

THE IMPORTANCE OF THE EUROPEAN MARKET FOR THE UK FILM AND TELEVISION INDUSTRY

**A contribution from the
European Audiovisual Observatory
to the BSAC Conference
(London, 3 March 2011)**

<http://www.obs.coe.int>

Set up in December 1992, the European Audiovisual Observatory's mission is to gather and distribute information on the audiovisual industry in Europe. The Observatory is a European public service body comprised of 37 member states and the European Community, represented by the European Commission. It operates within the legal framework of the Council of Europe and works alongside a number of partner and professional organisations from within the industry and with a network of correspondents. In addition to contributions to conferences, other major activities are the publication of a Yearbook, newsletters and reports, the compilation and management of databases and the provision of information through the Observatory's Internet site (<http://www.obs.coe.int>).

We are pleased to contribute to the BSAC Conference by providing various sets of data illustrating the importance of the European market for the UK film and television industry. We are convinced that any strategic thought on film and television policy should take into consideration the importance of the European context and the necessity to improve the transparency of the European audiovisual market. This requires stable information and data collection processes concerning the various markets (theatrical, television, home video, on-demand services) and on the regulatory developments. Information should be accessible in a fair manner to all stakeholders, including small and medium companies, in order to create a level playing field.

This report illustrates the following findings:

1. **The UK audiovisual market is the leading market in Europe and the UK audiovisual industry leads the European industry in terms of size and exports**
2. **The UK film industry is the best exporter within the European Union market but is also the most dependant on this European non-national market**
3. **UK fiction (TV fiction, films) has better exposure in the schedules of TV channels of other European countries than its competitors from other European countries**
4. **Revenues generated in Europe by the UK film and TV industry may be estimated at £ 3.3 billion in 2008**
5. **The importance of the European home video and VoD markets for the UK film industry is currently very difficult to assess**

The major conclusion of this analysis is the observation that the UK Film and Television Industry is not self-sustaining: it is more and more integrated in the European and international system and needs the European market to grow.

We wish to thank the BSAC for giving us the possibility to make our contribution to the strategic and policy debates taking place in the UK. We are at your disposal during the Conference, and of course later on, to discuss the Observatory's mission and information services.

Wolfgang Closs
Executive Director

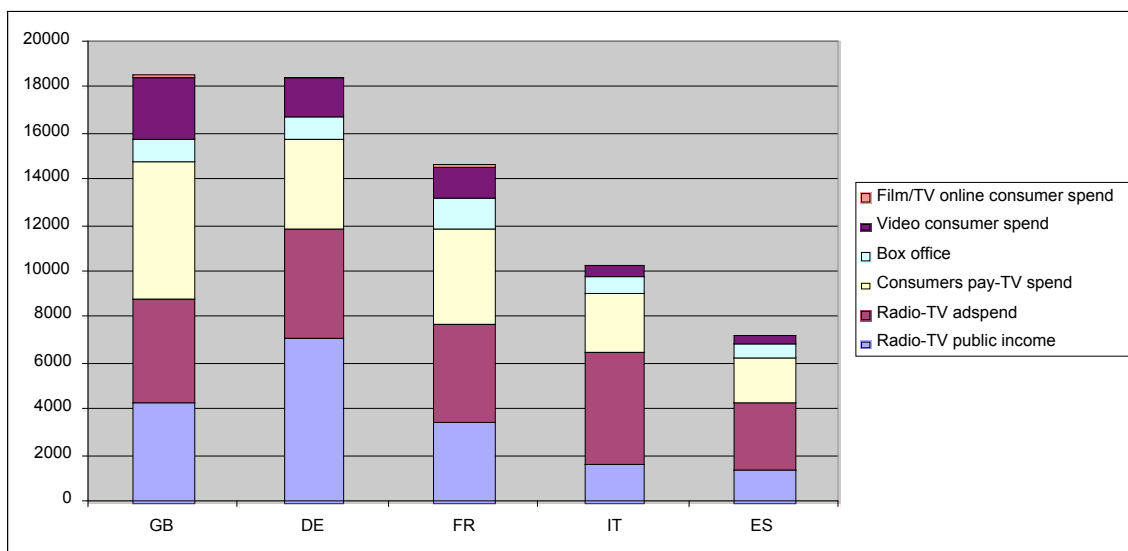
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1. The UK audiovisual market is the leading market in Europe and the UK audiovisual industry leads the European industry in terms of size and exports

Gross revenues of the audiovisual industry in the 5 major markets (EUR million) - 2009



Source : European Audiovisual Observatory, from own data collection, Screen Digest and Warc data.

Gross Revenues of the AV industry (EUR million) - 2009

	GB	DE	FR	IT	ES
Radio-TV public revenues	4 366	7 188	3 552	1 704	1 430
Radio-TV ad spend	4 524	4 750	4 242	4 795	2 861
Consumers pay-TV spend	5 856	3 851	4 143	2 610	1 941
Box office	1 059	976	1 233	676	671
Video consumer spend	2 674	1 633	1 444	505	409
Film/TV online consumer spend	131	65	52	6	7
TOTAL	18 609	18 463	14 666	10 295	7 319

Source: European Audiovisual Observatory, from own data collection, Screen Digest and Warc data.

British private TV groups are recovering and represent 28.5 % of the turnover of the 12 leading European private TV groups

Consolidated revenues of the 12 main European commercial TV groups (2007-2010)

EUR million

	Country	2007	2008	2009	2010 (prov.)	2010/09
British Sky Broadcasting Ltd (calendar year)	GB	6 517	5 537	6 630	7 581	14.3%
RTL Group	LU	5 707	5 774	5 410	5 600	3.5%
Vivendi (Groupe Canal Plus)	FR	4 363	4 481	4 553	4 712	3.5%
Gruppo Mediaset (1)	IT	4 105	4 199	3 883	4 458	14.8%
ProSiebenSat.1 Media AG (1)	DE	2 710	3 054	2 761	3 004	8.8%
ITV plc (2)	GB	2 833	2 125	2 112	2 657	25.8%
Groupe TF1	FR	2 739	2 595	2 365	2 622	10.9%
Sogecable (Prisa-Unitad Audiovisual) (1)	ES	2 106	2 169	1 771	1 589	-10.3%
Modern Times Group	SE	1 257	1 378	1 382	1 456	5.3%
continued operations (3)				1 205	1 456	20.8%
Sky Deutschland AG (4)	DE	902	941	902	1 119	24.0%
TVN S.A.	PL	434	461	578	627	8.5%
Central European Media Enterprises	BM	570	724	498	556	11.7%
Total		34 243	33 438	32 668	35 980	10.1%

In national currencies

	Currency	2007	2008	2009	2010 (prov.)	2010/09 (prov.)
British Sky Broadcasting Ltd (calendar year)	GBP	4 789	5 095	5 631	6 325	12.3%
ITV (2)	GBP	2 082	2 029	1 879	2 217	18.0%
Modern Times Group	SEK	11 351	13 166	14 173	13 101	-7.6%
continued operations (3)	SEK			12 427	13 101	5.4%
TVN S.A.	PLN	1 555	1 900	2 391	2 491	4.2%
Central European Media Enterprises	USD	838	1 020	714	737	3.2%

(1) Estimates based on 9 first months revenues.

