

Film  
i Väst



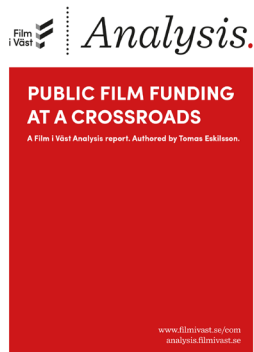
# *Analysis.*

## **PUBLIC FILM FUNDING AT A CROSSROADS**

### Appendix: German speaking Europe

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## ABOUT PUBLIC FILM FUNDING AT A CROSSROADS

*Public Film Funding at A Crossroads* was launched in Brussels in March 2022. It can be downloaded at [www.analysis.filmivast.se](http://www.analysis.filmivast.se). Here you also find the ten territorial reports, executive summaries, with strong links to the main topics in *Public Film Funding at A Crossroads*. There you also find **Michael Gubbin's** report *Streaming Giants and Public Film Funding*. In May, during the Cannes Film Festival, Wendy Mitchell's study *Creative Overload*, will be published at the same web site.

### Appendixes:

- Eastern Europe (Assistant Professor **Petar Mitric**)
- Flanders/Netherlands (Producer Ilse Schooneknaep)
- French speaking Europe (Senior consultant **Philippe Reynaert** in collaboration with Xanadu) - also in French
- German speaking Europe (Senior consultant **Manfred Schmidt**)
- Greece/Cyprus (Associate Professor **Lydia Papadimitriou**)
- Ireland (Dr **Mark Rainey** et al in collaboration with the WRAP Fund)
- Italy (Senior consultant **Rickard Olsson**)
- Spain/Portugal (**Belén Álvarez** et al in collaboration with Gabeiras& Asociados)
- The Nordics (**Tomas Eskilsson, Katarina Krave, Bengt Toll**)
- UK (MD **Leon Forde** et al in collaboration with OSPI)

## GERMANY, AUSTRIA, GERMAN-SPEAKING SWITZERLAND

### Introduction

Sub-report Germany, Austria, German-speaking Switzerland  
Approximately 50 interviews were conducted during the period July - September 2021. Approximately 80 percent of the requested industry participants scheduled an interview. Interviews typically lasted one to one and a half hours. There was a strong desire to speak up. The study is considered useful and awaited with interest. There are hardly any differences in the answers to basic questions in the three countries. Differences are more apparent in the details.

### *The development of the media ecosystem until 2025*

There is widespread agreement among all industry participants in all three countries about the development in the next few years. The production volume will grow dynamically in the next two to three years and then lose momentum, but remain at a high level. This applies less to the cinema sector, where the respondents tend to assume low growth rates, stagnation or even a certain decline. It is primarily driven by the increasing number of streaming services and their direct involvement in the countries where they have local content produced by local companies. This is particularly true in Germany, but also reaches Austria and so far less so the German-speaking part of Switzerland. However, it is expected that there will be a market shakeout among the global and also the smaller streaming services. Also, a certain saturation process is expected among consumers whose time is limited and who will not take out an infinite number of subscriptions. These trends will keep production growth stagnant at a high level for a few years. It is also expected that there will continue to be high demand for programming from TV broadcasters, whose business model



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is changing significantly and who are facing increasing competition from streaming services, particularly private TV broadcasters, who are experiencing a decline in advertising revenues.

The growth in production will therefore not be in theatrical films, but in series, limited series and TV movies. There is also an increased demand for non-fiction. This concerns not so much the classic "artistic" documentary film, but formatted series and infotainment, which often use classic feature film dramaturgies.

Across the industry, the existence and *raison d'être* of the cinema continues to be assumed, as an irreplaceable place for a communal experience. However, the economic importance of the cinema market for the producers of audiovisual media will decline, although experts expect that the box office of 2019 can be reached again from 2024.

These developments offer excellent opportunities especially for Creatives and qualified staff members.

