

Public Consultation of the European Commission
(deadline: 30 July 2010)

Green Paper "Unlocking the potential of cultural and creative industries"
COM (2010) 183/3

Contribution by EUROKINEMA

Executive Summary of our key comments in response to the Green Paper

- 1) EUROKINEMA endorses the definition of cultural and creative industries given by the Green Paper referring to the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions and considers it as a major step towards a recognition of cultural and creative industries that will ultimately entitle them to a specific status in EU law.
- 2) However, EUROKINEMA finds the Green Paper's analysis to be lacking, particularly in its attempt to build a single system view of the way the cultural industries work, portraying them as a self-contained unit. Better would have been to describe the innovations that need to be offered in order to leverage adaptation to the digital shift for each cultural sector separately (audiovisual, books, music, press).
- 3) EUROKINEMA calls on the Commission to consider in the follow-up to the Green Paper how to join up the objective pursued here - stimulating cultural and creative industries by applying an appropriate competition policy and creating a CCI-friendly environment in the internal market - industry by industry and sector by sector, according to their distinctive attributes.
- 4) EUROKINEMA sees the interplays between cultural diversity, digitization and globalization as being of major importance, and the way these interactions work should be examined in more details by the Green Paper; particularly as regards the implementation of a European dynamic to stimulate cultural industries in Europe. On that purpose, it is particularly essential to gain a better understanding of how the three variables - cultural diversity, the digital shift and globalization - may improve (or undermine) the current potential of those industries.
- 5) EUROKINEMA regrets the lack of close consideration or appropriate solutions for the mass piracy that is currently affecting all content industries, especially the audiovisual industry. EUROKINEMA believes the EU cannot skimp on collective measures to prevent and fight against mass piracy and wishes to see a plan to prevent and fight against mass online piracy implemented as a matter of urgency.
- 6) EUROKINEMA notes the Commission's willingness to include initiatives relative to the Green Paper in the "three major policy frameworks which will have a significant impact on the framework conditions for CCIs in a digital environment".
- 7) Given the rapid expansion of broadband, the consumption capacity and the foreseeable high level of earnings in Europe, the market for online services is expected to be enlarge on the condition

that a corrective action is taken to eradicate mass online piracy. This requires the film industry as a whole to be given a significant boost, especially the first link in the chain, i.e., production financing. Setting up an audiovisual production guarantee fund is an appropriate measure, but it should be completed by direct Community support to production since private investment is not stimulated by this fund's existence.

- 8) Thought should be given to extending the Media Programme after 2013, especially the support to film distribution, and a supplementary component that logically follows the development of the market towards online services, i.e., the supply of online audiovisual services, should be introduced. Distributors should be enabled to have catalogues in digital formats and funding should be available for marketing promotion strategies aimed at winning over European audiences.
- 9) Efforts to implement international standards for identifying works (like the ISAN standard for audiovisual works) that are intended to enable rights holders and the industry as a whole to securely manage the improved circulation of digital works should be supported because the ISAN standard falls under the standardization policy that is the essence of the European Commission's competences.
- 10) The Green Paper puts a particular emphasis on the role of cultural and creative industries as a means of fostering European economic growth. It would be helpful if the Green Paper considers the requirements for developing a large-scale offering of online cultural content services, including audiovisual services. One that would be apt to do so would be applying a reduced rate of VAT to online cultural services, including online audiovisual services. EUROCINEMA calls on the Commission to give thought in the context of the Green Paper to the question of VAT rates for online cultural services, including audiovisual services provided online.
- 11) Where promoting trade and cultural diversity are concerned, it is EUROCINEMA's view that access to third country markets is beset by numerous tariff and non-tariff barriers which, combined with poor distribution and exhibition networks, make it hard for European cinema to establish a real presence. One possible solution would be to identify barriers to market access that are impeding cultural diversity and are not being challenged under trade policy instruments. The industry-industry dialogue in the audiovisual sector should enable these issues to be raised with a view to finding solutions.