(2) Estimates based on 6 first months advertising revenues.

(3) In 2010, Modern Times Group has deconsolidated its former retail subsidiary CDON.

(4) 2010 revenues estimates based on the announced increased of subscribers.

Source: European Audiovisual Observatory

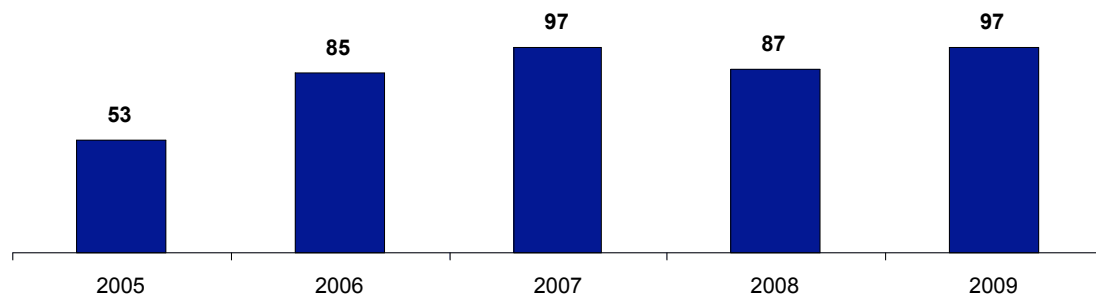
2. The UK film industry is the best exporter within the European Union market but is also the most dependant on this European non-national market

The European Audiovisual Observatory manages the LUMIERE database (<http://lumiere.obs.coe.int>) which provides data on all films with a theatrical release in Europe (27 European countries since 1996). This database allows the precise monitoring of the circulation of films in Europe and, in particular, illustrates the positive performance of UK films on the continental market. The data also demonstrates that the UK film industry is more dependant on the European market than the industry of the other major European countries. There is a very simple reason for this: the UK market is more dominated by US production than the other European markets. For this reason the access to the market for British films on their own territory is harder than for French, German, Spanish or Italian films on their respective markets. Exports to other English speaking markets but also to continental Europe are therefore crucial for the sustainability of the UK film industry.

In order to identify the success of inward investment films (i.e. films produced in the UK at the initiative of US major companies, such as the *Harry Potter* films), this category of films is indexed in LUMIERE as “GBinc”. This methodology – implemented in collaboration with the UK Film Council statistical unit – allows a more precise market analysis of the circulation of European films.

Based on the data available, the European Audiovisual Observatory estimates that a total of around 419 UK films (100% and majority co-productions, including inward investment films) were theatrically released between 2005 and 2009. On average 84 UK films were released each year. Since 2006 the number of annual releases has been significantly higher than until 2005.

Number of UK film first releases (2005-2009)

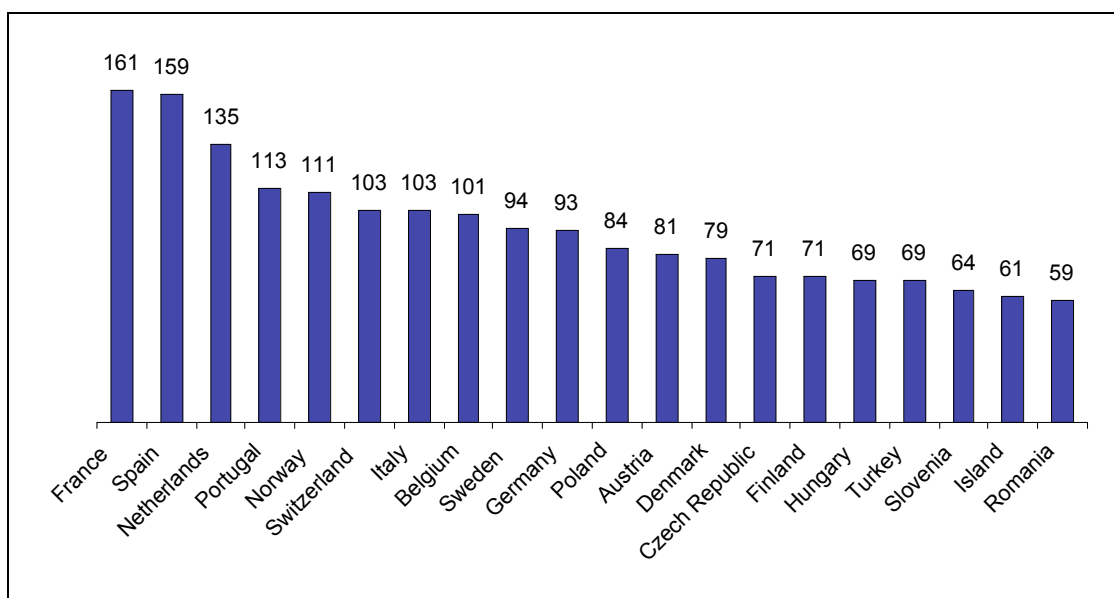


Source: European Audiovisual Observatory

Out of these 419 UK first releases, 248 films were released in at least one European market outside of the United Kingdom and Ireland. This means that in the past 5 years about 59% of UK film releases had an international release in Europe. (Source: European Audiovisual Observatory / LUMIERE database as of 3 December 2010, www.lumiere.obs.coe.int)

Top non-national European markets for UK film releases

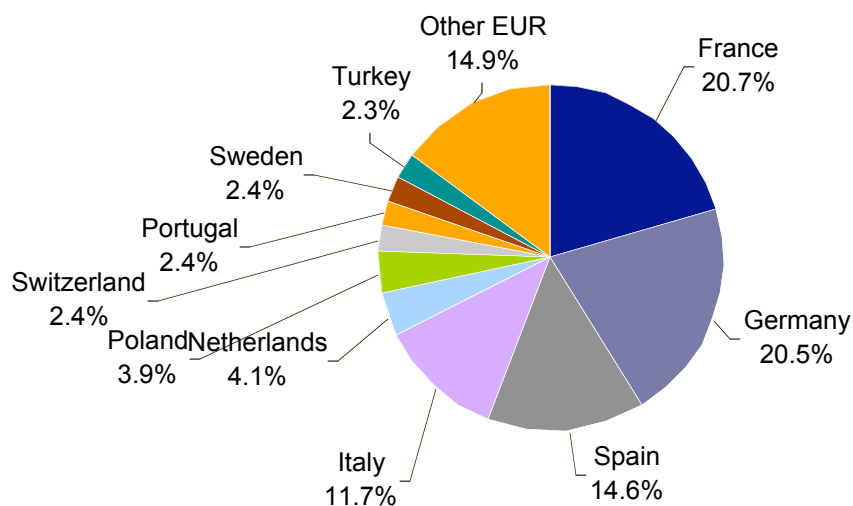
#	Country	No. of UK films released between 2005 and 2009 (est)
1	France	161
2	Spain	159
3	Netherlands	135
4	Portugal	113
5	Norway	111
6	Switzerland	103
7	Italy	103
8	Belgium	101
9	Sweden	94
10	Germany	93



Source: European Audiovisual Observatory / LUMIERE database

Between 2005 and 2009 UK first releases attracted the largest share of their non-national admissions in France and Germany (21% each).

