Rome, 12 June 2014

Funding for Film and Audiovisual Production
What Role for New Players?

WORKSHOP ORGANISED BY THE EUROPEAN AUDIOVISUAL OBSERVATORY IN COOPERATION WITH ITS ITALIAN PRESIDENCY

Adapting the Cinema & Audiovisual Funding Schemes in the Digital Era: Achieved Reforms & Challenges Ahead

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Ministère Culture Communication

Direction générale des médias et des industries culturelles

AUDIOVISUAL & CINEMA CONSUMPTION BY EUROPEAN CITIZENS: A PARADIGM SHIFT

TV as we knew it :
one single screen

Today, an average European family's living room looks like this

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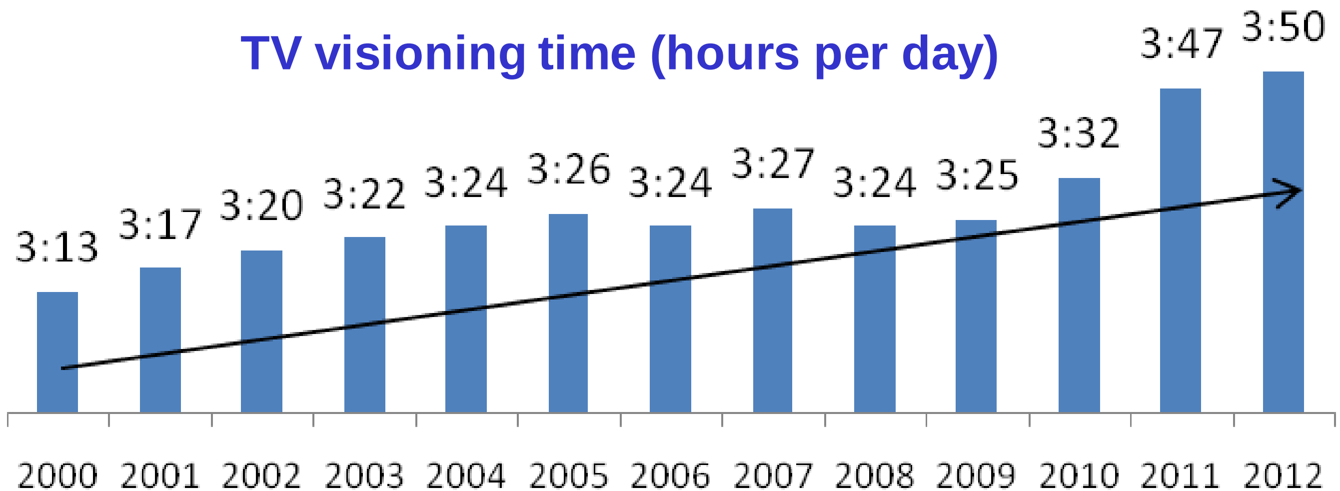
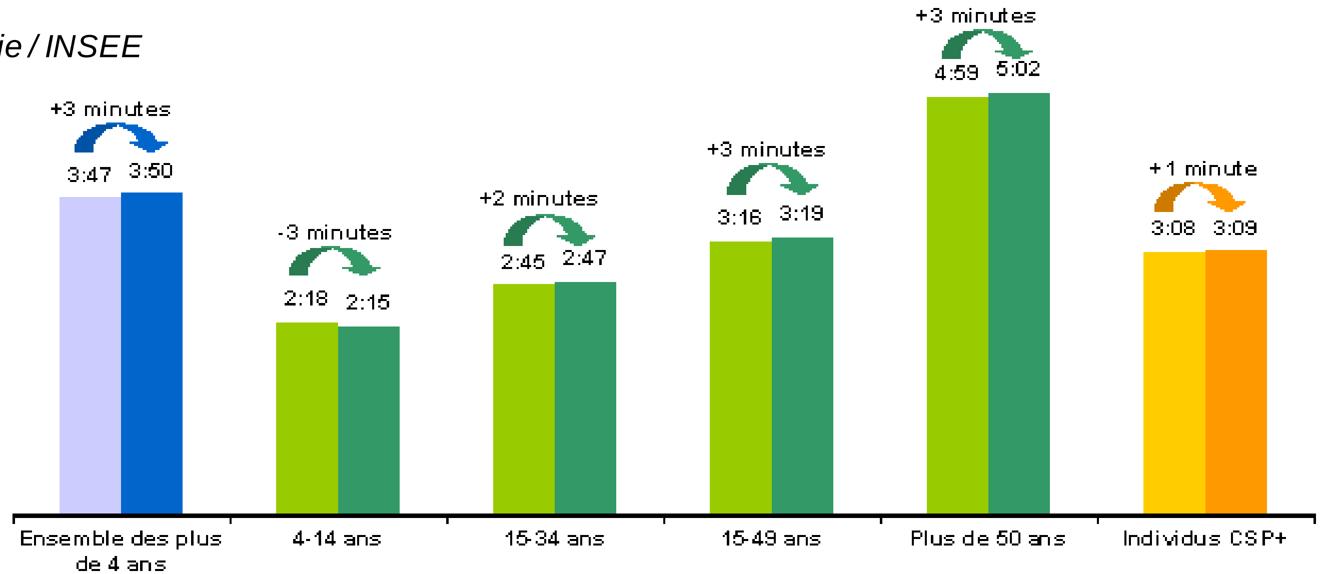
DAILY TIME SPENT WATCHING TV STILL GROWING