Contribution by EUROKINEMA

EUROKINEMA thanks the European Commission for putting forward the Green Paper on "Unlocking the potential of cultural and creative industries" COM (2010) 183/3.

- I. The Green Paper aims high in setting out to "spark a debate on the requirements of a truly stimulating creative environment for the EU's CCIs (cultural and creative industries)" (Green Paper page 5).

This assertion is an implicit acknowledgement that the EU has not created a stimulating environment for creative and cultural industries in Europe.

Because of the organization's object, EUROKINEMA will focus particularly on issues related to the film and audiovisual industry. In this respect, EUROKINEMA underlines the Commission's highly ambivalent attitude towards the film industry - positive in some respects (with a programme of support to the film and audiovisual industry in the form of the Media programme), but negative in others (overly zealous control of national film production funding schemes¹ and a fairly negative view of the status of intellectual property relative to the digital shift). This "two sets of rules" approach has coloured the film industry's assessment of the Commission's work.

Since the Commission's main policy instrument is its regulatory power, not least through competition policy and its far-reaching internal market action, and both policies have or can have a real - negative or positive - impact on cultural diversity and the pluralism of businesses operating in the cultural sector, it is regrettable from this angle that the Green Paper does not really get to grips with these issues which we see as fundamental².

EUROKINEMA calls on the Commission in the follow-up to the Green Paper to consider how to achieve the goal pursued here - stimulating the CCIs by applying an appropriate competition policy - and creating a CCI-friendly environment in the internal market^{3 4}.

¹ The establishment of Guidelines on state aid extended to 2013 has helped to some extent to clarify the conditions for granting aid to cinematographic works.

² Note that the programmes to complete the internal market are precisely what have enabled many economic sectors to gradually reap the benefits of a single market (uniform standards, harmonization of procedures, easing of cross-border constraints, economies of scale). Likewise, competition policy can be a powerful encouragement to concentration (mergers in the recording industry) or means of protecting independent production.

³ The Green Paper says in regard to IPR (p. 8) that "in full respect of the internal market and competition rules", the Commission "will involve stakeholders in a bottom-up approach". It also states that "Creating and maintaining the level playing field which ensures that there are no unjustified barriers to entry will require combined efforts in different policy fields, especially competition policy" (p. 7)

⁴ The exemption granted to the IPU Group, a joint distribution subsidiary of several US studios, for example, effectively strengthened its bargaining power in the rights market to the detriment of European film distribution and production companies (on which, see EUROKINEMA's submissions dated 7 July 1993 (www.eurocinema.eu))

Bearing in mind this shaky analysis that should be corrected, EUROCINEMA finds that the Green Paper to its great credit does acknowledge the existence of the cultural industries⁵ - and that is not axiomatic. Because the primary purpose of these industries is to support, nurture, finance, produce and distribute, a creative act that is the reason of their existence, it is tempting to forget that they are industries of value chains⁶ which bring together talent, investment and trade (purchase and sale of rights).

Recognizing that culture is not only an accumulation of ephemeral derived from talents but also from the existence of organized and highly developed industries, makes the wealth of the heritage created clearer to see. Each year, European cinema produces around 800 films, while European audiovisual production of fiction and documentaries adds up to tens of thousands of hours a year.

- II. The Green Paper devotes important efforts to the development of cultural diversity, digital shift and globalization: the main drivers for the further development of CCIs (see Green Paper, section 2, p. 6).

It is obvious that the three processes play into one another:

(i) Cultural diversity: understood as a living process, constantly creating and recreating cultural values

(ii) Digitisation: understood not as a technology but more as a stimulant. When analog fixations lead to static uses, digitisation (storage and access of content) obviously enables several kinds of dynamic uses. In that sense, access to content may satisfy the demand for entertainment products, knowledge and innovation products, and more conventionally, for cultural products.

The cultural diversity/digital technology interplay will expand as the digital supply builds up. In any case, it can be said that the greater the volume supply of European digital audiovisual content will be, the more influence identifiably European content will have on cultural diversity.

