MANDATORY CONTRIBUTIONS AND MANDATORY INVESTMENTS BY THE VARIOUS STAKEHOLDERS IN EUROPE – THE NEW CHALLENGES OF THE DIGITAL ERA AND GLOBALIZATION

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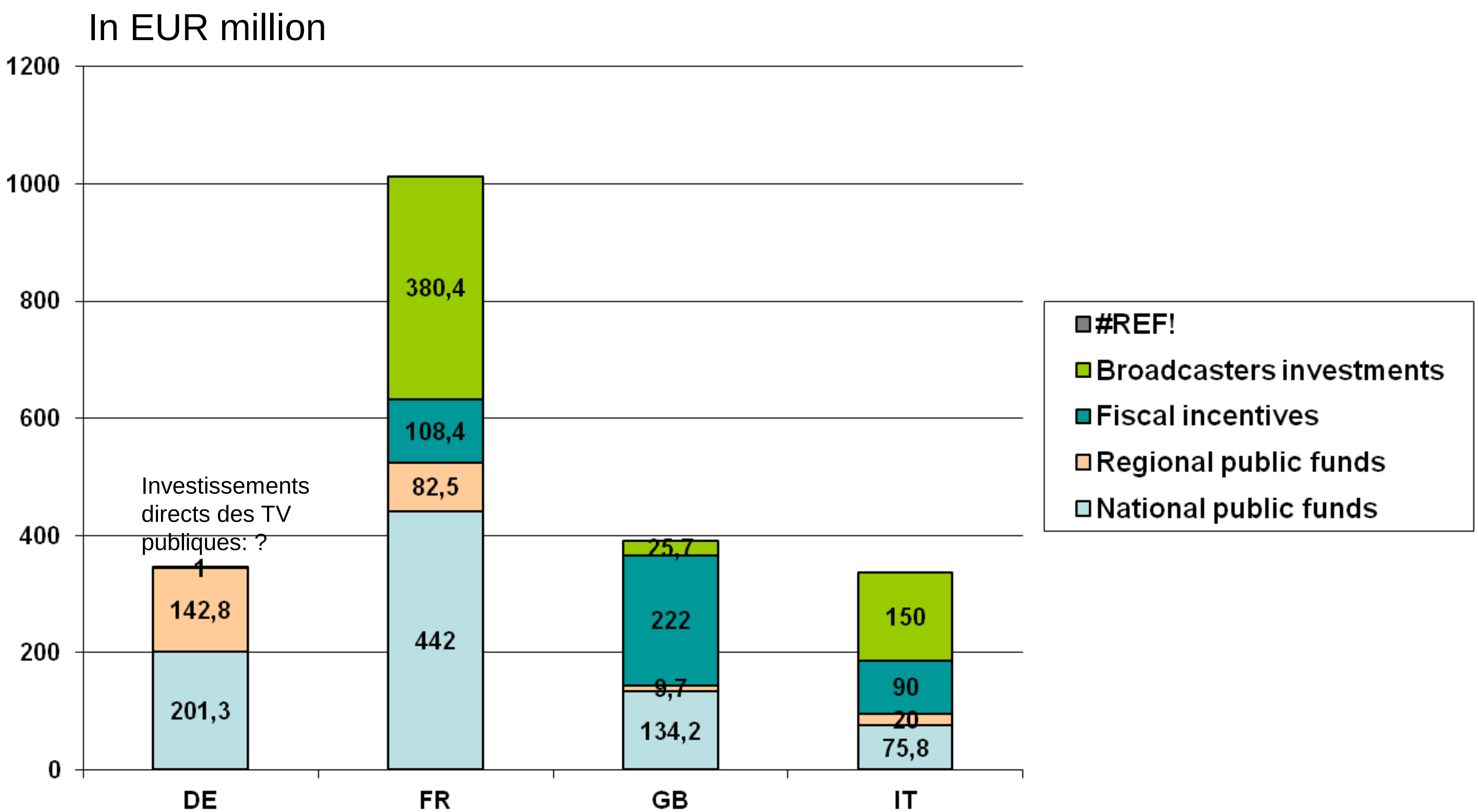
ORGANIZING THE FINANCING OF FILM AND AUDIOVISUAL PRODUCTION – GENERAL OPTIONS

- **Organizing broadcasters' investments in production**
- **Creation of funds financed by**
  - **State budget**
  - **Sub-national bodies (regions, communities, municipalities)**
  - **Lottery**
  - **Creating obligations of contributions to funds for various categories of stakeholders**
- **Creating fiscal incentives**

