



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 24.11.2003
COM(2003) 725 final

**REPORT FROM THE COMMISSION TO THE COUNCIL, THE EUROPEAN
PARLIAMENT, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND
THE COMMITTEE OF THE REGIONS**

**Report on the implementation and the mid-term results of the MEDIA Plus and MEDIA
Training programmes (2001-2005) and on the results of the preparatory action "Growth
and audiovisual: i2i audiovisual"**

**REPORT FROM THE COMMISSION TO THE COUNCIL, THE EUROPEAN
PARLIAMENT, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND
THE COMMITTEE OF THE REGIONS**

**Report on the implementation and the mid-term results of the MEDIA Plus and MEDIA
Training programmes (2001-2005) and on the results of the preparatory action "Growth
and audiovisual: i2i audiovisual"**

INTRODUCTION

MEDIA Plus and MEDIA Training

The MEDIA Plus and MEDIA Training programmes were established under two Decisions by the European legislature:

- Council Decision 2000/821/EC of 20 December 2000 on the implementation of a programme to encourage the development, distribution and promotion of European audiovisual works (MEDIA Plus – Development, Distribution and Promotion);
- Decision No 163/2001/EC of the European Parliament and of the Council of 19 January 2001 on the implementation of a training programme for professionals in the European audiovisual programme industry (MEDIA–Training).

The period covered by MEDIA Plus and MEDIA Training was set initially by the two above-mentioned Decisions at 2001-2005. However, in order to align the duration of the MEDIA programmes with that of the financial perspective, the Commission proposed to the Council and the European Parliament on 16/04/03¹ that MEDIA Plus and MEDIA Training be extended until 31 December 2006. The Commission's proposal is currently under discussion.

MEDIA Plus and MEDIA Training succeeded MEDIA II (1996-2000) and MEDIA I (1991-1995). These three generations of MEDIA programmes had a common aim: structural improvement of the competitiveness of the European audiovisual programme industry.

With a budget of 200 million €, MEDIA I enabled professionals in the Member States to strengthen their position in their national markets and, at the same time, to gain access to new forms of transnational collaboration (co-productions, cross-border cooperation, partnerships, grouping of undertakings, etc.).

MEDIA II had a budget of 310 million €, and its activities centred on three priority sectors: vocational training, development of projects and undertakings, and transnational distribution of films and audiovisual programmes.

MEDIA Plus and MEDIA Training differ from their predecessors in several respects:

¹ COM(2003) 191 final, 16/04/03 for MEDIA Plus; COM(2003) 188 final, 16/04/03 for MEDIA-Training.

- their budgets have been significantly increased (400 million €, with 350 million for MEDIA Plus and 50 million for MEDIA Training);
- four priorities have been defined: vocational training, development, distribution and – new in relation to MEDIA II, which did not identify it as a specific priority – promotion;
- the establishment of pilot projects to profit from new technologies – e.g. digital – is set out in Article 10 of the Decision establishing MEDIA Plus;
- the reference period has seen the integration of and increasing participation in programmes by the accession countries;
- finally, in parallel with MEDIA Plus, a preparatory action called "Growth and audiovisual: i2i audiovisual" was tested during 2002 and 2003.

The preparatory action "Growth and audiovisual: i2i audiovisual"

At the Lisbon European Council of 23 and 24 March 2000, the Heads of State and of Government set a new objective for the Union: to become the most competitive and dynamic knowledge economy in the world. The European Council called in particular upon "the Community and the Member States, with the support of the EIB, to make available in all European countries low-cost, high-speed interconnected networks for Internet access and foster the development of state-of-the-art information technology and other telecom networks as well as the content for those networks".

Following up the conclusions of the Lisbon European Council, the EIB Group launched the "Innovation 2000" initiative to promote investment in the information society, research and development, innovation, competitiveness and human capital. In the context of measures intended to develop information technologies, the EIB Group decided to support the speeding up of the dissemination processes, particularly in the media field, and established the sub-programme i2i audiovisual.

In order to supplement the EIB Group initiative, the budgetary authority authorised the Commission to run the preparatory action "Growth and audiovisual: i2i audiovisual" on a trial basis. The aim of this preparatory action is to improve the competitiveness and creativity of the European audiovisual sector, and to enable it to adapt to new technologies, while reducing the banking and financial costs for European undertakings in the sector.

