

## **Annexes**

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## **Annex 1. Sector profiles**

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The importance of the film sector in Europe is undisputable. Cinema was born in Europe more than a century ago and enjoys a high degree of consideration amongst policy makers and the general public for both its symbolic and economic value. Many European countries have a long established tradition in film making, many European films and directors (Truffaut, Fellini, Fassbinder, Greenaway, Almodovar, Von Trier, Andrzej Wajda, to name but a few) are famous throughout the world. The importance of cinema in contemporary culture is directly linked to the growing influence of images and the audiovisual in the information society.

However, from an economic point of view, film represents a relatively minor sector in Europe. Cinema is outweighed by other cultural industries (publishing, music) in terms of generated turnover and, within the audiovisual sector, TV and radio have a far greater economic significance. The late comer in the field of creative industries, the video games sector, claims higher revenues than box office receipts. Yet, the most worrying figures come from the market share of European productions: less than a quarter of all money spent in European cinemas in 2005 went to European films. The overwhelming majority of admissions are captured by US productions. The same pattern applies to video rental and retail and to a lesser extent TV films and productions. A trade deficit with the US in the audiovisual field has grown exponentially over the years.

The European film industry suffers from a number of structural deficiencies: fragmentation along national borders, under-capitalisation and difficult access to finance, enterprises in the sector are relatively small, difficulty in marketing and promoting films internationally. For the average European viewer, it is easier to watch stories coming from Hollywood than from neighbouring countries.

Yet, beyond all the difficulties the European film sector is experiencing, cinema still represents a value dear to Europeans. The amount of public money spent on supporting films is important and all EU Member States support their film industry. The protection of indigenous productions from international competition and trade is a cornerstone of the EU commercial policy since the Uruguay Round. Cinema is the battlefield for the promotion of cultural diversity. At the same time it is in the spotlight, as new opportunities regarding digital delivery platforms in the European film industry grow increasingly important - harnessing the digital revolution is the biggest challenge faced by European cinema today.

## THE ECONOMY OF FILM IN EUROPE<sup>1</sup>

### ONE SECTOR, MANY DIFFERENT BRANCHES

The film industry comprises several business branches, characterised by marked differences. For the purposes of this study, the film and video sector is defined as the grouping of enterprises active in the following areas: film and TV production, exhibition and distribution. Within the area of distribution, the following channels are considered: theatrical distribution, home video, TV (free-to-air, pay-TV), and VOD.

In order to evaluate the economic weight of the film sector in Europe, two different indicators have been chosen: retail revenues and turnover of the different areas comprised in the sector (production/distribution/exhibition).

<sup>1</sup> All the figures presented in this section and in the following sections of this chapter are derived from the Yearbook published by the European Audiovisual Observatory - 2005 edition. Any different source is indicated.

- **Assessment of retail revenues:**

According to the European Audiovisual Observatory (EAO), the size of the film sector in Europe at retail level is as follows (these figures do not include revenues generated by sales of film rights to broadcasters or by VOD):

**Table 19: European film sector at retail level**

| Retail revenues (including taxes) | € million     |               |               |               |               |               |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                   | 1999          | 2000          | 2001          | 2002          | 2003          | 2003/1999     |
| Film theatre gross box office     | 4,393         | 4,694         | 5,356         | 5,624         | 5,326         | +21.2%        |
| VHS software (rental + retail)    | 5,835         | 5,953         | 5,404         | 4,629         | 2,810         | -51.8%        |
| DVD software (rental + retail)    | 400           | 1,406         | 3,125         | 6,285         | 9,014         | +2,153.5%     |
| <b>TOTAL</b>                      | <b>10,628</b> | <b>12,053</b> | <b>13,885</b> | <b>16,538</b> | <b>17,150</b> | <b>+61.4%</b> |

For the film and video sector, figures at retail level correspond to the money spent by European viewers watching films in cinemas or at home (by purchasing or renting videos). The size of this market represents only a minor part (about 16%) of the overall audiovisual market in Europe (€ 105 billion in 2003), which is clearly dominated by TV and radio companies.

Four major considerations may be drawn from the above table:

- The sector has experienced considerable growth over the last years - over 60% increase in revenues from 1999 to 2003;
- Box office revenues have grown over these years by more than one fifth;
- DVD rental and retail has rapidly replaced VHS as the main form of home video consumption in Europe;
- Revenues from home video have increased at a faster rate than box office revenues. They amounted to almost double the value of box office revenues in 2002-2003.

These observations confirm the ongoing trend in the film industry worldwide, at least in mature markets such as Europe and the US: the film industry is increasingly relying on revenues derived from home video to sustain its turnover and profitability but cinema going continues to be considered an essential part of the film exploitation chain, especially in terms of marketing and promotion. The emergence of VOD and online distribution services may once again provoke a disruption in the revenue model of the film industry.

However, despite the slowing growth of DVD sales, home video is expected to remain the primary source of revenues for the film industry, especially for Hollywood studios. Research carried out by US consultancy Adams Media<sup>2</sup> reveals that studios earn USD 17.26 for each DVD they sell, but only USD 3.5 for each cinema ticket, USD 2.37 for films downloaded through VOD and USD 2.25 per DVD rented. These figures, collected on the US market, may be transposed with the necessary adaptations to the European market. They show that video represents the most profitable activity for the film industry.

<sup>2</sup> Article included in the *Money & Business* section of the *New York Times*, June 24, 2006

- **Assessment of operating revenues**

Another way of examining the size of the film sector in Europe is to consider economic data provided by the three categories of enterprise active in the sector: producers, distributors and exhibitors. Data for the years 2000 to 2003 for the EU25 are as follows:

**Table 20 – Operating revenues – European producers, distributors and exhibitors 2000-2003**

| Operating revenue | € million |        |        |        |
|-------------------|-----------|--------|--------|--------|
|                   | 2000      | 2001   | 2002   | 2003   |
| Producers (EU15)  | 5,327     | 5,485  | NA     | NA     |
| Distributors      | 4,983     | 5,983  | 5,857  | 6,050  |
| Exhibitors        | 6,382     | 7,702  | 7,767  | 7,758  |
| TOTAL             | 16,692    | 19,170 | 13,624 | 13,808 |

This table shows the respective size of the three main branches of the film industry. 2001 represents the last year for which the European Audiovisual Observatory collected data for producers. The available figures show that up to then there was a sort of equilibrium amongst the three branches and that little variation occurs in distributors' and exhibitors' operating revenues in 2002 and 2003 - overall figures, however, conceal deep differences existing amongst companies active in different branches. This topic is dealt with in the following section.

## **THE IMPACT OF ICT AND INTERNET**

It is difficult to estimate the impact of ICT and the Internet on the film & video sector. New technologies are disrupting traditional consumption channels. The film industry is developing new schemes and business models to cope with the significant changes brought by digital platforms, although at a slower pace than its sister industry (music).

- **Video on demand (VOD)**

ICT is changing the home video business dramatically. The common denominator unifying new channels of film delivery is usually called VOD - Video On Demand. VOD may take different formats according to the devices used to access content and to the technical platforms exploited by service providers. Although VOD services are available on existing digital platforms such as satellite TV and the emerging digital terrestrial TV (DTT), **the main push to VOD comes from the uptake of broadband technology across Europe.**

Figures on broadband uptake in Europe are presented in Chapter IV in this study. It is important to note that while broadband penetration is the pre-condition for the development of VOD services based on IP-TV<sup>3</sup>, the availability of films is one of the major drivers for the uptake of broadband. All across Europe, dominant telecom operators and new entrants are pushing through subscriptions to broadband networks by emphasising the vast range of content that can be accessed by consumers - premium offers always include films through VOD services.

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<sup>3</sup> For a definition, please refer to the Glossary in Annex 8

- **The situation of the European market**

Due to recent developments in the VOD market, it is difficult to have comprehensive figures to assess its size. Data for 2005 and future estimations available are presented hereafter:

**Table 21: Revenues on the VOD market: 2005 and estimates for 2010**

| Revenues (USD million) | 2005  | Estimates 2010 |
|------------------------|-------|----------------|
| North America          | 1,532 | 4,735          |
| Europe                 | 1,275 | 4,497          |
| Asia Pacific           | 262   | 1,123          |
| Latin America          | 128   | 387            |
| Total                  | 3,197 | 10,743         |

Source: Informa Telecoms & Media

Europe was well positioned in 2005 and estimates for 2010 place Europe as the second market for VOD services in the world. The size of the market is also significant: total volume of VOD revenues in 2005 was more than double the revenues derived from digital music sales, online and mobile (estimated at USD 1.5 billion) in the same year - if music is at the fore front of the digital revolution, film has already overcome it in terms of revenue generated from new platforms.

- **Diversity of services and offer**

The range of VOD services available across Europe varies between Member States and continues to change. A survey made by NPA Conseil<sup>4</sup> in ten EU countries (Austria, Finland, France, Germany, Hungary, Italy, Poland, Portugal, Spain and UK) and published in May 2006 reveals that the number of VOD service providers has grown tenfold from 2002 (5) to 2004 (>40). The analysis of the main platforms shows that more than 2,000 feature films are already available through VOD in Europe.

## TRADE

Obtaining complete and reliable figures on the international trade of films and audiovisual works is a very difficult task. The economic value of a film consists in the revenue generated by licensing its rights through a multitude of channels or "exploitation windows": theatrical, home video, VOD and TV. **These operations are not captured by statistics measuring international flows of goods and services.**

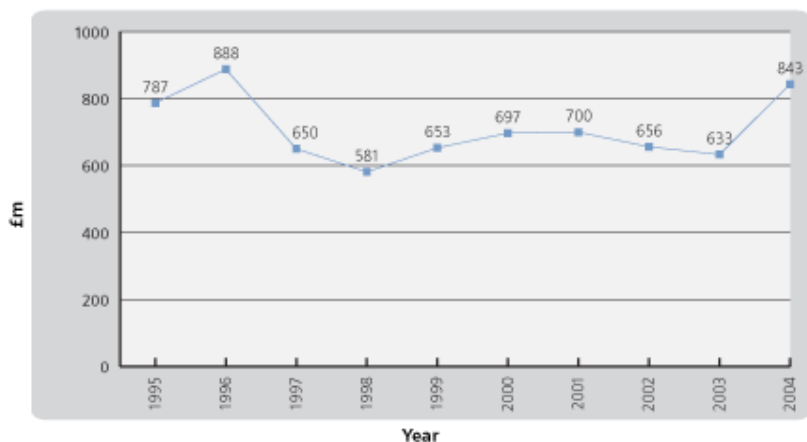
However, it is possible to give an idea of the trade value of films produced by the two largest national industries within the EU. According to statistics elaborated by the UK Film Council<sup>5</sup>, the UK film industry exported £ 843 million worth of services in 2004, £ 399 million of which came from royalties and £ 444 million from film production services. Film exports have fluctuated between £ 581 million and £888 million between the period 1995 to 2004, as shown in the figure below:

<sup>4</sup> NPA Conseil, *The development of video on demand in Europe*. NPA Conseil, May 2006.