But shorter and decreasing for children and teenagers



Source : Médiamétrie / INSEE



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FRANCE : SECOND VOD MARKET IN EUROPE

A solid growth potential worth exploiting

- **In January 2014, 87 available VOD services**
- **Between 2010 and 2012:**
  - **Revenues of the 3 main platforms established in France increased by 41% ***
  - **Whereas overall VOD market increased by 66%****
- **In the US, between 40 and 50% of consumer expenditure on video is spent on digital formats**
  - ✓ **In Western Europe, the amount drops to 20%*****

The scope for growth in this sector in Europe is still high

** Source: CNC*

*** Source: zdnet*

**** Source: Futuresource Consulting*

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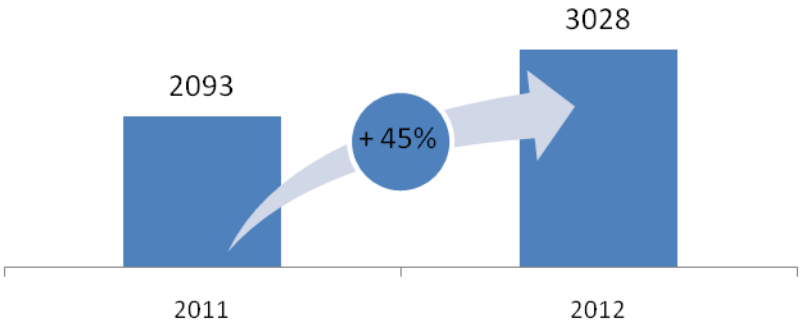
SCREENS ARE INCREASINGLY CONNECTED
Programs are increasingly viewed on demand

Quick increase in household equipment rates:

• Connected TV:	10,7% (Dec. 11),	13,9% (Dec. 12),	18,7% (Dec. 13)
• Touchpads:	8% (Dec. 11),	14,1% (Dec. 12),	28,7% (Dec. 13)
• Smartphones :	33,4% (Dec. 11),	46,6% (Dec. 12),	51,7% (Dec. 13)

Online TV programs viewing (millions)



Average of 9 minutes per day
18 minutes per day for 15-24 y.o.

VOD: 135M€ turnover in 2011,
224M€ turnover in 2012,
245M€ turnover in 2013

Catch-up TV:
Estimated turnover 60M€ in 2013
(2.5 bn videos watched)

Source : Gfk/Médiamétrie/CNC

THE SITUATION IN A NUTSHELL
Challenges ahead

- **A comprehensive system organising audiovisual / cinema funding by the players themselves at European & national levels**
- **A quick evolution of the ecosystem**
  - **More connected devices**
  - **More online / non-linear audiovisual & cinema consumption**
  - **New players (potentially) quickly taking key positions on the market:**
    - **VoD editors e.g. Netflix, iTunes, Amazon, …**
    - **Distributors e.g. Google/YouTube, Application Stores, ...**

How to adapt the framework in order to maintain/enhance its efficiency?

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Source: CNC - 2012 Figures

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ACHIEVED / ONGOING REFORMS (I)
Crowdfunding

- **A promising new funding source for cultural industries, including cinema & audiovisual**
- **No specific regulation until now, bottlenecks to be tackled**
- **On 28 May a set of new rules were adopted by the Government in order to fully recognise crowdfunding and make its regulation more flexible and adapted**
  - **Creates a new status for crowdfunding platforms - no minimum equity required**
  - **Makes the regulation of credit institutions more flexible - facilitates direct transfer of funds by crowdfunding platforms**
  - **To be completed shortly by decrees**

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Source: CNC - 2012 Figures

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ACHIEVED / ONGOING REFORMS (II)
EU & national frameworks on AVMS

- **2007: Revision of the Audiovisual Media Services Directive**
  - **Broadening of scope, non-linear AVMS (incl. VoD) included**
  - **Art. 13: possibility for Member States to require financial contribution to production from VoD providers**

- **Several Member States have indeed adopted such provisions**
  - **Belgium (French), France, Germany, Spain**
  - **E.g. France: a progressive share of net revenue to be invested in European / French-speaking works (depending on type of service - subscription-based, specialised)**

- **Ongoing ex-post impact evaluation in France**

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Source: CNC - 2012 Figures

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ACHIEVED / ONGOING REFORMS (III)
Modernisation of CNC's funding sources

- **Extension of "legacy" video tax to online services**
  - **Covers the renting or selling of videograms, including VoD services**

- **Extension of contribution of TV services to TV distributors**
  - **Self-distributed channels**
  - **Cable operators**
  - **ISPs**

Additionally, the CNC will soon table new proposals, to be discussed within its "new funding sources" working group

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Source: CNC - 2012 Figures

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CHALLENGES AHEAD
The geographic competence issue is key

- The issue of geographic competence
  - Question on the ability to tax non-national VoD companies targeting national territory (DE, FR)
  - Questions on the Country of origin principle in the AVMS Directive
  - Example of VAT taxation

- Contribution of AVMS Distributors?
  - Distributors increasingly have a key "gatekeeper" role
  - Build on ISP contribution and enlarge its scope?

- Release windows for VoD / SVoD to be (re)discussed

THANK YOU

FOR YOUR ATTENTION!

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