Purpose of this report

The purpose of this report is to:

- evaluate the results of the first two years of implementation of the MEDIA Plus and MEDIA Training programmes, in accordance with Articles 12(3) and 9(4) of Decisions 2000/821/EC and 2001/163/EC respectively. These articles lay down that the Commission "shall, after bringing the matter before the Media Committee, present to the European Parliament, the Council the European Economic and Social Committee and the Committee of the Regions an evaluation report on the impact and effectiveness of the Programme on the basis of the results obtained after two years of

implementation. This report shall be accompanied, if need be, by any proposals for adjustments";

- evaluate the initial results of i2i audiovisual, in accordance with the evaluation obligations attached to preparatory actions, after two years of implementation.

This report:

- initially replaces MEDIA Plus, MEDIA Training and i2i audiovisual in their economic context;
- then analyses the results of the first two years of implementation of these three instruments;
- finally identifies the adjustments which could be made in order to ensure their adaptation to structural developments in the European audiovisual sector.

This report covers the period from 1 January 2001 to 31 March 2003. It is based on the conclusions of the mid-term evaluation of MEDIA Plus and MEDIA Training and on the evaluation of the results of the preparatory action "Growth and audiovisual: i2i audiovisual". These two evaluations were carried out by an independent consultant following an open invitation to tender launched by the Commission.²

1. A DETERIORATING ECONOMIC AND STRUCTURAL CONTEXT

The economic context for the first two years of MEDIA Plus, MEDIA Training and i2i audiovisual gave cause for concern. The weaknesses of the European audiovisual products sector are essentially structural (internal market in which the circulation of non-national European works is difficult, problems of access to finance). These have been aggravated by economic factors (crisis in audiovisual funding by television stations). Finally, new challenges have been added: adaptation to new technologies and participation in programmes by the accession countries.

1.1. An internal audiovisual market still not operating perfectly

The European audiovisual market is by nature fragmented, far from a model for an open, competitive market.

Firstly, audiovisual products constitute cultural works rooted in a national and/or regional context and in a language. This diversity certainly gives rise to the cultural wealth of the European audiovisual sector and to its structure as a highly independent industry. As the market currently operates, however, it hinders the circulation of non-national works and prevents the European industry from gaining market share in relation to its competitors.

² Invitation to tender No S230-182-679, awarded to APRIL.

Cultural heterogeneity is also illustrated by a dichotomy between countries with low production capacity and/or a restricted linguistic and geographical area,³ where production volume is naturally limited by the size of their markets, and countries where production capacity (production volume in relation to the population) exceeds that of others.⁴

Finally, the European audiovisual sector consists mainly of small and medium-sized undertakings, and even micro-undertakings. Their situation is often precarious, being linked to the success of a single project. Their access to external finance is also difficult, owing to the risks attached to their activity: limited own funds, uncertain profitability of projects dependent upon factors such as public taste, cultural aspects, etc. These companies therefore often do not have the resources to adopt and implement medium-term business strategies.

The European audiovisual industry is reluctant to face up to these handicaps.

Firstly, it still devotes too few resources to project development (writing, financial packaging and drawing up the marketing plan), although this stage, as the example of the American audiovisual industry shows, is essential for the quality and export potential of works. Development spending in Europe accounts for 2 or 3% of the production budgets, compared to 10-12% of the production budgets of the American majors.

In addition, the lack of training for European audiovisual professionals engenders an absence of business strategy at European level and, in the context of the introduction of new technologies, raises the risk of obsolescent qualifications and practices.

Looking downstream, the distribution sector remains fragmented along national lines. This characteristic makes it less competitive in both the world and European markets. Thus the average market share for American film distributors is 50%, reaching 80% in the United Kingdom and 70% in Germany. This situation justifies the significant proportion of the budget devoted by MEDIA Plus to distribution.

1.2. European works still have circulation problems outside their country of origin

The lack of circulation of non-national European works is the main symptom of the structural difficulties encountered by the European audiovisual sector.

Taking cinema as an example, it can be seen that American works take most of the market share in Europe (approximately 66% in 2000)⁵, followed by national works. Non-national European films come a distant third, with approximately 11% of the market share. They do not travel much and are rarely seen by more than 50 000 people outside their country of origin.

