	54.51	54.29
Cinema	42.65	37.73

Source: Moving Pictures International

As the above table shows, video has the largest share of the film market, earning the majority of the revenue generated by feature films in Germany. As yet pay-TV accounts for a relatively

small share of revenue, but as film channel Premiere continues to increase its subscriber base and new services arrive, this share should continue to grow steadily.

VCR Penetration

Table 3.13: Penetration of video in German households, 1981-1991

	1981	1985	1988	1989	1990	1991
Number of video homes ('000s)	1,555	6,928	12,219	14,169	16,479	18,399
Penetration of TV households (%)	5.5	23.4	40.0	46.0	52.8	58.4

Source: Screen Digest

With a video penetration rate of 58.4 per cent in 1991, Germany is now above the European average of 52 per cent and is continuing its growth in this area. There is still strong room for growth in Germany, whilst the UK market, with a penetration rate of 71.5 per cent, has practically reached maturity. VCRs appear to be high on the list of desired goods of East Germans (after cars and TV sets).

Market sales and trends

Table 3.14: Video distributor revenue, 1990-1992 (US\$m)

	1990	1991	1992
Rental	271.8	227.2	231.2
Sell through	140.6	267.8	388.4
Total	412.3	495.0	619.7

Source: Screen Digest

In terms of total video distributor revenue, in 1992 Germany had the second highest total in Europe of US\$619.7 million. The bulk of Germany's video distributor revenue is now coming from sell-through, rather than the rental sector which has been in decline for several years. After a drop in rentals in 1991, the market then grew slightly in 1992, whereas the UK and France have seen a far more dramatic slump in rentals over this period. Sell-through revenues, on the other hand, have more than doubled between 1990 and 1992, from US\$140.6 million to US\$388.4 million.

143

Table 3.15: Video software retail revenue, 1990-1992 (US\$m)

	1990	1991	1992
Rental	682.7	603.8	578.0
Sell through	200.8	382.6	554.9
Total	883.5	986.4	1,132.9

Source: Screen Digest

At the same time, as the table above shows Germany is still spending a higher proportion on rental than on sell-through. However, the rental market is declining, while sell-through is growing rapidly, rising from US\$200.8 million in 1990 to US\$554.9 million in 1992.

The West German sell-through business was, until recently, hampered by the establishment of a low pricing structure; for example, in December 1990, 28 per cent of sales were of tapes priced below DM9.99 (US\$6.2). This allowed only very small profit margins and encouraged undervaluing of video in the public mind. Now, however, the DM30-40 (US\$20-27) price range accounts for around 40 per cent of volume of sales and 50 per cent of turnover. The DM20-30 (US\$13.50-20) price range accounts for about 20 per cent of sales and turnover.

Table 3.16: Video software spend per head, 1990-1992 (US\$)

	1990	1991	1992
Rental	11.18	9.90	9.49
Sell through	3.29	16.17	9.11
Total	14.47	14.47	18.59

Source: Screen Digest

With the exception of the UK (which is by far the most mature video market in Europe) and Ireland, Germany has the highest expenditure on video rental per head, with US\$9.49 in 1992. Unlike the UK, which has a relatively high sell-through spend per head (US\$14.65 in 1992), Germany has a much lower average expenditure per head for sell-through at US\$9.11 in 1992. Nevertheless, sell-through is a growing market for Germany, whilst rental is stabilising, as shown in the above table. Overall, Germany has the third highest expenditure per head on all video software in 1992, with US\$18.59, compared with US\$25.26 for Ireland and US\$29.61 for the UK.

In addition, Germans are enjoying a larger "leisure time budget". Average working hours have shrunk by another 1.1 hours per day since 1990, with vacation time rising from an average of 31 days per person annually to 39. Apparently, this time is used more for video watching than for

most other activities, including reading. The overall picture for the video market in Germany is therefore one of potential strong growth, particularly for sell-through.

Video distribution

Until recently, pornography was estimated to have accounted for 25-30 per cent of video store turnover and thus German distributors have controlled around half of the market. However the US majors are making increasing inroads on this overall distribution market share as video gains status in the public mind and the largest video company in Germany is US-owned CIC Video which had a 17 per cent share of the video market in 1991. In terms of releases, the US majors have an even stronger grip over the video market than in film, with German films making up just 3 per cent of video releases⁷.

Retail outlets

The declining rental market has led to a drop in the number of rental outlets in West Germany from 7,800 in 1987 to 5,500 in 1992. Rental outlets have also suffered from a poor public perception. Laws still prohibit minors from entering or looking in shops stocking X Certificate titles, hence, many rental outlets still resemble sex shops with boarded-up windows. However, progress is being made on improving shops and by the end of 1990 there were around 400 completely "clean" shops.

In the East the number of rental outlets dropped from around 4,500 to 350 following the collapse of the rental market. The remaining outlets are not well capitalised and with the recession likely deepen in the Eastern states, Screen Digest predicts recovery will not begin for at least another two years.

⁷ Source: Variety

145

2 TELEVISION

2.1 INTRODUCTION

West Germany had over 26 million television households before reunification. This figure is estimated to have increased to between 31 million and 33 million with the unification with East Germany, making the country the largest television market in Europe. The average German viewer spends 20.9 hours per week watching television.⁸ A large proportion of television households (95.5 per cent) have colour sets and 46 per cent have VCR.

There are two, state-run terrestrial networks, ARD, a regionally based network, and ZDF, both of which are funded by a mixture of licence fee and advertising. ZDF is the larger and more centralised. Although they remain the two most watched channels, their share of advertising revenue has fallen behind that of the two leading private broadcasters RTL (formerly RTL-Plus) and Sat-1. With competition from the private sector increasing, both public broadcasters have expressed concern over their futures, and have called for a rise in licence fees and a relaxation of advertising restrictions to provide them with more income.

Since deregulation in the Eighties private broadcasters have made great inroads into the television market and a healthy advertising market is fuelling further growth in the sector. So far, four private terrestrial channels have been licensed, of which the leading two, RTL and Sat 1, take almost half of total TV advertising revenue. Brief details of the six main terrestrial channels are set out in the table below.

Table 3.17: Analysis of the main German TV channels

Channel	Household Penetration (%)	Daily hours of transmission	Overall audience share (Qtr 1, 1992) (%)	Ad mins sold per week (1991)	Year Started
ARD	99	16	23	120	1957
ZDF	99	15	23	120	1963
Sat 1	78	20	12	533	1985
RTL Plus	78	22	15	602	1984
Pro 7	46	22	6	522	1989
Tele 5	42	24	3	332	1988

Source: Zenith Media/GFK

⁸ Source: Datamonitor

More recent additions to the German television landscape have included: Premiere, a subscription satellite film channel launched in early 1991; Kabelkanal, a general entertainment cable channel, launched in early 1992; Arté, a bi-national cultural channel launched in 1992 with the support of ZDF, ARD and La Sept in France; and an all-news channel, n-tv, which began broadcasting in November 1992.

n-tv aims eventually to provide a 24-hour service along the lines of the US channel CNN, which has a 27.5 per cent stake in it. Use of CNN's Astra 1b transponder will expand n-tv's reach from 10 million to 14 million households, and managing director Karl-Ulrich Kullo is predicting a 3 per cent audience share. The other major shareholder is Time Warner.

The market has seen further expansion in 1993 with the launch of Vox, a second news-orientated channel, and a sister channel to RTL. Meanwhile a proposed 24-hour music channel, Viva, has announced its intention to launch in August.

2.2 REGULATORY FRAMEWORK

German media law is laid out in the inter-lander treaty of 1987, under which each lander, or region, is responsible for regulating its own public and private television services.

Public broadcasters

Regulation of the public sector is carried out in each region by a Broadcasting Council (Rundfunkrat), an Administrative Council (Verwaltungsrat) and a Director General (Intendat). The Broadcasting Council deals with programming disputes and the Administrative Council deals with the institutions' financing.

Both public broadcasters are self-governing and autonomous, with public service obligations. ARD must show regional programmes from 17.50 to 20.00 every evening. This puts it at a disadvantage to ZDF because each public station is only allowed to sell a maximum of 20 minutes of airtime for advertising a day, and which has to be screened between 17.30 and 20.00 each evening. At this time ARD is still broadcasting regional programming and so cannot attract as high an audience, or as much advertising revenue. No advertising is allowed on the public channels on Sundays and public holidays, and tobacco, religious and political advertisements are prohibited. After 20.00 both ARD and ZDF may have sponsorship, before and after programmes.

Private broadcasters

Commercial broadcasters are also regulated by media authorities (Landesmedienanstalt) in each lander, with the responsibility for awarding, managing and withdrawing licences.

Advertising is restricted to 20 per cent of airtime, or a maximum of 12 minutes per hour. The regulations have recently been changed to allow advertising breaks in programmes which are

over 45 minutes in length. Sponsorship is also allowed, but only before and after programmes. The exception is Tele 5 which is allowed sponsorship in programme breaks. Like the public broadcasters, tobacco, religious and political advertisements are prohibited.

Ownership restrictions

Publishers are not allowed to own more than 20 per cent of a broadcasting company, and shareholders of 25 per cent or more in a TV channel cannot own more than 25 per cent in other channels.

Cross media ownership rules are the responsibility of the individual lander, although the basic regulations are laid down in the inter-lander broadcasting treaty; ownership within each state (or inter-state) is restricted to 25 per cent of each medium. ARD and ZDF can acquire up to 49.9 per cent in up to three international satellite channels (but these must not be financed by advertising which is targeted exclusively at German audiences).

Private channels are also subject to ownership restrictions placed on them. Private shareholdings are limited to two channels, one a general entertainment channel the other a specialised or thematic channel. No more than 50 per cent of shares can be held in any one channel, and only 25 per cent in a second channel.

The German media authorities have been highly critical recently of the increasing concentration of ownership among private broadcasters. In particular, the Kirch group has been singled out for closer examination. Of Germany's six private commercial broadcasters, Leo Kirch appears to have direct or indirect interests in five, following his purchase of a stake in the commercial network, Tele 5: the Kirch Group also has a 43 per cent stake in Sat 1 and holds 25 per cent in the pay-TV channel Premiere while his son, Thomas Kirch, is a 48 per cent shareholder in the commercial network Pro 7, which in turn has a 45 cent stake in cable service Kabelkanal.

2.3 TELEVISION REVENUE

Historically, licence fees have been the principal revenue stream for ZDF and ARD. All television set owners are required to pay the licence fee. In 1992, the monthly licence fee was raised by 25 per cent to DM23 (US\$14.6) in western Germany, while in the east it remains at DM19 (US\$12). The fee will be the same for both regions within five years.

Television is gaining an increasing share of Germany's rapidly expanding advertising market, which unlike many other European countries has not been greatly affected by the recession. Traditionally, TV accounted for a relatively small percentage of advertising revenue because of the regulatory restrictions imposed on ARD and ZDF, and the country's newspapers are still the dominant medium for advertising expenditure, with around a 50 per cent share of the total advertising expenditure since 1980.

However, television's share has increased steadily since the introduction of private channels in 1985. In 1991 the Central Association of the German Advertising Industry reported that advertising revenues were up by 29.6 per cent to a total of DM 3.7 billion (US\$2.23 billion), of which 58 per cent was taken by the private broadcasters. Zenith Media predicts rates for private TV will increase by 15-20 per cent in 1992 to reflect the increased audience figures since re-unification. With the introduction of new commercial services this is likely to lead further increases in the private sector's share of TV advertising expenditure.

The table below sets out Germany's total TV revenue as estimated by Zenith Media and Datamonitor.

Table 3.18: Sources of TV revenue, 1987-1991

	1987 (DM m)	1988 (DM m)	1989 (DM m)	1990 (DM m)	1991 (DM m)
Advertising	1,618	1,834	2,257	2,764	3,700
Licence fees	2,895	2,932	2,985	3,462	3,524
Subscriptions	-	-	-	-	80
Total revenue	4,513	4,766	5,242	6,226	7,304

Source: Zenith Media, Datamonitor, ARD

2.4 THE BROADCASTING SECTOR

Public Broadcasters

ARD

ARD is the state-owned regional television and radio broadcasting service. It consists of a network of 11 regional stations, broadcasting a national service, with a window for regional services between 17.30 and 20.00 every evening. ARD broadcasts a second cultural channel via cable and satellite, Eins Plus, for nine hours a day. In addition five ARD stations broadcast a third channel, ARD 3, which is completely different in each region. Only one of the third channels takes advertising.

ARD also operates 12 regional radio services, with the intention of launching a national radio station by the end of 1992.

About 75 per cent of ARD's revenue comes from TV licence fees, 14 per cent from advertising, and 11 per cent from co-productions and programme sales. It receives 70 per cent of the total licence fees collected, which accounts for about 88 per cent of its budget. In 1990, this was DM6.2 billion (US\$3.85 billion) for both radio and television.

14/01

In 1992 advertising will amount to US\$591 million, half the figure for 1988. In 1993, the figure is predicted to halve to US\$297 million.⁹

Meanwhile, costs have risen dramatically as a result of establishing new services in the East. Even with the increased number of licence fee payers in the East, and the recent rise in the fee paid in the West, ARD expects to make losses of US\$733 million by 1995.

As a result some neighbouring stations are already consolidating their local programme production operations. More drastic cutbacks have been recommended recently by a Government committee, and endorsed by the three conservative parties in Germany's coalition Government. The report criticises both public broadcasters for over-manning inefficiency and recommends that the licence fees should not be raised above the inflation rate, and that advertising and sponsorship should be dropped. This is in sharp contrast to both networks' hopes for a relaxation of their strict advertising restrictions. In particular ARD wants to carry advertising in prime time and claims 10 minutes of advertising could bring in an extra revenue of DM180 million (US\$114.1 million).

ARD has a public service remit and its emphasis is on cultural and enlightening programming. However, it responded to increased competition from the private channels by launching breakfast television in June 1992. ARD 3, however, was launched for educational purposes and has an even stronger cultural bias than the main channel. All 11 regional stations from the main network produce programmes specifically for ARD 3.

Figures for the first quarter of 1992 show that ARD's share of the total audience was 23.4 per cent of adults in all television households.¹⁰

ZDF

ZDF is the national state television channel and has a more centralised organisation than ARD. Licence fees account for more than half of its total revenue, and it receives 30 per cent of the total licence fees collected. It is a non-profit making organisation.

The table below sets out ZDF's actual reported revenue for 1990, together with estimates for 1991.

⁹ Source: Variety

¹⁰ Source: GFK/Nielsen

Table 3.19: Breakdown of ZDF revenue, 1990/91

ZDF revenue	1990 (DM m)	1991 (DM m)
Licence fees	1,038	1,353
Advertising revenue	698	750
Other	113	125
Total revenue	1,849	2,228

Source: ZDF, Hausaltplan, Datamonitor

The public service broadcasting remit states that the station must broadcast cultural, educational, information programmes and documentaries. Even if combined market share for ZDF and ARD were to fall below 40 per cent, ZDF argues that standards would not suffer: *"We have a strong tradition of public service broadcasting which has sophistication and quality. We should offer programmes which are different from private broadcasters including news on a high level, entertainment and documentaries."*¹¹

The production budget for ZDF is DM 2.2 billion (US\$1.4 billion), an increase on last year because of the extra revenue from eastern Germany.

Figures for the first quarter of 1992 show that ZDF's share of the total audience was 24.1 per cent of adults in all television households.¹²

ZDF also runs a public service satellite channel, 3 Sat, in conjunction with the Swiss channel OSG and the Austrian channel ORF.

Private broadcasters

RTL (previously RTL Plus)

The most successful of the private broadcasters, RTL is a privately owned company, whose principal shareholders are Compagnie Luxembourgeoise de Telediffusion (CLT) (46 per cent), and the Bertelsmann subsidiary UFA (39 per cent).

RTL has less constraints on advertising than the state-owned channels and its share of total television advertising revenue has climbed steadily from around three per cent in 1987 to over 30 per cent in 1991. Its advertising revenue, as estimated by Nielsen, the TV ratings company, grew from just under DM 1 billion (US\$0.62 billion) in 1990 to almost DM 1.4 billion (US\$0.85

¹¹ Source: ZDF

¹² Source: GFK

billion) in 1991, when it recorded a profit of DM 40 million (US\$24.2 million). Its revenue for 1992 is projected to be DM1.7 billion (US\$1.08 billion).¹³

Launched in 1984, RTL broadcasts nationally and is received through terrestrial frequencies or through satellite to cable. The channel's programming is heavily entertainment-orientated with good quality films, sport, three game shows a day and erotic films. It is a successful line-up with lots of new serials. Unlike the public broadcasters, it has had breakfast television since it launched.

The strict broadcasting rules constraining the state-run channels do not apply to RTL. Consequently, the channel has managed to lure viewers away from the older channels to boost its own ratings. Household penetration is 62 per cent (including cable and DTH homes) and its share of the prime time audience is nearly 15 per cent.¹⁴ In cabled homes RTL has an audience share of over 18 per cent, higher than ZDF and only slightly less than ARD.¹⁵

In 1984, RTL's programme schedule contained 79 per cent entertainment programming, 5.6 per cent cultural and educational, and 5.2 per cent news and current affairs. By 1987, the schedule had moved towards films, sports and news in order to better compete with the public broadcasters. In 1991, DM1.5 million (US\$907,500) was spent restructuring RTL's programme schedule. The German share of productions was increased to 20 per cent, and there was an increase in infotainment programming. Films are still an important part of the schedule, and 1,221 were shown in 1991.

A second channel, RTL-2 was launched in December 1992, following an enquiry into concentration of ownership. The regulators sought assurances that majority shareholder CLT did not have a "dominant influence", and wanted clarification of the relationship between RTL-2 and RTL.¹⁶ The majority of RTL-2's programming will come from its sister channels considerable catalogue of films and series, and will be aimed specifically at viewers aged between 14 and 49. Broadcasting on cable and satellite, the channel is able to reach an audience of 2.5 million. Its programming budget for 1993 is DM230 million (US\$324.9 million). Initial ratings from GFK give it an audience share of 2.2 per cent.

Sat 1

Sat 1 is a private channel, with majority shareholders PKS (40 per cent) and Press Fernsehen (15 per cent). Its advertising revenue is estimated to have increased from almost DM0.8 billion (US\$0.5 billion) in 1990 to almost DM1.2 billion (US\$0.7 billion) in 1991, with a profit of

13 Source: Kagan

14 Source: ZDF

15 Source: GFK/Datamonitor

16 Source: TBI

Review of the European Audiovisual Markets

DM5 million (US\$3 million). This means that its share of total advertising has held steady at around 25 per cent in 1990 and 1991.¹⁷

The programme line-up for Sat 1 is predominantly entertainment, and is not perceived to be as high quality as RTL; its schedule includes repeat serials from ARD and ZDF, news, current affairs, B-movies and talk shows. In 1986, 54 per cent of the channel's programming was entertainment, 20 per cent was news, 16 per cent was politics and current affairs, seven per cent was sport and the remainder was advertising. Like RTL, it has increased its news and sports programming over the years to compete directly with the public broadcasters, and films are important element - it showed 1,100 films in 1991.

In 1992, Sat 1 invested 58 per cent of its DM834 million (US\$535.3 million) budget in the production of entertainment programmes. DM82 million (US\$52.6 million) were invested in sports and DM80 million (US\$51.3 million) in news and current affairs.

Sat 1 has managed to achieve over 65 per cent penetration of German households, with a share of the total audience of over 10 per cent.

Tele 5/DSF

Tele 5 has been the least successful of Germany's four private commercial channels, consistently trailing in the ratings and running up debts of DM700 million (US\$472 million) in five years.

In 1993 it hopes to reverse this situation by re-launching as a sports-orientated channel to be called DSF. However, the re-launch was initially blocked by the media authorities who were concerned about the channel's recently reshuffled corporate structure. Following the departure of CLT and the producer/distributor Tele-Munchen, major shareholdings in the company were acquired by Kirch, Springer and Berlusconi's Reteitalia, while a consortium called Neue Medien Beteiligungsgesellschaft (NMB) took a minority stake. Suspicions that the latter company is linked with Springer (in which Kirch has a holding) proved unfounded, and the re-launch went ahead on January 1, 1993.

However, the German media authorities continue to question Kirch's concentration of ownership. Currently, Kirch is awaiting the final decision on a Bavarian high court ruling on whether the station's licence should be revoked.

Pro 7

Pro 7 began life in 1988 as Eureka, a pan-European satellite channel, with an emphasis on news and current affairs. After a poor first year, however, the channel was taken over in 1989 by Thomas Kirch, who has a shareholding of 49 per cent. Now delivered by cable, satellite and

¹⁷ Source: Nielsen, ARD Annual Reports

terrestrial frequencies, Pro 7's penetration has increased from 39 per cent to 51 per cent in two and half years. A further 300,000 households are being added every month.

The re-launch involved a complete change of programming strategy, with channel deciding to target 20 to 40 year-olds. Programming consists predominantly of TV films from Europe and America and popular US series. Access to the Kirch group's catalogue of films has aided the channel's turn-around. The channel aims to differentiate itself from Sat 1 and RTL by positioning itself as a high quality channel. For example, one day a week is devoted to cinema classics. The channel also shows more films than the other private broadcasters - a total of 2,162 in 1992. In 1990, Pro 7 bought the rights to 1,700 films and 1,000 hours of series for US\$500 million. In mid 1991 it bought a further 385 hours of programmes (mainly US series) and 500 hours of cartoons (worth DM235 million (US\$142 million)). Acquisitions continue to attract the majority of Pro 7's programming budget. In 1992 they accounted for just over 84 per cent or DM370 million (US\$237.5 million) out of a total budget of DM440 million (US\$282.4 million).

Vox

Vox describes its output as infotainment and plans to reach 60 per cent of total households by late 1993, which would give it a higher penetration than Pro 7 or Tele 5. The channel broadcasts on two local frequencies formerly occupied by ARD, and has taken over a transponder on Astra 1a. It has agreements with news agencies Reuters and WTN, and has signed acquisition agreements with the BBC for features and documentaries. Initial ratings from the German media research body GFK gave the channel just a 0.2 per cent market share in its first month, but turned out to be incorrect. Later figures from GFK for the period February 20 to March 20 gave the channel just a 0.85 per cent audience share, although Vox does not agree with this figure either. However, the channel appears to be restructuring its schedule, with more entertainment programming and less news and information. Programme director Ruprecht Eser left the station in April and several talk shows and documentaries are reported to have been cancelled.¹⁸

Cable and satellite

The German postal authority, the Bundesposte, began an extensive cable-laying programme in 1987. Almost 60 per cent of all homes are now passed by cable, of which over 50 per cent (around 11 million homes) are connected.¹⁹ The high penetration of cable is partly explained by the poor terrestrial reception of some of the channels which means that in many areas they can be received only via cable.

The DM200 million (US\$128 million) cable-laying programme in the five, former East German lands, aims to pass 1,315,000 by the end of 1992. The Bundespost estimates that by 1997, 90 per cent of homes in Eastern Germany will have been cabled.

¹⁸ Source: Broadcast

¹⁹ Source: Datamonitor/Zenith

Table 3.20: Projected German cable penetration, 1993-2000

	1993	1994	1995	1996	1997	1998	1999	2000
TV Households ('000)	31,639	31,797	31,956	32,116	32,276	32,438	32,600	32,763
Cable Households ('000)	13,600	15,400	17,100	18,700	20,100	21,400	22,700	23,400
% connected	43	48	53	58	62	66	70	71

Source: Kagan

Fifty per cent of television households have at least two private channels via terrestrial frequencies. Some media observers suggest that cable has reached its saturation level: *"The percentage of cable households won't increase so much because it is expensive. Maybe satellite penetration will increase much more because it is easier just to install a dish."*²⁰ The ratio of dishes in the East and West is 17 per cent and seven per cent respectively.

The DTH satellite market started slowly in Germany but now it is one of the fastest growing in Europe. Within two years over 2 million dishes have been sold, with estimated household penetration of around eight per cent by the end of 1991. The market is covered by over 50 manufacturers. The largest portion of the market is covered by the six largest German manufacturers. Turnover from the market has increased tenfold since the launch of Kopernicus satellite in 1989. However, four out of five dishes are directed at Luxembourg's Astra satellite, and some of the German channels may move to Astra in response to this.

Kabelkanal

Since its launch in 1992, this private commercial cable channel has already reached 90 per cent penetration of cable households, causing some concern among terrestrial broadcasters. The channel's biggest shareholder is Pro 7, with a 45 per cent stake. The 24-hour service is entertainment-based, showing an average of six films a day as well as series and comedies.

In cable households the channel has a 1.2 per cent audience share, and MD Karlheinz Jungbeck expects this figure to reach three per cent by 1993. Advertising revenue is predicted to reach DM30 million (US\$19 million) by the end of 1994, and DM120 million (US\$76 million) during 1995. Eighty five per cent of the station's budget is spent on acquisitions.

²⁰ Source: ZDF

Premiere

Launched in 1994, Premiere took over from Leo Kirch's Teleclub Munchen, and is Germany's only pay-tv film channel. Its owners include the French pay-tv operators, Canal Plus (37.5 per cent), the Bertelsmann subsidiary Ufa (37.5 per cent) and the Kirch Group (25 per cent). The service is broadcast via Astra 1b and currently reaches 360,000 subscribers. By 1994 it expects to break even, with 750,000 subscribers.

Television ratings

The dominance of the public broadcasters in the TV ratings is clearly illustrated in the following two tables as is the popularity of domestically produced programmes. No foreign programmes appear in the public broadcaster's top 10 and only the US detective series *Columbo* makes an appearance in the private broadcaster's top 10, with a share of 5.2 per cent on RTL. Not included in the tables are movies which are big audience pullers on both the public and private networks. Films are being shown more than ever on German TV with an estimated 13,000 broadcast in 1992, although the bulk of these were repeats. However with such high saturation and increasing competition from indigenous light entertainment and drama, films are no longer pulling the large ratings they once did. In particular, detective programmes are clearly popular, with three appearing among the top six programmes overall. Light entertainment series such as game shows and variety shows are also popular.

Table 3.21: Top 10 Public Programmes, Week ending 28 February 1993

Rank	Programme	Rating (%)	Genre	Channel
1	Das Traumschiff	11.7	Drama	ZDF
2	Derrick	11.6	Detective	ZDF
3	Der Alte	10.6	Detective	ZDF
4	Mainz	10.1	Variety	ARD
5	Karneval In Koln	9.8	Variety	ARD
6	Tatort	9.4	Detective	ARD
7	Lindenstrasse 376	8.6	Soap	ARD
8	Geld Ober Liebe	8.5	Game	ARD
9	Unser Lehrer Dr Sprech	8.5	Drama	ZDF
10	Flitterabend	8.5	Game Show	ARD

Source: Media Control

Table 3.22: Top 10 Private Programmes, Week ending 28 February 1993

Rank	Programme	Rating (%)	Genre	Channel
1	Traumhochzeit	7.2	Game	RTL
2	Ein Bayer Auf Rugen	6.5	Family	Sat1
3	Vator Brauchot Eine Frau	6.3	Sitcom	Sat1
4	Kuck Kal, Er Da Spricht	6.2	Family	Sat1
5	Ein Bayer Auf Rugen	6.1	Family	Sat1
6	Ein Bayer Auf Rugen	5.7	Family	Sat1
7	Traumhochzeit	5.5	Game	RTL
8	Columbo	6.3	Detective	RTL
9	Tut Er's Oder Tut Er Es Nicht	5.2	Game show	RTL
10	Columbo	5.2	Detective	RTL

Source: Media Control

2.5 PRODUCTION AND DISTRIBUTION

As the top 20 programmes are dominated consistently by German programming, the resulting demand for indigenous product places German producers in a strong position. In particular the two public service broadcasters have helped to develop a strong independent sector, and now that the private commercial channels are making profits, they too are investing in domestic production. Leading channel RTL, for example, doubled its investment in German language productions in 1992 to DM500 million (US\$317 million).

The broadcasters have built up relationships with satellite groups of production companies who can expect regular, fully-funded commissions. In some cases they may also retain non-German rights. Independents are also guaranteed a fixed percentage from fully-funded commissions, which pay overheads and allow the development of new projects. ZDF gives producers 6.5 per cent of the budget for production costs and seven per cent for fixed costs. However, recently some leading producers, such as Ufa, have been asked to provide between 10 and 20 per cent of budgets in return for rights after six or seven years.

According to German production association, Bundesverband Deutscher Fernsehproduzenten there are currently between 110 and 200 medium to large/production companies. However, the UK trade magazine Broadcast claimed recently that in total there were around 860 German independent producers, of which just 15 had a significant turnover. Seven companies had an annual turnover between DM 25-50 million (US\$16-32 million), five companies had between

DM50-100 million (US\$32-63 million) and four had turnover in excess of DM100 million (US\$63 million). The report also illustrated the degree of concentration among the sector with the fact that *"of the 120 production companies in the trade association, Bundesverband der Deutschen Fernsehproduzenten, 50 of them are linked with the Kirch group."*

With the current increase in new private channels independent producers can expect more work and higher prices as competition for programming increases.

The distinction between distributors and producers in Germany is becoming increasingly blurred, with a high degree of integration and cooperation between the two sectors. Major producers such as Bavaria Films, the Kirch Group and Tele-Munchen as well as broadcasters ZDF, WDR and NDR are all among the major players in the sector.

Other distributors are also becoming increasingly involved in the production process as they are relied upon to fund producers through pre-sales and distribution guarantees. In effect, distributors are often taking on the financial risks of the producer and as a result they are gaining more control over the content.

The Kirch Group

In addition to its broadcast interests, the Kirch Group has extensive production interests. Production companies include Taurus Film, Beta Film and Unitel, which between them turn out 250 hours of programming a year. The flagship of the group is Beta Film, which concentrates on quality drama, series and mini-series. Sister company Tesauo produces feature films and series while Unitel produces music programmes.

Bavaria Film

In addition to producing high profile feature films, Bavaria Film, is also a prolific producer of TV programmes, turning out around 150 hours a year. The company has traditionally enjoyed close ties with WDR, which has a 40 per cent stake in the company.

EuroArts Entertainment

EuroArts Entertainment is the sister company of the distributor Hellthaler International. Launched in 1984, the company deals largely with children's programming and music.

Tele-Munchen Group

Launched in 1976 by Herbert Kloiber, following his departure from the Kirch Group, Tele-Munchen has grown into a budding media empire. Its production arm is one of the main suppliers of programming to ZDF and ARD, concentrating on dramas and mini series, while Clasart specialises in classical music and cultural programming. In 1989 Capital Cities/ABC

acquired a 50 per cent in the company which has provided Tele-Munchen with strong links with the US. Tele-Munchen also owns distributors Concorde Film and Concorde Video.

Acquisitions and Co-productions

Germany is an attractive market for foreign programme producers because, unlike France, it places no restrictions on the language in which official co-productions may be made. Foreign co-production partners may therefore benefit from German subsidies, while still shooting in English, and thus improving their marketability in the major English speaking territories.

However, the increasingly competitive nature of the German television market has led broadcasters to favour domestic product - which is proving the biggest ratings puller - over co-productions and acquisitions. The public broadcasters, on the one hand, are cutting back acquisition budgets as funds become scarcer, while the wealthier private broadcasters are turning their attention to local productions to win ratings.

Public broadcasters ARD and ZDF have always produced at least 50 per cent of their output in house. The larger of the two, ZDF, has a programming budget of about DM1 million (US\$0.63 million), but acquired programming accounts for just about a quarter of this. The bulk of foreign programming consists of US movies and series, but even these categories can't always match domestic programming in terms of popularity, and from 1993 there will be no foreign series scheduled for prime-time.

Co-productions also account for a small percentage of ZDF's total programming budget, although along with ARD it remains the first port of call for other European broadcasters and independent producers looking to sell or co-produce. Most are co-produced with European broadcasters through long term co-production arrangements, such as the European Co-production Association, in which ZDF invested DM8 million (US\$5.1 million) in 1992. In addition the broadcaster was also involved in about 20 individual co-productions with international partners, including Canada's Primedia. Head of acquisitions and co-productions, Dr Hans-Jurgen Steimer, points to factual drama as an increasingly popular genre for co-productions.