<http://www.npaconseil.com/data/ENG060619final.pdf>

<sup>5</sup> <http://www.ukfilmcouncil.org.uk/information/statistics/yearbook/?pf=&low=&y=2005&c=12&s=>

**Figure 27 – Film export in the UK 1995-2004**



The balance of payments for the UK film industry has been constantly positive over the period examined, with a trade surplus of £ 91 million in 2004. It should be noted that most of the exports were generated by subsidiaries of US majors. The share of UK film exports accounted for by the UK subsidiaries of major US film companies was above 50% for the whole period that was examined (it was 58% in 2004). The USA was the largest market for UK film exports, taking 47.2% of total exports in 2004. Europe was the second largest market, taking 31.2%.

As for France, data provided by CNC<sup>6</sup> show that film exports generated € 223 million in revenues in 2004, split between exports of French films (€ 141 million or 63% of the total) and exports of foreign films (€ 82 million or 37% of the total). The first largest market for French film exports was Western Europe with 56% of the total, followed by Asia with 15% and North America with 12%.

## **THE ISSUE OF FILM PIRACY**

According to a study published by the MPAA<sup>7</sup>, the US film industry (MPAA-affiliated studios, i.e. the Hollywood majors) lost USD 6.1 billion to piracy in 2005, out of which USD 1.3 billion came from domestic piracy and USD 4.8 billion from international piracy, with around half of it occurring in Europe.

As a result, the MPAA's statistics on piracy have begun to take into account losses due to online piracy:

- The MPAA estimates that in 2005 US 2.4 billion were lost by studios due to the purchase of illegal copies of VHS/DVD;
- USD 1.4 billion were lost because of the illegal copying of legitimate VHS/DVD;
- USD 2.3 billion were lost through Internet piracy (illegal downloads of films).

In regard to the European market, estimates on the losses suffered by the film industry (MPAA and non-MPAA companies) because of piracy on a country-by-country basis are as follows:

<sup>6</sup> <http://www.cnc.fr/Site/Template/T12.aspx?SELECTID=1306&ID=766>

<sup>7</sup> [http://www.fact-uk.org.uk/site/media\\_centre/documents/2006\\_05\\_03leksumm.pdf](http://www.fact-uk.org.uk/site/media_centre/documents/2006_05_03leksumm.pdf)



**Table 22: Estimated losses in the film sector due to piracy**

| Country     | Losses (USD million) |
|-------------|----------------------|
| France      | 1,547                |
| UK          | 1,007                |
| Spain       | 670                  |
| Germany     | 490                  |
| Italy       | 442                  |
| Poland      | 272                  |
| Hungary     | 199                  |
| Netherlands | 129                  |
| Sweden      | 108                  |

The table above presents a list of countries affected by film piracy in Europe according to the degree of losses the industry suffered. The largest audiovisual markets (France, UK) are the ones that record the highest losses. MPAA affiliated companies suffer from the greatest revenue losses in the UK, whereas in France it is the local industry which is most affected by piracy. However, in comparative terms, the MPAA study reveals that piracy is most prevalent in markets of Central/Eastern and Southern Europe: the potential market shares lost to piracy are deemed to be as high as 73% in Hungary, 66% in Poland and 32% in Spain.

## STRUCTURE OF THE SECTOR

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The structure of the film industry varies greatly according to the different branches of activities and according to the individual countries. A sector-by-sector analysis is necessary in order to comprehend the differences that exist in the European film industry. Our analysis will focus on the production and distribution sectors.

### PRODUCTION

The production sector is the most fragmented and unstable. The structural difficulties of the European film industry (fragmentation, under-sized companies, limited access to finance) are peculiar to the production branch. Most production companies are SMEs.

Many of the European production companies have **a limited output of 1-2 productions a year**. In some cases, companies are created for the production of a single film and are subsequently dismantled. This explains why turnover tends to significantly vary from one year to another.

In **France** 212 films were produced by 156 different production companies in 2005. Gaumont was the most prolific company with seven films produced; Europacorp, Gémini Films and Les Films d'Ici produced six films each; Agat Films et Fie and Maia Films each produced four films. Arp, Fidélité Films, Orsans Productions and Pathé Renn production produced three films; 21 companies produced two films each and the remaining 125 companies only produced a single film.

In the **UK**, the film council international recorded 217 production companies associated with films shot in the UK or co-productions involving the UK in 2005. Of these, 186 companies were associated with a single feature. The two most prolific production companies were associated with seven features each, followed by one company with five features, one with four features, seven with three features and twenty with two features.

In regards to production trends in other European countries, the following table shows that the overwhelming majority of European production companies only produce one film a year:

| Country        | Number of film production companies | Number of companies producing not more than 1 film | Percentage |
|----------------|-------------------------------------|--|------------|
| Belgium        | 55                                  | 50   | 90%        |
| Czech Republic | 55                                  | 50   | 90%        |
| Estonia        | 18                                  | 18   | 100%       |
| Finland        | 30                                  | 25   | 83%        |
| France         | 156                                 | 125  | 80%        |
| Greece         | 100                                 | 90   | 90%        |
| Italy          | 422                                 | 325  | 77%        |
| Spain          | 160                                 | 130  | 81%        |
| Sweden         | 56                                  | 52   | 92%        |
| UK             | 217                                 | 186  | 85%        |

- **Number of films produced and average budget**

Europe has thousands of enterprises active in audiovisual production. No other country matches the number of feature films produced in Europe - the EU25 produced 761 films in 2004, 150 more than the US and more than double the films produced in Japan.

However, the large number of films produced is not itself a sign of a healthy industry. Creativity is often separate from finance - a number of small budget films have difficulty in reaching distribution channels and recouping the investment costs. The average size of a film's budget is an indicator of the economic viability of the film industry in a given territory: whilst the average cost of producing a film was USD 62 million for a US major in 2004 (USD 29 million for the majors' subsidiaries and affiliates), the figure in the same year was USD 9.3 million for a UK production<sup>8</sup>, USD 6.6 million for France and USD 3 million for Italy.

## DISTRIBUTION

- **Box office market share**

The European film distribution market is **dominated by US-affiliated companies** - they obtained 64.5% of total box office revenue in the five major EU markets in 2004 (accounting for almost 80% of the European box office). European distributors obtained the remaining 35.5% - still, it must be noted that although some European distributors perform well in their national market (no pan-European distributor exists at present), most of them are also specialised in the distribution of US films.

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<sup>8</sup> UK Film Council statistics, 2005 data

In 2003 and 2004, the three largest US distributors (Buena Vista, Warner, UIP) controlled almost half of the European box office. It can thus be deduced that Hollywood subsidiaries are the ones benefiting from the internal market, whereas for European companies, it is virtually nonexistent. As a consequence, US productions have been enjoying a market share of about 70% of the European box office for many years now (2003: 71%, 2004: 70.5%, 2005: 73.2%).

- **International box office**

The table below clearly shows Hollywood's domination of box offices worldwide - **the top-20 films by box office revenues in 2005 were all US productions**, including a certain number of US co-productions with other countries (mainly English-speaking territories):

**Table 23: World box office top 20 - 2005 (USD million)**

| Rank | Original title                       | Country of origin | North American box office | International box office | Total |
|------|--------------------------------------|-------------------|---------------------------|--------------------------|-------|
| 1    | Star Wars III: Revenge of the Sith   | US                | 380                       | 468                      | 848   |
| 2    | Harry Potter and the Goblet of Fire* | UK/US             | 277                       | 531                      | 808   |
| 3    | War of the Worlds                    | US                | 234                       | 357                      | 591   |
| 4    | Madagascar                           | US                | 193                       | 340                      | 533   |
| 5    | Charlie and the Chocolate Factory    | UK/US             | 206                       | 266                      | 472   |
| 6    | Mr & Mrs Smith*                      | US                | 186                       | 282                      | 468   |
| 7    | The Chronicles of Narnia             | US/NZ             | 226                       | 202                      | 428   |
| 8    | King Kong                            | US/NZ             | 175                       | 213                      | 388   |
| 9    | Batman Begins                        | US/UK             | 205                       | 166                      | 371   |
| 10   | Hitch                                | US                | 178                       | 189                      | 367   |
| 11   | Meet the Fockers**                   | US                | 117                       | 230                      | 347   |
| 12   | Fantastic Four                       | US/DE             | 155                       | 175                      | 330   |
| 13   | Wedding Crashers                     | US                | 209                       | 76                       | 285   |
| 14   | Robots                               | US                | 128                       | 133                      | 261   |
| 15   | Constantine                          | US                | 76                        | 154                      | 230   |
| 16   | Million Dollar Baby**                | US                | 99                        | 121                      | 220   |
| 17   | Chicken Little*                      | US                | 132                       | 84                       | 216   |
| 18   | Kingdom of Heaven                    | UK/DE/ES/US       | 47                        | 163                      | 210   |
| 19   | The Pacifier                         | US/CA             | 113                       | 85                       | 198   |
| 20   | Flightplan*                          | US                | 89                        | 105                      | 194   |

Source: European Audiovisual Observatory

\*: still on release in 2006

\*\* : 2004 release, box office 2005 only

Most of the films on the list (15 out of 20) generated the majority of their revenues outside the US home market. Although figures by region are not available, European box offices represented a significant share of foreign earnings made by Hollywood films.

- **Market share of European films**

The situation varies from one country to another: France is the only EU country where national films enjoy a relatively high market share (over one third of the market over the last decade); in Italy, Denmark and Sweden national productions usually account for one quarter of the box office; in the Czech Republic, Finland, Spain, Germany and the UK for between one fifth and one sixth; in all other European countries, US productions are often close to 80-90% market share.

By comparison, the average market share of US films in their home territory is close to 94%, and the market share of European productions in the US market is less than 5 %.

- **The problem of trans-national circulation**

**On average, the market share of non-national European films is 7%.** The real bottleneck for European films is distribution. Most EU productions are made, distributed and consumed in one single country. They do not go beyond national frontiers, let alone across the Atlantic - they do not benefit from economies of scale and are unable to recoup investment costs through multi-territorial distribution. This is surely due in great parts to the particularity of national tastes and to language barriers, but most of the issue come from the structure of the distribution sector.

- **The home video market**

Besides the poor figures at box office level, European films perform even worse when it comes to home video - although comprehensive figures are not available, existing data show that the home video market is also dominated by Hollywood products.

The distinctiveness of the European home video market is that it is heavily dependent on the three main national markets - UK, France and Germany- which together account for two thirds of the total EU video retail and rental sector. Video is also the branch of the industry which is suffering most from piracy.