³ During the MEDIA II programme, countries with low production capacity and/or with a restricted linguistic and geographical area were as follows: Austria, Belgium, Denmark, Finland, Greece, Ireland, Iceland, Liechtenstein, Luxembourg, Norway, the Netherlands, Portugal and Sweden.

⁴ United Kingdom, Germany, France, Italy and Spain.

⁵ Source: IMCA study.

The particular result of this situation is a persistent trade deficit in audiovisual works between Europe and the United States (7–8 billion € each year). It also has a negative impact on profitability and on the development of the European programme industry.

Yet today, the audiovisual sector has enormous economic development potential, due to unceasing growth in demand and the development of new technologies and markets. Maintaining obstacles to the development of European supply presents the risk that this potential will benefit those competing with the European industry, thus directly penalising employment and growth in Europe.

1.3. Deterioration in the economic situation during the period 2001-2002

The European audiovisual sector is currently undergoing an economic crisis characterised by an increased difficulty in gaining access to finance. The crisis is part of the world slowdown in growth which began following the events of 11 September 2001.

Taking the example of cinema, it can be seen that funding by television stations fell significantly during the period 2001-2003. In their programming, stations are tending gradually to replace cinema with national television fiction and reality shows. The number of European films pre-financed by stations has been reduced accordingly. This trend has a negative impact on creativity and on the circulation of European films.

In this context, increasing the sources of finance for independent production, particularly through the development of European co-productions, should be explored as a possible way out.

1.4. New challenges

MEDIA Plus, MEDIA Training and i2i audiovisual are today operating in a market in which decisive developments are taking place.

On the one hand, there is the rapid development of new technologies, particularly digital. In this area, the situation for European cinema distribution is giving cause for concern: although there are already digital copies of films, the industry has not yet begun the transition. Almost all cinemas are still equipped with traditional projection technology.

The second characteristic development is increasing participation during the period 2001-2003 by the central and eastern European countries which are shortly to join the European Union. This intake will highlight even more the diverse nature of the European market, such is the gap between them and the 15 current Member States. Investment capacity, public aid and orders are at a much lower level in these countries than in the rest of Europe.

2. MEDIA PLUS, MEDIA TRAINING AND i2i AUDIOVISUAL: OBJECTIVES ACHIEVED DURING THE PERIOD 2001-2003

Community intervention in the audiovisual sector since MEDIA I has been based on a diagnosis of the structural difficulties facing the European audiovisual sector. This approach is still valid, as is shown by the initial results of MEDIA Plus, MEDIA Training and i2i audiovisual, and the existence of financial support at Community level is more necessary than ever.

2.1. Priorities relevant to the structural difficulties facing the European audiovisual sector

2.1.1. MEDIA Training

The emergence of a European audiovisual market and the appearance of new technologies call for appropriate professional skills. This is the aim of MEDIA Training, to train professionals in: the application of new technologies, particularly digital, to production and distribution; economic, financial and commercial management, ensuring the reliability of undertakings and oriented towards external markets; scriptwriting and narration techniques, essential for improving the quality and export potential of European works.

2.1.2. MEDIA Plus – Development, Distribution and Promotion

Improving the development of European works is the *sine qua non* for improved production quality, better suited to international market standards. This is the aim of the Development strand of MEDIA Plus, helping to strengthen the structural competitiveness of the European audiovisual industry.

In the distribution field, the aim of MEDIA Plus is direct action to remedy the chief symptom of the European industry's weakness: the lack of circulation of non-national European films and programmes. The chief instrument remains support for the distribution outside their country of origin of European films, supplemented by measures aimed at cinemas (Europa Cinema network), TV broadcasting and sales agents.

In the field of promotion and festivals, MEDIA Plus supports a series of initiatives to facilitate the promotion of and international market access for independent European productions. The aim is to improve the visibility of European output and give European undertakings greater presence in European and extra-European markets.

Finally, support for pilot projects is intended to respond to the needs of the European audiovisual industry in terms of adapting to new technologies.

2.1.3. The i2i preparatory action

The basis for i2i is the difficulty experienced by SMEs and micro-undertakings in accessing finance from banks. Its aim is to reduce banking and financial costs for these essential players in the European audiovisual sector and thereby improve the conditions for their development.

