



Report on the Round Table Discussion 'Big Challenges for Small Cinematographies'

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A round table discussion entitled 'Big Challenges for Small Cinematographies' took place on the 18th of December 2023, in the Cultural Information Center (KIC) in Zagreb. It has been organized by IRMO's Department for Culture and Communication, in cooperation with ZFF Industry, as an outreach event of the Horizon Europe project 'Increasing the international competitiveness of the film industry in small European markets' (CresCine), aiming to present the findings of the project's first-year research activities. The speakers – media scholar Jakob Isak Nielsen from the University of Aarhus, Denmark, media economics researcher Ivana Kostovska from the Vrije Universiteit Brussel (VUB), Belgium, and Martina Petrović, Head of the Creative Europe Desk – MEDIA Office Croatia – discussed the key challenges that are tied to the distribution, production and consumption in the audiovisual industry, the problems and changes caused by the pandemic that put a strain on the whole AV industry globally and shifts brought about by the streaming platforms, with the particular focus on the small markets.

Hrvoje Hribar, director of KIC, Selma Mehadžić, Zagreb Film Festival program coordinator, and Jaka Primorac, Scientific Advisor from the Institute for Development and International Relations, gave the opening remarks. As the moderator of the round table and the CresCine project coordinator for IRMO, Jaka Primorac briefly presented the CresCine project – the consortium partners, aims and the project's main activities, emphasizing that CresCine is focused on researching AV markets in seven small EU countries: Denmark, Estonia, Ireland, Croatia, Lithuania, Portugal and the Flanders region of Belgium. Primorac noted that the idea of the round table was to discuss the key challenges that are tied to the distribution, production and consumption in the audiovisual industry, the problems and changes caused by the pandemic that put a strain on the whole AV industry globally and to shifts brought about by the streaming platforms, especially in small markets.

What Happened to the Small Film Industries After Netflix

In his presentation 'Small Film Industries (After Netflix)', Prof. Jakob Isak Nielsen gave a comparative overview of CresCine's small AV markets presently being researched, which would allow for gaining some new knowledge from CresCine markets that differ among themselves. For each partner country, analytical descriptions of the country's AV ecosystems, explaining historical circumstances that shed light on their current situations, have been prepared. The research aimed to interpret the gathered data more in-depth and provide understanding of facts assembled in the research process – e.g. what would be a plausible explanation for the fact that the production service economy is booming in Croatia and in Ireland, and is non-existent in Denmark; what can we learn from such a fact? Where do documentary films and feature films get their admissions – domestically or internationally? To be able to analyze the seven ecosystems, an analytical grid has been developed that allows the comparative analyses of different indicators across the entire value chain. Three overall orientations can be discerned from the initial findings in these seven markets, often existing in a mix, such as: public funding, production service, and export orientation. The orientation towards public funding is a default in all the analyzed markets, but it plays a different role in all of them. The production service orientation, e.g. various systems of tax credits, production rebates, etc., have different roles and functions within various ecosystems. There is a great discrepancy among the analyzed markets in their orientations: some of them are heavily inclined towards the production service economy (Croatia, Ireland), while Denmark does not have tax credits or production rebates – e.g. the CEO of the Danish Film Institute is one of the most ardent opponents to production services. The export orientation is mostly prevalent in the Irish context. Ireland has a linguistic advantage in terms of export to other markets but has no protection against incoming productions. Due to cash rebates and tax schemes, the Irish production sector is larger compared to that of e.g. Denmark, but Irish films are not receiving as much focus on project development as films in the Danish context. The first insights suggest that in the current media climate, CresCine's small film industries do not have a domestic audience pool which could make them commercially sustainable.