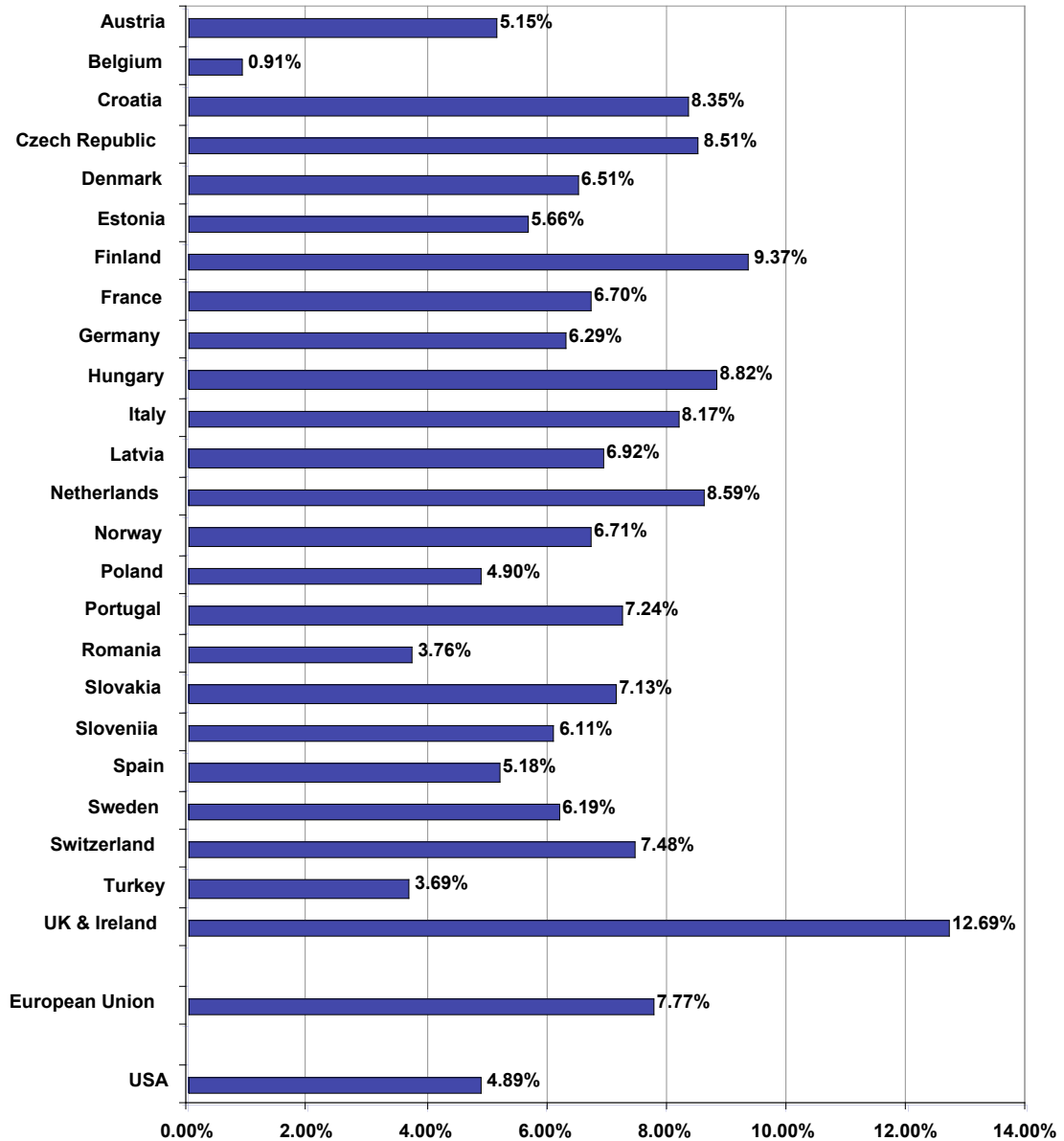
#	Country	Cumulative non-national admissions - 2005 to 2009	Percentage share
1	France	59 416 620	21%
2	Germany	59 001 670	21%
3	Spain	41 968 450	15%
4	Italy	33 757 647	12%
5	Netherlands	11 740 597	4%
6	Poland	11 243 310	4%
7	Switzerland	6 962 424	2%
8	Portugal	6 917 061	2%
9	Sweden	6 895 280	2%
10	Turkey	6 675 515	2%



Source: European Audiovisual Observatory / LUMIERE database

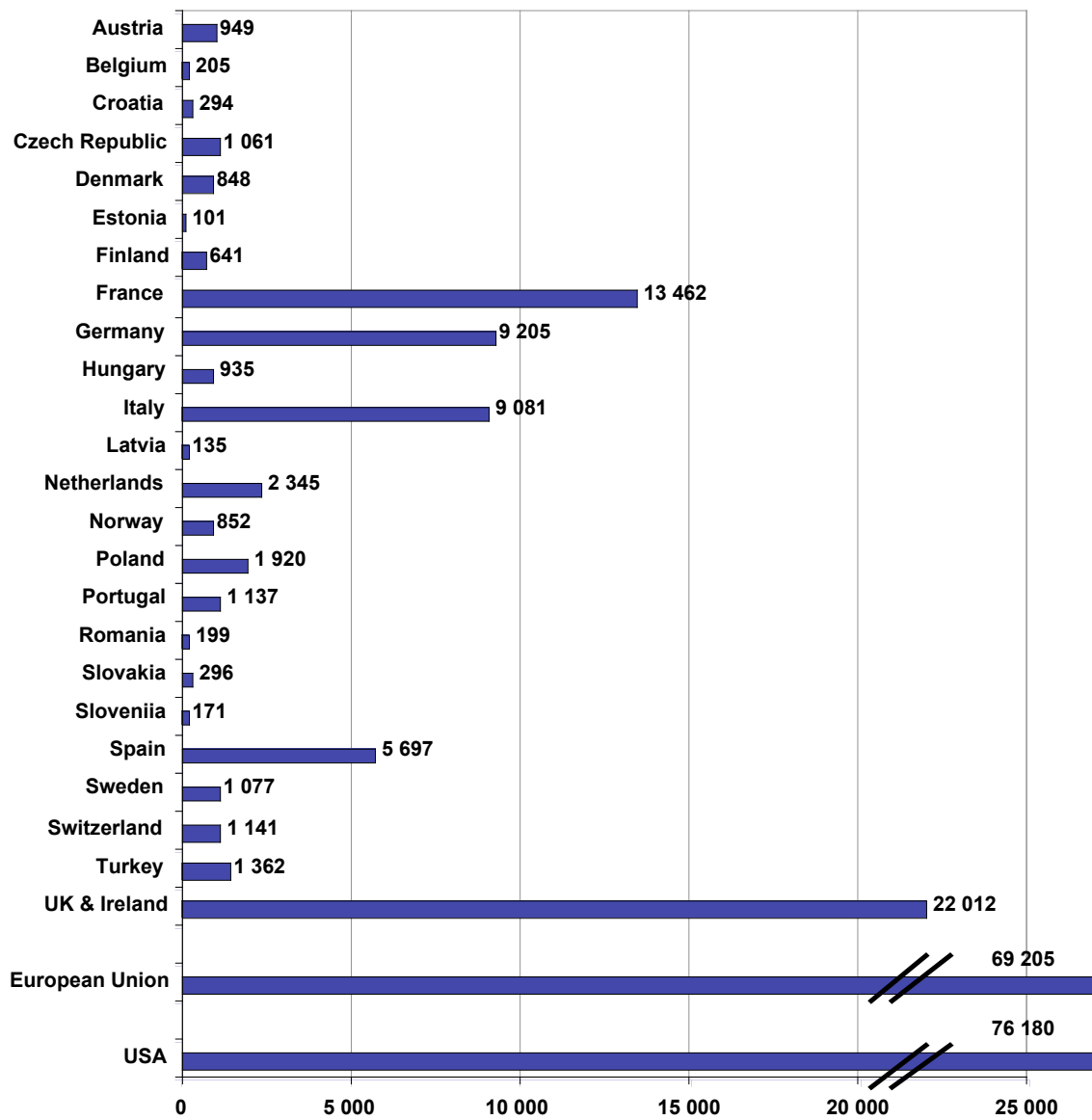
Market share of UK films in European markets in 2009