2.1.4. Proof of the relevance of European priorities: ever-increasing demand from market players

Applications for financial support from MEDIA continue to increase, particularly in the development and distribution field. Taking the development sector as an example, 352 projects were submitted in 2001, 574 in 2002 and 778 in 2003, i.e. an increase of 120% over 2001.

Participation in the programme by the new (accession) countries is not enough in itself to explain this rapid growth. It is also due to a greater perception by professionals of the need to integrate the European dimension into their economic activity.

The downside to this success is the increase in unmet needs. Again taking development as an example, while the number of applications increased by 120% during the period 2001-2003, the budget increase linked to the participation of the accession countries enabled only a 33.5% increase in the number of projects funded (from 209 in 2001 to 279 in 2003).

2.2. Initial results showing that MEDIA Plus, MEDIA Training and i2i audiovisual are achieving their objectives

The results set out below provide an overview of the implementation of MEDIA Plus, MEDIA Training and i2i audiovisual during the period 2001–2003. However, trends in the audiovisual sector, which extend far beyond this period, mean that a quantified assessment of the economic, social and professional impact of these three support mechanisms is not yet available.

2.2.1. Results of the Training strand

MEDIA Training makes a decisive contribution to the existence of training with a European dimension. Community financial support represents on average 49% of the costs of training and is vital for the viability of the projects supported.

42% of the training given relates to new technologies, 32% to management and 27% to writing techniques.

The quality of training – mostly continuing training – is high. The impact in terms of improving the skills and technical know-how of professionals, particularly in the field of new technologies, is confirmed by the broad sample of beneficiaries questioned by the external consultant as part of the mid-term evaluation.

Training also provides an opportunity for participants to forge links with potential partners, particularly with a view to setting up European co-productions.

2.2.2. Results of the Development strand

Development objectives are met both by raising the awareness of professionals as to the importance of the development phase and by giving them access to additional financial resources (support from MEDIA represents on average 16% of development costs). This aid is sufficient to reduce the risks assumed by independent producers.

The instruments used in the development strand are well suited to the reality in the sector (slate funding for medium-sized, individual projects for undertakings of more modest size).

Support is satisfactorily distributed between the different genres (fiction, documentary, animation, multimedia). The rate of entry into production for supported projects is high and confirms the benefits of development support.

2.2.3. *Results of the Distribution strand*

2.2.3.1. Cinema distribution

The two existing systems (selective support and automatic support) produced satisfactory results in line with objectives: 90% of the films distributed outside their national territory during the reference period for the evaluation received help from MEDIA.

- Selective support for cinema distribution

On average, beneficiaries received support amounting to 27% of the distribution costs incurred, i.e. substantially covering risks. There were on average 5.5 national distribution campaigns per film supported.

- Automatic support for cinema distribution

The aid generated increased from 12.2 million € to 20 million €, due to the successes registered by European cinema over these two years. 70% of reinvestments were used for guaranteed minima, 28% for P&A and 1% for co-productions. Reinvestments mainly benefited French and United Kingdom works, but films from countries with a low production capacity and/or a restricted linguistic and geographical area generated more support than they generated in receipts.

2.2.3.2. Sales agents

This is the most recent measure under the distribution heading. Few applications were submitted and selected during the two reference years (17 projects selected each year). These results should be seen in relation to the number of European sales agents (about 50). But they make a quantified and representative evaluation of the measure difficult.

It can be stated, however, that it meets a real need. It touches on questions of commercialisation and international sales of European works, which are nowadays decisive for the audiovisual sector and its consolidation.

2.2.3.3. TV broadcasting

Support for TV broadcasting met its objective in helping to stimulate the production of television works with a European outlet.

Each work supported brought together on average 6.4 broadcasters. Support from MEDIA represented up to 20% of the production costs for documentaries and 12.5% for fiction and animations. Documentaries were the genre most represented.

While distribution has improved in relation to MEDIA II, support for TV broadcasting still mainly benefits producers in a limited number of countries (France, Germany and the United Kingdom). This concentration is a consequence of the criterion of producer independence (maximum duration of ownership of rights by broadcasters set at seven years) applied in the context of project selection. Practices in terms of ownership of rights by broadcasters still vary widely between countries.