INVESTMENTS AMOUNTS IN FILM PRODUCTION GENERATED BY PUBLIC POLICIES (2011) – EUR Million

European Audiovisual Observatory / KORDA

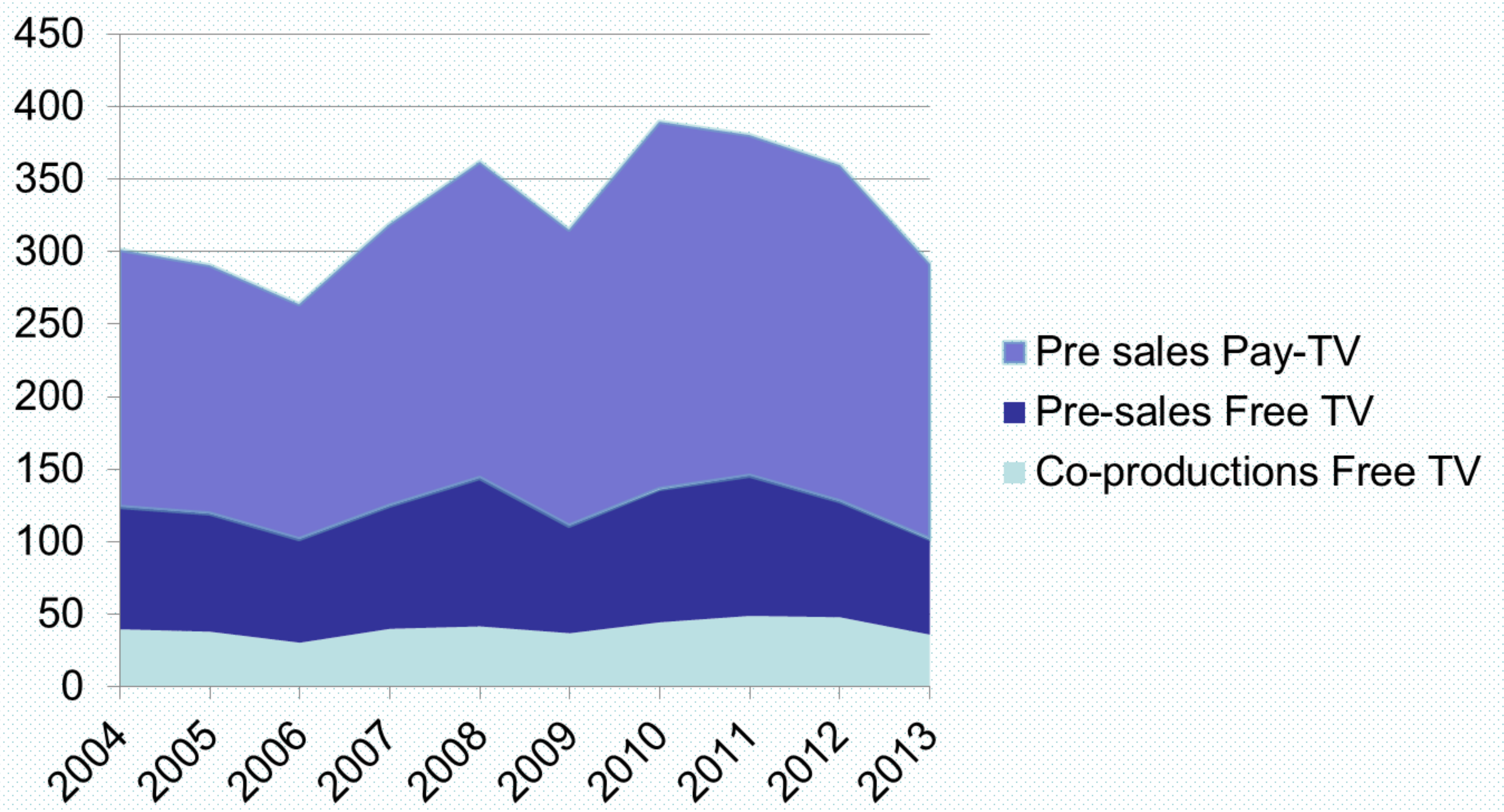


INVESTMENTS BY BROADCASTERS IN PRODUCTION (Co-production, pre-sales)

- Definition in the general mission of public broadcasters
- Voluntary investment by public broadcasters: DE, DK, NL
- Negotiated framework : AT, CH, DE
- Quota of independent production: GB (25 %)
- Mandatory investments :
  - BE (CFB): Contrat de gestion de la RTBF 2013-2017 : 7,2 M EUR
  - ES: 5 % of gross revenues
  - FR: « Cahiers des charges », different for each channel
  - GR: 1,5 % of revenues of public and private broadcasters
  - IT: PSB : 3.6% of its revenues to the production, financing, pre-acquisition or acquisition of Italian works; 0.75% of its revenues to animation works for the education of children. Private : 3.2% of their revenues