In 2009, UK films - including incoming investment productions like Harry Potter - achieved their highest market shares outside of the UK & Ireland in Finland, Hungary and the Netherlands, closely followed by the Czech Republic, Croatia and Italy. In all these territories UK films achieved more than 8% of the total admissions.



Source: European Audiovisual Observatory / LUMIERE database

Admissions to UK films in European countries (2009) – In thousand



The relative importance of the European Union market for national film production (2004-2009)

The analysis of the data provided by the LUMIERE database indicates that the proportion of European admissions to UK films outside of UK and Ireland are regularly between 55% and 70%. For UK films with inward investment, this proportion is regularly between 60% and 73%.

In comparison with the national industry of the other major European countries, the UK film industry is much more dependant on exports.

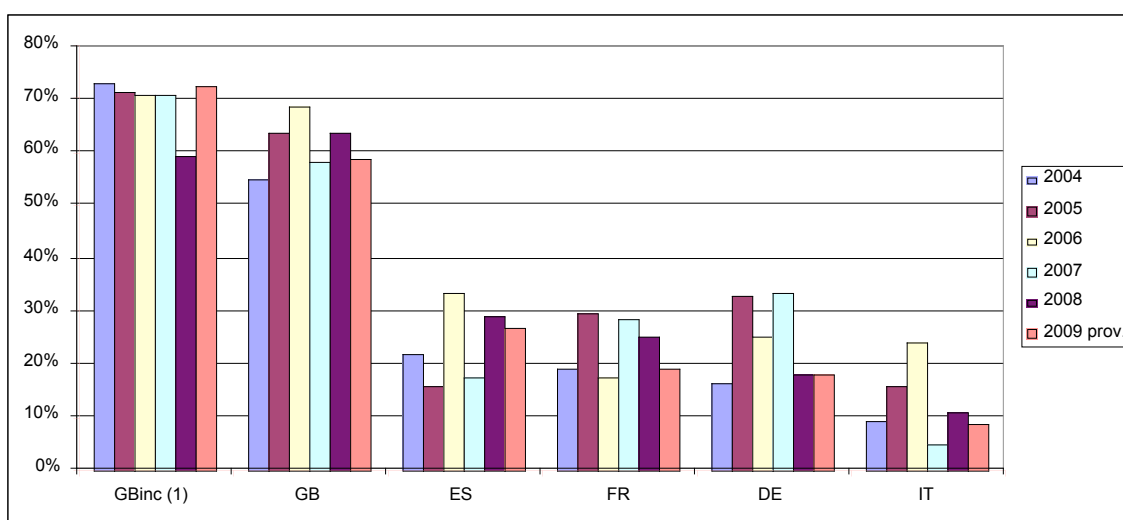
Importance of the European Union (EUR 27) market for national film production (2004-2009)

% of EU admissions outside national market

Films from	2004	2005	2006	2007	2008	2009 prov.
GBinc (1)	72.89%	71.13%	70.97%	71.03%	59.12%	72.32%
GB	54.88%	63.89%	68.33%	58.07%	63.82%	58.80%
ES	22.06%	15.60%	33.35%	17.64%	29.01%	27.06%
FR	19.24%	29.35%	17.25%	28.30%	25.27%	18.84%
DE	16.14%	32.70%	24.94%	33.67%	17.86%	17.75%
IT	9.07%	15.55%	24.04%	4.66%	10.76%	8.67%

(1) UK films with inwards investments

Source : European Audiovisual Observatory / LUMIERE



3. The UK fiction (TV fiction, films) has better exposure in the schedule of TV channels of other European countries than its competitors from other European countries

Every year the European Audiovisual Observatory publishes in its Yearbook data on the broadcast of fiction (TV films, series, feature films, short and animation films) via 135 channels in Europe. The data are provided for the Observatory by the company INFOMEDIA. In the following pages we propose a sample analysis of the broadcast of British fiction by 108 European channels in 16 territories (UK excluded).

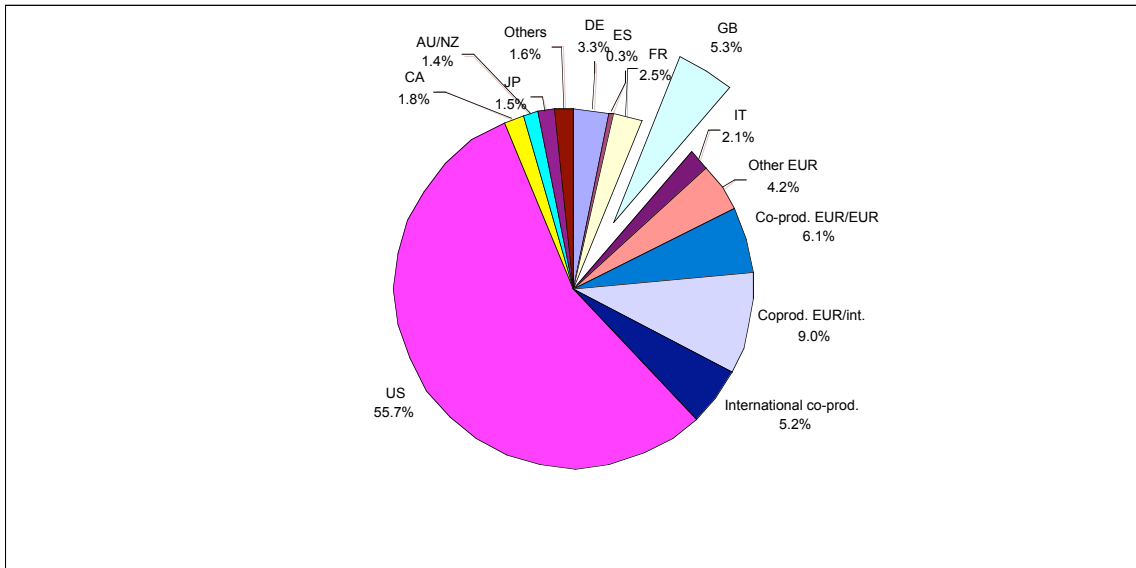
Of the 357 195 hours of fiction broadcast by those 198 channels, 18 821 (5.3%) were of UK origin. The UK is then the major European exporter of fiction, as German fiction represents 3.3% and French fiction 2.5% of the imported fiction programmes. It should also be considered that a major part of the co productions between Europe and non-European producers (which represents 9% of the volume of fiction broadcast) are mainly co-productions between UK and US producers.