2.2.3.4. Cinemas network (Europa Cinemas)

The results of this action during the period 2001-2003 are in line with the aims pursued. 700 cinemas were supported. European ticket sales increased by 18% and represent 59% of the total. In 2002, cinemas in the network scheduled an average of 38% non-national European works. Market share for non-national European films in cinemas not participating in the network was only 8%.

Overall, there is a positive correlation between the number of cinemas supported by MEDIA in a country and the market share for European films in that country. MEDIA makes a clear contribution to reducing the potential risk of showing non-national European films.

2.2.4. *Results of the Promotion and Festivals strand*

This strand proved its effectiveness in terms of the circulation of non-national European works and their dissemination to the public.

44% of the projects supported were aimed at promotion measures, and 56% at markets/festivals. On average, 80% of European works were scheduled in the festivals supported, giving this strand a high European added value.

2.2.5. *Results of the Pilot Projects strand*

The pilot projects supported were few in number (five projects) but represented 3.2 million €. MEDIA participation amounted on average to 20.78% of their costs. On average, four European countries were involved in their implementation.

The mid-term evaluation underlines the relevance and strategic importance of the problems dealt with by the pilot projects: digitisation of undertakings in the field of projection, online distribution or archive services. It also highlights the existence of a significant shortfall in terms of digital content and equipment for cinemas.

2.2.6. *Results of the preparatory action i2i audiovisual*

The period covered by the evaluation contained only one selection exercise. 40 projects were supported, totalling approximately 1 million €. Average MEDIA support per project selected was 25 000 €.

The action enabled effective compensation for a proportion of the difference between the interest rates applied to micro-undertakings and those applied to larger undertakings. i2i also made it possible to reduce the cost of access to performance guarantees.

2.3. Benefits linked to the existence of financial support at European level

The benefits of financial support at Community level go beyond providing European professionals with sources of finance in addition to national aid.

In addition, the existence of European support did not act against European cultural diversity: on the contrary, it aimed to give undertakings in the audiovisual sector the resources to take maximum advantage of a unified market while respecting national characteristics.

2.3.1. *The taking into account by professionals of a European dimension*

The benefits linked to the existence of financial support at European level relate first of all to the integration of a European dimension in the projects supported, which would not exist if the selection machinery used for MEDIA did not favour this aspect. Awareness of the existence of a European market is one of the preconditions for players to make the most of its potential and improve the circulation of non-national European works.

We are therefore gradually seeing a true, far-reaching change in the attitudes and practices of European audiovisual professionals and the undeniable beginnings of the networking of these professionals at European level.

2.3.2. *Restoring the balance between European countries*

Community support also has an impact on national economies: it enables a restoration of the balance between small countries, where national aid is often non-existent or at a very low level, and large countries. As noted in point 1.1., the diversity of these different markets is one of the weaknesses of the European audiovisual sector.

In order to take account of the particular needs of countries and regions with low production capacity and restricted linguistic areas, a flexible policy of positive discrimination, with no quantified *a priori* objectives, has also been established within the framework of the programme. This system, which enables countries and regions with low production capacity and restricted linguistic areas to benefit from a percentage of European aid greater than their weight in the European market, helps to create the conditions for a long-term convergence of productive structures at Union level while preserving cultural diversity.

2.3.3. *Beneficial complementarity between national aid and Community support*

Community financial support has a transnational dimension which is not present in national aid systems.

The latter remain mostly oriented towards supporting national production or, in the distribution field, national films. For its part, MEDIA exclusively encourages the distribution of non-national European films. In the field of cinema showings, national aid basically funds the structures, while MEDIA aid consists of an incentive to show European films. With regard to development, an essential phase for the quality and export potential of a work, national aid is only just starting to develop and still involves only a small number of countries.

In the absence of Community financial support, there would therefore be a high risk that the potential of the internal market will not be exploited or that, on the contrary, would be exploited but by non-European companies, with negative consequences for growth and employment in Europe.

3. PURSUING THE ADAPTATION OF MEDIA TO THE NEEDS OF THE EUROPEAN AUDIOVISUAL INDUSTRY

Since the launch of MEDIA I, the MEDIA programme has proved its capacity to adapt to trends in the European audiovisual market. This approach, ensuring the effectiveness of the programme and maximising its structuring effects, should be pursued with regard to MEDIA Plus and MEDIA Training.