## **THE COMPETITIVENESS OF THE EUROPEAN FILM INDUSTRY**

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### **THE TOP-20 EUROPEAN FILM COMPANIES**

The European film industry comprises both indigenous national companies and subsidiaries of US majors. Many of the top-20 companies are active in different branches of the sector, including: production, distribution, exhibition and home video. The following table presents the ranking of the top 20 leading film companies in Europe according to operating revenues - figures include data from 2003 and 2004:

**Table 24: The top 20 leading film companies in Europe according to operating revenues (€ thousand)**

| Rank | Company                                  | Activities  | Country | 2003        | 2004    |
|------|--|---|---------|-------------|---------|
| 1    | Walt Disney International Ltd            | Distribution (film), Distribution (television), Trade in television rights, Video                 | UK      | 1,162,078   | -       |
| 2    | Groupe Pathé (1)                         | Exhibition, Distribution (film), Video, Trade in television rights, Production (film), Television | FR      | 631,000     | 763,000 |
| 3    | United International Pictures B.V.       | Distribution (film)   | NL      | 538,880     | 634,938 |
| 4    | Warner Bros. Entertainment UK            | Distribution (film)   | UK      | 625,851     | -       |
| 5    | Embassy Eagle Holdings                   | Production (film), Distribution (film)  | NL      | 501,377     | -       |
| 6    | Europalaces (1)                          | Exhibition  | FR      | 380,019     | 407,728 |
| 7    | Terra Firma Investments (2)              | Exhibition  | UK      | -           | 402,454 |
| p.m. | United Cinemas International (UK) Ltd    | Exhibition  | UK      | 162,855     | 164,354 |
| p.m. | Odeon Cinemas Ltd                        | Exhibition  | UK      | 233,313     | 238,100 |
| 8    | Warner Bros France                       | Distribution (film)   | FR      | 401,351     | 396,149 |
| 9    | Groupe Canal+ (Turnover Film activities) | Production (film), Distribution (film), Trade in television rights, Video                         | FR      | 351,000     | 394,000 |
| 10   | UGC (3)                                  | Exhibition, Distribution (film), Trade in television rights, Video, Production ( film)            | FR      | 523752      | 351058  |
| 11   | Cineworld Cinemas Ltd (3)                | Exhibition  | UK      | 190553      | 340000  |
| 12   | Warner Home Video (UK) Ltd               | Video   | UK      | 338,385     | -       |
| 13   | RAI Cinema                               | Production (film), Trade in television rights   | IT      | 311,252     | 298,546 |
| 14   | Egmont Nordisk Film                      | Distribution (film), Video  | SE      | 345,285     | 289,000 |
| 15   | Colombia Tristar Film GmbH               | Distribution (film)   | DE      | 264,460 (4) | -       |
| 16   | Bavaria Film Gruppe                      | Production (film), Production (television)  | DE      | 255,500     | -       |
| 17   | The Entertainment Group of Companies Ltd | Distribution (film), Video  | UK      | 251,289     | -       |
| 18   | Constantin Film AG                       | Production (film), Distribution (film), Trade in television rights                                | DE      | 117,381     | 249,258 |
| 19   | Twentieth Century-Fox Home Entertainment | Video   | UK      | 246,979     | -       |
| 20   | Medusa Film                              | Production (film), Distribution (film), Exhibition, Video   | IT      | 154,148     | 227,909 |

Source: European Audiovisual Observatory

(1) In 2001 Pathé and Gaumont transferred their exhibition activities to the company Europalaces. Europalaces' turnover is consolidated in Pathé group accounts, but not in those of Gaumont.

(2) On 2 September 2004, the investment group Terra Firma acquired Odeon Equity Co. Limited (Odeon). On 28 October 2004, Terra Firma acquired sole control of United Cinema International (UK) Ltd. and Cinema International Corporation (UK) Limited.

(3) In October 2004, Blackstone Group acquired Cine-UK Ltd. On 1 December 2004, Blackstone Group (through its subsidiary Cineworld) acquired sole control of UGC.Cinema Holding Ltd.

(4) 2003 figures

Amongst the 20 largest film companies in Europe, seven are subsidiaries of Hollywood majors, established to cater for theatrical and home video distribution at both national and trans-national levels (the UIP subsidiary in the Netherlands covers multiple European territories). The presence of several exhibitor groups is also remarkable - the exhibition sector in Europe has undergone a process of concentration over the last few years and in addition to that a number of US and Australian funds have taken control over several cinema circuits in Europe (Terra Firma Investments, Cineworld Cinemas). Some of the companies are the film production and sales arm of national or local

broadcasters (Canal +, RAI Cinema, Bavaria Film). None of the companies are solely active in production - the first independent film producer (Europa Corp) ranks 45<sup>th</sup>.

## THE TOP-20 PRODUCERS

Film producers are generally of a smaller size - for most of them, operating revenues are less than € 100 million a year. Below is the list of the top 20 independent film producers in Europe:

**Table 25: The 20 leading independent film production companies in the European Union- Operating revenues (€ thousand)**

| Rank | Company                    | Country | 2003    | 2004    |
|------|----------------------------|---------|---------|---------|
| 1    | Pathé Renn Production      | FR      | 120,069 | 186,038 |
| 2    | Europa Corp                | FR      | 96,940  | -       |
| 3    | AB Svensk Filmindustri (1) | SE      | 99,081  | -       |
| 4    | Gaumont (2)                | FR      | 70,247  | 88,600  |
| 5    | UGC Images                 | FR      | 65,057  | 73,925  |
| 6    | 80 Days Productions Ltd    | UK      | 65,449  | -       |
| 7    | Cold Mountain Ltd          | UK      | 57,043  | -       |
| 8    | Tiger Aspects Production   | UK      | 52,526  | 55,287  |
| 9    | Filmauro (1)               | IT      | 51,492  | 53,659  |
| 10   | Telema                     | FR      | 25,688  | 50,593  |
| 11   | Fidélité                   | FR      | 35,979  | 43,672  |
| 12   | Cattleya                   | IT      | 38,476  | -       |
| 13   | MK2 S.A. (1)               | FR      | 38,176  | -       |
| 14   | Enchanted productions Ltd  | UK      | 37,354  | -       |
| 15   | Crystalcreek Ltd           | UK      | -       | 36,110  |
| 16   | Hirsch                     | FR      | 15,323  | 32,191  |
| 17   | Fandango                   | IT      | 30,636  | -       |
| 18   | Studiologende              | FR      | 30,469  | -       |
| 19   | Galatée Films              | FR      | 15,726  | 27,829  |
| 20   | La Petite Reine            | FR      | 52,850  | 24,133  |

Source: European Audiovisual Observatory

(1) includes distribution activities

(2) film activities, not including exhibition

## CONCLUSION

The European film industry is characterised by the richness and variety of its productions which is reflected in the great number of companies active in the sector. However, the very high level of productions is not always matched by an effective distribution structure. In terms of market share, the US majors benefit the most from the European film market, the second largest in the world.

European companies rarely benefit from economies of scale induced by the Internal Market. The Single European Market is virtually non-existent in the field of cinema where production and distribution usually take place at national levels. This situation has its roots in the linguistic and cultural differences that typify Europe. The Hollywood industry often recoups its initial costs in the US market and then gains additional profits in the European market thanks to its capillary distribution structure.

The rapid uptake of digital technology and the diffusion of various VOD services across Europe are deeply transforming the film distribution and consumption value chain. Whether this change will be beneficial to the European industry is an open question. The issues at stake are significant - digital distribution implies reviewing business models, developing new licensing schemes and adapting financial strategies.

Securing effective distribution channels is another challenge for the film industry - the impact of piracy in delaying the emergence of a viable digital music business has been considerable and film professionals want to avoid a similar fate.

At a European level, several factors may help the film industry grasp the opportunities presented by ICT - these involve targeted EU and national support policies, the involvement of financing institutions and of traditional and new audiovisual players (broadcasters and telecom groups) in devising appropriate measures to ensure a significant presence of European works on digital platforms.

## MUSIC

Music is a key component of Europe's cultural identity. Ever since the invention of the seven notes, the pentatonic and the well-tempered system, Europe has been the cradle of modern music as we know it. Many musical forms were born in Europe (the oratorio, the opera, the concert, the symphony) and immortal European composers wrote masterpieces which constitute the repertoire played today by orchestras all over the world.

Nowadays, music is for Europe much more than its classical past. Music represents one of the most vibrant cultural industries in the EU. National audiences are fond of listening to local artists, buying their CDs and going to their concerts. As opposed to what has happened in the film sector, European consumers do not seem to have succumbed to transatlantic productions. Even though the Anglo-American repertoire represents the largest share of music sales in Europe, national catalogues withstand and are even thriving in some local markets.

Of all the so-called "content industries", music is the one which has been the most affected by the digital revolution - the one which has suffered the most from shifting business models and consumption practices but also the one which is starting to benefit from new distribution channels. European companies are well positioned to take advantage from digital services. Europe has high broadband penetration rates and one of the highest mobile penetration rates in the world. European music companies are dynamic and willing to embrace new technologies - however, their efforts may be hampered by insufficient resources to master technological tools such as DRM (this is especially true for small companies which have to adapt to formats and technology developed by ICT companies) as well as the increase and growing acceptance of music piracy.

Europe is home to two and a half of the four music majors (Universal, EMI and BMG, part of the Sony-BMG joint venture). However, the majority of European record companies are SMEs, often focused on the local market. Common issues faced by large and small companies are the development of new business models to adapt to changing market. The independents are confronted with the issue of increasing concentration in the sector, with two companies (Universal Music Group and SonyBMG<sup>9</sup>) controlling 60% of the market for recorded music sales.

Europe is also the region where the practice of collective rights management in the music field is most established. Authors, composers, publishers, performers and record producers derive a significant part of their income from licensing their works to a variety of users - these rights are usually administered collectively by a range of collecting societies, some of which have well rooted traditions in the past. Although the practice of collective management faces new challenges in the digital era, it remains a characteristic feature of the European music model.

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<sup>9</sup> See Case No COMP/M. 3333 - Sony/BMG, cleared on 19 July 2004 by the European Commission, the appeal launched by independent labels' representative body IMPALA on 3 December 2004 (Case T-464/04) and the subsequent judgement of the Court of First Instance of 13 July 2006. The judgement is available at <http://curia.europa.eu/jurisp/cgi-bin/form.pl?lang=EN&Submit=Rechercher&docrequire=alldocs&numaff=T-464/04&datefs=&datefe=&nomusuel=&domaine=&mots=&resmax=100>



## THE ECONOMY OF MUSIC IN EUROPE

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To measure the size of the music sector, three main areas have to be taken into account:

- The sales of recorded music (mainly CDs but also music DVDs, vinyl and cassettes as well as sales of digital music through online and mobile channels)
- Revenues from live music events (concerts, performances)
- Revenues collected on behalf of rights holders for the licensing of music rights

The first area is dealt with by using available industry data. The second one is examined through the example of two significant surveys. The third one is the subject of a case study.

### SALES OF RECORDED MUSIC<sup>10</sup>

- **A continuing decline**

Sales of recorded music have been declining all over the world since 2000, in both units and value. The highest decreases were recorded in 2003 (-7.4% on the previous year) and 2002 (-6.7%). Recorded music sales at retail value amounted to USD 33,632.9 million in 2004 on a global level; in fixed exchange terms, global retail value was USD 39,716.4 million in 2000 (a 15% decrease). For Europe, figures are as follows:

**Table 26: Recorded music sales in Europe 2000-2004**

| Year | Retail value (USD fixed) | Annual change |
|------|--------------------------|---------------|
| 2004 | 12,375.2                 | -5.3%         |
| 2003 | 13,112.6                 | -8.2%         |
| 2002 | 14,281.8                 | -3.7%         |
| 2001 | 14,752.8                 | 0.6%          |
| 2000 | 14,605.3                 | 1.3%          |

The overall decrease since 2000 is in line with worldwide trends (-15%). In absolute terms, the European market in 2004 amounted to 36.8% of the world's market for recorded music sales - by comparison, the North American market value (Canada & US) was slightly higher at USD 12,847.2 or 38.2% of the world's market.

