



peacefulfish
consultancy for financing the content industry

European Perspective of Levy Schemes for Film Support Policy

CONFIDENTIAL

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Introduction

The aim of the following study is to define clearly which film financing support model would fit best the long-term policy strategy of the Dutch film industry. In order to achieve this we collected data from the main players in the European market and created an overview of the financing models used for the countries support systems. The overview contains information per country about the management institution of each single country/region, the size of support and to which fields of the film industry the institution gives the support, the market share of local and US production, the average budget size and whether the TV levy/contribution are a fixed amount or depends on success.

In the second part, we focused the analysis on the five main countries with a well functioning levy system; France, Germany, Poland, Norway and Sweden. A detailed case study of each country is fulfilled with a special focus on the impact of the levy system on the local industry. The following criteria were used during the research; Cultural eligibility criteria and conformity with EU regulations; criteria linked to the use of the funds by producers and user-friendliness of the schemes; budget neutrality of the financing for national finance ministry; benefits/drawbacks for co productions (Compatibility with other foreign schemes; Recoupment position of the schemes for beneficiaries and compatibility with commercial money; transparency process in funding collection; direct and indirect impact of such scheme on the national film industry

The third part contains a short reflection on the technological developments linked to levy schemes, and our recommendation on a possible model to be used in the Netherlands based on our findings in part one and part two.



PART 1: OVERVIEW FILM LEVY SYSTEM

Table: Sources Overview 2009

Country/Institution	Size €	Sources - %	Areas of Support
<u>FRANCE</u>			
CNC	575 880 000	Levy Support System	Cinema 41%
National	422 310 000	Tax on Turnover of TV - 72%	> Production - 68%
	121 360 000	10% Tax Cinema tickets - 22%	> Distribution - 8%
	32 170 000	Video&VOD tax - 5%	> Exhibition - 16%
	500 000	Other income	
			TV - 40%
			Digital -2%
		:	Transversal - 12%
			Management - 6%
ARCADI -	6 000 000	Subsidy - Région Île-de-France	Production - 38%
Regional			Festivals - 50%
			Cultural Activities - 12%
Centre Images -	7 994 791	Subsidy - Région Centre - 56%	Production - 55%
Regional		Subsidy - DRAC Région - 5%	Cultural Activities - 23%
		Subsidy - CNC - 10%	Education - 12%
		Other income- 29%	Screenwriting & Dvlpmt 6%
			Other - 4%
PACA -	5 643 901	Subsidy - Region Alpes - 72%	Production 52%
Regional		Subsidy - CNC - 20%	Cultural Activities - 32%
		Subsidy - DRAC Région - 5%	Education - 6%
			Development - 5%
			Other - 5%
CRAVV -	4 3030 066	Subsidy - Region Nord/Lille - 71%	Production - 60%
Regional		Subsidy - CNC - 21%	Cultural Activities - 25%
		Subsidy - DRAC - 8%	Education - 10%
			Development - 3%
			Other - 2%
IlledeFrance -	16 630 937	Subsidy - Region Nord/Lille - 71%	Production - 83%
Regional		Subsidy - CNC - 13%	Cultural Activities - 11%
		Subsidy - DRAC - 5%	Education - 5%
			Post production - 4%



GERMANY			
BKM - National	30 030 000	Direct support - Subsidy BKM	Production - 29%
			Archives - 28%
			Festivals - 23%
			Promotion - 11%
			Exhibition - 5%
			Distribution 3%
			Other - 1%
DFFF - National	60 000 000	Subsidy BKM	Production - Selective
FFA - National	76 000 000	Levy Support System	Production - 44%
		Exhibition Levy - 27%	> Selective
		Video/VOD Levy - 26%	> Automatic
	Fixed	TV Contribution- 21%	Distribution - 40%
		Repayments - 12%	Exhibition - 8%
		Surplus Previous Year - 6%	Other - 5%
		Financial Income - 4%	Company Dvlpmnt - 1%
		Other Income - 4%	Screenwriting - 1%
Filmburo MV - Regional	261 700	Subsidy Ministry Meckelburg	Production - 63% - selective
			Project development - 30%
			Distribution - 7%
FFF Bayern - Regional	27 577 000	Subsidy - Shareholders	Production - 79%
		Free State of Bavaria	Distribution - 11%
		BLM	Exhibition - 5%
	Fixed	Public TV Broadcasters	Project Development - 1%
		Private TV Broadcasters	Screenwriting - 1%
			Video games - 1%
FF Hamburg/ Schleswig-Holstein	13 950 000	Subsidy - City of Hamburg - 61%	Production - 79%
Regional		Levy Support System	Distribution - 11%
		Radio/TV license fee - 15%	Project Development - 5%
		Repayments - 8%	Screenwriting - 1%
	Fixed	TV Company contribution - 5%	Education - 1%
		Radio Contribution - 5%	
		Department Economy - 5%	
Filmstiftung NRW	34 707 551	Levy System - Contributors	Production - 82%
Regional	Fixed	WDR TV contribution - 40%	Distribution - 9%
		RTL TV - 10%	Project Development - 2%
		ZDF - 10%	Exhibition - 2%



		Subsidy - Region- 36%	Training - 3%
			PR - 1%
			Screenwriting - 1%
			Other - 1%
Hessen	7169 500	Bank Investment	Production - Selective
Investfilm			Distribution
Kulturstiftung	375 000	Foundation - Subsidy	Production - 61% - Selective
Sachsen			Festivals - 31%
			Screenwriting - 7%
Medienboard	32 600 000	Subsidy - BerlinBrandenburg - 68%	Production - 72%
Berlin-	Fixed	Pub & Priv TV Contribution - 21%	Distribution - 9%
Brandenburg		Other Income - 11%	Video Games - 4%
			Education - 3%
			Festivals - 3%
			Prizes - 2%
			Training - 2%
			PR - 1%
			Screenwriting - 1%
			Exhibition - 1%
			State Funding - 1%
			Project Development - 1%
MFG Film Fund	12 961 000	Subsidy - BadeWurrtemberg - 54%	Production - 61%
Bade-Wurrtem	Fixed	SWR TV Contribution - 34%	> Automatic
berg		Cancellations - 7%	> Selective
		Repayments - 4%	Other - 15%
		Other Income - 1%	Exhibition - 13%
			Distribution - 5%
			Screenwriting - 2%
			Project Development - 1%
NordMedia	9 541 325	Levy System/Contribution	Production - 78%
Regional		NDR Radio Contribution - 67%	Other - 12%
		Land Niedersachsen TV - 19%	festivals - 4%
		Land Bremen TV - 8%	Project Development 2%
		ZDF TV - 5%	Screenwriting - 1%
		Radio Bremen - 1%	Education - 1%
			Distribution - 1%