### ***Producers***

The media landscape in the three countries is characterised by a few large, a number of medium-sized and a large number of small and micro enterprises. They react in different ways to the developments outlined above.

The large companies have vertical structures. They act as producers, distributors and sales. They want to continue to control the entire exploitation of rights and see themselves in a position to serve all clients. They do not reject cooperation with streaming services, but are less or not interested in pure commissioned productions.

The medium-sized and small companies often want to shift the focus of their work to streaming services and TV without giving up the production of theatrical films. Some are already working successfully with streaming services, the others are planning to do so in the future. But some have doubts about whether they will succeed. Some of these companies are planning to cautiously increase their staff. Small companies hardly see themselves in a position to serve the new clients in terms of capacity and structure. They want to stick to their business model. In general, it is also expected in the industry that some of these companies will be bought up by large companies and that others will have to cease their activities.

In all three countries, production companies are complaining about an increasing shortage of skilled personnel and creatives, especially for the production of feature films, due to the increased order situation and the priority given to longer employment periods and sometimes better pay in the series and streaming sector. This makes contract

negotiations with cast and crew more complicated and makes productions more expensive. Some fear a "sell-out" of the very best creative talent to streaming services, who will then no longer be available for national (cinema) film productions.

The majority of respondents state that they do not want to work purely as commissioned producers for the streaming services, but rather as co-producers with a fair share of the rights. They consider the ownership of IP to be essential and want to be able to license their products as quickly and diversely as possible. Some of the respondents consider this more important than the level of producer fees and individual profit margins. But even in the case of commissioned productions with complete buy-out by the streaming services, the terms of trade are criticised, but the speed of the decision-making processes is praised. Theatrical exploitation rights also no longer play the biggest role for feature films.

Overall, it is assumed that national and regional genre cinema (thrillers, horror, fantasy) will play a greater role and can also find its place alongside Hollywood productions. Comedies are also still in focus and will continue to be produced for the German-speaking market. Good opportunities are also seen for family entertainment, especially if these are successful brands. This also applies to the animation sector, which was less affected by the effects of the pandemic due to its production methods and generally produces for the international market and in international cooperation. Some of the interviewees also see an increasing interest in sophisticated arthouse films with more complicated narratives and interestingly attribute this to the range of programs offered by streaming services in particular and the resulting change in reception behaviour. However, this view is controversial.

### ***Cinema***

All respondents agree that the cinema experience is not replaceable and that cinemas will remain. However, it is to be expected that the number of cinemas will decrease, a development that was accelerated by the pandemic, but which was already indicated before. There is an ageing problem for smaller cinema operators, particularly in rural areas, and some of these cinemas have closed permanently during the lockdown. The situation is also seen as problematic for multiplexes outside the major conurbations, as their operating costs are too high. In principle, however, it is assumed and has already been experienced that audiences will return to cinemas after the lockdown. Cinema operators continue to absolutely insist on exclusivity of the exploitation window, but understand that this window will get smaller. Multiplexes

will depend primarily on enough blockbusters not going directly to streaming services, but instead receiving a first-run theatrical release. The arthouse and arthouse cinemas are more optimistic about the future if they are flexible and have a clear profile with a carefully curated program that allows for high audience engagement and also offer alternative content. The arthouse cinemas in particular would like to have the possibility of independent and flexible programming without restrictive guidelines from distributors.

Both internally and externally by other industry participants, there is agreement on the following points:

The exclusivity of the cinema experience is a crucial criterion, but this exclusivity is becoming increasingly difficult to achieve as the media ecosystem changes.

Cinema films will only be successful if they offer a very special experience in terms of content and/or visual appeal. The "mediocre" will no longer find a place in the cinema.

Programs need to be more carefully curated and tailored to the needs of each audience

A visit to the cinema must be an experience in itself. This means that cinemas must have excellent technical and spatial equipment. The cinema experience must become an event, which includes good gastronomic offers, accompanying programs also during the regular performances, alternative content such as opera and theater performances, concerts up to e-sports.