Origin of imported fiction (all formats, including feature films, short films and animation) broadcast by 109 European (non-UK) channels in 2009

	hours	%
DE	11 816	3.3%
ES	997	0.3%
FR	8 903	2.5%
GB	18 821	5.3%
IT	7 481	2.1%
Other EUR	15 075	4.2%
Co-prod. EUR/EUR	21 625	6.1%
Co-prod. EUR/int.	32 144	9.0%
International co-prod.	18 743	5.2%
US	198 983	55.7%
CA	6 514	1.8%
AU/NZ	5 058	1.4%
JP	5 231	1.5%
Others	5 804	1.6%
TOTAL	357 195	100.0%

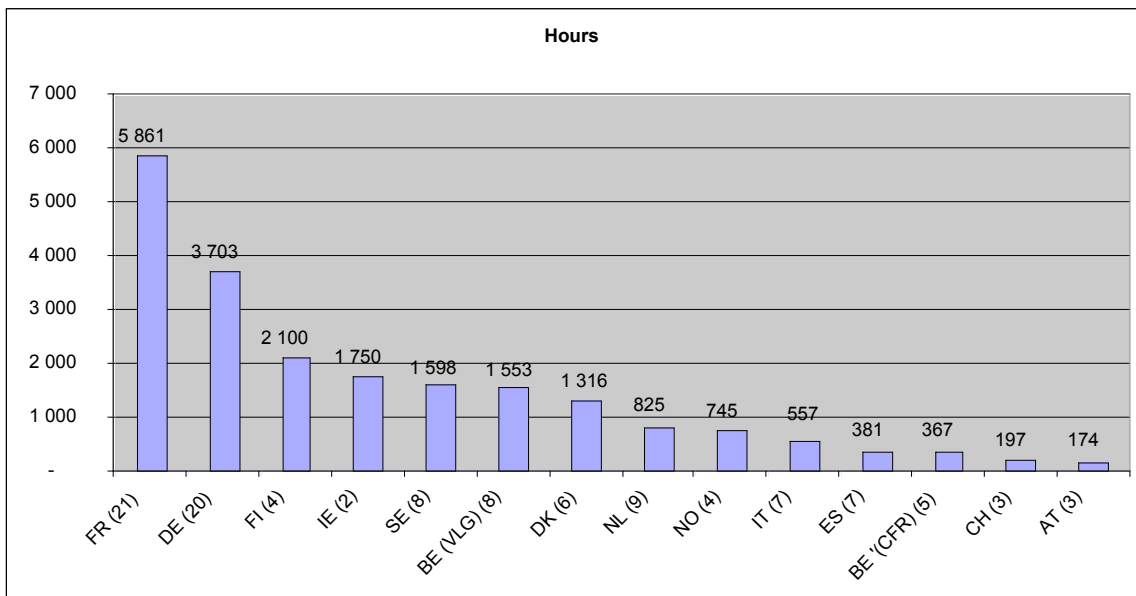
Source: European Audiovisual Observatory on INFOMEDIA data

Origin of imported fiction (all formats, including feature films, short films and animation) broadcast by 109 European (non-UK) channels in 2009



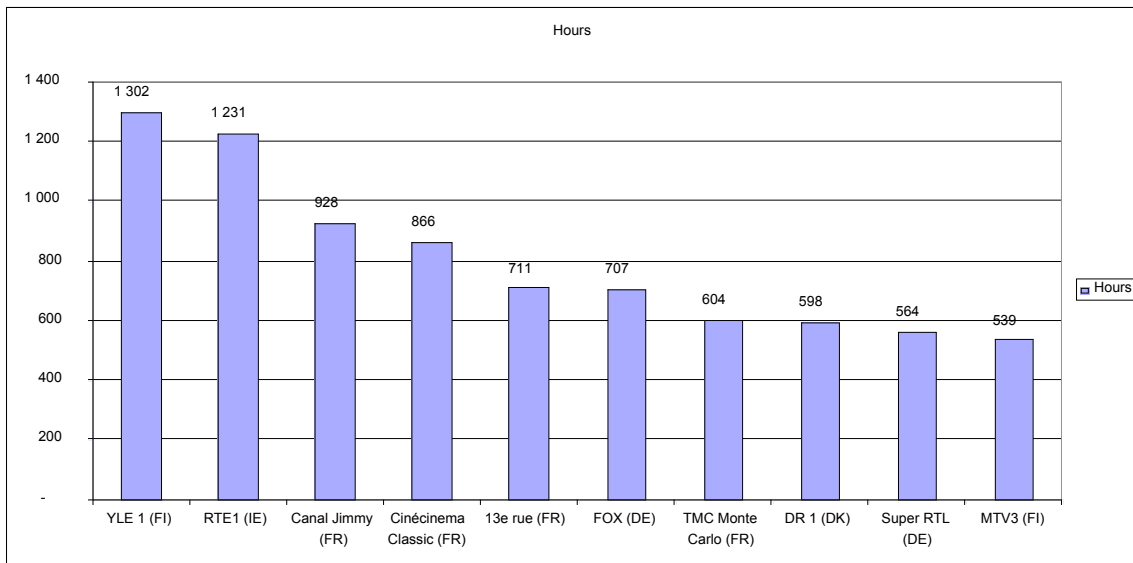
Source: European Audiovisual Observatory on INFOMEDIA data

Volume of UK fiction programmes broadcast by 109 European TV channels in 16 territories (2009) - in hours



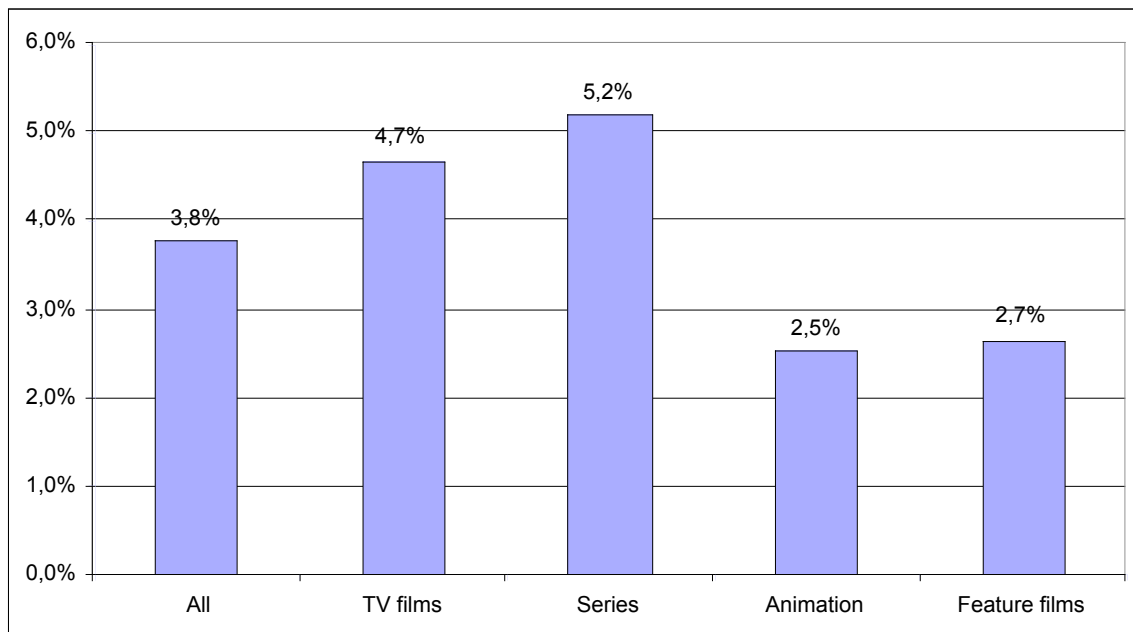
Source: European Audiovisual Observatory on INFOMEDIA data