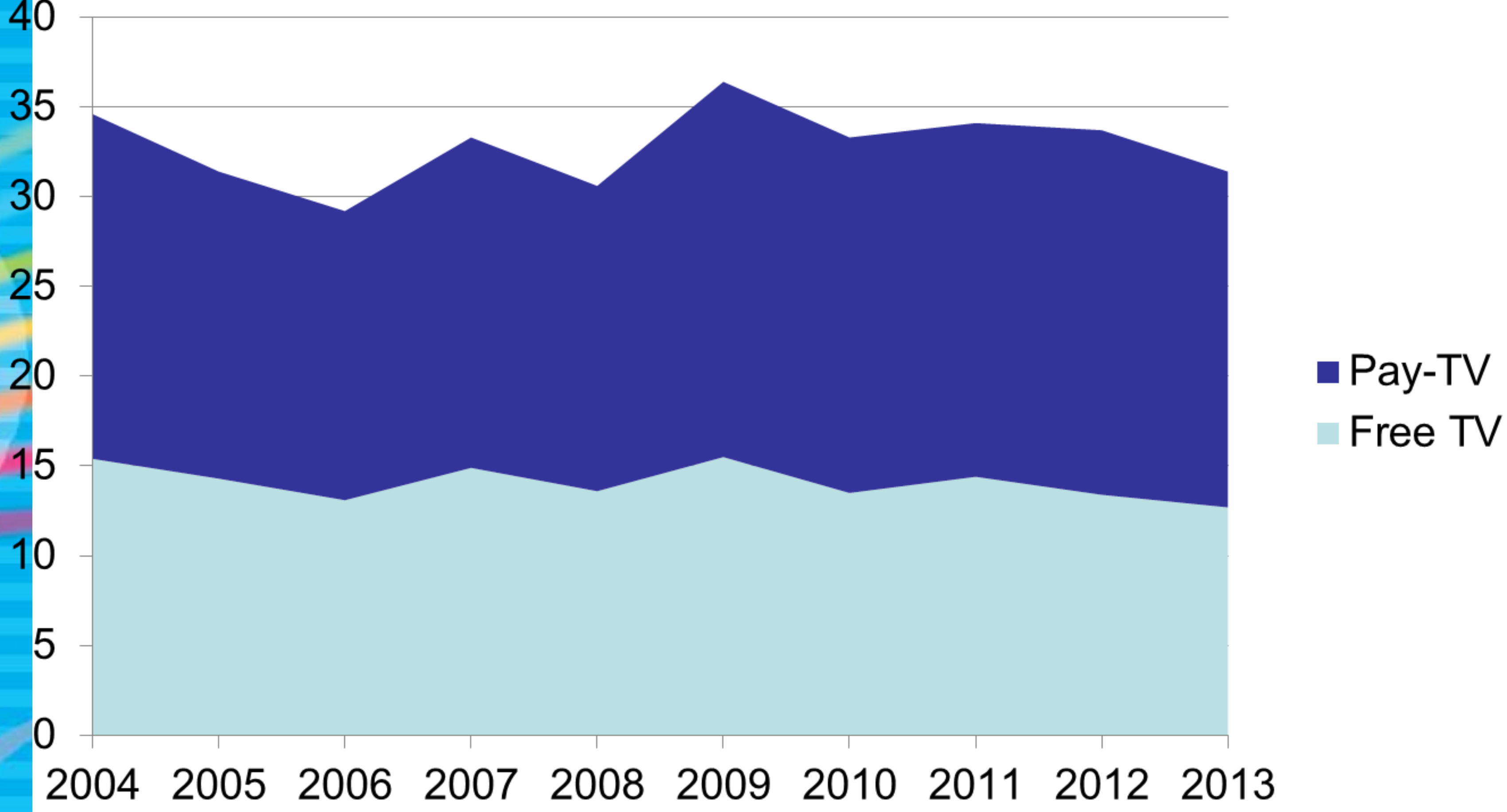
France - INVESTMENTS BY BROADCASTERS IN FILM PRODUCTION (2004-2013)

