REPORT

on European film in the digital era
(2014/2148(INI))

Committee on Culture and Education

Rapporteur: Bogdan Brunon Wenta
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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

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The European Parliament,

– having regard to Article 167 of the Treaty on the Functioning of the European Union,


– having regard to Directive 2010/13/EU of the European Parliament and of the Council of 10 March 2010 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audiovisual media services (Audiovisual Media Services Directive)¹,


– having regard to the Council conclusions of 25 November 2014 on European audiovisual policy in the digital era⁴,


– having regard to the Commission communication of 26 August 2010 entitled ‘A Digital Agenda for Europe’ (COM(2010)0245),


¹ OJ L 95, 15.4.2010, p. 1.
having regard to the First Report from the Commission of 24 September 2012 on the application of Articles 13, 16 and 17 of Directive 2010/13/EU for the period 2009-2010 - Promotion of European works in EU scheduled and on-demand audiovisual media services (COM(2012)0522),


having regard to the Commission communication of 18 December 2012 on content in the Digital Single Market (COM(2012)0789),

having regard to the Commission Green Paper of 24 April 2013 on ‘Preparing for a Fully Converged Audiovisual World: Growth, Creation and Values’ (COM(2013)0231),

having regard to the Commission communication of 15 November 2013 on State aid for films and other audiovisual works (2013/C 332/01),

having regard to the Commission communication of 15 May 2014 entitled ‘European film in the digital era – Bridging cultural diversity and competitiveness’ (COM(2014)0272),

having regard to the opinion of the Committee of the Regions of 4 December 2014 on ‘European film in the digital era’,

having regard to its resolution of 16 November 2011 on European cinema in the digital era,

having regard to its resolution of 11 September 2012 on the online distribution of audiovisual works in the European Union,

having regard to its resolution of 22 May 2013 on the implementation of the audiovisual media services directive,

having regard to its resolution of 12 March 2014 on preparing for a fully converged audiovisual world,

having regard to Rule 52 of its Rules of Procedure,

having regard to the report of the Committee on Culture and Education (A8-0123/2015),

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3 OJ C 353E, 3.12.2013, p. 64.
5 Texts adopted, P7_TA(2014)0232.
A. whereas films are goods that are both cultural and economic and contribute greatly to the European economy in terms of growth and employment whilst helping shape European identities by reflecting cultural and linguistic diversity, promoting European cultures across borders and facilitating cultural exchange and mutual understanding among citizens, as well as contributing to the formation and development of critical thinking;

B. whereas the potential of the cultural and creative sectors in Europe and in particular of the European film industry is yet to be fully exploited in the promotion of European cultural diversity and heritage and the creation of sustainable growth and jobs that in turn can also benefit other sectors of the economy, providing Europe with a competitive advantage at a global level;

C. whereas the European film industry is one of the world’s largest producers, with 1500 films released in 2014, but is characterised by a heterogeneous structure in terms of both funding and type of production;

D. whereas European films are characterised by their quality, originality and diversity, but suffer from limited promotion and distribution across the Union, and this is reflected in the comparatively low audience levels achieved while facing intense international competition and difficulties in being distributed both within and outside Europe;

E. whereas the circulation of European non-national films in Member States remains weak despite the large number of films produced each year, while non-European productions are widely distributed within the Union;

F. whereas the diversity of European films reflecting the richness and strength of Europe’s cultural and linguistic diversity means that the European film market is naturally fragmented;

G. whereas promoting quality film production is particularly important for smaller Member States whose languages have a small number of speakers;

H. whereas the Creative Europe MEDIA sub-programme (hereinafter MEDIA) offers new sources of funding and opportunities for the distribution and circulation of European non-national films and for developing audiences and supporting media literacy;

I. whereas one of the key goals of the Digital Single Market should be to build trust and confidence in the internet and increase access to legal audiovisual content, thus contributing to investment in European films;