Programming for ARD's national schedule is coordinated by a national committee but only the individual stations can commission new programmes. Like all the broadcasters ARD has output deals for movies and series with the major US distributors including Disney and MGM. Feature films are acquired for the network by ARD Degeto, which purchases 150 productions a year at an average cost of around DM600,000 (US\$400,000) each. Another DM20 million (US\$13 million) is spent on purchases for the individual stations. The bulk of films (70 per cent) are purchased from the US, while 20 per cent come from elsewhere in Europe and 5 per cent are domestic productions. ARD Degeto is also responsible for about 10 co-productions a year, mainly TV-movies. Its main partners have been WIN, Disney and MGM. It has also licensed product from the CBC, Cinefilm and Atlantis.

The individual ARD stations are also responsible for acquiring and co-producing their own programming. With the exception of WDR, the stations have wholly-owned subsidiaries which handle sales, acquisitions and co-productions. NDR, the second largest ARD station, has been particularly active in international co-productions, via its two wholly-owned subsidiaries, Studio Hamburg and NDR International. WDR, the wealthiest and most active of the stations, continues to handle such activities internally but has also bought a 40 per cent stake in Europool, the international co-production arm of fellow ARD station BR. According to Horst Schering, director of WDR and joint MD of Europool, most co-productions tend to be drama series and are produced mainly with other European countries. Canada has not been a favoured co-production partner because Schering believes it to be too protective.

The private channels have relied far more heavily on acquired product, particularly from the US, to build their schedules but now that they can afford it they are planning to produce more domestic output. RTL has output deals with Columbia TriStar International, MCA and Orion, and for several years acquired programmes formed the backbone of the channel's schedule. Now the channel is profitable, however, it has more money to sink into its own productions, and in 1992 the acquisition budget was cut from the previous year's figure of DM125.4 million (US\$75.8 million) to just DM43 million (US\$27.3 million).

Sister channel RTL-2 is likely to show much of RTL's catalogue of US programming. However the Tele-Munchen Group, a 24 per cent shareholder in the channel, is an active co-producer, working with such companies as Paragon in Canada.

Of the independent producers, the Kirch Group is the largest buyer of foreign programming and most active participant in international co-productions. With over 80,000 hours in its catalogue the group is a major supplier to both public networks, and the Kirch-controlled stations, Sat 1 and Pro 7. According to director of creative affairs Ludwig zu Salm the group currently develops and co-produces around 400 hours of programming a year. In addition to other European partners the company has worked closely with US companies, including Lucas Film, Paramount Television and ABC which were involved in the recent successes such as *The Young Indiana Jones Chronicles*.

The saturation of US product in the market is one reason why buyers are now more selective. One possible advantage for non-US producers and distributors is that their programming might stand out as something different.

Faced with the fall in acquisitions and trend towards domestic productions, foreign programme makers increasingly are selling programme ideas, or formats, rather than finished programmes. These are then adapted to suit the German market with local storylines, actors or presenters. Usually it is game shows which are adapted for the German market, but sitcoms are also popular. Shows are adapted by German companies such as TV-60 which has produced 1,200 episodes of the German version of *Wheel Of Fortune*, as well as foreign producers such as the Dutch company JE International which has adapted a number of foreign shows for the German market.

Review of the European Audiovisual Markets

For the broadcaster it provides a cheaper alternative to developing a programme from scratch. RTL runs a number of locally produced programmes based on international formats. These include five game shows produced in Germany by Fremantle.

Co-productions with Canada

For 1992, Telefilm Canada lists two official co-productions between the two countries; *By Way Of The Stars*, which was co-produced by IdunaFilm and Lukas B Productions in Canada, and *Apres Si Longtemps*, co-produced by Neue Filmproduktion, Communications Claude Heroux in Canada and French producer Telfrance.

Programme Acquisition Prices

Germany's rapidly expanding television market has kept programme prices relatively high although there is much greater demand for domestic rather than imported programming. Other factors affecting the prices paid for foreign programming include programme quality, the number of transmissions included in the deal, long and short term output deals, programme packaging and currency fluctuations. As a result there are enormous variations in the prices paid as illustrated in the following two tables.

Tables 3.23 and 3.24: TV Programme Prices in Germany (US\$)

Feature Movies	TV Movies	Specials	One Hour Series	Half Hour Series
22,500-175,000	39,000-70,000	22,500-58,000	12,000-46,000	4,000-12,000

Source: Variety, April 1992

Feature Movies (per film)	TV Movies (per film)	Childrens (per half hour)	Documentaries (per hour)	Drama (per hour)	Light Entertainment (per half hour)
50,000-750,000	50,000-150,000	6,500-25,000	12,000-25,000	30,000-90,000	11,000-15,000

Source: TV World

3 CONTACT DIRECTORY

3.1 FILM

Government Funding Bodies

Berlin Film Commission

Senators für Kulturelle Angelegenheiten
Europa-Center
1000 Berlin 30
Tel: 49 30 21 23 0
Fax: 49 30 213 3288/3205

Bundesministerium des Innern/Filmreferat (BMI)

Federal Ministry for the Interior/Film Section
Postfach 170290
5300 Bonn 1
Tel: 49 228 6811
Fax: 49 228 687 46 65

Film Buro

Friedensallee 7
2000 Hamburg
Tel: 49 40 398 26 260

Filmförderungsanstalt (FFA)

Federal Film Board
Budapesterstrasse 41
1000 Berlin 30
Tel: 49 30 254 09 00

Film Funds

Friedensallee 14-16
2000 Hamburg 50
Tel: 49 40 390 58 83
Fax: 49 40 3954 95

Kuratorium Junger Deutscher Film

Postfach 12 04 28
6200 Wiesbaden
Tel: 49 6121 60 23 12
Fax: 49 6129 20 80

LFA (Bayerische Landesanstalt für Aufbaufinanzierung)

Königinstrasse 15
8000 Munich 22
Tel: 49 89 212 240
Fax: 49 89 21 24 440

North Rhine-Westphalia Film Foundation

Kaistrasse 14
4000 Dusseldorf 1
Tel: 49 211 930 500
Fax: 49 211 930 505

Production Companies

Bavaria Film

Bavariafilmplatz 7
8022 Geiseltasteig
Tel: 49 89 649 90
Fax: 49 89 64 25 36
Managing Director: Dr Harold Junge

CineVox Entertainment

Bavariafilmplatz 7
8022 Geiseltasteig
Tel: 49 89 649 26 04
Fax: 49 89 6499 2895
Contact: Dieter Geissler

Connexion

Harvestehuder Weg 45
PO Box 13 22 21
2000 Hamburg 13
Tel: 49 40 41 17 93 00
Fax: 49 40 41 17 93 99
Contact: Willi Bär

Neue Constantin

Kaiserstrasse 39
8000 Munich 450
Tel: 49 89 38 60 90
Fax: 49 89 38 60 92 42
Contact: Herman Weigel

Distribution Companies

Columbia TriStar

Ickstattstrasse 1
8000 Munich 82
Tel: 49 89 236 90 00
Fax: 49 89 26 43 80
Managing Director: Jurgen Schau

Concorde Film

Widenmayer Strasse
8 Munich 22
Tel: 49 89 21 23 070
Fax: 49 89 29 64 50
Head of Acquisitions: Michael Bischoff

Senator

Herzog Wilhlemstrasse 27
8000 Munich 2
Tel: 49 89 23 11 18 0
Fax: 49 89 23 11 18 25
CEO & President: Hanno Huth

Time Medienvertriebs

Wendl-Dietrich-Strasse 4
8000 Munich 19
Tel: 49 89 168 88 65
Managing Director: Wolfram Tichy

Tobis Filmkunst

Bismarckstrasse 108
1000 Berlin 12
Tel: 49 30 839 00 70
Fax: 49 30 839 00 740
Contact: Kilian Rebentrost

20th Century Fox of Germany

Hainer Weg 37-53
6000 Frankfurt Main 70
Tel: 49 69 60 90 20
Fax: 49 69 62 77 16
Managing Director: Peter W Dignan

UIP

Hahn Strasse 31235
6000 Frankfurt 71
Tel: 49 69 669 81 90
Fax: 49 69 666 65 09
Managing Director: Fred Sord

Warner Bros Film

Rosenheimer Strasse 143 B
8000 Munich 80
Tel: 49 89 418 00 90
Fax: 49 89 4180 09 45
General Manager: Silber Schneider

3.2 VIDEO

Distributors

Atlas Film + Medien

Ludgeristrasse 14-16
4100 Duisburg 1
Tel: 49 203 308 244
Fax: 49 203 37 15 20
MD: Paul Liwa

BMG Ariola

Justus-von-Liebig-Ring 2-4
2085 Quickborn
Tel: 49 4106 6 14 0
Fax: 49 4106 819 28
MD: Rolf A. Lerschmacher

Buena Vista Home Video

Kronstadter Strasse 9
8000 Munchen 80
Tel: 49 89 99 39 10 0
Fax: 49 89 99 340 139
MD: Karl-Heinz Jorde

CBS/Fox Video

Am Forsthaus
Gravenbruch 7
6078 Neu-Isenburg 2
Tel: 49 6102 500 40
Fax: 49 6102 55 50
Managing Director: Bodo Schwartz

CIC Video

Stutzelackerweg 12-14
6000 Frankfurt a Main 90
Tel: 49 69 78 70 71
Fax: 49 69 789 48 60
MD: Hans-Werner Langer

Columbia TriStar Home Video

Schatzbogen 50-52
8000 Munchen 82
Tel: 49 89 420 90 10
Fax: 49 89 420 901 22
MD: Bernhard Maurer

Concorde Video

Stefan-George-Ring 23
8000 Munchen 81
Tel: 49 89 93 09 50
Fax: 49 89 93 09 595
MD: Dr Herbert Kloiber

Constantin Video

Kaiserstrasse 39
8000 Munchn 40
Tel: 49 89 38 609 0
Fax: 49 89 38 609 242
MD: Edwin Leicht

Euro Video Bildprogramm

Oskar-Messter-Strasse 15
8045 Ismaning
Tel: 49 89 960 92 0
Fax: 49 89 96 42 76
MD: Claus Czaika

Fox Video

Am Forsthaus Gravenbruch 7
6078 Neu-Isenburg 2
Tel: 49 6102 50 04 0
Fax: 49 6102 55 50
MD: Bodo Schwartz

Highlight Video

Herkomerplatz 2
8000 Munchen 80
Tel: 49 89 92 69 66 01
Fax: 49 89 98 15 43
MD: Burt Neuber

HVW Focus Film

Industriestrasse 49
4044 Kaarst 1
Tel: 49 2131 60 40 41
Fax: 49 2131 632 90
MD: Guido Franken

IMV

Oskar-Messter-Strasse 15
8045 Ismaning
Tel: 49 89 960 92 0
Fax: 49 89 96 42 76
MD: Claus Czaika

ITP

Ballinstrasse 16-18
1000 Berlin 47
Tel: 49 30 68 98 06 0
Fax: 49 30 685 60 37
MD: Karl Blatz

Marketing Film

Viktoriastrasse 23-25
4630 Bochum
Tel: 49 234 607 45/46
Fax: 49 234 147 74
MD: Manfred Menz

Polyband

Gesellschaft fur Tontrager
Am Moosfeld 37
8000 Munchen 82
Tel: 49 89 42 00 30
Fax: 49 89 420 03 42
MD: Swetlana Winkel

Polygram

Holzdammm 57-61
2000 Hamburg 1
Tel: 49 30 87 747
Fax: 49 30 87 436
MD: Bernd Wiesner

Screen Entertainment

Glockengiesserwall 2
2000 Hamburg 1
Tel: 49 40 32 01 00 0
Fax: 49 40 32 01 00 40
MD: Joachim Ludicke

Starlight Film Productions

Steinring 45
4630 Bochum 1
Tel: 49 234 333 04 02
Fax: 49 234 31 34 88
MD: Peter Wolf

Tarus Film Video

Frauenhoferstrasse 9
8045 Ismaning
Tel: 49 89 960 70 60
Fax: 49 89 96 07 06 51
MD: Winfred Kunze

Topstar Video

Reinhold-Meyer-Strasse 21
2000 Hamburg 61
Tel: 49 40 555 35 49
Fax: 49 40 552 66 81
MD: Christian Bott

UFA-Universum Film

Berg am Laim-Strasse 47

8000 Munchen 80

Tel: 49 89 41 36 241

Fax: 49 89 40 57 00

MD: Bernd Tietze

VCL/Carolco Communications

Martin-Kollar-Strasse 1

8000 Munchen 82

Tel: 49 89 42 00 80

Fax: 49 89 42 34 04

MD: Datty Ruth

VIPRO

Taunusstrasse 51

8000 Munchen 40

Tel: 49 89 35 09 40

Fax: 49 89 35 09 41 01

MD: Dieter Casper

VPS Film-Entertainment

Saarstrasse 7

8000 Munchen 40

Tel: 49 89 38 60 10

Fax: 49 89 38 60 11 38

MD: Artur Buhlmaier

Warner Home Video

Hans-Henny-Jahnn-Weg 35

2000 Hamburg 76

Tel: 49 40 22 71 25 0

Fax: 49 40 22 71 25 59

MD: Wilfried Geike

3.3 TELEVISION

Regulatory Body

Bundesamt Fur Post Und Telecommunication (BAPT)

Templestrasse 2-4
6500 Mainz 1
Tel: 49 61 31 19 0
Fax: 49 61 31 1856 00

Trade Organisation

Bundesverband Deutscher Fernsehproduzenten

(German Independent Producers Association)
Widenmayerstrasse 32
8000 Munich 22
Tel: 49 89 22 35 35
Fax: 49 89 228 55 62
Contact: Robert Strasse

Broadcasters

ARD Degeto

Arnulfstrasse 42
D-8000 Munich 2
Tel: 49 89 590001
Fax: 49 89 59000 3249
Film acquisition arm of the ARD network

Bayerischer Rundfunk BR

Rundfunkplatz 1
D-8000 Munich 2
Tel: 49 89 59 00 01
Fax: 49 89 59 00 23 75
Director: Prof. Albert Scharf

Hessischer Rundfunk (HR)

Bertramstrasse 8
D-6000 Frankfurt 1
Tel: 49 69 1551
Fax: 49 69 155 29 00
Director: Dr. Hartwig Kelm

Norddeutscher Rundfunk (NDR)

Rothenbaumchaussee 132-134

D-2000 Hamburg 13

Tel: 49 404 15 60

Fax: 49 40 44 76 02

Director: Jobst Plog

NDR International

Rutersbarg 46

2000 Hamburg 54

Tel: 49 40 4156 5381

Fax: 49 40 4156 5366

Senior Executive VP: Horst Bennit

Radio Bremen

Burgermeister-Spitta-Allee 45

D-2800 Bremen 33

Tel: 49 421 246 0

Fax: 49 421 246 10 10/2

Director: Karl-Heinz Klostermeier

Saarlandischer Rundfunk (SR)

Funkhaus Halberg

D-6600 Saarbrücken

Tel: 49 681 6020

Fax: 49 681 602 38 74

Director: Dr. Manfred Buchwald

Sender Freies Berlin (SFB)

Masurenalle 8-14

D-1000 Berlin 19

Tel: 49 30 303 10

Fax: 49 30 301 50 62

Contact: Dr Gunther von Lojeweski

Suddeutscher Rundfunk (SR)

Neckarstrasse 230

Postfach 10 60 40

D-7000 Stuttgart 10

Tel: 49 711 9290

Fax: 49 711 929 2600

Director: Herman Funfgeld

Sudwestfunk (SF)

Hans-Bredow-Strasse
D-7570 Baden-Baden
Tel: 49 7221 92 0
Fax: 49 7221 92 20 10
Director: Willibald Hilf

Westdeutscher Rundfunk (WDR)

Appellhofplatz 1
D-5000 Cologne 1
Tel: 49 221 2201
Fax: 49 221 220 4800
Director: Friedrich Nowotny
Head of WDR International: Horst Scherring

Mitteldeutscher Rundfunk

Springerstrasse 22-24
DO-7022 Leipzig
Tel: 49 341 566 20
Fax: 49 341 29 53 09
Director : Dr. Udo Reiter

Östdeutscher Rundfunk Brandenburg

August-Bebel-Strasse 26-53
DO 1591 Postdam
Tel: 49 331 723 600
Fax: 49 331 773 95
Director: Hansjürgen Rosenbauer

Zweites Deutsches Fernsehen (ZDF)

PO Box 4040
W-6500 Mainz
Tel: 49 6131 701
Fax: 49 6131 702157
Head of International Co-productions and Acquisitions: Dr Hans-Jürgen Steimer

RTL

Aachener Strasse 1036
D-5000 Cologne 40
Tel: 49 221 48950
Fax: 49 221 4895 690
Programming Director: Marc Conrad

Sat 1

Otto-Schott-Strasse 13
D-6500 Mainz-Marienborn
Tel: 49 6131 9000
Fax: 49 6131 900 100
Head of Programming: Josef Andorfer

Pro 7

Bahnhofstrasse 28
8043 Unterfohring
Munich 40
Tel: 49 89 95 0010
Fax: 49 89 95 001 230
Head of Programming: Dr Angelika Fischer

Tele 5/DSF

Bahnhofstrasse 27a
8045 Unterfohring
Munich 40
Tel: 49 89 2727 70
Fax: 49 89 2727 7401
Programme Director: Jochen Krohne

Premiere

PO Box 70 03 08
2000 Hamburg 70
Tel: 49 40 694450
Fax: 49 40 69445 199
Programme Director: Rudi Klausnitzer

Kabelkanal

Martin-Kollar-Strasse 13
8000 Munich 82
Tel: 49 89 45185 0
Fax: 49 89 45185 104
Managing Director: Karlheinz Jungbeck

n-tv

Taubenstrasse 1
10117 Berlin
Tel: 49 30 231 25 500
Fax: 49 30 231 25 505
General Manager: Karl-Ulrich Kuhlo

Vox

PO Box 30 14 33
Richard-Byrd-Strasse 6
5000 Köln 30
Tel : 49 221 95340
Fax : 49 221 9534 800
General Manager: Erich Staake

Production Companies

Bavaria Film

Bavariafilmplatz 7
8022 Geiseltasteig
Tel: 49 89 6499 2681
Fax: 49 89 6499 2240
Head of TV Co-Production: Carina Vogel
Producer and distributor

As well as being a prominent feature film producer, the studio is actively involved in television production. It has close ties with WDR, which has a 40 per cent stake in the company and also co-produces with other countries.

The Kirch Group

Robert Burkle Strasse 2
8045 Ifmaneng
Tel: 49 89 95088 170/1
Fax: 49 89 95088 754
Co-productions: Ludwig Zu Salm
Programming Director: Jan Mojto
Producer and distributor

Through its subsidiaries, Beta Film, Taurus Film and Unitel, the Kirch Group has established itself as a major international player in the business of acquisition, licensing production, and co-production. The company has over 80,000 hours of programming in its library and currently develops and co-produces around 400 hours of programming annually. The group has been co-producing with major European partners since the early Seventies and has also built up long-standing relationships with the major US players. At this year's Monte Carlo, its line-up of co-productions included By Way Of The Stars, a mini-series in which Telefilm Canada and the CBC participated.

Capitol Film & TV International

Harvestehuder Weg 43
2000 Hamburg 13
Tel: 49 40 411 79 123
Fax: 49 40 411 79 198
Contact: Gerhard Von Halem
Producer and distributor

CCC

Verlangerte Daumstrasse 16
1000 Berlin 20
Tel: 30 334 2001
Fax: 30 334 0418
Manager: Artur Brauner

Although more active as a film producer CCC also produces around two television series a year. Around 60 per cent of its output is co-produced, mainly with Russia and France.

Euro Arts Entertainment/Hellthaler International

Teckstrasse 64
7000 Stuttgart 1
Tel: 49 711 268 760
Fax: 49 711 268 7676
Managing Director: Bernd Hellthaler
Producer/Distributor

Distributor Hellthaler International handles feature films, TV-movies and music programmes. It buys around 20-30 hours of foreign programming a year, mostly from the US, the UK, Canada and France. Sister company Euro Arts specialises in music and children's programming and co-produces around 40-50 hours of programming a year. It believes Canada to be a good co-production partner because of its mix of US and European culture.

Europool

Sonnenstrasse 21
D-8000 Munich 2
Tel: 49 89 55 876 0
Fax: 49 89 55 876 888
Managing Director: Horst Vetter
Producer and distributor

International co-production arm of ARD stations WDR and BR.

Monaco Film

Brabanter Strasse 4
8000 Munchen 40
Tel: 49 89 369072
Fax: 49 89 3618427
Manager: Georg Althammer

Monaco's main areas of specialisation are feature films, TV-movies and series. The company has not done international co-productions in the past, but did participate in the German episode of the series Eurocops, and hopes to develop further in that direction.

Multimedia

Sieker Landstrasse 39a
D-2000 Hamburg 73
Tel: 49 40 675000 0
Fax: 49 40 97500071
Director: Wolfgang Esterer

Produces around 100 hours a year, including drama series, TV movies, comedies documentaries and magazine programmes. Has co-produced TV movies with Primedia.

Neue Filmproduktion TV

Kurfurstendamm 54/55
D-1000 Berlin 15
Tel: 49 30 882 74 88
Fax: 49 30 881 26 27
Producer: Franz Thies

Over the last seven years NFPTV has co-produced about 2 hours a year. The company specialises in mini-series and works mainly with France. It has also worked on projects with Telefilm Canada support, CCH and Quebec producers under the official co-production treaty. It will put up 20 per cent of the budget in return for Canadian rights.

Novofilm

Wilmerstrasse 94
1000 Berlin 12
Tel: 49 30 8827 498
Fax: 49 30 8837 684
Managing Director: Otto Meissner

The company has been responsible for some of Germany's most popular entertainment series, such as the soap opera Landarzt. As yet the company has no experience of co-producing.

Penta TV Produktions

Kurze Strasse 8
D-2114 Hollenstedt
Tel: 49 4165 80 8 94
Fax: 49 4165 85 35
Vice President: Martin Debertin
Producer and distributor

Phonix Film

Oberlanstrasse 26-35
1000 Berlin 42
Tel: 49 30 7529071
Fax: 49 30 7510053
Managing Director: Karl-Heinz Brunnemann

Has enjoyed a strong history of producing drama and soaps for ARD and ZDF. As yet it has not got involved in co-productions.

Polyphon

Jenfelder Allee 80
2000 Hamburg 70
Tel: 49 40 66 88 53 56
Fax: 49 40 66 88 53 65
CEO: Frithjof Zeidler

Polyphon produces about 60 hours of programming a year, and specialises in drama series such as Black Forest Clinic. The company co-produces with other European broadcasters, and with Canadian partners including CBC, Ralph Ellis and Primedia/Nielsen Ferns.

Regina Zeigler Filmproduktion

Budapester Strasse 35
1000 Berlin 30
Tel: 49 30 2500 060
Fax: 49 30 8213
Producer: Regina Zeigler

The company's main product is drama, and total output annual about is around 40 hours. Of this about 5-10 hours are currently co-produced and the figure is increasing. The company believes documentaries and mini-series tend to have the most universal appeal and are thus easier to co-produce. The company is not in the business of co-financing and always has creative input in joint projects.

Studio Hamburg

Jenfelder Alle 80

2000 Hamburg 70

Tel: 49 40 66 88 53 53

Fax: 49 40 66 88 53 99

Managing Director: Gerd Richter-Kiewning

Producer and distributor

Although a wholly owned subsidiary of NDR, Studio Hamburg operates as an independent commercial company. With 10 studios the company is one of Northern Europe's largest production centres, producing more than 1,500 hours annually.

Tele-Munchen Gruppe

Kaufingerstrasse 25

8000 Munchen 2

Tel: 49 89 29 66 61

Fax: 49 89 22 78 75

Managing Director: Dr Herbert Kloiber

Head of Acquisition: Michael Bischoff

Produced about 10 hours of programming last year and distributed about 400-500 hours, mainly from the US. Around 4-5 hours are co-produced a year mainly with UK, French or Italian partners. The company prefers to get financing through pre-sales, to avoid conflicts between several co-producers.

TPI Trebitsch Produktion International

Jenfelder Allee 80

2000 Hamburg 70

Tel: 49 40 66 88 22 00

Fax: 49 40 66 88 43 08

Producer: Eberhard Naumann

Bertlesmann-owned company, with a strong track record of producing drama series, documentaries, magazines and children's programmes. In 1992 it produced 61 hours of programming, and the company has also been involved in co-productions with the major European broadcasters.

Transtel

PO Box 10 17 07
5000 Cologne 1
Tel: 49 221 3892762
Fax: 49 221 3892766
Managing Director: Dr. Ulrich Schaeffer
Producer and distributor

Produced around 150 hours of programming in 1992, 22 of which were co-produced. The company does most of its co-producing with Third World countries and Latin America. Although it is also a distributor, it only handles German productions which it sells mainly to the Third World.

TV-60

Wiltrundenstrasse 5
D-8000 Munchen 40
Tel: 49 89 360 4910
Fax: 49 89 360 49160
Managing Director: Bernd Burgemeister

One of the oldest independents in Germany, TV-60 is a well established producer of one-off drama, series and mini-series for the public service broadcasters.

Wagner Hallig

Kastanienhain 27
6232 Bad Soden/Ts.3
Tel: 49 61 74 70 11
Fax: 49 61 74 237 62
President: Thomas Wagner
Producer and Distributor

Specialises in children's programming. Productions in 1992 included a 26x5 minutes animation series. Does co-produce but has been put off working with Canadian companies after filming Huckleberry Finn and Tom Sawyer in Canada. It found the regulations very restrictive, and says there were problems with the co-producer providing 50 per cent of the budget. As a distributor, however, the company buys a considerable amount of Canadian programming.

Distributors

igelfilm

Friedensallee 7-9

22765 Hamburg 50

Tel: 49 40 390 87 65

Fax: 49 40 390 36 07

Managing Director: Christian Lehmann

Producer and distributor

Distributor with a catalogue of around 2,500 hours of programming. Specialises in children's and documentaries. Holds rights for 5 years. Presently representing the Canadian national film board and also interested in programming from TV Ontario.

Futura

Rambergstrasse 5

8000 Munchen 40

Tel: 49 89 38 17 00 30

Fax: 49 89 38 17 00 20

Head of World Sales: Antonio Exacoustos (Jr)

Ravensburger Film & TV

Robert-Bosch-Strasse 1

W 7980 Ravensburg

Tel: 49 751 86 238

Fax: 49 751 86 175

Managing Director: Peter Hille

Acquires approximately 120 hours of programming a year, mostly from Canada, Australia, New Zealand, France and the UK. Specialises in children's, youth and family programming, including drama and animation. Co-produces around 50 hours a year, and has worked with Canadian partners including Atlantis, Paragon, Cine Group and Filmoption Internationale. MD Peter Hill says, "If you want European money, maintain a Canadian profile or discover Canadian European things you have in common, but don't go US-American."

TBA Films and Television

Abteistrasse 34

2000 Hamburg 13

Tel: 49 40 44 14 27

Fax: 49 40 45 48 71

Managing Director: Anne-Kathrin Seif

Represents exclusively TV companies and producers, including Canada's Paragon Entertainment. Co-produces between 2 and 10 hours of drama and documentary a year.

Telcast International

Osterwaldstrasse 10

D-8000 Munchen 40

Tel: 49 89 361 8944

Fax: 49 89 361 3760

Head of Distribution: Suzanne Finken

Tristar Film & TV

Rothenbaumchaussee 26

D-2000 Hamburg 13

Tel: 49 40 448 07 48

Fax: 49 40 44 61 97

Managing Director: Werner Kupper

Producer and distributor

Primarily a distributor handling about 100 hours of programming a year. Around 80 per cent of Tristar's library is foreign, mainly from Australia, Canada and Europe. The company also produced three programmes in the last year, in the music and light entertainment genre. It has been involved with co-productions, but not under official treaty.

SPAIN

Contents

1	FILM	
1.1	INTRODUCTION	1
1.2	REGULATORY FRAMEWORK	1
1.3	SOURCES OF FUNDING	3
1.4	PRODUCTION SECTOR	7
1.5	DISTRIBUTION SECTOR	14
1.6	EXHIBITION SECTOR	15
1.7	THE VIDEO MARKET	19
2	TELEVISION	
2.1	INTRODUCTION	24
2.2	REGULATORY FRAMEWORK	25
2.3	TELEVISION REVENUE	25
2.4	BROADCASTERS	26
2.5	PRODUCTION AND DISTRIBUTION	30
3	CONTACT DIRECTORY	
3.1	FILM	36
3.2	VIDEO	41
3.3	TELEVISION	43

1 FILM

1.1 INTRODUCTION

With cinema admissions rising and a history of financial support from the government, one might expect the outlook for the Spanish film industry - the fourth largest in Europe - to be a bright one. However, the recent turn around in admissions has done little to reverse the previous 20 years of decline, while the Government's various subsidies have been cutback with the aim of fostering a more commercially-driven film industry.

Without sufficient private investment to take the place of government support, Spanish film output has fallen considerably, while the US majors have continued to increase their dominance of the market. Around three quarters of the films shown in Spain are US productions, and the Hollywood studios also dominate the distribution sector.

1.2 REGULATORY FRAMEWORK

Financial aid for the film industry in Spain was introduced in 1974 and is administered by the Instituto de la Cinematografía y de las Artes Audiovisuales, (ICAA), which reports to the Ministry of Culture.

The ICAA replaced the former Dirección General de Cinematografía in 1984. For the next five years, the ICAA provided film-makers with a substantial degree of government support. Producers were able to claim up to 50 per cent of a film's cost in advance. In addition, all Spanish films qualified for an amount equivalent to 15 per cent of the gross receipts; films of "special quality" (ie., of artistic merit - see page 4) could claim an additional 25 per cent, as could high budget films. It was therefore possible for a producer to receive subsidies up to the total cost of the film, with any excess being set aside for the producer's next project.¹

In 1989, the Government introduced a new system which provided support for distributors, exhibitors and scriptwriters as well as producers. There was considerable controversy over this within the Spanish film industry, leading to negotiations between the Ministry of Culture, the then ICAA director general Enrique Balmaseda, and the trade association Comité Unitario Interprofesional de la Cinematografía y del Audiovisual (CUICA). As a result of this, the system is now being modified and the Government has announced plans for global reforms to the cinema industry.

¹ A Level Playing Field?, BFI 1991

Taxation / levies

In general, cinema admissions incur a sales tax of 6 per cent, half the standard rate. All activity concerned with production, distribution and exhibition of films destined for X-rated cinemas attracts a sales tax of 33 per cent.

In 1992, the Government announced an increase in its provision of special low-interest credit lines for private investors.²

Quotas / restrictions

Spanish cinemas are subject to a screen quota of one day of EC films for every three days of other films. If the EC film is dubbed then only two days of other films may be shown, while if the EC film is more than two years old then only one day of other films may be shown³.

Distributors are granted licences to distribute up to four foreign films per year if they buy rights to a Spanish film. The first licence is granted on signing a contract, the second when the Spanish film grosses Pta 30 million (US\$320,000), the third when the film grosses Pta 60 million (US\$640,000) and the fourth when the film grosses Pta 100 million (US\$1 million). Currently these restrictions apply to all non-Spanish films including EC films, but in May the European Court of Justice ruled that the legislation contravenes the Treaty of Rome.

However, changes in the legislation to extend the qualifying purchase to include EC films were proposed in December. This would allow EC films free exhibition if they were dubbed. The Ministry of Culture has also proposed dropping the number of licences to two foreign films per year, in an attempt to reduce US domination of the box office.

The director general of ICAA, Juan Miguel Lamet, justified this decision with the explanation that the first licence is a mere formality, not based on any performance measure, and the fourth is mainly irrelevant as few Spanish films gross Pta 100 million (US\$1 million). In addition, distributors who finance more than 25 per cent of a Spanish film - either by pre-sales acquisition or by equity participation - receive an automatic distribution licence.

The new measure is expected to make things more difficult for sub-branches of the US majors in Spain, rather than the local independents. However, the independent producer's association Procine has objected to the proposal to extend the category of films that generate dubbing licences to all EC films. It claims that the majors will choose to buy top European films, rather than Spanish productions, to obtain licences for US product. It now seems likely that only non-dubbed EC films will be included in this category.