(iii) Globalization.

The G20, the small, select group of statesmen who govern the countries that account for over 80% of global wealth, is a revelatory illustration of the intensity of globalization. Globalization is a factor at play in all areas (social, economic, cultural, public health, environment).

⁵ Referring to the definition given by the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, whereby cultural industries are those industries producing and distributing goods or services which at the time they are developed are considered to have a specific attribute, use or purpose which embodies or conveys cultural expressions, irrespective of the commercial value they may have. The goods and services produced or distributed by the cultural industries include performing arts, visual arts, cultural heritage, film, DVD and video, television and radio (audiovisual sector), video games, new media, music, books and press.

⁶ The cinema is a value chain that includes prototype development (writing, financing, production / sale of rights / cinema, DVD, TV, and online distribution)

The way in which the cultural / digital / globalization interplays described here should be examined in more details by the Green Paper.

Concerning the implementation of a European dynamic to stimulate the cultural industries in Europe, a better understanding of how the three variables - cultural diversity, the digital shift and globalization - can improve (or undermine)⁷ the current potential of European cultural industries, is needed.

Some statements made in section 2 need to be qualified, such as "this new environment substantially changes traditional production and consumption models, challenging the system through which the creative community has up to now drawn value from content " (p. 6).

For the cinema and audiovisual industries, up to now the digital environment has not **substantially** changed the mode of production (that would take a big financial input into production by the new players in the digital chain (telecom operators, ISPs) which could then influence the grammar of film or radio/television (format, variant endings to the work, interactive mix of episodes, etc.). There is at present no (or nearly no) such ability (or willingness) to inject funding, which places a huge question mark precisely over the development and inclusion of innovative business models⁸.

Furthermore, the assertion that, "the content industries, particularly the recorded content industries, have been **severely hit by piracy** and losses in sales of physical supports (e.g. CD, DVD), which have damaged their development, shrunk their revenue basis and consequently limited their potential to generate jobs and investment. **This is why the industry also needs to develop new and innovative business models**", cannot go without comment.

The statement that piracy affects the audiovisual industry is correct. But the conclusion drawn from it is arguably **spurious**. Namely, that the existence of massive piracy requires new business models to be adopted ... but if so, **which ones?** A free-for-all, unqualified legalization of file-sharing?

Contrary to what this observation implies, the EU cannot skimp on measures to prevent and fight against mass piracy.

The Green Paper's failure to fully consider this issue is of particular concern: some of the cultural industries - the audiovisual industry in particular – supply goods and services in the form of "recorded content" (p. 6) which **can be reproduced ad infinitum**.

⁷ In the absence of appropriate measures (regulatory, financing, etc.)

⁸ "Economic value is being displaced towards the end of the chain, which in certain sectors affects the effective reward for creation". This assertion must be corrected with regard to audiovisual content in the broad sense. The online digital market (which must be distinguished from the offline digital market - basically all the broadcasting networks) does not create value for the moving image industries. Online uses generate too little revenue for this to finally have a destabilising effect on the operating and financing business models (which are inseparable).

In theory, the more the service or good (DVD) is reproduced and acquired against payment, the greater is the possibility of recouping the investment. Mass reproduction also enables a reduction in selling costs commensurate with marketing to a mass market.

Mass piracy breaks this virtuous circle and represents a massive outflow of revenues which stops a virtuous circle from being recreated. As stated earlier, it also hampers the development of new legal offerings of online services and represents an unfair competition.

EUROKINEMA therefore sees piracy as a major issue that threatens the development of audiovisual content in the online world. EUROKINEMA does not share the Green Paper's view that piracy should be a reason for adapting business models, and finds the Green Paper's permissive and indulgent perception of mass piracy to be regrettable.

Subject to what have been said concerning the section 2 of the Green Paper, EUROKINEMA welcomes the thinking it contains but finds its content regrettably unstructured.

