

Lessons from Europe: A Study on European Audiovisual Media Public Policy and Suggestions for the Development of Chinese Audiovisual Policies

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Abstract

Audiovisual products such as films and TV programs are public and commercial products, but they also convey cultural norms and national values. Although neither the market nor the government is solely responsible for supply and demand, public policy is an effective tool for correcting ineffective marketing activities and realizing public value. Therefore, it is very important to establish a set of public policies for audiovisual media that correspond to the developing scale of the audiovisual industry.

To achieve the aforementioned goals, this paper will initially summarize European audiovisual media public policy. Second, it will analyze the specific regulations of European audiovisual policy, which are based on a balance of market competition and culture diversity. Finally, it will offer suggestions for Chinese audiovisual media public policy.

The research outlined above leads to a conclusion of how to construct audiovisual public policy systematically and creatively; thus, regulations should be based on both cultural and economic principles, as follows. Recipients of financial aid should not be confined to youth directors and art films. Financial aid should also be extended for a director's first or second film, the digital preservation of ancient film, and the protection of language. Further, financial aid should not only be used in the production of audiovisual products but also for funding of scripts and musical creations, photography technology training, post-production activities, distribution,

film exhibitions , and co-production of local and international investments. Multivariate market regulations are applicable to financial aid resources such as taxes, insurance, and lottery tickets, which compensate for the malfunctions of market competition and government regulations.

Through the research described above, this study will be useful to inspire exoteric thought about the construction of legal regulations and public policy for international trade protection of audiovisual products, the international trade and cultural exception, a balance between cultural protection and market equity, the integration of markets and cultural diversity, protection of youth and children, and demands of disadvantaged groups.

Keywords : Public Policy, Cultural Diversity, European Audiovisual Policy, Comparative Analysis

Introduction

Tremendous changes in the European Union (EU) audiovisual media market have taken place since the 1980s. These changes are associated with cultural developments and reforms as well as economic and political situations. The changes have unfolded both internally and externally. The internal aspect is illustrated by the breaking up of the public monopoly system, beginnings of marketization, and the development of a balanced dual system (public and market). The external aspect is seen in a regional integrating process that involves shaping a unified audiovisual media market for the EU to share mutually beneficial policies and fight against media and cultural hegemony from the US. The European experience, model, and perception regarding this transition are good examples for the Chinese audiovisual media industry, which is still undergoing market-oriented reform. This article

focuses primarily on the public funding system of the EU audiovisual media industry and its foundational framework, implementation of principles, and applicability of experiences for Chinese reform.

Internal cause for transition: The requirement for diversity of public audiovisual content cannot be satisfied by the public monopoly system

To promote the development of the audiovisual media industry, it is vital to identify the fundamental contradiction and main obstacles that prevent resolving the contradiction. Then, relevant policies can be made to enhance the driving force of the industry.

The contradiction between supply and demand is the basic problem for the development of the audiovisual media industry. However, some particularities of the industry—caused by ecological reform in contemporary communications—should not be ignored.

Ecological reform in contemporary communications promotes an imbalance in supply and demand, with supply generally falling short of demand

Among the significant changes in the European audiovisual community since the 1980s is, first, an end to the monopoly of public channels with the introduction of private channels. A variety of TV channels and programs have experienced dramatic growth, and the competition has become increasingly fierce. Second, the physical conditions and social environment communications have improved considerably. Many community channels, public channels, network channels, and satellite channels are classified according to the transmission and receiving method; regional channels, national channels, pan-European channels, and international channels are categorized by area covers; and analog channels and digital channels

are listed by technical indicators. With the development of technology and marketization and the casting away of linear communication, mass media facilitates mutual communications and provides timely feedback to an audience. Channels in Europe increased from 103 in the 1990s to 1,132 as of April 2003.¹ Included in this statistic is an increase in movie channels from seven in the 1990s to 113 in 2003² and an increase in sports channels from zero in the 1990s to 92 in 2003.³ In 2014, according to the database of TV companies and TV channels in the EU and candidate countries,⁴ there were 11,473 channels demanding to serve for the EU. A conclusion can be made, therefore, that TV channels have been rich resources and content products are in popular demand in the communications market.