J. whereas cinematic screening, as the first release window, continues to account for a large proportion of film revenue and is therefore essential to the financing of European film production and distribution, with a considerable impact on the success of the films concerned in subsequent release windows;
K. whereas, however, an increasing number of European films with a modest production and promotion budget would benefit from more flexible release strategies and earlier availability in VOD services;

L. whereas a better organisation of the release windows would maximise the potential audience, while making the unauthorised consumption of films less attractive;

M. whereas Article 13.1 of the Audiovisual Media Services Directive (AVMSD) obliges Member States to ensure that on-demand service providers promote European works; whereas this provision has been implemented in a diverse manner with different levels of legal requirements and has led to providers establishing themselves in those Member States with the lowest requirements;

N. whereas most public funding for the European film industry, from both national and Union sources, is dedicated to film production;

O. whereas Article 14 of Regulation No 1295/2013 establishing the Creative Europe programme states that the Commission shall establish a ‘Guarantee Facility targeting the cultural and creative sectors’ with the aim of facilitating access to financing for SMEs in the cultural and creative sectors and enabling participating financial intermediaries to assess more effectively the risks associated with projects for which SMEs are seeking loans and financing;

P. whereas in its third report of 7 December 2012 on the challenges for European film heritage from the analogue and the digital era the Commission pointed out that only 1.5 % of the European film heritage has been digitised; whereas this percentage remains the same today, despite reiterated concerns that much of that heritage may be lost forever to future generations, as evidenced, for example, by the fact that only 10 % of silent films have been preserved;

Q. whereas digitisation and media convergence create new opportunities for distributing and promoting European films cross-border, as well as greater potential for innovation and flexibility, whilst causing significant changes in viewers’ behaviours and expectations;

R. whereas it is essential to guarantee funding for the digitisation, preservation and online availability of film heritage and related materials and to establish European standards on preservation of digital films;

S. whereas media literacy, and in particular film literacy, can empower citizens to develop critical thinking and understanding and can stimulate their own creativity and capacity of expression;

T. whereas copyright in the digital era should continue to stimulate investment in film production and creation and ensure an appropriate remuneration for rightholders, whilst encouraging the development of new services and cross-border access for citizens and enabling the cultural and creative industries to continue contributing to growth and job creation;
U. whereas it is important to ensure the effective implementation of the Directive on certain uses of orphan works (2012/28/EU) and to make films included in the definition of orphan works publicly accessible;

**Promotion, cross-border distribution and accessibility**

1. Encourages the European film industry to pursue the development of innovative services, new business models and distribution channels to improve the cross-border availability of European films in the Union and, beyond that, to allow viewers across the Union to have access to an ever greater range of films across a growing number of platforms; suggests in this regard that the European film industry draw lessons from best commercial practises outside the EU;

2. Recognises the impact of unauthorised use of creative works on the creative cycle and rights of creators; stresses the need for greater legal offers of high quality, and for awareness-raising among young people;

3. Suggests that the development of cross-border portability of audiovisual services, taking account of the rapid growth of VOD and online transactions across the Union, could be further explored as this would enable viewers to access films regardless of where they are;

4. Underlines the importance of targeted marketing across the Union that takes into account the cultural specificities of European audiences with a view to ensuring better and more efficient promotion of European films;

5. Urges accordingly greater availability of subtitled films in order to boost the cross-border circulation of European films, increase awareness of Europe’s cultural and linguistic diversity amongst viewers, and improve mutual understanding;

6. Notes in particular the role played by MEDIA in supporting subtitling and dubbing to increase availability of European films, notably in original versions with subtitles which facilitate their circulation and improve knowledge and understanding of European cultures and languages;

7. Underlines the importance of the recently adopted preparatory action ‘Crowdsourcing subtitling to increase the circulation of European works’ and the work to be done by the Commission in implementing this action;

8. Supports, furthermore, initiatives such as the Commission’s pilot project ‘Fostering European integration through culture’, aimed at reinforcing the provision of subtitled European films by providing new subtitled versions of selected TV programmes across all Europe;