Saarland Medien	70 000	Subsidy Community	Production - Selective
Regional			
Mitteldeutsche	12 782 295	Subsidy - Saxony - 30%	Production - 76%
Medienforderung		Subsidy - Region -20%	Distribution - 9%
		Subsidy - Thuringia -20%	Video - 5%
	Fixed	TV Contribution ZDF/ARTE - 10%	Project Dvlpmt - 2%
		TV Contribution MDR - 20%	Training - 2%
			Other - 2%
			Education - 1%
			Festivals - 1%
			PR - 1%
			Screenwriting - 1%
<u>POLAND</u>			
PISF - National	36 000 000	Levy System - 1,5% Levy	Production
		Tax Turnover TV/Ad- 34%	Promotion
		Tax Digital Platforms - 27%	Distribution
		Contribution Cable Distr - 11%	Training
		Tax Cinema Advertising - 7%	
		Tax Gambling - 6%	
		Tax Video/DVD & VOD - 1%	
		Financial Income - 3%	
		Other Income - 2%	
		Subsidy - State Budget - 8%	
KRFF - Krakow	576 391	Subsidy - City of Krakow - 80%	Production - Selective
Regional		Subsidy - Malopolska Region - 20%	
UK	£		
Funding Sources	266 000 000	Film Production Tax Relief - 36%	Production - 51%
		National Lottery Fund - 22,6%	Distr/Exhibition - 12%
		Subsidy Grant DCMS - 14,5%	Admin/Public Service- 8%
		Scottish Government - 1,9%	Education - 8%
		Welsh Government - 0,9 %	Training - 7%
		Northern Ireland - 0,5%	Film Archive - 6%
		National/Regional Agencies - 7,2%	Script Dvlpmnt - 5%
	Fixed	BBC Films - 4,9 %	Business Support - 2.7%
		Film4 -3,8%	Investment PR - 2%
Majesty's R C	95 000 000	Tax	" "



UK Film Council	50 000 000	National Lottery	" "
		DCMS Grant Aid	
BFI	42 000 000		" "
BBC Films	12 900 000	BBC Films	" "
Film4	10 200 000		" "
Scottish Screen	8 5000 000	National Lottery	" "
Northern Ireland	8 200 000	DCMS Grant Aid	" "
Film School	7 600 000		" "
First Light	4 700 000		" "
Welsh Agencies	4 500 000		" "
Film London	3 900 000		" "
FILM CLUB	3 700 000		" "
Screen South	3 000 000		" "
Northern Film	2 800 000		" "
Regional Screens	6 600 000		" "
<u>SPAIN</u>			
ICAA -	90 200 000	Subsidy Ministry Culture - 100%	Production - 69%
National			> Selective
			>
			Automatic/amortization
			Project Development - 21%
			Distribution - 6%
			PR - 2%
			Screenwriting - 2%
			Archives - 1%
IAAL	4 577 371	Subsidy - Region Andalusia - 97 %	Production - 75%
Regional		TV RTVA Contributor - 3%	Project Development - 19%
			Distribution - 5%
			Training - 1%
Consorgio	939 204	Subsidy - Government - 75%	Production - 59%
Audiovisual	Fixed	TV Garlican - 13%	Distribution - 26%
de Galicia -		Local Authority - 10%	Training - 15%
Regional		Other Income - 2%	
Catalan	97 000 000	Subsidy Catalunya - 83%	Production - 33%



Institute -		Federal Budget - 12%	Company Development - 31%
Regional		Repayments - 2%	PR - 28%
		Cancellations - 2%	Festivals - 3%
		Other Income - 1%	Training - 3%
			Screenwriting - 2%
IVAC -	4 564 995		Production 92%
Regional			Distribution - 4%
			Project Development - 3%
			Cultural Activities - 1%
<u>ITALY</u>			
Direzione	96 746 497	FUS - State Support - 97%	Production - 62%
Generale		> Tax Exhibition 8% paid to FUS	> Automatic Box office
Cinema -		Lottery Fund - 3%	succes for 1st and 2nd
National			run producers
Apullia Film	3 809 966	Subsidy Region Puglia - 52%	Production - Selective
Fund -		EU Regional Dvlpmnt Fund - 25%	
Regional		State Budget - 13%	
		Other Income - 9%	
2 000 000	FILAS	Subsidy - Lazio Regional - 100%	Production - Selective
	Regional		
BLS Sudtiroi	5 000 000	Subsidy - Region Bolzano	Production - Selective
<u>SWEDEN</u>			
Swedish Film	56 119 831	Levy Support System	Production - 65%
Institute		> 10% Tax Cinema Tickets - 27%	Distribution - 13%
		Subsidy - Film agreement - 34%	Archives - 8%
		Swedish State Budget - 22%	Exhibition - 5%
		SVT TV Contribution - 7%	Education - 4%
	Fixed	TV4 Contribution - 2%	Project Development - 3%
		Modern Times Group TV - 1%	PR - 1%
		Kanal 5 TV	
		C More TV	
		Swedish producer Association	
Film I Skane -	3 7658 922	Subsidy - Region - 62%	
	Regional	Subsidy Region Skane - 8%	Production - Selective
		Subsidy City Ystast - 7%	