Consumption patterns in contemporary audiovisual programs promote an imbalance in supply and demand for individualization and diversity

During the latest two decades, TV resources have grown significantly, leading to tremendous growth in audiences who consume audiovisual products. In the early 1990s, the percentage of households with a TV set in 15 EU countries was 96.9%, and total advertising expenditures reached 42 billion euros, which was 0.45% of the total GDP at that time. At the end of 2011, the percentage of digital TV households was 92.3% in France, 60.4% in Germany, and 88.6% in Italy.⁵ Fierce competition in the media market strengthens the subjectivity of the audience during the process of communication. Additionally, regarding changes in audience attitudes and opinions, an audience is not only an aggregate of integrity but also a conception of individuation.

Two of the aforesaid elements typify the fundamental contradiction of Europe's audiovisual cultural community—audiovisual products as public resources cannot satisfy because of the persistent and increasing public demand the supplier

system for conventional public media products has not advanced with the times. The trend in audiences' individual selections of media products asks for the reform to public products supplying system and media products supplying chain is a typical representative of this system.

Under the conventional European audiovisual media system, three main obstacles prevent resolving the contradiction:

1. **Governments monopolize the production and supply of audiovisual products:** State monopolies and administrative policies cannot satisfy the varied and complex demands for public products. Therefore, resources should be assembled to provide the public with individual services that cannot be offered solely by state monopolies and administrative policies. Public services should cover social aspects and satisfy the public's various demands; only in this way will the quality of audiovisual products be enhanced with exquisite emotions and humanity.
2. **Unsophisticated audiovisual media products manufacturers:** TV stations as producers of conventional audiovisual media products are not sufficiently sophisticated to meet the varied and complex public demands.
3. **Simplex distribution system and the lack of production funds:** The market is the first and automatic means of distribution; it is focused on benefits and efficiency. Basic public products are provided by the government in the second means of distribution, which basically compensates for market failure. It is worth discussing that besides market and state funds, there is the possibility of building an organic and long-term capital system to guarantee the innovation and creation of audiovisual media products and, subsequently, achieve sustainable development of the audiovisual media industry.

External cause for transition: To oppose Hollywood

Determining how to maintain the cultural diversity and global competitiveness of the European audiovisual media industry has been, historically, an important topic for Europe's audiovisual media community. This topic became especially important when the mighty Hollywood industry occupied the European audiovisual program market after WWI. In fact, the conflict between Europe and the US has been significantly exacerbated since the 1980s.

Europe shares a balanced ability for producing media products with the US as audiovisual media trading deficits fiercely increases:

On one hand, from the perspective of industrial competitiveness, the European audiovisual media market has completed its marketization with the liberation of productive forces; further, the scale of Europe's audiovisual media industry matches the American standard. In 2011, the total scale of the European audiovisual media market, led by TV broadcasting, reached 131,920 million euros, which includes broadcasting net revenues, consumer expenses for AVMS distribution services (including taxes), gross cinema box office revenues, video sales (including taxes), VoD Online revenues (including taxes), and games (offline and online). According to 2012 statistical data, EU media companies accounted for 34% of the top 50 media companies in terms of income from audiovisual media products. Meanwhile, the drawbacks of the EU are also evident. Few overseas audiences are attracted by EU media offerings, especially movies. International distribution of EU media outlets—including copyright distribution and marketing of audiovisual programs and media outlets—is the weakest part of the European audiovisual media industry; it resulted in a trade deficit in 2005 of 8 billion euros to the US.