The 10 European channels with the highest volume of UK fiction broadcast in 2009



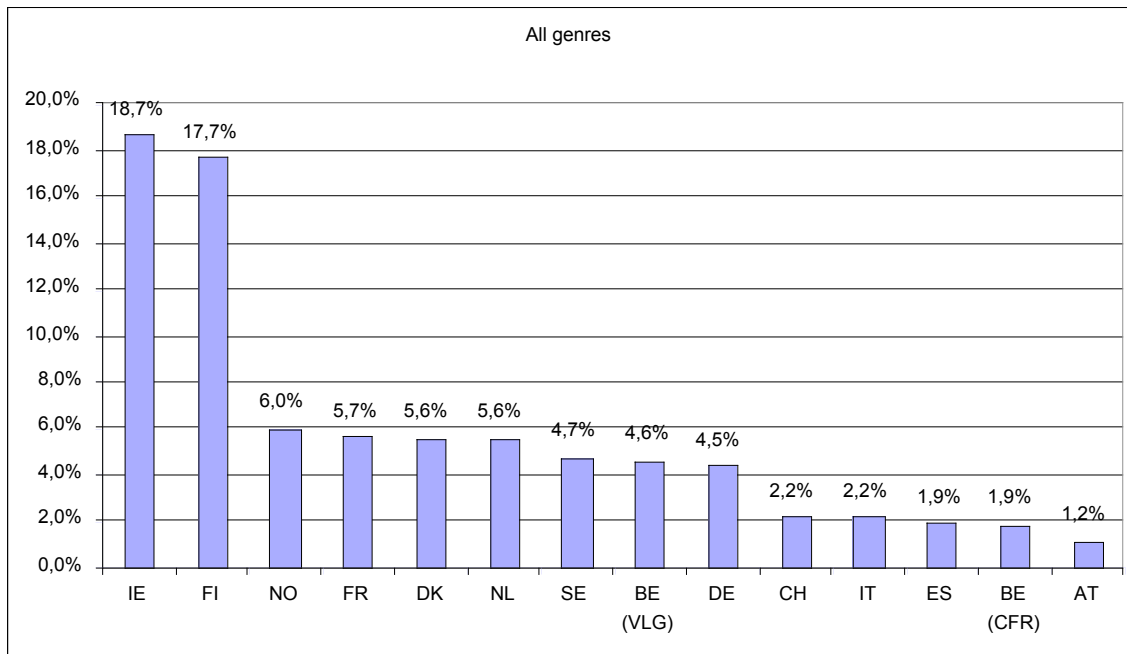
Source: European Audiovisual Observatory on INFOMEDIA data

Market share of UK fiction programmes as a percentage of all fiction programmes broadcast by 109 channels in 16 European countries – By genre (2009)



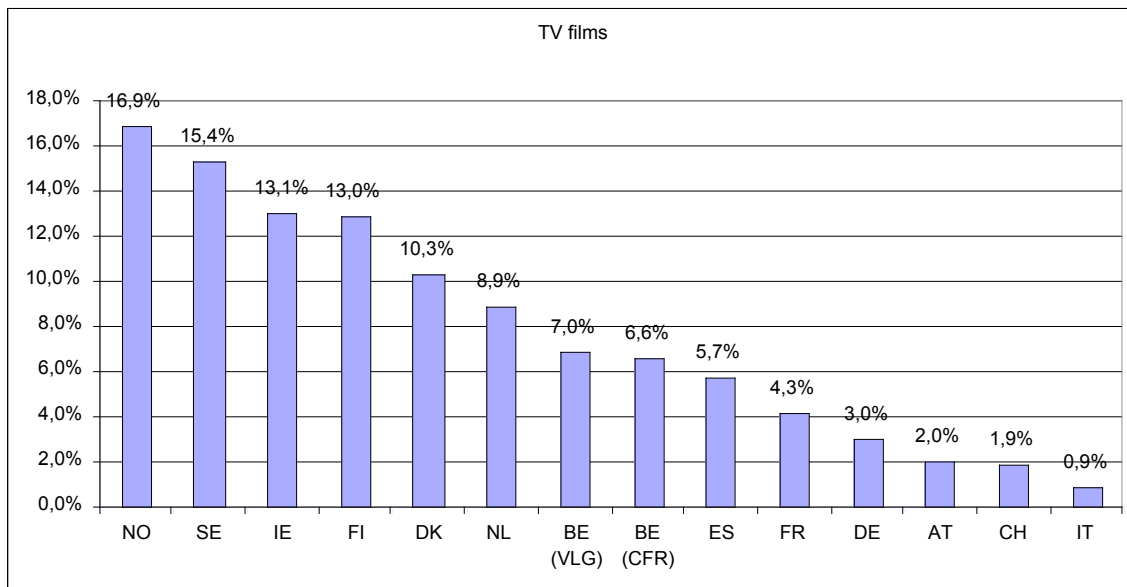
Source: European Audiovisual Observatory on INFOMEDIA data

Market share of UK fiction programmes as a percentage of all fiction programmes broadcast by 109 channels in 16 European territories – By territory (2009)



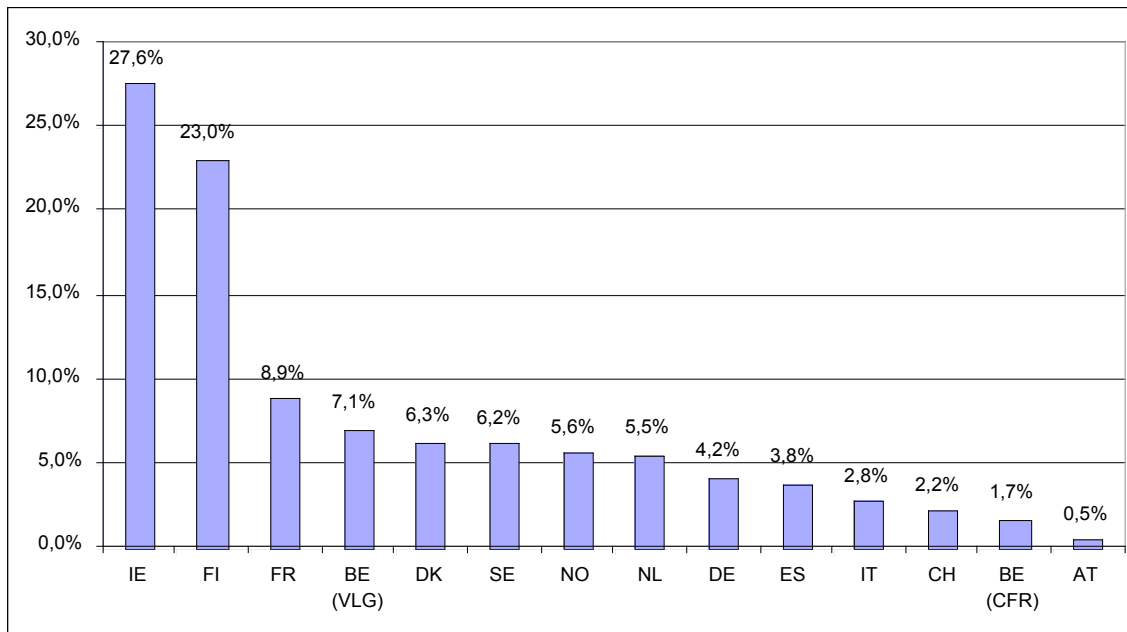
Source: European Audiovisual Observatory on INFOMEDIA data