Section 2 concludes that "the Commission will be working on three major policy frameworks, which will have a significant impact on the framework conditions for CCIs in a digital environment" (p. 7). What are these "three major policy frameworks":

1. The Digital Agenda for Europe.

Create a true single market for online content and services:

- Borderless and safe EU web services and digital content markets;
- A balanced regulatory framework governing the management of IPRs;
- Measures to facilitate cross-border online content services;
- Fostering multi-territorial licences;
- Adequate protection and remuneration for rights holders;
- Active support for the digitisation of Europe's rich cultural heritage.

EUROKINEMA spelled out its position on these various matters in its response to the consultation on the reflection document "CREATIVE CONTENT in a European digital single market: Challenges for the Future" (5 January 2010) (we therefore refer to our response <http://www.eurocinema.eu/tencours.htm>)

2. Innovation Union.

Specific actions undertaken to strengthen the role of CCIs as a catalyst for innovation and structural change:

- Promoting entrepreneurship;
- Access to finance
- Identify research and skills needs;

- Develop cluster concepts;
- Better support mechanisms.

Aims:

- Bring the actors at regional, national and European levels together;
- Enhance transnational cooperation.

Desired outcome:

- Create new products and services that create growth and jobs.

3. EU strategy on IPR

The strategy as described here falls under DG Internal Market whose purview traditionally extends to IPR (intellectual property rights and industrial property rights). The Commissioner in charge of this DG has announced his intentions and programme of work. For the rest, we again refer to EUROCINEMA's response dated 5 January 2010 to the consultation on the reflection document "CREATIVE CONTENT in a European digital single market: Challenges for the Future" (<http://www.eurocinema.eu/tencours.htm>).

III. Section 3 of the Green Paper addresses the strategic issue of "putting in place the right enablers".

Where the Green Paper's analysis falls down - and this is particularly clear on pages 11 and 12 - is in its attempt to build a single system view of the way the cultural industries work, portraying them as a near-homogeneous self-contained unit; this takes the discussion onto a somewhat abstract plane and deters any technical approach or sectoral consideration.

Better would have been to take the Section 3 discussion into a cultural sector by cultural sector⁹ description of the innovations that need to be offered in order to leverage adaptation to the digital shift.

It is not the intention here to make specific demands, but to have it recognized that each cultural industry is characterized by distinctive attributes. The investment required to produce a film, for example, bears no relation to what is required for a literary or musical work. Therefore, the fundamental issue 3.3 - access to finance – can only be addressed through a sector-by-sector analysis.

How to stimulate private investment and improve CCIs' access to finance? Is there added value for financial instruments at the EU to support and complement efforts made at national and regional levels? If yes, how?

⁹ i.e., audiovisual industry, newspaper, book, music ... as the Commission reflection document "CREATIVE CONTENT in a European digital single market: Challenges for the Future" had started to do.

How to improve the investment readiness of CCI companies?

Which specific measures could be taken and at which level (regional, national, European)?

Audiovisual sector:

➤ Film production.

With 800 films produced each year, Europe's output might be thought overabundant, but that production must be seen against the need to fulfil national cultural, identity and language expressions in order to continually revivify the diversity of cultural expressions through the powerful vehicle that audiovisual media represent in mass consumption societies.

Most production financing comes from a mix of national sources, varying widely in volume between Member States.

This obviously plays into the number and quality of films produced and more obviously on their "circulation" within the European market. This stands to reason: despite the uncertainties besetting the status of a unique good (prototype), a well-funded, well-scripted, well-produced film is objectively more likely to reassure the "market" (first and foremost, sales agents and distributors).

However, Europe is an incubator of cinematic talent with a remarkable replenishment of talents, genres and expressions, which, from this point of view, is a comforting thing in a Europe (rightly or wrongly) seen as in a creative decline.

Except the modest support EURIMAGES of the Council of Europe, there is at present no transnational support for film production. The co-production schemes established between bilateral public support programmes are the only effective means of artistic and financial cooperation at present.