		Subsidy City Helsingborg - 3%	
		Contribution Film Institute - 6%	
		EU Regional Dvlpmnt Fund - 1%	
		Other Income - 1%	
FiV -	9 742 804	Subsidy - Region - 76%	Production - Selective
Regional		Co-production Revenues - 11%	
		Other Income - 5%	
		Contribution Film Institute - 4%	
		EU Regional Dvlpmnt Fund - 4%	
		KK Foundation - 1%	
Filmpool Nord -	3 220 385	Subsidy - Region - 52%	Production - 65%
Regional		Co-production Revenues - 8%	Training - 10%
		Other Income - 2%	PR - 8%
		Contribution Film Institute - 9%	Screenwriting - 5%
		EU Structural Fund - 26%	Project Development - 3%
		Ministry of Culture - 3%	Company Development - 3%
			Distribution - 2%
			Cultural Activities - 1%
<u>NORWAY</u>			
Film & Kino -	12 061 125	Support Levy System	Distribution - 49%
Regional		> Tax on Video/VOD - 63%	Festivals - 40%
adminsters		> Tax on Cinema Tickets - 22%	Exhibition - 6%
Cinema & Film		> Income from Sales - 7%	Other - 4%
Foundation		> Other Income - 5%	
		> Membership Fees - 1%	
Norwegian Film	60 157 969	Subsidy Ministry of Culture - 97%	Production - 82%
Institute		Income from Sales - 1%	PR - 9%
		Cancellations - 1%	Project Development - 6%
			Screenwriting - 2%
			Cultural Activities - 1%
Film3 AS -	571 552	Subsidy - State Budget 50%	Production
Regional		Subsidy - Region - 50%	
FilmCamp -	1 633 744	Subsidy - Region - 18%	
Regional		Other Income - 51%	



		Income from Sales - 11%	
		Other Funding Body - 16%	
		Film Institute - 1%	
FilmFund FUZZ	1 051 313	Private Investors - 49%	Production - Selective
Regional		Subsidy Ministry of Culture - 27%	
		Subsidy Region - 21%	
		Other Income - 5%	
FilmKraft Roga	1 243 126	Subsidy Region - 56%	Production
land		Subsidy Ministry of Culture 37%	Project Development
Regional		Banks - 7%	
<u>ESTONIA</u>			
Estonian Film	3 451 229	Subsidy - Ministry of Culture	Production - 83%
Foundation -			Project Development - 4%
National			Distribution - 3%
			Archives - 2%
			Other - 2%
			Festivals - 1%
			Exhibition - 1%
			Screenwriting - 1%
			Education - 1%
Estonian	1 368 540	Support Levy System	Production
Cultural		> Tax on Gambling - 55%	PR
Endowment -		> Tax other - 42%	Festivals
Regional		Transfer from Capital Reserve - 1%	
		Other Income - 1%	
<u>BELGIUM</u>			
Tax Shelter	60 000 000	Investors Film Production	Production
VAF -	15 722 000	Subsidy -Flemish Speaking	Production - 82%
Regional		Community Belgium - 100%	Project Development - 7%
			PR - 4%
			Training - 3%
			Screenwriting - 3%
Centre du	23 344 612	Subsidy - Community French - 47%	Production - 79%
Cinema -	Fixed	RTBF TV Contribution -26%	Distribution - 6%
Regional		Distribution of TV Service - 11%	Other - 6%



		BeTV Contribution - 9%	Exhibition - 4%
		BTV - 5%	Festivals - 2%
		Belgacom Mobile Telecom - 2%	Pr - 2%
			Screenwriting - 1%
Wallimage -	5 500 000	Subsidy - Walloon Region 100%	Production - 84%
Regional			Company Development - 16%
AVEK -	3 732 481	Subsidy - Ministry Education - 17%	Production - 48%
		Copyright Revenues - 83%	Other - 18%
			Project Development - 8%
			PR - 7%
			Screenwriting - 7%
			Festivals - 5%
			Training - 5%
			Post-Production - 3%
<u>FINLAND</u>			
Finnish Film	25 000 000	National Lottery Fund	Production - 68%
Foundation		Ministry of Culture - 77%	Exhibition - 11%
		National Lottery Fund Ministry	Project Development - 7%
		of Culture Special Bud- 23%	Distribution - 7%
			Screenwriting - 3%
			Festivals - 2%
			PR - 2%
POEM -	688 496	EU Regional Dvlpmnt Fund -73%	Production - 69%
Regional		Subsidy - Region - 25%	Screenwriting - 23%
			Project Development - 9%

Fixed = Fixed agreement between TV broadcasters and authorities

Table: Market Share – Production Number

Country	Production	Co-P nr	Budget	Local Share	US Share	Cultural Test
FRANCE	230	90	4 690 000	37%	49,8%	PS + Jury
GERMANY	144	77	5 000 000	27.40%	64%	PS Facts
POLAND	40	11	1 200 000	20.07%	65.43%	Jury
UK	125	22	1 300 000	16.70%	81%	PS Facts



SPAIN	186	51	2 500 000	15.97%	70.62%	Jury
ITALY	131	34	2 256 934	22.60%	63%	PS Facts
SWEDEN	21	13	2 200 000	20.20%	68.30%	Jury
NORWAY	27	4	2 400 000	22.50%	63.90%	Jury
ESTONIA	5	2	1 000 000	7.33%	67.70%	Jury
BELGIUM	39	30	1 000 000	10.48%	54.82%	Jury
FINLAND	19	8	1 400 000	23.23%	57.86%	Jury

PS = Point System



PART 2 – STUDY MAIN COUNTRIES

Here we present you in detail the levy systems of the following three countries with a special focus on the impact of the system and the country's international system; Germany, France and Poland. All of these countries are obliged to act conform EU regulations. In order for the countries to provide public funding without trashing the state aid rules of the Maastricht Treaty, which provides exceptions to support the development of audio-visual production in EU member states, each country needs to make sure its support fulfills certain standards laid down in Article 87 (3)(d) of the EC Treaty. In practice this means every national film support scheme examines the project on its cultural contribution and relevance, i.e. applies cultural eligibility criteria.

France

France is the oldest system put in place in Europe and therefore gives maximum experience returns

In France the support measures are a mixture of direct subsidies and levies. Around 75% of the financial resources comes from the taxes and levies on the turnover of public and private TV channels or from their direct contributions. The remaining share originating from a tax levied on all cinema tickets for films released in France, video/home entertainment sales and support refunds. It can also be said, the French system is in fact based on a standard of "compulsory saving" grounded on the consumption of the services (at the origin, through this tax on the cinema tickets) and leading to a cycle of internal redistribution. The financing is linked to the film's marketplace performance and does not come directly from the State budget.