Reasons for the constant fall of the recorded music market are manifold - the industry blames piracy as the main reason for decreasing sales of CDs but other factors may also have a negative influence on sales such as competition from other entertainment sectors (notably videogames), higher spending of young consumers (usually seen as big music buyers) in ICT products (mobile phones, games consoles) and the lack of creativity. The emergence of digital delivery channels may on one side affect CD sales but on the other hand it may reverse the trends nowadays seen in the music industry - this issue is dealt with in details below.

- **Digital music sales<sup>11</sup>**

The emergence of widespread digital services for music downloads based on the remuneration for right holders is quite recent - the first signs of the legitimate online music market appeared in 2004 and it was in 2005 that this business really took off, propelled by wide-spread diffusion of digital music players and in particular Apple's iPod.

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<sup>10</sup> The source for figures presented in this section is the IFPI Report, *The recording industry in numbers*, 2005

<sup>11</sup> The main source for figures presented in this section is IFPI's *Digital Music Report 2006*. Other sources are specified when necessary

Apple's online music shop, iTunes, is estimated to account for 80% of digital music downloads in 2005 - this is on par with the 80% market share of the iPod on the digital music players market<sup>12</sup>.

Worldwide revenues from digital music sales have grown exponentially in the last two years:

**Table 27: Worldwide revenues from digital music sales**

|                     | 2003 | 2004     | 2005                        |
|---------------------|------|----------|-----------------------------|
| USD billion         | ...  | 0.380    | 1.1 (300% increase on 2004) |
| % of music revenues | 0%   | 1 or 2 % | 6%                          |

According to estimates by Jupiter Research, digital music sales will represent 16% of the music industry revenues by 2010<sup>13</sup>. The share of digital sales on overall revenues is higher in the US than in other major markets - hereafter the percentages of digital sales over total sales (and the respective size of the market) in the five largest world music markets in 2005<sup>14</sup>:

- US 9% (USD 7 billion)
- Japan 7% (USD 3.7 billion)
- UK 3% (USD 2.1 billion)
- Germany 3% (USD 1.4 billion)
- France 2% (USD 1.2 billion)

According to these figures, Europe seems to be lagging behind the US in the uptake of digital music. However, significant differences exist between Europe and the US, as well as within Europe, as far as to the format on which digital downloads take place. Whereas in the US digital tracks are mainly downloaded from the Internet through online-based services, Europe has a higher share of music downloads to mobile phones - this also reflects the higher penetration of mobile phones in Europe than in the US.

- **Online vs mobile music consumption**

Although at a global level the split between online and mobile music is roughly 60:40, these shares vary across different countries - in France online and mobile music are on the same level (50:50) whereas in Italy the ratio is 20:80 and in Japan 10:90. The US is clearly leading in terms of online music. Asia (especially Japan) on the other side is very strong on mobile downloads. Europe is in the middle, with higher ratio of mobile downloads in some countries.

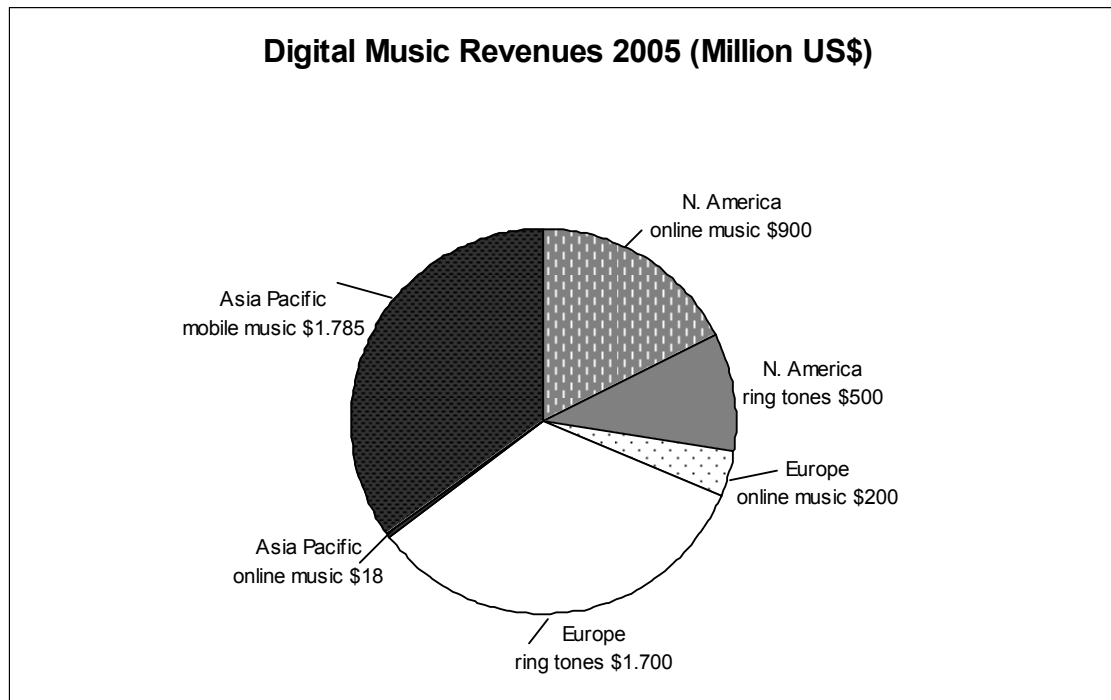
The following figure shows that Europe is a world leader in terms of revenues generated by digital music sales, especially thanks to ringtone sales:

<sup>12</sup> Music and Copyright, Nr 313 (1 February 2006)

<sup>13</sup> <http://www.jupiterresearch.com/bin/item.pl/research:concept/105/id=97141>

<sup>14</sup> *Billboard*, 15 April 2006

**Figure 28. Digital Music Revenues 2005 / by region**



Sources: Strategy Analytics/E-Marketer, inc., January 2006 (Figures for Europe and North America) and PricewaterhouseCoopers "Global Entertainment and Media Outlook 2005-2009 (Estimates for Asia Pacific).

The split between the two main digital music channels is not an issue of secondary importance as it will determine the way consumers access content in the future. The two platforms will probably coexist and develop differently in each country depending on the national situation. The iPod was fundamental in kick-starting the digital music market<sup>15</sup>: 42 million iPods were sold all over the world between 2004 and 2005; on another note, 45 million music enabled handsets alone were sold by Nokia in 2005 (out of a total of 70 million music enabled phones sold in 2005 - Nokia forecasts sales of 80 million music enabled handsets for 2006<sup>16</sup>).

- **Digital music downloads**

The rapid uptake of digital technologies has prompted various analysts to provide data on the consumption of digital music. The following table shows the steep increase in the number of music downloads in the last two years:

**Table 28: Singles and Albums downloads in the US and in Europe 2004-2005**

| US                | 2004 (million) | 2005(million) | % change |
|-------------------|----------------|---------------|----------|
| Singles downloads | 143            | 353           | 147      |
| Albums downloads  | 6              | 16            | 193      |

| Europe            |      |    |     |
|-------------------|------|----|-----|
| Singles downloads | 14   | 62 | 355 |
| UK                | n.a. | 26 | -   |
| Germany           | n.a. | 21 | -   |
| France            | n.a. | 8  | -   |

<sup>15</sup> For a detailed overview of the importance of the iPod for the online music market see the example given in chapter V.

<sup>16</sup> *Financial Times* "Nokia to take on Apple in iPod war", 8 August 2006.

The number of legal music files available worldwide increased from around 500,000 in 2003 to 2 million in 2005. According to the IFPI, 6% of Internet users downloaded a legitimate track in 2005 (the same percentage is valid for Europe and worldwide) - amongst them, 4% did it regularly, i.e. once a month.

- **Music piracy**

However, the success of digital sales should not hinder the fact that piracy also threatens the digital music business. Some figures provided by the IFPI can be used to draw useful comparisons between the legitimate and the illegitimate online music market:

The number of copyright infringing music files available in 2003 was 1.1 billion - it decreased to 885 million in 2005, including 775 million from P2P networks. This contrasts sharply with the 2 million legal files available. The average number of P2P users in 2004 was around 10 million, 50% of which were based in the US, 10% in Germany and 8% in France. In regards to physical piracy, the IFPI estimates that some 37% of all CDs purchased around the world in 2005 were pirate - 1.2 billion pirate CDs in total.

Music piracy is particularly detrimental to the development of new digital services. Music is making an enormous contribution to the digital economy - it drives new consumption patterns and helps accelerate the roll out of broadband and mobile platforms. However, young generations are getting used to consider music as a free product - this is due to the vast availability of copyright infringing music files and the mass uptake of P2P file sharing technology. Creators and those who invest in culture are the ones suffering most from the loss of value associated to copyright and from the degradation of music to free content.

Whilst consumers have to subscribe to one of the available services for access to digital platforms and while they are buying millions of portable music players, the record companies and artists that produce and distribute that popular music are struggling to find a business model that rewards their efforts because illegitimate activities continue to take place throughout networks (essentially through P2P file sharing).

The industry argues that a business that is composed of essentially SMEs is in effect subsidising large telecom operators, Internet service providers or consumer electronics manufacturers.

- **Sales at national levels**

At European level, sales of recorded music on a country-by-country level in 2004 are as follows:

**Table 29: Sales at national level in Europe**

| Rank | Country         | USD million |
|------|-----------------|-------------|
| 1    | UK              | 3,508.7     |
| 2    | Germany         | 2,149       |
| 3    | France          | 1,979.3     |
| 4    | Italy           | 652.5       |
| 5    | Spain           | 572.8       |
| 6    | The Netherlands | 507.7       |
| 7    | Austria         | 288.6       |
| 8    | Belgium         | 275.1       |
| 9    | Norway          | 273.8       |
| 10   | Sweden          | 267.9       |
| 11   | Denmark         | 187.4       |
| 12   | Ireland         | 145.8       |
| 13   | Finland         | 133.6       |
| 14   | Portugal        | 121.8       |
| 15   | Poland          | 92          |
| 16   | Greece          | 89.3        |
| 17   | Hungary         | 59.1        |
| 18   | Czech Republic  | 39.6        |
| 19   | Romania         | 34.6        |
| 20   | Estonia         | 11.5        |
| 21   | Bulgaria        | 5.2         |
| 22   | Latvia          | 4.4         |

The top six largest markets account for 75% of the total volume of sales across Europe. In terms of formats, decrease in sales of singles and CDs is compensated by an increase in sales of DVDs in almost all EU countries. Pop and rock genres usually represent more than half (sometimes more than three quarters) of all CD sales in EU countries.