EUR million - Source : CNC



France - SHARE OF BROADCASTERS IN THE TOTAL INVESTMENT IN FILM PRODUCTION (2004-2013) – In %

Source : CNC



MANDATORY INVESTMENTS BY PROVIDERS OF OD AVMS IN FRANCE

Tableau 11 : obligations de financement prévues par le décret du 12 novembre 2010

	TVR	VàD	
		VàD à l'abonnement	VàD à l'acte
Seuils de déclenchement	Plus de 10 œuvres cinématographiques[27]	Plus de 10 œuvres cinématographiques ou plus de 10 œuvres audiovisuelles proposées annuellement	
	Pas de seuil financier	CA supérieur ou égal à 10 M €	
Contribution au développement de la production d'œuvres audiovisuelles	Ne relève pas du décret SMAD[28] Incluse dans la contribution du service linéaire	• 15 à 26 % du CA doivent être investis dans la production d'œuvres européennes • 12 à 22 % du CA doivent être investis dans les œuvres d'expression originale française *(en fonction du délai entre la sortie en salle et la mise à disposition sur le service)*	• 15 % dans la production d'œuvres européennes • au moins 12 % dans la production d'œuvres d'expression originale française *(Respectivement sur les CA audiovisuel et cinéma)*
Contribution au développement de la production d'œuvres cinématographiques	Même taux que celui du service de télévision dont le service de TVR est issu		

(Source : CSA).

MANDATORY INVESTMENTS BY PROVIDERS OF VoD SERVICES IN France (2011)

Source : CSA

Tableau 5 : dépenses déclarées par les SMAD
soumis aux obligations financières pour l'exercice 2011

	Montants déclarés en M€					
	Œuvres audiovisuelles		Œuvres cinématographiques			
services	*européennes*	*dont EOF*	*européennes*	*dont EOF*	*Total œuvres européennes*	*dont œuvres EOF*
Canal Play VOD	0,422	0,377	2,098	1,633	2,520	2,010
SFR Club Vidéo	L'éditeur n'établit pas de distinction entre les types d'œuvres				3,371	2,503
Vidéo à la demande d'Orange	2,661	0,645	7,563	5,745	10,224	6,390
Total					16,115	10,903

(Source : CSA).

MANDATORY CONTRIBUTIONS TO FILM FUND

	Exhibitors	Public broadcasters	Private broadcasters	Services distributors	Distributors video	Providers VoD
BE (CFR)			X (or co-prod invest.)	Cable X (or co-prod invest.)		
CZ			X			
DE	X	X	X		X	X
FR	X	X	X	Cable, ISPs	X	X
GR		X	X			
HR	X	X	X	Cable, IPTV (fixed and mobile), ISP	X	
PL	X	X	X	Cable, digital platforms	X	
PT	X	X	X	\	X	X
RO	X	X	X	X	X	
SE		X				
SI		X	(censored by Constitutional Court			
SK			X			