Overall, the number of films coming to the cinema must be reduced, which is welcomed on the whole by all industry participants. However, some industry participants doubt this, although they would like it to happen.

There is no unanimous opinion on what public status cinemas should have in the future. A relevant minority of respondents takes a more museum-like approach and sees the cinema of the future in the same way as theaters or opera houses, i.e. permanently subsidized and with increased ticket prices. The majority insists on a low-threshold cultural offer that is largely self-supporting. Some respondents would like to see cinemas receive additional public funding for their marketing and audience building measures.

#### Distributors

The business activities of distributors in particular were severely affected by the pandemic. A distinction must be made between the large distributors, which are usually part of strong vertically structured media groups, and the medium-sized and small independent distributors.

Fundamental changes in the business model are only expected to a limited extent. However, it can be assumed that the major distributors will no longer necessarily give the highest priority to theatrical business, but will focus more on the sale of other rights. Independent distributors are experiencing sharp declines in DVD business and complain that the non theatrical rights they need are often no longer available because they have already been awarded to others (streaming services, etc.). Some intend to act more frequently as co-producers in order to have more rights at their disposal. They are not expected to release more films theatrically in the future, although there is an oversupply because of the pandemic. Some distributors want to reduce the number of films and instead increase release campaigns and target them more precisely. In general, even more attention is being paid to audience potential, including in the arthaus sector. Funding bodies are also expected to play a greater role in supporting P&R costs.

Externally by industry participants:

Differences between the three countries can be seen here. German producers are finding it increasingly difficult to find a distributor, as the number of cinema productions is too high. Some of the interviewees now distribute low-budget films in the arthaus sector to cinemas themselves and buy support from agencies in order to be able to proceed more specifically. For the majority, however, this is not the way to go. Too time-consuming, lack of know-how, not suitable for nationwide releases. The distributors do not see any competition in this business model.

In Austria, this problem does not exist now and will probably not exist in the future. Austrian producers generally have no difficulty finding a distributor for their theatrical films.

The situation in German-speaking Switzerland is also less tense than in Germany.

Overall, it should be stressed that distributors will in future act more as license dealers for all forms of exploitation and will thus face stronger competition from world sales.

### ***World Sales***

All respondents agree that the business model has changed permanently and significantly. Prices and margins are falling, minimum guarantees are no longer paid or are marginal. The sale of TV rights has declined sharply. The large, vertically integrated corporations no longer need World Sales, they are taking over the business themselves. World Sales also agree that they need to work on their profile. Some

are also becoming more active as co-producers in order to improve their rights situation. A majority want to be involved in the development of productions at a very early stage. Some of the respondents consider the classic film markets to be outdated and superfluous and also consider hybrid forms to be insufficient. They are looking for a pan-European virtual market platform that should be supported by the National Film Institutes, at least in the development and initial phases. Others criticize the pandemic-related decline in personal contacts with potential customers.

Cooperation with world sales is still seen as important by the industry, with access to festivals also highlighted. However, some industry participants are critical of the concentration of world sales on precisely this area, as it is not a satisfactory business model to sell films to the festivals, which often pay increasingly high licensing fees for the screening rights.

### ***TV channel***

There is a consensus that the role and function of TV broadcasters is changing dramatically. The focus is no longer on linear TV, but on being visible with any program at any time on many channels on any device. TV broadcasters are therefore moving closer to platforms in terms of their profile. As a result, broadcasters' media libraries are playing an increasingly important role. This applies to both public and private TV broadcasters. However, the private TV stations are in more direct competition with the streaming services and are suffering from the slump in advertising revenues. Overall, there is continued investment by broadcasters in fictional programming, with a focus on TV movies and TV series. Documentary forms are also receiving strong attention. However, interest in co-producing and licensing feature films is declining, especially in Germany, but also in general. The cooperation of TV broadcasters with streaming services is desired and viewed positively by a majority of respondents, although it is subject to conditions. Within the public broadcasters, there is no uniform stance on this cooperation, but there are increasing examples of such cooperation. Overall, however, it is expected that the commissioning of audiovisual media will tend to increase for both public and private broadcasters.