The allocation of these resources is primarily done through automatic support mechanisms, i.e. accounting for 71% of production. Furthermore, in France, these automatic mechanisms, which aim to sustain French (or French majority coproduction) production, cover the various stages of the cinema value chain (exhibition, distribution and video). In addition, the amounts allocated by the selective funds are also larger than in the other European countries. Thus the following main subsidies are available:

Automatic Funding

Funding to which applicants have automatic access, as long as they have fulfilled the required eligibility criteria based on a point system. Essentially, it is a question of a film satisfying the criteria of French



nationality to gain access to financial aid.

The funding allocated is made available to producers for their subsequent films. It is a sum of money calculated as a function of the commercial success of their previous film. The box office levy is charged at a rate of around 70 cents per ticket on every ticket sold. The CNC keeps the money in a designated account for the producer and can be utilized to help finance their next French speaking film (including a co-production). As well as reducing the need for other external funding, this levy is available to the producer during pre-production which means that they are not under pressure to sell off rights in order to finance this phase of the film.

Selective Funding

L'avance sur recettes/advance upon receipts: this is essentially an advance (refundable grant) paid to the producer against box office receipts in the domestic market, up to a maximum of around £250,000 per film. This is restricted to French speaking films with a certain cultural eligibility. Approximately 55 projects are chosen at the script stage every year after a cultural test taken by a committee of members of the creative community (producers, directors, distributors, writers, publishers, critics). But only French-speaking (or France regional languages) projects are eligible, which narrows the field, outside France, to French speaking territories, such as Belgium, Switzerland, Québec...A global amount of 21 M" was given away last year, through this selective mechanism. In 2009, only 2 out of them were minority French co-productions to benefit from an advance.

These advances are interest-free loans (repayable from the receipts of the film) rather than grants. They must be repaid wherever possible, if not from the film's box-office takings, then from the automatic aid granted to the film's producers (see 'automatic funding for film production')

L'aide directe: which is a small subsidy paid to non-French speaking directors from small markets (excluding any English speaking markets) to help encourage a broader range of films to be shown in French cinemas. This support has tended to go to highly respected directors who would not be able to put their films together without unconditional state support, which is generally not available in their own country.

The Centre Nationale de la Cinematographie (CNC), the cornerstone of the support and regulatory system, manages the levy system. The year 2010 allowed further modernization of the film support fund. The French Finance Law for 2009 provided for the direct allocation to the CNC of



taxes financing film and television support. Since January 1st, 2010, CNC has been responsible for collecting the Television Service Tax (TST) as well as the movie theater ticket tax (TSA).

Due to the funding managed by the CNC a high volume of production (around 150 films produced each year) is possible in France. It is clear that these levies have had a beneficial structural effect on the French industry, enabling producers to develop their skills and collections plus helping them to finance their productions at the most difficult times. For new producers it could be a bit more difficult to get them going, because they do not have any funds built up with the CNC. Usually though they handle this by producing their first film with an established producer and dividing the levy. This would also work for foreign producers looking to make their first French co-production, but the levy would only be available for any subsequent film made in France. For foreign producers this means the challenge lies in finding a suitable French producer in order to enter the French film support system. Additionally, they have to go make sure their projects are French enough to pass the heavy cultural requirements. France has signed bilateral coproduction agreements though with more than 40 countries, which have also created State support systems for their own film industry, aiming to give each other's films access to their support systems. This opportunity makes the French market more accessible for foreign producers.

France represents the gateway into the continental European market. It is the biggest single cinema market in Europe and more to the point, the place where non-American productions have the biggest share. The French film industry is closer to being entirely self-sufficient than any other country in Europe, recovering around 80 - 90% of their budget in revenues generated from the domestic market, leaving them with only a further 10 - 20% to make from all international sales in order to be in profit.

As a result, French producers tend to be able to retain more of their rights than other producers from other European countries and take a better share of revenues, enabling them to be more financially successful even if, internationally, their films are not as successful as films from producers of other countries. Due to this French producers are less reliant on fees and have a good (better) chance to develop the projects that they really want to make - and which have good commercial potential - rather than being rushed into making the next project that they can get financed.

Along with this modernization of CNC in 2010, the budgetary structure has been renovated, particularly in terms of support presentation. The



advantage here is that the CNC's budget and initiatives are easier to read, because film support and television support are more clearly identified. The other advantage is that crosscutting support is more consistently identified, equally meant for film, television and new technologies. Besides, since 2010, the first subsidies intended for the French Digital Plan have been specifically identified in the budget (€10.00 million). On the level of transparency this means an improvement. The CNC is additionally officially responsible for monitoring cinema ticket sales (Film Industry Code, Articles 2, 9 and 18).

Its responsibilities in this area are set out in the Decree of 4 March 1996 and includes; the conditions for the use of automatic ticket machines; cinema managers must keep a register of daily receipts and ticket numbering; cinema owners are required to submit a weekly report, indicating at least the box office receipts (daily, for all films), the number of screenings of each film each day, the number of admissions to each film each day, the title and number in the public register of films distributors' names, the percentage of receipts to be kept by the cinema owner, as stated in the relevant contracts, the share to be paid to the distributors, the starting number for each ticket category and, at the end of each schedule (or week), the starting number of the tickets to be used for each category the following day, the entrance price for each category;, the amount taken for the supplementary tax (used to fund the CNC and support the film industry), which language version was used for the main films screened (original or dubbed).

The report must be sent to the CNC no more than five days after the end of the cinema week, to the distributors and to the association of authors, composers and musical editors (SACEM). All these requirements indicate a high level of transparency in the collection process by the CNC.

Telephone interviews with Benoit Danard from CNC and Head of Producer's association.

