Film i Väst

# Analysis.

# PUBLIC FILM AND AUDIOVISUAL POLICIES AND FUNDING AT A CROSSROADS II

A provisional executive summary. May 2023.

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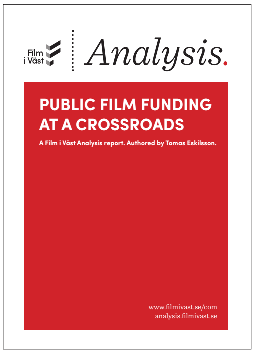
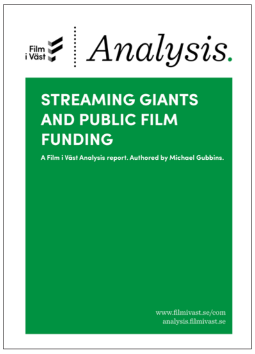



*Public Film Funding at a Crossroads*
Authored by Tomas Eskilsson

Plus 10 regional reports as appendix.

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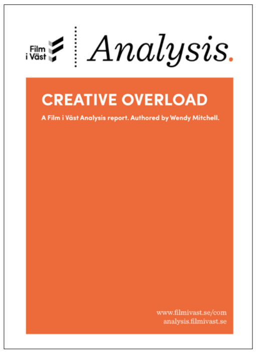


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## INTRODUCTION

*Public Film and Audiovisual Policies and Funding at a Crossroads II* aims to deepen the discussion on the future purpose of public film and audiovisual policy and practice. We are concentrating on the areas that require answers. Report II is connected to *Public Film Funding at a Crossroads* but should not be seen as a follow-up, with that said, we recommend reading the first report. This is a relatively long provisional summary. It aims to provide an overall picture of the issues and topics that the full report will cover.

One of the greatest challenges when studying and reflecting societal processes is the influence of time on "future analysis" and thought figures. Most of us are prisoners of time. The first part of the project *Public Film Funding at a Crossroads* was initiated before the pandemic but was conducted during it. This left its mark both on our own assumptions and analyses, and on the answers and reflections we received from the respondents and participants in the workshops and seminars.

Many of the global and intercontinental challenges whose outlines we then saw diffused, have become sharper and considerably clearer since. The increasing polarization, war and an ailing economy affect all parts of society. However our sector it finds it difficult to reflect on how crises in the economy and society affect basic conditions. It has seen growth and strong development even during periods of inflation and recession.

One year can be enough to reshape realities, discussions, and positions. The rapid transformation of the sector continues, but the lines of development cannot be understood as "smooth lines" with a weaker or stronger slope. On the contrary, we see leaps and bounds, decelerations, and radical changes in the direction of developments. This means that the crossroads is changing character. It is not a simple crossroads anymore; it is more like a confusing roundabout with many different choices. As a result, some actors find it difficult to orient themselves and remain eternally rotating, never finding their way out.

The public sector's policy choices look different than they did just a year ago. How does one avoid getting caught up in the picture drawn by the present, and in making linear projections of development trends? The risk of making mistakes is obvious, while the worst choice would probably be a lack of mobility and change.

How we choose to interpret the ecosystem changes and the ongoing paradigm shift is difficult to pin down. Conservative thinking among private and public players is common – a desire for the balance to be restored and the world to return to the old. Even so, the past year has seen many players slowly adapt to the new normal. The sector has been reshaped and is being reshaped by digitalisation and globalisation. Two forces that it is difficult to resist and control.

There is a lack of coherent logic for film and audiovisual policy in a wide range of European countries. The basic foundations in culture based audiovisual policy are not to be found in the much more extensive and "powerful" incentive funding in some countries (tax shelters, tax incentives or production rebates). Positions on key issues relating to copyright ownership, who and what can receive public support are thus effectively abolished. Audiovisual policy practices is therefore in a number of countries often linked to policy areas with very different objectives.

Europe is a multifaceted continent. Conditions and terms look radically different in different countries. In several smaller countries global players are content providers, but the amount of local content funded is limited. The "market disruption" here consists mainly of the increase in supply. If there is a boom in local content production, it is essentially the product of ever larger and more generous incentives; to some extent it is also linked to the increased commissions of drama series by private broadcasters and local streaming services.