The Green Paper should itself take its own considerations to their logical conclusion and avoid lumping together proposals that in some sectors, especially the film industry, could be at odds with one another

This is particularly so for the idea of systematically requiring the pan-European exploitation of works, the prerequisite of whose production (pre-financing agreements with local operators) and success (promotion and exhibition efforts) in most cases depends on their being exploited in distinct language areas.

Likewise, if ICTs and the development of the digital economy were to represent the growth opportunity for the European moving image industry -which the Green Paper seemingly envisions without

adducing any clear evidence to that effect- then the European image FACTORY requires capacity-building.

The current development phase of online services does not even allow the US studios to take advantage of the emerging European market for online services. The unresolved issue of mass piracy is producing an outflow of value for the US studios as well as for European films. However, the fear is also that once piracy has been dealt with or stabilized, the studios have effective ways of developing an industrial strategy aimed at colonizing the online networks lock, stock and barrel as they did in the later stages of media development in Europe – total colonization of cinema exhibition and pay TV distribution, and an overwhelming presence on free-to-air commercial and even public channels.

Contrary to popular misconception, US films do not recoup their investment on the home market alone. The European internal market accounts for half the recouped investment cost and backflow of receipts from blockbusters, the appeal of the European market lying in it being a paying proposition, stable and not saturated¹⁰.

Given the rapid expansion of broadband, the consumption capacity and the high level of foreseeable earnings (relative to the standard of living elsewhere in the world), it is clear that the European online content market is set to become the new strategic goal for the US studios.

In this context, the film industry as a whole should be given a significant boost, especially the first link in the chain, i.e., production financing¹¹.

The Green Paper's reference (p. 12) to setting up a production guarantee fund for the audiovisual sector in the broadest sense is one of the various possible measures which should be further considered jointly with professionals representing the film industry. As yet, no formal or informal consultation has been carried out, which is unfortunate. It bears pointing out that to have any point, i.e., to reassure potential investors, a guarantee fund must be financed in proportion to the investments it seeks to raise and secure. Substantial leverage therefore requires substantial guarantee funding. The budgetary implications make this a major macro-political and macro-economic option. The Green Paper's comment on this (see footnote 36, p. 12¹²) seems correct in its terms, on condition that the consequences of funding the guarantee fund are correctly drawn.

¹⁰ A combination of features not found in other parts of the world.

¹¹ The Member States are looking to strengthen funding opportunities for the film and audiovisual industry, the most innovative funding mechanism to appear on the market in the last decade being tax shelters, tax breaks and other tax-free investment facilities.

¹² The fund will share the financial risk related to the loans granted by banks to European independent audiovisual producers, by guaranteeing to cover a certain percentage of the loss in case of failure by the producer to reimburse the loan, thus encouraging local banks to grant credits to film producers.

The necessary companion measure to any guarantee fund is a publicly-funded Community audiovisual and film production financing fund to allow for the eventuality of the guarantee fund failing to stimulate private investment, given banks and other financial institutions' traditional wariness of the European film industry.

Therefore, consideration should be given to setting up a combined guarantee/production fund resourced from European public funding for production.

This raises another issue: historically, producers have to put together an investment package, progressively lining up resources from public funding schemes, investments by public or commercial broadcasters, and possibly presales (contrary to a popular myth circulating in the European Commission, presales are more the exception than the rule for European films). This is a slow and complex process, and more complex still in the case of co-productions.

Care must be taken to see that the European financing guarantee/reserve fund is not an additional hurdle in the search for funding by imposing burdensome, costly or inappropriate prior formalities.

IV. Other issues of concern to the film and audiovisual industry raised in the Green Paper.

Section 4.2. raises the issue of mobility and circulation of cultural and creative works.