GERMANY – BROADCASTERS' MANDATORY CONTRIBUTIONS TO THE FINANCING OF THE FFA

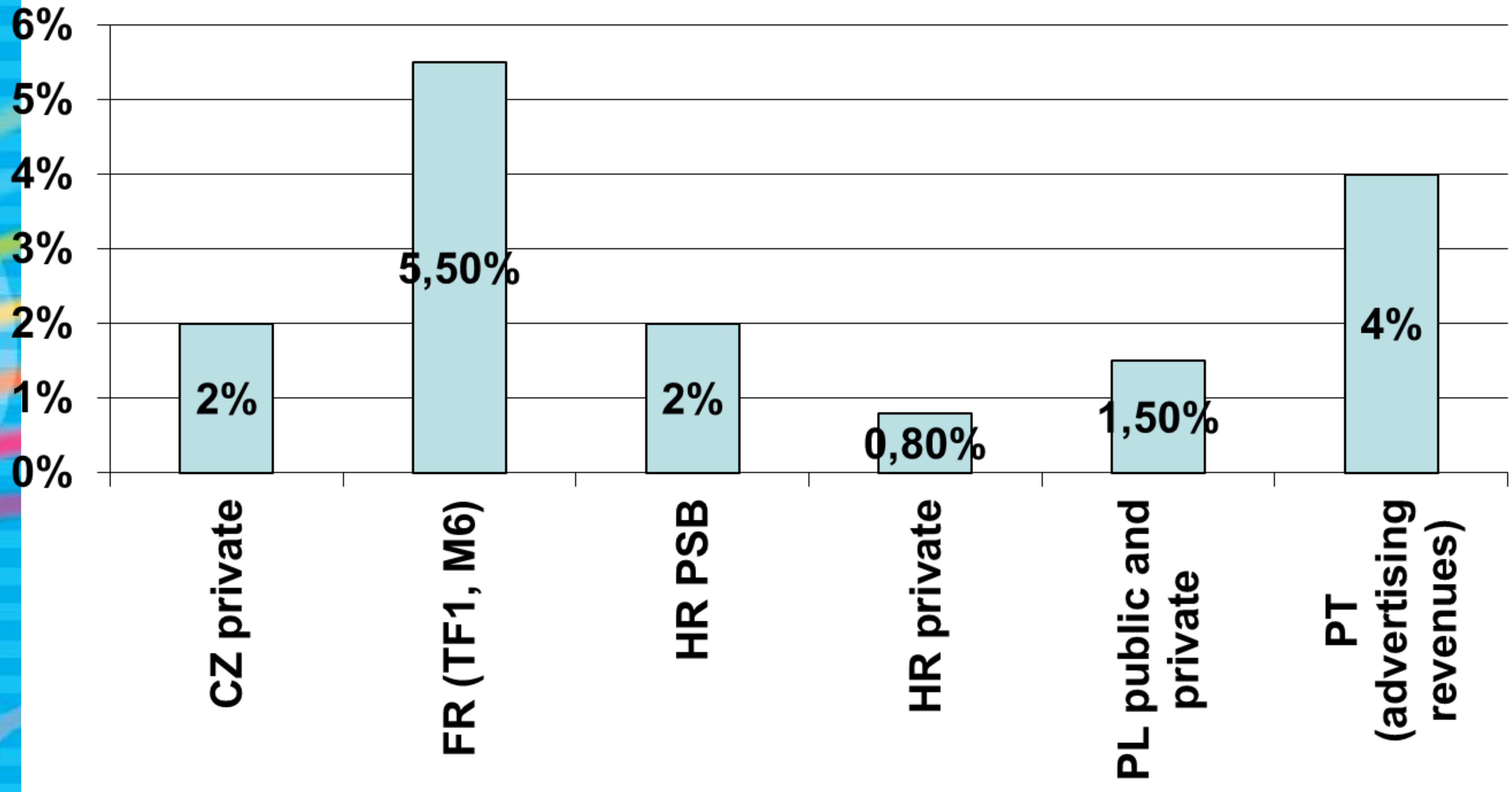
- (1) Public broadcasters: 2,5 % of film expenses of the previous year

- (2) Private broadcasters: the level of the levy is in proportion to the importance of film in scheduling.

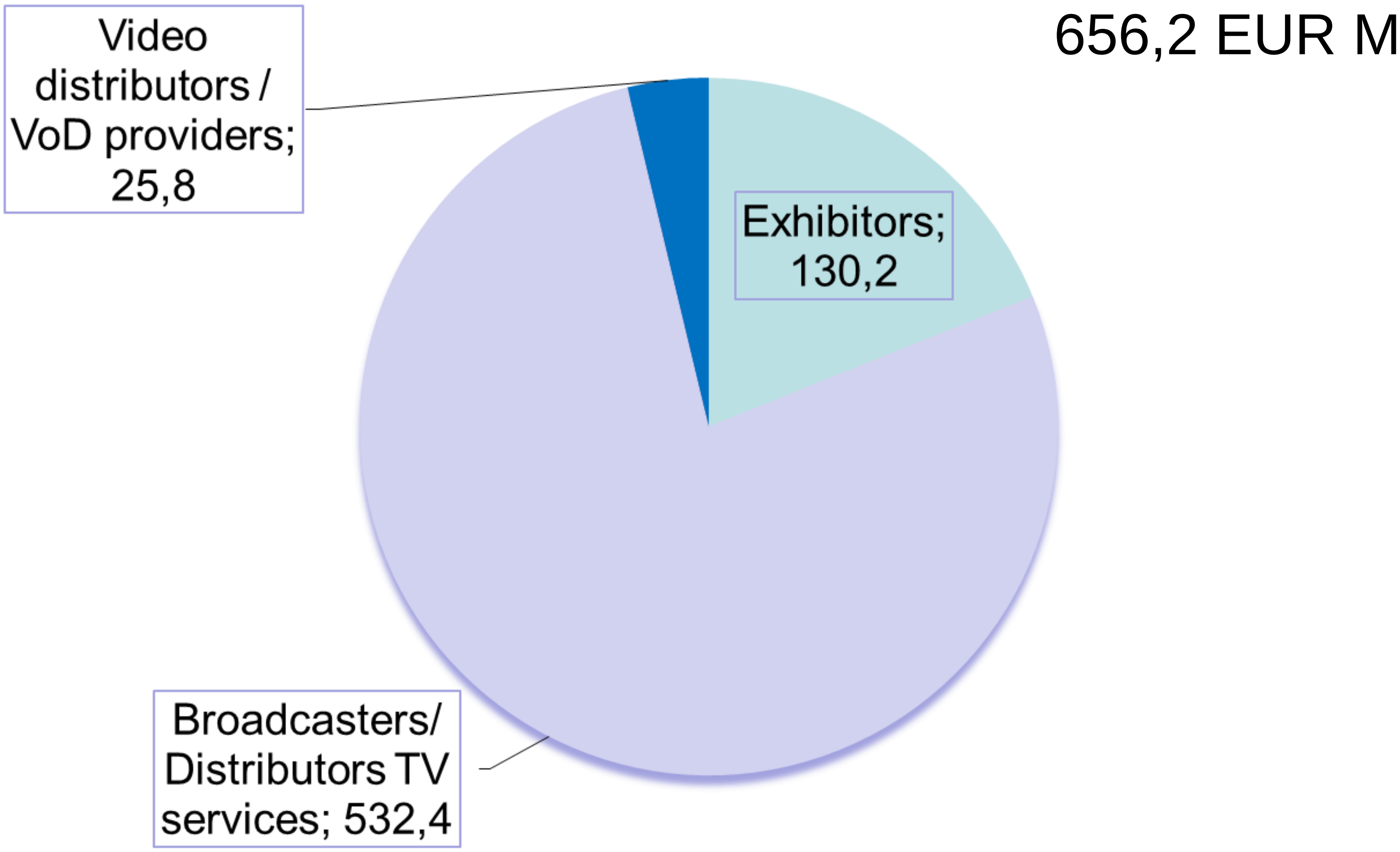
– < 10 % programming time	0,15 % of revenues of the previous year
– From 10 % to 18 %	0,35 %
– From 18 % to 26 %	0,55 %
– From 26 % to 34 %	0,75 %
– > 34 %	0,95 %