The study *Public Film Funding at a Crossroads* (March, 2022) was triggered by the fact that the digitalisation and globalisation of the sector have reshaped the ecosystem and supporting business and operational ideas throughout the value chain of the sector. The significant increase in capital and in content production have created new conditions for all players. The traditional public actors, film agencies, are losing importance and "power". There are other faster and more efficient ways to get content made than via public funds.

*Public Funding at a Crossroads II* (PFFCII) is based on more than three hundred interviews with key individuals in Europe's film and audiovisual sector, focus group meetings, dialogue seminars, commissioned close up articles on selected countries and an extensive survey where film agencies answered a wide range of questions.

Two key questions concerning the purpose of future film and audiovisual policy have dominated discussions in the sector over the past year or so: "How could and should one cohabit in the transformed ecosystem?"; and "Where do we see content in the future?'. It is necessary to add "How will external factors influence policy and practice in the future?". Here we include technological development, such as the implementation of AI tools and the development of metaverse.

## EXTERNAL FACTORS

Paradoxically, a smaller proportion of respondents than a year ago are worried that the economic situation will drastically affect the resources available for public culturally motivated financing of film and audiovisual works. If there is one concern, it is about what general and sector-specific inflation will mean for the value of public support – not about such support will continue to be offered.

The economic arguments for implementing new incentives and to some extent strengthening existing ones have so far benefited from the weakening of economic development. There is a continued belief that incentives can deliver economic value. This is despite the lack of capacity and thus the obvious risk that incentives will mainly result in enhanced inflation.

Inflation and the slowdown in the economy have created a cost-of-living crisis, the question is how this will affect households "willingness" to consume audiovisual services such as: cinema, pay-tv and various forms of OTT services. There is currently no reliable forecast for how this will play out in Europe in the year to come. The respondents assume that total consumption measured in terms of how much citizens spend on audiovisual services will not increase in the next years. There is concern that cinema attendance will continue to decrease as the price of the ticket is perceived too high in relation to what most households can afford to pay. The alternative cost to access similar content with the same quality will not work out in favor for movie theatres – a view shared by most respondents.

The streaming market is constantly evolving. It is not a fully structured market, although it may look like it is consolidating. The constant tactical and strategic changes and movements of different media and streaming giants create a difficult picture to interpret. In some territories, the financial situation of households may lead to more people choosing AVOD or FAST [Free Ad-supported Streaming Television] solutions and replacing one or more of their SVOD subscriptions. This development looks likely to be more pronounced in the United States than in Europe.

Authoritarian and illiberal tendencies have been strengthened in

Europe and created increased political polarisation. Cultural policy and related areas have been transformed into a conflicting field in a completely different way than before. Traditional, authoritarian, and nationalist ideals are set against green, alternative, and liberal values and transformed into manifest ideas about what art and culture the public should support and how the public should operate in different areas of art and culture.

The respondents only in exceptional cases reflect on AI, metaverse and other technological developments. When they do, it is usually about the streaming giants' use of algorithms. There is a certain awareness that AI can "write" film and drama series scripts. However, for most respondents the fact that AI can be implemented in many areas in the production of audiovisual works is not yet perceived as a reality, but as science fiction. Generative AI can be used today to completely change the condi-tions for producing several types of expressions. It can completely change the business models of a wide range of companies in the audiovisual sector. It can also affect the organization of labor, and which skills and competences are central. Our sector will have to address the extent to which generative AI is disruptive and divisive. The question is not if but when generative AI will be used to organise large parts of the production of films and drama series. One can imagine that the values AI can create will become difficult to resist for a wide range of companies. Another crucial question is how AI will affect creators' work as it increasingly takes on 'creative responsibility'.

## FUTURE PURPOSE

The debate on the future aims of film and audiovisual policy is ongoing and unresolved. It moves in circles around themes that have been on the table for years, but in recent year with a specific emphasis on:

- the transformed ecosystem
- what type of contents and expressions are really in need of public intervention and support?
- who should the policy serve?
- what are the "market-disrupting forces" doing to the existing film and audiovisual policy?
- the changing balance of power
- the overproduction of content
- how to understand the effect of the content boom on audiences, audience choices and the future position of movie theatres

In recent decades, audiovisual policy has developed in many European countries. Only few countries and regions have a film policy that does not include other audiovisual expressions and formats. Across countries and regions there are common denominators in their audiovisual policies, but also differences about how they imagine the scope of the expressions and formats that they accommodate in both policy and practice.