Germany

The German system is analysed, because it is a model working alongside a strong regional funding system. Besides, Germany is at the heart of most European co productions (as one of the most co production friendly countries)

The public film funding structure of a country is linked to the structure and organization of the State. This is especially true in the case of Germany, where the task of supporting the cinema industry is equally shared by the national and the regional Governments, with an overall



allocation of Euro 308M in 2009. The public funding system partly rests on the decentralization of the responsibility to regional film funds, managed at the Länder level: Nordrhein-Westfalen (EUR 27.24 M), Berlin-Brandenburg (EUR 32.60M), Baden-Wurtemberg (EUR12.97 M), Hamburg/Schleswig-Holstein (EUR 13.95 M), Bayern (EUR 27.58 M) and the Mitteldeutsche Medienförderung (EUR 14.22 M). At this level the regions (Länder) have set up individually, or in partnership with other regions, different regional cinema boards fostered by their respective regional broadcasters and local Governments.

These individual states grant direct subsidies to film productions. They generally consist of limited recourse loans that are to be paid back from certain proceeds of the film after deduction of certain costs. Regional funding regularly requires at least the amount granted to be spent in the respective region. In some instances, the regional spend must even exceed the grant.

Case Example: Medienboard Berlin-Brandenburg (MBB) is one of the three largest of the seven regional organizations providing film financing, spending around €30m a year. The financing is provided in the form of soft loans (repayment rate around 5 per cent). About three quarters of the funding comes from the regional budget and the remaining quarter from voluntary payments by television companies.

The implementation of these regional bodies seems to have generated a form of competition to attract AV productions into a region. The share of these regional funds accounts for 62% of German public support. Other supports on a national level come from the Federal Cinema Board Film (FFA) (around 28% of the public support) and the Federal Commissioner for Culture and Media (BKM) (around 8.75%). Finally, a small contribution is made by the Stiftung Kuratorium des Jungen Deutschen Films for new talents.

BKM

The BKM is a member of the Parliament appointed to coordinate the few national actions in the fields of culture and media that are competence of the Federal Government. There are two action lines: the culture-oriented film support schemes and prizes and the economy-oriented DFFF. BKM's overall allocated amount for cinema in 2009 was estimated at Euro 90M.

DFFF

DFFF (Deutscher Filmförderungsfonds) is the German Federal Film Fund. It was created in 2007 with an annual allocation of Euro 60M for a period of three years. A couple of months ago an extension was approved for



another three years. Even if it is not named a tax relief and the fund is not managed by the Federal Treasury, it has the same philosophy as other European tax reliefs.

FFA

In addition to the DFFF, which is set up as a grant on a federal level, the FFA also grants limited recourse-loans on a federal level as well as so-called reference funds granted to producers if a previous project has reached a certain threshold at the German box office

The rules, governing the FFA and the film support scheme cinema, are established. In the Cinema Support Act. The FFA has a budget of nearly €70m a year. This is raised by a levy on cinema operators, video/DVD retailers and public and private broadcasters. The cinema theatres are obliged to contribute with between 1,8% and 3% of the revenues of each cinema ticket - depending on the overall income volume of the theatre(s). The law also fixes a similar contribution of the video industry. Depending on the volume of sales of the company, between 1,8% and 2,3% of the turnover goes to FFA. The third income source are the private and public broadcasters, with each of which FFA signs agreements on a four years basis for financing the cinema industry. The first two are levied at fixed rates according to turnover, while the broadcasters negotiate individual agreements with the FFA. Since 1974, an agreement between the public-sector television channels and the FFA defines the contribution of the two main public TV channels, i.e. ARD and ZDF, to the cinema industry. Renegotiated on a periodical basis, this agreement provides a significant amount of funding for the FFA (EUR 5.6 M p.a.), and includes obligations to co-produce German films for a total annual amount of EUR 4.6 M.

The FFA's main expenditure is on funding film production in the form of grants and conditionally repayable loans. About half of this is automatic, in the sense that any producer who meets the criteria is entitled. The other half is a rebate to producers, which rewards success. Based on audience figures and awards, money is held on account for producers and can be drawn on to fund their next films. Under the new law, this selective fund will fall from €15m to 10m a year.

Automatic support

The automatic support (Referenzfilmförderung) is granted to producers depending on the success of a film for the development or production of a new film. Two ways are used to determine supposed success. On the one hand the reached amount of theatre attendants and on the other side, the nomination or awarding of prizes at international festivals (Cannes, Berlin, Venice...) as well as of Film Awards (Oscars, German Film Prize, European



Film Prize...). According to these two parameters each film obtains a final amount of points that will determine the percentage of the allocated amount (around Euro 15M) granted to each film.

Selective Support

The selective support (Projektfilmförderung) generally represents 10% of the budget of a film and is to be granted up to Euro 1M. The allocated amount for this scheme is around Euro 15M and it has the form of a repayable soft loan -without interest- to be reimbursed during the ten years following the first release in Germany depending on the revenues of the film. The producer is free of repayment up to a revenue equivalent to 5% of the production cost of the film. After this point 50% of the producer's share on the income will be used to reduce the debt until it has been fully repaid.

The usual funding applications' sequence of events begins with the regional funds; after which national support is to be applied for. The TV channels' mandatory investment is regulated by the Agreement on Broadcasting among the German regions (Rundfunkstaatsvertrag), that transposes the rules as a general framework, without concrete specifications on the proportion of investment out of the annual income of the channels. The regional grants can be combined with each other, with the DFFF or with FFA funding, although, generally, the aggregate funding must not exceed 50% of the overall production costs. In general this means a pretty flexible system providing a variety of funding opportunities to producers and co-producers. Thanks to the generous subsidies and film incentives combined with the diversity of film locations and state-of-the-art infrastructure the country has become an attractive region for foreign filmmakers.

In accordance with BKM guidelines, a cultural eligibility test is conducted though for producers. There are specific point systems for feature films, animated films and documentaries. In the first part, the questionnaire focuses on the cultural contents and creative talents, while the second part deals with production. The test features a user-friendly design that makes it easy to fill out. The BKM focuses on cultural aspects and therefore funds national film projects rather than international co-productions. The application has to pass a cultural test to guarantee a minimum of creative participation. The DFFF operates on a first come, first served basis until exhaustion of the annual budget. In principle, funding is



granted to applicants fulfilling the award criteria on an automatic basis without discretionary jury decisions.