Concentration on the current priorities (training, development, distribution and promotion) should be maintained, responding to the fragmentation of the European audiovisual market. This should be the basis for discussing likely adjustments to the Community action.

The following proposals for adjustments may in most cases be implemented without the need to amend the Council Decisions establishing the MEDIA Plus and MEDIA Training programmes. They could therefore take effect rapidly, from the end of 2003 or the beginning of 2004.

Other proposals require an amendment to the Council Decisions. They could be integrated into the Commission's proposals aimed at renewing the MEDIA programmes before 2007.

3.1. Facilitating access to finance for SMEs and micro-undertakings at all stages (development, distribution and promotion)

Access to finance is a real problem for the European audiovisual sector, which mainly comprises SMEs and micro-undertakings. This finding underlies the preparatory action i2i audiovisual.

This is a horizontal problem, in that it affects the audiovisual sector's main activities, namely development and production on the one hand and distribution, including sales agents, and promotion on the other.

For this reason, the preparatory action i2i should be integrated into the MEDIA Plus programme. A new instrument dedicated to access to finance should thus be available within the framework of each strand of MEDIA Plus (Development, Distribution, Promotion). In addition, and to increase the consistency of the Community's action, criteria aimed at encouraging the circulation of non-national European works should be introduced for the selection of projects.

This adjustment could enter into force from 2004, without amending Council Decision 2000/821/EC of 20/12/00 establishing MEDIA Plus, particularly with regard to the integration of the development strand.

3.2. Training

3.2.1. *Establishing synergy between training organisations and forging links with cinema schools*

The networking of European training organisations should continue, in accordance with the aims of MEDIA Training.

In addition, cooperation should be established with cinema schools and initial audiovisual training establishments. These schools are well established and have long experience, collaborative networks and strong links with the profession.

Establishing these synergies would enable a further improvement in the quality of teaching and reduce the structural costs of training. In particular, the creation of master's degrees or specific modules with an international dimension could be supported.

Finally, these synergies could provide a framework for the mobility of students and trainers within Europe.

3.2.2. *Adjusting teaching content to the needs of the profession*

Use of new technologies is one of the sectors for which training should be stepped up.

More generally, however, it would be worthwhile to have a rapid and precise overview of the profession's training needs – particularly in the accession countries – in order to adapt MEDIA Training to the actual situation in the sector.

3.2.3. *Raising the ceiling for the Community contribution in order to meet the specific needs of the accession countries*

Currently, the MEDIA contribution cannot exceed 50% of the cost of training measures in large countries and 60% in regions or countries with low production capacity and/or a limited linguistic and geographical area. Additional funds come from the beneficiary organisations' own funds, national public aid, costs of participation paid by the participants and a number of private sponsors.

In the case of the accession countries, finance presents a real problem. Training organisations have few financial resources of their own and national aid is non-existent or very low. In addition, training organisations cannot make financial adjustments by simply increasing the fees paid by students.

In order to face up to this situation, and bearing in mind the importance of training for professionals, it would be worthwhile temporarily increasing the ceiling for the Community contribution to 75% for measures supported in the accession countries.

In contrast to the two preceding proposals for adjustments, such an increase requires an amendment to Council Decision 2001/163/EC of 19/01/01 establishing MEDIA Training. It could be integrated into the Commission proposals concerning the renewal of MEDIA in 2007.

3.3. Development

3.3.1. Creating support for pre-production

Pre-production is becoming an increasingly decisive and specific stage of development: the need to seek finance leads producers to look outside their country of origin, particularly with the aim of concluding co-production agreements.

This beneficial development, in introducing a true European dimension to development, is not properly taken into account in existing instruments. For example, the fees of the consultants or lawyers required for setting up financial partnerships are not eligible.

Integrating i2i into the development priority could be an opportunity to define within that priority a new instrument specifically oriented towards support for pre-production expenditure.

3.3.2. Raising the aid ceilings to reflect the realities in the sector more closely

In the development field, existing instruments are well adapted to the needs and realities of the sector. In particular, slate funding provides flexible finance for medium-sized undertakings.

Increasingly, existing ceilings turn out to be unsuited to the new market conditions, namely increased development costs linked to the use of new technologies, particularly for animation and multimedia.

Raising the current ceilings should therefore be considered, particularly for slate funding. Such an increase would also strengthen the structuring role of this instrument for SMEs.