Looking at European audiovisual policy from the outside, it is easy to interpret it as an ad hoc arena in which areas are integrated as they become established and without a thorough analysis of whether they address market failures or market disturbances. There is an obvious risk that any audiovisual expression, must not only be integrated into policy, but also transformed into an area that is rewarded with a support program. So far, the big winner in the transfer to audiovisual policies is drama series – but how relevant and reasonable is such a priority today and in the future? Drama series production has benefited more than any other form of expression from the expansion of the OTT sector and from the strengthening of different forms of incentives. Is it reasonable for film and audiovisual agencies to add to that expansion?

Very few of the study's respondents reflect the limit of how many expressions can be integrated and embraced by audiovisual policies. If there are question marks, they concern the relevance of support for video game development.

The debate on different publicly decided funding models for film and audiovisual policy is of different importance in different territories. In countries where incentive funding and private investment dominate, the playing field for the talks looks radically different.

At regional level, there are other dimensions that are crucial and determine to what extent a region itself can decide its focus and priorities. A significant degree of freedom to define their own audiovis-ual policy exists for regions in federal structures, in countries where the regions themselves have the right to tax the citizens, and regions that have a more autonomous status given by "law".

In countries where national film agencies grants are essential for regional film funds, the possibilities to decide freely about objectives and priorities are limited.

Some of the above arguments have bearing on the discussion of what are the limits for what Eu-rope/the EU – read politics – should regulate. The audiovisual sector is currently the most regulated area in the cultural sphere.

There are rational reasons for this, but at the same time there is a risk that vitality will disappear. For many public and private respondents, regulation is the first, most important and most central tool for the public sector. There is an obvious risk that it obscures the need for rethinking purpose and objectives. The details become more important than the whole.

Tax incentives or production rebates are common tools in state policies to support national production, to create jobs locally and growth in the economy. Today across Europe there are 33 European different kind of incentives. In the 2010s, incentive systems grew in importance. They led to an increase of available funds, of the maximum amounts that a project could receive, as well as of the percentage of the amount spent in the territory that was offered. 20 to 25 % in many cases has become 30 to 40 %. Since 2019, the value of the various incentives has remained unchanged in Europe, partly as an effect of the pandemic. However, five countries have increased the value, in some cases substantially. Especially Italy 10% up, Slovakia 13% up and Spain 30%-50% up.

The "subsidy race/incentives war" is essentially a Western and Southern European phenomenon.  One can speculate about the motives. We believe that two can be found: the desire to become a leading/ the leading European production hub of local and international audiovisual works; and/or the desire to counteract the risk of losing production to other countries.

The respondents' discussion of the incentives revolves around:

- The need to work with a more complex purpose that is more clearly linked to film and audio-visual policy in Europe, generally, and in the specific territory.
- The need for the same basic rules to apply to who can be beneficiary from incentives as to traditional film and audiovisual funding.
- The need to link incentives more clearly to cultural values.
- The need for the EU to regulate incentives by maximising the percentage and total amount an individual project can receive.
- How to prove economic effects when virtually all countries in northern, western, and southern Europe have major capacity problems: lack of, or limited, capacity to use incentives basically only create inflation.
- The real power over film and audiovisual policy is shifting in countries where incentive funding works with greater funds than the "traditional" public system from the cultural sphere to economy/ finance/tax.
- To be or not to be – should we not reset Europe?

Capacity, lack of creative talent (including producers), line producers, central team functions and adequate facilities have been hotly debated topics in recent years. The capacity problem is a direct result of the boom in content production. Capacity is generally commented on by respondents as an important underlying factor but, for the respondents, it is not central to the discussion of the future audiovisual policy and practice – with one exception: talent development.

There is great variation in opinions about the direction of talent development. Should the old focus on short films such as 'school' and "development platform" remain, or has time made that mindset obsolete? Should the model of the future be format-neutral and include hybrid formats, prototypes and pilot episodes for web series. And are social media platforms, such as YouTube, TikTok etc., central to both finding and disseminating the talents' work?

The overall purpose for national and regional talent development is still diffuse and is not related to what the development in the ecosystem looks like, or the overall targets for audiovisual policies (here we include incentives).