- (3) Pay-TV : 0,25 % of net turnover

LEVY ON BROADCASTERS' REVENUES TO FINANCE THE FUND



France - CONTRIBUTION OF THE VARIOUS STAKEHOLDERS TO THE FINANCING OF THE FUND (2013) - EUR million – Source CNC



THE ISSUE OF DE-LOCALISATION vs FREE CIRCULATION OF SERVICES

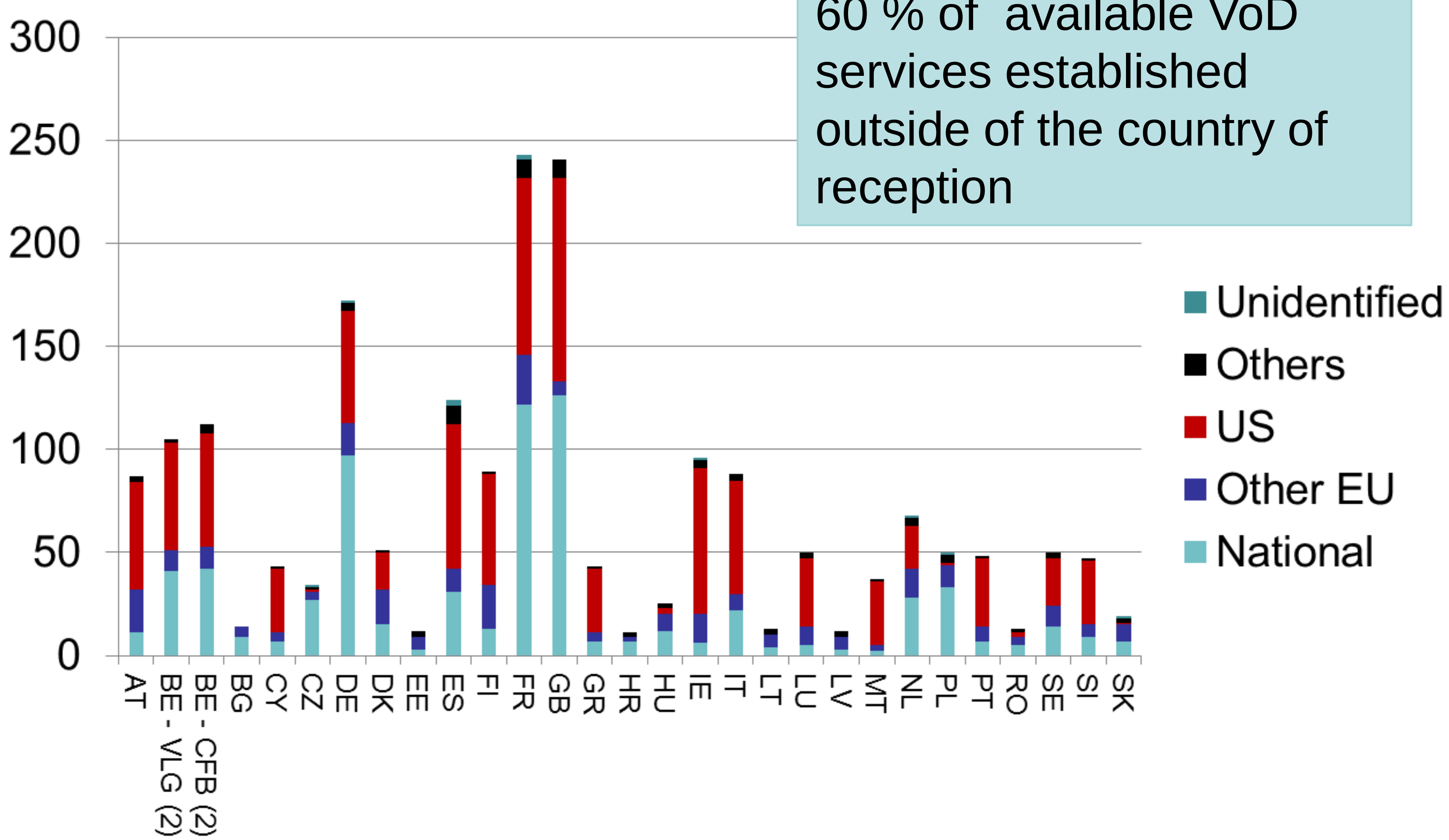
- **TV services: example: RTL-TVi established in LU, but targeting French Community of Belgium**