² Source: European FilmFile

³ Source: Screen Digest

1.3 SOURCES OF FUNDING

Government schemes

Automatic aid for feature films

Under the automatic aid scheme, all feature film producers (apart from producers of pornographic films) receive an amount equivalent to 15 per cent of the gross box office takings earned over the first two years of a film's exhibition in Spain. An additional 25 per cent of the gross box office is available to producers who do not receive any further aid from the ICAA or any other public body. The total aid invested may not exceed the producer's investment nor 50 per cent of the cost of the picture and is subject to maximum limit of Pta 200 million (US\$1.9 million). If the producer has already received a production subsidy, then the amount of aid is limited to Pta 100 million (US\$1 million).

Advance subsidies for feature film production

Aid for production may not exceed the investment of the producer nor the amount of Pta 85 million (US\$733,000) for each film. This amount may be raised to Pta 200 million (US\$1.9 million) in exceptional circumstances - in particular, for high budget features or co-productions. The ICAA committee (the Comité Asesor de Ayudas) considers all these issues when assessing projects to be funded, along with the quality and artistic value of the project, the financial proposals for the picture and the solvency of the producer.

Of the Ministry of Culture's US\$32 million annual national film fund, only Pta 1.8 billion (US\$17.3 million) is allotted for advance subsidies. It is unlikely that this figure will increase in 1993, given the current reported Government cutbacks.⁴

Additional aid for films of high budget or special quality

Films with a budget of Pta 55 million (US\$520,000) or more qualify for an additional 10 per cent aid, taking the total automatic aid to a possible 25 per cent. The ICAA may also grant up to 10 subsidies of Pta 30 million (US\$280,000) each to producers of films chosen as being of "special quality". These films are chosen by a panel of between seven and 10 critics and directors, who are selected by the ICAA's director general. The panel judges films from the previous year, and aid is awarded for artistic, rather than technical merit.

Aid for the production of short films

Producers of short films may receive production subsidies from the ICAA; they may also receive a subsidy on completion of the film. The sum of both of these subsidies may not exceed

⁴ Source: Moving Pictures International

Review of the European Audiovisual Markets

50 per cent of the film's cost or the producer's investment up to a maximum in all cases of Pta 10 million (US\$95,000) per film.

Aid for the creation of screenplays

Subsidies are also available for the creation of screenplays for feature films made in Catalan or in another Spanish language.

Selective aid for distribution and exhibition

The ICAA can subsidise the making of copies, subtitling and publicity expenses for distribution. The total of these subsidies may not exceed 50 per cent of the cost of making the print, subtitling or publicity, up to a maximum of Pta 10 million (US\$95,000).

"Exhibitors may receive a subsidy of up to 5 per cent of the gross box office receipts for showing EC films benefiting from the previous subsidy from the premiere and during the first two years of commercial exploitation".⁵ The ICAA may also grant aid for the maintenance of cinemas in rural areas or of low return. The total amount for subsidies is determined annually.

Regional aid

Eight of Spain's 15 regions have film aid schemes. The main regions for which aid is available are the Basque region, Valencia and Catalonia.

Basque region - Since 1981, the Department of Culture and Tourism for the region (Direccion de Creacion y Difusion Cultural) has been providing a limited amount of support to filmmakers. There are now plans to create a public body, Eusko Film, to fulfil this role. Projects are selected primarily for their cultural interest, but increasingly co-productions are being encouraged, in the expectation that these will bring new techniques to those working in the Basque industry.

To be eligible for aid, projects have to be filmed in the Basque region and 75 per cent of the payments to artistic and technical personnel have to be made to those living in the Basque region.

Subsidies of up to 3 per cent of the total cost of the film are available, up to a maximum of Pta 40 million (US\$380,000). There are additional prizes for films of artistic merit, worth up to Pta 5 million (US\$48,000).

Films chosen must provide a reference to the Department of Culture and Tourism in the film's credits and on publicity material. They must also deposit two copies of the film with the Department, one in Basque and one in Catalan, irrespective of the original language of the film.

⁵ A Level Playing Field, BFI 1991

Valencia and Catalonia - in Valencia, the Department of Culture (Generalitat Valenciana: Seccion de Cinematografia) provides a limited amount of assistance to film-makers. In 1989, there were three awards of Pta 8 million (US\$76,000) and 12 million (US\$76,000 - 110,000) for feature films, five awards of between Pta 1 million (US\$10,000) and Pta 4 million (US\$38,000) each for short films and five awards of Pta 600,000 (US\$5,700) each for scriptwriting.

The Catalan Department of Culture (Generalidad de Cataluna) provided around US\$64 million for film and TV in 1990.

Investment by television companies

RTVE

Between 1982 and 1987, the Spanish Government funded national films via advance subsidies based on the French system of "avances sur recettes". In 1987, the Culture Minister, Jorge Semprun, drastically re-shaped Spanish governmental film funding policy, attempting to devolve the principal responsibility for film financing on to Radio Television Espanola (RTVE), the state-owned Spanish broadcaster. In return for its investments in feature films, RTVE would take Spanish television rights. In 1989 and 1990, RTVE set a scale Pta 2 billion (US\$21.5 million) for feature film production. Two key factors determining whether a film went ahead or not then became receipt of a subsidy from the ICAA plus a pre-sales agreement with RTVE.

In 1991, however, RTVE's film investment activities collapsed as a result of the company's extensive financial difficulties. Its problems were the result of the increasing competition for advertising which its two national television channels. This competition came primarily from Tele 5, Antena 3 and Canal Plus Espana, (three new private national television channels); and the growing number of publicly-owned regional television channels. In 1991, RTVE therefore suspended its pre-sales acquisitions of contemporary Spanish films, forcing producers to fall back on the ICAA for initial film financing. The Spanish Government had to step in to provide short term funding solutions for 30 films which had been pledged Pta 2 billion (US\$19 million) by RTVE.

In June 1992, the first official contact for more than a year took place between the Spanish film industry and RTVE. This raised hopes that RTVE might renew at least part of its Pta 12 billion (US\$130.4 million) financing allocation which was originally slated for feature film and TV fiction production in 1989 and 1990, but then withdrawn. This was followed by the announcement in October 1992 from director general Jordi Garcia Candau that RTVE will invest in "between six and 10 Spanish feature films a year." Another source estimated that RTVE would be investing around Pta 50-90 million (US\$540,000-968,000).⁶

⁶ Source: Moving Pictures International

Canal Plus Espana

When Canal Plus Espana was launched in 1990, Canal Plus promised to invest US\$10 million in the Spanish film industry and the company is currently the most active acquirer of film rights of the three new private broadcasters. All investment is being channelled through the Sogetel production company while buying company Sogepaq handles the bulk of acquisitions (see section 1.3.4).

Antena 3

Recently the channel announced plans to co-produce 10 Spanish feature films a year. It has already provided 30 per cent funds for three Andres Vicente Gomez projects - *Como Ser Infeliz Y Disfrutarlo*, *Cuernos De Mujer* and *Tirano Banderas* - as well as a fourth feature, *Supernova*. The channel has also signed a TV rights deal with Sogepaq for 14 Spanish films, including BigasLuna's *Jamon, Jamon* and Vicente Aranda's *El Amante Bilingue*. Co-production facilities could include straight equity participations, TV advertising placements, hire of studios or "collaboration with producers who support the channel's projects."⁷

Private finance

The decline in direct television financing has led to the involvement of large multi-media groups, which are looking to profit from the production of films and the selling of rights. These companies all have strong financial backing and are able to produce films with the minimum of outside investment, maximising the potential revenues available from the sale of rights.

In particular Spain's largest communication and publishing group, PRISA, has set up a film production arm Sogetel and an acquisitions arm Sogepaq. Restructured in 1989 as a multimedia holding, PRISA has interests and investments in radio, the press, and television. PRISA activated its feature film production arm, Sogetel, a joint venture with the March Group (30 per cent) and investors Bankinter (10 per cent) and Imagen y Medios (10 per cent) in 1990. Acting as a semi-independent producer, Sogetel had placed investments in a nine feature film slate by August 1991. This investment, worth a total Pta 2.57 billion (US\$22.6 million), covered nearly a quarter of the Spanish films produced over the previous 12 months.

Sogetel has invested in a variety of films, including *Vacas*, a US\$1.4 million rural drama directed by a newcomer, *Despues Del Sueno*, a US\$1.6 million project by auteur Mario Camus, and *El Rey De Napoles* which, at US\$2.6 million, is its most ambitious project to date.

PRISA's other film venture is Sogepaq, a merger between the TV rights-buyers Cinepaq and Idea, in which Sogetel has 51 per cent stake. Sogepaq buys TV rights to films and sells them on for profit, providing another possible source of finance to Spanish producers. It controls a catalogue of TV rights to 1,400 films. In some ways, Sogepaq has effectively taken over the

⁷ Moving Pictures International

position of RTVE as the major acquisition force for domestic and selected foreign territory rights to Spanish films. "The production and acquisitions strategy of PRISA, via Sogetel and Sogepaq, is important for the Spanish film industry. It reflects a significant, if not yet complete, restructuring of film production thinking in Spain".⁸

Tapping private finance through the creation of informally integrated media groups is, as yet, an untried source of revenue. However, this is one direction in which the Spanish film industry now appears to be moving. Another example is Cartel, a production offshoot of Unipublic, an advertising agency controlled by the major shareholder of the newspaper El Mundo. In addition, in the summer of 1992, four of Spain's leading producers - Andrés Vicente Gómez of Iberoamericana Films, Juan Ruiz de Gauna, of Sogetel, Pedro Pérez and Victor Manuel of ION Producciones - sat down to sketch out a revolutionary proposition: the foundation of a joint production conglomerate. The main thrust of discussions is, an attempt to articulate a film production strategy coherent with the long-term audiovisual ambitions of the Spanish industry. There has been no formal proposal yet.

Investment by financial institutions

Banco de Credito Industrial, a nationalised enterprise, is the dominant banking investor in Spain, providing production finance up to 70 per cent of budget (including cost of production and prints). Production loans are at an interest rate of 10.75 per cent for three year loans; this is approximately three per cent below the going commercial loan rate. Loans are underwritten by a Pta 400 million (US\$3.8 million) guarantee fund at the ICAA. Only the Spanish share of co-productions qualify for such loans. Producers must repay loans within three years, in biannual instalments, with interest charged quarterly. The producer must also pledge his/her personal property as surety for the loan.

1.4 PRODUCTION SECTOR

The Spanish film industry is determined to make Spain into a major European film production power. This was the subject of a three day debate at last year's Audiovisual Espanol 93 conference, held in June 1992. The debate culminated in the proposal of a wide-ranging set of reforms, to be set out in a "Blue Book".

The major reform suggested is the creation of an independent audiovisual authority - similar to the CNC in France - to co-ordinate government audiovisual policies in Spain and to establish a coherent legislative framework for the Spanish film industry. At the San Sebastian film festival in September 1992 the Culture Minister, Jordi Solé Tura, announced the creation of an inter-ministerial commission, headed by Spain's vice president Narcis Serra, to co-ordinate government audiovisual policies.

⁸ Source: Moving Pictures International

Other reforms suggested by the "Blue Book" have yet to be acted on: for example, the immediate implementation of the EC Television Without Frontiers Directive, strict observance by exhibitors of Spain's EC/non-EC film 1:2 screen quota, the immediate foundation of a Spanish Film School and investment by Spanish TV companies in out-of-house production.⁹

Also in September 1992, producers' association **Fundación Procine** was set up to lobby for protective legislation at the national and EC level. Procine was founded by some 20 of the country's top producers, including leading Spanish director Pedro Almodóvar and his brother, Augustin (executive producer at El Deseo). Procine's projected initiatives include *"the promotion of the Spanish cinema abroad, support for new generations of film-makers, the opening up of new private finance channels"* and, most importantly, *"dialogue with the Central and Autonomous Administration"*.¹⁰

In February 1993, the group delivered a report to the Finance and Culture Ministries proposing the adoption of a tax relief scheme along the lines of France's SOFICAs. Procine hopes that the adoption of the scheme could double the number of domestic feature films produced each year to around 80, increasing the industry's market share from 8-10 per cent to its previous 25 per cent.

Spain has the fourth largest share of European production, coming after France, Italy and Germany, a position it has held since 1989. Before then, it had held the third largest share of European production. However, Germany overtook Spain in 1989, as Spain's share fell continuously from 1988 to 1990, from 10.9 per cent to 8.4 per cent, before rising again by 3.2 per cent in 1991.¹¹

The first rise in the number of films produced in Spain since 1985 was in 1991, when 64 films were completed in the year, compared with only 47 in 1990 (see table below).¹²

⁹ Source: Moving Pictures International

¹⁰ Source: Procine, San Sebastian Film Festival, September 1992

¹¹ Screen Digest

¹² Screen Digest

Table 4.1: Films produced, including co-productions, 1975-1992

Year	Total Films Produced, including co-productions	Of which, Co-productions
1975	110	21
1980	118	36
1985	77	12
1988	63	9
1989	48	5
1990	47	10
1991	64	18
1992	52	14

Source: Screen Digest

Total investment in Spanish feature film production reached US\$111 million in 1991, compared with US\$71 million in 1990. The number of Spanish films made wholly with Spanish money also rose to 46 from 37.¹³ However, in 1992 the number of Spanish films produced fell to 52, 14 of which were co-productions.¹⁴ The outlook for 1993 is even worse; some industry sources predict only 20 Spanish films will be made in 1993.¹⁵

The Spanish production industry has been affected by declining admissions, lack of government support, dwindling TV tie-in deals and a shortage of private investors. When the recent financial difficulties of RTVE meant that it could not fulfil its pledged funding of Pta 2,000 million (US\$19 million), jeopardising around 30 Spanish films which were in production or pre-production at the time, the Government responded by providing new funding arrangements; one temporary solution to the production crisis which had arisen was provided through the creation in September 1991 of a new film fund, controlled equally by the ICAA and by the Sociedad Estatal de Quinto Centenario (SEQC - an organisation established to co-ordinate the commemoration of the landing in America of Christopher Columbus). This new fund will buy rights outside Europe, leaving the producer controlling rights in Spain and Europe.¹⁶ The fund is believed to have bailed out the Spanish film industry temporarily, but it can only be seen as a short-term measure because it only distributes films produced in 1992.

¹³ Source: European Film File

¹⁴ Source: ICAA

¹⁵ Source: Moving Pictures International

¹⁶ Source: European Film File

It is also unclear what the new long-term policy will be to replace RTVE's major contribution. In the meantime, the Ministry of Culture is working on a series of rationalising measures which would force producers to become more "independent" by making more commercial films although there has been some initial resistance to these proposals.

Another major problem facing Spanish producers is budgetary control. While RTVE was financing Spanish feature films, the average cost of these films rose from some Pta 100 million (US\$1.1 million) in 1988 to Pta 150 million (US\$1.6 million) in 1991, according to Eugenio Galdon, the outgoing director general for audiovisual affairs at PRISA. With RTVE no longer acquiring films on a pre-sales basis, Galdon argues that it is now "highly difficult" to recoup on films costing more than Pta 150-175 million (US\$1.6-1.9 million) from Spain's own market.

Moreover, prices offered by television companies for broadcast rights have fallen recently. Following the collapse of the RTVE agreement, the television was flooded with features looking for television finance. As a result, prices fell which had a knock-on effect on the financing structure of films in the pipeline. With budgets decreasing, production is increasingly concentrating around companies which are large and prestigious enough to survive.¹⁷

Table 4.2: Top ten Spanish production companies, 1991

Company	Box Office (US\$m)	Films Released
El Deseo	6.8	3
Iberoamericana/Atrium	2.6	1
Iberoamericana/Apricot	2.3	1
Aligator Producciones	2.3	1
Pedro Costa PC	2.3	1
Ariane/Aiete	1.7	1
Ion Producciones	1.6	4
Sabre Television	1.5	1
Impala	0.9	-
Els Films de la Rambla	0.8	1

Source: Moving Pictures International

¹⁷ Source: European Film File

Table 4.3: Market share of Spanish box office by country, 1991

Country	Box Office (USUS\$m)	Admissions	Market share (%)
US	191.9	51.24m	68.5
Spain	30.8	8.23m	10.8
UK	28.2	7.32m	10.1
France	16.4	4.23m	5.8
Netherlands	4.5	1.37m	1.6
Germany	3.2	0.94m	1.1
Italy	2.7	0.78m	0.9
Republic of Ireland	1.1	0.27m	0.4
China	0.4	0.10m	0.1
Sweden	0.2	0.05m	0.1

Source: Moving Pictures International

Co-production

Recently, Spanish producers have begun to look abroad for finance, talent, sales and cheaper shooting facilities. Activities include both co-production and distribution deals. For example, Basque producer Angel Amigo has announced a six-film slate of features to be produced with Mexican and Columbian partners. Also, the Elias Querejeta/IDA ESICMA acquired a controlling interest in US distributor Connoisseur to sell Spanish and European productions. Another venture is Filmania, a production and development company founded in January 1992 by Ricky Posner to produce US\$6-12 million English-language features with US stars, name directors and foreign screenwriters.

The other interesting development is Spain's entry into **Eurimages**. In 1989 there were five co-productions only in Spain, but this had risen to 18 in 1991 as a result of Spanish film producers becoming involved in Eurimages.

Spain has 17 co-production treaties, with Argentina, Austria, Brazil, Bulgaria, Canada, Chile, Czechoslovakia, Cuba, France, Germany, Italy, Mexico, Morocco, Portugal, Tunisia, USSR and Venezuela. Unlike the co-production treaties with UK, France and Germany, these agreements do not extend to television co-productions.

Table 4.4: Major co-producing countries with Spain, 1980-1991

Year	France	Italy	Mexico	US	Switzerland	Others
1980	4	16	4	3	-	7
1981	8	8	9	2	3	7
1982	3	6	4	2	4	7
1983	2	3	4	3	1	3
1984	2	1	3	3	-	3
1985	2	1	-	6	-	3
1986	-	4	-	1	2	4
1987	1	2	2	1	-	1
1988	1	2	1	1	-	3
1989	2	-	-	1	-	-
1990	2	1	1	-	1	5
1991	4	-	1	-	-	4

Source: CERICA, Statistics of the Film Industry in Europe, 1992

It is noticeable that Canada does not appear among Spain's top five co-production partners, or among the top 10 countries with market share at the Spanish box office (tables 4.3 and 4.4).

Historically, Spain's most frequent co-production partners have been France, Italy, Mexico and the US. As the above table (for co-productions with one partner only) shows, France has been the most consistent partner, while countries like Italy and the US have seen a significant drop in Spanish co-production projects in recent years.

However, 1991 saw Spain participating in more multilateral co-productions than in any other year since 1980. In total it was involved in nine films and once again France was the key partner. Four of the films were co-produced with France and Italy, three with France and Portugal, one with France and Switzerland and one with Venezuela and Cuba.

Co-productions with Canada

There is no strong history of co-production between Spain and Canada. As at the first of October 1992, there was only one official completed co-production between Spain and Canada, *Tanguito*, which was also co-produced with Argentina. The companies involved in this were Ronald Cohen Productions (Canada), Kuranda (Spain) and Claudio Pustelnik Producciones

(Argentina). The majority of the finance came from Spain and Argentina, with Kuranda providing 40 per cent, Pustelnik 35 per cent and Cohen 25 per cent.

The only other co-production planned between these two countries at present is a film called *Spanish Fly*, on which shooting was postponed recently because of problems with the script. The two companies involved in this are Musidora of Spain which will shoot the film, and Accent of Canada which is investing cash for equity. These two companies are also the backers, along with Sogetel which is providing cash and facilities for equity, covering 33 per cent of the budget; Accent is putting up cash for 33 per cent of the budget for equity and Canadian rights, and Musidora is investing cash for equity.

Table 4.5: Co-productions - majority funding, 1980-1990

Year	Total No of Co-productions	Majority funding		
		Spanish	Foreign	Equal funding
1980	36	16	12	8
1981	45	16	21	8
1982	28	16	12	10
1983	18	3	12	3
1984	12	2	6	4
1985	12	3	5	4
1986	11	2	5	4
1987	7	2	2	3
1988	9	4	4	1
1989	5	1	2	2
1990	10	3	5	2

Source: CERICA, Statistics of the Film Industry in Europe, 1992

It is noticeable that there was a huge increase in co-productions between 1989 and 1990, and 1990 to 1991 (see also table 4.1 headed Films produced, including co-productions). In 1981, there were 45 co-productions out of 137 films produced, (ie., 33 per cent). The number of such co-productions then gradually decreased over the decade, reaching a nadir in 1988-1989. In 1990 there was an increase of 50 per cent, whilst the total number of productions in that year actually decreased by one. 1991 saw a further increase, from 10 to 18 co-productions, with co-

productions as a percentage of overall production rising from 21.3 per cent in 1990 to 28 per cent in 1991.

1.5 DISTRIBUTION SECTOR

In 1990, only one major Spanish film was distributed by the company that made it - Iberoamericana's *Ay Carmela!*. Like several of its neighbours, Spain has a lack of integrated film companies - ie., those involved in production, distribution and exhibition. Instead, the US majors dominate the country's distribution sector, accounting for just over 60 per cent of the box office.

Table 4.6: Top ten distributors in Spain, 1991

Company	Box Office (US\$m)	(%) Share
UIP	57.2	20.4
Warner Espanola	56.6	20.2
Manuel Salvador/Fox	40.0	13.5
Lauren Films	28.0	10.0
Iberoamericana Fils	14.8	5.3
Columbia TriStar	14.2	5.1
Tripictures	11.0	3.9
Columbia Films	10.7	3.8
Cine Company	8.6	3.0
Filmayer Video	6.5	2.3

Source: Moving Pictures International

In 1991 UIP and Warner Bros each claimed 20 per cent of the Spanish market, followed by Salvador Fox with 13.5 per cent and Columbia TriStar with 10 per cent. For 1992 these figures are estimated to be broadly similar except for the fall of Fox from the top five and the arrival of Araba in fourth place with an 11 per cent share, gained primarily through its distribution *Basic Instinct*.

The top local independent distributor was Lauren Films, whose pictures grossed US\$28 million (boosted partly by its involvement with *Silence Of The Lambs*). Barcelona-based Lauren films releases art-house and mainstream titles and represents about 10 per cent of the nation's box office receipts. Lauren was followed by Tripictures with US\$11 million, Cine Co with US\$8.6 million and Filmayer with US\$6.5 million. Iberoamericana, in fifth place, is a major local distributor, which releases through UIP, as does Araba.

The current trend in Spain is for the US majors to set up their own offices, rather than work through local distributors as they have in the past. Columbia TriStar moved into its own offices a year ago (having previously shared with Jose Vicuna) and Disney opened its own offices in January 1993.

However, the situation is becoming more and more difficult for independent distributors. Those distributing mainstream product do not have large enough budgets to promote films, in the same way that the majors do, whilst the art-house distributors struggle just to get their product on the screen, let alone to ensure that it stays there for any reasonable time. This is particularly hard, when such films do not make the large amounts that mainstream films do. As a result some finished Spanish films never make it onto a cinema screen.

An increasing number of independents, lacking the budget needed to promote mainstream product, now release through the majors. Iberoamericana, for example, releases everything except art-house titles through UIP. Even Araba Films, which had great success with *Basic Instinct* and *Medicine Man* in 1992, releases through UIP.

The fact is that US films are the most profitable and the launching of films in Spain is becoming increasingly expensive, placing independent distributors in a catch 22 situation. As Antonio Llorens commented recently in *Variety*, "*If you don't promote products as a hit, then you're dead. And we don't have the money to promote product that the majors have. That's it in a nutshell!*"

Licensing and acquiring foreign product

Acquiring rights for theatrical release alone is unusual. Distributors normally need to at least acquire rights for television, and preferably for all media, to make a sufficient return on their investment. On average, rights to a good quality commercial title can be sold for as much as US\$1 million, although according to Felipe Ortiz, head of Tripictures, it should be only about US\$300,000.

1.6 EXHIBITION SECTOR

The exhibition market in Spain is still considered to be full of pitfalls: "*arcane municipal authority rebuilding or construction restrictions, the low rate of return on cinema complex construction vis-a-vis, say, office or car-park projects; and, above all, high-credit lines of up to 18 per cent*", according to distributor/exhibitor Antonio Llorens of Lauren¹⁸.

The situation for independent distributors is also difficult. There is a lack of platform release dates in Spain, which can lead to exhibitors giving preference to films by majors, rather than independents. To counteract this, independents are trying to establish co-distribution deals with a major branch office. In 1990, for example, Gómez and Iñaki Nuñez signed with UIP and in

¹⁸ Source: Moving Pictures International

1991 Esteban Alenda with Spain's Columbia TriStar. Also, several independent distributors are becoming exhibitors themselves, a strategy recently adopted by Lauren, Enrique González-Macho's Alta Films, Javier Garcillán's Musidora and Pedro Zarateugui's Golem.

Number of screens

Table 4.7: Spanish cinema screens, 1950-1991

1950	1960	1970	1980	1985	1989	1990	1991
3,950	6,922	6,911	4,096	3,109	1,802	1,773	1,806

Source: Screen Digest

Spain is considered by some to be not only under-screened, but also badly screened; cinemas are cold, they often lack Dolby stereo (even in the largest provincial sites) and have little community marketing expertise.¹⁹ However, with film attendance continuing to rise in Spain, the upgrading and expansion of Spanish cinemas is continuing at breakneck speed. UCI and Warner Bros are set to expand rapidly, while French exhibitors UGC and Gaumont are considering moving into Spain. Local exhibition circuits such as Ricardo Evole's Yelmo Films, Precisa, the Area Catalana d'Exhibicio (ACEC) circuit in Barcelona and Lauren Films and Araba Films are also expanding quickly.

The biggest push is being led by UCI, which is owned by Paramount and Universal, via its Cinesa chain. Operating 61 screens in Madrid and Barcelona, Cinesa is the country's largest exhibitor and hopes to add another 40 screens across the country within the next two years.

Warner Bros has set up a new company for theatrical exhibition in Madrid. Owned in equal parts by Warners, Jose Vicuna and Portugal's Lusomundo Films (Luis Silva), some US\$10 million has been raised for the circuit which will be called WB-Lusomundo Theatres.

Multiplexes

As a result of soaring real estate and flat rental prices Spaniards have moved out to the suburbs outside major capitals. The dormitory belt outside Barcelona, for example, is the third highest

grossing exhibition area in Spain, according to Enrique Requena Jr of Columbia TriStar. Such areas offer excellent opportunities for multiplex projects, especially for incorporating them into leisure and retail complexes. Not surprisingly, therefore, most of the new screens being built in Spain at present are multiplexes.

¹⁹ Moving Pictures International

The UCI-owned Cinesa chain recently opened a seven-plex outside Barcelona, an eight-plex outside Madrid and a multiplex near Cadiz. Cinesa recently opened a four-plex (outside Barcelona), and an eight-plex outside Valencia and, in summer 1993, it is to open another eight-plex in the recently refurbished Barcelona port area, Port Vell. WB-Lusomundo's first multiplexes are expected to be two seven-plexes on the outskirts of Madrid and another outside Zaragoza. The company's manager claims that an additional 20-30 projects are being studied.

The most active local exhibitor is Yelmo Films which has 39 screens in Spain; until recently, it also had the most successful multiplex in Spain, the nine-plex Cines Vaguada in Madrid. Cinemark, the US theatrical chain, is also considering the Spanish market and there are rumours of a deal with Javier de la Rosa.

Also making a big exhibition push is distributor Lauren Films, which has 30 screens around Spain and is planning a seven-plex in the centre of Barcelona. Antonio Llorens, head of Lauren was quoted recently saying: *"As a distributor, we simply had to get into exhibition. Without your own screens, you're dead."*²⁰

Admissions

Table 4.8: Cinema Admissions and Box Office Revenue, 1970-1991

	1970	1980	1985	1987	1988	1989	1990	1991
Admissions (millions)	330.9	176.0	101.1	85.7	69.6	78.1	78.5	79.1
Box Office Revenue (US\$m)	94.5	284.7	164.1	234.2	203.7	254.7	291.6	294.3

Source: Screen Digest

After 20 years of decline, cinema admissions are increasing in Spain. After a low of 69.6 million admissions in 1988, attendance increased to 78 million in 1989, 78.5 million in 1990 and 79.1 million in 1991.

²⁰ Variety

Spanish films' share of the box office

Table 4.9: Spanish box office performance of indigenous / US films, 1980-1991 (%)

	1980	1985	1986	1987	1989	1990	1991
Spain	18.5	16.2	12.4	14.3	7.3	10.4	10.0
US	35	58.4	64.1	58.4	71.4	72.5	75.0

Source: Screen Digest

While the market share of Spanish films has fallen from 21.4 per cent in 1981 to just 10 per cent in 1991, the US share of this market has grown rapidly over the same period, from 50 per cent in 1981 to 75 per cent in 1991. The situation was even worse for Spanish films in 1989, when their share of the market fell to just 7.3 per cent; the industry has only managed to claw back a 2.7 per cent share in 1990 and 1991.

1992 began more optimistically for Spanish producers with the first two months seeing a drop in US market share of 6 percentage points (from 69 percentage to 63 per cent), and Spain's market share rising by a corresponding 6 percentage points (from 11 per cent over the whole of 1991 to 17 per cent for the first two months of 1992).²¹ *Salsa Rosa*, in particular, did well over this period. However, the end of year figures show US films claiming 77 per cent of the market and Spanish films dipping slightly to 9.4 per cent.²²

²¹ Source: Moving Pictures International

²² Source: Screen International

As shown in the table below, there were no Spanish films in the top 10 films for 1992:

Table 4.10: Top 10 Films in Spain, 1992

	Film	Distributor	Gross (US\$m)
1	Basic Instinct	Araba	15.98
2	Hook	Columbia	10.51
3	The Prince Of Tides	Columbia	6.93
4	Cape Fear	UIP	6.89
5	JFK	UIP	6.08
6	The Hand That Rocks The Cradle	Warner	5.78
7	Lethal Weapon 3	Warner	5.66
8	Final Analysis	Warner	5.21
9	Terminator 2: Judgement Day	Columbia	5.01
10	The Silence Of The Lambs	Lauren	4.93

Source: Screen International

1.7 THE VIDEO MARKET

Introduction

There was a huge boom in the Spanish video market between 1984 and 1988. Then, between 1989 and 1991, the market slumped following the arrival of the private TV channels and an increase in film programming at RTVE. High piracy levels and lack of capital among video retailers also contributed to the slowdown.

Despite this, video remains an important source of income for feature films. As the following table illustrates, video has the largest share of the home entertainment market, ahead of cinema and pay TV and driven by an increase in sell through the market is once again experiencing healthy growth, although pay TV is growing at a phenomenal rate.

Table 4.11: Proportion of national film entertainment market, (%) 1991-1992

	1991	1992
Pay TV	10.89	13.33
Video	45.22	46.12
Cinema	43.89	40.55

Source: Moving Pictures International

VCR penetration

Table 4.12: Penetration of video in Spanish households, 1981-1991

	1981	1985	1988	1989	1990	1991
No of video homes (000s)	110	1,470	3,619	4,275	4,845	5,355
Penetration of TV homes (%)	1.2	14.8	34.3	40.0	44.9	48.7

Source: Screen Digest

With VCR penetration of 48.7 per cent television households in 1991, Spain was below the EC average of 52 per cent, but similar growth in 1992 as experienced in 1990 and 1991 should bring Spain into line with the current EC average.

Market sales and trends

Estimates of the extent to which the market suffered between 1989 and 1991 differ widely. According to Moving Pictures International, total distribution revenue was a healthy US\$158 million in 1989, falling to US\$145 million in 1990 and by almost a further 50 per cent to US\$73.3 million in 1991²³. James Armstrong, head of the video division of Columbia TriStar in Spain, paints a similar picture of decline, claiming total turnover for major video distribution companies dropped by 50-60 per cent in 1990 and early 1991, as compared to 1989.²⁴

²³ Source: Moving Pictures International

²⁴ Source: Moving Pictures International

Table 4.13: Video distributor revenue, 1989-1992 (US\$m)

Year	Rental	Sell-through	Total
1989	186.8	22.8	209.6
1990	155.8	41.3	197.1
1991	108.4	51.3	159.7
1992	112.9	70.0	182.9

Source: Screen Digest

Screen Digest's figures depict a somewhat less dramatic decline. In 1989, it estimates total revenue was at US\$209.6 million, dropping to US\$197.1 million in 1990, and to just US\$159.7 million in 1991. This was due to the collapse of the rental sector.