Several talent development programs are run around Europe in collaboration with a global streaming giant. Both film agencies and the streaming services sometimes finance the programs. At film agencies there are different opinions about whether this is the right way to go. Some worry that talent academies will streamline the participants and adapt them to the streaming service's algorithm-driven storytelling and to the production models preferred by OTT services. Others see a marginal difference to the world that talents encounter when hired/hired by one of Europe's major production companies to produce, direct or write drama for a broadcaster – no need to worry.

During the work with PFFCII, we have come across very few proposals aimed at reforming the structure for public film and audiovisual funding. This does not mean that there is no change inside film agencies, but it is marginal reforms more than revolutions.

A coherent and strikingly clear critique of the film agencies' way of working was expressed in the first report. This was about extensive bureaucracy, slow or extremely slow decision-making processes, and lack of knowledge about the new market conditions. Most film agencies that responded to the survey agree with the criticism of their own operations regarding slowness, bureaucratization, and lack of competence about what logic and mindset of the "new world" actors. Almost half have started work aimed at change and improvement.

The survey is also clear in another aspect, which we believe is also prominent in how respondents, regardless of position, describe the situation. Without politics and policy makers, there will be no real change.

## HOW SHOULD WE COHABIT IN THE TRANSFORMED ECOSYSTEMS

The evolution of the moving image landscape continues to be dynamic and rapid. SVODs are complemented by AVODs, FASTs and other letter combinations. There is growth in all these fields, but not in all territories. The pictures vary from country to country. The fast-moving landscape does not in itself make it more difficult to work on the future purpose of film and audiovisual policy. The cornerstones of the transformed ecosystem are paradoxically becoming clearer. The rapid development makes it necessary to have a sharper discussion about what transnational, national and regional film agencies can and should focus on. It is impossible to be everywhere and the areas where public financial support becomes relevant and meaningful may be fewer in the relatively short term.

The continuing digitalisation and globalisation are challenges facing the sector's policymakers, and film and audiovisual agencies. Cohabitation in the transformed ecosystem may within a decade be considerably more complex than today. It is therefore crucial that position and definition discussions focus on what is at the core of public assignments and on the values that can be sustainable in a fast-moving landscape.

The discussion about how national and regional film agencies should relate to streaming giants, mainly global ones, has changed character over the past year or so. Black and white have become greyer. The discussion is increasingly about what can be gained from co-financing and cooperation in defined fields with clear rules and limits. The transformation of the ecosystem coupled with the issues of rules and boundaries puts definition discussions high on the agenda. The question is what definitions will be sustainable ten years from now and therefore make it worthwhile to spend a lot of time to arrive at them.

We define the *Grey Zone* as an arena where film agencies and/or public service broadcasters co-finance local content with a streaming giant. If this concerns a film, normally the production company owns the project. The work's country of origin can exploit the content for a defined period of time (normally eight months), the global SVOD rights have the streaming service for a lengthier time (it can be as long as ten years) after which the SVOD rights go back to the production company. With regard to drama series, though, there is no fixed and clear pattern.

The *Grey Zone* or whatever you choose to call it is one of the most reflected issues at present. The discussion is partly conducted in public, but it is also an issue that several national film agencies and regional film funds are grappling with internally.

*The Grey Zone* offers several benefits to PBS and film agencies. Attractive projects in the domestic market can have a guaranteed large global spread and potentially reach an audience many times larger than the one otherwise received. The funding process is shortened. This increases the possibility of retaining key talent in the projects. If a project can be done with few partners, the opportunity for artistic and creative freedom and control increases. For regional film funds that focus on manifesting the image of their own region's people, environments and stories, financial collaboration with streaming giants can significantly increase fulfillment of key objectives.

Respondents identify few disadvantages of grey zone financing even if some fear what the balance of power in projects may look like. In our survey, just over 40% of the film agencies have financed at least one film or drama series that is also financed by a global streaming giant, but where the rights have remained with the producing company. For 80% of these respondents, the reason for participation is that it benefited the produc-tion company in question. There are only a few film agencies that have a well-thought-out strategy linked to the transformed ecosystem and the opportunities that *The Grey Zone* offers. The discussion on how Europe should relate to and perceive the involvement of global streaming giants in the financing and dissemination of local works affects mainly Western Europe. In some European countries global players do not commission local films and series. Also, viewing patterns differ, as in parts of Europe residents mainly watch streamed content, while in other countries linear viewing still dominates.