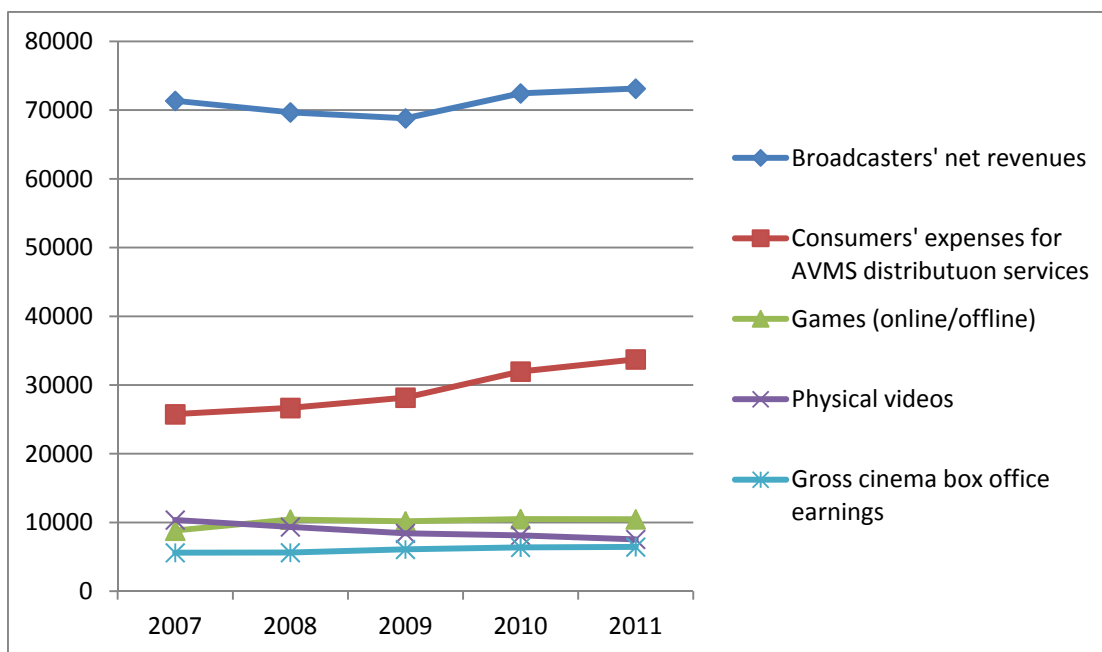


Figure 1. The size of the European Union (EUR 27) audiovisual market is shown for 2007–2011 in millions of euros⁶.

Audiovisual media diplomacy and cultural exception

On the other hand, from the perspective of diplomatic strategy regarding audiovisual media, the US has, historically, criticized the EU's quota system for audiovisual media programs and mutually beneficial policies as trade protectionism, although the EU continues to raise the flag of cultural diversity and insist that its guiding ideology for the audiovisual media industry is the most significant. In other words, the EU promotes the enormous social value of the entire industry, advocating that the set of relevant policies must align with the reality that audiovisual media outlets cannot completely step into the free market like haps and shoes. The EU allows its member states to manage and make allowances for their respective audiovisual media businesses to eliminate obstacles that may be presented when the EU signs cultural agreements with other global partners.

The EU knows that “since media have significant influence in contemporary

world, audiovisual media program performs an important diplomatic function”⁷ Americans noticed the value and power of audiovisual images and has made such products and tools caterers to their lifestyle. The audiovisual media industry in the US is highly strategic in terms of diplomacy. “Hollywood has mobilized many US presidents to insist on audiovisual media careers in the past few decades... ..In addition, the intervention of state and private investments propped up some huge media giants, which ensured the dominant position of the US in the world. That’s the reason why America is always insisting that all the new members who take part in the WTO should open their audiovisual media markets.”⁸

The tit-for-tat conflict—which began in the 1980s—about “American dominating and European were counterattacking”⁹ culminated in the WTO Doha Ministerial Conference (November 2001). The US urged audiovisual media outlets to step into the free market enthusiastically, whereas the EU stood firmly against American requirements. The EU and the US both opposed member states of opposite camps in their attempts to join the WTO, casting opposing votes. The fierce argument ended with the release of the Universal Declaration on Cultural Diversity, which was adopted by the General Conference of the United Nations Educational, Scientific and Cultural Organization (UNESCO) at its 31st session on November 2, 2001. “UNESCO adopted the European standpoint and promoted the opinion to the world. Meanwhile, in the WTO Doha Ministerial Conference, only few countries made substantial audiovisual media liberalization to the US in 144 member states. The EU has maintained the balance of the industry; that’s an important step!”¹⁰ During the eight years of tough negotiations, the cry for the so-called freedom of culture weakened, and most nations took the same position as the EU, Canada, and Australia; in fact, all of these countries accepted the cultural exception opinion in the domain of audiovisual media.

Building the public funding system: The transition from political propaganda to marketing regulations

Public funding policies in Europe were initiated in the 1930s, and the European continent became the new market for American films and their leading ideology at the end of WWI. Thus, the European media community became aware of a growing crisis.