However the market now appears to have bottomed out and looks set for steady growth. In particular this is being fuelled by a dramatic growth in the sell through sector. According to Screen Digest, sell through revenue has grown steadily since 1989 and in 1992 stood at US\$70.0 million.

Table 4.14: Video software retail revenue, 1989-1992 (US\$m)

Year	Rental	Sell-through	Total
1989	419.2	51.9	471.1
1990	392.1	55.7	447.8
1991	285.2	76.0	361.2
1992	297.2	103.7	400.9

Source: Screen Digest

At the retail level the Spanish video market decreased by nearly US\$110 million between 1989 and 1991. Rentals slumped from US\$419.2 million in 1989 to US\$285.2 million in 1991, one of the biggest drops in the EC.

Sell-through, on the other hand, has experienced rapid growth since 1989, from US\$51.9 million to US\$103.7 million and, along with other European countries, the recent growth in sell-through sales would appear to indicate the future direction of the video market.

Fernando Labrada of Weekend Video states that distributors' video rentals were Pta 8.5 billion (US\$92.4 million) in 1991, and sell-through Pta 6 billion (US\$65.2 million). James Armstrong, of Columbia TriStar, predicts that sell-through will overtake rental in 1993. The general

manager for Warner Video in Spain, Alejandro de Muns, believes that Spain has now reached a stable rental market, with the increase in sell-through about to begin. According to de Muns, 45 per cent of Warner Video's billings is now in sell-through and this sector has increased by 40 per cent over the last year.²⁵ Buena Vista leads the sell through market with sales of 600,000 units for *Cinderella*.

Table 4.15: Video software spent per head, 1990-1992 (US\$)

Year	Rental	Sell-through	Total
1990	9.95	1.41	11.36
1991	7.20	1.92	9.12
1992	7.47	2.61	10.07

Source: Screen Digest

With an average spend of US\$10.07 per head on video software in 1992, Spain has the third lowest spend in the EC, with only Greece and Portugal lower. In terms of expenditure per VCR home, however, Spain's average is US\$72.37, which is the fourth highest in Europe. The implication of this is that Spanish consumers are among the leaders in Europe in terms of the amount spent per home, although presumably the size of Spanish (extended) families keeps the spend per head low.

Video distribution

The Spanish video market is dominated by the US majors, with 78 per cent of the market in 1991 cornered by members of the Motion Picture Export Association of America, and worth some US\$143 million. Rental accounted for US\$90.4 million of this, while sell-through was US\$53 million. Columbia TriStar, for example, earned US\$20 million in video rentals in 1991.

Spain has few surviving independent video distributors, Record Vision, Lauren and Filmayer being the most important of these. Such companies can expect a turnover of around Pta 300-500 million (US\$3.6-5.4 million).

According to James Armstrong, Spanish product represents 12 per cent of box-office takings, but only three per cent of the video market. This discrepancy, he believes, is because domestic features are "*normally artistic or dramatic, genres which perform worse on video than action or comedy*".²⁶ However, two recent Spanish films have broken through in this area: Saura's *Ay*

²⁵ Source: Moving Pictures International

²⁶ Source: Moving Pictures International

Carmela! and his *Yo Soy Eas* have had sell-through sales almost twice the number of rental sales to clubs.

The retail sector

The decline in spend per head on rental has been accompanied by a shakeout in the video rental sector, with the number of outlets dropping from around 11,000 in 1989 to about 4,000 now. The remaining rental sector is fragmented. However, the US group Blockbuster which has five stores in Madrid, plans to open around 11 by the end of 1993. Of Spain's 3,000 or so video clubs, only about 10 per cent feature sell-through. The opening of the first Virgin Video outlet in Barcelona is also expected to strengthen the market. A second store is planned for Madrid. It is hoped that these new stores will increase sell-through sales in the near future.

2 TELEVISION

2.1 INTRODUCTION

Spain has 11.2 million television households, with viewers on average watching 22 hours of television a week. The penetration of VCR is almost 49 per cent of TV households.

Until recently there was a choice of just two national television channels run by the state controlled broadcaster, RTVE. However, in 1990 the television industry was dramatically changed with the introduction of three private broadcasters - Tele Cinco, Antena 3 and Canal Plus Espana, which are an increasingly important element of Spanish television. In addition, there are six regional television stations, supported through regional stated funding and advertising.

With its monopoly on viewers and advertising revenues gone, RTVE plunged into debt, and in 1992 it had to ask the Government for a substantial grant to ensure its survival. Whether the advertising market, which appears to have plateaued will be sufficient to fund both advertising-supported private channels Tele Cinco and Antena 3 (Canal Plus Espana is subscription only), and RTVE remains to be seen. But with new satellite services also due to be allocated in 1993 the market will become increasingly competitive.

The financial crisis at RTVE, combined with the reliance of the new private channels on cheap US programming, has also affected Spain's production industry. Few programmes are being commissioned and many of the country's producers and distributors are currently inactive.

Table 4.16: Principal Spanish TV Networks

Channel	Household Penetration (%)	Daily hours of transmission	Audience share (%)	Ad mins per week	Year started
TVE1	99.4	7.5	28.6	276	1955
TVE2	98.7	18.5	13.0	78	1964
Antena 3	74.0	22.0	13.3	567	1989
Tele Cinco	74.0	19.5	24.3	768	1990
Canal Plus	74.0	24.0	2.0	58	1990
Others	n/a	n/a	18.8	n/a	n/a

Source: Zenith Media, Ecotel 1992.

2.2 REGULATORY FRAMEWORK

The broadcasting industry is regulated by the Direccion Generales de Medios de Communication Social (DGMCS). The government is also responsible for appointing the director general of RTVE, while the 12 members of its governing body, Consejo de Administration, are appointed by both sides of parliament and elected by a two-thirds majority. The board is responsible for determining the public broadcaster's programming quotas.

In 1988 a new Broadcasting Act was introduced, providing a regulatory framework for private television. Under the legislation three national private licences were allocated by the government in 1990 and will run for 10 years, after which time they will be reviewed. Other points in the act include:

- single ownership is limited to 25 per cent of the private channels. Foreign participation is limited to 25 per cent, and no party can hold shares in more than one station,
- programming quotas state that 15 per cent of programming must be produced in-house, 40 per cent within the EC, and 55 per cent should have an original soundtrack in Spanish. For films, 40 per cent of those broadcast in any month must be EC productions and 50 per cent should have an original Spanish soundtrack,
- the maximum amount of advertising is restricted to a maximum of 10 minutes in any hour, and a daily average of six minutes per hour. Adverts for tobacco and hard liquor are restricted before 21.30. No sponsorship legislation exists but both the public and private channels earn revenue from it.

New satellite legislation was passed by the Spanish Government on 24 December 1992. Under the new law, the four transponders on the state-owned satellite Hispasat 1a will be auctioned this year, with the restriction that each operator will only be allowed one channel for general entertainment and one for a thematic service.

The Government is now working on a regulatory framework for new cable and local television channels. The legislation, is aimed primarily at regulating the proliferation of unlicensed local SMATV stations which have emerged. At least 370 unlicensed SMATV networks are operating in Spain, connected to 426,000 homes. Another key element of debate is whether existing private TV operators should be banned from bidding for cable licences.

The regional channels are regulated by the relevant regional governments.

2.3 TELEVISION REVENUE

There has never been a licence fee in Spain, and instead state-owned RTVE competes with two of the three private channels for advertising revenue. During the Eighties, total advertising expenditure grew by an average of 25 per cent a year, but in 1991 growth fell to 5.1 per cent and

the market appears to be flattening out. Television's share of this market failed to increase with the arrival of the new private channels in 1990, and accounts for approximately a third of the market - Pta 256,283 million (US\$2,466 million). This was an increase of just 1.1 per cent, compared to 4.1 per cent growth in 1990. Zenith Media predicts the market will grow by just 3 per cent a year until 1994, to Pta 296,571 million (US\$2,854 million).

Table 4.17: Advertising expenditure at current prices (Pta million)

	Total Ad Spend	TV Ad Spend	Year on Year Change in TV Ad Spend (%)	TV Ad Spend as of Total Ad Spend
1989	654,625	209,500	29.9	32.0
1990	777,729	253,495	21.0	32.6
1991	817,635	256,283	1.1	31.3
1992	841,697	263,971	3.0	31.4
1993	873,429	277,170	5.0	31.7
1994	918,361	296,571	7.0	32.3

Source: Zenith Media

2.4 BROADCASTERS

Public sector

RTVE

The public service broadcaster, RTVE, consists of two divisions, Radio Nacional Espanola (RNE), which is responsible for radio, and Television Espanola (TVE). TVE operates two channels, the general entertainment TVE1 and the more sports and music orientated TVE2. TVE1 remains Spain's most watched channel with an audience share of over 28 per cent, while TVE2's share is just 13 per cent. Between them they attracted revenue of Pta 101 billion (US\$960 million) in 1990.

However, RTVE announced a loss of Pta 31 billion (US\$295.2 million) in 1991 and its accumulated debts are estimated to be US\$500 million. Complete financial collapse has only been prevented by a Government grant of Pta 29.3 billion (US\$281.5 million) which will fund RTVE's loss-making radio and orchestra activities in 1993. In 1992, the broadcaster began its rescue package with a Pta 20 billion (US\$192.3 million) bond issue. In addition it is rumoured

that RTVE is to axe 3,000 of its 12,000 staff, while it has already cut back on its planned film investment.

Private sector

Antena 3

Until recently, this was the weakest of the three private broadcasters with a 12.5 per cent audience share, and debts of US\$76.4 million after its first two years of operation. However, following a takeover by a consortium consisting of Rupert Murdoch, the Spanish bank Banesto and Antonio Asensio of the publishing group Zeta, the channel's prospects are improving, and audiences are rising. In 1992, it made its first profit of Pta 500 million (US\$4.8 million) on revenue of Pta 28.4 billion (US\$ 272.8 million).²⁷

Antena 3's weak performance was blamed largely on its middle of the road programming policy, an area already well catered for by TVE. Now with Murdoch's access to Twentieth Century Fox's entire film and TV catalogue, feature films are expected to play a far more important part in the channel's schedule, although Antena 3 has also announced a slate of domestic productions.

The channel has also applied for transponders on the new Hispasat satellite, and on Astra, with the intention of launching news and sports pay channels by 1995. Industry commentators speculate that Murdoch may want to form a strategic alliance with PRISA to gain control of the country's emerging pay TV market.

Canal Plus Espana

Two years after its launch, Spain's only pay-tv channel has succeeded in attracting over 600,000 subscribers, and while losses for 1991 were US\$66 million the channel hopes to break even by mid-1993. Like its French counterpart and major shareholder, Canal Plus, the channel shows a high proportion of feature films and sports. Films are usually acquired through Sogepaq, the rights buying agency, owned by the channel's other major shareholder PRISA, Spain's largest multi-media group.

Canal Plus Espana also shows five or six hours of free TV, during which it tries to compete with the other stations. Although head of acquisitions Margaret Nicoll says the channel will never broadcast a soap opera, family-orientated sitcoms and series such as the US-produced *Full House* and *Head Of The Class* have been popular. Other series, such as *Saturday Night Live* or David Lynch's *On The Air* are reserved for the channel's subscribers, as are science and wildlife documentaries.

²⁷ Source: Broadcast

Review of the European Audiovisual Markets

In addition, Canal Plus Espana produces its own in-house news, music and sports programming. The channel's success has led it to expand its service with the recent purchase of two Astra transponders - one for films and the other for documentaries.

Tele Cinco

The most successful of the three private broadcasters, Tele Cinco broke even in 1991 with a net revenue of Pta 40 billion (US\$419 million) and an audience share of around 24 per cent. Major shareholders include the national charity ONCE and Silvio Berlusconi's Fininvest Group, whose stake is limited to 25 per cent by the Government's media legislation. In March 1992, the Kirch group, owned by Leo Kirch, also took a 25 per cent stake in Tele Cinco, further strengthening its financial base.

Tele Cinco's budget is the second highest of the Spanish broadcasters, increasing from approximately Pta 13 billion (US\$123.5 million) in 1990 to Pta 35 billion (US\$336.5 million) in 1992.

The channel's success has been attributed to Berlusconi's highly commercial mixture of game shows, Latin American soaps and US series, such as *Beverly Hills 90210*, which was its most watched series of 1992 with an audience share of almost 32 per cent. Game shows such as *VIP Noche*, a three-hour comedy/variety extravaganza are stripped across the week followed by US action and blockbuster movies. The broadcaster also has access to the two of the largest film libraries in Europe, owned by Kirch and by Berlusconi.

Regional broadcasters

In addition to its four national channels, Spain has six regional television stations: Canal 9, Canal Sur, Euskal, TM3, TVG, and TV3/Canal 33. These private companies receive up to 70 per cent of their funding from the regional governments in addition to advertising, which is sold through an umbrella organisation, Forta. Average audience shares are around 15-18 per cent, and with their dual supply of revenue the local networks are in an enviable position. Indeed the commercial broadcasters have gone as far as to suggest that this is unfair practice and have taken Forta to court over its plans to sell advertising jointly for all six regions which would effectively create a sixth national TV advertising network.

The Catalanian service Tele 3 is the most successful regional service in advertising terms, and is self-sufficient in its operational budget. Also strong are TM3 in Madrid and Canal 9 in Valencia.

Cable and satellite

Penetration of DBS has been low in Spain, partly because of Astra 1a's poor coverage of the country. At present, there are only 60,000 satellite dish owners in the country. However 1992 saw the launch of new services specifically targeted at the Spanish viewers. Astra 1b, launched in early 1992, leased a transponder to the 24 hour news channel, CNN, on condition that it added

some Spanish language-programming to its service. Meanwhile, MTV has leased a 1b transponder, partly because of the better coverage of Spain it offers compared with its existing transponder.

Canal Plus Espana's sister company Sogecable has also announced its decision to lease two Astra 1b transponders. The two channels Cinemania and Documania are due to be launched in 1993 and will be followed by further thematic pay services on Astra 1c.

1992 also saw the launch of the first of two Spanish DBS satellites, Hispasat 1a, while Hispasat 1b was due to be launched in July 1993. Because of a technical fault on the first satellite, only 1b is able to carry television broadcasts. Two national channels are earmarked for RTVE, which will also launch two Latin American services from the satellites, but only Antena 3 has bid for one of the three remaining channels.

Cable penetration in Spain is under one per cent, with around 80,000 homes passed, of which only half are connected. These existing systems, which relay TV to a number of subscribers in an apartment block, are as yet unlicensed. However, the Government's planned cable and satellite legislation will provide a legal structure for the development of future services.

Television ratings

As the table below illustrates, TVE still dominates the ratings in Spain, while the only private broadcaster to make any appearances in the top 20 is Tele Cinco. Spanish viewers still like to watch variety and game shows, with the variety special *Martes Y Trace* topping the ratings. News, soccer games and monies also pull big audiences. Although in December US movies are ranked high, domestic films normally hold their own and the highest ranked movie on TV in 1992 was a 1969 comedy from the Spanish director Ramon Fernandez. Apart from feature films, however, there is an absence of any foreign programming in the top 20. Also notable by their absence are telenovelas which are no longer the guaranteed ratings winners they once were.

Reality show *Quien Sabe Donde* has proved extremely popular and although shown here at fifth place, to as the top-rating show in February of this year with an account of a triple rape and murder. Also currently doing well but not included in the following table is RTVE's *Celia*. The series is currently the highest rated drama on Spanish TV, with a 20 per cent audience share.

Table 4.18: Top 20 TV programmes in Spain (December 1992)

	Programme	Genre	Origin	Channel	Rating (%)
1	Martes Y Trece	Variety	Spain	TVE1	22.5
2	Football: Spain v.Latvia	Sport	Spain	TVE1	21.0
3	The Secret Of My Success	Film	US	TVE1	18.6
4	Querididmos 92	Awards	Spain	Tele5	17.4
5	Quien Sabe Donde	Reality	Spain	TVE1	16.1
6	Scrooged	Film	US	Tele5	16.1
7	Telediario 1	News	Spain	TVE1	15.6
8	Un Dos Tres	Game show	Spain	TVE1	15.5
9	Primi Juego	Game Show	Spain	TVE1	15.5
10	Naked Gun	Film	US	Tele5	15.2
11	Telediario 2	News	Spain	TVE1	15.0
12	Al Este Del Oeste	Film	Spain	TVE1	14.9
13	UEFA Cup	Sport	Spain	TVE2	14.3
14	Hola Rafaella	Variety	Spain	TVE1	14.0
15	El Precio Justo	Game Show	Spain	TVE1	14.0
16	Telediario Fin Semana	News	Spain	TVE1	13.6
17	Viendonos	Variety	Spain	TVE1	13.5
18	Objetivo Indiscreto	Reality	Spain	TVE1	13.5
19	Y Ahora...Que!	Variety	Spain	TVE1	13.3
20	Telediario Fin Semana 2	News	Spain	TVE1	13.3

Source: TV World

2.5 PRODUCTION AND DISTRIBUTION

TVE's long monopoly of the Spanish television market succeeded in restricting the growth of the independent production sector considerably. As a result, most well established production companies were those that relied on feature film production.

But hopes that the introduction of private television would lead to an increase in production have been dashed. Instead, deregulation has led to a crisis in the production sector following the collapse of the main source of finance, RTVE. Between 1988 and 1991 the state broadcaster spent around Pta 12,000 million (US\$125 million) on external productions and pledged to spend US\$20 million annually on television rights for movies and US\$100 million on television productions²⁸. But now the broadcaster was unable to honour this promise and has almost ceased commissioning since 1990, when it commissioned 437 hours of drama. In 1991 it could only guarantee completion of 157 hours of programming already in progress. In 1992, just one high quality drama production was commissioned and in early 1993 TVE had withdrawn from production almost completely. This drop in production can be measured by the rise in repeats from 19.15 per cent of total broadcasts in 1982 to 54 per cent in 1991.

The private broadcasters have meanwhile failed to make up the shortfall, relying instead on acquired foreign productions or cheap in-house programming, such as game shows. Tele Cinco, having invested heavily in its own internal production facilities, buys around just 5 per cent of its output from the independent sector. Antena 3 has also invested heavily in its own celebrity-based talk and magazine programmes. However, following its shake-up in ownership last year, the broadcaster has put more money into commissions and producers are pinning their hopes on the station regenerating Spanish production. This year it has commissioned 15 drama series from the independent sector on low budgets of around Pta 8.5 million (US\$73,000). The broadcaster gets involved in production if the programme is fully financed or sponsored.²⁹

Of the 200 or so producers currently listed in trade guides, Screen Digest notes that only about 50 are active, and only 10 of these have gross revenues of over US\$1.8 million per year. Many have had to look for foreign sources of funding or work in other areas of production such as sell-through and corporate videos.

This has led to 37 of the top independent producers grouping together to form the Association of Independent Spanish Television Producers (ANEPA), in an effort to lobby for protection. One move they would like to see the Government make is the imposition of the EC's Television Without Frontiers Directive. This would guarantee that 10 per cent of TV output came from the independent sector and 51 per cent from the European market. However, the move has been met with such resistance by the broadcasters that the Government has been reluctant to implement it (although it is a statutory code and ultimately all member countries will be forced to comply with it). In particular, the private broadcasters - which carry a high level of imported programming - argue that it will be difficult for them to increase the level of domestic programming.

Compliance with the Directive would create increasing demand for domestic product, generating new work for Spanish producers. With fewer companies to meet this demand some

28 Source: TV World

29 Source: Broadcast

producers are experiencing a mini-boom. In MPI recently Hervé Hachuel, president of Tesauro, claimed that his company "has never produced so much in its history." and that turnover for 1993 was expected to be US\$30 million, double last year's figure.

Distribution

In recent years, Spanish distributors have become more powerful as their involvement in production has increased. Indeed, several of the country's major producers such as Coral Europa, Cyrk Films and G&CM International began life as distributors.

However, the current lack of demand from cash-starved TVE and the fledgling private broadcasters has made life hard for Spanish distributors, who are now looking to international sales to make up the shortfall. In particular, Spanish-speaking Latin America, with its shared common language and 30 million TV homes, is proving an important market. Producer and distributor G&CM now does all of its selling to Latin America, while Lluís Ferrado, head of co-production at Figaro, said recently that the Spanish market represents just 10 per cent of his company's pre-sales.³⁰

At distributor Telson Internacional, commercial director Jeronimo Molero expects to see more sales and collaborative agreements with other European broadcasters. In 1990/91, Telson generated US\$6 million in programme sales, of which US\$1.5 million represented sales of foreign programmes within Spain. The bulk of the company's acquired programming remains US fiction but it also buys from the UK, Italy and, in Canada, Atlantis. Rights are held for around five years or three runs, which is common among Spanish distributors.

For distributors the introduction of private television has been a mixed blessing. With the rise in the number of hours of programming shown from 21,340 in 1986 to over 65,000 today, the demand for programmes has increased, while the intensified competition has meant that RTVE is no longer able to dictate the price of the programming it buys. But the main benefactors of these changes have been the major US distributors such as CBS Fox, Warner TV, UIP, Columbia TriStar and MGM/UA, several of which have signed large semi-exclusive contracts with the television stations. For the smaller Spanish distributors there have been fewer benefits. As Carlos de Muns, director general of distributor and co-producer Esicma, explained recently: *"Now all the stations are over-stocked and they are only looking for the blockbuster films which will give them a wide audience. They're really looking for American products."*³¹ For some distributors, such as Cyrk Films, this has meant freezing any further acquisitions while others such as G&CM have turned their attention to other Spanish-speaking markets in Latin America.

30 Source: Broadcast

31 Source: TV World

Acquisitions and co-productions

Traditionally co-productions have constituted a small percentage of Spanish television output, and following the cuts in spending at RTVE, activity has dropped even further. In 1989 RTVE was involved in around 150 co-productions but in 1992 this figure had fallen to less than 60. However, the private channels, while by no means filling the gap, are increasingly looking to co-productions and pre-sales as programming becomes more expensive to make.

In 1991 Tele Cinco cut acquisitions from 66 per cent to 58 per cent of output, while Antena 3's acquisitions fell from 67 to 51 per cent. Both increased their involvement in co-productions, but with Tele Cinco working on a total of six co-productions, RTVE still remains by far the largest co-producer.

As Tele Cinco's head of acquisitions, Antonio Pozueco, explained recently, "*our needs have changed since the early days when we were buying a lot of material to build our stock. Now we have full vaults we are more specific in our buying.*"³² However, both broadcasters have increased their involvement in co-productions. Tele Cinco has worked on six co-productions, including the series *Dangerous Curves*. Two out of the 22 episodes received financing from the station but Pozueco doesn't believe Tele Cinco will be doing many such projects because of the expense involved.

One of the biggest successes of 1992 was the US series, *Beverly Hills 90210*, which, with an audience share of 31.9 per cent, was Tele Cinco's most watched show. The channel has also added another Spelling production, *Melrose Place* to its schedule.

The US, Europe and Latin America have also provided the bulk of co-production partners, especially Latin America, the home of the telenovela, which was until recently one of the most popular genres on Spanish TV. These South American soaps have been among the biggest audience pullers for RTVE, Antena 3 and Tele Cinco, and have also proved to be popular co-production projects. In 1991, Tele Cinco co-produced three telenovelas with Latin American producers. However, while telenovelas could command audiences of eight million in 1991, in 1992 the figure has slumped to around three million.

In addition to the Latin Americans, RTVE has favoured co-productions with other European broadcasters such as Italy's RAI, and the UK's BBC, or with producers such as Beta Film in Germany.

Acting collectively under the umbrella of Forta, the six regional channels are also involved in a number of co-production projects with both foreign broadcasters and Spanish independents. This year about Pta 600 million (US\$5 million) will be allocated to co-productions with other European companies. But again co-productions account for a only around 5 per cent of output,

32 Source: TV World

although on TV3, the most financially successful of the regionals, co-productions accounted for 9.5 per cent of output in 1991.

Tesauro Television, one of the major players in the production sector, has completed 28 international co-productions in the past two years. In addition, it is a partner in Hemisphere, a production operation based in the US which is a joint venture with US network ABC, Tele-Munchen in Germany and Hamster in France (Capital Cities/ABC has stakes in all of these companies, including Tesauro). So far Hemisphere has produced 22 episodes of the series, *Dangerous Curves*. Tesauro president Hervé Hachuel admits it is a rare example of success in international joint ventures. He notes that an increasing trend between the national broadcasters and the production sector is for different countries to produce entire projects which are then swapped; one company will produce the entire project with finance from the other partners, then another project will do the next project with backing from the others, and so on.

Co-productions with Canada

There are no official TV co-productions between Spain and Canada because Spain's co-production treaties do not cover television. Canada, therefore, has little history of co-venturing with Spanish television companies. According to TVE's head of co-productions, Carlos Martinez, this is largely because it is difficult for the two countries to find a common cultural ground. Martinez believes documentaries are the easiest genre to co-produce and TVE has worked with Canadian companies on three different projects. The composers Ravel and De Falla were the subject of two programmes shot in Spain with the Canadian company Rhombus Media. The third programme, *Keep The Circle Strong* was a 30-minute documentary about a Canadian Indian, shot with the Adope Foundation. This last programme came about through a contact at Canada's Banff Festival, and Martinez says he has made good contacts with Canadians through the festival.

Another factor which may have contributed to lack of co-ventures is that the production sector in Spain has until recently been relatively immature and uninstructed. The creation of new bodies such as independent's organisation Anepa may provide an opportunity for foreign producers wishing to work with Spanish producers by acting as an informal initial point of contact. With Spanish producers struggling to find finance at home, co-productions with Canadian partners who may be able to bring much needed funds to a project may become more attractive.

Programme Acquisition Prices

With RTVE currently undergoing dramatic cutbacks and the commercial channels still building audiences and revenues, programme prices are experiencing considerable downward pressure. Some indication of the prices paid for foreign programmes is given in the following tables, but it is by no means a definitive guide. As the tables illustrate, prices can differ enormously,

depending on the programme's quality, the number of transmissions included in the deal, long and short term output deals, programme packaging and currency fluctuations.

Tables 4.19 and 4.20: TV Programme Prices in Spain (US\$)

Feature Movies	TV Movies	Specials	One Hour Series	Half Hour Series
30,000- 1,000,000	20,000- 70,000	20,000- 50,000	7,000- 20,000	5,000- 8,000

Source: Variety, April 1992

Feature Movies	TV Movies	Childrens' (per half hour)	Documentaries (per hour)	Drama (per hour)	Light Entertainment (per half hour)
8,000- 25,000	15,000- 30,000	3,000- 8,000	4,000- 10,000	7,000- 25,000	2,000- 3,500

Source: TV World

3 CONTACT DIRECTORY

3.1 FILM

Regulatory Body

Instituto de la Cinematografía y de las Artes Audiovisuales, (ICAA)

San Marcos 40

28071 Madrid

Tel: 34 1 532 50 89

Fax: 34 1 531 92 12

President: Carmelo Romero

Director general: Juan Miguel Lamet

Regional Bodies

Comunidad autonoma de Cataluña

Departamento de Cultura

Rambla de Santa Monica

8-08002 Barcelona

Tel: 34 3 318 50 04

Comunidad autonoma Pais Vasco

Departamento de Cultura y Turismo

C/Duque de Wellington

2-01011 Vitoria

Tel: 34 45 24 99 00

Comunidad autonoma de Andalucia

Dirección general de fomento

y promoción cultural

C/Cuesta del Rosario

8-41004 Sevilla

Tel: 34 54 21 63 49

Comunidad autónoma de Valencia

Consejería de cultura, de educación y ciencia

C/Camapanar

3146015 Valencia

Tel: 34 96 386 65 00

Comunidad autónoma de Galicia
Dirección general de cultura
Edificio San Cayetano
Santiago de Compostela (La Coruña)
Tel: 34 981 56 600

Trade Organisations

**Comité Unitario Interprofesional de la
Cinematografía y del Audiovisual (CUICA)**
Gran Via, 50
3- derecha
28013 Madrid
Tel: 34 1 541 59 03
Fax: 34 1 541 96 07
Contact: Juan A Bardem

Private Investors

Banco de Credito Industrial
Serrano 43
28001 Madrid
Tel: 34 1 431 00 22
Fax: 34 1 577 09 33

Production Companies

Aligator Producciones
Paseo de la Habana 200
28036 Madrid
Tel: 34 1 457 92 73
Fax: 34 1 250 31 51
Contact: Alvaro Saenz de Heridia

Araine/Aiete Films
Artura Soria 172
28043 Madrid
Tel: 34 1 388 2626/2539
Fax: 341 759 7448
Contact: Andres Santana

Cartel

Orense 33 1* C
28020 Madrid
Tel: 34 1 597 07 72
Fax: 34 1 597 07 66
Contact: Pedro Perez Fernandez de la Puente

El Deseo

Ruiz Perello
15 Bajo Centro
28004 Madrid
Tel: 34 1 255 01 06
Fax: 34 1 355 74 67
Director: Augustin Almodovar

Els Film de la Rambla

Madrazo 54/56
08006 Barcelona
Tel: 34 3 200 34 57
Fax: 34 3 268 16 41
Contact: Ventura Pons

Impala

Manuel Motilla, 1
28016 Madrid
Tel: 34 1 250 62 00
Fax: 34 1 457 88 74
Contact: Jose Antonio Sainz de Vicuna

ION Productions

Avda Alfonsa XIII 62
28016 Madrid
Tel: 34 1 413 82 37
Fax: 34 1 519 13 05
Contact: Victor Manuel San Jose

Sabre Film

Ayala 13
28001 Madrid
Tel: 34 1 435 96 80
Fax: 34 1 435 03 64
Contact: Jose Samano

Sogetel

Gran Via 32 2#
28013 Madrid
Tel: 34 1 521 74 05
Fax: 34 1 523 23 66
General Manger: Juan Ruiz de Guana

Distribution Companies

Columbia TriStar

Peonias 2
Edificio Piovera Azul 28042
Tel: 34 1 320 07 44
Fax: 34 1 320 61 05
Director General: Ernesto Victoria Barcelo

Iberoamericana Films Internacional

Velasquez 12
28001 Madrid
Tel: 34 1 431 42 46
Fax: 34 1 435 59 94
Contact: Andres Vicente Gómez

A leading distributor headed by Spanish director, Andres Vicente Gomez, who also runs the production company Lola Films. Gomez is involved in many of Spain's most successful international films. The company aims to produce nine films between 1990 and 1992.

Lauren Films

Balmes 87
08008 Barcelona
Tel: 34 3 323 53 00
Fax: 34 3 323 61 55
Executive, International Department: Jorge Bosch

Last year's leading Spanish distributor. Deals largely with mainstream US productions, but also art-house productions, both domestic and foreign. As yet it has not handled any Canadian productions. Currently concentrating on expanding its 24-screen circuit in Barcelona and Madrid, but hopes to get back into production in 1994.

Review of the European Audiovisual Markets

Sogepaq

Caidofdivifionazul 1
Madrid 28016
Tel: 34 1 345 71 15
Fax: 34 1 350 30 33
Contact: Kevin Williams

More a rights acquisition agency than a distributor. It is 50 per cent owned by Cinepaq, and 50 per cent by Sogetel.

Tripictures

Doce de Octubre 28
28009 Madrid
Tel: 34 1 574 90 08
Fax: 34 1 574 90 05
Contact: Mr Hueva

Filmayer

Santa Cruz de Marcenado
28015 Madrid
Tel: 34 1 542 66 05
Fax: 34 1 247 07 14
Head of Acquisitions: Jose Monserrate

The company releases between four and six productions a year. It also distributes Hanna Barbera, and tries to handle as many European productions as US mainstream releases.