The amount of the grant is determined in relation to the production expenditures in Germany and generally varies between 16% and 20% of the qualifying German production costs. However, for the purpose of calculating the amount of the grant, not all costs incurred in Germany are necessarily taken into account in full. Generally, determining which costs qualify requires a thorough analysis prior to the actual application, particularly as the DFFF will submit the film to a final audit to verify if all requirements are actually met.

The money offered through the FFA is only for production and exclusively for German feature films. It is an automatic funding with no jury, but only guidelines. It is a grant that does not have to be paid back. 25% of the film budget must be invested in Germany. In order to apply for the fund the applicant must be responsible for the project and the first release print. In other words it must be a real producer based in Germany, able to develop, produce and release the film. The producer also needs to present a reference that he has to have released at least one film in a movie theatre in the last 5 years. In addition the project itself must qualify and pass the cultural test. It is a test that presents characteristics for feature films, documentaries, and animation, with points assigned, like the European Convention Test. There are 2 blocks: Block A for «Cultural Content and Creative Talent» and Block B for «Production». It is important to stress that if you hire people from Germany for the production, you obtain more points. If you produce a film under the European Convention, you will use their cultural test. For a co-production between Germany, Spain and UK, it will automatically be considered under the European convention.

The main requisite applicants must respond to in order to apply, is that 25% of the production costs must be spent in Germany. Also 20% of the German production costs must be financed in Germany. This makes it difficult for international co-productions, because they need a German distribution company, who has to release the film in Germany with several prints, depending on the amount of the budget obtained. So for example with a budget of about € 300,000 at least 30 prints must be released.

The benefits of supporting filmmaking in Germany are the strengthening of the film industry itself in the regions/country (skill levels, reputation) and secondary benefits to the local economy (catering, hotels, cars, etc). Direct employment and helping film tourism are in fact not such strong arguments, according to Mrs Niehuis representing the Medienboard Berlin-



Brandenburg. In general though the German film industry has made great strides over the last ten years, increasing its local market share from around 15 per cent to 20-30 per cent. This was partly due to attracting an older cinema-going public through the development of "arthouse lite" films, which appealed to this segment.

The FFA keeps track of all the funding collecting. Additionally, information on the success of films distributed in Germany is available from various sources. Using data provided by the four main sources FFA, MEDIA, SPIO/press and AC Nielsen, which can be used to verify the levy on cinema admissions.

Telephone interviews with Peter Dinges from FFA and Alexander Thies, Head of Producer's association (film and TV).

Poland

Poland is taken under review here, because it has been recently put in place bringing some up to date arguments in a country with tight finance. In Poland The Polish Film Institute was established in 2005 under the terms of a new Cinematography Act. The PISF provides the Polish film industry with a modern support mechanism: films are supported from concept to screen, with a particular emphasis on international co-productions.

The Act regulates that the Institute's income is to come from: budgetary subsidies, income from exploitation of films of which the Institute is the copyright owner, and donations. The levy system is assured in the act as well. It states the Institute profits from a long list of public and private entities' income in the amount of 1.5% of their particular income sources. These are: from cinema owners' income received from film and commercial projections, from film distributors' income received from the sale and rental of films, from television broadcasters' income from commercials, from operators of digital platforms' income from programme fees, from cable television operators' income from access fees for television programmes, and from the public broadcaster from its annual income. The structure of the funding in 2009 was as following: distributors 1,6%, Cinemas 6,2%, Cable TV 13,3%, Digital Platforms 25,3% and TV Broadcasters 53,6%.

The Polish Film Institute has an annual budget of over 36 million euro, partially funded by this 1.5% levy imposed on TV, cinema and cable operators. The budget, which depends upon the previous year's national box office is to be provided as non-repayable financial support (around



90%), and is to be distributed as loans to be repaid within a two-year period to projects with high box office potential (around 10%). Meaning, the filmmakers only have to reimburse the money if their film is a success.

The Polish Film Institute awards grants not only for film production, but also other fields of the industry, including film promotion, dissemination of film culture, professional training and film distribution. In 2007 the Polish Film Institute granted over 15 million euro for film production alone. In 2008 this quota was increased to almost 18 million euro. The 2010 budget of the Polish Film Institute was 22 million euro allocated to film production. The same amount of money is allocated to film production in 2011 - 22.5 million euro. In most cases, the Polish Film Institute grants funding up to 50% of the total production budget. The budget of the Polish Film Institute, which depends upon the previous year's national box office, has increased in 2011 by about 25 %. The organization is to allocate about 33 million euro to about 40 film projects this year.

For the last few years, mostly since and thanks to the introduction of the film support system, the Polish film industry has been among the strongest in Central and Eastern Europe stimulating the Polish economy and improving its international position in the market. The Polish Film Institute described the year 2009 as "exceptional", owing to the various international successes enjoyed by Polish film, record audience figures in theatres and the level of financing for local productions. With a market share of 20% the importance of Polish cinema film is considerable. Polish feature production has tripled from 22 to around 60 a year since the Institute was set up in 2005 and its head, Agnieszka Odorowicz says: "There have never been more debuts, animations and documentaries produced that are nowadays." However, the number of projects that have applied for funding is also on the rise. The industry has more public funding than ever before, but on the other hand, there has been an enormous increase in [the number of] projects that are applying for financial support. PFI has recently changed its priorities with regards to co-productions and focuses mostly on those projects where Poland could be a majority partner. Still, due to the well-established public-sector film founding system, Poland remains an attractive country for foreign producers looking for co-production partners. Minority co-productions will have a harder time, especially if they are not relevant to the Polish culture. Now foreign producers looking for money from PFI must bring projects linked with Poland to the table.

Getting financing support is difficult in many countries, and people in the industry are aware that there is substantial money now in Poland. The effect is many requests for funding co-productions. The Polish Film



Institute has to be more careful than in the past and cannot simply give money to projects in which we would be just minority co-producers. In order to receive funding the producers have to pass a cultural eligibility test now. The cultural criteria to meet for each the specific project are judged by a selection committee. There is no automatic point system.