In the first report, local versus generic content was a common recurring reflection. Today, few respondents comment on this - even here the world seems greyer. Many producer respondents feel that streaming giants offer greater artistic and creative freedom and control than 'old world' actors – a major challenge for film agencies and public service broadcasters. On the other hand, there are respondents who claim that SVOD services increasingly choose streamlined mainstream content. At the same time, some ask whether this deviates from how private and public service broadcasters act, and if that is surprising.

## WHERE DO WE SEE THE CONTENT IN THE FUTURE

How will we, and how 'should' we, consume "film' and other types of audiovisual works in the medium term to meet key audiovisual policy objectives? And, depending on the answers, what do film agencies need to do to achieve the objectives?

Previous paradigm shifts in the sector have been characterized by a sharp increase in supply, an influx of capital and enhanced opportunities to choose where we see, what we see, when we see and how we see. In substance, the paradigm shift we have had now is no different from the others. Previous periods of transition have seen the conditions and attractiveness of different viewing windows reshaped – so is this one. The debate and discussion have largely come to be concentrated around cinema films and movie theatres, but that is making it too simple. The paradigm shift affects the conditions for all existing viewing windows and for all actors. One example is the great concern that "packagers" of VOD services and pay-tv will make Public Service Broadcasters invisible and thus impair the conditions for local content to find its audience.

Europe's film and audiovisual policy are largely hung up in the movie theatres – this is even though many countries have written platform neutrality into their governing documents. The movie theatre is seen as the church in the middle of the village.

During the work on the first report, comments were made on the overproduction of films with little or no potential to reach an audience in theatres. When we presented that report around Europe, the overproduction of film was a topic that was engaging and where action was called for. A massive majority of respondents said that the film agencies should prioritise cinema films in the future, but that support should be given to fewer films and be considerably larger.

The discussion about overproduction is even more marked today but has partly changed character. There are parts of Europe where overproduction is seen as a general problem – too much of all types of content are produced, not just film meant for the traditional window model.

The combination of: movie theatre owners' concentration on "less is more"; a decrease in real capacity (measured in the number of chairs and lounges); the heavy dependence of European cinema on public selective support schemes where the economy has been weakened by inflation; and a growing awareness of the need to give considerably greater support to fewer films suggest that the problem of overproduction of an excessive number of cinematographic works may partially resolve itself. Overproduction in combination with the regulated window model has been a European problem for a long time. The number of unique film premieres increased during the 2010s at a rate that was in no way matched by an increase in capacity at the theatre level. As a result, films that could potentially reach an engaged audience never did so as they were stuck in the window structure and forced to start their public life in a window where they were given marginal space.

The public support system is thought in many territories to generate a certain amount of cinematographic work, regardless of whether there is a demand and/or an opportunity to disseminate it in a sensible way. The public system is in an unreflective way stuck in old truths that can sometimes be traced to the number of films that are assumed to be needed to have a strong market share for local film, or in a mindset that can ultimately be attributed to keeping companies (and creators) alive. Another relatively frequent opinion is that many support decisions are required for the few successful films to emerge; in other words, it is presumed that a certain number of films will simply not do well, but it is not possible to fully know which ones they will be. However, most respondents believe that local markets are predictable – which is not to say that any single title will perform better and some worse.

Most respondents across Europe believe that the dialogue between creators, producers, distributors, financiers, and movie theatre owners is far too weak. If there is no strong consensus, the conditions for managing individual works are reduced, so that the overall public benefit can be maximized. If film agencies want to take a more active role, this is an appropriate area where they could play an im-portant role in helping to maximise the public outcome.

## KEY CHALLENGES FOR AUDIOVISUAL POLICY, NOW TO 2030

In interviews and survey responses, most national and regional film agencies then see themselves as a product of the territory's audiovisual policy, and consider that change in fundamental principles and operational objectives must ultimately be initiated by the politicians. In the first report, we found that an overly rigid understanding of the link between politics, policymakers, and the contractor (i.e., film agencies), risked creating an overly passive attitude on the part of the latter. We therefore urged film agencies to actively push forward the necessary work for change.

Over the past year, it has become increasingly clear that a change in audiovisual policy requires not only political decisions but also political initiatives. The ultimate aim of the transition must be to find a long-term sustainable relevance and thus attractiveness for the practice of audiovisual policy – not just to temporarily adapt the policy to the transformed ecosystem and the resulting radically changed conditions.

The understanding of the transformed ecosystem is quite different in different parts of Europe. This is logical as the development has looked different and moved in different speed in different countries.