- **Distribution platforms: ex. Télésat, established in LU, but targeting French Community of Belgium**
- **Localisation of distributors may become an issue (eg : localisation of Smart TV App stores)**

- **VoD services: iTunes, XboX, Netflix established in LU; Google Play Movies established in US; Viewster established in CH**

ESTABLISHMENT OF AVAILABLE VoD SERVICES IN EU COUNTRIES (2013)

Source : European Audiovisual Observatory / MAVISE database



60 % of available VoD services established outside of the country of reception

France – PRIVATE BROADCASTERS USE THE ARGUMENT OF EXTERNAL COMPETITION TO OBTAIN REVIEW OF THE OBLIGATIONS

- **Mid-February : Letter of the 3 Presidents of major private TV groups (TF1, M6, Canal+) to the Minister: asking review of the regulation**

- ***« Comment appréhendez-vous l'arrivée de Netflix, qui en s'implantant au Luxembourg, contournera la réglementation française ?***
- ***Je lui souhaite la bienvenue ! En nous percutant, l'iceberg Netflix révèle à quel point notre réglementation est obsolète et qu'il est urgent de l'adapter »***

(Nonce Paolini, CEO, TF1, Interview in *Le Film Français*, 23 mai 2014)

THE HYPOTHESIS OF TAXING REVENUES OF FOREIGN SERVICES

- France: Proposed by the Lescure report and recommended by the CSA (December 2013)

- Germany: Currently in discussion with the Commission: possibility of taxing foreign services if they do not contribute in the country of establishment

