

**Current revision of the 2001 Cinema Communication
Assessing State aid for films and other audiovisual works**

Bruxelles, 23/11/2011
ID 46323662272-17

Cine-Regio - the association for regional film funds in Europe - gathers 37 regional film funds from 16 countries in Europe. The members run a range of support schemes to support cinema and to encourage cooperation across Europe. At this year's Cannes Film Festival 22 films in the Official Programme and sidebars were supported by Cine-Regio members. During the last five years we have seen an increase in the number of European regions which are getting involved in supporting film production and related activities. Today 24% of Europe's audiovisual public funding (tax incentives not included) comes from the regions.

For all regional film funds in Europe, the next years will see a number of important changes at the European level.

On 22nd November 2011, the Rhône-Alpes Region, the Association of the French Regions and Cine-Regio held at the delegation of the Rhone-Alpes Region in Brussels, a conference entitled "European Regions and the cinema: what are the challenges facing tomorrow's Europe", and would like to draw the attention of the **Committee of the Region** to two important topics:

1. The revision of the 2001 Cinema Communication which lays down the criteria used to apply EU state aid rules to public support for film production
2. The preparation of the next generation of the MEDIA Programme.

For the regional film funds in Europe the most critical topic at the moment is the **current revision of the 2001 Cinema Communication**. Right now a new Cinema Communication is being drafted by DG Competition to be presented December 2011/January 2012. Hence, the EU state aid rules for cinema & film production is currently in a very critical phase. A phase where politicians and others who find the film label "made in Europe" important, should make their voice heard.

One of the main concerns raised by the European Commission as regards the review of the Cinema Communication relates to the territorialisation threshold and the potential conflict with the Internal Market fundamental freedoms. However the Commission fails to explain what the negative effects of territorialisation levels are.

The guarantee of a certain level of effect on culture, creativity, social cohesion and economic growth are at the forefront of many regional film bodies' minds.

Cine-Regio firmly believes that territorialisation clauses have positive effects, particularly as regards the preservation of cultural identities; the creation of a critical mass of audiovisual activities; and the solidarity between regions, mainly through the facilitation of co-production projects.

In order to finance a film today, co-production seems to be the only way to gather the necessary funds, by bringing together the funding possibilities of a number of different territories. Given the networked nature of the European film sector, the consequences of changes to territorialisation for one fund will have ramifications on its neighbours.

In this respect, current levels of territorialisation provision secure the current level of regional funding available to European film. Instability in funding in one region has the potential to affect several regions, through increased pressure

on resources. Changes to territorialisation mean that less funding will be available for the creation of cultural products, not only in the region where direct sources of finance are affected, but throughout Europe.

Allow us to share with you – the Committee of the Region – five reflection points for a new Cinema Communication:

1. Ensure a simplified and better legal framework for regional film funding support schemes.
2. Explicit reference to the regional culture. The new Cinema Communication should explicitly refer to culture and regional diversity as article 167 TFEU already does. The 2001 text only refers to national cultural criteria and Member States without taking into account the role of regional funds as well as their competences in the field.
3. Aid must benefit all film & audiovisual activities in the value chain so far they relate to the film sector. Eligible products are all screen-based content ensuring a cultural merit (same criteria as the Commission's MEDIA Programme guidelines under which film are eligible for support).
4. Territorialisation requirements should be maintained as they stand now. There are no indications neither from the EC Film Study on territorialisation, the Commission nor other stakeholders that territorialisation causes a distortion of competition, on the contrary it seems that lower levels of territorialisation either increase implicit territorialisation clauses and decrease available funding.
5. The current aid intensity of 50% of the production budget, with higher aid intensities for difficult and low budget films should be maintained as it stands now. And higher intensities should be allowed for international co-productions.

In conclusion, the European audiovisual industry is facing new challenges in the digital world. We must turn these challenges into opportunities. European Cinema is one of the cornerstones of European cultural expression. Its importance has for many years been recognised by the EU's competition rules and by State aid control in particular.

Today all regional film funds fulfill an important role in enhancing regional film production and talent development. As for talent, we must continue to support the extensive talent base that we have in Europe – both when it comes to live action film and animation - including new graduates, many of whom – especially in respect of animation - are migrating to North America and Australia due to favourable public incentives for the audiovisual sector. May we take this opportunity to inform you that in Canada and Australia - there are no state aid rules criteria on public film support.

For us in Cine-Regio a culturally diverse Europe is not a Europe where cultural life is centralised around a handful of major cities and capitals, but is a part of the lives of as many communities as possible. Territories are well suited to foster film creativity and culture. Among others because cultural products such as film are influenced by local customs and language. Cine-Regio would therefore welcome a simplified and better legal framework for regional film support schemes in a future Cinema Communication.

In respect of the **MEDIA programme** it is and has been a very important & vital instrument for the development and diversity of European films. The current period of digital transformation is more revolutionary than any previous change in film history. Digital technologies are changing the way films and audiovisual are financed, produced, distributed and watched. Digital change requires a different mindset; and new competencies will be needed to take advantage of opportunities. Sharing best practice in these areas should be a major priority for Europe.

Europe needs a MEDIA programme – ready to make bold decisions and play a crucial role in sustaining the development of the cinema and AV industry in Europe.

Thank you for your kind attention!

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