Subsequently, some European countries established quotas to protect their audiovisual media programs from US media outlets (i.e., Germany in 1921, Britain in 1927, Italy in 1927, etc.) and various public institutions, which, of course, could not rid themselves of governmental propaganda proposals and strict censorship, although they were built to protect and fund local and national audiovisual media industries directly. Audiovisual media careers benefited from the quotas. Some private media companies seized the chance to develop based on the fact that they did not completely fit into statutory propaganda planning. These public funding institutions received the support of democratic governments after WWII, and the economic element became the vital reason for the gradual disappearance of existing funding institutions, propaganda functions, and censorship systems.

For instance, the founding of the Centre national du cinéma et de l'image animée (CNC) on October 26, 1946 in France, guaranteed long-term sustainable sources of financial assistance systems. In 1952, a bank credit system was built by the German federal state to guarantee funds for the Deutsch movie industry; further, the Belgium government promulgated a law authorizing establishment of a public institution to set up the first automatic financial assistance system in the same year. The British government started discussions about a public funding system in 1941, and the Eady Levy was promulgated in 1951, although not formally executed until

1954. It marked the beginning of public funding for British films.

The European Commission began to negotiate public funding policies in 1978 (Culture and Education Committee Report, Lisbon), and in 1979, the Council of Ministers reached an agreement that EU member states should promote audiovisual media cooperation and develop policies to foster mutually beneficial collaboration at the state level. Additionally, the cultural cooperation committee founded an expert committee to promote the practice; the organization remained viable until the early 1990s.

The symbols of a well-funded European audiovisual media industry are Eurimages, co-funding constructed by the European Commission in October 1988, and the MEDIA plan, which began in 1990. Budget allocations from 2007–2013 totaled 1 billion euros or more¹¹.

The public funding system of the European audiovisual media industry works under the dual-principle of culture and market in which the system “regulates the policies through culture and works under the rules that the capital should come from the market then return to the market.” An analysis of the two aspects of funding sources and the operational model of the European public funding system suggests that the European public audiovisual media system cannot be described simply by the term “protectionism.”

Source of funds: market and governments

By the end of 2004, the total for 15 EU countries’ public audiovisual media assistance funds reached 1.08 billion euros,¹² including international funds, national funds (main source of funding at nearly 780 million euros), and regional funds. Germany, France, Italy, the UK, and Spain are the countries with the most developed audiovisual media industries; 80% of European features come from these five

countries. Public funding in these countries accounts for 72% of the EU total; furthermore, France funds 46% of the total funds for the EU, and Germany funds 15% of the total for the EU. The international fund has a strong influence in the EU as the European Committee and EU established the fund to assist with the development of European audiovisual media programs and a united European media market through a series of mutually beneficial policies. The total amount of international funds reached 110 million euros in 2002.

Funding activity from 2005–2009 increased from 1,638,315 to 1,919,303 (EUR thousand). The Eurimages Fund and the MEDIA Plan are the most representative international funds. Regional funds are used for offering employment opportunities to local people, improving regional images, developing local tourism, and promoting native culture. For example, the North Rhine-Westphalia film fund and Wiener Film forderungsfond fund in Germany consider as a funding condition whether media outlets can provide both cultural and economic benefits. As repayment for their investments, regional funding institutions declare that all audiovisual media products should be videotaped locally and media producers should employ local staffs and use local techniques, services, etc. The German financing mechanism not only gathers capital; it also promotes relevant local services and activities.