9. Reiterates the fundamental importance of further improving accessibility to films for disabled people, particularly through audio description and subtitling;
10. Stresses the particular significance of private and public European television stations in film production, both for television and for cinema co-productions, and underlines the role they can play in securing the future of numerous film production companies in the EU, primarily small and medium-sized ones;

11. Recalls the role of the EP LUX Prize, which has gained increasing recognition over the years, in promoting European films by translating subtitles for the winning film into all 24 official Union languages and thus ensuring greater visibility, awareness and availability for European films; invites the national parliaments to further promote the LUX Prize in the Member States in cooperation with the Information Offices of the European Parliament;

12. Suggests that there is a need to promote and support European co-productions and that an increase in such productions may result in the wider distribution of European films all across Europe;

13. Highlights, in addition, the growing success of high-quality European TV series and the strategic importance of further encouraging the production, distribution and promotion of such series on the European and global markets;

14. Calls on the Member States to support and promote special events, such as film festivals and touring cinema initiatives, in order to encourage and support the dissemination and circulation of European films in their territory;

15. Suggests strengthening existing measures for better optimisation of the price of cinema tickets, development of innovative promotions, and subscription offers that would help ensure the attractiveness of, and access of all to, cinemas;

**Audience development**

16. Encourages distributors and cinema exhibitors to increase the visibility and availability of non-national European films in order to reach wider audiences;

17. Recognises that cinemas are still the most significant locations for presenting and promoting films, as well as being places with an important social dimension where people meet and exchange views; stresses that the disappearance of small and independent cinemas, in particular in small towns and less-developed regions, is limiting access to European cultural resources, heritage and dialogue; in this context, calls on the Commission and the Member States to provide support to equip all screens with digital projection and sound technology in order to preserve such cinemas;

18. Stresses the importance of promoting films at an early stage of production, in order to improve circulation and ensure greater awareness amongst potential audiences across Europe;

19. Stresses the importance of MEDIA in testing innovative approaches in audience development, in particular through supporting festivals, film literacy initiatives and audience development actions;
Level playing field

20. Recalls that Article 13.1 of the Audiovisual Media Services Directive (AVMSD) obliges Member States to ensure that on-demand service providers promote European works; stresses that this provision has been implemented in an uneven manner with different levels of legal requirements, and that this could result in providers establishing themselves in Member States with the lowest requirements;

21. Believes that all those who benefit economically from European cinematographic works, even if indirectly, through direct provision, marketing or dissemination, including links or provision by means of video-on-demand, should contribute financially to the making of European films; calls on the Commission to make this the guiding principle, even when investigating Member States’ film funding systems from competition perspectives;

22. Calls on the Commission to take the above into account when proposing a review of the current legal framework, in order to ensure a level playing field on the European audiovisual market with fair and equal conditions for all providers;

23. Calls on VOD and SVOD platforms to make publicly available data on the consumption of each film in their catalogue, so as to ensure a proper assessment of their impact;

Funding

24. Considers that in order to improve the circulation of European films on both European and international markets, public funding for production and distribution needs to be better balanced with a view to increasing support for development, promotion and international distribution;

25. Considers it necessary to increase funding in real terms for film distribution, promotion and marketing without this being at the expense of funding for production;

26. Calls on Member States in particular to increase public funding in order to support at an early stage the distribution and promotion of national films abroad, as well as of non-national European films;

27. Calls on the Member States to promote incentives to facilitate the production, distribution, availability and attractiveness of European films; takes the view that applying the same reduced VAT rates to cultural audiovisual works whether sold online or offline stimulates the growth of new services and platforms;

28. Highlights the role to be played by Creative Europe’s Cultural and Creative Sectors Guarantee Facility, in terms of facilitating access to finance for SMEs in the cultural and creative sectors and encouraging more investment from financial intermediaries, thus increasing funding opportunities for the film industry;

29. Suggests evaluating the effectiveness and efficiency of European and national film funding systems, paying particular attention to the quality and scope of films receiving
funding, whilst also considering the availability and effectiveness of funding instruments for marketing and audience development; calls on the Commission to inform other Member States of examples of best practice which emerge from the results;