- **Best selling artists**

The following table presents the top-20 albums of 2005 by worldwide sales:

**Table 30: Top-20 albums of 2005 by worldwide sales**

| Rank | Artist              | Title                       | Company   |
|------|---------------------|-----------------------------|-----------|
| 1    | Coldplay            | X&Y                         | EMI       |
| 2    | Mariah Carey        | The Emancipation of Mimi    | Universal |
| 3    | 50 Cent             | The Massacre                | Universal |
| 4    | The Black Eyed Peas | Monkey Business             | Universal |
| 5    | Green Day           | American Idiot              | Warner    |
| 6    | Madonna             | Confessions On A Dancefloor | Warner    |
| 7    | Kelly Clarkson      | Breakaway                   | Sony BMG  |
| 8    | Eminem              | Curtain Call – The Hits     | Universal |
| 9    | James Blunt         | Back to Bedlam              | Warner    |
| 10   | Robbie Williams     | Intensive Care              | EMI       |
| 11   | Gorillaz            | Demon Days                  | EMI       |
| 12   | Gwen Stefani        | Love.Angel.Music.Baby       | Universal |
| 13   | Michael Bublé       | It's Time                   | Warner    |
| 14   | Kanye West          | Late Registration           | Universal |
| 15   | Enya                | Amarantine                  | Warner    |
| 16   | Il Divo             | Il Divo                     | Sony BMG  |
| 17   | Jack Johnson        | In Between Dreams           | Universal |
| 18   | The Game            | The Documentary             | Universal |
| 19   | System Of A Down    | Mezmerize                   | Sony BMG  |
| 20   | Destiny's Child     | # 1's                       | Sony BMG  |

Source: International Federation of the Phonographic Industry: 2006 Global Recording Industry in Numbers.

## **MUSIC PUBLISHING**

The global music publishing market was valued at € 3.4 billion in 2005<sup>17</sup>

Music publishers derive their revenues from four major sources:

- Performances
- Reproduction
- Synchronisation
- Distribution

**Performance-base revenues** are collected by music publishers for the public performance and broadcast of copyrighted music works included in their catalogue.

**Reproduction-based income** derives from royalties paid by record companies to music publishers for the reproduction and distribution to the public of copyrighted compositions.

**Synchronisation royalties** are derived from the use of a musical composition in an audiovisual work and distribution-based revenues are generated through the sale of printed music.

Performance-based and reproduction-base revenues represent the bulk of revenues generated by the music publishing business - they were estimated respectively at € 1.3 billion (or 38.2% of the total) and € 1.2 billion (or 35.3% of the total) in 2005<sup>18</sup>.

Reproduction-based income follows the cycle of recorded music sales and has therefore been declining in recent years. Performance-based income has been growing, albeit at a slow pace, being dependent on live performances of music at concerts and on broadcasts of music by radio and TV stations. Both are expected to grow at significant annual rates (5.5% for performance-based income and 3% for reproduction-based income) from 2006 following the rapid growth of digital revenues derived to music publishers from both online and mobile downloads - revenues from digital downloads are expected to grow by an annual compound rate of 55%, from USD 70 million in 2005 to USD 500 million by 2013<sup>19</sup>.

- **The structure of the market**

At the end of 2005, five major global publishing houses controlled nearly two thirds of the music publishing market. The five major music publishers are strictly linked to the five major record labels sharing the same name. Although, recent market changes have marked a separation between some of the record labels and the corresponding music publishers (it is the case of the two publishers Sony/ATV and BMG MP which are now detached from the new SonyBMG entity).

The market shares of the major record labels and of the affiliated music publishers, however, are not the same. The largest music publisher is EMI MP, with a worldwide market share of 16.7%, Warner Chappell in second place with 15.8% followed by the other majors (in the order: BMG MP, UMG MP and Sony/ATV). Independent music publisher, in particular SMEs, control more than one third of the market as shown in the following graph:

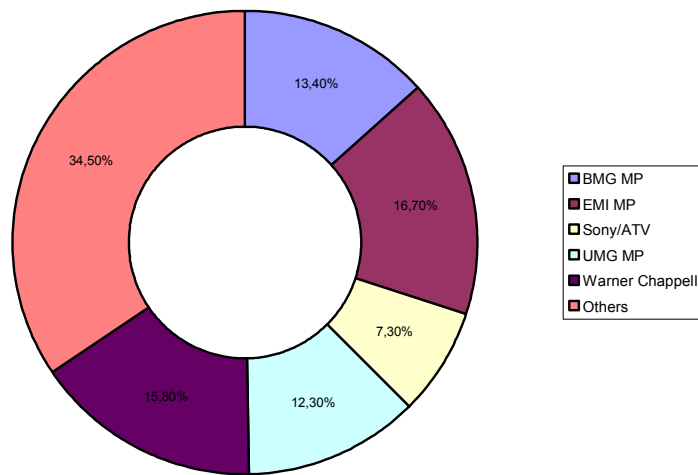
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<sup>17</sup> *Music and copyright*, nr 326, 30 August 2006

<sup>18</sup> *Music and copyright*, nr 326, 30 August 2006

<sup>19</sup> NMPA International Survey of Music Publishing Revenues, 12<sup>th</sup> edition  
<http://www.nmpa.org/pressroom/survey.asp>

**Figure 29. Market share of music publishers - 2006**



Source: Enders Analysis, Music Publishing 2006<sup>20</sup>

Figures on the revenues generated by the music publishing market in Europe, with regard to performance-based and reproduction-base revenues, are presented below in the section on collective rights licensing.

<sup>20</sup> [http://www.endersanalysis.com/enders/documents/Music%20Publishing%202006%20ES%20\[2006-02\].pdf](http://www.endersanalysis.com/enders/documents/Music%20Publishing%202006%20ES%20[2006-02].pdf)



## THE REVENUES FROM LIVE MUSIC EVENTS

There is no comprehensive data at the EU level on the revenues derived from the music sector based on live performances and concerts. The sector is too fragmented and very rarely surveyed in a systematic way that would produce a definitive figure. However, the importance of live music in the general economy of the music sector is considerable. Attendance at music festivals and concerts across Europe is high, especially amongst young people.

The best way to get an idea of the importance of live music events, in the music value chain, in the absence of any comprehensive European-wide economic assessment, is to examine two surveys carried out in two European countries with differing market and population sizes - both examples show the significant amount of money generated by the live music sector for people working in the music business, let alone the secondary economic effects of music events on related services (tourism, restaurants, transports etc). Even though the results can not be generalised for the whole of Europe, they portray an idea of what the size of the live music economy may be.

### CASE 1: GERMANY

The German case shows that live music, in all its different formats, represents a considerable source of revenues for artists in the music field. It also benefits record producers, although indirectly, and has significant spill over effects on other economic sectors.

- In a study carried out by German consultancy GFK for the German Federal Board of the Performing Arts Sector in 2004, the live music market is presented as **larger in volume than the market for recorded music**. The evolution across the years is shown as follows:

#### Base: spending in € billion

|                         | 1995       | 1999       | 2003       |
|-------------------------|------------|------------|------------|
| Recorded music market   | 2.65 (52%) | 2.47 (48%) | 1.78 (40%) |
| Live music performances | 2.45 (48%) | 2.66 (52%) | 2.70 (60%) |
| TOTAL                   | 5.10       | 5.13       | 4.48       |

These figures show that sales of recorded music have constantly decreased over the years whereas money spent on live music events has constantly grown - as a result, it amounted to three fifths of all money spent on music by German consumers in 2003.

- In terms of **consumer spending** on different media items over the same years, GFK recorded an increase in spending on film and video games, whilst books and live music remained constant and recorded music significantly decreased. Also in this case, the relative weight of the live music sector, on overall music spending, is considerable - below a table depicting the shares of different media spending over the years:

#### Base: spending (%)

|                                | 1995      | 1999      | 2003      |
|--------------------------------|-----------|-----------|-----------|
| Recorded music                 | 24        | 20        | 15        |
| <b>Live music performances</b> | <b>21</b> | <b>22</b> | <b>23</b> |
| Film                           | 12        | 14        | 19        |
| Book                           | 34        | 32        | 31        |
| Leisure software               | 5         | 9         | 9         |
| Blank media                    | 5         | 4         | 4         |

- It appears **that in terms of age groups**, the highest spending on live music performances is recorded amongst older people: the 60+ age group spends more than one third of its media spending budget on live music events (34.8%) whereas the younger group (10-19) only spends 19.3% of its media budget on such events. A lower percentage is recorded in the age group 30-39 (17%), they are also the demographic with the highest percentage spending on recorded music (18.6% against only 8.3% for the 60+ group).

On a global spending of € 2.7 billion in live music performances in 2003:

- Musicals represented the most popular attraction with spending amounting to € 502 million (18.8% of the total);

- Opera comes second (€ 390 million, 14.6%);
- In third place is international rock/pop (€ 379 million, 14.2%);
- Classical music (12.8%) and cabaret (10.9%) are also major players.

In terms of age groups, operas and classical music are more popular with older age groups, musicals with adults and international rock/pop with younger audiences. By comparing the live music and the recorded music market, it can be seen that recorded music is more popular amongst younger consumers and that international pop accounts for more than half of the repertoire. Live music on the contrary is more popular amongst older age groups, with such genres as musical and classic representing 46% of the repertoire (as opposed to merely 9% for the recorded music).

• The GFK study also shows **the importance of live music performances for the music DVD market** - more than half (52%) of music DVDs sold in Germany throughout 2003 included extracts or were produced from music concerts. This is significant as music videos are growing in sales all across Europe and represent a growing source of revenue for the music industry.

In absolute terms, in 2003 43.3 million people in Germany either bought a live music CD, concert DVD or attended an actual concert. However, whilst 9.7 million people only bought recorded music, 16.3 million have done both and 17.5 million have only attended a live music performance, without buying a single CD.

## CASE 2: IRELAND

A study commissioned by the Music Board of Ireland aimed at measuring the economic importance of the Irish music industry in 2001 came to the following conclusions:

The size of the Irish music industry, in terms of value added in 2001, was some € 478.4 million.

**This includes € 268 million (56%) of earned income for recording artists who collect earnings from record sales as well as live performances and € 144.6 million (30.3%) due to the performing artists' activities.** The balance of € 65.8 million (13.7%) represents the added value of the support sector (record companies and music publishers, record studios, managers/agents, live performance support, collecting societies).

These figures underline the importance of live performances for the income of artists as well as their weight within the economy of the music sector. More impressive are the figures about employment.

Employment in the Irish music industry was estimated at 8,101 full-time equivalent workers (FTEs) for the year 2001. **Performance artists comprise the bulk of total employment in the Irish music industry: 76% (6,157 FTEs).** The support sector provides 1,444 FTEs of employment (17.8%) while recording artists are estimated to account for only 501 FTEs or 6.2%. It is evident that the performing sector represents the great majority of jobs in the Irish music industry.

By analysing the sources of income for all artists, more than half of the total comes from live performance income (52.4%), while recording royalties only represent 29.7% of the total and other sources of income 17.9% (mechanical royalties, synchronisation fees, performance rights, merchandising and sponsorship). Live performance is the major source of income for artists - the only one even, for those who do not have a recording contract.

The Irish example shows the key role played by living performances in sustaining music artists' income as well as their importance in creating jobs in the music sector.

The German and Irish cases can not be extended automatically to the other European countries due to specificities in their respective national structures of the music business and music markets. However, they underline the essential role played by live music within the sector.

## THE REVENUES DERIVED FROM COLLECTIVE LICENSING OF RIGHTS

Record companies, music publishers and music artists (authors, composers and performing artists) derive a significant part of their revenues from the licensing of their rights to a multitude of users. These rights are usually managed collectively and several collecting societies have been established at national levels to administer music rights on behalf of their members. The principle of collective management is a European invention dating back to the XIXth century. Nowadays, Europe still has the most developed system of collective rights administration in the world - European authors' societies collected more than € 4.35 billion in 2004, almost three times the amount collected in the same year by US societies and more than five times the amount collected in Japan<sup>21</sup>.