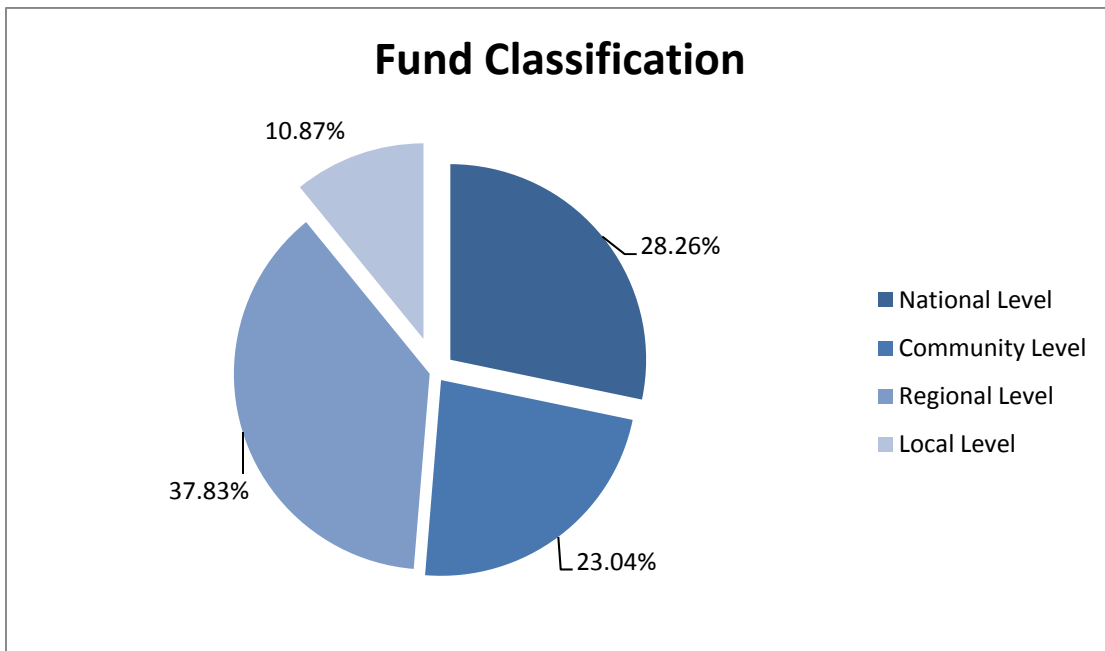


Figure 2. 35 countries benefit from the European Union’s audiovisual media funds; the various funding classifications are shown in this figure.¹³

There are four kinds of sources for European public funds: **national financing and investments from TV stations, the special tax aimed at the audiovisual media industry, income from film box offices and audiovisual products; and other financial tools.** Statutory financial subsidies do not represent major funding sources.

Investments from TV stations

TV stations are the largest investors in the audiovisual media industry; the EU has established clear regulations regarding media productions of its member states: First, the broadcasting proportion for independent films and TV programs is controlled; second, the proportion of funds for independent films and TV programs is limited by quotas; and third, quotas are enforced for investing in European audiovisual media works.

Articles 27 and 71 of *the Freedom of Communication Act* stipulates that French TV stations must support policies pertaining to independent audiovisual media productions, including improving the budget for independent media programs, strengthening the economic and operational abilities of independent audiovisual media companies, helping to boost market releases, etc. Additionally, French TV stations must guarantee that at least 60% of broadcasting time will be devoted to French or European original films and TV programs and a fixed proportion of the annual budget will apply to investments in productions from independent audiovisual media outlets.

Table 1

Budget Proportions for Independent Film and Television Industry Investments (Percentage of Annual Total Income from French Mainstream Television Stations for 2003¹⁴)