From a stakeholder's perspective, it is essential to consider what kind of industry do we want, Prof. Nielsen highlighted. Within the public funding scheme, there are different considerations – what kind of funding scheme infrastructure is the market having; are they having a mostly artistically-oriented funding scheme or

mechanisms, or is there a commercial market orientation scheme; what is the level of public investment, depending on the budgets of the national film boards, and can it attract investments from private investors and distributors? These orientations can allow us to construct the 'ideal markets'. How are these orientations combined in the markets is looked into – and the compromise model is what all of them are striving for. Four 'ideal models' have been discerned:

- the public service media model that is heavily oriented towards national public funding and domestic audiences;
- the low language barrier model which is oriented towards international audiences;
- the production service model that is mostly oriented towards attracting international funding;
- and the compromise model.

To understand the specificities of the seven ecosystems in CresCine's research, a set of indicators concerning production, distribution, exhibition and reception have been gathered from the LUMIERE Pro and other databases for the period from 2014 to 2022 and corresponding visualizations have been developed. The indicators included: national production, SVoD productions, export markets, VoD share, domestic and foreign audiences. Based on the chosen indicators, corresponding data visualizations regarding domestic audiences, exports, average budgets, production volume, and festival recognition have been created, showing the performance of each market compared to the average of all CresCine markets. Such visualizations provide us with a sense of how different these markets are and give insights into the specificities of different ecosystems. In the presentation, examples of Denmark and Croatia have been discussed. Data on the domestic market shares demonstrate big problems in terms of reconnecting the local audience to the local films, while the visualization presenting the comparison between domestic and international admissions points to the fact that the language factor plays a significant role. The data obtained from the 'Netflix Engagement Report' points to the trend of the collapse of the DVD market, the rise of VoD and its threat to the primacy of the theatrical release window. The theatrical market is still quite resistant, e.g. 70% of the admissions were recuperated in 2022 versus the 2017-2019 numbers in Croatia, and close to 80% in Denmark. The data from the 'Netflix

Engagement Report' that Netflix started publishing in 2023 provides some insights and allows us to spot some new patterns emerging.

Two examples from Denmark and Croatia based on the data from the 'Netflix Engagement Report' have been discussed.

- 1) The Danish film entitled 'A Beautiful Life' (2023), originally released on Netflix, was watched for 45.7 million hours in only one month, a number that re-calculated to 'number of full-time viewers' amounts to app. 462.000 viewers.
- 2) The Croatian movie 'Safe Place' (2022) is "a movie that is too good to be seen by only 9.000 people in Croatia, but is now available on 12 different VoD catalogues, still, for instance not in Scandinavia for the moment", noted Prof. Nielsen.

Even though this data is self-reported, it is interesting to see what patterns are emerging based on the Netflix catalogue. Netflix does not spend large amounts on licensing, but if they invest in commissioning or co-financing, that is where the story changes and it can have an impact – like in the Danish movie case, a movie that is a very generic romantic movie, a typical genre film, however, the director is quite pleased because it allowed him to run a business profitably. There is, nonetheless, a heated discussion in Denmark concerning directors and producers working or considering working with Netflix and HBO Max and those opposing it.

This discrepancy in popularity/quality of those two examples begs the question - what kinds of films will find their place within the VoD space? What types of films are primarily being funded, and do they have to possess the contradiction of speaking to a local and international audience at the same time?

Global Streaming Regulation under the AVMSD

Ivana Kostovska discussed in her presentation the issue of investment obligations for streamers and the question of whether they represent a boost for small markets and how global streamers are regulated under the AVMSD. Investment obligations are just one type of policy measure that is being looked into. CresCine's intention is to come up with policy and support measures and find out how investment obligations and other types of policy measures feed into each other in different markets, both big and small. This area of CresCine's

research is based on data from a study that Vrije Universiteit Brussel publishes annually, the latest one being *Investment obligations for VoD providers to contribute to the production of European works: A 2022 update*. The results from countries that have already introduced investment obligations already a couple of years ago (France, Germany and other markets) have been analyzed. In order to inform future policymaking, models of investment obligations for VoD providers have been examined through 17 case-studies, merits of different regulatory interventions were looked into and lessons learnt from the practice of implementing investment obligations from the perspective of different stakeholders have been analyzed. Member states' choices to impose more or less ambitious investment obligations are often driven by factors such as policy traditions, established industry norms and macroeconomic conditions, and taking these factors into consideration is important because they can explain why the impact of global streaming services is not the same in every market.