EUROCINEMA endorses the Green Paper's stated view (p. 15) that "The circulation of works benefits European audiences" by fostering mutual access to cultures and (re)generating the diversity of cultural expressions. Such circulation, however, must be consistent with the territorial management of rights which is a necessary price to be paid for the financing arrangements for European audiovisual and cinematographic works (see our comments in the preceding paragraph, bottom of page 9).

The Green Paper also asks the question: to which extent could virtual mobility and online access contribute to these objectives?

This complex question demands a complex answer.

1) Audiovisual heritage.

Several countries are making major efforts to digitize legal deposit works that are in the public domain, but not all to the same extent in the different Member States, resulting in unequal availability and access to the heritage.

This arises particularly out of the discussions carried on in the context of EUROPEANA which is an excellent EU-level platform for exchanging and sharing experiences.

- 2) Outside of the audiovisual heritage, what EUROCINEMA wishes to give its input on, is the strategic issue of creating easier commercial online access to audiovisual works of European origin.

Support for the theatre distribution of films is a major strand of the Media programme, which has over time helped to consolidate European film's market share. It is a major policy choice made by the Member States on a proposal from the Commission, spearheaded by an outstanding multi-year action (Media Programme). When the current Media programme expires in 2013, consideration should clearly be given to extending the programme, especially its distribution component.

But a supplementary component should also be introduced that logically follows the development of the market towards online services, i.e., the supply of online audiovisual services. This new window should be abundantly supplied with European audiovisual works. For this, distributors should be enabled to have catalogues in digital formats.

The characteristic of the online services economy is the foreseeable intensification of the supply-side. To its conclusion, it is conceivable that highly sophisticated promotional strategies aimed at engaging the audience (the audience in question being the influx of Internet / web users) will be implemented.

Just like the **marketing / promotion** strategies developed in the analog world, in particular for cinema exhibition, (where the studios spend up to 50% of the total production budgets), these promotion strategies will come with a cost.

It is essential that expertise be deployed without delay in order to establish the appropriate models / resources in what will be the battle for online access.

The online distribution / promotion / marketing aspects should be given appropriate funding under the next Media programme.

V. Other issues not addressed in the Green Paper but which should be examined in order to facilitate the emergence of online audiovisual services.

- 1) Efforts to implement international standards for identifying works (like the ISAN¹³ standard for audiovisual works) that are intended to enable rights holders and the industry as a whole to securely manage the improved circulation of digital works should be supported because the ISAN standard falls under the standardization policy that is the essence of the European Commission's competences.

¹³ International Standard Audiovisual Number, ISO - www.isan.org

- 2) The Commission must prompt a review of VAT rates for cultural services, including online audiovisual services. In the analog world, audiovisual goods and services generally attract a reduced rate or even a zero rate. Such is the case for the cinema exhibition of films and broadcast audiovisual services. Pay-TV channels also benefit from reduced rates. The provision of online audiovisual services, including video on demand, is subject to the same standard rate as other services provided online.

We wish to comment on this issue.

The online audiovisual services economy is an emerging market. It is well established that a fairly long lag phase may elapse before a breakeven point is reached where a medium becomes a paying proposition. This means matching the supply and the audience, which happens only gradually. Online services will be no exception to this rule. The Green Paper puts a particular emphasis on the role of cultural and creative industries as a means of fostering European economic growth. It could usefully have considered the requirements for developing a large-scale offering of online cultural content services, including audiovisual services. One that would be apt to do so would be applying a reduced rate of VAT to online cultural services, including online audiovisual services.

EUROCINEMA calls on the Commission to give thought in the context of the Green Paper to the question of VAT rates for online cultural services, including audiovisual services provided online

Section 4.3. refers to cultural exchanges and international trade

- Question:

Which tools should be foreseen or reinforced at EU level to promote cooperation, exchanges and trade between the EU CCIs and third countries?

This key issue has two aspects:

- promoting and safeguarding cultural diversity;
- promoting trade that benefits European cultural industries.