There are certain differences in the three countries. In Germany, the declining commitment in the cinema sector is viewed with great concern, as the financing of cinema films is heavily dependent on the commitment of TV broadcasters. At the same time, broadcasters are seeking long-term rights for films to remain in their media libraries,



without offering adequate remuneration for this to date. Also, programs are increasingly being commissioned that are produced primarily or even exclusively for the media libraries. The industry would like to see appropriate payment for the broadcasters' media library rights in the future.

In Austria, the commitment of public TV stations to theatrical films is viewed less critically. A majority of the participants do not expect increases, but continuity, as there are corresponding legal regulations that will presumably also apply in the future.

In Switzerland, the production of cinema films is less dependent on the commitment of TV broadcasters. Media libraries are also equipped with their own, albeit small, financial resources. Producers usually prefer, if possible, to license to streaming services.

Overall, however, the industry is expecting a continuously high order volume.

### ***Streaming/OTT services***

Especially in Germany, national and global streaming platforms are becoming increasingly involved. In addition to companies such as Sky Deutschland and Magenta TV, providers such as Netflix, Amazon, Disney Plus are also becoming more active. They are increasingly commissioning national producers to produce local content. Even if the commitment is still significantly lower than in the UK and Italy, for example. Netflix, for example, has announced it will invest EUR 500 million in German-language productions over the next three years, which also includes Austria and Switzerland. The majority of the industry sees an upward trend in this commitment, but is uncertain when this will consolidate or level off. Nevertheless, the majority of producers want to work for these providers and see new opportunities here. Some of the respondents are critical of the fact that there is too little transparency and that they do not receive coverage measurements. The question of artistic control is also discussed. A part of the interviewees is concerned that Americanized narratives are gaining dominance. Others praise the diversity of narrative forms that streaming services offer. Almost all respondents believe that movies and series produced for these providers should be eligible for funding if a fair amount of rights remain with the producer. There is agreement that there should be a financing obligation for the streaming services so that they invest a defined percentage of the revenues they generate in the respective country in local productions. The respondents would like to see a uniform European regulation. France, with its 25% regulation, is cited as a role model. A majority of respondents would like

this financing to be paid directly to producers. A minority of respondents would rather see the financing go to the funding institutions. But respondents agree that the financing obligation should be conditional. This means above all that the scope of rights that must remain with the producer should be defined. There is also a demand that the developers of the IP should also have a share in rights in the case of purely commissioned productions. These demands must be enforced with the support of politics and funding bodies. The respondents would like to see a uniform European or at least national streaming platform. Some participants want such a platform to be operated by the public broadcasters in Europe. Others see this critically, as territorial licensing would then no longer be possible. All respondents agree that streaming services will have a growing influence on the German-language media landscape in the coming years. They see this as both an opportunity and a threat to cultural identity and European diversity.

### ***Games***

*(So far, there has only been one interview with a representative of the games industry.)*

Overall, there is a similar dominance of the American industry in the sector as in the film industry. In Switzerland and Austria, there are no special funding models, which the industry, however, loudly demands. In Germany, there are various funding schemes both at the national level by the federal government and at the regional level by almost all regional film funding bodies and in some cases by independent funding bodies. Particularly noteworthy here are the subsidies in Berlin, Bavaria and North Rhine-Westphalia. The promotion of games is primarily seen as location promotion.