30. Recalls that film production and co-production call for substantial financial investment, and that the current legal framework does not prevent multi-territorial licensing, therefore stresses that the diversity of production and distribution schemes should continue to apply in order to encourage investment in European films, so as to respond to the linguistically and culturally diverse European market and safeguard and promote cultural diversity;

31. Stresses that European films receive funding from a large number of European, national and regional public funds, and that greater complementarity in the use of these funds should be encouraged in order to make them more effective;

**European Film Forum**

32. Welcomes the Commission’s initiative to establish a European Film Forum, in order to facilitate a structured dialogue with all stakeholders in the audiovisual sector on the challenges currently faced by the sector in the digital era, in order to improve cooperation, aggregation of information and exchange of best practices;

33. Calls in that respect for a broad participation and cooperation among all institutions concerned, in particular with the European Parliament;

**Media literacy**

34. Calls on the Member States to reinforce their efforts to improve media literacy, and in particular film literacy, in school curricula and institutions of cultural education, and to develop initiatives at national, regional or local level covering all levels of formal, informal and non-formal education and training;

35. Is aware of the special significance of cinemas for film and media literacy as cross-generational places of learning, and welcomes any measures which promote this function of cinemas in a targeted way;

36. Draws attention to the promotion of educational films for young people, and supports competitions in which they are encouraged to create audiovisual works; also underlines the possibilities offered by MEDIA in supporting film literacy projects;

**Innovation**

37. Supports innovative projects and practices such as the Commission's preparatory action on the circulation of European films in the digital era, designed to test a more flexible release of films across media in several Member States, and welcomes the integration of this action in the Creative Europe programme;
38. Considers that such initiatives, by making release windows more flexible, could benefit certain types of European films in terms of visibility, reaching audiences, revenue and savings on costs, and encourages the Commission and the Member States to give those initiatives further consideration;

Digitisation and archiving

39. Calls on Member States to ensure the digitisation of cinematographic works and to set up compulsory deposit mechanisms for digital formats or to adapt their existing mechanisms to such formats by requesting the deposit of an international standard digital master for digital films;

40. Emphasises the importance of audiovisual archives, especially those of film heritage institutions and public service broadcasters, and urges the Member States to guarantee an appropriate level of funding and rights clearance schemes in order to facilitate the fulfilment of their public interest missions, including preservation, digitisation and making film heritage available to the public;

41. Highlights the important role of the European digital library EUROPEANA as a digital library for the European audiovisual heritage (both film and television);

42. Instructs its President to forward this resolution to the Council, the Commission and the governments and parliaments of the Member States.
EXPLANATORY STATEMENT

Creation, in the audiovisual sector, much like in sport, is pure teamwork, with each member contributing to the team’s ultimate success.

The reality of creating a film, from the initial idea to the filming itself -the production, the moment the film hits the cinema screens, the distribution- is framed by teamwork. On screen audiences notice only film stars but that is merely the tip of an iceberg. A successful film is, first and foremost, the brainchild of all creative individuals, whose names appear on the screen in the credits at the end of the film: screenwriters, directors, technical squads, camera operators, photographers, special effects teams, etc. It is their common work that shapes our cultural identity and opens the door for diversity within our local, national and European cultures.

Wim Wenders pinned down this idea: “Culture” (...) determines the soul of Europe. And cinema has a privileged position in that realm (...)Like no other medium film generates identification (...) Film does not only project pictures, it reflects the very picture of our society, with its values, habits, hopes and fears (...) Film shapes these values, forms these habits and influences trends of hopes and fears.”

And yet, the role of film in society is twofold: it is both a cultural and economic asset. An audiovisual sector that is united in its diversity contributes to economic growth, creates new jobs and drives innovation on Europe’s digital market.