United International Pictures

Plaza de Callao 4 6*
28013 Madrid
Tel: 34 1 522 72 61
Fax: 34 1 532 23 84
Managing Director: Gualderto Bana

Warner Espanola

Manuel Motilla 1
28016 Madrid
Tel: 34 1 250 62 00
Fax: 34 1 457 88 74
Contact: Ed Weinberg

3.2 VIDEO

Distributors

Buena Vista Home Video

Miguel Angel 11 - 2
28010 Madrid
Tel: 34 1 308 31 47
Fax: 34 1 308 31 52
Contact: Luis Javier Martinez

CIC Video

Albacete 5-3
Planta Edificio Agf
28027 Madrid
Tel: 34 1 32 6 01 20
Fax: 34 1 32 6 58 23
General Manager: Jorge Molist

Columbia TriStar

Albacete 5-4
28027 Madrid
Tel: 34 1 326 43 62
Fax: 34 1 404 94 58
MD: James Armstrong

Filmayer Video

Martires de Alcala 4
28015 Madrid
Tel: 34 1 547 18 49
Fax: 34 1 547 25 61
Contact: Jose Monserrate

Fox Video Espana

Av. Burgos
8-A Pl. 18
28036 Madrid
Tel: 34 1 302 32 50
Fax: 34 1 383 82 80
Contact: Ele Juarez

International Video Sist.

Olite 37
31080 Pamplona
Tel: 33 48 24 26 30
Fax: 33 48 23 30 44
Contact: Jose Furco/Javier Gracia

Imagen 35 Y Asociados:

Ctra. de Algete, Km. 5.500
Polg. Ind. Los Nogales
Rio Tormes - nave 68
Algete Madrid
Tel: 34 1 628 21 60
Fax: 34 1 628 01 22
Contact: Jose A. G. Delgado

Lauren Films

Balmes 87
08008 Barcelona
Tel: 34 3 323 54 00
Fax: 34 3 323 61 55
President: Antonio Laurens

Record Vision

Corcega 370
08037 Barcelona
Tel: 34 3 207 35 56
Fax: 34 3 458 47 40
MD: Marcel Jasse

Tripictures

Doce de Octubre 28
28009 Madrid
Tel: 34 1 574 90 06/7/8
Fax: 34 1 574 90 05
Contact: Felipe Ortiz

Warner Home Video Espanola

Angel Munoz 14/16
28043 Madrid
Tel: 34 1 413 05 43
Fax: 34 1 519 57 59
Contact: Alejandro de Muns

Weekend Video

Mandarina 7
28027 Madrid
Tel: 34 1 431 42 46
Fax: 34 1 435 59 94
Managing Director: Andres Gomez

3.3 TELEVISION

Regulatory Body

Direccion Generales de Medios de Communication Social (DGMCS)
Ayala 5
28001 Madrid
Tel: 34 1 448 7000
Fax: 34 1 401 0057

Trade Organisation

ANEPA
Sagasta, 20-2 Izda
28004 Madrid
Tel: 34 1 448 22 89/23 21
Fax: 34 1 593 46 48
Contact: Victoria Alberca

Broadcasters

Television Espanola (TVE1 & TVE2)
Prado del Rey
s/n 28023 Madrid
Tel: 34 1 346 8000
Fax: 34 1 346 9641
Head of Co-productions: Salvador Agustin
Head of Acquisitions: David Nogueira

Antena 3
Avda. Isla Graciosa
San Sebastian de los Reyes
28700 Madrid
Tel: 34 1 623 0500
Fax: 34 1 653 6853
Programme Manager: Condorcet da Silva Costa

Tele Cinco

Plaza Ruiz Picasso
Torro Picasso
28020 Madrid
Tel: 34 1 396 6100
Fax: 34 1 555 0146
Programming Manager: Manuel Villanueva

Canal Plus Espana

Gran via 32
3rd Floor
28013 Madrid
Tel: 34 1 396 5500
Fax: 34 1 396 5600
Head of Acquisitions: Margaret Nicoll

Regional Broadcasters

Canal 9 - Televisio Valenciana

Poligono Acceso Ademuz
Burjassot
46100 Valencia
Tel: 34 6 364 1100
Fax: 34 6 363 9507
General Manager: Amadeu Fabregat-Manes

Canal Sur

Carretera San Juan de Aznalfarache
Tomares Km 1,3
41920 San Juan de Aznalfarache (Seville)
Tel: 34 5 455 7600
Fax: 34 5 455 0694
Director General: Manuel Melero Munoz

ETB-Euskal Telebista

Barrid Lurreta
48200 Bizkaia
Tel: 34 4 681 6600
Fax: 34 4 681 6526
Head of Co-productions: Santi Uriarte
Fax: 34 1 639 2386
President: Juan-Julio Baena

226

TM3-Tele Madrid

Zurbano 71

28010 Madrid

Tel: 34 1 441 7188

Fax: 34 1 308 3811

Head of Programmes: Jose Miguel Contreras

TVG - Television de Galicia

Bando - San Marcos

15820 Santiago de Compostela

Tel: 34 81 564 400

Fax: 34 81 572 573

Head of Acquisitions: Maria Ignacia Ceballos

TV3/Canal 33 - Televisio de Catalunya

PO Box 30300

08080 Barcelona

Tel: 34 3 499 9333

Fax: 34 3 473 0671

Director of Programmes: Oleguer Sarsanedas

Forta

Goya 22

28001 Madrid

Tel: 34 1 576 1727

Fax: 34 1 576 5300

Secretary General: Joaquin Amat

Production Companies

BRB International

Autovia Fuencarral-Alcobendas

Km 12.220

28049 Madrid

Tel: 34 1 358 9596

Fax: 34 1 358 9818

International TV Sales Director: Mercedes Alvarez

Specialises in children's animation

Coral Europa

Maria Auxiliadora, 26. Majadahonda
28220 Madrid
Tel: 34 1 639 5387
Fax: 34 1 639 2386
President: Juan-Julio Baena

Became established as a supplier of soaps and drama series through co-production and distribution from Coral Pictures in the US. With a strong financial base, the company has now moved into more ambitious co-productions with other European producers.

Cristal/Audiovisuales Nebli

c/Gran Via, 15-2
28103 Madrid
Tel: 34 1 531 3228
Fax: 34 1 532 4404
General Directors: Cesar Benitez, Carlos Orengo

In the four years since they were set up, the two companies have produced a range of programming, including documentaries, game shows and sitcoms.

Cyrk

Gran Via Corts Catalanes 700
Pral 1a
08010 Barcelona
Tel: 34 3 231 5135
Fax: 34 3 245 1424

In 1992 the company worked solely on the movie 1492: Conquest of Paradise, but the company has also worked on TV movies and drama series. It hopes to co-produce one TV movie a year. Cyrk also handles distribution with 600 feature films and 1,200 hours of TV programming in its library. The bulk of this catalogue comes from the US and the rest of Europe. At the moment, however, the company is not adding to this catalogue because the Spanish broadcasters are buying so little.

Episa

Castro Urdiales 10
PO Box 612 01006 Vitoria-Alava
Tel: 34 45 14 82 80
Fax: 34 45 14 84 05
President: Inigo Silva Berastegui

A film and television producer, EPISA aims to work on around three projects a year. In 1992 the company completed one animated television series and two movies. It is currently concentrating on animation at the moment, but has also produced documentaries and educational series. It co-produces mainly with other Spanish companies but is interested in international co-productions.

D'Ocon Film Productions

Calle Calaf 3
08021 Barcelona
Tel: 34 3 414 3408
President: Antoni D'Ocon

Since its creation in 1985, animation specialist D'Ocon has been responsible for some of Spain's most watched cartoons, including Delfy And His Friends which consistently attracted ratings of around 35 per cent in 1992. The company co-produces with other European producers, such as Ravensburger (Germany) and France Animation, and broadcasters such as TF1 (France) and RAI 1 (Italy), and has completed five series and one feature film to date.

Figaro Film

Consell de Cent 303
08007 Barcelona
Tel: 34 3 323 5654
Fax: 34 3 323 7596
Head of Co-productions: Lluís Ferrando

Established as a feature film producer, Figaro now produces two to six drama series a year, in addition to one film. The company is keen to co-produce programmes with international potential, and has worked mainly with French independent producers so far. It is also a member of the Independent Producers Group and is currently looking at a TV series with fellow member, the Multimedia Group of Canada.

G & CM Internacional

Segasta 15,5 Izquierda
28004 Madrid
Tel: 34 1 447 7100
Fax: 34 1 593 3886
Director General: Maria Gyalui

ICC

Mallorca, 336
08037 Barcelona
Tel: 34 3 207 2766
Fax: 34 3 459 0668

Has two studios, its own shooting equipment and library, and teams for production and post-production. It specialises in three areas of production: TV series, especially prime-time fiction, feature films and documentaries.

Imatco

Consell de Cent
280 Pral
08007 Barcelona
Tel: 34 3 487 49 93
Fax: 34 3 488 01 06
Managing Director: Carles Jover Ricart

Imatco has an average turnover of some US\$3 million annually and specialises in fiction, both TV series and feature films, and documentaries. In 1990 the company expanded into sitcoms and gameshows but after a poor year closed these departments. The company relies heavily on co-financing and co-producing has worked with the UK's Channel 4 and La Sept in France.

Telson Internacional

Rafael Salgado
11-3 Izqda
28036 Madrid
Tel: 34 1 457 96 98
Fax: 34 1 457 16 81
Commercial Director: Jeronimo Molero

Tesauro

Calle Bocangel 26

28028 Madrid

Tel: 34 1 725 1807

Fax: 34 1 256 8773

President: Harvé Hachuel

Director: Carlos Rapallo

In 1992 it completed three theatrical releases and two episodes of the series Dangerous Curves, which was co-produced with Hamster and Tele-Munchen. Other co-productions partners in the past have included The Disney Channel, Anglia and HTV but the company has had no dealings with Canada.

Virginia Films

Canet 38

Second Floor

08017 Barcelona

Tel: 34 3 204 9221

Fax: 34 3 205 4558

Producer: Paco Poch

Produces one theatrical and one TV movie a year.

Zoom TV

Port-Bou 6

08028 Barcelona

Tel: 34 3 339 4150

Fax: 34 3 411 0200

Director of Production: Pepa Muntadas

Owned by Telson, primarily it provides facilities and equipment but has co-produced with NHK in Japan.

UNITED KINGDOM

Contents

1	FILM	
1.1	INTRODUCTION	1
1.2	REGULATORY FRAMEWORK	1
1.3	SOURCES OF FUNDING FOR UK FILMS	2
1.4	THE PRODUCTION SECTOR	12
1.5	THE DISTRIBUTION SECTOR	19
1.6	THE EXHIBITION SECTOR	20
1.7	THE VIDEO MARKET	25
2	TELEVISION	
2.1	INTRODUCTION	31
2.2	REGULATORY FRAMEWORK	32
2.3	TELEVISION REVENUE	36
2.4	BROADCASTERS	36
2.5	PRODUCTION AND DISTRIBUTION	44
3	CONTACT DIRECTORY	
3.1	FILM	50
3.2	VIDEO	57
3.3	TELEVISION	62

1 FILM

1.1 INTRODUCTION

Although the UK has seen a net rise in cinema admissions over the last decade, it has been a period of dramatic decline for British film producers. Following the demise of Palace, the one major producer with interests in distribution, and the financial collapse of Goldcrest, which began the decade so promisingly with the internationally successful *Chariots of Fire*, the number of successful UK producers has shrunk to a few companies working on a limited number of medium budget films.

The success of the US majors with their high degree of vertical integration has been a key factor in the UK production sector's decline. US releases account for about 93 per cent of box office takings and two thirds of the British market in distribution is taken by five of the seven major US studios.

The launch of Channel 4 in 1982, with its commitment to investing in British films, was to provide a welcome source of financing for many films, and, together with the government-funded British Screen, has been widely credited as the saviour of the UK film industry during the Eighties.

1.2 REGULATORY FRAMEWORK

Historically, the role of the UK Government in the British film industry has been a non-interventionist one. This laissez faire attitude reached a peak under the Conservative Government of the 1980s. Under Margaret Thatcher's leadership, the Government opened up many areas of the economy to market forces, privatising state-owned industries where possible, and removing subsidies from other sectors.

Film was no exception: during the decade, the exhibition quota for UK films was abolished, the Eady Levy - a financial incentive for production - ended, and tax relief in the form of 100 per cent capital allowance on films was withdrawn.

Until 1992, when it was transferred to the newly created Ministry of National Heritage, film policy was handled by the Department of Trade and Industry (DTI).

The most important piece of current legislation relating to the UK film industry is the 1985 Films Act, which among other things sets out the definition of what constitutes a British film. In order for a film to qualify as British, the following criteria must be met:

- the film-maker must be either a person ordinarily resident or a company registered in a Member State of the European Community,
- the studio (if used) must be located in a Commonwealth country or the Republic of Ireland,

- not less than 75 per cent of labour costs represent payments to those ordinarily resident in a Member State or Commonwealth country.¹

However, even if all these criteria were not met a film might still be described as British because it was written or produced in a "British way" by individuals who no longer reside in the UK. This latter interpretation of a British film, in conjunction with the Films Act definition and the fact that the film can be shot and fully financed from abroad means that a "British film" can embrace a rather wide range of interpretations. Thus there are problems in defining a British film.

1.3 SOURCES OF FUNDING FOR UK FILMS

In general, there is a serious shortage of funding available for British films. While box office revenue in most European countries is dominated by US films, the UK production sector is, if anything, overshadowed to a greater extent because the need to protect domestic language film making, which is seen as a strong cultural rationale for intervention in continental European countries, is not relevant in the UK. Although there are other cultural rationale for supporting domestic film production, the present UK government is reluctant to intervene, except on economic grounds such as pump-priming, preferring to leave the industry to market forces.

During the Eighties, a number of government incentives and/or quotas were phased out. For example, in 1983 the exhibition quota for UK films was reduced from 30 per cent to 15 per cent before being abolished altogether in 1984. The following year the Eady Levy on box office receipts - a tax designed as a financial incentive to encourage production - ended and there was a phased withdrawal of 100 per cent first year capital allowances for tax relief. By 1988 all special tax incentives for film production were ended, while in 1987 a withholding tax on foreign artists' payments had been introduced. Although in 1987 a Business Expansion Scheme for the film industry was introduced, the net effect of these changes was to reduce the level of foreign investment in UK-based feature films.

As investment levels have fallen so too has the number of high budget UK productions. The independent research company, Knowledge Research, observed that during the Eighties, the average production budget more than halved in real terms, with the peaks in production budgets corresponding to the years when foreign investment was highest. As the following two tables illustrate, the majority of British films are low to medium budget (ie., below £5 million, or US\$8 million). A detailed analysis of the size of British films produced between 1987 and 1989 is set out in the two tables below.

¹ It is noteworthy that under the Films Act definition, "British" therefore constitutes a large proportion of the world outside the US

Table 5.1: UK feature films by budget category, 1987-1989 (at constant 1985 prices) (%)

Year	1987	1988	1989	Average
Low (under £1.5m)	39	32	37	36
Medium (£1.5m - £5m)	49	52	47	49
High (£5m - £15m)	5	12	11	9
Mega (over £15m)	7	4	5	6
Total	100	100	100	100

Source: Brunel University/Knowledge Research

Table 5.2: Investment in UK feature films, 1989-1991 (US\$m)

Year	Average per film (US\$m)	Total Films (US\$m)
1989	5.08	137.1
1990	5.50	258.7
1991	5.32	244.5

Source: Screen Digest

A recent report by the Policy Studies Institute shows that just 12 films were funded entirely from UK sources in 1991. Because of the shortage of financing for films out of the UK, films with a budget of more than £1.5 million (US\$2.4 million) need either a pre-sale to a US distributor or a UK television station - ideally, both.

The trend towards production of lower budget films in the UK, the budget for each of which requires piecing together from a number of sources, makes raising finance a lengthy process. The financial failure of Goldcrest, the moves away from production by larger groups such as Rank and EMI and the withdrawal of tax incentives have contributed to this. With the support of Channel 4 and British Screen, both of which have special remits and are therefore not, strictly speaking, commercial film financiers, the low to medium budget sector has been the most stable segment of the UK film industry in the Eighties.

Government assistance

In June 1990, a high-level delegation from the film industry (which became known as the Downing Street Seminar Group) went to see Margaret Thatcher, the then Prime Minister, to voice their concern at the state of the UK film industry.

Review of the European Audiovisual Markets

The outcome of this summit was agreement of a six-point agenda. To date, three of those points have been implemented:

- the Government gave £5 million (US\$8 million), spread over three years, to support UK participation in European co-productions through the European Co-production Fund. It has also just announced its intention to join Council of Europe co-production initiative Eurimages (for details of Eurimages see Chapter I, Overview), committing another £2 million (US\$3.2 million) annually,
- the Government agreed to establish a British Film Commission with a budget of £3.75 million (US\$6 million) over the next three years to attract overseas film-makers to the UK. The Commission is now in operation,
- support for EC audiovisual initiative Media 95 was confirmed. The UK's contribution to the programme over the next four years will be approximately £34 million (US\$54 million).

However, there are still three outstanding issues from the Downing Street Seminar agenda:

- the Group called for the setting up of an export agency for film (dubbed Uni-Britannia), to assist with the promotion and selling of British films at the major international film markets,
- a Working Party on Tax Reforms, chaired by Wilf Stevenson, was established. This report was completed by October 1990 and recommended the following three reforms: an accelerated write-off procedure for film expenditure, to assist producers with cash-flow and to encourage grouping; an ambitious Film Expansion Scheme, to give corporate and private film investors tax relief on investment in qualifying British productions; and to rectify the current discriminatory tax regime for foreign film stars.

In June 1992, the Government outlined proposals for accelerated tax relief for expenditure on films, but these did not go as far as the working party proposed (see separate section on Tax Incentives).

Stevenson also argued that tax changes alone would not revitalise the film industry, describing them as "*necessary, but not sufficient.*" He added that "*without changes in the tax regime, we cannot expect those who are risk averse to invest in the industry, certainly not in the short term.*"

- a second working party (which included producers, DTI representatives and other industry experts) was therefore established to examine structural problems in the UK film industry, chaired by the DTI. The working party had not completed its investigation by mid-1992 when it was transferred to the Ministry of Heritage, largely because of the DTI's insistence that its recommendations should be unanimous. In frustration at this failure to reach any recommendations, in July 1992, the producers on the working party submitted their own report to the then Secretary of State for National Heritage, David Mellor, arguing that any structural reforms should be accompanied by tax incentives to encourage investment.

In the wake of this report the DNH invited the Film Strategy Group, a committee of leading film producers established by the BFI and the Producers Alliance for Cinema and Television (PACT), to prepare a number of proposals for injecting finance into the film industry. The DNH is keen to see investments return to the mid 1980s peak of around £413 million (US\$730 million) at constant 1991 prices.

The strategy group has suggested a number of proposals for achieving this level of financing including; allowing UK commercial TV companies to offset investments in feature films against the payments they are required to make to the treasury; placing a levy on the sales of blank tapes; and forcing satellite broadcasters to invest a proportion of their film acquisition budgets in UK films. The DNH is said to support a system of tax incentives to encourage investment but such measures may not fit in with the Government's current cutbacks in public spending.

The film industry in the UK has constantly argued that government intervention is needed to create market conditions favourable to investment in British film. The current Government has strongly opposed this, believing that it should provide financial assistance on economic grounds, such as pump-priming, alone. There are some signs that it may be considering relaxing this hardline view; in addition to a general softening in attitude towards cultural issues since John Major became Prime Minister, the DNH appears to be more sympathetic to industry lobbying than its predecessor, the DTI.

Currently there are several film support bodies or funds which receive full or part funding from the UK Government. These are: British Screen Finance, the European Co-production Fund, the British Film Commission, the British Film Institute, the National Film & Television School, and the English Language Cinema Plan.

The primary form of assistance to producers is through British Screen Finance, which is still the only regular source of public finance for film production. British Screen was established at the end of 1985. It replaced the National Film Finance Corporation which had been set up in 1949, primarily as a lending facility, but had consistently failed to achieve any commercial success. British Screen was set up with a redefined brief, to act as a vehicle to channel government assistance to the film industry in partnership with funds provided by the private sector.

The DTI laid down the following objectives for British Screen:

- that it should continue to invest in the production and development of British films, or films made under approved co-production treaties with other countries, to enable projects which would not otherwise go ahead to proceed,
- that a high proportion of these films should explore British themes, cultural values and/or current concerns,
- that a high proportion of its projects should involve new talent, and

Review of the European Audiovisual Markets

- that it should achieve self-sufficiency at the end of 1993, or as soon as possible thereafter.

In addition to its Government funding, British Screen has four private shareholders: Channel 4, the Rank Group, Pathé Screen Entertainment and Granada Television. Although it has been seeking new shareholders, none has been attracted since Granada took a stake in 1988. One probable reason for this was the uncertainty over the future of British Screen's government grant. The new DNH has just announced that its funding for British Screen will remain frozen at its present level of £2 million (US\$3.1 million) extended until 1996.

In addition to the main production budget, British Screen operates a development fund (previously the National Film Development Fund (NFDF)) which gives three different types of loan:

- **development loans**, to support producers throughout the process of developing a commercial feature film project,
- **screenplay loans** - to stimulate the writing of first draft screenplays by new writers and writers new to the cinema, and
- **preparation loans**, to enable producers to finance further or final development of feature film projects where British Screen is intending to provide finance for their production.

The **European Co-production Fund (ECF)** (which is also managed by British Screen, although it is a totally separate fund) was set up by the Government in 1991 and aims to help British producers seeking to enter European co-productions. In order to qualify, films must be co-productions between companies in at least two separate EC member states and a UK company must have some form of backing in the home country. The ECF (which receives £5 million (US\$7.9 million) over a three year period) has to date backed three films, all of which have French co-production partners. The ECF's funding runs to March 1994, and will be subjected to a performance review to determine whether it will be renewed beyond this date.

The **British Film Commission** was launched officially in early 1992. Its main aim is to attract film, television and commercials production to the UK, by marketing the resources and expertise available in the UK to the international production community. The Commission is to receive £3.5 million (US\$5.5 million) over four years from the Government so that it may encourage overseas film makers to film in the UK and/or use British crews and facilities.

The **British Film Institute** is a cultural body which received £14 million (US\$ 24.8 million) in 1991-2 from the Government for all expenditure. In 1992-3 this will increase to almost £15 million (US\$23m), and the Government has promised an additional £2.1 million (\$3.25m) in the BFI's 1994/95 budget. The BFI programmes and operates the National Film Theatre, and invests around £2 million (US\$3 million) a year in non-commercial film productions, through BFI Production. It also undertakes its own distribution and sales. Recent releases include

Distant Voices, Still Lives, and Fellow Traveller. In 1994, it will be allocated an extra £2 million (US\$3 million) for its National Film Archives activities.

The **National Film and Television School** receives £1.8 million (US\$2.9 million) a year grant from the Government. The remainder of its £3.6 million (US\$5.8 million) annual budget comes from a variety of sources, including grants from the broadcasters and other industry bodies. It is an autonomous non-profit making organisation which provides postgraduate training and re-training in all of the key film making disciplines to professional standards.

The **ELCP (the English Language Cinema Plan (ELCP))** - a proposed, multinational film initiative between the UK, Ireland, Australia, Canada and New Zealand to support the production of non-US English-language feature films. In effect the ELCP would act as a new, multilateral co-production treaty, by supplementing revenues earned by films co-produced by participating countries. Supplements would be calculated as a percentage of box-office or theatrical rentals, thus reflecting the success of the film. The ELCP proposal is the result of two years of discussions between British Screen, Film-makers Ireland, the Australian Film Commission, Telefilm Canada and the New Zealand Film Commission. The proposal is currently being considered by the respective governments, but in the current economic climate the chances of additional funds being made available for film financing may be slim.

Tax Incentives

As already outlined, during the 1980s the Government pursued a policy of removing virtually all of the previously existing tax incentives. The film industry has lobbied hard to have some fiscal incentives reintroduced, arguing that this is the fastest and most effective way to encourage new investment (domestic and overseas), and that there is the need for a "level playing field" since so many other countries provide state support for their film industries.

As a result of this lobbying, in new clauses to the finance bill of 23 June 1992, the Government outlined proposals on accelerated relief for expenditure on films.² The first of these will allow film-makers to claim a tax deduction on development costs as they are incurred. Any expenditure incurred prior to a firm decision being taken to proceed with a film will attract this relief, up to a limit of 20 per cent of total budgeted expenditure. Aborted expenditure of this nature will also qualify. The second clause will, subject to certain other requirements, allow the cost of producing a film to be written off at a flat rate of 33.3 per cent per year upon completion of the film.

These two clauses originate from the 1991 budget, which failed to meet industry expectations by not including three key proposals suggested - ie., a relaxation of tax on foreign artists working in the UK, an extension of the Business Expansion Scheme and accelerated write-offs for

² Source: Screen Finance

production investment. One year later, the 33.3 per cent write-off was extended to include expenditure on the acquisition of qualifying films. It is hoped that this extension should make the acquisition of British films more attractive to distributors.

The UK film industry's response to these tax reliefs was lukewarm. Wilf Stevenson of the BFI drew attention to two areas which had been ignored by the Government, which, he believes, would aid the UK film industry - these are the withdrawal of withholding taxes which penalise foreign film stars working in the UK and the introduction of tax incentives for investors.

Tax experts also gave a cool reception to these tax reliefs, with some claiming that the tax write-off does not go far enough, and that the measure simply failed to take account of the fact that films are usually funded up-front.³

EC Incentives

The newsletter Screen Digest estimates that the UK's share of available EC investment initiatives (outlined in the EC Chapter of Chapter 1) is 17.9 per cent. According to its figures, France receives the most EC investment, with a 44 per cent share of this funding, Italy has 25.5 per cent, followed by the UK, then Germany with 9.8 per cent.

Since its inception in 1988, the European Film Distribution office (EFDO) has supported the UK with grants for the overseas distribution of 23 British films. Only France has provided more films to the EFDO scheme (29 films), while Germany is in third place (22 films). However, in terms of distribution-support awards for foreign films in the UK, the picture is the reverse. Only Portugal, Greece and Denmark have had fewer distribution awards than the UK. The imbalance reflects the fact that it is difficult to find a market for foreign films in the UK due to the dominance of US films and the reluctance of British audiences to accept dubbed or sub-titled films.⁴

From 1993 British producers will also be eligible for funds from Eurimages, the Council of Europe's co-production fund, following the British Government's recent decision to pay the £2 million (\$3.1 million) subscription fee. The move will make up to \$940,000 available per film for five to six new features a year, providing the projects have at least two other European partners. Producers will also be eligible for support from Eurimages' entire annual fund of FFfr120 million (\$22.6 million).

³ Source: Accountancy Age

⁴ Source: Screen Finance

Investment by Television Companies

Of the 551 European films in production as at September 1992, 261 (47 per cent) have television backing. For the UK, of the 46 films in production, 23 (50 per cent) have television backing.

Channel 4's *Film On Four* slot is the largest single source of investment in the UK film industry. Each year it invests in approximately 15 films, at between £250,000 (US\$394,000) and £800,000 (US\$1.3 million) each, amounting to a total of £11 million (US\$18 million). However, in 1993, Channel 4 started selling its own airtime, having previously been reliant on the ITV network for finance. There is a safety net to protect its revenue whereby the ITV companies will top-up the channel's revenue should it fall below 14 per cent of total advertising revenue (although based on its strong performance in the first few months of 1993, it seems unlikely to need this) of 1993. But it is still uncertain whether Channel 4 will continue to be as active in film production as it was in the 1980's. The company says its investment policy will not be affected, although it may be more concerned about increasing the return from its investments. Of the 200-odd films it has invested in over the last 10 years it has actually recouped fully on only 10 or 12.

Although a less important source of production finance than Channel 4, the BBC has also acted as a co-producer in the past, and promises to become more involved in this area since the signing of a development deal with US producer Arnon Milchan in May 1991.

In August 1992, the BBC commissioned four new theatrical features, with total budgets of £8 million (US\$13 million) (compared with an average of £800,000 (US\$1.3 million) for four TV movies commissioned at the same time). A substantial amount of this will be financed by co-production; for example, *The Hour Of The Pig*, is a co-production with French producer Ciby 2000, British Screen and the European Co-production Fund. The other features are *Great Moments In Aviation*, written by Jeanette Winterson, *Century* by Stephen Poliakoff, and *The Hawk* by Peter Ransley.

Of the 15 commercial regional ITV companies, Granada has been the most active financier of British films. In addition to investing in such British films as the Oscar-winning *My Left Foot*, Granada is also a shareholder in British Screen, with which it has co-produced three movies since 1988. However, following the departure in early 1992 of chief executive, David Plowright, and the closure of Granada's international TV movie arm it is not clear what future role the company will play in the film industry.

The only other ITV company which has invested regularly in theatrical films is London Weekend Television, whose feature credits include *The Tall Guy*, *Under Suspicion*, *Where Angels Fear To Tread*, *Just Like A Woman* and *A Handful Of Dust*.

Investment by the private commercial sector

The **Business Expansion Scheme** was set up by the UK Government to provide investment to unquoted trading companies. In particular investment in high risk activities with potential for

generating high returns is encouraged. BES funds that have been set up to raise finance specifically for film production are **Film Asset Development**, **United British Artists**, and **String Of Pearls** and more recently a scheme from Metrodome Films for the film *Bedlam*. UBA aims to produce two features a year investing no more than £50,000 per project (US\$80,000). String Of Pearls aims to produce up to 36 low budget British film over the next six years for a total of US\$28 million.

The Children's Film and Television Foundation, set up after the demise of the Eady Levy, is involved in promoting, pump-priming and occasionally part-financing feature films suitable for children aged between five and 12 years old. It allocates development money to appropriate projects, which will then have to raise the rest of the money from other partners. Films it has supported include *Just Ask For Diamond*, and *Danny - The Champion Of The World*.

Other investors include:

Cori Film Distributors - Cori provides minimum distribution guarantees, payable on delivery. The company will only invest in a project if some finance has already been secured, and it rarely finances British films. It recently invested in *Golden Fleece*, a co-production between Astral in Canada and a US producer.

Hemdale Holdings/Hemdale Film Corporation - LA based Hemdale has co-financed a number of UK films in recent years, including *Hidden Agenda*, *Buster* and *Shag*. For *Hidden Agenda* it put up the whole US\$5 million budget, while it provided \$1.5 million co-finance for each of the other two.

Polygram - the major multi-national record company has invested in a series of small production companies, mainly in the US, but it also owns Working Title Films and Television in the UK. It also tried to buy producer-distributor Palace before it went into liquidation. The deal fell through, but Polygram is providing support for Scala Productions, the new company of Palace's creative talent Nik Powell and Steve Woolley.

Rank - the Rank Organisation is the UK's largest leisure conglomerate and, historically, it has been the mainstay of the British film industry. However, recent reports have suggested that it is looking to divest itself of many of its film interests and sell its Odeon cinema chain, film distribution company and Pinewood Studios. Rank's film, video and TV operations were valued at £365 million (US\$645 million) in 1991, and it reported trading profits of £22 million (US\$38.9 million) on turnover of £612 million (US\$1.08 billion). In the past couple of years, Rank has barely dipped into its annual \$100 million production fund, relying heavily on output deals to fill its screens. It has also been relatively inactive in making acquisitions, with the exception of £1 million (US\$1.7 million) paid for Australian box office hit *Strictly Ballroom*.

Investment by financial institutions

Investment in the film industry from financial institutions is limited, because of the high risk nature of the business: it is an accepted maxim that for every 10 films produced, only one or two will actually make a profit.

Although there was considerable interest by financial institutions in investing in British films during the early 1980s, this ended with the collapse of Goldcrest⁵. In the present economic climate banks and finance institutions are reluctant to lend to anything but the most safe investments. Therefore, the only real area of film activity by financial institutions is in cash-flowing films, whereby effectively they advance money to producers, which they are guaranteed to recoup plus interest once the film is completed and other partners, such as distributors, pay their share of the budget.

Of the big four clearing houses, both Barclays Bank and the Midland Bank offer specialised services to the film industry. However, as financial institutions now rarely invest in risky ventures, their 'investment' is normally a form of underwriting, or cash flowing the production of a film, against security such as distribution guarantees.

Other financial institutions active in film finance include:

Samuel Montagu and Company - the merchant banking arm of the Midlands group - specialises in high risk financing. Financing is provided for productions of up to \$10 million, with pre-sale distribution secured or a name producer or director involved.

FILMS Group - with the backing of two major banks, Berliner Bank AG and Bank Internationale a Luxembourg, FILMS specialises in arranging loan financing deals in excess of US\$5 million for feature films and major TV productions.