The game developers are organized in small companies and many startups. There are hardly any really big companies. This leads to a weak negotiating position vis-à-vis publishers and makes the development of elaborate games more difficult. For this reason, there is an increased focus on the cooperation of these companies nationally and also across borders in the future in order to bundle financial and human resources. The technical and creative skills are considered to be high, but at the same time there is often a glaring lack of business knowledge, which must be remedied in the future. There are interfaces with the film industry, especially in animation film. Animation studios partly develop games for their films and series, and also independently of them.

## ***Funding Bodies***

### *National Film Institutes*

In both Germany and Austria, automatic and semi-automatic support systems are available not only for theatrical productions, but also for TV projects and series. The national Film Institutes continue to see the focus of their work in supporting feature films and documentaries for the cinema. An important issue is the design of the financing obligation for the multinational platforms throughout Europe. There is a desire for a uniform approach. Whether this will succeed remains questionable. For example, France, which is cited as an example, has set a 25% funding obligation, while Switzerland, for example, has agreed to only 5%. With a uniform approach, competition within Europe, which is sometimes seen as unhealthy, could be avoided to a greater extent. The redefinition of regional effects and corresponding cross-regional and cross-national exchange models will also play a major role in the future in order to improve environmental sustainability in the audiovisual sector. It is expected that the funding intensity will and must increase in the future, which will have an impact on the number of grants. Whether funding budgets will remain stable or even increase will also depend on whether funding other than from tax revenues and the levies of the traditional industries is possible. This may be particularly the compulsory levies of global streaming services, which will either increase funding or, in the case of direct commissioning to production companies, relieve the burden on funding bodies. Special attention should be paid to supporting world sales and distributors whose business models are changing.

### *Regional film and media funding*

The regional funding bodies in the Länder all see themselves as being committed to both an economic and a cultural mandate or as cultural subsidy institutions. There is no such thing as purely economically oriented funding. There is an intensive dialogue between the funding institutions, especially in Germany, where regional funding is traditionally very strong, about the tasks of the future. Very different views are being expressed. The funding bodies cooperate and compete at the same time. All funding bodies will continue to support feature films and documentaries in the future. However, support for series productions and audiovisual works will receive more attention overall. This includes newer products from the web and VR sectors. Work with young talent is considered important. In Germany, there is a debate about whether all funding bodies should do everything in the future, or whether there should be a specialisation or focus on purely regional projects in the future and support a smaller number of projects

with more money. Opinions on this are very divergent. There is also debate about the extent to which sustainability and green shooting are compatible with the delivery of regional spend. The delivery of these effects is very important for all regional funding bodies. It is discussed whether there are possibilities to re-evaluate and re-weight regional spend under the aspect of sustainability. National or cross-border cooperation and exchange models are also being considered. The extent to which staff but also decision-making bodies have the necessary expertise in the rapidly changing media ecosystem also is in discussion. There is agreement that cinema blocking periods now only play a marginal role.

The sector is generally satisfied with the networks of national and regional as well as purely cultural funding systems, which allow for diverse funding strategies. The system of automatic national and selective national and regional funding instruments is also considered useful as it allows for many different funding options. A part of the respondents would like to give automatic systems a stronger priority over the selective models. Individual opinions call for the total abolition of selective systems in favour of a purely automatic system.

The respondents in all three countries do not expect any decline in public support for audiovisual media and films in the long term either. Although stagnation cannot be ruled out, a majority, especially in Germany, even anticipates a further increase in funding. The respondents see reasons for this in the still strong economy and the awareness of the political forces that audiovisual media are of great importance, both economically and ethically, for the cohesion of a society and of Europe. Only a drastic political and social change could modify this situation.