The features of collective rights licensing in the music sector and detailed figures on the European market are presented in the following case study.

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<sup>21</sup> € 1.5 billion were collected in 2003 by HFA, ASCAP and BMI in the USA – Music and Copyright 292, (2005). € 790 million were collected by JASRAC in Japan in the year ending on March 31, 2006. GEMA in Germany collected alone € 852.2 million in 2004.  
Source: *The collective management of rights in Europe. The quest for efficiency*, study carried out by KEA European Affairs on behalf of the European Parliament, August 2006.

## Case Study

### REVENUES FROM COLLECTIVE RIGHTS LICENSING

#### ■ Introduction

Music right holders have three main sources of return from the exploitation of their works:

- 1) **Direct sales** to individuals through retailers (record shops, supermarkets and online sellers)
- 2) Revenues derived from **live music performances**
- 3) **Licensing of rights to commercial users**; these users – record companies, broadcasters or public performance outlets - require the music product as an input into their final products.

Licensing of rights to commercial users is usually exercised through collecting societies. Collecting societies act as a one-stop-shop between the myriads of rights holders (authors, composers, publishers, record companies, singers, players) and the users of rights.

There are several different types of music collecting societies. Some of them act on behalf of authors and publishers, others on behalf of performers and/or phonogram producers - in some countries there are joint

collecting societies standing for performers and record producers at the same time.

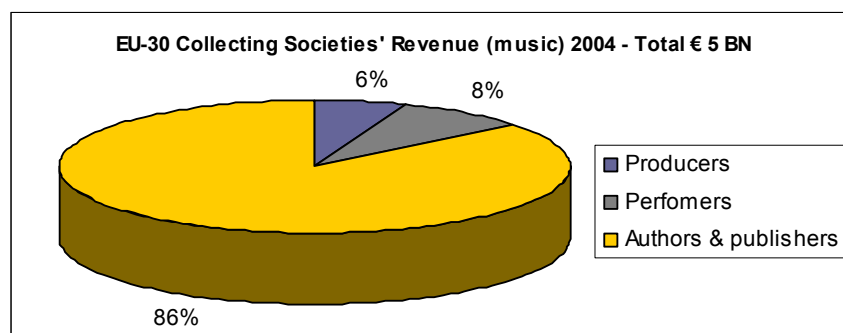
#### ■ Collecting societies in figures

##### • Collected revenue

In Europe there are more than **60** music collecting societies that collected **€ 5 billion** in revenues in 2004 - the numbers breakdown as follows: authors' and publishers' societies collected € 4.4 billion (86% of the total); records producers' societies collected € 293 million (6%) and performers' societies € 350 million (8%).

The following figure presents the breakdown of the revenues collected by music collecting societies on behalf of authors, composers, publishers, performers and record companies in Europe in 2004:

**Figure 30. EU30 Collecting societies' revenues (music 2004)**



Source: KEA

#### a. Copyright

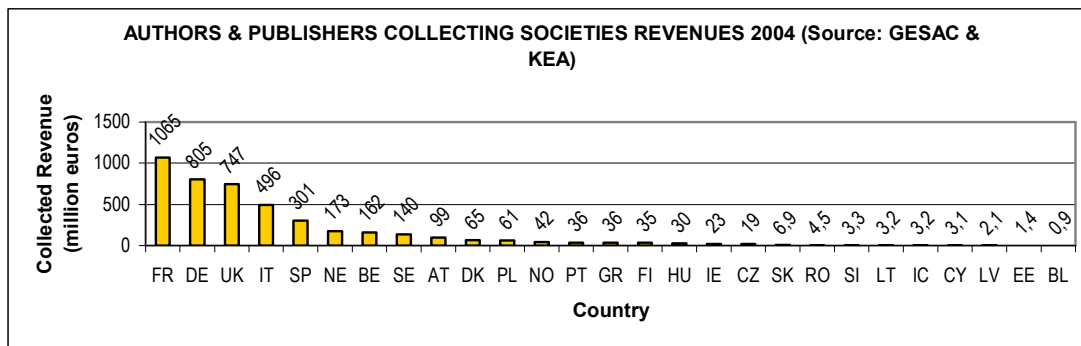
The following graph presents the revenues collected by authors' and publishers' collecting societies across Europe, except for Malta (where rights are administered by an

agency of the UK Society MCPS-PRS), Luxembourg (where rights are administered by a branch of the French society SACEM) and Liechtenstein (revenues for Liechtenstein authors are collected by the Swiss collecting

society SUISA). It should be noted that some authors' collecting societies manage not only music rights but also other categories of rights such as audiovisual works, as is the case of SGAE in Spain, and any authors' rights (visual,

audiovisual and musical) - this is the case of the following societies: SABAM (Belgium), SIAE (Italy), EAU (Estonia), AKAA/LAA (Latvia), ARTISJUS (Hungary), LATGA-A (Lithuania), ZAIKS (Poland) and SPA (Portugal).

**Figure 31. Authors and publishers collecting societies' revenues 2004**



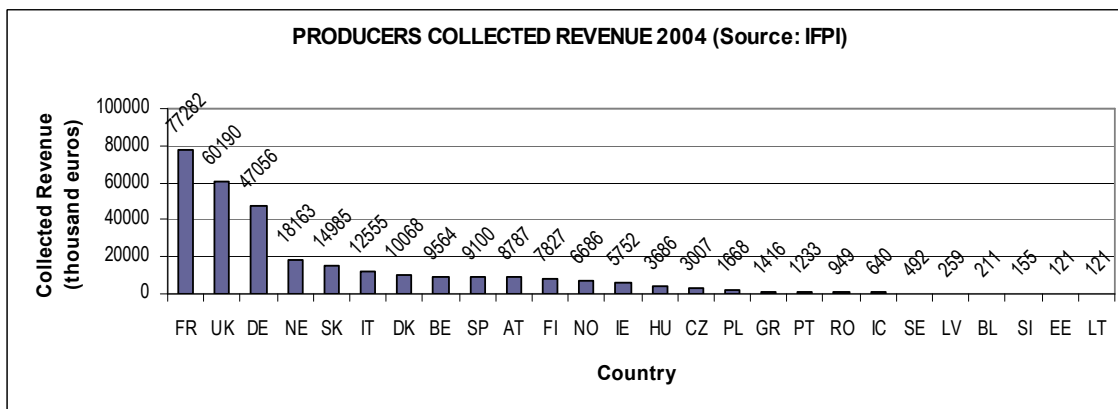
**b. Related Rights**

Related rights are the rights administered by collecting societies representing record producers and music performers. In some cases a single society administers both types of rights.

- The Graph below gathers economic information for **phonogram producers** in all the examined countries except for Malta, Luxembourg, Cyprus, and Liechtenstein.

For these joint collecting societies, revenue collected on behalf of producers is presented in the "producers' graph" below, whereas the revenue collected for performers is in the "performers' graph" below.

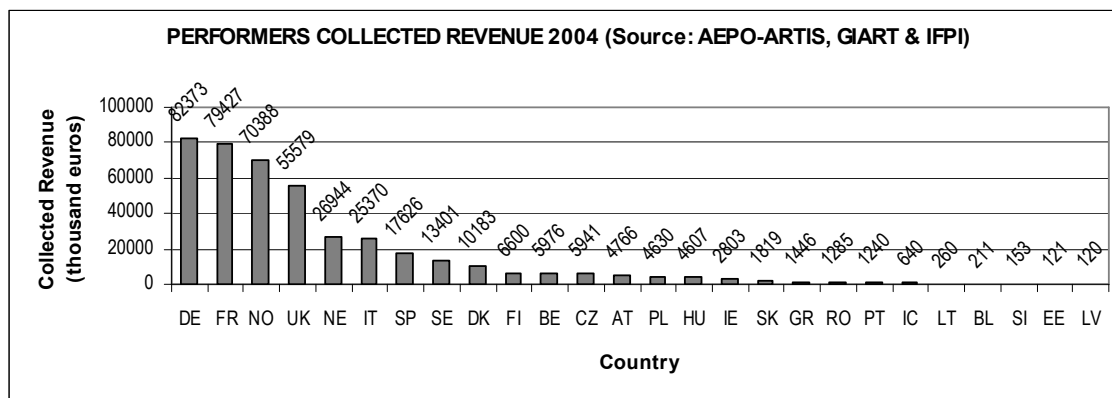
**Figure 32. Producers collected revenues 2004**



• The **performers'** graph below presents the revenue collected in all the examined countries except Malta, Luxembourg and Cyprus. It should be noted that some performers collecting societies represent also audiovisual

performers as it is the case for the French society ADAMI & SPEDIDAM, Belgium's URADEX, Lithuania's AGATA, Netherlands's NORMA, Poland's STOART, Slovakia's INTERGAM and OZIS and Sweden's SAMI.

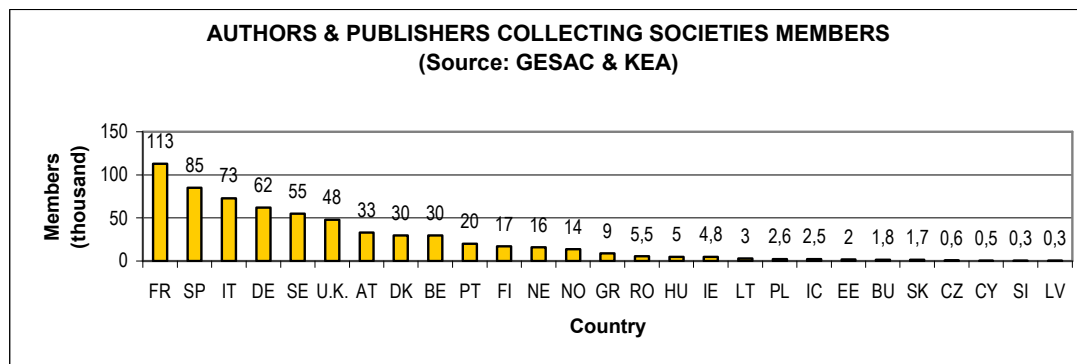
**Figure 33. Performers collected revenues 2004**



• **Members**

The total number of members affiliated to European authors and publishers collecting societies (Malta, Luxembourg and Liechtenstein aside), is 635,000:

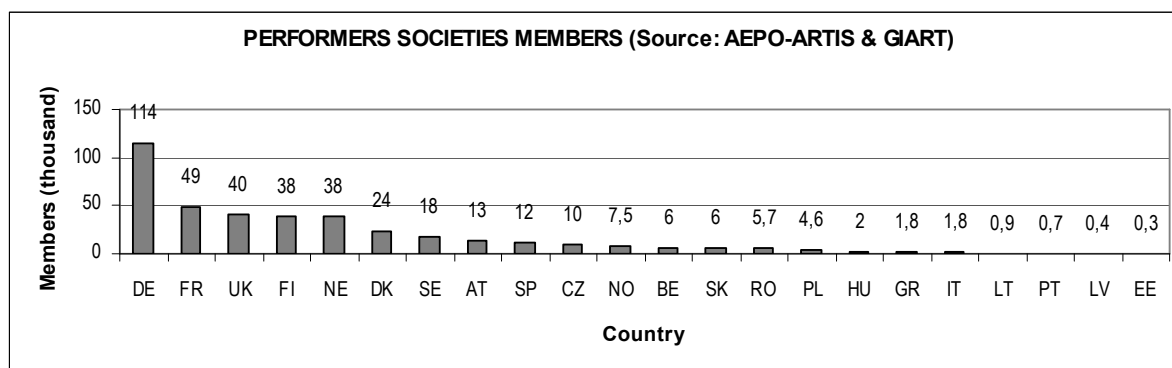
**Figure 34. Authors and publishers collecting societies members**



The number of performers affiliated to a collecting society in the EU, Norway and Romania is 394,000; this figure also includes audiovisual performers, since it is not

possible to differentiate music and audiovisual performers in their membership.