There is no creation without a creative economy. Investment in the audiovisual sector is essential to making works accessible to the European public. The key financial players, who allow creators to shape their vision, are producers, publishers, distributors, cinemas and VOD service providers. A production can only be made possible by an unrestricted collaboration between these investors, allowing them all to participate in a joint financial effort.

To make full use of its cultural and economic potential, the European film industry needs to thrive in the right environment, spurred by a stable and adaptable legal framework which encourages investment and diversity, and allows new services to develop online. Copyright is an important element in this system: it stimulates local and national investment in film production, whilst forming the basis of income for all those involved. As such, copyright must guarantee appropriate remuneration for rightholders, and in particular authors.

The need for transparency and global collaboration is also crucial, especially when services from beyond Europe come into play. In that context, the European Film Forum will pave the way for the representatives of the sector, the Member States and the European institutions to find adequate solutions and contribute to a better distribution of European films.
The potential of the European film industry

The process of digitisation in cinemas is now coming to an end, although smaller screens are still in need of financial backing. According to the European Audiovisual Observatory (EAO), about 87% of the EU’s total screen base of 30,000 screens had been digitised by the end of 2013.

The next challenge faced by the audiovisual sector is the need to ensure a genuine and efficient distribution of European films that ensures their visibility and reaches wider audiences.

The year 2014 has been the most impressive year in terms of the sheer number of European films distributed across Europe: 1,500 were circulated, which is double the number of US films. The number of viewers of European films, however, turned out to be inversely proportional.

In Europe, the funds dedicated to marketing and promotion often amount to barely 1% of the overall production costs. US films, meanwhile, can have a marketing budget that rivals the production costs. Moreover, the majority of European films are shown almost exclusively in their country of origin. The argument to boost the distribution and circulation of European films outside Europe is convincing not just because of the potential financial gain, but primarily because of the cultural values that European films bring forth.

Distribution, visibility and accessibility

Both national and EU-wide support is a significant factor in the creation of European films, but it is mainly targeted at the co-financing of the production process. However, the distribution phase is where the film can actually begin to make a profit. A disproportion between the amount of support granted at these various stages can, in fact, limit how widely the film is publicised.

Public funding needs to be better balanced and should focus to a larger extent on expanding the audiences of European films and boosting support for activities such as project development, promotion and international distribution. Currently, nearly 70% of public funds is allocated to production, and not to maximising the film’s potential audience. With an increasing number of VOD services as well as online files available for download, another important consideration lies in flexibility and further experimentation within the audiovisual sector.

To put the actual size of the European market in perspective, it is worth considering just how many obstacles stand in the way of a film with a small promotion budget. Harmonisation and coordination between national support frameworks is a recommended step, as it is only solid communication between the individual countries and people involved that can define just how much support is needed to maximise the film’s potential audience.
Considering that national and regional support systems focus mainly on the production stage, EU programmes have an opportunity to target the underfunded areas of distribution, promotion and marketing. One clear advantage of this solution lies within the EU’s position as a potential centre for distribution funding - a move that would systematise the process significantly.

The realm of European film promotion should consider the role of new channels of distribution, such as streaming or VOD services. The VOD sector and other legal online providers, moreover, must continue to receive support as the primary measures to counteract piracy. Indeed, online distribution breathes new life into films. And whilst television remains extremely common in European households, the role of broadcasters, especially public broadcasters, is essential as they should be encouraged to feature high quality European cinema in their programming.

It is also essential to recognise that cinema theatres are the cornerstone of the distribution of European films. In that context, the very phrase “European cinema” conveys the idea that its power lies precisely on a constant cultural exchange, through co-productions or cross-border guest appearances in foreign films.

**Funding and programmes supporting the audiovisual sector**

The Creative Europe programme, with a budget of €1.5 billion for 2014-2020, is an extremely important source of funding for the audiovisual sector. The programme dedicates more than half of its budget to the MEDIA sub-programme, which bolsters the development of European cinema, distribution, training sessions and innovation. The budgetary provisions in the coming years support the circulation of over 800 European films both within, as well as outside of Europe. Furthermore, the programme sets out to offer ongoing support to over 80 European film festivals, which promote films from the region. This type of funding brings new audiences to European audiovisual works whilst safeguarding a cultural and linguistic diversity.