The lack of common understanding and the fact that the development has been so scattered poses greater challenges to the EU and other pan European structures than before. What should be considered the starting points? And how could those starting points be perceived as relevant in the whole continent, and not just parts of it.

The cultural policy-motivated film and audiovisual policy has lost its central importance in many countries and regions. This is partly due, as we write above, to a combination of factors: the build-up of ever more extensive and generous incentives; the inflow of American capital for local production of films and dramas; the massive increase in supply; and the aggressive efforts of private local players (broadcasters/telecom companies/streamers). These four factors are linked in a complex way that can vary from country to country. The positions of film agencies and public service broadcasters are considerably weaker – from being a big fish in a small pond to being a small fish in a large lake. Very few European countries have so far been able to reform or adapt their audiovisual policies to meet the challenges created by the above factors.

One of the most frequently commented challenges is incentives: the subsidy race, the incentive war. There are plenty of voices arguing that some form of strengthened pan-European regulation is needed. Most respondents choose to link the discussion to synchronization of who can receive public support in across different schemes but there are also respondents who want to see more dimensions considered for support via incentives. Horizontal perspectives such as inclusion, all types of diversity (also geographical), sustainability and gender balance are factors that should be considered. It is also discussed whether other factors could be included such as if the project contributes to enhanced overall quality: genre diversity and thematic diversity.
There are "internal factors' which may explain the weakening of audiovisual policy. The lack of a coherent logic for audiovisual policy that links the traditional, usually cultural policy-motivated principles, with the economic policy principles that are the starting point for different types of incentives.

The transformation of the ecosystem in terms of both external and internal factors creates a discrepancy between overall objectives and implementation. There is a great risk that the culture policy motivated measures will be undermined or further marginalised as they are perceived as ineffective and unattractive. It may seem like a dystopian picture of the future, but it is a real threat that many of our respondents comment on.

To the two above factors should be added the delay in changing one's policies. In many countries and regions, it has simply not been perceived that the express train is on its way before it has passed the station. In a first step, policymakers must formulate policies adapted to their own territory where construc-tive principles are productively found for how cohabitation in the transformed ecosystem should look. A second step must reflect the paradigm shift, the attractiveness of local content and the ability to genuinely reach and concern almost all citizens. It is necessary, considering the situation in its own territory, to find a window order/media chronology model that ensures that publicly supported content can reach the widest possible audience. A tough showdown with traditions and interests awaits.

Film policy has lived in symbiosis with cinema. We believe that this tradition is worth upholding at present, but the why and how must be reformulated and adapted to the present and the future. Movie theatres can continue to play a role in the great shared experiences – a central dimension, albeit sometimes an implicit one in the cultural policies of most countries and regions. To secure the position of movie theatres in audiovisual policy, it will be necessary to define more clearly what great shared experiences are and how they relate to local cinema.

There are interesting examples of how audiovisual policy can be reformulated to meet the paradigm shift and the challenges of the transformed ecosystem. We will study and concentrate on solutions in the third and last report that will be published August 2024.

## FILM AGENICIES AT THE CROSSROADS

The situation of film agencies is a mirror image of the challenges of politics. Film agencies and regional film funds see themselves as a direct extension of audiovisual policy in their territory. In many cases, this creates an overly reactive approach that risks deepening the trust gap that exists in relation to many of the sector's private actors.

There are some additional and/or sharper challenges for film agencies. One of these is the combination of changed business models/ business ideas and the continued transformation of the production company landscape. [See *Public Film Funding at a Crossroads*.]

In many countries in northern and western Europe, film and drama series production is completely dominated by production company groups. Banijay, Beta, Mediawan, Freemantle and Newen are some examples of European-owned groups. In some countries, American-owned counterparts challenge them. The large production company groups account for more than 80% of the production of films and dramas in large parts of northern, western and southern Europe. The groups/conglomerates operate with a range of brands. It is not charity activities that are run. The owned companies must deliver to the parent company. The easiest way to do this is to invest in financeable content, volume and margin. Drama series are a safer bet than feature films for theatres. This does not mean that ownership and exploitation of owned rights would be devoid of interest.