TF1	FRANCE 2	FRANCE 3	FRANCE 5	M6	CANAL+
10.67%	12.33%	12.66%	10.67%	12%	3%

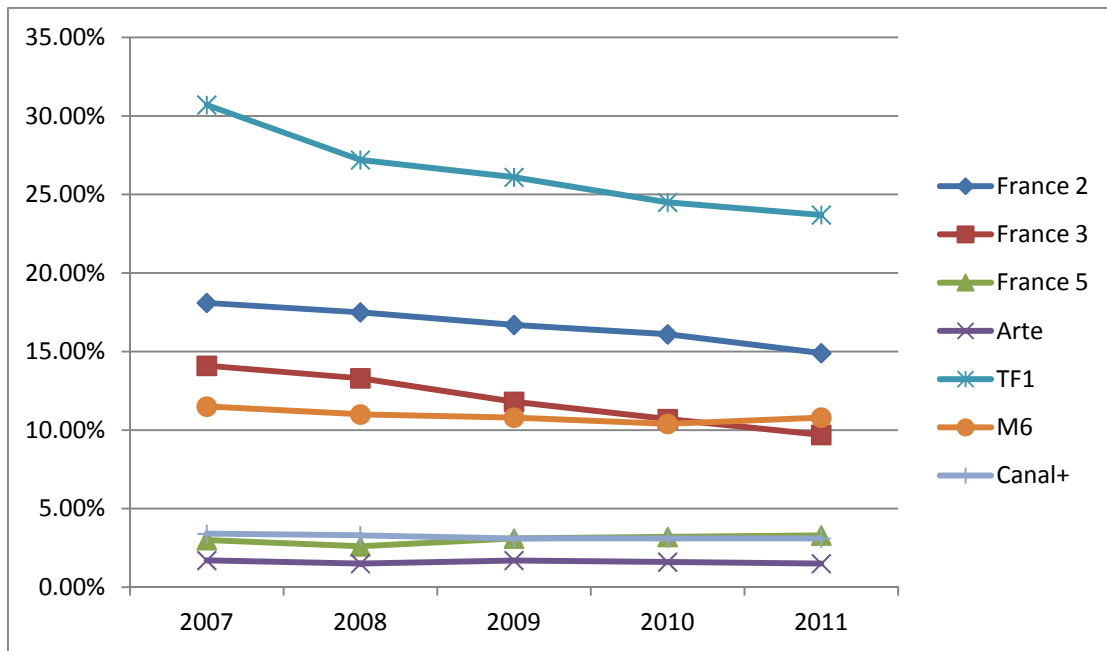


Figure 3. This figure identifies TV audience market shares in France from 2007-2011.¹⁵

The French audiovisual media industry gives special support to its filmmakers; accordingly, France TV must broadcast at least 52 films per year, with 3.2% of its total income allocated to the production of European films. Three-fourths of the funds are supposed to support independent filmmaking.¹⁶

National lottery income

The UK is the only European country that incorporates lottery income into funds; the country also creates financial policies that encourage private investments. British national financing institutions such as British Film Institute (BFI) and other local financing institutions mainly invest in co-produced audiovisual media products. British national funds are active in the support of productions from audiovisual media outlets.

An integrated use of financial tools to form a multiple investment system

Besides the CNC's distribution system for industrial capital, the French film market learned a lesson from the financial capital market regarding expanded investments, the financial outlay for an entire film, and the TV industry as a balance for the CNC's system. In 1985, France built a financing institution for audiovisual media outlets—SofiCa—to attract private and social capital investors to the audiovisual media industry with a tax relief policy. In 2003, SofiCa attracted a venture fund to support 61 domestic films, with total investments reaching 39 million euros.

According to the aforesaid examples and data, the EU provides a holonomic investment system with a national financing mechanism, integrated financial tools, and social capital. This framework assures that the European audiovisual media industry can maintain its activities for decades.

Operational models for funds: A combination of culture and market

There are two important terms applicable to public funds for European audiovisual media—selected funds and automatic funds.

Selected funds

According to the integration of art and popular culture, these funds should support the creation of non-market oriented audiovisual media products that present cultural diversity and have high public value. Selected funds offer supplements in case of market failure, and the processes of gathering and managing capital adhere to the cultural protection principle. This principle makes selected funds the leading choice of the audiovisual media community.

Automatic funds

According to marketing rules, automatic funds disclose policies that make full use of market leverage and a series of economic regulations and control principles for redistributing capital according to the principle of cultural diversity. The capital is moved into the market again to shape effective competition. Funds are supposed to present a balance between economic and social benefits.

Take France as an example, with three main sources of capital for CNC13, the most important French movie fund at the national level: 5.5% from the TV station business tax, 11% from film box office earnings, and 2% from the tax on audio and video products. TV stations are the mainstream investors in the fund, contributing about 330 million euros per year; 34% of the funds are selected funds to support non-market oriented audiovisual media creation, and the remaining 66% represent automatic funds with returns to the producing audiovisual media outlets. Funding supports media creation, publishing, market promotion, the later stages of film and program development, film exhibitions, cultivation of youth talent, etc.

“Next works assistance planning” and the combination of selective and automatic funds

Selected funds support youth directors in their efforts to launch their artistic creations, whereas automatic funds help producers in creating, publishing, and broadcasting. Income from box office earnings from previous works, TV broadcasts, and the audiovisual media market were saved in a special account established by the CNC; according to fixed conditions, the capital will be redistributed or repaid to a director for his/her next work to ensure sustainable development of the film market.