3.3.3. Recognising the complementarity between the Development and Training strands of MEDIA Plus

Training, whether in commercial management, marketing or writing, may be considered an integral part of the expenditure and development actions of a project. For example, a project in development may benefit from advice given to its author in a writing workshop.

For these reasons, it would be worthwhile introducing a link between the Training and Development strands. Training expenditure, for example, could be included in the items eligible for development aid.

The adjustments envisaged for the development strand do not require any amendment to the legal basis for MEDIA Plus and could enter into force rapidly.

3.4. Distribution

3.4.1. Establishment of slate funding in the distribution field

In the current system, European films with a limited audience generate little automatic support and have difficulty in attracting selective support. The latter includes an obligation to have at least three European distributors for a film, which constitutes an obstacle for films with a risk profile.

In order to remedy this situation, it would be worthwhile designing a new type of support based on the slate funding used in development.

Distributors would be granted a budget for distribution, over a period of one or two years, of a catalogue of European films with a higher risk profile, with no constraints in terms of the number of European distributors appointed.

Such an adjustment requires an amendment to Decision 2000/821/EC of 20/12/00 establishing MEDIA Plus and could be seen as part of the renewal of the programme for 2007.

3.4.2. Restructuring and enlargement of the "sales agent" measure

After two years of implementation, it is clear that most MEDIA aid is concentrated on a single country: France. Although this concentration partly reflects the reality of the market and the importance of French agents in Europe, the introduction of a non-national dimension – particularly for reinvestments – could make it possible to rectify this situation and bring a true European added value to the sector.

With this in mind, the "sales agent" measure could be restructured with the aim of encouraging coordination between producers, distributors and sales agents. The basis for this proposal is as follows: an appropriate approach to commercialisation places promotion ahead of production. It involves first of all knowing the types of audience for which films are designed and measuring the commercial prospects and potential receipts in different markets. It then consists of promoting and selling these films, attracting the audience and developing market shares, particularly through prospecting.

In many cases, however, producers do not include promotional material in their strategies and distributors do not have the financial resources necessary to remedy this shortcoming. Finally, sales agents do not have the means to promote their products effectively.

The new "sales agents" measure would enable financial support for putting together a basic promotional kit comprising: an initial sub-titled copy, the M&E ("music and effects") track, promotional material, etc.

This adjustment does not require any amendment to the legal basis for MEDIA Plus and could enter into force rapidly.

The measure should also be extended to sales agents specialising in TV programmes, but this amendment requires an amendment to the legal basis for MEDIA Plus. It could be seen as part of the renewal of the programme for 2007.

3.4.3. *Raising aid ceilings*

The number of copies per film and the costs of distribution are nowadays increasing significantly.

To reflect this trend, it would be worthwhile raising the Community aid ceilings currently in force.

This adjustment does not require an amendment to Decision 2000/821/EC of 20/12/00 establishing MEDIA Plus and could enter into force rapidly.

3.4.4. *TV broadcasting: opening up the system further by amending the rules concerning the transfer of rights*

In the current system, application of the producer independence criterion (transfer of rights to broadcasters limited to seven years) has the effect of concentrating support to the benefit of French (40% of the support allocated), German and United Kingdom producers.

In order to remedy this distortion and adapt support to the actual situation in the television sector in some States participating in the programme, it would be worthwhile introducing greater flexibility into the definition of the criterion of producer independence.

This adjustment could enter into force in the context of MEDIA Plus.

3.4.5. *Using the cinema network to promote European cinema*

Measures to promote European cinema could be planned and coordinated within the network of cinemas supported by MEDIA. The aim would be to capitalise as much as possible on the network's success with the public. For instance, there could be coordinated operations for launching films.

This adjustment could enter into force rapidly in the context of MEDIA Plus.

3.5. **Promotion and festivals**

3.5.1. *Strengthening the presence of European professionals in key markets*

Community support should be targeted at key markets where the presence of European professionals may have maximum impact in terms of sales and exports.

3.5.2. *Promoting cultural diversity and encouraging public education in the visual image through broad support for festivals*

Under the current eligibility criteria, 70% of the films scheduled for festivals supported by MEDIA should be European. In practice, 80% are.