Market share of UK TV films as a percentage of the total volume in hours of TV films broadcast in the respective countries (2009)



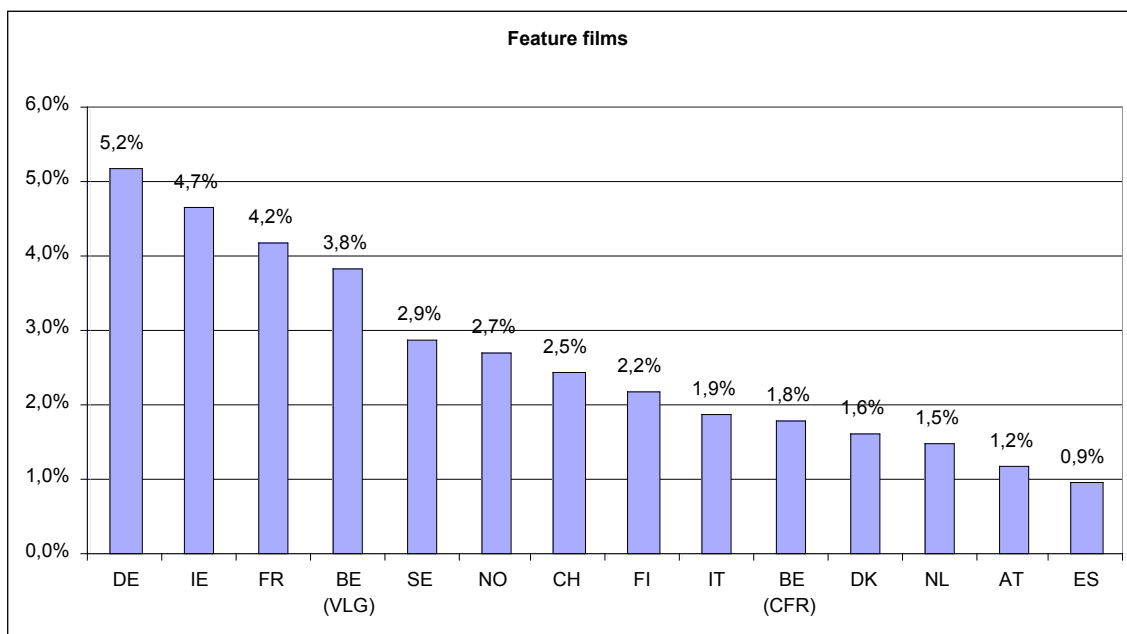
Source: European Audiovisual Observatory on INFOMEDIA data

Market share of UK series and soaps as a percentage of the total volume in hours of series and soaps broadcast in the respective countries (2009)



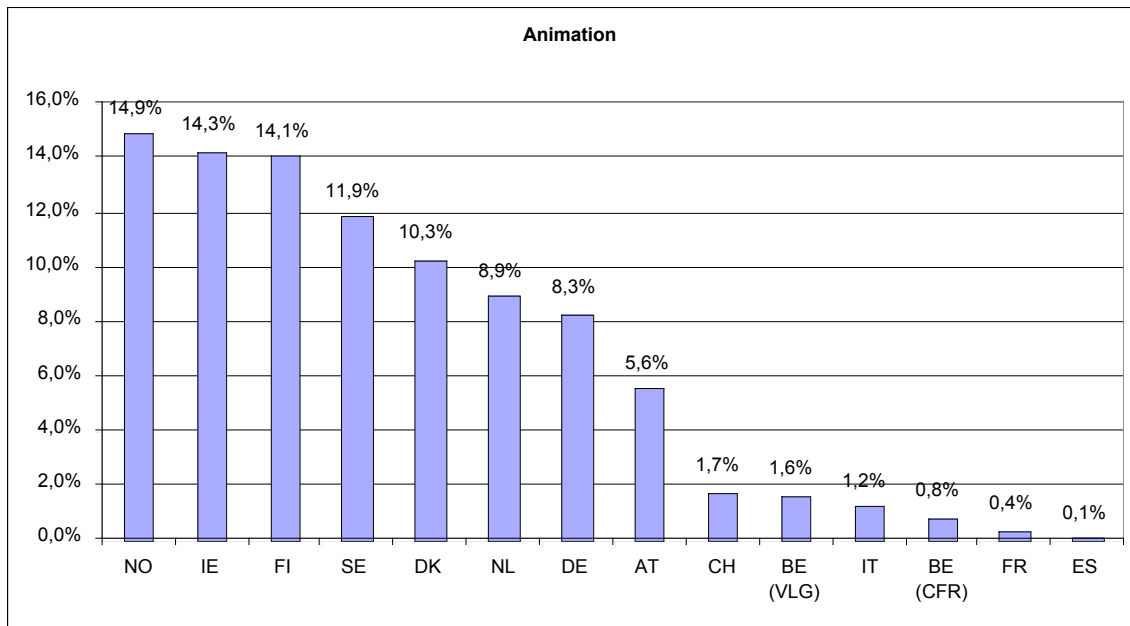
Source: European Audiovisual Observatory on INFOMEDIA data

Market share of UK feature films as a percentage of the total volume in hours of feature films broadcast in the respective countries (2009)



Source: European Audiovisual Observatory on INFOMEDIA data

Market share of UK TV animation as a percentage of the total volume in hours of TV animation broadcast in the respective countries (2009)