There are different models of investment obligations to consider: e.g. levy; direct; levy and direct; and choice between levy and direct – with different rates in different policy contexts.

- France, for example, has a long, established tradition of regulating the sector, to protect independence and diversity; it is clear that investment obligations for streamers were introduced in a similar way as for the domestic sector for some players – and it is related to the length of the release windows.
- In Poland's and Germany's cases, there are investment obligations in the form of a levy, because they have a tradition of collecting levies from the players in the industry and then redistributing them in the form of policy support. This is related to a path of dependency, i.e. previous policies form the way in which investment obligations are formulated.

When analysis is performed beyond the big five markets (France, Germany, Italy, Spain and UK), it is visible that not all member states are in a position, or have the power, to introduce investment obligations with high rates. As a result, the industries in the smaller markets are put at a competitive disadvantage compared to the industries in some larger markets which have high rates of investment obligations and attract investment via streamers. Of course, streamers do not decide to invest in certain markets just because of the investment

obligation, but if there's a member state which has a high quota for national titles and a high rate of investment obligation, and then there are smaller states which don't have national quotas it's logical to expect that they would invest in larger markets because of the scale of these markets.

The question is, how do markets balance between various policy measures, like investment obligations and tax incentives, and are they balancing it well? The data concerning France that introduced investment obligations quite early-on and the evaluation (2011-2021) shows that, for example, the total contribution by streamers in France was €186 million in 2021. It would be important to see how various member states approach the process of evaluation, see if all data is publicly available, how do they collect data from streamers and how this experience is exchanged between the screen agencies and the film funds, to build a better knowledge base. It is also important to see beyond the data on investment obligations that are published by the national regulators and sometimes in collaboration with screen agencies. Through comparing national and European titles in global SVoD catalogues that are constantly changing, the idea is that for small ecosystems and small markets it is significant to see do the investment obligation models in combination with the quota and other types of policy measures work well together and whether there are small ecosystems that can learn from other ecosystems that are part of CresCine's research. Visualizations that have been created to demonstrate the comparison of hours watched of the CresCine and Big Five titles on Netflix, based on the recently published 'Netflix Engagement Report' have been discussed. Such visualizations provided a more granular view, e.g. the comparison at the level of individual titles, which also shows the circulation of content from smaller markets to other markets and indicates content that is insufficiently available.

It is clear that investment obligations are becoming factors that impact competitiveness, and it is not only the type of investment obligations that is important for the markets, but also at what moment will they be introduced - some member states introduced them early on, some are trying later when streamers are already facing issues and streaming lobbies are strong. When there exists an ambition to have a high rate of investment obligation, this can be quite a difficult factor. We can see challenges in some smaller markets, where there are difficulties to oppose to the strong lobbying from the streamers. Therefore, the way that smaller markets are dealing with lobbying is important - in order to introduce a type of investment obligation that would support

the robustness of the production sector but also support the idea of content that could circulate to other markets. The key is to find a formula that would show that investment obligations work well as part of the broader policy mix, even though in every national policy the context is different. Investment obligations as a model cannot be copy-pasted easily in every policy context, so a good fit between investment obligations and other policy measures should be found.