The benefits to be derived from this in terms of promoting cultural diversity and educating the European audience are evident, and dovetail perfectly with the aims pursued by Article 151(4) of the Treaty. The aim is to maximise the benefit while reserving a broad distribution of MEDIA support for festivals within European territory.

3.5.3. *Improving the visibility of the MEDIA programme with a view to making it into a label for European cinema*

Better knowledge by the public of the MEDIA programme could make it into a true label for European films, associated with a high-quality image and a European identity.

This aim could be achieved, for example, by giving more publicity to the MEDIA Prize.

All the adjustments proposed for the promotion strand could be established rapidly in the context of the MEDIA Plus programme.

3.6. Pilot projects

Pilot projects may make a contribution to all strands of MEDIA. This dimension should not be overlooked.

Two priorities should receive particular attention.

On the one hand, the budget line currently available in the distribution strand for online distribution could be mobilised in order to stimulate the creation of digital content and the use of online distribution by the European industry.

On the other hand, as regards cinema distribution, the establishment of a true network of European digital cinemas equipped to meet the needs of the European industry should be encouraged.

These adjustments could enter into force rapidly in the context of MEDIA Plus.

3.7. Maintaining centralised management of Community aid, tempered by strengthening the role of the MEDIA Desks

3.7.1. *Advantages of centralised management of Community aid*

Community aid is nowadays distributed and managed at a central level by the European Commission.

This centralised operation is well-suited to the purposes of European aid, which are to stimulate the introduction of a transnational dimension in the European audiovisual profession and improve the operation of the internal market. It should be maintained.

3.7.2. *Exploiting the potential offered by the MEDIA Desks*

Centralised management of Community aid could be supplemented by strengthening the role of the MEDIA Desks.

MEDIA Desks are established in all States taking part in the MEDIA programme. They are funded jointly by the Member States and the MEDIA budget. Their main function today is to establish a relay between the European Union and professionals in each participating State, with the particular aim of enabling them to be informed as to the machinery for Community support.

The potential offered by the MEDIA Desks – placed at the heart of national markets, they are well-placed to know their needs and characteristics – should be exploited to a greater extent. In particular, the MEDIA Desks could provide useful statistics on national markets or become relays for a more voluntarist communication policy.

These adjustments could be made without amending Decision 2000/821/EC of 20/12/00 establishing MEDIA Plus and enter into force rapidly.

4. CONCLUSION: SUMMARY OF ADJUSTMENTS ENVISAGED AND TIMETABLE

ADJUSTMENTS TO BE MADE IN THE CONTEXT OF EXISTING PROGRAMMES: MEDIA PLUS AND MEDIA TRAINING	TIMETABLE
Facilitating access to funding for SMEs and micro-undertakings	
Integrating the preparatory action i2i audiovisual into the strands of MEDIA Plus	4th quarter of 2003
Training	
Establishing synergies between training organisations and with cinema schools	2nd half of 2004
Having an overview of training needs	1st quarter of 2004
Development	
Creating support for pre-production when integrating i2i audiovisual into the development strand	4th quarter of 2003
Raising Community aid ceilings	4th quarter of 2003
Introducing a link between the development and training strands	4th quarter of 2003/1st quarter of 2004
Distribution	
Restructuring the "sales agents" measure	4th quarter of 2003
Raising aid ceilings	1st half of 2004
TV broadcasting: amending the rules concerning the transfer of rights to broadcasters	2004
Using the Europa Cinema network to promote European cinema	2004
Promotion and festivals	
Targeting Community support at key markets	2004
Promoting cultural diversity and encouraging public education in the visual image through broad support for festivals	2004
Raising the profile of the MEDIA programme with a view to making it into a label for European cinema	2004
Pilot projects	
Using the "online distribution" budget lines to stimulate the creation of digital content and the use of online distribution by the European industry	1st half of 2004
Encouraging the creation of a network of European digital cinemas	1st half of 2004
Strengthening the role of the MEDIA Desks	2004

ADJUSTMENTS TO BE INTEGRATED INTO COMMISSION PROPOSALS FOR FUTURE MEDIA PROGRAMMES	TIMETABLE
Training	
Raising the ceiling for the Community contribution to training measures in the accession countries	4th quarter of 2003
Distribution	
Establishing slate funding to support the distribution of European films with a risk profile	4th quarter of 2003
Extending the "sales agents" measure to television	4th quarter of 2003