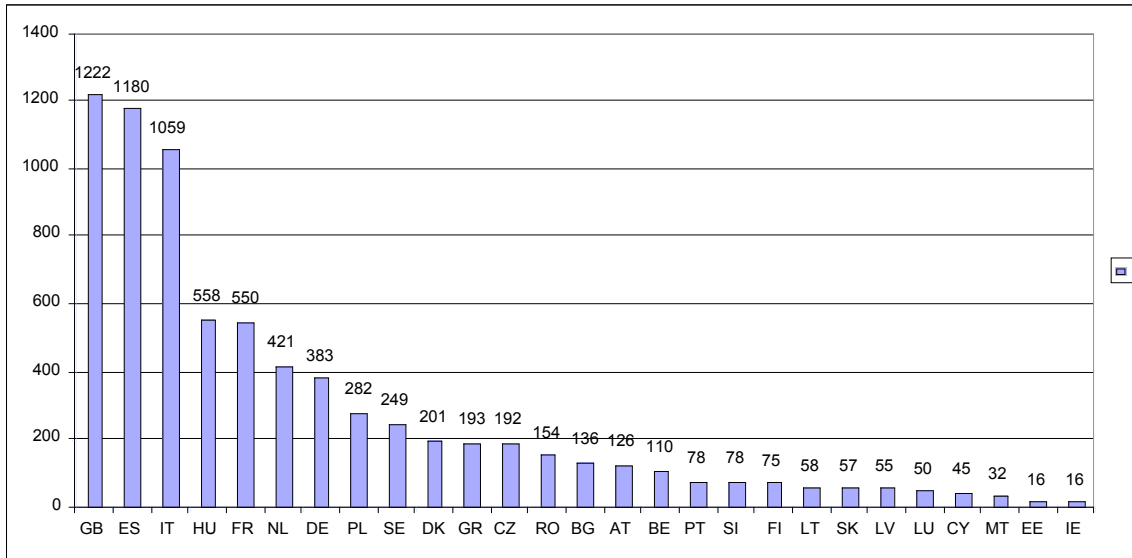
Source: European Audiovisual Observatory on INFOMEDIA data

4. Revenues generated in Europe by the UK film and TV industry may be estimated at £ 3.3 billion in 2008

In the framework of a contract with the DG Communication of the European Commission, the European Audiovisual Observatory maintains the MAVISE database on TV channels and TV companies in the European Union and candidate countries. This database allows us to demonstrate that the UK is leading the TV market by the number of TV channels broadcast, but that it is also very dependent on the continental market.

At the end of 2010, 1222 TV channels were established in the UK, of which 588 target audiences outside of the country. It is also interesting to note that 663 channels established in the UK are broadcast in a language other than English: these are channels targeting the continent or minority language communities in the UK.

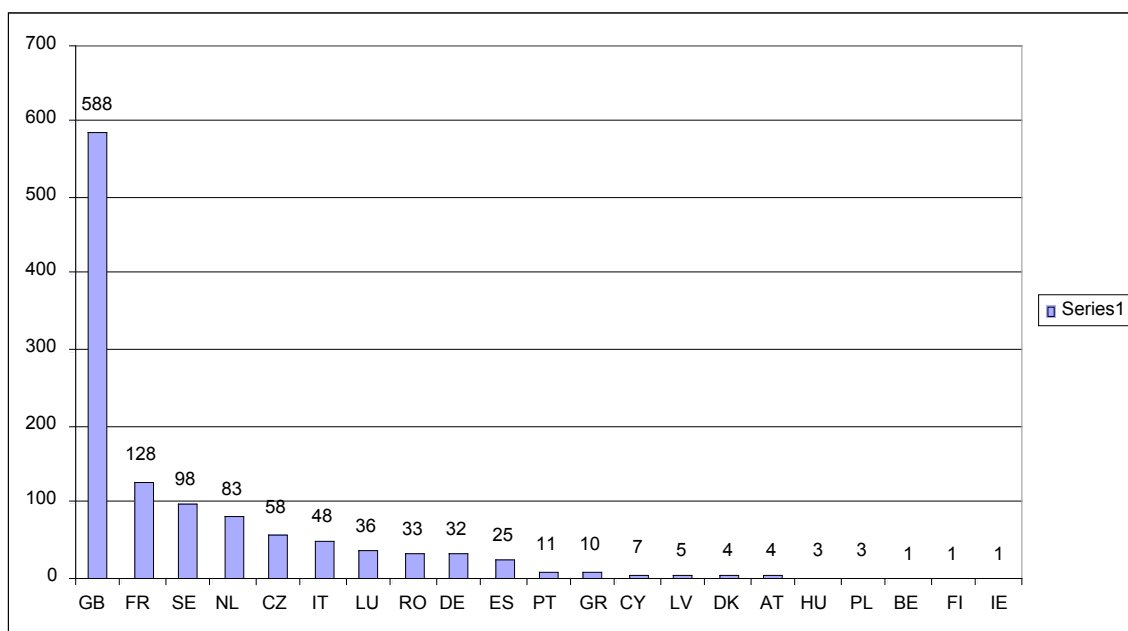
Number of TV channels established in the various European countries (as at 31.12.2010)



Note : the various linguistic versions of a service are counted as individual TV channels

Source: European Audiovisual Observatory / MAVISE database

**Number of TV channels established in a country and targeting foreign markets
(as at 31 December 2010)**



Note : the various linguistic versions of a service are counted as individual TV channels

Source: European Audiovisual Observatory / MAVISE database

The revenues generated by the export of those TV services are difficult to assess with precision, but, based on available data on the turnover of broadcasting companies and number of subscribers, we estimate that it represented at least £ 1.3 billion¹ in 2009. The average rate of growth of those revenues between 2005 and 2009 is estimated at a remarkable 10%.

As we understand, most of those revenues derived from exported TV services are not included in the ONS survey on the foreign trade of UK production and broadcasting companies. If we add them to the £ 2 billion calculated by the ONS for the export of programmes and licences, the overall audiovisual revenues in Europe, outside the UK represent more than £ 3.3 billion.

Estimates of the UK film and TV industry revenues in Europe (outside of UK)

£ million

	2008	Sources
UK Film industry export revenues in Europe	788	ONS
UK Television industry programme export revenues in Europe	1190	ONS
UK TV services revenues generated in Europe (outside of UK)	1385	European Audiovisual Observatory
TOTAL	3363	European Audiovisual Observatory

¹ It includes revenues of BSkyB in Ireland (around 270 million EUR in 2009, revenues of Viasat Broadcasting UK in Nordic countries: turnover of £ 367.1 million in 2009, a large part of the revenues of Discovery Communications Ltd (turnover £ 352.8 million in 2009), Turner Entertainment Network International Ltd (£ 214.6 million in 2009), Turner Broadcasting System Europe Ltd (£ 207.9 million in 2009), BBC World News Ltd (£ 62.9 million in 2009).

5. The importance of the European home video and of the VoD markets for UK film industry is currently very difficult to assess

It would certainly be useful to have at ones disposal data on the market share of UK films on the European home video market. The European Audiovisual Observatory and the European Film Research Agency Network, (EFARN), of which the UK Film Council Statistical Unit is an active member, have elaborated a strategy to negotiate with the only private company tracking the success of films on the home video market in the main European markets. The negotiations were interrupted after the announcement of the dissolution of the UK Film Council and the adoption of the Observatory flat 2011 budget.

As for monitoring the development of the VoD market, the European Audiovisual Observatory has been underlining for several years that the absence of transparency in most of the European countries makes it impossible to provide a solid analysis of the size of the national markets and of the market shares of films by country of origin. It is interesting to note that, according to Screen Digest analysis, the leading on-line service in the UK is, by far, iTunes. This service is provided by iTunes SARL, a company based in Luxembourg. This single example demonstrates that the UK market itself cannot be isolated from the continental one and that efforts to increase transparency should be managed at a European level.