An Overview of Croatia and Other Small Countries' Participation in the Creative Europe MEDIA Programme

The final speaker, Martina Petrović, who has been long involved in advocating for small countries in the Creative Europe MEDIA Programme, presented the 15 years overview of data concerning Croatia's participation in Creative Europe MEDIA Programme. Since 2008, Croatia secured €14 million, mostly for the development of Croatian films, TV series, shorts and video games. 'The Last Socialist Artefact' by Dalibor Matanić is the only Croatian TV series to be supported by the MEDIA programme in terms of development and production. In addition, 6 Croatian film festivals, and 10 Croatian distributors secured promotion and distribution support of non-national European films, and altogether 201 Croatian organisations participated in 611 projects.

Ever since the MEDIA programme was introduced in 1991, focusing on the development of the European AV industry, it has been the only European fund focusing on the AV sector. Since 2014, both the Culture and MEDIA programmes are under the umbrella of Creative Europe, but the offices remained separated - the Culture Office is part of the Croatian Ministry of Culture and Media, while the MEDIA Office is attached to the Croatian Audiovisual Centre. The share of the budget is not the same for every part of the value chain, and in different programming periods, the attention and financing of the MEDIA programme changes. From 2014-2020 the MEDIA Office Croatia performed with great results and 2020 was one of the most successful years concerning the results in terms of withdrawing MEDIA funding, despite the pandemic. In the 2014 - 2020 period, the Creative Europe budget amounted to €1.46 billion and €820 million or 56% went to the MEDIA programme. There were new calls for international co-production funds, the development of European video games and audience development. In the MEDIA 2014 - 2020 period, there were 39 countries included,

11.522 projects carried out, as well as €736 million withdrawn. The participating countries were divided into three categories: big - €424.565.921, medium - €228.098.056 and small - €83.895.046.

In the MEDIA 2021 - 2027 period, the Creative Europe Budget is €2,4 billion (> 0,6 more), 58% goes to the MEDIA programme, 38 countries are participating, and the MEDIA budget is €1.4 billion. There are three directions: 1) cooperation across the value chain of the AV industry at the EU level; 2) nurturing talents - wherever they come from; 3) engaging with audiences of all ages, especially the younger generations, while there are three cross-cutting priorities bringing extra points: 1) collaboration; 2) greening; 3) diversity and inclusion. Due to previous successes, Croatia is now in the advanced group of the low AV production capacity category, and the absurdity is that Croatian producers will be getting less scholarships than producers in some smaller countries like Luxembourg; and some countries are also in the same group but differ greatly by size (e.g. Croatia and Poland). Presently, there are 17 calls for proposals announced concerning content, business and audience clusters. Within the content cluster, in the 2021-2022 period Croatian production companies have been successful, gaining support for 10 co-development projects. In addition, Croatia gained support for seven mini-slate projects (for low AV capacity countries) that included 'slates' of films, meaning that multiple films are co-financed instead of one. If we analyze the MEDIA programme data in general, a big issue is the general transparency of the results (e.g. the amounts assigned to cinemas in the case of Europa Cinemas); while another issue is the diversity of European films. There is quite some diversity concerning development, but when it comes to distribution, e.g. French films take up around 39% of film distribution, followed by 15% by German films - and then Norwegian, Polish and Czech films - other than that, somehow the money gets back to those who receive it the most. Therefore, diversity of distribution is to be addressed if we want to focus on European film diversity and achieve a level playing field across the whole audiovisual chain, where again, the small countries remain in the background.

The roundtable discussion was enhanced by the intervention of Hrvoje Hribar who questioned the adequacy of the current Croatian business model and of the policies in the AV sector. He also suggested that, during the

closing of the round table, a short video of film director Béla Tarr's acceptance speech for the Honorary Award from the European Film Academy President and Board at the European Film Awards in Berlin, Germany, on December 9, 2023, be shown. In the speech, Tarr called for resistance to the industrial approach in the sector, while also drawing attention to the importance of filmmakers' resilience in the face of external circumstances and difficulties. Moderator Jaka Primorac thanked the speakers for their contribution to the discussion, highlighted how it raised further questions about diversity and competitiveness in the European film industry, and invited participants to continue these discussions in the more informal setting of the KIC gallery.



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