### ***Main arguments for the importance and protection-worthiness of audiovisual media***

All respondents consider film and audiovisual media as a whole to be a cultural asset worthy of protection and in need of public support. In order to maintain social and political acceptance for this in the future, a number of arguments make sense that should also be taken into account in funding decisions. The preservation of language, cultural identity and cultural heritage are unreservedly given high priority. Even if local streaming services have promoted the international distribution of series in the respective national languages, the preservation and protection of the language is still considered to be of great importance. This is especially true for a multilingual country like Switzerland. A majority believes that stories; people and landscapes of the region play an essential role and are a strong argument for the

worthiness of protection of audiovisual media. A minority believes that these aspects will play a lesser role in the future in a globalized world. Almost all respondents see audiovisual media as an important area of art that addresses a broad audience, which in a highly diversified society does not always mean a mass audience. Audiovisual media play a crucial role in preserving freedom of expression and diversity of opinion. Horizontal perspectives such as gender equality and inclusion are considered important, but a clear majority believes that while these values should be lived in a society, they should not be a decision-making criterion for funding, otherwise censorship through subsidy may result. The respondents agree that the media industry is an important industry for growth and jobs. Importance to tourism is partially attributed, but the visibility of a region is seen from a majority as important, which includes how well known a region is to the outside world. The American dominance of audiovisual media in Europe exists and will continue to exist in the future. Therefore, the support and promotion of European media will continue to be indispensable in the future in order to make European images, stories and narratives visible and tangible in their diversity, in addition to an American view of the world and American narratives. A majority would therefore like to see a coexistence model. A minority sees more of a culture war.

The respondents are aware of the extensive upheavals in the media ecosystem and the necessary changes in business and financing models.

*In order for funding bodies to remain relevant in the future, they should reconsider the following points for the future:*

- Funding guidelines must be set up in such a flexible way that it is possible to react to changes in the system at short notice and without bureaucracy, and that trial-and-error is possible. To this end, funding must be more open to experimentation.
- It is imperative that decision-making processes are faster and more binding in order to keep up with the pace of streaming services.
- The number of funded projects should be reduced in order to provide them with better funding. A large number of producers also support this demand in the knowledge that this can sometimes also work against them.
- Tying support for both selective and automatic programs to a mandatory cinema release is no longer appropriate. It is preferred to allow the parties involved to determine at a later date what the primary exploitation medium will be.
- Cinema blocking periods should only play a marginal role and be

handled very flexibly. (Naturally, most cinema operators see this differently).

- Decision-making bodies should be staffed exclusively with competent experts who have a good knowledge of the new requirements in the media ecosystem. Various participants doubt that this is already the case. Some of the respondents expect that decision-making bodies should be more diverse in the future. Some of the respondents reject committee decisions altogether and want to replace them with individual decisions by responsible persons. Here reference is made to the Scandinavian systems. Some of the respondents want to replace the selective systems completely with automatic ones.

- Funding staff should also be well versed in the changes and new requirements in the media ecosystem or have the opportunity to acquire them in a targeted manner. A part of the interviewees denies that this is the case.

- Funding must be able and open to respond to new technological developments. In this context, blockchain technology and the production and marketing of NTFs are referred to several times.

The vast majority of respondents consider a broad spectrum of funding, such as that offered above all by regional funding, to be worth preserving. In addition to the focus on feature films and documentaries, the area of project development must be particularly strengthened and expanded, and the sanction-free termination of projects must be made possible. Individual participants view this critically, fearing that this will artificially keep less professional companies alive. Individual participants want funding to focus entirely on this area and leave production financing to the market, as they see sufficient opportunities there.

A very large majority considers targeted promotion of young talent to be indispensable. In this context, the funding of short films should also be maintained.

Funding is too production-centred. In the future, they should provide more support for distribution and audience-building measures.

Promotion and politics should support and enforce the demand for fair rights splitting and fair terms of trade by the streaming services.

*Other important topics for the future are:*

- IP ownership and artistic control
- A redefinition of the term "independent producer" in line with the changes in the media landscape
- An open and presumably controversial discussion of which kind of

projects are really in need of funding.

- Open discussion of these priorities with the industry as a whole provides an opportunity for funding bodies to remain valued and indispensable partners in the changing media ecosystem.

**Manfred Schmidt**

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