Guinness Mahon - the UK-based merchant bank plans to return to film financing with the launch of Partners in Film at this year's American Film Market. The project is a joint venture with the US-based Completion Bond Company, the leading completion guarantor. Services on offer will include providing advice on finding development money, lining up potential investors, discounting sales agreements, helping to find distributors and providing a revenue collection service. Last year the bank helped to obtain funding for *When Pigs Fly*, a £1.2 million (US\$1.9 million) Netherlands/US co-production, and provided production financing for several US television movies. Ultimately Guinness Mahon hopes to join forces with other European banks to provide all the lending against pre-sales contracts for film and television productions under the Completion Bond Company deal.

⁵ The collapse of Goldcrest was chronicled in the book "My Indecision is Final" by Jake Eberts and Terry Illot.

National Leasing and Finance Company - until the reduction of tax allowances in 1985, the company was involved in arranging leasing transactions for films. Under these deals, banks bought films for the tax benefits, and then leased them to distributors. Since 1985, NLFC has not been involved in such deals in the UK, but it says that if the Government's recent decision to raise tax allowances to 40 per cent is followed by further increases, leasing may become attractive again.

The main companies acting as completion guarantors in the UK are **Film Finances Inc**, **International Completions Inc** and **Motion Picture Guarantors**.

1.4 THE PRODUCTION SECTOR

The UK production sector has been marked by a decline in both output and in budgets. Most British production companies are small and fragmented, and virtually none have produced more than two films a year. There is little involvement by producers in distribution and exhibition, and therefore *"risks cannot be spread, failures cannot be absorbed"*, according to the BFI's Wilf Stevenson. This is in stark contrast to Hollywood where majors have control of distribution; this not only allows them to bolster their profitability through distribution fees but effectively also allows them protected access to the ancillary markets.

In the last 10 years, 464 UK films were made by 352 different production companies, of which 250 existed in order to produce one film only. Of the various successful commercial producers/financiers from the Eighties, the most active are as follows:

Enigma Productions - is the production vehicle of David Puttnam, one of the UK's leading producers. During the last five years it has had access to a US\$50 million fund for production, financed by Japanese media giant Fujisankei and Warner Bros in the US. So far two films have been made through this fund, *Memphis Belle* and *Venus Peter*. A further two productions will be financed from the fund, and Warner Bros has renewed its commitment for another four years which will cover three projects currently in development. Fujisankei will also continue its relationship with Enigma and the two will co-produce *War Of The Buttons*.

Goldcrest Films & TV - once the flagship of UK production, Goldcrest suffered severe financial problems in the mid-Eighties following its expensive flop, *Revolution*. The Goldcrest of the 1990s is a very different operation, concentrating more on its activities as an international sales agency. Although the company has not produced anything since 1991 it is hoping to work on one film a year, and through its LA office is actively seeking co-production partners in the US and Canada. It is specifically looking for English-language, medium budget quality dramas and thrillers.

Handmade Films - headed by ex-Beatle George Harrison, Handmade has not made anything since the comedy *Nuns On The Run* in 1989. However, it hopes to go into production on another feature in 1993.

Working Title - film and TV production company, now wholly owned by media group PolyGram. PolyGram first took a 49 per cent stake in 1989, providing a much-needed cash injection and providing it with a rolling fund for investment with films. In 1992 it completed *Map Of The Human Heart*, a UK/Australia/Canada co-production. Its other credits include *Bob Roberts*, *Drop Dead Fred*, *Edward II*, *Wish You Were Here* and *My Beautiful Launderette*. In future the company is likely to concentrate on films in the \$7.5 million to \$20 million range.

Palace - production, distribution, video and facilities group which was one of the most prolific and innovative producer/distributors of the Eighties, with films including *Scandal*, *Absolute Beginners*, *Company Of Wolves*, *Mona Lisa* and *The Crying Game*. But it was plagued with financial problems, and in 1992 most of its companies went into liquidation, although the creative talent, Nik Powell and Steve Woolley, separated themselves off and now operate as Scala Productions, under the aegis of Polygram.

Prominent Films - the production arm of the Monty Python team. It was responsible for major hits such as *A Fish Called Wanda* and the costly but less successful *Adventures Of Baron Munchausen*. It just released another comedy *Splitting Heirs*, earlier this year and aims to produce two films every three years.

Recorded Picture Company - headed by top producer Jeremy Thomas, it has produced a number of high budget acclaimed features, including *The Last Emperor*, *The Sheltering Sky* (with Bernardo Bertolucci) and David Cronenberg's *Naked Lunch*. Recorded Picture Co is currently finishing *Little Buddha* (again with Bertolucci), for release in Autumn 1993. Japanese company Shockiku Fuji has invested \$50 million in Thomas' films.

It is notable that two of the most successful independents, David Puttnam and Jeremy Thomas, have received film finance via long-term deals with major international distributors.

Official statistics on the UK film industry were phased out in the mid-1980s, since when reliable statistics have been difficult to collate, especially given the added problem of defining what is a "British" film (although this a problem familiar to most countries whose domestic film industries are dependent for survival on investment from overseas). Firstly, the number of British films made is not agreed upon. For example, in 1991, Knowledge Research estimates the number of such films ranges from 19 to 54. The lower number represents the number of British films for which 100 per cent of the value of production expenditure is estimated to accrue to the UK. The higher number represents all films described as British but includes 10 films for which none of the production expenditure accrues to the UK. Thus the data must be used with caution.

However, in order to illustrate the trend, we present below data collated in March 1992 on the number of feature films produced from 1980 onwards, and the value estimated to accrue to the UK.

Table 5.3: Films for which the majority of the value of production accrues to the UK, 1980-1991

Year	Where 100 % value accrues to UK		Where 66.7 % value accrues to UK	
	No of films	Value of production (£m)	No of films	Value of production (£m)
1980	14	17.1	22	54.7
1981	16	14.6	17	19.9
1982	22	24.3	30	67.6
1983	25	26.7	30	41.6
1984	27	34.0	30	48.3
1985	29	53.0	36	119.2
1986	23	35.0	26	55.4
1987	24	30.0	35	58.8
1988	27	37.1	33	63.8
1989	16	25.5	22	51.5
1990	20	43.7	30	97.4
1991	19	48.1	25	97.5

Source: Knowledge Research

According to the Downing Street Seminar Group, total feature film production in the UK collapsed in the second half of the 1980's, just as the feature film market was reviving (see table below). From a peak of 54 films produced in 1985, the number slumped to 30 in 1989.

At constant 1991 prices, production expenditure fell from £232.7 million (US\$350 million) in 1985 to £69 million (US\$110 million) in 1989. Although there was an improvement in production levels in 1990-91, production expenditure in 1991 was only £118.2 million (US\$177.8 million) - in real terms, almost half of its 1985 level.

Table 5.4: Production expenditure in the UK, 1980-1991

Year	No of Titles	Value (£m) (current prices)	Value (£m) (1991 prices)
1980	38	83.1	169.4
1989	24	36.2	66.0
1982	51	114.3	191.8
1983	40	82.0	131.7
1984	53	124.4	190.1
1985	54	161.5	232.7
1986	41	84.7	118.0
1987	53	100.2	134.1
1988	48	96.8	124.4
1989	30	58.3	69.0
1990	51	116.2	124.0
1991	44	118.2	118.2

Source: Brunel University, BFI, British Screen, PACT, Screen Finance, Knowledge Research

This decline in average production budgets is mainly due to the withdrawal of investment in UK feature films by the Hollywood majors. The decline in private investment and the reduction of television investment in UK film production have also contributed; Channel 4 and ITV have reduced their investment, and when British Satellite Broadcasting (BSB) merged with Sky in 1990 to form BSkyB, its commitment to invest in original feature films was dropped.

Other factors which influenced this decline include: the fact that during the late eighties, the Pound was too high against the Dollar, making the cost of shooting in the UK too expensive, the relative failure of low budget UK films in the US from 1985 onwards, and the decline in the number of secured video deals - particularly from the US - which had offered attractive terms to UK producers.

Table 5.5: UK Feature Film Production Investment, 1987-1990 (£million)

Investor	1987	1988	1989	1990 (est)
BBC	0.3	1.0	1.1	0.3
BFI	2.2	3.3	3.0	3.0
British Screen	5.2	4.6	4.0	4.0
BSB	-	-	6.0	8.0
Channel 4	11.9	5.5	2.9	4.0
Curzon	0.5	1.8	n/a	1.0
ITV (including Zenith for 1987-89)	4.2	6.4	2.9	2.0
Palace	4.5	2.0	3.1	3.5
Rank	2.6	8.3	3.0	3.0
Sky	0.5	0.2	2.3	1.6
Virgin	3.4	1.0	n/a	n/a
Working Title	0.8	0.5	-	4.0
Zenith	n/a	n/a	n/a	3.0
Other UK	9.6	23.6	9.5	7.4
Total UK	45.70	58.20	37.80	44.80
Overseas (inc US)	134.7	121.0	64.4	96.1
Total	180.4	179.2	102.2	140.9
No of films	54	48	30	39

Source: Brunel University, British Screen, Knowledge Research

Screen Digest estimates a total number of 46 UK films in 1991, while European FilmFile puts the figure at 47 - ie., 47 films produced/co-produced by UK companies at a total budget of £141.6 million (US\$250 million). This was three films less than in 1990 and is well below the number recorded for Italy (129), France (144) and Spain (64).

Even this is an overestimate, according to John Woodward, chief executive of the UK independent producers' association PACT, who says that the majority of these films were financed by the BBC or Channel 4. The number of pure theatrical movies has been estimated at 22 in 1989 and 15 in 1991.⁶

⁶ Source: The Guardian, 15 August 1992

Co-production

Table 5.6: Films produced, including co-productions, 1975-1991

Year	Total films produced*	Of which co-productions
1975	69	-
1980	31	3
1985	47	6
1988	40	2
1989	27	5
1990	47	8
1991	46	22

* In most cases, films are counted under the year in which production started, otherwise they are counted under the year of completion

Source: Screen Digest

From the above table, it is clear that the number of co-produced films in the UK has increased considerably over the last two years - from eight in 1990 to 22 in 1991 of which 16 involved other European partners. This growth is in keeping with a significant European trend which has been particularly marked over the last five years. In fact, the number of co-produced films in Europe has almost doubled from 110 in 1985 to 203 in 1991.⁷

The UK has co-production treaties with Canada, Australia, France, Germany, Italy and Norway. Of the 20 films approved under official UK co-production treaties between 1990-91, 11 were with France, one with France and Germany, three with Canada and five with Australia.

Co-Productions with Canada

For 1992, Telefilm Canada lists one official film co-production involving a UK producer. This was *Camilla*, made by Skreba Creon Films from the UK and Shaftesbury Films from Canada. In addition to Telefilm Canada's funding, the film has required considerable finance (in the form of licence fee) from the US to cover the budget. Director Deepa Mehta has worked with the UK before on the highly acclaimed *Sam And Me*. In this case it was a significant licence fee from Channel 4 that completed the financing and made the feature possible.

⁷ Source: Screen Digest

Review of the European Audiovisual Markets

In 1991 there were three official co-productions: *Canvas*, produced by Productions Optima in Canada and Mark Forstater Productions in the UK; *The Naked Lunch*, produced by Naked Lunch Productions in Canada and The Recorded Picture Company in the UK; and *Map Of The Human Heart*. *Map Of The Human Heart* was a four country co-production and has a particularly complicated history. The film was shot under two separate official co-production treaties, with Les Films Ariane in France, Sunrise Films in Canada and Working Title in the UK, with funding from the Australian Film Commission and Telefilm Canada. The project was originally brought to Working Title by the Australian director Vincent Ward. Working Title was then responsible for organising the financing and distribution.

In addition to these completed films, there are a further two in pre-production or earlier. *Libertad* is being co-produced by Portman Entertainment (UK) and Katherine Smalley Productions of Canada. Both companies are raising finance and will share the shooting of the film. *Bonded* is being developed by Steve Walsh Productions in the UK, which is currently negotiating with Telescene in Canada to co-produce the film. If negotiations are successful, Telescene will invest cash in the film and will have a substantial technical role in Canada.

For comparison purposes only, we list below the following recent Anglo-Australian co-productions:

Table 5.7: UK/Australian co-productions, 1990-1992

Title	Year	Co-producers	Country	Share (%)
The Sparrow	1990	Gower Frost Zaruma /Zenith Productions	UK	50
		Mortlock Entertainment	Australia	50
Pointing Bones	1990	Working Title Films	UK	29
		View Films	Australia	71
Map Of The Human Heart	1991	Working Title Films	UK	20
		Vincent Ward Film Productions	Australia	30
		Les Films Ariane	France	20
		Sunrise	Canada	30
No Worries	1991	Initial Film & TV	UK	41
		Palm Beach Pictures	Australia	59
Butcher's Creek	1991	Red Rooster Film & TV	UK	40
		The Almost Managing Co	Australia	60

Source: Screen Finance, European Film File

250

The Films Branch of the Department of National Heritage lists one other Australian film co-production, *The Diamond Empire* (1991).

European Market Share

In terms of European production, Screen Digest estimates that the UK has a 8.3 per cent market share only. France has the largest share, with 28.3 per cent, followed by Italy (23.4 per cent), Germany (13.0 per cent) and Spain (11.6 per cent).

The UK's poor market share in terms of European production is generally attributed to the lack of production investment/expenditure, due to the "comparative lack of UK state subsidies for production" and "the shortage of film production companies with a solid capital base and substantial revenues".⁸

1.5 THE DISTRIBUTION SECTOR

Traditionally, distributors have been a key source of finance for feature film production, by providing guarantees or pre-production loans to finance production, in return for distribution rights in particular territories. When the film is completed, the distributor secures exhibition outlets for the finished product and finances the distribution and marketing of the film. After the exhibitor and then the distributor have deducted their overheads and commission, any remaining funds return to the producer-financier and then to the producer.

In 1992 Warner Bros took the largest market share of 32 per cent, followed by UIP with 23 per cent and Columbia TriStar with 20 per cent. Thus 75 per cent of the British market in the theatrical distribution of films is taken by the major US studios, while the largest UK-owned distributor, Rank, receives half its output from Orion in the US. Thus the bulk of UK box office takings are channelled back to the studios in the US leaving little money to invest in UK films.

Of the main UK distributors, Rank has invested in 12 UK films in the last 10 years. However, for the smaller independent distributors, such as Guild, Electric Pictures, Curzon, Mainline, Entertainment and First Independent, providing pre-production finance is far rarer. Others such as City Screen, Recorded Cinemas, Film Network and Robins Cinemas are all reported to actively be looking to expand. In fact it is smaller niche distributors in the US - such as Miramax (which has invested in eight British Screen productions), New Line and Samuel Goldwyn which have been most active in funding UK films, in the form of advances against distribution rights.

The problem is that unlike the US majors, and indeed the larger of their European counterparts, there is no vertical integration among UK producers and distributors. Thus they are unable to benefit from the same economies of scale made possible in vertically-integrated companies.

⁸ Source: European Film File

"Unable to secure production finance, unable to negotiate distribution deals, the British producer is permanently enclosed in a hopelessly under-resourced circle".⁹

To counter these problems and strengthen the UK industry, the Downing Street Seminar Group recommended more integration of production, distribution and exhibition in the UK. In addition the group has also called for direct government subsidies, private sector investment incentives and investment by British distributors in British production. Previously, distributors invested in production primarily to service their distribution and exhibition interests; in the current climate, such investment is necessary if the UK is to be at all competitive internationally. In the case of US-owned distribution companies, statutory intervention has been suggested to encourage them to invest in British production. One option is a quota stipulating that a minimum percentage of distributors' gross income (derived from the distribution of films) should be invested in British production - in effect, a form of levy. This has been opposed vigorously by the US majors and distributors.

Distribution of Foreign Productions

As outlined above, the bulk of foreign productions entering the UK are mainstream US movies and are thus distributed by the major US distributors. Foreign language films and other less commercial features make their way into the UK either via specialist distributors or sales agents. The latter normally acquire finished productions in their domestic market to sell to distributors overseas, or they may agree to take on a film at an early stage, depending on its sales potential.

UK distributors usually acquire completed films and very rarely get involved as investors at an early stage. Rights are normally held for around seven years and television and video rights are usually included to make a deal worthwhile. Distributors often deal mainly with producers with whom they are already familiar, so for newcomers it is important to create a buzz at a market as a means of attracting distributors.

The main distributors who acquire foreign productions in the UK are Artificial Eye, Electric, Metro-Tartan, Mayfair and to a lesser extent Mainline. Foreign language films in the UK are nearly always subtitled rather than dubbed. This is because mainstream British audiences are not receptive to dubbed films or programmes.

1.6 THE EXHIBITION SECTOR

The exhibition of films in the UK is dominated by US releases, which account for around 93 per cent of box office revenues¹⁰. Of the top 50 box office releases between 1988 and 1991, 41 were

⁹ Nick Smedley and John Woodward, *Productive Relationships*, BFI 1991

¹⁰ Source: *Screen Digest*

American, two Australian and seven British (including co-productions). UK productions are estimated to have only 5.5 per cent of the national market.

Table 5.8: Estimated revenue breakdowns for principal distributors, 1989 (£m)¹

Distributor	Theatrical Distribution ²	Exhibition ³	Video Rental ⁴	Video Sell-through ⁵	Total income
MGM/UA/Paramount /Universal	30.0	10.5	28.0	16.2	84.7
Warner/Touchstone /Walt Disney	26.3	2.9	31.4	29.9	90.5
Columbia/TriStar /RCA Columbia	6.2	-	11.5	6.4	24.1
20th Century/CBS Fox	3.8	-	15.2	13.0	32.1
Palace	3.4	-	2.8	2.0	8.3
Rank	3.1	21.6	-	-	24.7
Virgin	1.6	-	7.4	6.3	15.2
Entertainment	0.6	-	5.2	-	5.8
Guild	0.6	-	8.6	-	9.2
Vestron	0.5	-	7.8	7.8	16.1
Pathé/Cannon	0.4	37.2	5.2	-	42.8
Premier Releasing	0.4	-	-	-	0.4
Medusa	0.4	-	4.2	-	4.6
Curzon	0.3	1.1	-	-	1.4
BFI	0.2	-	-	-	0.2
Mainline	0.1	0.9	-	-	1.0
Oasis	0.1	-	-	-	0.1
Total	77.9	74.3	127.3	81.6	361.1

Source: DTI/Knowledge Research, PSI Cultural Trends 1992

1 Totals may not add up due to rounding

2 Figures based on top 100 box office hits (which accounted for approximately 91 per cent of total box office revenue)

Review of the European Audiovisual Markets

- 3 Companies listed account for approximately 66 per cent of total admissions
- 4 Companies listed account for approximately 91 per cent of gross value of video rental market, but
- 5 Companies listed account for approximately 42 per cent only of gross value of video sell through market

Exhibition in the UK is dominated by US majors MGM/Pathé and UCI, together with UK-based Rank and National Amusements. Since 1985, when number of screens and cinema admissions reached their lowest point, both have shown a steady growth.

Table 5.9: UK Cinema Screens, 1950-1992

1950	1960	1970	1980	1985	1989	1990	1991	1992
4,583	3,034	1,529	1,576	1,311	1,559	1,685	1,789	1,860

Source: Screen Digest

Despite this growth, the UK still has one of the fewest number of screens per resident population in the EC. The UK average of 30.8 screens per million resident is some way below the EC average of 51.1 for 1990, with only Portugal and the Netherlands below the UK.

Multiplexes (cinema facilities with five screens or more) have grown more rapidly in the UK than in the rest of Europe. All of the major operators have developed and opened multiplex cinemas. There are 63 such developments at present.

In the EC, only the UK and Ireland have seen a net rise in admissions over the last decade. As shown in the table below, in 1992 104 million cinema admissions were recorded in the UK, the highest level since 1980. This is partly due to the development of multiplexes which have grown more rapidly in the UK than in the rest of Europe.

Table 5.10 Cinema Admissions, 1950-1992 (millions)

1950	1960	1970	1980	1985	1986	1987	1988	1989	1990	1991	1992
1396	501	193	101	72	76	78	84	95	97	102	104

Source: Screen Digest

In 1991 multiplex cinemas accounted for over 50 per cent of UK cinema admissions according to Cinema and Video Industry Audience Research.¹¹ This constitutes an 8 per cent rise since 1990, which itself was a 25 per cent increase on 1989. Thirty five per cent of these visits were made by the 18-24 age group; this compares with only 20 per cent for non-multiplex cinemas

¹¹ Source: Moving Pictures International

during the same period. The issue of car ownership also influences visits to multiplexes, as they are usually based on the outskirts of towns. Hence, a lower proportion of visits are made by the 11-17 age group to multiplexes although this group is the strongest cinema going sector, with 90 per cent of 15-17 year olds being cinema-goers.

The estimated worth of the market of total UK cinema admissions in 1991 was \$477.2 million, continuing the growth trend of the latter half of the 1980s, after its nadir of 1985.

Table 5.11 Gross Box Office Revenue, 1960-1991 (US\$ million)

1960	1970	1980	1985	1986	1987	1988	1989	1990	1991
178.1	141.2	341.1	177.4	209.4	315.6	349.6	364.5	468.8	477.2

Source: Screen Digest

US films accounted for 93 per cent of UK revenue in 1991, while only 5.5 per cent of the UK cinema audience share goes to indigenous material.¹² Moreover, a smaller number of films now account for a higher number of admissions/box office revenues. Out of 285 films released in 1991, five films - *Robin Hood: Prince Of Thieves*, *Terminator 2: Judgement Day*, *The Silence Of The Lambs*, *Three Men And A Little Lady*, and *Dances With Wolves* represented 26 per cent of the total number of UK admissions.¹³

The table below confirms the strong grip US films have on the UK film market, and the decline of the UK indigenous films' share of the national market.

Table 5.12 UK box office performance of UK v US films, 1980 - 1991 (%)

	1980	1983	1985	1986	1987	1988	1989	1990	1991
UK	10.0	20.0	14.0	12.0	9.8	14.8	10.0	7.0	5.5
US	88.0	78.0	84.0	86.0	89.0	77.0	84.0	89.0	93.0

Source: Screen Digest, April 1992

In line with this trend, there were no UK films in last year's top 10 which was dominated by US blockbusters as shown in the table below:

¹² Source: Moving Pictures International

¹³ Source: Cultural Trends 1992, PSI

Table 5.13 Top 10 Films in the UK (Dec 1991 to Nov 1992)

	Film	Distributor	Gross (\$m)
1	Basic Instinct (US)	Guild	15.47
2	Hook (US)	Columbia	13.10
3	Lethal Weapon 3 (US)	Warner	11.88
4	Batman Returns (US)	Warner	10.98
5	The Adams Family (US)	Columbia	10.40
6	Cape Fear (US)	UIP	10.36
7	Beauty and The Beast (US)	Warner	9.54
8	Wayne's World (US)	UIP	9.13
9	My Girl (US)	Columbia	7.63
10	The Hand That Rocks The Cradle (US)	Warner	7.31

Source: Screen International

It is noteworthy that the UK has the highest revenue per box office screen in the EC - an average of \$266.75 million a year.¹⁴ This is at least partly due to the relatively low number of UK screens. Within Europe, only Switzerland has a higher average.

Table 5.14 Highest Earning Cinemas: selected EC countries, 1991

Country	No of screens	Gross box office revenue (US\$m)	Gross revenue per screen (US\$ '000)
France	4,441	710.8	160.06
Germany	3,686	586.4	159.10
Spain	1,806	294.3	162.93
UK	1,789	477.2	266.75

Source: Screen Digest 1992

¹⁴ Source: Screen Digest

1.7 THE VIDEO MARKET

Introduction

During the Eighties, video experienced dramatic growth in the UK, and the market is currently the largest in Europe. Rental is now in steady decline as it faces increasing competition from pay-TV services - especially sport and movies on BSkyB - but sell-through has shown impressive growth. The UK accounts for 28.8 per cent of the total European market. However, as the table below illustrates this share has fallen from the 1988 figure of 31.6 per cent, as other countries have been catching up with the UK's mature market.

Table 5.15 UK share of European video software market, 1988-1992 (%)

	1988	1992
Rental	27.8	28.6
Sell through	53.3	27.7
Overall	31.6	28.8

Source: Screen Digest

The enormous impact of video in the UK was a major cause of the decrease in theatrical admissions and the market has greatly changed the revenue structure of feature films. As the table below illustrates, video now accounts for around 50 per cent of the total revenue generated by a film, but it too is losing revenue now to pay-TV services as subscribers transfer their expenditure on home entertainment from video to subscription TV.

Table 5.16 Breakdown of the UK film entertainment market, 1991-1992 (%)

	1991	1992
Pay TV	22.76	25.15
Video	53.77	49.68
Cinema	23.47	25.17

Source: Moving Pictures International

While cinema exhibition may not provide a major source of revenue, it remains an important showcase for video releases, which on average come out six months after theatrical release. It is normally 21 months from theatrical release before they are released to subscription film channels such as Sky Movies. Terrestrial channels operate on a window of two years after theatrical release.¹⁵

Penetration of video

In 1991 there were over 15.4 million video cassette recorders in the UK, giving it the highest video penetration of any European country, with 72 per cent of TV homes also owning a video recorder. Only six other EC countries have more than 50 per cent penetration of TV homes and the average penetration across Western Europe is only 52 per cent.¹⁶

Table 5.17 Penetration of video in UK households, 1981-1991

	1981	1985	1989	1990	1991
No of video homes (000s)	1,550	8,448	13,454	14,489	15,429
Penetration of TV households (%)	8.3	41.0	63.7	67.8	71.5

Source: Screen Digest

The UK VCR market is therefore reaching saturation point before any of its EC contemporaries. Correspondingly, the annual value of the UK video market for hire and sell-through (including blank tape sales) has risen from under £100 million (US\$176.8 million) to over £1 billion (US\$1.77 billion) over the last decade.¹⁷

The result of the high penetration of video has been to further decrease theatrical admissions but the rental and sell through market has added to the overall revenue of the film industry. However, the video rental market is in decline, as illustrated in the British Videogram Association's estimated breakdown for the overall video software market in 1991 (both feature films and other programming), as shown in the table below:

¹⁵ Source: Kagan

¹⁶ Source: Screen Digest

¹⁷ Source: Michael Prescott, "The Need for Tax Incentives", BFI

258

Table 5.18 UK Video market size, 1981-1991

	Rental		Retail	
	Value (£m)	Transactions (millions)	Value (£m)	No of tapes (millions)
1981	50	n/a	-	-
1982	200	n/a	-	-
1983	273	n/a	-	-
1984	283	n/a	-	-
1985	306	n/a	15	-
1986	367	301	48	6
1987	420	322	96	12
1988	478	348	160	20
1989	569	396	300	38
1990	564	374	325	40
1991	544	337	375	45 ¹

1 Estimate only

Source: British Videogram Association, July - September Quarterly Software Monitor

In 1992, Screen Digest estimates the UK video software market was worth £970 million (US\$1,701.8 million) with rental accounting for US\$859.6 million and retail accounting for US\$84 million, as set out in the following table.

Table 5.19 Video software retail revenue, (\$m), 1989-1992

	Rental	Retail	Total
1989	914.3	481.7	1,396.0
1990	1,087.5	626.7	1,714.2
1991	946.4	695.9	1,642.3
1992	859.6	842.1	1,701.8

Source: Screen Digest 1991

Review of the European Audiovisual Markets

It is evident that the UK rental market looks to be shrinking as the sell-through market grows. However, the sell-through market is generally not as profitable as the rental business. Distributors have suffered as the prices paid and the units ordered by dealers have fallen consistently. Distributors of feature films on video face problems in this area as films account for a much smaller proportion of the total sell-through market than they do for rentals.

Screen Digest estimates that total distributor revenues from supply of films to rental stores has fallen from around £176 million (US\$288.4 million) in 1989 to £33.5 million (US\$59.2 million) in the same period. *"At the same time revenues from supplying films to the sell-through market have probably increased only marginally from £71.8 million (US\$117.6 million) in 1989 to £73.5 million (US\$130 million) in 1991, while these sales have only generated total net profits for the distributors of around £9.3 million (US\$15.2 million) in 1989 and £9.6 million (US\$15.7 million) in 1991. Thus, while around £21 million (US\$37.1 million) of profits have been lost to video film suppliers in the UK rental market, only £0.3 million (US\$0.53 million) has been gained in the sell-through market".*¹⁸

Table 5.20 Video software spent per head, 1990-1992 (US\$)

Year	Rental	Sell-through	Total
1990	9.95	1.41	11.36
1991	7.20	1.92	9.12
1992	7.47	2.61	10.07

Source: Screen Digest

¹⁸ Source: Screen Digest

Video distribution

Table 5.21 Distributors Sell Through Market Share 1992

	Company	Units	Value
1	BBC Video	10.2	10.5
2	Video Collection	10.0	7.7
3	Warner Home Video	9.3	10.3
4	Polygram	9.0	7.7
5	Buena Vista	8.3	9.9
6	Fox Video	6.3	6.6
7	CIC	6.1	6.5
8	VVL	4.7	4.9
9	Columbia TriStar	3.9	4.0
10	Guild	2.7	3.0

Source: Gallup

As the above table illustrates, the US majors have less of a grip over the sell-through market, with the BBC taking the number one position both in terms of value and units. This reflects the popularity of non-film titles in the sell-through market, such as compilations of popular television series, sports and "how to" videos. However, US films still account for around 80 per cent of total video revenues in the UK.¹⁹ Best selling sell-through titles have included *Pretty Woman* (Buena Vista) and *Robin Hood: Prince of Thieves* (Warner) which have both sold more than one million units. Lifetime Vision's *The Lover's Guide* has been one of the best selling non-film titles, with over 400,000 units sold.

¹⁹ Source: Moving Pictures International

Table 5.22 Distributors' Rental Market Share 1992

	Company	Share
1	Columbia TriStar/20.20 Vision	18.87
2	Warner	14.25
3	Fox Video	14.09
4	CIC	14.01
5	Guild	9.65
6	Buena Vista	9.47
7	First Independent	5.43
8	EV	5.31
9	VVL	2.23
10	MGM Pathé	1.98

Source: MRIB

As MRIB's 1992 video rental chart shows, the US majors dominate the video rental sector in the UK. Between them Columbia TriStar/20:20 Vision, Warner Home Video, Fox Video, CIC and Buena Vista account for over 70 per cent of the market.

2 TELEVISION

2.1 INTRODUCTION

The UK is one of the world's most mature television markets, with approximately 21.9 million television households, and total TV penetration of around 98 per cent. The average viewer watches 26 hours of television a week. It also has a very high VCR penetration at around 72 per cent of TV households.²⁰

In the past five years the UK's television industry has undergone the most dramatic changes since the introduction of private commercial television in 1954. New cable and satellite services, in particular Rupert Murdoch's BSkyB, have broken the "cosy duopoly" that was enjoyed by the public service broadcaster, the BBC, and the two commercial channels, ITV and Channel 4. With the arrival of other new services, such as the recently launched nostalgia channel UK Gold, the UK is moving rapidly towards a multi-channel environment. At present, however, cable penetration is just 2.0 per cent of TV homes and satellite penetration is 14.6 per cent.²¹

The existing four terrestrial broadcasters are undergoing considerable change, partly in response to the new competition, but also because of political pressure. Much of this change has been dictated by the 1990 Broadcasting Act, which legislated for the introduction of licence auctions for the 15 regional companies and single national breakfast licence which make up the ITV network and for Channel 4 to begin to sell its own airtime (previously it was sold by the ITV companies). Other changes included the creation of a new regulatory body, the Independent Television Commission, and the possibility of a fifth terrestrial broadcaster.

Table 5.23 Terrestrial television channels, 1991

Channel	Household penetration (%)	Daily hours of Transmission	Audience Share (%)	Ad mins per week	Year started
BBC1	97.0	18.5	34.6	None	1936
BBC2	96.9	17.0	10.3	None	1964
ITV	96.9	20.6	38.7	957	1955
Channel 4	96.7	20.0	9.6	905	1982
TV-am	96.9	3.4	2.8	167	1983

Source: Zenith Media 1992

Note: TV-am broadcasts in the ITV breakfast slot, and has since been replaced by GMTV.