Conclusion

In the process of building and developing its public funding system for the audiovisual media market, the EU model offers the following noteworthy perspectives:

1. A monopoly system cannot meet the varied and complex public demands; supplying audiovisual media outlets requires a diversified product supply system that is aligned with an audiovisual media program market that values both marketing competition and cultural diversity.
2. The particularity of cultural products and outlets should be considered fully, as these kinds of products cannot be sold as general goods¹⁷ because they are integral to the mission of conveying culture and national values. In the international trade community, any sovereignty can choose not to open its audiovisual media market for free trading, take measures to support and promote cultural diversity, make cultural protection policies, and offer public financing assistance to protect and support the local audiovisual media industry.
3. It is necessary to guarantee diversification in sources of media program creation; to encourage a multivariate balance in productions by TV stations, agents, and independent audiovisual media outlets; and to maintain a multivariate and balanced investment model.
4. The public funding system facilitates a balance in automatic marketing choices; the purpose of the system is to compensate for market and government failures. However, public financing assistance should not have its goal as protectionism only; it should also aim to help markets support the prosperous development of audiovisual media products for the public and meet social demands.

5. It is important to maintain a balance between market choice and cultural choice in the processes of investing in, creating, and publishing audiovisual media products. The balance should meet the requirements for long-term state interests, popularization of digital media, and protection of youths, females, and all vulnerable groups. Further, the balance should satisfy the short-term market cycle to offer a self-help system for survival.

“European audiovisual media are fighting two battles: one is a cultural war, to keep and promote its cultural innovation and communication field; the other is an industrial war, to make policies to protect media competitiveness, then to develop media companies and offer employment opportunities... ..only by definite this dual conception can complete the European mission in following, making, and building policies and systems.”¹⁸ This mission is also the pursuit of the Chinese audiovisual media industry.

¹ The data focus is state-level, pan-Europe, and international level channels, excluding 1900 regional channels.

² “European multichannel television: A high turnover business,” *Screen Digest*, May 2003, pp. 149-156. See Table 1 and Figure 1 overleaf.

³ An interview for Evany Covic, the director of human rights and media policy for the European Commission. Interviewing location: European Commission (Strasbourg, France); Interview date March 6, 2005.

⁴ <http://mavise.obs.coe.int> Database of TV companies and TV channels in the EU and candidate countries.

⁵ *Yearbook of Television, Cinema, Video and On-demand Audiovisual Services in 38 European States*, 2012 Version.

⁶ *Yearbook of Television, Cinema, Video and On-demand Audiovisual Services in 38 European States*, 2012 Version.

⁷ Chapter 14, pp. 298-299, *A History of Western Media*, Guangxi Normal University Press, 1st Edition, May 2005.

⁸ Chapter 8, p. 126, *L'Europe en Premiere Ligne*, Zhongxin Press, 1st Edition, February 2004.

⁹ Chapter 14, pp. 298-299, *A History of Western Media*, Guangxi Normal University Press, 1st Edition, May 2005.

¹⁰ Chapter 8, p. 126, *L'Europe en Premiere Ligne*, Zhongxin Press, 1st Edition, February 2004.

¹¹ Besides, the Council of the European Union made a series of plans to protect and promote the development of innovative cultural works such as studies on European literature, MEDIA planning aimed at managing European programs and promoting the audiovisual media industry, the Rafael Plan for protecting cultural heritages, the Kaleidoscope Plan for supporting art and cultural activities, the Erina Plan for the widespread dissemination of European works, and the “The European Commission on culture trip” resolution.

¹² Data origins: “Public funding for film and audiovisual works in Europe—A comparative approach.” European Audiovisual Observatory. Published in cooperation with the European Investment Bank.

¹³ Data origins: Public Funding for Film and Audiovisual Works in Europe, 2011 Edition.

¹⁴ Data origins: CSA and Professor Remy Le Champion, in French Pantheon-Assas (Paris II) University, whose forthcoming *Production Industry* contains pertinent data.

¹⁵ Data origins: CSA and Professor. Remy Le Champion, in French Pantheon-Assas (Paris II) University, whose forthcoming *Production Industry* contains pertinent data.

¹⁶ Heading 1 covers contributions to the development of cinematographic production. Decree No. 2001-609, July 2001, adopted to apply Articles 27(3) and 71 of ACT No. 86-1-67, September 30, 1986.

¹⁷ *Yearbook of Television, Cinema, Video & On-demand Audiovisual Services in 38 European States*, 2012 Version.

¹⁸ Creton, L. *Cinema et marche*, Armand Colin, Paris, 1997, pp. 78-84.