A few respondents reflect on what the concentration of ownership at the production company level means for film agencies' ability to deliver against artistic and public objectives on the film side. The two-tier production company landscape: acquired companies incorporated into a large international group of companies versus very small and unstable production companies with weak continuity is a real but rarely debated challenge for the ability of film agencies to deliver against both public and artistic objectives. In many Western European countries, only a few production companies with continuity and more than five permanent employees have not been acquired by an international production group or have strong links to an integrated company. The major challenges for film agencies are that the larger companies have a better ability to be stable suppliers of, not least, qualitatively good films with great audience potential. The changes in the production company landscape have had a major negative impact on how many ambitious (i.e., with an estimated budget of around 3 million Euro or more) projects are developed.

There are no signs that film funding offered by film agencies has become more attractive since we made the first report, quite the opposite. The same applies to financing models based on a wide range of partners and complex co-production structures. The attractiveness of orders from streaming giants and/or a combination of, for example, few partners and massive incentive funding is hard to beat.

aIn our survey, two-thirds of all film agencies believe that the most important principle to safeguard in their own operations is that the applicant production company owns the underlying rights. There is an equally manifest fear that production companies will become production service companies. Many film agencies see themselves as the main defenders of the production companies' ownership of rights. Very few film agencies have reflected what we perhaps see ourselves as the greatest challenge. Film agencies have lost their position as guarantors of artistic and creative freedom and control. A large group of respondents, as stated above, believe that one is offered greater freedom and control when working with a streaming giant. This also applies to respondents who in the first study had the opposite position. In the long term, in our opinion, it is important to restore confidence that public actors are the central guarantors of artistic and creative freedom and control. It is a key pillar to ensure the attractiveness and relevance of public funding of film and audiovisual works in the future.

## SOME CONCLUSIONS AND RECOMMENDATIONS

In the following, we summarize some key conclusions and describe most of the areas where we will make recommendations. The conclusions and concrete recommendations will be presented in *PFF-CII,* which will be published on 25 August.

### General reasoning and its presuppositions

Europe is a multifaceted continent. It is a challenge to make general reflections on audiovisual policy and practice as the conditions in different countries differ radically: governance; political and administrative culture; history; population; size of the territory; geography; economy; the relationship to faith, history and traditions; and the degree of modernity are some of the conditions that fundamentally affect how one views cultural policy as such, its focus and practices.

The basic sectoral conditions also vary widely. Basic infrastructure, know-how and skills differ. The production, dissemination and screening landscape look radically unalike in different parts of Europe. In some European countries, global streaming giants have become central commissioners of domestic content, in others they mean relatively little. In some countries, linear TV viewing has largely been replaced by streaming. The list of factors that fundamentally differentiate the conditions can be made very long.

To the above, audiovisual policy in most European countries has in practice two premises, one explicitly linked to cultural policy and one implicitly to economic policy. The basic principles of these policies/practices often differ radically.

### About the problem of reflecting change and its consequences

In the many interviews we have done and conversations we have had, we have encountered some fundamental problems. Many of Europe's public and private actors share a rather conservative view. They want everything to go back to how it looked in the past, they are longing for yesterday. We are the first to admit that it is difficult to take in the continued transformative power of digitalisation and globalisation. In the mid-1990s, one of Sweden's largest daily newspapers (after interviewing the then Minister of Transport and Communications) stated that the internet is a fly that blows by. The risk of taking an overly 'nostalgic' position is that you become hesitant and reactive. It can be a devastating position in a world that will continue to move rapidly, non-linearly and dynamically while being more polarized.

The vast majority of respondents share the view that the sector has undergone a paradigm shift and/or is undergoing one, but do not necessarily agree about what this transformative shift means in practice. How the sector interprets the power of change varies greatly. We find everything from re-spondents who strongly believe that the sector anyhow will return to business as usual – it has always done (sic), to those that see a sector totally dominated by AI and big global players.

**Changes in the world around us to reflect and manage**

Both public and private actors comment on the potential impact of general changes in the business environment on the sector and its operations.

In our recommendations, we will reflect on:

- How should film agencies and Public Service Broadcasters act and orient themselves in a more polarized political climate.
- How to create long-term sustainable policies.
- How to prioritize if economic resources are reduced by sector inflation and general inflation.
- How to manage the continued technological development (AI, metaverse and more) – attitude, responsibility, principles, regulation.

**Purpose**

A clear conclusion based on the study's interviews (over 900) and conversations with the sector's private actors (over 10,000 unique participants) is that basic mindsets and thus business ideas and business logic have changed along the entire value chain.