New methods of distribution and business models may herald the arrival of innovative funding sources: cinema screenings, DVD releases and new forms of access, such as streaming or VOD services, are not mutually exclusive, as their sphere of influence is diversified without any losses incurred. Everyone who benefits from the film industry, including VOD services, should be encouraged to support film production, as a fair requirement. A clear political signal should be sent in that regard. The promotion of legal offers can also play an important role to reach that objective.

The Financial Guarantee Instrument, to be launched in 2016, is another noteworthy instrument, as it will enable cinematographers to take out bank loans. The programme will be governed by the European Investment Fund, part of the European Investment Bank.
Film and media literacy

Film literacy can have a significant impact on individuals, as it can influence young people’s development as well as their perception of the outside world. Three-quarters of young viewers confess to having seen films which influenced them to a large degree. Introducing film literacy to all levels of schooling in the Member States therefore plays a very important role and offers long-term benefits. An integral aspect of film education is pointing young minds towards an analytical, careful assessment of audiovisual works, as well as a discussion on the issues portrayed within the film, and emotions evoked. Being in touch with European films is one of the best ways to get to know the history, culture, traditions and language of European neighbours.

Another advantage of film education is the role it plays as an introduction into media education, which is one of the educational priorities of the EU. Media education prepares pupils to face the challenges of the digital world, teaches them to skilfully use new technologies and leads to an increased awareness of what it means to choose legal content over pirated content.

Instruments of promotion and circulation of European films

Film festivals provide one way to promote and invest in access to European cinema across Europe, as Member States and the European institutions are encouraged to promote, support and circulate the most valuable productions through distinct events. The importance given to European film prizes should also continue to increase, as these events allow films to travel widely.

The EP LUX Prize is the perfect example of how European film should be promoted. Each year, the prize brings attention to films that discuss issues relating to European public opinion. Its power to communicate cultures across cultures makes film the ideal instrument of debate on Europe and its future. In the context of current economic, political and social crises, which also threaten arts, culture and film, the LUX Prize offers a solid springboard for European creativity.

Two other factors that influence the circulation of films are subtitles and dubbing. Digital copies have replaced analogue ones, and subtitle translation costs have fallen significantly. Any film can be offered in a number of languages, which should lead to an increased circulation of high-quality European audiovisual works. In order to limit costs, and to stimulate the popularity of European cinema, a pilot project could be carried out to investigate the possibility of an online platform where subtitle translations are crowd-sourced.

To sum up, the report on “European cinema in the digital era” aims to support European film, and boost its promotion, distribution and visibility so that all Europeans may reap the benefits of their cultural legacy.
RESULT OF FINAL VOTE IN COMMITTEE

<table>
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<tr>
<th>Date adopted</th>
<th>24.3.2015</th>
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| Result of final vote | +: 25  
| | −: 2  
| | 0: 1 |
| Members present for the final vote | Isabella Adinolfi, Dominique Bilde, Andrea Bocskor, Silvia Costa,  
| | Mircea Diaconu, Damian Drăghici, Angel Dzhambazki, Jill Evans,  
| | Emmanouil Glezos, Giorgos Grammatikakis, Petra Kammerevert,  
| | Andrew Lever, Svatoslav Hristov Malinov, Fernando Maura  
| | Barandiarán, Luigi Morgano, Momchil Nekov, Michaela Šojdrová,  
| | Yana Toom, Helga Trüpel, Sabine Verheyen, Julie Ward, Bogdan  
| | Brunon Wenta, Theodoros Zagorakis, Bogdan Andrzej Zdrojewski,  
| | Milan Zver, Krystyna Łybacka |
| Substitutes present for the final vote | Sylvie Guillaume, Győrgy Hölvényi, Dietmar Köster, Ernest Maragall,  
| | Emma McClarkin, Martina Michels, Liadh Ní Riada |