

PRESS RELEASE

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THEMATIC PUBLIC REPORT

CINEMA AND AUDIOVISUAL PRODUCTION SUPPORT CHANGES NEEDED

The policy of providing public aid for cinema and audiovisual production was introduced in the late 1950s for cinema projects and in the 1980s for the audiovisual sector. The emergence of digital technology, the arrival of new broadcasters and changing consumption trends are challenging the very foundations and financial aspects of this policy.

The Court verified whether the policy's objectives are being met, whether the results achieved match the increase in funding over the past ten years and whether the support mechanisms in place are still appropriate.

It notes that public aid has sharply increased in recent years (+88% in the past decade, four times the increase in overall government spending), while the funding model has not been called into question or revised, and the results achieved fail to confirm the continued relevance of this model.

1. Sharp increase in public funding

The extent of public aid provided, the diversity of indirect support and the scope of regulatory framework make the French public support unique in comparison with all other European ones. The system is essentially implemented by the *Centre national du cinéma et de l'image animée* (CNC), which is funded by allocated taxes, and whose aims are:

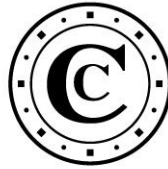
- to "ensure the strong presence of French and European cinema and audiovisual works in France and abroad, and to provide financial support to all players involved in order to achieve this";
- to "contribute to the diversity and renewal of creation and distribution".

Public support is also supplemented by local authority subsidies and tax expenditure, and by a legal framework governing certain spendings and revenues in both the public and private sector (e.g. mandatory investments by broadcasters, media release chronology).

The total taxes allocated to the CNC rose from €440m in 2002 to €750m in 2012 (+70%). At the same time tax expenditure was very strong, increasing from €19m to €145m.

2. Cinema production support: an original model under pressure

The prefinancing model that underpins our system is closely regulated, and has enabled French cinema industry to produce a large number of acclaimed films (270 in 2012) and cinematographic works.



However, this model is showing signs of fatigue owing to the rise in film production and distribution costs and the decline in the number of French films shown in cinemas and on television. As a result, the Court notes that spending is concentrated on high-budget films, which are in turn causing inflationary pressure in the sector.

The rise in production costs is also being fuelled by practices that undermine the transparency of financing conditions (misuse of image rights, credits both accounted for as income and as expense).

While box-office sales in France are exceptionally high, sales are concentrated on a limited number of successful films, while the relative audience of French films is stagnating.

3. Audiovisual production support: investments disproportionate to performance

The audiovisual production support system was inspired by the cinema model. It focuses on quantitative production support rather than on the creation and production of quality works. Therefore, it fails to meet audience expectations. Despite recent signs of improvement, the results achieved are far from satisfactory, both in terms of structuring the production sector and in terms of audience and export success.

Consequently, this policy has failed to generate a network of audiovisual production companies that is sufficiently structured to meet French and international demand, in particular in fiction. The number of hours of French fiction produced over the past 20 years has stagnated, while foreign works of fiction have attracted the highest television audiences in recent years.

With regard to documentaries, the Court notes that the sharp increase in volumes produced is largely due to a very broad definition of what constitutes a creative documentary.

4. The challenges of international competition

Technological developments have rendered obsolete a support policy that is limited to defending the domestic market and preserving France's attractiveness.

The French policy of promoting its territory attractiveness is increasingly expensive, poorly coordinated and has no verifiable impact. The tax schemes designed to attract and maintain production in France are part of a futile race to outbid other players at a European scale. The Court recommends regulating these fiscal practices at Community level so as to curb their expansion at national level.

As for the policy on promoting works for export, it is piecemeal, sluggish and does not encourage players to adapt to the new economic reality, which is based on digital distribution. The new digital era requires changes to the current model, shifting from prefinancing to an investment-based approach, which would require producers to provide more funding themselves.

Current media release chronology rules prevent films from being broadcast via subscription-based video-on-demand services for 36 months after their cinema release. Combined with the fragmentation of the offer of French content on digital platforms, this is hindering the constitution of global services with the critical mass needed to face international competition.

Recommendations

The Court has issued 21 recommendations, notably aimed at:

- **for the overall support system**



- establishing a multi-year spending plan for the CNC in the performance document, based on a detailed assessment of the sector's requirements and the effectiveness of the mechanisms in place, and adapting its revenues accordingly;
- excluding cinema and audiovisual production companies from common law tax incentives designed to encourage individuals to invest in SMEs;
- **for cinema production support**
 - capping the allocation of public aid to the highest salaries and rendering films that use advance payments of additional income in the form of image rights ineligible for public aid;
 - reducing the periods of time during which cinematographic works cannot be broadcast on television;
- **for audiovisual production support**
 - tightening the criteria to be met in order for documentaries to be eligible for funding and to be recognised as fulfilling private broadcasters' mandatory investment obligations;
 - drawing up, via an industry-wide agreement, a standard audiovisual production budget plan that clearly shows the amount paid to the producer;
 - earmarking a larger portion of the CNC's selective aid for the programme writing and development phase and for new forms of creation;
- **for the globalisation and digitalisation of production**
 - using public aid to encourage the emergence of subscription-based video-on-demand services.

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