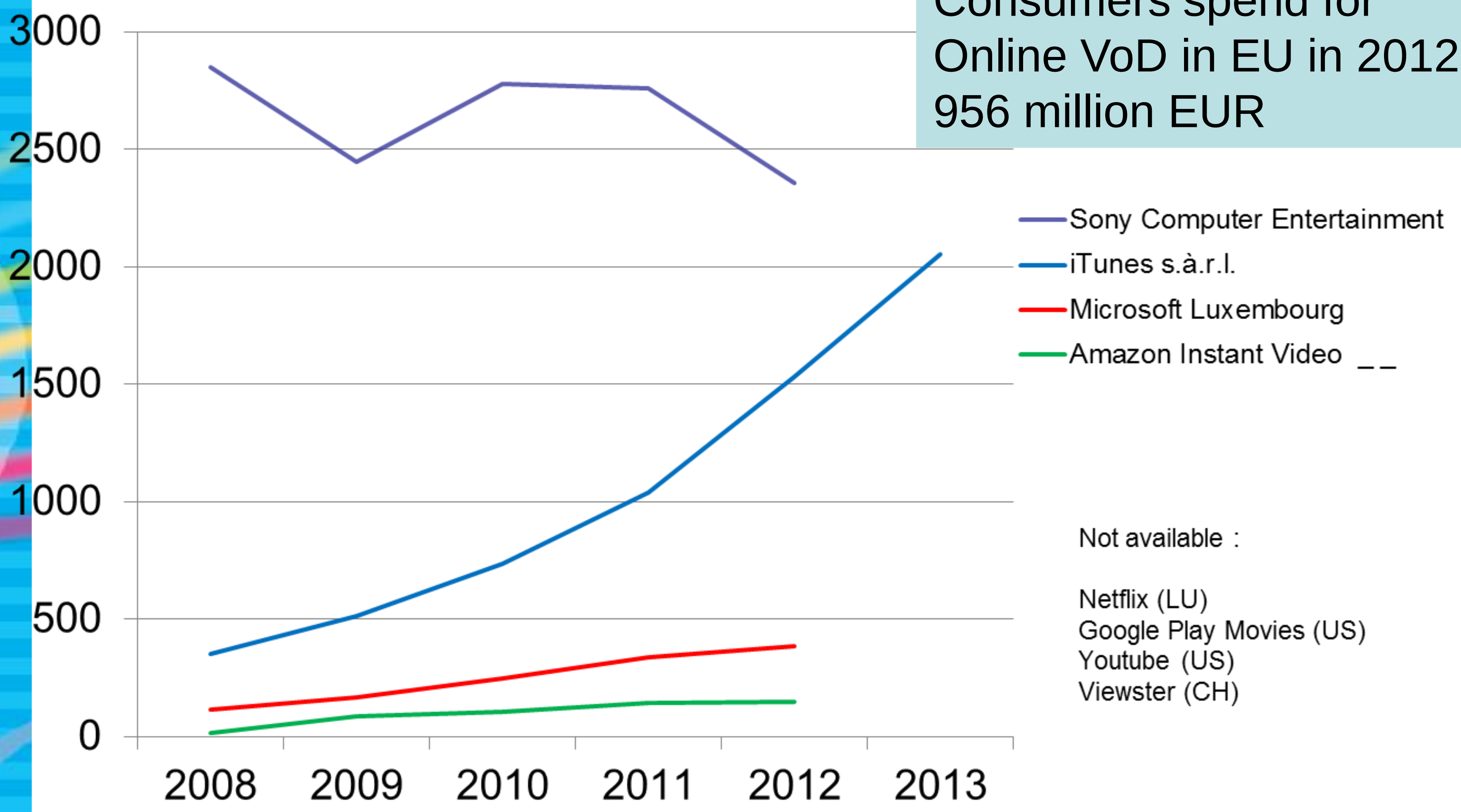
- French Community of Belgium: reviewing the principle of the country of establishment

TURNOVER OF THE MAIN OPERATORS OF ONLINE VOD SERVICES IN EUROPE (2008-2013)

All digital content and all territories included

Source : European Audiovisual Observatory

Consumers spend for Online VoD in EU in 2012 : 956 million EUR



THE INVESTMENT OF US LEADING VoD SERVICES INTO PRODUCTION : MORE SERIES THAN FEATURE FILMS

- **Netflix** ($2 billion a year for licensing and creation of content, $5.7 billion long-term contents commitments (licensing and creation))
  - House of Cards $100 million (>$4.5 million per episode)
  - Hemlock Grove ($4 million per episode)
  - Orange is the new Black (just under $4 million per episode)

- **Amazon – LoveFilm** (14 serie's pilots produced, user vote on which to produce season) 23 films and 26 television series were in active development but none had reached the production stage (1st March 2013)

- **Hulu** (2012 - $500 million for creation of original content and acquisitions of content)

  Hulu continues to make things interesting in the world of streaming services. The content provider is unveiling a slate of original programming to back up its recent request for $200 million from its parent companies to produce more original content and make acquisition

- **YouTube**
  - Original channels - $100 million for roughly 160 channels/content partners
  - + $200 million planned

- **Intel** (planned VoD services, including investment in content Amount not disclsoed)

- **Crackle (Sony)** : 8 original series in 2013 originals including season 2 of Jerry Seinfeld's "Comedians in Cars Getting Coffee"

- **Microsoft** TV under the Xbox brand – Xbox Entertainment Studios
  - Microsoft hired a number of Hollywood veterans, to run its Xbox Entertainment Studios. "Millions and millions of dollars to spend on original content". Set up a production studio in Santa Monica where 125-150 employees are developing original content to compete with cable and other streaming services.

IN BOCCA AL LUPO !