**Figure 35. Performers societies members**



### Conclusion

The licensing of rights is an important economic activity and it is also an essential tool to enforce copyright - the only asset companies and individuals creating works of art have. Collecting societies play a main role as intermediaries between the general public and creators, since otherwise a composer or an artist would not be able to receive a fair compensation from the public uses made of his work.

From an economic point of view, collective management of music rights is a significant source of revenues for artists, publishers and producers. Societies in Europe collected more than 4.35 billion Euro in 2004 on behalf of authors/composers and music publishers. This is almost three times what is collected by societies in the USA and more than five times the amount collected in Japan<sup>22</sup>. Collective rights management was born in Europe at the end of the 19<sup>th</sup> century and still represents a source of competitive advantage for European creators in comparison with artists established in territories where the practice of collective management is less developed.

<sup>22</sup> 1.5 billion Euros were collected in 2003 by HFA, ASCAP and BMI in the USA – Music and Copyright 292, (2005). 790 million Euros were collected by JASRAC in Japan in the year ending on March 31, 2006. GEMA in Germany collected alone 852.2 million Euros in 2004.

## TRADE

Obtaining complete and reliable figures on the international trade of recorded music is a task made very difficult by the very nature of music works. Trade data does not provide a comprehensive picture of the direction and magnitude of international music flows. Since they are based on customs information, they can only show the imports and exports of tangible musical products whereas much of the trade occurs in the form of original masters which are then processed locally for domestic retail distribution.

However, data provided by national music organisations can help in grasping the value of music as a key contributor to cultural trade.

➤ The trade value of Swedish song writing amounted to € 83 million in 2004<sup>23</sup> - indeed, Swedish authors Christian Karlsson/Pontus Winnberg write songs for Madonna and Britney Spears and Max Martin works with the Backstreet Boys, Kelly Clarkson, Celine Dion as well as Pink. Overall the Swedish authorities estimate that the export income in the form of royalties from rights management (for Swedish authors, producers, performers) was close to SKR 1.3 billion (€140 million) in 2004<sup>24</sup>.

➤ A report prepared in 2002 by the UK's DCMS and the National Music Council<sup>25</sup> to assess the contribution of the music business to the UK economy estimates that the music sector provided a net surplus of £ 435 million to the UK balance of payments in 2000. The surplus was broken up as follows:

**Table 31: Contribution of UK music composers, publishing and live performance to national balance of payments (2000)**

| Sector  | Earnings (£ million) | Payments (£ million) | Net (£ million) |
|---|----------------------|----------------------|-----------------|
| Composition of musical works & music publishing | 359                  | 202                  | 157             |
| Live performance (non-classical)                | 77                   | 23                   | 54              |
| Recording                                       | 567                  | 343                  | 224             |
| TOTAL   | 1003                 | 568                  | 435             |

➤ A similar report that was undertaken by the Music Board of Ireland<sup>26</sup>, estimated that sales of records by Irish artists exceeded 56 million albums in 2001, with 55 million albums having been purchased abroad. In the same year, Irish consumers purchased around 6 million foreign artists CD's, giving Ireland a CD "exports net balance" of 49 million units. When considering the various sources of income for music artists (recording royalties, live performances, performance rights income, etc), the earnings of Irish artists abroad greatly exceed those of foreign artists in Ireland - the net income generated by Irish music artists is estimated at € 224 million.

The Swedish, UK and Irish examples show that the three main sources of music income highlighted above (recorded music, live music and rights licensing) may generate a significant trade surplus for national economies and contribute positively to a net trade balance in exchanges of cultural works. However, it is important to note that for the UK and Ireland, the examples are derived from countries which have a competitive advantage as sources of Anglo-American repertoire - repertoires of other European countries encounter several difficulties in travelling across national borders.

<sup>23</sup> Export Music Sweden 'Export performance of the Swedish music industry 2004'

<sup>24</sup> Export Music Sweden 'Export performance of the Swedish music industry 2004'

<sup>25</sup> Counting the notes. The economic contribution of the UK music business

<sup>26</sup> The economic significance of the Irish music industry, a study carried out by Goodbody Economic Consultants, July 2002



Moreover, it should be stressed that, notwithstanding the European roots of the majority of the music majors, Europe's music is still marginal on the US market, the largest in the world - domestic repertoire accounts for 92% of the US market, leaving little space for imports from Europe and other areas of the world<sup>27</sup>.

## EMPLOYMENT

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There are no comprehensive figures about employment in the music sector at the European level. According to a study carried out in 2001, the music industry in Europe directly employs around 650,000 workers (1998 estimates)<sup>28</sup>. However, the number of those directly or indirectly involved in the various music activities (music publishing, recorded music, live music, rights trading) is supposed to be far higher than this figure.

If we only take the number of members in collecting societies representing authors, publishers and performers in Europe, we obtain a figure which is above 1 million (see case study on collective licensing of rights above). Even considering that this figure also includes authors and performers active in other artistic sectors than music, the results are impressive. In particular, data on artists affiliated to collecting societies do not take a whole range of people employed by the music sector into account: record companies' employees, manufacturers of musical instruments, music teachers, music retailers, managers, promoters and people working in the live music sector.

Data collected at national levels also provides significant employment figures even through they are partial and reflect local situations:

- The DCMS estimates employment in the UK music sector at 122,000<sup>29</sup>
- In France, the French trade association SNEP estimates that 100,000 people are employed in music related activities<sup>30</sup>
- In Ireland, employment in the music industry is estimated at 8,101 full-time equivalent workers (FTEs) for the year 2001, which amounts to around 15,000 jobs in the sector or one eighth of the UK music employment<sup>31</sup>

## STRUCTURE OF THE SECTOR

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The structure of the music industry in Europe corresponds to the structure of other cultural industries, notably film and publishing. The market is split between a very limited number of large companies (often integrated in bigger media conglomerates) and a myriad of medium-sized and small cultural entrepreneurs.

- **Turnover of majors and independents**

Hereafter is a table showing the relative weight, in terms of turnover, of the five music majors<sup>32</sup> and the largest independent music companies in Europe:

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<sup>27</sup> IFPI Report, *The recording industry in numbers*, 2005

<sup>28</sup> *Panorama of digital music in Europe*, study carried out by Kern European Affairs on behalf of the European Commission, 2001

<sup>29</sup> DCMS, *Creative Industries Mapping Document*, 2001

<sup>30</sup> SNEP, *L'économie du disque 2000*

<sup>31</sup> *The economic significance of the Irish music industry*, a study carried out by Goodbody Economic Consultants, July 2002

<sup>32</sup> Since July 2004, Sony Music and BMG are united under the Sony-BMG joint venture. Results for the two companies from August 2004 onwards have been calculated by dividing by two the turnover of Sony-BMG

**Table 32: Turnover of majors and main independent music companies in Europe**

| Company                  | Date (account closed or year) | Nationality | Turnover (€ million) | Notes     |
|--------------------------|-------------------------------|-------------|----------------------|-----------|
| Universal Music Group    | December 31 2004              | FR/US       | 4,989                |           |
| Sony Music <sup>33</sup> | March 31 2005                 | JP/US       | 3,1445               | 1€=140¥   |
| EMI Group Plc            | March 31 2005                 | UK          | 2,914                | 1£=1.5€   |
| Warner Music Group       | September 30 2004             | US          | 2,750                | 1€=1.25\$ |
| BMG <sup>34</sup>        | December 31 2004              | DE          | 2,547                |           |
| Sanctuary Records Group  | 2004                          | UK          | 250                  | 1£=1.5€   |
| EDEL Group               | 2005                          | DE          | 153.4                |           |
| PIAS Group               | September 2005                | BE          | 108                  |           |
| Wagram Music             | 2004                          | FR          | 46.3                 |           |
| Beggars Group            | 2004                          | UK          | 37.2                 | 1£=1.5€   |

The table shown above highlights the significant distance between the majors and the largest independent record companies in terms of turnover - Sanctuary Records, Europe's biggest independent record company, has a turnover which only amounts to one tenth of BMG's, the smallest of the five majors when the results were published.

It is also significant that three out of five (now four) majors belong to European media groups - this is a sign of Europe's strength in the music sector and marks a notable difference with the film industry, where all seven majors are US (Hollywood) based.

Although inferior to majors in terms of sales in Europe, independent record companies account for the majority of the overall employment in the record industry. Most of them are SMEs, some are micro-enterprises or self-employed people. This is an advantage in terms of flexibility and creativity - many innovative acts in recent years have come from independent labels.

However, music SMEs suffer from structural deficiencies, very similar to those affecting their counterparts active in the film sector: difficulty in the access to finance and leverage of their intangible assets (copyright); lack of human and financial resources to apprehend and manage new and complex technological evolutions; difficulty in trans-national distribution of works; increased market access problems due to ever higher marketing and promotional costs.

- **Concentration in other sectors**

Besides the music industry, concentration also characterises other parts of the music business such as the radio sector and live performances' organisation.

The situation varies greatly across European countries, but generally a few radios (public broadcasters and commercial radios) control the bulk of audiences, leaving the remaining market share to a multitude of independent players.

In the field of events and concert organisation, concerns have been expressed about the entry on the European market of large multinational companies which are taking market shares away from traditional, usually territory-based concert promoters.

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<sup>33</sup> See footnote above

<sup>34</sup> See footnote above

## NATIONAL DIMENSION

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As far as the origin of repertoire is concerned, significant differences exist amongst member States.

- Sales of national repertoire songs are traditionally low in some countries (Austria, Belgium, Ireland, The Netherlands, Portugal) where they usually represent less than a quarter of total music sales.
- Sales of national repertoire are higher in the Nordic countries and in Greece (where they have been higher than 50% in the last four years).
- In the larger member States (UK, France, Germany, Italy, Spain), national repertoire is stronger and it normally accounts for half of CD sales (this value is higher for France).
- The highest sales of national repertoire are however recorded in some of the new or acceding EU member States where they reach levels of 77% (Romania), 65% (Latvia) or 61% (Czech Republic).

Sales of national repertoires mirror the presence of a strong national music tradition and are a signal that European consumers often prefer listening to local artists - even in smaller Member States the share of domestic repertoire is sometimes impressive and testifies the richness of cultural diversity in the European musical landscape.

## SECONDARY ECONOMIC IMPACT

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### **IFPI estimations on indirect value of recorded music**

In 2006 IFPI, the trade federation representing the recording industry, published the results of a survey investigating the direct and indirect impact of the recording industry on ancillary activities and related industry sectors. According to the findings of IFPI, the largest sector underpinned by recorded music, after sales of physical recordings, is the global commercial radio advertising market, which is worth USD 30 billion a year. By way of comparison, sales of recorded music totalled USD 33 billion in 2005 - this means that revenues derived by commercial radios diffusing music as main content are almost equal to revenues collected by record companies through direct CD sales.