This is the case for co-productions as well. There are two means of support for co-productions. Regular co-production: like domestic projects, co-production projects are evaluated on their artistic potential and must compete against them (the same funding source). The maximum subsidy for a full-length feature film is set at 4 million PLN (1.03 million euro) or no more than 50% of the total amount of funding is to be provided by the Polish co-producer. The project in general must follow the criteria of the European Convention on Co-production. A minimum of 80% of the subsidy must be spent in Poland

For minority production only Polish co-producers may apply with a full-length film. The Polish producer is not the lead producer, and does not only provide services. The PFI subsidy is used for that part of the project produced in Poland. The flowing cases are also considered to be minority productions; in the case of dual co-productions, the Polish contribution is below 20% of the total budget; in the case of multiple co-productions, the Polish contribution is below 10% of the total budget; in cases in which the Polish and foreign producers conclude a contract concerning the co-production; in cases in which there are no Polish representatives in the group comprising the director, screenwriter, and actor in a leading role, but there are Polish representatives in supporting positions such as editing, photography, music, etc; in cases in which the executive producer is not Polish.. These criteria make the market still pretty accessible for foreign producers. If the PFI decides to spend money on minority productions this is an attractive option.

Regarding the transparency. Since 2001 the Film and Audiovisual Media Department of the Polish Ministry of Culture has provided an annual list of the Top 20 films by admissions. This is a good source. The Polish Film Institute is the organization responsible for monitoring the process of collecting funding.

Telephone interviews with Robert Balinski (Head of Co productions) from Polish Film Institute and Maciej Strzembosz, Head of Producer's association (KIPA).



Sweden

In Sweden, the Swedish state, the film industry, cinema owners and the TV companies join forces to support Swedish filmmaking through funding the Swedish Film Institute. Since 1963 the Swedish film policy has been regulated and financed through the Film Agreement, irrespective of the political party in government. The agreement has been renegotiated at roughly five-year intervals. The system is based on this agreement between the state on one side, and the film- and television industry on the other. It is based on the principle that those who exhibit films should contribute to the financing of new Swedish films. The levy is 10% on cinema tickets. The percentage is pretty high, but cinema tickets are only charged with levy. Not the other sectors of the industry. Compared to for instance Poland it is a pretty high percentage, but instead Poland requests levy on all levels of the distribution chain.

On the level of the regional film funds European support systems play a significant role. The strong regional support for the sector, which (in the absence of similar support from central government) has enabled production levels to be maintained.

The Swedish Film Institute has an annual budget of 56 million. The organization allocates funding to cinemas, festivals, screening organizations, regional resource and production centers, and to Swedish launches of Swedish and international films. In this way the Film Institute helps people all over Sweden to partake of a variety of films.

Film commissioners have the task to give funding for the production of new films, with allocation of retroactive funding based on box office figures. The evaluation of the projects is executed by film commissioners. They are appointed for a limited period. The commissioners present their proposals to the board of the Film Institute, which ultimately decides on production funding. The film commissioners' mandate period is three years, with the possibility of a limited extension.

The commissioners also decide without an automatic point system whether a project fulfils cultural eligibility criteria. The subsidies from the SFI are allocated to Swedish films, i.e. films with a Swedish producer or involving a substantial proportion of Swedish actors or other performers. A film by a foreign producer may also be regarded as Swedish provided at least 20% of its production costs are financed by Swedish capital and a substantial proportion of the actors or other performers are Swedish.

2009 was "a unique and exceptional year" for Swedish cinema, with one in three tickets sold for a Swedish film. However, the head of the SFI also sounded a reminder that the Swedish film sector still remains highly underfinanced and is in urgent need of an extra 10.4million euro cash



injection from the State. This extra money would go towards raising the SFI's share in financing a film from 22% in 2005 and 36% in 2009 to around 40%. The average budget size of film productions is around 2 million euro, which is actually a bit more than other countries (average of 1 million) of comparable size without levy system.

Admissions for Swedish films reached 5.69 million, for a 32.7% market share. US films had a market share of 53.9%, the UK 7.3%, Australia 2.2%, France 1.4% and Italy 0.5%.

SFI requires its audience-related production support and advance support to be repaid as soon as income exceeds the total production investment made by those with a share in income, including a premium of 35% of approved financing. The repayment obligation expires when all the support has been repaid, or five years after the film's release.

Transparency

In Sweden there is in fact an "unintentional cartel" of funding decision-makers – SFI, regional funds, SVT and also SF and the Nordic Film & TV Fund. This serves to create poor financial positions for producers and also limits the variety of films

Sweden possesses all the elements required for a successful and dynamic film sector.

Norway

The Norwegian Film Institute is financed by the state. There is no levy system applied through this institution, whereas the support system of Film & Kino is based on a levy system. The four main objectives outlined in the government's 2006 White Paper on Film are gradually being met. These are for Norwegian films to have a 25% share of the local market (it was 23% in 2008), international recognition at world festivals, more diversity in film, and for film culture to be accessible throughout Norway. Norway has a strong record of supporting local-language film production; local films likewise account for a healthy share of the local market (23%). On the level of internationalization Norway is weak. Producers don't tend to look for international partners co-production partners. The average number of co-productions is relatively low (4 out of 27).

The Board of the Norwegian Film Institute makes grants of financial support in accordance with regulations delivered by the Ministry for Culture. The Board comes yearly with a proposal for the allocation for the coming year between the various support schemes. Thereupon, the Ministry for Cultural and Church Affairs will decide the main allocation for the in-coming budgetary year. The Board of Governors may, within a framework decided by appointed by the Ministry for Culture, re-allocate



means between the various support schemes throughout the year.

The financing of all the films included both public and private funds. The dominant source of public funding was the Norwegian Film Fund, which is the main body handling financial film support on behalf of the government. The fund's production financing support is mainly channelled through two systems: One where the review process and funding decision is handled by one of its film consultants, who assesses both the film's artistic and economic viability, and one where the funding decision is made primarily on the film's projected market potential. For both systems the fund expects part of the budget to be financed by private sources, but while the private share of the finance may be as low as 20-30 per cent of the budget. The film commissioners examine the cultural eligibility criteria, without the use of an automatic point system.