Another almost equally clear conclusion drawn by the answers of the study's private and public respondents is that they identify lack of coherence between the traditional cultural policy-motivated audiovisual policy and practice and the (usually) more resourceful economic policy-based incentive funding of audiovisual works.

In this section, we will, among other things, discuss about:

- Whether it is possible to reformulate and modernize a European audiovisual policy "ideology" based on tackling market failure, promoting diversity and the production of independent works by independent production companies.
- Whether possible and, if so, how to create a more clearly coherent audiovisual policy at national and European level.
- Whether and, if so, how to regulate incentives at European level.
- If possible, and, if so, how to create a long-term sustainable synthe-

sis in which cultural policy principles and economic policy are integrated in a fruitful and equal way to reduce as far as possible the lack of coherence in the principles governing public support, primarily for the production of audiovisual works.

• Whether it is possible to formulate sustainable principles for how audiovisual policy and practice should relate to the continued digitalization and globalization.

• Whether it is possible to define the areas to be covered by the practice of audiovisual policy (read support programmes) and thus define its actual breadth/scope.

• Who and what should audiovisual policy ultimately serve – can a clearly formulated answer to this question eliminate the lack of logic, coherence, and comprehensibility for the citizens of the territory and the outside world.

**Coexistence**

One of the most discussed issues in recent years is how the sector's private and public players should coexist and cohabit in the transformed ecosystem. The question largely depends on the degree to which streaming giants have become central commissioners of local content in that specific territory. In most territories, global players have increased the supply of films and drama series – itself a re-shaping force.

The discussion on coexistence has to a large extent been based on how policymakers, film agencies and private companies in Europe's large countries have interpreted globalisation and its impact on previous fundamental principles in the interaction between the public and the private, and between different actors in the value chain. To some extent, the debate has become greyer and less antagonistic.

The increasingly dominant role of large production company groups/conglomerates in several European countries has emerged as a new potential market-distorting element. The groups are in many cases European-owned but are de facto global players. Many respondents believe that a central dimension of the definition of "independent producer' is that you own and control: your own decisions; rights; and any revenue from the exploitation, at one hundred percent.

In this section, among other things, we will try to give recommendations about:

• How to understand the future development of the ecosystem and how should audiovisual policy and practice relate to them.

• How one specifically should understand the development of future business ideas and business logics along the value chain based on the transformation of the ecosystem – and how should policy and practice relate to this possible development.

• How should *The Grey Zone* be understood and how should audiovisual policy and practice relate to it.

• If, how, and whether it makes sense to solve the definitions of independent producers and independent works – what are the risks and complications of fixing definitions in a pan-European context.

• If and how can public funding of audiovisual works become more competitive.

**Where and how will we watch content in the future?**

Where we will be watching content in the future is an increasingly urgent question. When we did the first study (PFFC), there was a great belief among the respondents that audiences would return to cinemas relatively quickly. Today, faith has been replaced by doubt. Perhaps the paradigm shift is as a force that changes the conditions for what we see, when we see, and how we see, as well as for how we can produce, disseminate, and show.

The position of cinema (and cinema is a symbolic issue) is important, but where we be watching content in the future is a considerably larger and more all-encompassing issue that really should have been on all agendas several years ago.

In this section, we will ponder:

• Is the movie theatre crucial for securing strong shared experiences also in the mid-term future – and if so, what is a strong shared experience? And, if the answer is ‘yes’ on the first question, what needs to be done by public bodies and private players (read cinema/movie theatre owners) to secure its survival?

• How to handle the overproduction of small cinema films with limited or very limited possibility to reach an acceptable audience via a traditional distribution model?

• Greater support for fewer local cinema films: is this the way forward given the paradigm shift and changes in the business models for movie theatres?

• How will we define “film” in the future, and how will movie theatres define “film” in the future?

• Cinema/the movie theatre as the church in the middle of every town/village, or a luxury chapel for the cultural elite in bigger cities? The movie theatre in the mid-term: cultural venue or film palaces? And if it is important also in the future with domestic cinema films – how do we enlarge the audience? And if “less is more” how do we then secure capacity for home market films?

• The window model/the media chronology: friend or enemy when one should maximise the outcome for each publicly supported title (film; drama series etc.)

• Public service broadcasters are under attack. What should be PBS's scope when it comes to different forms of content? Do we need PBS to fund drama series and other form of content based upon story-telling on cinematographic ground?