²⁰ Source: Screen Digest

²¹ Source: Zenith Media

2.2 REGULATORY FRAMEWORK

Broadcasting comes under the jurisdiction of the recently formed Government ministry, the Department of National Heritage. Prior to this, it was overseen jointly by the Home Office and the Department of Trade and Industry.

There are separate regulatory systems for the public sector and the private sector.

BBC Board of Governors

The BBC is a public corporation operating under a Royal Charter, and a Licence and Agreement from the government. The Charter sets out its objectives and constitution, and states its sources and uses of income. The Licence and Agreement include the terms and conditions under which the BBC is allowed to broadcast, and clauses on financing and programming.

The Board of Governors consists of 12 people, appointed by the government and intended to represent a cross-section of interests to protect the public interest in broadcasting. It is responsible for ensuring that the BBC meets any obligations in its Charter and Licence. The governors appoint the BBC's Board of Management, which is led by the Director General, and is responsible for the management of the Corporation, its services and its staff. All 12 governors are part-time, although the chairman now works four days a week. This has led to concern in some quarters that the governors are playing too great a role in the day-to-day management of the BBC, rather than concerning themselves with broader strategic issues.

The BBC's Charter comes up for renewal in 1996, and the role of the governors is one of the issues which is already being considered in the discussion about the future of the BBC. This debate was opened officially in November 1992, when the Government published its Green Paper on The Future Of The BBC. Other key questions are how the BBC should be funded in future, although it already seems likely that the licence fee (paid by every home which possesses a TV set) will be retained in some form, and the range of services and programming which it should (and can afford to) supply.

At present, the BBC Home Service operates two television channels (BBC1 and BBC2), five national radio networks, and 37 regional radio stations, funded by the licence fee.

The Independent Television Commission

The commercial stations are licensed and regulated by the Independent Television Commission (ITC). This body was established by the 1990 Broadcasting Act, and replaced the Independent Broadcasting Authority and the Cable Authority. The ITC consists of a chairman, a deputy and between eight and 10 other members, all appointed by the government.

Its responsibilities include:

- the awarding and policing of licences for domestic (commercial) television services - terrestrial, satellite and cable,
- the power to impose financial penalties, shorten or revoke licences granted to broadcasters should licensees fail to comply with the terms of those licences or the programme promises made within them,
- the ITC also grants non-domestic licences to broadcasters transmitting into the UK from overseas, such as BSkyB. This licence obliges the broadcaster to comply with certain codes, such as those governing sex and violence on TV, religious advertising, and the EC Directive's programming quotas. The ITC can impose financial penalties or revoke the licence if the broadcaster does not comply with these rules,
- unlike its predecessor the Independent Broadcasting Authority (IBA), the ITC does not have the right of preview of programmes prior to transmission,
- the drawing up and monitoring of codes regarding programming and advertising carried by its licensees,
- conducting audience research.

1990 Broadcasting Act

This laid the groundwork for many of the changes which are now taking place in UK television. In particular, the Act legislated for the following major changes:

- regulatory body the IBA, was to be replaced by the (and the Radio Authority), which would combine responsibility for both terrestrial commercial channels, and domestic cable and satellite services.
- Whereas the IBA had been both regulator and the official broadcaster for the ITV network, the ITC was to be a "light touch" regulator, and the individual companies would be broadcasters in their own right. One result of this was once they became broadcasters, the ITV companies would, from 1993, have to comply with the Restrictive Trade Practices Act. This led to a long period of uncertainty as the companies were forced to agree new "networking" arrangements, resulting in the creation of a centralised commissioning and scheduling system.
- it introduced the process of the highest bid auction for the 16 ITV licences and imposed one year moratorium on takeovers from the beginning of the licences on 1 January 1993,
- Channel 4 was to be separated from ITV, and sell its own airtime, although there would be a safety net in place whereby ITV would provide top-up Channel 4 funding should the

Review of the European Audiovisual Markets

channel's revenue fall below 14 per cent of net advertising revenue for terrestrial TV. In return, ITV would receive 50 per cent of any revenue Channel 4 earned above 14 per cent.

- a minimum of 25 per cent of all terrestrial services' programmes was to be commissioned from the independent sector. (In practise, this affects only ITV and the BBC, as Channel 4 has always commissioned a substantial proportion of its output from independents).
- it set out a minimal regulatory framework for a fifth terrestrial broadcaster which, because of frequency limitations, will not be received by more than 74 per cent of the population.

The Broadcasting Complaints Commission (BCC)

The BCC was set up by the 1980 Broadcasting Act, and its role was further defined in the 1990 Broadcasting Act. It deals with complaints from people who believe they have been treated unfairly or unjustly in programmes, or who believe that there have been unwarranted infringements of their privacy. The Commission's chairperson is chosen by the UK government, which can also appoint at least three council members. Its responsibilities extend to all services broadcast in the UK.

The Broadcasting Standards Council (BSC)

Established in 1988, the BSC handles complaints that can not be dealt with through the courts, and should it uphold a complaint it has the power to order a broadcaster to publish a summary of its findings. It differs from the BCC in that it considers more general questions of programme standards, particularly the portrayal of violence and sexual conduct in programmes and advertisements, and standards of taste and decency. It is also required to draw up and keep under review a code of practice covering these matters, and broadcasters are obliged to reflect this code in their own codes and guidelines. As with the BCC, its responsibilities extend to all services broadcast in the UK.

Ownership restrictions

National newspaper publishers can have not more than a 20 per cent interest in any ITV licence (this also applies to Channel 5 or domestic satellite licences).

For a production company to qualify as "independent" and thereby be eligible for access to commissions from broadcasters under their 25 per cent quotas, it cannot own more than 15 per cent of a broadcaster and vice versa. If they do not wish to qualify for independent status there is no restriction on ownership.

Under existing rules, it is not permitted for any one person or company to have a controlling interest in two "large" ITV companies (where the top nine regions in terms of share of advertising revenue are categorised as large). There is, however, a strong lobby from the large ITV companies for this rule to be changed; they argue that this ruling disadvantages them by

preventing them from expanding within their core business, to consolidate their businesses and benefit from economies of scale, and makes them vulnerable to takeovers from outside ITV.

Programme Quotas

Historically, the ITV companies have operated an unofficial quota to show 86 per cent domestic originated programmes before midnight and 75 per cent afterwards. From 1993, the only statutory quota will be the EC minimum that a majority of programmes should be of EC origin. However, as part of the "quality threshold" which all ITV companies had to pass in order to win their licences, the ITC stipulates that at least 65 per cent of hours of programming transmitted within a calendar year must be originally produced or commissioned by ITV. Consequently, not more than 35 per cent should be acquired programming originally made for another market. They will also have to commission at least 25 per cent of programming from the independent sector. Under the terms of their licences, ITV companies must transmit a proportion of regional programmes, news, children's, factual and religious programming.

Acquired films and programming on the BBC accounted for 22 per cent of hours transmitted in 1991/2, although there is no official quota. This is likely to decrease in the run-up to Charter renewal in 1996, as the BBC has already stated its intention to concentrate on "distinctive", high quality programming and to cut down on the number of imports which it shows.

Advertising Regulations

Advertising is restricted to a maximum of 7.5 minutes per hour peak-time (07.00 - 09.00 and 18.00 - 23.00) and seven minutes per hour at other times. Commercials advertising tobacco, spirits, gambling, political parties and religious groups are all prohibited. Static logo sponsorship is allowed on Channel 4 and ITV.

For satellite channels the ITC sets a maximum of 9 minutes of advertising per hour.

Other Restrictions

In October 1988, the Government introduced legislation which banned broadcasters from transmitting statements supporting or on behalf of certain proscribed organisations associated with terrorism in Northern Ireland. This forces broadcasters wishing to carry news items, current affairs programmes, etc., which might include such material to dub the relevant sections, with actors to read out the words spoken by such organisation's representatives.

All broadcasters must also comply with the Obscene Publications Act, and the Official Secrets Act.

2.3 TELEVISION REVENUE

The BBC is funded by a compulsory licence fee, paid by all households which own a TV set. The fee is currently £80 (US\$124.8) for a colour licence. In 1991 this generated £1,486 million (US\$2,627.4 million) of revenue for its Home Services Division, which includes television and radio.

Television advertising expenditure rose dramatically during the Eighties from £692 million (\$1,224 million) at the beginning of the decade to £2,325 million (US\$4,114 million) by 1990. However, since 1988 the effects of recession have taken their toll on the advertising market, and 1991 saw an increase of just 1.5 per cent.

Television ad spending has accounted for around 30 per cent of total advertising expenditure since the mid eighties. Newspapers remain the dominant advertising medium but television's share is expected to rise as the number of commercial channels increases.

Table 5.24 Revenue per Channel, 1991 (£m)

	BBC1 & 2	ITV	Channel 4	Satellite
Licence Fee*	£1,486	None	None	None
Advertising	None	1,318	279	42
Subscription	None	None	None	268

Source: Zenith Media

*This is the total income for BBC Home Services Division, including radio.

2.4 BROADCASTERS

Public sector

British Broadcasting Corporation (BBC)

The BBC operates two television channels, BBC1 and BBC2. Established in 1936, BBC1 provides a broad range of general entertainment and informative programming, while BBC2 provides a complementary service, focusing on the arts, new talent, documentaries, drama and debate.

Both channels are funded by the licence fee. BBC1 takes up to 40 per cent of total BBC income, while BBC2 takes up to 20 per cent. In recent years BBC1's audience share has been in decline and in 1991 it fell by another 2.9 per cent to 35 per cent. BBC2's audience share remained steady at 10.2 per cent.

Overspending in 1992 has led to a cut of £18 million (US\$28.4 million) in 1993's budget across both channels. The BBC is under additional pressure to reduce costs as the licence fee has been capped, with increases being set at a level below inflation.

Although the BBC was left unscathed by the 1990 Broadcasting Act, it faces a period of great uncertainty in the run up to the renewal of its charter in 1996. Amid criticisms of overstaffing and weak management, over 3,000 job cuts have been made so far to a work force which was around 25,000 and more cuts are expected in order for the BBC to reduce its cost base.

In order to slim down its resource base and in an attempt to improve efficiency, in April 1993 the BBC introduced an initiative called Producer Choice. All departments in the Television service have been split into business units, and are free to purchase the resources and services they need from inside or outside the Corporation. This will force BBC resources and facilities to compete with external suppliers, thereby forcing them to become more efficient, and to market themselves at a competitive rate.

This is a revolutionary concept for the BBC and has met with considerable opposition from some quarters, particularly those departments which argue that it will force them to be driven by commercial rather than creative concerns, or which fear that they will be undercut by the independent facilities sector which is currently starved of work and will therefore be aggressive in its pursuit of work. Those BBC business units which do not break even will be threatened with closure.

One of the biggest dilemmas the BBC faces in the run-up to Charter renewal in 1996, is the question of what kind of service it should offer viewers in the face of increasing commercial competition and how this service should be funded. In its own proposals, recently outlined in a document titled "Extending Choice - the BBC's role in the new Broadcasting Age", the corporation accepts that a continued decline in audience numbers is inevitable. As a result Director General John Birt believes the best way forward for the broadcaster is to move towards a narrower, slightly more upmarket, mix offering programmes that may disappear from commercial broadcasters' schedules. Levels of bought-in Australian and US programming will fall, as will derivative formula comedy and unchallenging game shows.

The corporation argues that the licence fee should remain its main source of revenue and initial indications are that the Government will accept this argument in the short term. But as audiences continue to decline it will become increasingly hard to justify the licence fee, especially in the face of pressure from many in the advertising industry who would like to be able to advertise on the BBC. Although advertising on the BBC does not appear to be on the Government's agenda at present, there is no guarantee that it will not reappear as an issue in the medium term. ITV is opposed to any suggestion of the BBC selling airtime as it would then be forced to compete directly against BBC for audiences and airtime.

BBC Enterprises is the BBC's commercial arm. Its main sources of revenue are from overseas distribution, co-production, video sales and magazine, book and record publishing. In 1991-92, it made a profit of £5.3 million (US\$9.37 million), 40 per cent up on the previous year. Its TV sales generated £47.9 million (US\$84.7 million) of its total £186.9 million (US\$330.5 million) turnover, but its main revenue comes from magazine and book publishing which accounted for turnover of £94.2 million (US\$166.6 million). At the end of last year BBC Enterprises went into partnership with Thames Television to launch new satellite channel UK Gold.

Commercial sector (terrestrial)

ITV

The commercial ITV network consists of 15 regional private broadcasters and a national breakfast TV service. Established in 1955, the network underwent its most radical shake-up in 1991 when the franchises came up for renewal. In previous years this had been regarded as something of a formality with companies retaining their franchises unless they had failed to meet their obligations or were particularly unfortunate. Under the 1990 Broadcasting Act, however, the process of competitive tender was introduced, awarding licences to those companies which put in the highest bid (in the form an annual index-linked payment to the Government) after first satisfying certain programme quality conditions set down by the ITC.

As an outcome of the auctions four licences changed hands. Thames Television, the largest ITV contractor, and the breakfast contractor TV-am, lost their licences to Carlton and Sunrise (now GMTV), while the ITC ruled that TVS and TSW had bid too high to be able to sustain their services. Their licences were awarded to Meridian and Westcountry respectively (see table below).

Far wider changes are expected as a result of the hugely differing prices paid by the companies. Central and Scottish Television - confident that they would be unopposed in their respective regions - each bid just £2,000 (US\$3,536) per annum (the minimum bid was £1,000) while Carlton paid £43.17 million (US\$76.33 million). The fear is that this will have created severe inequalities within the ITV system, and that some companies will be unable to afford their share of the £500 million - plus (US\$884 million) network programme schedule.

As a result of the general high level of bids, most of the companies have been reducing overheads, mainly through staff cuts, and there has been an increasing trend towards consolidation and joint ventures. Granada and LWT, two of the largest contractors, have combined their overseas sales teams to form Granada/LWT International, while Yorkshire has merged with its smaller, neighbouring contractor Tyne Tees to form YTTTV.

The network's total revenue for 1991 was £1,318 million (US\$2,330 million), and it had an average audience share of 38.7 per cent.

For the first time, from January 1993 ITV will have a centralised commissioning and scheduling system. The previous system, whereby the largest ITV companies had guaranteed access to a

certain number of programme hours, led to accusations that they were operating a cartel, excluding the smaller companies from being able to make programmes for the network. Under the new system all network programme ideas - whether from ITV companies or independent producers - must be pitched to new Network Director Marcus Plantin (previously director of programmes at London Weekend Television) who, together with a team of commissioning specialists in each genre, will be responsible for deciding the content of the schedule.

As part of its new structure, ITV had been seeking a 15-year holdback on programmes it commissioned, arguing that it did not want to see programmes it had paid for sold on to its UK competitors. But after lengthy lobbying by the independent producers, the Monopolies and Mergers Commission ruled that ITV would be able to retain the rights to programmes it commissions for only five years, with a negotiable extension. Network chief executive Andrew Quinn (previously chief executive of Granada Television) had warned that if ITV does not get the holdback period it seeks, this may mean that the price paid by the Network for commissioned programmes will be discounted by between 20 and 30 per cent. If this does happen in future, British producers will be forced to seek far more co-finance for programmes in future: at present many programmes are given 100 per cent commissions.

Table 5.25 Winners and losers in the 1991 ITV licence auction

Region covered	Previous licensee	New licensee	Bid size (at 1993 prices)
London Weekday	Thames	Carlton	£43.17m
London Weekend	LWT	LWT	£7.85m
North West	Granada	Granada	£9m
Midlands	Central	Central	£2,000
South & South East	TVS	Meridian	£36.52m
Central Scotland	Scottish	Scottish	£2,000
Yorkshire	Yorkshire	Yorkshire	£37.7m
North East	Tyne Tees	Tyne Tees	£15.06m
Wales & West	HTV	HTV	£20.5m
East of England	Anglia	Anglia	£17.8m
South West	TSW	Westcountry	£7.8m
Borders	Border	Border	£52,000
North Scotland	Grampian	Grampian	£720,000
Northern Ireland	Ulster	Ulster	£1.027m
Channel Islands	Channel	Channel	£1,000
National Breakfast	TV-am	GMTV	£34.6m

Channel 4

Channel 4 is a publisher broadcaster which was launched in 1982. After a lengthy debate about what kind of service the fourth channel should provide, it was given a specific remit to be innovative, and to cater for audiences not catered for elsewhere - youth programming such as *Network 7* (which used similar techniques and style to Toronto's City-tv), new music shows such as *The Tube*, multi-cultural strands, and quality, low budget film drama flourished.

Channel 4 was also to encourage the independent production sector, and as a result has always commissioned a substantial proportion of its programmes from independents, with the remainder coming from either ITV companies, or from acquisitions. Over the years, Channel 4 has bought many US sitcom and dramas - such as *Hill Street Blues*, *Northern Exposure*, *Dream On*, *Cheers*, and *Golden Girls* and made them cult hits in the UK.

Until 1993 the channel was funded by a subscription for ITV which sold airtime on its behalf. From 1993, however, Channel 4 became independent of ITV, competing directly with other broadcasters to sell its own air time.

Whether this will place the channel's remit in jeopardy remains to be seen (and there is an argument that since BBC2 has copied many of C4's success, particularly in the areas of youth, music and arts, the channel's remit should adapt to find new areas). The budget for 1993 was frozen for the third year running at £184 million (US\$325 million). In real terms this represented a drop of £30 million (US\$53 million) since 1991. However, there is to be an increase in programming budgets for 1994.

In 1991 the channel's audience share grew from 8.9 per cent to 9.6 per cent. In terms of commercial television viewing the channel accounted for 17.4 per cent of the audience, but took only 14.8 per cent of net advertising revenue, supporting the view that its airtime has been under-sold. In the past its success at selling its own airtime in the first few months of 1993 also lends weight to this view.

In 1991, C4 commissioned 1,671 hours of first run programming (52 per cent of output) from independent producers. The ITV companies and ITN provided a further 1,551 hours of commissioned programmes while new acquisitions made up 1,844 hours of programming.

Channel 5

The ITC decided at the end of 1992 not to award the licence for the fifth national terrestrial channel. Although there were several groups which expressed interest in applying for the licence, only one consortium, Five TV - comprising ousted ITV licensee Thames Television and Moses Znaimer of Toronto's City-tv - put in a bid. The ITC did not award the licence on the basis that Five TV was not fully funded and that the business plan was not supportable.

The ITC is currently considering whether to re-advertise the Channel 5 licence as a series of city stations rather than as a national service. If this goes ahead, it is unlikely that the new service would launch before mid 1994 at the earliest, and could take longer depending on the need for legislative changes.

Cable and Satellite

Table 5.26 UK satellite and cable penetration

	Cable Connections ('000)	Dish Homes ('000)	Cable 95% TV Homes	DTH 95% of TV Homes	Total cable and DTH as % of TV Homes
1990	63	20	0.3	0.1	0.4
1989	87	497	0.4	2.4	2.8
1990	149	1,278	0.7	6.0	6.6
1991	269	2,125	1.2	9.7	10.9
1992	447	3,220	2.0	14.6	16.6

Source: Zenith Media

Satellite television has grown dramatically in the UK over the last three years and is now available in one in every eight homes. DTH dish sales have far exceeded cable connections, and with sales of 91,000 per month in 1992 Zenith expects penetration to reach 33.6 per cent by 2003, with total cable and satellite penetration reaching 65 per cent of homes.

Cable's growth has been far slower and penetration stood at only 1.2 per cent in 1991. However, given the benefits of cable, with its ability to offer a range of interactive services including telephony, it is predicted that it will eventually become the predominant medium for receiving TV signals in urban areas. US and Canadian telecom and cable companies are currently investing in UK cable operations, having identified it as a significant growth area over the next decade. Zenith predicts that as long as the current level of investment from US companies continues 61 per cent of homes will be passed by 2003, of which around half will be connected.

There are currently 14 English language satellite services available in the UK via Astra 1a and 1b. The most successful are the six channels available as part of Rupert Murdoch's BSkyB. Others include CNN, MTV Europe, Super Channel, and the recently launched joint venture by Thames and the BBC, UK Gold.

British Sky Broadcasting (BSkyB)

BSkyB was formed in 1990 when Rupert Murdoch's Sky TV merged with its ailing rival British Satellite Broadcasting. Both channels had been accumulating considerable debts and a merger appeared to be the only way of survival. BSkyB made its first operating profit in 1992, of more than £1 million (US\$1.6 million), but its debts remain a huge burden to its shareholders: News International owns 50 per cent, Granada 11.9 per cent, Pearson (which owns the Financial Times) 16 per cent, Chargeur 15.9 per cent, Reed 3.7 per cent, with other minor shareholders owning 2.5 per cent.

Broadcast via the Luxembourg-owned Astra 1a and 1b satellites, BSkyB's package of channels consists of the general entertainment Sky One, Sky News, Sky Sports, Sky Movies Plus, Sky Movies Gold and The Movie Channel. The latter two services are both encrypted pay services and News International has set a deadline of July 1994 for the encryption of all its remaining services.

Overall BSkyB has a 23 per cent share in cable and satellite homes, but only four per cent of total viewing.

UK Gold

Launched in November 1992, UK Gold is a collaboration between Thames Television and BBC Enterprises. Programming consists of re-runs of "classic" British Television from the extensive archives of the two companies. Cox Enterprises and TCI have a 65 per cent stake in the channel.

The channel's share of viewing in satellite and cable homes was 4.5 per cent on launch but this has since declined to less than half this. This compares to 6.5 per cent for BSkyB's Sky One service.

MTV Europe

Launched in 1987, MTV Europe has enjoyed considerable success and currently reaches over 40 million European households. Its headquarters are in the UK, where it reaches over 2.5 million homes. The channel's key target audience is 16-34 year olds and as with its parent company in the US, MTV Europe's programming consists of music videos, live concerts and magazine shows. Only 10 per cent of programming originates from MTV in the US.

Super Channel

Super Channel began life in 1987 as a 'Best of British' joint venture by most of the ITV network companies and Virgin. However, by 1988 it was in financial difficulties and the ITV companies sold out to a new majority shareholder, Beta Television. The service is now pan-European in content and reaches up to 50 million homes. Programming is aimed at 25-35 year olds and consists of music, movies and news.

Television Ratings

The top 20 programmes for last Autumn (see table below) were all domestic productions. Australian soap *Neighbours* was the highest rated foreign programme at number 22. Its fellow Australian soap *Home and Away* came in at number 39 and there was an absence of US programmes from the top 50. *Gladiators*, based on a US format, did make it into the top 50, but initial audiences of around 13 million fell to 10 million.

Ratings are consistently dominated by the country's two favourite soaps *Coronation Street* and *EastEnders*. Established light entertainment series and game shows also remain big audience pullers. Drama's such as the BBC's hospital series *Casualty* and ITV's detective thriller *A Touch of Frost* also pulled big audiences. The latter's placing at number two was all the more impressive for the fact that it was a new series. Overall ITV had six new series in the top 50 compared to the BBC which had none. BBC2 pulled its biggest audiences with the comedy series *Absolutely Fabulous* and Channel 4's were two repeats of ITV programmes; detective series *Inspector Morse* and comedy series *Rising Damp*.

An earlier hit in 1992 was BBC1's reality series *999*, which used actual video footage from the emergency services and live reconstructions of emergency situations. The show attracted 13 million viewers, and reached third place behind *EastEnders* and *Coronation Street*. Other reality series such as Michael Winner's *True Crimes* on ITV the BBC's *Crime Watch UK* also fared well in the ratings.

Not included in these figures are any of the 50 films shown on UK TV last year which attracted audiences of over 10 million. As in the theatrical sector these were predominantly of US origin with just six UK films and three Australian films appearing. Nineteen of the films were thrillers and 16 were comedies²².

²² Moving Pictures International

Table 5.27 Top 20 Series (Autumn 1992)

Rank	Programme	Weekly Av Audience (m)	Genre	Channel
1	Coronation Street	18.0	Soap	ITV
2	A Touch Of Frost	16.5	Drama Series	ITV
3	EastEnders	15.0	Soap	BBC1
4	Casualty	14.4	Drama Series	BBC1
5	This Is Your Life	13.9	LE	ITV
6	Strike It Lucky	13.9	Game Show	ITV
7	Noel's House Party	13.8	LE	BBC1
8	London's Burning	13.8	Drama Series	ITV
9	The Bill	13.6	Drama Series	ITV
10	The Krypton Factor	13.2	Game Show	ITV
11	Family Fortunes	13.2	Game Show	ITV
12	Blind Date	12.9	LE	ITV
13	Wish You Were Here?	12.7	Factual	ITV
14	Through The Keyhole	12.7	Game Show	ITV
15	Ruth Rendell Mysteries	12.2	Drama	ITV
16	Taggart	12.0	Drama Serial	ITV
17	Crimewatch UK	11.8	Factual	BBC1
18	Des O'Connor Tonight	11.7	LE	ITV
19	Birds Of A Feather	11.7	Sitcom	BBC1
20	Take Your Pick	11.5	Game Show	ITV

Source: Broadcast/BARB

2.5 PRODUCTION AND DISTRIBUTION

The independent television production sector was brought to life with the creation of the publisher/broadcaster, Channel 4 in 1982. Today the channel remains the largest financier of the independent sector; in 1991 it commissioned £127 million (US\$224.5 million) worth of programming from independents or 1,671 hours. The BBC and ITV account for £72 million

(US\$127.3 million) each bringing the total value of independent programming to between £320 and £350 million a year (US\$565.8 million and US\$618.8 million).²³

From 1993, both the BBC and ITV will have to commission 25 per cent of their output from independent producers. This measure was introduced in the 1990 Broadcasting Act to provide independent producers with greater access to the existing broadcast outlets. This will mean that both the BBC and ITV will have to commission 1,400 hours of programming from European independents who are not owned or controlled by broadcasters. In the year ending June 1992 ITV commissioned 654.8 hours while the BBC commissioned 861.6 hours. Much of the increase in ITV's independent commissions will come from the new publisher/contractors Carlton and Meridian. For example, Carlton has already invested £35 million (US\$55.2 million) in commissions from independents.

However, with the BBC cutting costs, programming budgets frozen at Channel 4, and the ITV companies unable to commit themselves while confusion surrounded the new central schedule, independent producers are finding times hard.

Light entertainment and quiz shows remain the largest programming sector for independents, accounting for 443 hours on ITV and BBC, compared with 244 hours of sport, 256 hours of children's, 121 hours of drama, and 129 hours of documentaries.

The majority of producers are small companies which produce only one series or programme at a time. However a number of major independents have emerged, including Mentorn, Portman, SelecTV, Broadcast Communications and Cinema Verity. These were joined by Thames Television on 1 January 1993 when it handed over its ITV franchise to Carlton.

There are currently around 800 active production companies in the UK, of which 45 achieve annual gross revenue of over \$1.8 million. This is a far higher number than in other European countries, although the share of annual broadcasts is comparable at 12 per cent.

With limited programming resources at all four major broadcasters there is an increasing trend towards concentration and consolidation among the independent sector. One recent example is Portman Entertainment, one of the UK's largest programme producers, which signed a deal with Primetime/RPTA, that will see the latter's sales arm handling international distribution of Portman's catalogue.

As in the production sector there is an increasing trend towards consolidation among UK distributors. Victor Glynn of Portman believes that eventually four major distributors will emerge. Three of these he expects to be broadcaster-owned with the major ITV international distribution arms, such as Central Television Enterprises (CTE) and the recently merged Granada/LWT International, as strong candidates.

²³ Source: Broadcast

Review of the European Audiovisual Markets

Another trend among British distributors is their increasing involvement in providing finance for productions, either directly through pre-sales deals or indirectly by arranging co-productions between producers and broadcasters.

Distributor ITEL, the overseas sales arm of ITV company Anglia TV, has collaborated on international co-productions that broadcasters would be unable to fund alone. As Paul Sowerbutts, director of programming says, "*there is an interest for must-have programmes which they cannot afford to do themselves; expensive multi-location international dramas - anything over \$400,000 an hour. That is where companies like ours come in.*"

A recent example is *Frankie's House*, which saw ITEL joining forces with Anglia TV and initial film and TV in the UK, along with US and Australian partners. Such deals usually see each party retaining rights for their territory and a split equity deal for other sales.

As for acquisitions by distributors, ITEL and fellow international distributors, Hit Entertainment and Primetime/RPTA look to acquire rights for all territories, preferably for video as well as TV and for an average of seven years.

Acquisitions and Co-productions

While cutbacks at the four main terrestrial broadcasters are forcing programming budgets down in general, successful imports can still attract high prices. As the BBC's head of acquisition's Alan Howden notes, "*there is upwards pressure on the costs of anything successful*".²⁴ The reason for this is the increased competition for successful, audience-pulling programmes, particularly from Bskyb.

Howden's department spent £42 million (US\$65.5 million) on acquired programming in 1992, making the BBC the largest buyer in the UK. According to Howden, acquired programming makes up about 20 per cent of UK television output and comes predominantly from the US and Australia. The BBC also has well established links with Canadian broadcasters such as the CBC and major producers such as Primedia and Atlantis. It buys documentaries, drama and children's programmes such as *Degrassi High*.

The other major buyer of foreign programming is the ITV network. Its Film Acquisition department spends in the region of \$66 million, mainly on US films and popular series, but has also bought productions from major Canadian producers such as Alliance, Atlantis and Paragon.

When it comes to co-productions the main terrestrial broadcasters have also tended to drive most deals and first negotiations are usually with a broadcaster which may then direct the project to an independent producer while maintaining relatively tight control. The BBC, for example,

²⁴ Source: TV World

negotiated 118 deals with co-producers worldwide in 1991, while the most active co-producers within ITV have been the larger companies, particularly Thames, Central and LWT.

In the last four years Channel 4 increasingly has acquired more mainstream programming from overseas, largely from the US, but also Canadian programmes such as the drama series *ENG*. The channel has also commissioned programming from Canadian producers and worked on co-productions with CBS and TV Ontario. According to Andrew Brann, who is in charge of co-productions at Channel 4, documentaries tend to be the most popular genre of programming for foreign co-productions, since drama is handled mainly by UK independents. In 1992 it commissioned *Magic Or Medicine?*, four-one hour documentaries, by the Canadian producer Primedia and Skyscraper Productions in the UK.

BSkyb has concentrated on acquired programming but in 1992 commissioned two new series for Sky One, including *Spread Eagle*, a £5 million (US\$7.89 million) four-part drama series is to be co-produced with Germany's Tele-Munchen, and RCS in Italy.

With UK broadcasters finding it increasingly difficult to fund programmes 100 per cent, many of the larger independent producers are becoming more actively involved in seeking co-production partners.

Co-productions with Canadians

Canadian producers have traditionally found the UK an awkward market to co-produce with, and are critical of its insularity and eccentricity. The UK has also been accused of not adhering to its co-production treaties and many Canadian co-producers would like to see more pressure exerted on it to grant higher status to treaty productions.

Access to the UK market has been aided by Telefilm Canada, whose London office has actively been involved in arranging co-productions and selling Canadian productions to the UK broadcasters, primarily Channel 4, but also to the BBC and to a lesser extent to the ITV companies. In 1992 Telefilm lists four official co-productions between Canada and the UK. These were *Magic Or Medicine* (see above), *City Boy*, co-produced by City Boy Productions in Canada and Strawberry Vale, in the UK; *Mrs Arris Goes To Paris*, co-produced by Accent Two Productions in Canada, Strawberry Vale and Novofilm in Hungary; and *Nations Once Again*, co-produced by Primedia and the BBC.

For 1990-91, Telefilm Canada lists nine official Anglo-Canadian TV co-productions. These included *Spatz* (1990), *The Hand Of Stalin* (1990), *Young Catherine* (1990), *Dinosaur* (1990), *Lost World* (1990), *The Rita McNeil Show* (1991), *Brain Sex* (1991), *Battle For The Trees* (1991) and *Ustinov On The Orient Express* (1991).

Review of the European Audiovisual Markets

The-CRTC also lists four co-ventures between Canada and the UK in the last two years. These were:

- *Our Home And Native Land*, a 90- minute documentary shot in 1992 by Associates Film Production in the UK and Great Plains Productions in Canada;
- *The Planned Miracle*, produced by Primedia and Independent Communications Associates;
- *Canadian Crossing*, produced by Imagex in Canada and WestVision in the UK; and
- *The Astronomer King*, produced by Aquilon Film Inc in Canada and Deben Bhattacharya in the UK.