The organization Film & Kino administers the Norwegian Cinema and Film Foundation, which was established in 1970. Norwegian law instructs this foundation to charge a certain percentage of cinema ticket sales (contributes for 22%) as well as a levy on video sales and rentals (63%). Film & Kino's activities for the cinema and video industries are then financed by this foundation.

The levy on video and VOD is pretty high which contributes for 63% of total sources. This is forward looking one would say. The main area of support though is distribution whereas production is covered by state subsidy. The revenue from this levy on VOD is probably not sufficient to support production. The Norwegian Film Fund remains the main support fund for production together with the regional film funds.

The Norwegian system supports an 'ex-post' (retroactive) support system, whereby a film which sells more than 10,000 tickets receives support equal to 100% of the producer's net income from all windows during the first three years of the film's life, up to a maximum of 900,000 euro, with the limit set 1.2 million euro for children's films. This gives investors a genuine chance of reclamation and, increasingly, producers are avoiding advance funding in favor of ex-post revenue.



PART 3

3.1 Engagement film support systems with the future

As technology advances, the slow but unstoppable revolution in production, distribution and consumption caused by digital technologies and technological convergence likewise advances. At the moment not all producers are yet sufficiently engaged with new and emerging formats. The question is if the countries with levy systems already link their systems to the new technologies and platforms.

In France there is a levy on VOD platforms. It contributes 5% to the total support fund. On the other side it means an additional minor expense for the support fund whilst 2% of the budget is spend on the development of digital cinema. Besides this, the fund has a section transversal support in which a designated amount of money is reserved for video & VOD, and for the support of innovative technological advanced production and new media.

In Germany the FFA manages the levy on VOD platforms, which accounts for 26% of the total support fund. On the level of funding the FFA supports the development of digital cinemas for 15% of the eligible costs (max. 10.000 EUR per screen) if the own investment is at least 20%.

Poland has a levy on digital TV platforms. This counts for 22% the total support fund. There is no specific amount reserved for any support of the development of digital platforms

Currently, within the Swedish support system, there is very little done to support this and to increase the film producers' engagement in the digital field. There is no funding available for any new digital platforms.

Norway the levy on VOD counts for 62% of the support fund. It is managed by Film&Kino. The money coming from this source is mainly focused on distribution and digitalizing cinemas, not so much on production.

A 2011 report from a European association of regional film funds states that many films are being made without enough platforms to release them. Europe's film industry must face up to the changing realities of finance and distribution if it is to avoid a business crisis, says the report by Cine-Regio. Conventional distribution platforms are shrinking, and yet much of the surplus is publicly funded.



Distribution models that continue to rely upon increasingly outmoded marketing tools, such as release windows and territorial rights, are under growing pressure as online and other new media platforms change the business landscape, says the report "Digital Revolution Engaging Audiences" released during the Berlinale earlier this year. "The reality of the European film industries is that they are facing genuine threats," the report says. "Between 2005 and 2010 the number of feature films produced in Europe increased by more than 28% while admissions for the same period fell, DVD declined and film was pushed to the outer edges of the program schedules." Film professionals, fund chiefs and public policy makers need to learn the lessons of the music and other media industries to engage the audience in new ways through a multitude of platforms.

This report reflects that the national film funding organizations are nowhere near an up to date level of connecting their levy schemes (and finances) to new technology platforms, because if that would be the case this actual status and problem wouldn't exist that prominent.

3.2 Recommendations

The analysis of the different film support financing models in Europe allows us to recommend the type of film support system most suitable for the Netherlands.

In general levy support systems function well for those national film industries that actually apply such a scheme. The market share of the national production is a pretty high percentage, which reflects the market is healthy and appealing for international producers. These countries nevertheless use additional income sources next to the levies they charge, such as direct subsidies. It is effective to have the end parties of the distribution chain on board, because it maximizes the box office of any film and increases productions.

Based on what we have learned the market size is very important. Logically, the bigger the market the higher the amount is that the specific national film industry receives from charging a levy. A small country like the Netherlands can obviously never get a comparable amount of revenue from charging a levy like for instance France or Germany.

For the Dutch film industry we would recommend to keep the direct subsidy and additionally insert a levy system in which the main parties of the distribution chain; the cinema exhibitors and digital platforms are



obliged to pay a levy on their revenue, and the TV broadcasters obliged to contribute an amount on a yearly basis.

The main problem here is how to get these parties on board. It will probably not work on a voluntary basis. Although the levy system could possibly mean a boost for the film industry on the long term it will not be easy to convince the parties to participate. For that reason, the best solution to arrange this is to force the participation within a new levy system by law. A so-called Cinema Act comparable with the Swedish Film Agreement. This specifically designed regulation should explain in detail which players are responsible to financially contribute, how the system practically works and what the percentage of the levy or fixed contribution should be. This Dutch Cinema Act should be re-evaluated on a regular basis, every 3 to 4 years, to keep up to date with the current market. Especially, the fixed amount agreed upon by the TV contributors should be re-considered on a regular basis. The exact numbers are to be laid down in the Cinema Act, but could possibly change every few years.

Based on the percentage cinema exhibitors have to pay in other countries we recommend charging the Dutch cinema exhibitors around 5% levy.

In our digital era and the Netherlands being an advanced player in the field of digital platforms it is necessary to include the operators of digital platforms in the levy scheme. It will be a valuable source for extra revenue. Besides, it would bring the Netherlands in line with the EU Commission directive on VoD operators' contribution to funding audiovisual production. An additional source of income could possibly be hard disks. We would recommend considering the option of charging a levy on hard disks.

On the funding level, i.e. the actual supplying of filmmakers with a sum of money, we recommend to use both an automatic and selective funding system. The funding to which filmmakers should have automatic access would be the sum of money calculated as a function of the commercial success of their previous film (as long as they would fulfill required eligibility criteria). This allocation should be based on a point system. The selective funding should be available for young (first-time) filmmakers appointed by a jury/commission.

For transparency reasons, we would recommend to have only one agency dealing with the collection and the allocation to producers except if an outside collecting agency is used and the charged fee would be minimal.



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The sums of money given should still be as a grant with "good conditions" with a repayment corridor that could be after banks and equity investment. At some point, this repayment corridor should be able to bring some regular "surplus" money back to the fund creating a revolving system.