This is an extremely thorny issue where the risk of conflict is high. The film sector is beset by many tariff and non-tariff barriers that significantly hinder access to third country markets by works of European origin. Purely trade considerations suggest that it would be in the EU's best interests to identify and demand the lifting of such barriers¹⁴.

¹⁴ Letter to Mr Reding, European Commissioner responsible for the Information Society and Media, on barriers (July 2006)

At the same time, some reports written as groundwork for the Media International programme (India and Latin America) have stressed the difficulty of distributing and exhibiting films in these areas given the poor distribution and exhibition networks. This weakness stems from the obstacles identified and potentially undermines the conditions that ensure the promotion of cultural diversity¹⁵.

One possible solution would be to identify barriers to market access that are impeding cultural diversity and are not being challenged under trade policy instruments (like the WTO).

The industry-industry dialogue in the audiovisual sector should enable these issues to be raised with a view to finding solutions.

VI. Final conclusion

Summary of our key comments in response to the Green Paper:

- 1) EUROCINEMA endorses the definition of cultural and creative industries given by the Green Paper referring to the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions and considers it as a major step towards a recognition of cultural and creative industries that will ultimately entitle them to a specific status in EU law.
- 2) However, EUROCINEMA finds the Green Paper's analysis to be lacking, particularly in its attempt to build a single system view of the way the cultural industries work, portraying them as a self-contained unit. Better would have been to describe the innovations that need to be offered in order to leverage adaptation to the digital shift for each cultural sector separately (audiovisual, books, music, press).
- 3) EUROCINEMA calls on the Commission to consider in the follow-up to the Green Paper how to join up the objective pursued here - stimulating cultural and creative industries by applying an appropriate competition policy and creating a CCI-friendly environment in the internal market - industry by industry and sector by sector, according to their distinctive attributes.
- 4) EUROCINEMA sees the interplays between cultural diversity, digitization and globalization as being of major importance, and the way these interactions work should be examined in more details by the Green Paper; particularly as regards the implementation of a European dynamic to stimulate cultural industries in Europe. On that purpose, it is particularly essential to gain a better understanding of how the three variables - cultural diversity, the digital shift and globalization – may improve (or undermine) the current potential of those industries.
- 5) EUROCINEMA regrets the lack of close consideration or appropriate solutions for the mass piracy that is currently affecting all content industries, especially the audiovisual industry. EUROCINEMA believes the EU cannot skimp on collective measures to prevent and fight against mass piracy and

¹⁵ There are no tariff or non-tariff barriers to access to the film exhibition market in Europe

wishes to see a plan to prevent and fight against mass online piracy implemented as a matter of urgency.

- 6) EUROKINEMA notes the Commission's willingness to include initiatives relative to the Green Paper in the "three major policy frameworks which will have a significant impact on the framework conditions for CCIs in a digital environment".
- 7) Given the rapid expansion of broadband, the consumption capacity and the foreseeable high level of earnings in Europe, the market for online services is expected to be enlarge on the condition that a corrective action is taken to eradicate mass online piracy. This requires the film industry as a whole to be given a significant boost, especially the first link in the chain, i.e., production financing. Setting up an audiovisual production guarantee fund is an appropriate measure, but it should be completed by direct Community support to production since private investment is not stimulated by this fund's existence.
- 8) Thought should be given to extending the Media Programme after 2013, especially the support to film distribution, and a supplementary component that logically follows the development of the market towards online services, i.e., the supply of online audiovisual services, should be introduced. Distributors should be enabled to have catalogues in digital formats and funding should be available for marketing promotion strategies aimed at winning over European audiences.
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- 10) The Green Paper puts a particular emphasis on the role of cultural and creative industries as a means of fostering European economic growth. It would be helpful if the Green Paper considers the requirements for developing a large-scale offering of online cultural content services, including audiovisual services. One that would be apt to do so would be applying a reduced rate of VAT to online cultural services, including online audiovisual services. EUROKINEMA calls on the Commission to give thought in the context of the Green Paper to the question of VAT rates for online cultural services, including audiovisual services provided online.
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