Other recent examples of collaborations between the two countries include:

- *Glory Enough For All* - a mini-series co-produced by Thames and Primedia, that was originally part of a twinning deal. However, Thames failed to produce their half of the deal, but still had some input in the project. It was not an official co-production.
- *Ray Bradbury Theatre* - an official co-production between Granada and Atlantis.

The most active co-producers within ITV have been the larger ITV companies, particularly Thames, Central and LWT.

A common criticism shared by UK distributors is that their dealings with Canadian producers are limited by the country's subsidy system. In particular, Richard Leworthy of Primetime/RPTA refers to Telefilm Canada's insistence that majority Canadian productions wishing to gain subsidies must offer Canadian distributors first refusal for overseas sales. He is therefore reluctant to do business with Canadian producers who are using Telefilm support. Primetime does, however, have close links with Canada through its sister company Primedia, based in Toronto, and has 500 hours of Canadian programming in its catalogue.

Programme Acquisition Prices

In the UK programme prices have experienced little growth following the costly ITV franchise auctions. Some indication of the current prices paid for foreign programming is given in the following tables, but it should not be taken as a definitive guide. As the tables illustrate, prices can differ enormously, depending on the programme's quality, the number of transmissions included in the deal, long and short term output deals, programme packaging and currency fluctuations.

Tables 5.28 and 5.29 TV Programme Prices in the UK (US\$)

Feature Movies	TV Movies	Specials	One Hour Series	Half Hour Series
50,000- 2,000,000	40,000- 100,000	30,000- 50,000	15,000- 100,000	8,000- 16,000

Source: Variety, April 1992

Feature Movies	TV Movies	Childrens (per half hour)	Documentaries (per hour)	Drama (per hour)	Light Entertainment (per half hour)
10,000- 3,000,000	20,000- 120,000	3,000- 20,000	15,000- 35,000	20,000- 120,000	10,000 -25,000

Source: TV World

3 CONTACT DIRECTORY

3.1 FILM

Government Ministry

Department of National Heritage

Horseguards Road

London

SW1P 3AL

Tel: 44 71 270 5811

Government-funded bodies

British Film Commission

70 Baker Street

London W1M 1DJ

Tel: 44 71 224 5000

Fax: 44 71 224 1013

Chief executive: Andrew Patrick

British Film Institute

29 Rathbone Street

London W1P 1AG

Tel: 44 71 255 1444

Fax: 44 71 436 7950

Director: Wilf Stevenson

British Screen Finance

14-17 Wells Mews

London W1P 3FL

Tel: 44 71 323 9080

Fax: 44 71 323 0092

Chief executive: Simon Perry

Private Sector Financiers/Investors

Barclays Bank

Media Section
Barclays Business Centre
27 Soho Square
London W1A 4WA
Tel: 44 71 439 6851
Fax: 44 71 434 9035
Contact: Peter Hitchen

Film Asset Developments Ltd

Burrell Productions
19 Cranbury Street
London SW6 2NS
Tel: 44 71 371 5775
Contact: Timothy Burrell

FILMS (Film Investment and Loan Management Services)

40 Queen Anne's Gate
London
SW1 9AP
Tel: 44 71 799 2600
Fax: 44 71 976 8394
Directors: Adrian Scrope, Jorge Gallegos

Hemdale Holdings/Hemdale Film Corporation

7966 Beverly Blvd
Los Angeles 90048
USA
Tel: 1 213 966 3700
Fax: 1 213 651 3107
Chairman: John Daly

National Leasing and Finance Company

25 Kingsbury Circus
London EC2M 7DY
Tel: 44 71 588 0131
Fax: 44 71 628 3922
Contact: Howard Kitchner

Guinness Mahon

23 St Mary At Hill
London EC3
Tel: 44 71 623 9333
Fax: 44 71 283 4881
Head of Film Finance: Premilla Hoon

Samuel Montagu

10 Lower Thames Street
London EC3R 6AE
Tel: 44 71 260 9000
Fax: 44 71 488 1630
Contacts: John Evangelides, Tim Pennington

United British Artists

Russell Chambers
Covent Garden
London WC2E 8AA
Tel: 44 71 747 3454
Contact: Peter Shaw

String Of Pearls plc

Bray Film Studios
Down Place
Water Oakley
Windsor Road
Berkshire SL4 5UG
Tel: 44 628 22111
Fax: 44 628 30535
Executive Finance Director: Peter Gray

Production Companies

Enigma

Pinewood Studios
Iver Heath
Bucks SL0 0NH
Tel: 44 753 630555
Fax: 44 753 630393
Director: David Puttnam

Handmade Films

26 Cadogan Square
London SW1X OJP
Tel: 44 71 584 8345
Fax: 44 71 584 7338
Executive Producer: Denis O'Brien

Goldcrest Film and Television

36-44 Brewer Street
London W1R 3HP
Tel: 44 71 437 8696
Fax: 44 71 437 4448
Contact: Joanna Deakin

Prominent Features

68a Delancey Street
London NW1 7RY
Tel: 44 71 284 0242
Fax: 44 71 284 1001
Director: Anne James

Recorded Picture Company

8-12 Broadwick Street
London W1V 1FM
Tel: 44 71 439 0607
Fax: 44 71 434 1192
Chairman: Jeremy Thomas

Working Title Films

1 Water Lane
Kentish Town
London NW1 8NZ
Tel: 44 71 911 6100
Fax: 44 71 911 6150
Managing Director: Tim Bevan

Distribution Companies

Artificial Eye

211 Camden High Street
London NW1 7BT
Tel: 44 71 267 6036
Fax: 44 71 267 6499
Distribution: Robert Besem

Seventy per cent of the films Artificial Eye distributes are French, and in recent years the company has distributed two Canadian films, Jesus Of Montreal and The Decline Of The American Empire. The company rarely gets involved in any pre-production finance. Rights are normally acquired for all territories and held for about seven years.

Ciby Sales

14 Curzon Street
London W1Y 7FH
Tel: 44 71 629 8155
Fax: 44 71 493 2443
Contact: Wendy Palmer

The sales arm of French producers/distributors Ciby 2000. Has development deals with about six international producers but not with any Canadians.

Columbia TriStar Films (UK)

St Margaret's House
19-23 Wells Street
London W1P 3FP
Tel: 44 71 580 2090
Fax: 44 71 436 0323
Managing Director: Jimmy Katz

Cori Film Distributors

19 Albemarle Street
London
W1X 3HA
Tel: 44 71 493 7920
Fax: 44 71 493 8088
Chief executive: Marie Hoy

Curzon Film Distributors

38 Curzon Street
London W1Y 8EY
Tel: 44 71 465 0565
Fax: 44 71 499 2018
Director: George Biggs

Electric Pictures

15 Percy Street
London W1P 9FD
Tel: 44 71 636 1231
Fax: 44 71 636 1675
Contact: Liz Wrenn

Distributes foreign art-house and independent productions. Currently has two Canadian productions in its catalogue, I've Heard The Mermaids Singing and The Company Of Strangers.

Guild Film Distribution

Kent House
14-17 Market Place
Great Titchfield Street
London W1N 8AR
Tel: 44 71 323 5151
Fax: 44 71 631 3568
Contact: Paul Brett

Owned by the French company Chargeurs Group. It handles mainly US mainstream product, and rarely gets involved in pre-production finance.

Mainline Pictures Ltd

37 Museum Street
London WC1A 1LP
Tel: 44 71 242 5523
Fax: 44 71 430 0170
Managing Director: Romaine Hart

Distributes mostly foreign films, particularly from US, French and German independents. The company has looked at Canadian films but as yet either the deal or the product has proved unsuitable. Rights are normally held for seven years, and TV rights are usually considered essential. It is only interested in seeing finished product, either at film festivals or by screening cassettes.

Mayfair Entertainment

9 St Martins Court

London WC2N 4AJ

Tel: 44 71 465 0565

Fax: 44 71 895 0329

Managing Director: John Howarth

Distributes foreign films but doesn't get involved with pre-production financing. Will express an interest in a script it likes which often helps producers to raise finance elsewhere. Would hope to acquire at least rights to theatrical and video, and preferably TV as well.

Metro Tartan

79 Wardour Street

London W1V 3TH

Tel: 44 71 734 8508

Fax: 44 71 287 2112

Director: Tony Kirkhope

Rank Film Distributors

127 Wardour Street

London W1V 4AD

Tel: 44 71 437 9020

Fax: 44 71 434 3689

Managing Director: Fred Turner

The Sales Company

62 Shaftesbury Avenue

London W1V 7AA

Tel: 44 71 434 9061

Fax: 44 71 494 3293

Contact: Carole Myer

One of the leading UK sales agents, owned by British Screen, Zenith, and the BBC. Specialises in British low to medium budget, high quality film, but also handles foreign productions and has been involved with one Canadian 'twin'. Rights are acquired either for theatrical or all releases and are normally held for two years after delivery of the production before being sold off.

28.8

20th Century Fox Film Company

20th Century House
31 Soho Square
London W1V 6AP
Tel: 44 71 437 7766
Fax: 44 71 437 1625
Managing Director: Stephen Moore

UIP

45 Beadon Road
Hammersmith
London W6 OEG
Tel: 44 81 741 9041
Fax: 44 81 741 9602
President: Michael Williams-Jones

Warner Bros Distributors

135 Wardour Street
London W1V 4AP
Tel: 44 71 437 5600
Fax: 44 71 437 5521
Managing Director: Maj-Britt Kirchner

3.2 VIDEO

Trade Association

British Videogram Association
21/22 Poland Street
London W1V 3DD
Tel: 44 71 437 5722
Fax: 44 71 437 0477
Director General: Norman Abbott

Distributors

Abbey Home Entertainments

53 Abbey Road
London NW8 OAD
Tel: 44 71 372 0752
Fax: 44 71 372 0887
Chief Executive: Anne Miles

BBC Video

Woodlands
80 Wood Lane
London W12
Tel: 44 81 743 5588
Fax: 44 81 749 0538
Home Entertainment Director: Tony Greenwood

Buena Vista Home Video

3 Centaurs Business Park
Grant Way
Isleworth
Middlesex TW7 5QD
Tel: 44 81 569 8080
Fax: 44 81 568 8983
VP, MD UK: Phil Jackson

Castle Communications

29 Barwell Business Park
Leatherhead Road
Chessington
Surrey KT9 2NY
Tel: 44 81 974 1021
Fax: 44 81 974 2674
Chairman: Terry Shand

Central Television Enterprises

Hesketh House
43-45 Portman Square
London W1H 9FG
Tel: 44 71 486 6688
Fax: 44 71 486 1707
Head of Video Development: Lesley Fromant

Chrysalis Home Video

The Chrysalis Building
Bramley Road
London W10 6SP
Tel: 44 71 221 2213
Fax: 44 71 221 6455
Head of Home Video: Tina Lorenzo

CIC Video

Glenthorne House
5-17 Hammersmith Grove
London W6 0ND
Tel: 44 81 846 9433
Fax: 44 81 741 9773
MD: Graham Gutteridge

Columbia TriStar Home Video

Horatio House
77-85 Fulham Palace Road
London W6 8JA
Tel: 44 81 748 6000
Fax: 44 81 748 4546
MD: Cees Zward

First Independent Films

69 New Oxford Street
London WC1 1DG
Tel: 44 71 528 7768
Fax: 44 71 528 7771
Sales Manager: Ed Ramsey

Fox Video

31-32 Soho Square
London W1V 6AP
Tel: 44 71 753 8686
Fax: 44 71 287 9853
MD: Stephen Moore

GMH Entertainments

22 Manasty Road
Orton Southgate
Peterborough PE2 6UP
Tel: 44 733 233 464
Fax: 44 733 238 966
Group MD: Iain Muspratt

Guild Home Video

Crown House
2 Church Street
Walton on Thames
Surrey KT12 2QS
Tel: 44 81 546 3377
Fax: 44 81 546 4568
MD: Nick Hill

Island World Communication

40 St Peters Road
London W6 9BD
Tel: 44 81 748 9000
Fax: 44 81 748 0841
MD: Andy Frain

Odyssey Video

15 Dufours Place
London W1V 1FE
Tel: 44 71 437 8251
Fax: 44 71 734 6941
MD: Adrian Munsey

Pickwick Group

The Water Front
Elstree Road
Elstree
Herts WD6 3EE
Tel: 44 81 207 6207
Fax: 44 81 207 5789
Marketing & Sales Director: Garry Le Count

Polygram Video

PO Box 1425
Chancellors House
72 Chancellors Road
Hammersmith
London W6 9QB
Tel: 44 81 846 8515
Fax: 44 81 741 9781
MD: Peter Smith

Screen Entertainment

PO Box 161
Radlett
Herts WD7 8ED
Tel: 44 923 858 043
Fax: 44 923 858 044
CE: Carey Budnick

Silver Vision UK

36 Queensway
Ponders End
Enfield EN3 4SA
Tel: 44 81 805 1354
Fax: 44 81 805 9987
MD: Ian Allen

Sony Music Entertainment

17/19 Soho Square
London W1V 6HE
Tel: 44 71 734 8181
Fax: 44 71 439 4483
MD Operations Division: David Black

Thames Video

Broom Road
Teddington Lock
London TW11 9NT
Tel: 44 71 977 3252
Contact: Katherine Senior

Video Collection International

Strand VCI House
Caxton Way
Watford
Herts WD1 8UF
Tel: 44 923 255 558
Fax: 44 923 817 969
MD: Paddy Toomey

Vision Video

Atlantic House
1 Rockley Road
London W14 0DL
Tel: 44 81 740 5500
Contact: Johnny Fewings

Warner Home Video

135 Wardour Street
London W1V 4AP
Tel: 44 71 494 3441
Fax: 44 71 494 3297
MD, Video: Mike Heap

3.3 TELEVISION

Regulatory Body

Independent Television Commission
70 Brompton Road
London SW3 1EY
Tel: 44 71 584 7011
Fax: 44 71 589 5533
Chief Executive: David Glencross

Broadcasters

BBC Television

Television Centre
Wood Lane
London W12 7RJ
Tel: 44 81 743 8000
Fax: 44 81 749 7520
Head of Drama: Charles Denton
Head of Acquisitions: Alan Howden

BBC Enterprises

Woodlands
80 Wood Lane
London W12 0TT
Tel: 44 81 743 2000
Fax: 44 81 749 5588
Director, Marketing and Business Development: Derek Taylor

Channel 4

60 Charlotte Street
London W1P 2AX
Tel: 44 71 631 4444
Fax: 44 71 637 1495
Director of Acquisitions: Colin Leventhal
Co-productions: Andrew Brann
Head of Drama: David Aukin

ITV Network Centre

Knighton House
56 Mortimer Street
London W1N 8AN
Tel: 44 71 612 8000
Fax: 44 71 580 7892
Chief Executive: Andrew Quinn
Network Director: Marcus Plantin

Anglia

Anglia House
Norwich
Norfolk NR1 3JG
Tel: 44 603 615151
Fax: 44 603 631032
Managing director, broadcasting: Philip Garner

Border

Television Centre
Carlisle CA1 3NT
Tel: 44 228 25101
Fax: 44 228 41384
Managing Director: James Graham

Carlton Television

101 St. Martin's Lane
Hanover Square
London WC2N 4AZ
Tel: 44 71 895 9576
Fax: 44 71 224 1623
Managing Director: Paul Jackson

Central Television

Central House
Broad Street
Birmingham B1 2JP
Tel: 44 21 643 9898
Fax: 44 21 643 4897
Programme Director: Andy Allan

Channel Television

The Television Centre
St. Helier
Jersey CI JE2 37D
Tel: 44 534 68999
Fax: 44 534 59446
Director of Television: Michael Lucas

Good Morning TV (GMTV)

London TV Centre
London SE1 9LT
Tel: 44 71 827 7000
Fax: 44 71 827 7001
Programme Director: Peter McHugh

Grampian

Queen's Cross
Aberdeen AB9 2XJ
Tel: 44 224 646464
Fax: 44 224 635127
Director of Programmes: George Mitchell

Granada

Quay Street
Manchester M60 9EA
Tel: 44 61 832 7211
Fax: 44 61 953 0287
Director of Programmes: David Liddiment

HTV

The Television Centre
Culverhouse Cross
Cardiff CF4 6EG
Tel: 44 222 590590
Fax: 44 222 597183
Director of Programmes: Huw Davies

LWT - London Weekend Television

The London Television Centre
Upper Ground
London SE1 9LT
Tel: 44 71 620 1620
Fax: 44 71 928 6948
Managing Director, LWT Programmes: Nick Elliott
Head of Sales, Granada LWT International: Nadine Nohr

Meridian

Television Centre
Northam
Southampton SOG 5HZ
Tel: 44 703 222555
Fax: 44 703 335650
Chief Executive: Roger Laughton

Scottish Television

Cowcaddens
Glasgow G2 3PR
Tel: 44 41 332 9999
Fax: 44 41 332 6982
Director of Programmes: Alistair Moffat

Tyne Tees

Tyne Tees Television Centre
City Road
Newcastle upon Tyne NE1 2AL
Tel: 44 91 261 0181
Fax: 44 91 222 0013
Director of Programming: Steve Ireland

Ulster Television

Havelock House
Ormeau Road
Belfast
Ireland BT7 1EB
Tel: 44 232 328 122
Fax: 44 232 246695
Controller of Programming: Alan Bremner

Yorkshire Television

The Television Centre
Leeds LS3 1JS
Tel: 44 532 438 283
Fax: 44 532 441 356
Director of Programmes: John Fairley

Westcountry Television

Western Wood Way
Langage Science Park
Plymouth PLY 5BG
Tel: 44 752 333333
Fax: 44 752 333444
Controller of Features: Jane Clarke

Cable and Satellite

MTV Europe

Centro House
20-23 Mandela Street
London NW1 ODU
Tel: 44 71 383 4250
Fax: 44 71 388 2064
Director of Production and Programming: Brent Hansen

BSkyB

6 Centaurs Business Park
Grant Way
Isleworth
Middlesex TW7 5QD
Tel: 44 71 705 3000
Fax: 44 71 705 3030
Deputy MD: Gary Davey
Director of Programming: David Elstein

298

Super Channel

Melrose House
14 Lanark Square
Limeharbour
London E14 9QD
Tel: 44 71 418 9418
Fax: 44 71 418 9419
Director of Programmes: Bertrand le Ficher

Production Companies

Antelope Films

3 Fitzroy Square
London W1P 5AH
Tel: 44 71 387 4454
Fax: 44 71 388 9935
Managing Director: Mick Csaky

Specialises in high quality documentary, drama and arts programming. Has worked with TV Asahi and NHK in Japan, Channel 7 in Australia and Turner Broadcasting.

Barraclough Carey Productions

Cambridge House
Cambridge Grove
Hammersmith
London W6
Tel: 44 81 741 4777
Fax: 44 81 741 7674
Head of Production: Chrissie Smith

Producer of current affairs and factual programmes. Normally receives 100 per cent commission from the broadcaster and thus has little experience of co-producing. However, it is looking to do more, particularly finance for rights deals. Although not big enough to invest in ideas, the company may be able to put producers in touch with broadcasters, and manage a project.

Channel X

Middlesex House
34-42 Cleveland Street
London W1P 5SB
Tel: 44 71 436 2200
Fax: 44 71 436 1475
Managing Director: Mike Bolland

Review of the European Audiovisual Markets

In 1992 produced about 32 hours of light entertainment and comedy programming. As yet the company has not co-produced at all as it has received 100 per cent commissions from UK broadcasters. However, it would be interested if the opportunity arose.

Diverse Production

Gorleston Street

London W14 8XS

Tel: 44 71 603 4567

Fax: 44 71 603 2148

Head of Programmes: Philip Clarke

Specialising in current affairs and educational programming. Produced about 40 hours of programming in 1992, but this figure will be considerably higher in 1993, following two contracts to produce low budget, high volume programmes. Has not co-produced for several years, but is becoming more involved as programme costs exceed the budgets available from UK broadcasters. When looking for co-producers Canada is on the list and the company has had talks with TV Ontario.

DL Taffner

10 Bedford Square

London WC1B 3RA

Tel: 44 71 631 1184

Fax: 44 71 636 4571

Contact: Stephen Bailie

International producer and distributor with offices in the US, Canada and Australia. The UK company produces comedy, arts, drama, documentaries and game shows. The company has worked on drama series with European partners and currently has two projects in development which will require European partners.

Hawkshead Production

48 Bedford Square

London WC1B 3DP

Tel: 44 71 255 2551

Fax: 44 71 580 8101

Project Development (Broadcast): Carol Haslam

Hawkshead is part of the Broadcast Communications group, which also holds a 20 per cent share on in ITV breakfast franchise holder, GMTV. The company specialises in factual programming, from documentaries to pop lifestyle and in 1993 has about 100-120 hours of programming in production. All major documentaries require co-producers and key partners have been PBS and Discovery in the US.

InCA (Independent Communications Associates)

32 Great Pulteney Street

London W1R 3DE

Tel: 44 71 439 1878

Fax: 44 71 434 2889

Production Controller: Richard Melman

Produced about 30 hours of programming in 1992. Specialises in scientific and educational programming but moving into game shows, art programming and drama documentaries. Has worked closely with other European independents on some series and is always interested in coproductions.

Initial Film and Television

74 Black Lion Lane

Hammersmith

London W6 9BE

Tel: 44 81 741 4500

Fax: 44 81 741 9416

Managing Director: Malcolm Gerrie

Established in 1985, Initial's production credits range from popular drama series and TV movies to children's programmes and documentaries. The company has been involved in international co-productions with European and Australian partners.

Jim Henson Productions

1b Downshire Hill

Hampstead

London NW3 1NR

Tel: 44 71 431 2818

Fax: 44 71 431 3737

Director of International Development and Co-production: Angus Fletcher

The producer of popular children's series such as The Muppets and Fraggle Rock tends to develop ideas in house and then look for suitable partners to work with.

Mentorn Films

Mentorn House

140 Wardour Street

London W1V 3AV

Tel: 44 71 287 4545

Fax: 44 71 287 3728

Chief Executive: Tom Gutteridge

Review of the European Audiovisual Markets

One of the largest independents, producing around 200 hours of programming a year. The company specialises in arts and entertainment but is moving into drama as well. With the higher costs of drama the company has found that UK broadcasters are no longer to fund budgets 100per cent and therefore it is now seeking co-production and co-financing partners. In particular the company is looking for co-producers for Space Police, a new Gerry Anderson drama series.

Noel Gay Television

Sixth Floor

76 Oxford Street

London W1R 1RB

Tel: 44 71 412 0400

Fax: 44 71 412 0300

Managing Director: Charles Armitage

Noel Gay's output is predominantly comedy or light entertainment although it does produce some drama. Currently contracted to produce around 17/18 hours of programming including four shows for Carlton, all of Anglia's light entertainment output and programmes for BBC and Channel 4. Has only co-financed two series in the past with a New Zealand financier.

NVC Arts

The Forum

74-80 Camden Street

London NW1 0JL

Tel: 44 71 388 3833

Fax: 44 71 383 5332

Managing Director: John Kelleher

Producer and distributor of international opera, dance and performing arts programmes. The company has co-produced with other European partners and has a worldwide distribution deal with Warner/Teldec.

Picture Music International

EMI House

20 Manchester Square

London W1A 1ES

Tel: 44 71 486 4488

Fax: 44 71 465 0748

Television Programme Sales Manager: Dawn Stevenson

Producer and Distributor

EMI's film and video production company, specialising in music.

Polygram Video & Television International

347-353 Chiswick High Road

London W4 4HS

Tel: 44 81 994 9199

Fax: 44 81 742 5577

Managing Director, Polygram Television International: John Gaydon

Producer and distributor

Produces predominantly music programming. Currently does very little co-producing but interested in doing more international programmes with other partners.

Portman Entertainment

Pinewood Studios

Iver Heath

Buckinghamshire SL0 0NH

Tel: 44 753 630366

Fax: 44 753 630332

Chief Executive: Victor Glynn

Large independent specialising in drama

Red Rooster

11-13 Macklin Street

London WC2B 5NH

Tel: 44 71 405 8147

Fax: 44 71 831 0679

Managing Director: Linda James

Since its creation in 1982 Red Rooster has produced around 40 hours of television, and currently spends in the region of £5 million (US\$7.89 million) per year on productions. Productions are predominantly drama and short films, but the company has also worked on light entertainment series and documentary films. The company has been involved with various co-productions and pre-sales, largely with European companies - eg, the Dream Factory, 6 x 60 minutes documentary co-produced with TF1/Films du Sabre, FTBF Belgium, RTSR Switzerland and Khalil Osman Egypt. However, plans to co-produce with Atlantis, fell through when the deal with the UK broadcaster involved fell through. The company is part-owned by the Chrysalis Group.

RM Associates

46 Great Marlborough Street
London W1V 1DB
Tel: 44 71 439 2637
Fax: 44 71 439 2316
Director of Programmes: Neil Mundy
Producer and distributor

Specialises in arts programming

Primetime/RPTA

Seymour Mews House
Seymour Mews
Wigmore Street
London W1H 9PE
Tel: 44 71 935 9000
Fax: 44 71 872 9506
Director: Richard Leworthy
Producer and distributor

The Primetime/RPTA group includes the production company Primetime Television and RPTA one of the UK's largest independent distributors with 5,500 hours of programming in its catalogue. On average the RPTA holds rights for nine years and charges a 20 per cent commission. It will also sometimes put up advances to secure distribution and also acts as a co-producer. The company has 500 hours of Canadian programming in its catalogue, and has strong links with the country through its investment in the production company Primedia. This has allowed Primedia to become a leading co-producer with the UK, and in 1991 it co-produced Brain Sex with Primetime under official treaty. However, Primetime has ceased to do business with other Canadian companies because of what it sees as the protectionist nature of the Canadian industry.

SelecTV plc

3 Derby Street
London W1Y 7HD
Tel: 44 71 355 2868
Fax: 44 71 495 3310
Director: Michael Pilsworth

As the holding company for Alomo productions, Clement/La Frenais Productions, Witzend Productions and The TV Sales Company, SelecTV is one of the largest television groups in the UK. Both Alomo and Witzend specialise in comedy/drama.

Talbot/Fremantle UK

Greendon House
7 C/D Bayham Street
London NW1 OEY
Tel: 44 71 380 1189
Fax: 44 71 383 5369
Managing Director: David Champtaloup
Producer and Distributor

Producer of series such as Adventures of Black Beauty and Baywatch III, plus 94 game shows in 36 countries. Adventures of Black Beauty was co-produced with Australia and New Zealand, and the company has just started a joint venture with Canada's Atlantis.

TVF

375 City Road
London EC1V 1NA
Tel: 44 71 837 3000
Fax: 44 71 833 2185
Chief Executive: John Fanshawe

Specialises in one-offs and series in arts, music and science.

Wall To Wall

8-9 Spring Place
Kentish Town
London NW5 3ER
Tel: 44 71 485 7424
Fax: 44 71 267 5292
Managing Director: Alex Graham

Formed in 1987, Wall to Wall specialises in popular factual programmes and prime-time drama.

Warner Sisters Film & TV

12 Russell Street
London WC2B 5HP
Tel: 44 71 836 0134
Fax: 44 71 836 6559
Executive Director: Lavinia Warner

Specialises in dramas and documentaries. Has development deals with UK broadcasters Carlton, Meridian and Central and recently produced two series with the BBC. The company has co-produced with Australian's WNET and ABC.

World Wide International Television

21-25 St. Anne's Court

London W1V 3AW

Tel: 44 71 434 1121

Fax: 44 71 734 0619

Managing Director: Chris Courtenay Taylor

Over the last four and a half years World Wide International TV has produced 70 to 80 hours of programming including drama, arts, science, game shows and children's. The company has strong links with Canadian producers including Atlantis with whom it has a co-development relationship. Around six projects in development, probably under co-production treaty.

Working Title Films

1 Water Lane

Kentish Town Road

London NW1 8NZ

Tel: 44 71 911 6100

Fax: 44 71 911 6150

Production Manager: Jane Frazer

Zenith

43-45 Dorset Road

London W1H 4AB

Tel: 44 71 224 2440

Fax: 44 71 224 3194 Contact: Scott Meek

Output to date includes 19 films, 11 TV movies and nearly 200 hours of television drama. The company aims to co-produce one television movie a year, and currently working on three projects.

Distribution Companies

(see also producer/distributors in previous section)

Central Television Enterprises

Hesketh House

43-45 Portman Square

London W1H 9AH

Tel: 44 71 486 6688

Fax: 44 71 486 1707

Director of Sales: Bill Allan

International sales arm of the ITV station. The company also handles international sales for fellow ITV stations Carlton Television, HTV and Meridian Broadcasting.

HIT Entertainment

The Pumphouse
13-16 Jacob's Well Mews
London W1H 5PD
Tel: 44 71 224 1717
Fax: 44 71 224 1719
Sales Director: Sophie Turner Laing

Distributor specialising in children's and family programming. It has 750 hours of programming in its catalogue, representing producers from Europe, Australia and the USA, but not Canada. Rights are normally acquired for a minimum of 7 years, with the option to extend to 10. Does do co-productions predominantly putting in up to 50 per cent of the project but will put up the whole budget.

Jane Balfour

Burghley House
35 Fortress Road
London NW5 1 AD
Tel: 44 71 267 5392
Fax: 44 71 586 3443
TV Sales Director: Mary Barlow

Since its creation in 1983 the company has handled sales for about 40 features, and gained a reputation for handling more difficult (in sales terms) productions.

ITEL

48 Leicester Square
London WC2H 7FB
Tel: 44 71 491 1441
Fax: 44 71 493 7677
Director of Programming: Paul Sowerbutts

Distribution arm of ITV company Anglia. Handles 70-100 hours per year of programming, mainly high quality documentaries and drama. Arranges co-productions and co-financing between producers and broadcasters, and also co-finances some projects itself. Terms of acquisition depend entirely on the product but the company prefers a seven year sales cycle. Has often discussed projects with Primedia but has yet to get go ahead.

Majestic Films and Television

PO Box 13
Gloucester Mansions
Cambridge Circus
London WC2H 8XD
Tel: 44 71 836 8630
Fax: 44 71 836 5819
Director of Sales: Ralph Kamp
Producer and distributor

Distributes 75-100 hours of television, mainly drama, miniseries and TV movies.

NBD Television

Unit 2
Royalty Studios
105 Lancaster Road
London W11 1QF
Tel: 44 71 243 3646
Fax: 44 71 243 3656
Managing Director: Nicky Davies

Distributor of over 400 hours of music and light entertainment - 30 per cent to 40 per cent out of the UK but mostly from the US. Rights are acquired for a minimum of five years and cover TV and video. Commission is normally 30 per cent.

S4C Enterprises

Parc Ty Glas
Llanishen
Cardiff CF4 5DU Wales
Tel: 44 222 747 444
Fax: 44 222 754 444
Head of Co-production: Darrel James

The TV Sales Company

3 Derby Street
Mayfair
London W1Y 7HD
Tel: 44 71 355 2868
Fax: 44 71 495 3310
Managing Director: Nick Witkowski

The TV Sales Company - a division of the SelectTV group - distributes around 30 hours of programming a year.

Thames Television International

Teddington Studios
Broom Road
Teddington Lock
Middlesex TW11 9NT
Tel: 44 81 977 3252
Fax: 44 81 943 0344
Director of Sales: Roger Miron

International sales arm of ex-ITV broadcaster Thames. The company had the largest catalogue of programming of all the ITV companies. It has also been involved in several international co-productions including Glory Enough For All, a mini-series with Primedia in Canada.

Television Sport and Leisure

68 South Lambeth Road
Vauxhall
London SW8 1RL
Tel: 44 71 820 0700
Fax: 44 71 820 9419
Managing Director: Michael Murphy

A producer and distributor of sports programming. TSL does not acquire programming but acts on behalf of sporting bodies.

VATV

60/62 Margaret Street
London W1N 7FJ
Tel: 44 71 636 9421
Fax: 44 71 436 7426
Managing Director: Jane Lighting
Specialises in quality documentary programming.

Yorkshire Tyne Tees International

32 Bedford Row
London WC1R 4HE
Tel: 44 71 242 1666
Fax: 44 71 831 7260
Manager, International Sales: Susan Crawley

International sales arm of the recently merged ITV companies Yorkshire and Tyne Tees.

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