Other results of the IFPI's survey are the following:

- Music is at the origin of the phenomenal growth in portable digital music players. IFPI estimates the value of this sector to be USD 9 billion in 2005 - over four times the estimated value of digital music retail sales. In addition, the market for peripheral equipment such as speaker systems and docking stations is estimated to be worth USD 1 billion by industry analysts.
- Music is also one of the main drivers of the rapidly-growing digital economy. IFPI estimates that consumers spent over USD 75 billion on broadband subscriptions and USD 60 billion on mobile data services in 2005.
- Music has been a key driver of 3G mobile services - research from mobile operators confirms music is the top entertainment product on mobile phones, attracting the 18-35 age group in particular.

The press and publishing sector plays a major role in the economy of culture in Europe. Some European publishers are world leaders and the cultural and linguistic diversity that defines Europe's identity is well reflected in the wealth of national, regional and local publishers that operate in the EU.

Ever since the invention of the press, which took place in Germany in the 15<sup>th</sup> century, Europe has been at the forefront of innovation in the publishing sector. Publishing emerged as the first cultural industry during the 18<sup>th</sup> century and since then books and the press have remained an important medium for the circulation of ideas. The digital revolution, as well as the emergence of new media, has had a significant impact on the structure and functioning of the publishing industries.

### STRUCTURE OF THE SECTOR

The structure of the press and publishing sector varies greatly across Europe - major differences exist between different countries and between different sectors of the publishing industry. Significant differences exist between the book and the press sector in regard to content creation - whereas book publishers usually rely on the creative contribution of external authors and writers, newspapers and magazines work with journalists as paid employees.

### SECTOR COMPETITIVENESS<sup>35</sup>

- **Large and small players**

As for film and music, the publishing industry is characterised by a very small number of very large players (in some cases, world leaders in publishing - see below) and a very large number of medium-sized, small or micro players. This is particularly true for the book sector, where a vast number of small, often specialised publishers still exist across all member States. In the press (newspaper and magazine) sector, the dominance of large groups is more pronounced and the market is more concentrated - this is mainly due to the higher barriers to enter the market. However, the variety of regional and local press in some European countries also testifies the vitality of the publishing industry.

- **Major European publishers**

Large and very large publishers are mostly established in the biggest Member States. Europe is home to several major players in the publishing field:

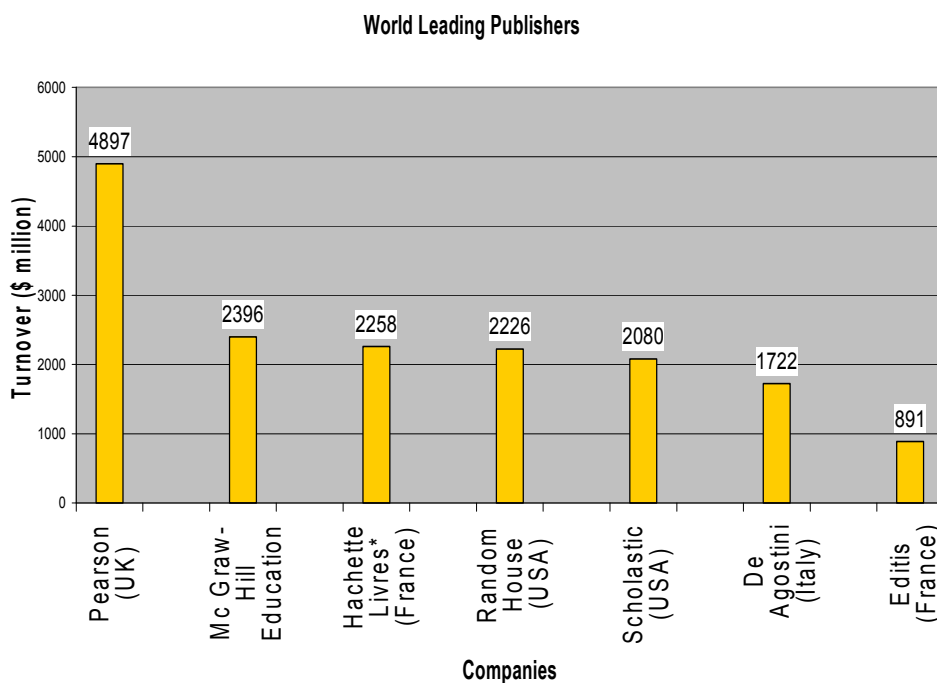
- German-based Bertelsmann controls the Random House group, the world's largest English language trade book publisher
- French group Lagardère owns Hachette whose number of titles and international presence makes them the number one magazine publisher in the world
- The UK also hosts several important international publishing groups while Italy and Spain have publishers active outside of Europe (mainly in Latin American markets)

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<sup>35</sup> *Publishing Market Watch*, op.cit.

As far as book publishing is concerned, 4 of the 6 largest publishers in the world are European, as shown in the following graphic:

**Figure 36. World leading publishers**



(Except professional books and book clubs)  
Source: FEP

Some of the largest European publishers are integrated into media groups active in areas other than press and publishing. This is the case for:

- Bertelsmann (audiovisual, radio and TV, music, printing) and Springer (broadcasting) in Germany;
- Lagardère (audiovisual, radio and TV, new media) in France;
- Mondadori, the largest Italian publisher, part of the Fininvest media group (TV, Radio, audiovisual), De Agostini in Italy and Grupo Planeta in Spain, who jointly own a broadcaster and are active in film and TV productions.
- Some Scandinavian, German and Austrian publishers took advantage of the liberalisation of the media market in Central and Eastern Europe after the fall of communism, when most State-owned media were privatised, to extend their business in this sector - the Orkla media group, based in Norway, and the Egmont group (Denmark) have significant publishing interests in Eastern Europe. Many publishers are also part of larger groups active in non-media related fields.

## THE ECONOMY OF THE PUBLISHING INDUSTRY IN EUROPE<sup>36</sup>

The publishing industry is made up by several different business sectors. In order to simplify the analysis, three main sectors are generally identified (each one being composed of relevant sub-sectors). The three sectors are the following:

1. Newspapers
  - Daily/non daily/Sunday newspapers
  - National/regional/local newspapers
  - Paid-for/free newspapers
2. Books
  - Consumer or trade publishing
  - Educational, academic or school publishing
  - Business or professional publishing
3. Magazines
  - Consumer magazines
  - Trade press
  - Academic journals

These sectors present specific features that make it difficult to establish consistent comparisons on a cross-sector basis. However, some basic indicators might be identified in order to assess the economic importance of the publishing sector in its entirety - the following indicators have been selected:

- Turnover of the sector
- Number of titles published

For the newspaper and magazine business, advertising represents a significant source of income. Therefore the following two criteria have also to be taken into account:

- Advertising revenues
- Share of advertising revenues on total turnover of the sector

### SECTOR TURNOVER

The combined turnover of the publishing industry in Europe (EU25 - three sectors listed above) was about € 112 billion in 2001. The contribution of each sector to this figure is as follows:

**Table 33: Combined turnover of the publishing industry in Europe (2001)**

| Sector     | Total turnover 2001 (€ billion) |
|------------|---------------------------------|
| Newspapers | 43                              |
| Books      | 32                              |
| Magazines  | 37                              |
| TOTAL      | 112                             |

Comparisons with previous years, although results for all countries were not always available, show a gradual increase in the turnover of the publishing sector in Europe (+ 5.4% from 1999 to 2001). The four largest countries (Germany, UK, France and Italy) account for approximately 70% of the total turnover.

<sup>36</sup> The figures and data included in this sector profile are derived from *Publishing Market Watch* (PMW), Final Report. Study undertaken on behalf of the European Commission by Rightscom and the Media Group of the Turku School of Economics and Business Administration, January 2005. Any other source is indicated, where necessary.

The figures on the book industry were presented in the Publishing Market Watch report, a Study undertaken on behalf of the European Commission by Rightscom and the Media Group of the Turku School of Economics and Business Administration, as the total turnover of the European book industry according to data provided by Eurostat.

It may be worth stressing here that the pan-European trade federation of book publishers, FEP<sup>37</sup>, suggests in its most recent published statistics (May 2006) that the actual figure for 2001 is close to € 21 billion (and € 22 billion for 2004)

Discrepancies are due to the different methodology adopted in calculating the global turnover of the book publishing sector.

## NUMBER OF TITLES PUBLISHED

The number of titles published varies across each sector. In the case of newspapers, the number of titles shows a decreasing trend in all the three main sub-sectors (daily newspapers, non dailies and free sheets). Magazine titles on the other hand experienced an upward trend, with business titles making up the greater proportion of available titles (though the proportion is inversed in the new member States). The number of books published in Europe has also risen steadily in Europe over the last years. The following table gives an overview of titles available in Europe in 2001<sup>38</sup>:

**Table 34: Number of published titles in Europe i.e. newspapers, magazines, books-2001**

| Sector                 | Number of published titles (2001) |
|------------------------|-----------------------------------|
| Newspapers             | 6,066                             |
| Of which:              |                                   |
| - Daily newspapers     | - 1,315                           |
| - Non-daily newspapers | - 1,643                           |
| - Free sheets          | - 3,108                           |
| Magazines              | 29,968                            |
| Of which:              |                                   |
| - Consumer titles      | - 8,178                           |
| - Business titles      | - 18,670                          |
| Books                  | 468,435                           |

In this case, the weight of larger member States (especially the UK and Germany) is also considerable. In the sector of book publishing, for instance, the number of titles published in the four largest EU countries equals 2/3 of the total published titles.

## ADVERTISING<sup>39</sup>

Advertising revenues for daily newspapers in Europe amounted to € 20.9 billion in 2001. Advertising revenues for magazines in the same year were € 14.2 billion. Trends show a stable growth of revenues in press advertising over the years with only some substantial variations.

Apart from absolute value, it is interesting to examine the amount spent on press advertising in regard to the total spending of advertising on all media. This has remained more or less stable over the years and is around 30% for newspapers and 20% for magazines in Europe, with some notable differences amongst member States. Expenditures on newspaper advertising are usually higher in Nordic countries (58% in Finland, 55% in Sweden) and lower in Southern Europe and new member States whereas magazine advertisement expenses are more thoroughly spread out with remarkable peaks in France (33%), Greece (29%) and Austria (29%). The lowest spending can be found in Denmark and Ireland, both below 5%.

<sup>37</sup> <http://www.fep-fee.be>

<sup>38</sup> *Publishing Market Watch*, op.cit.

<sup>39</sup> *Publishing Market Watch*, op.cit.

## IMPACT OF E-COMMERCE AND ICT

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Like the other content industries (film & music), the publishing sector is experiencing profound disruptions in its structure and functioning as a consequence of the digital revolution. The impact of ICT on the press and publishing sector has been important in recent years and ICT will continue to be a major challenge for the publishing industry in Europe's future. The main ICT-related issues for the publishing sector concern changing media consumption patterns, shifts in advertising expenditure, increased media fragmentation and the entry of new players into the digital publishing market.

The challenges created by the emergence of online services to the publishing sector vary greatly from one branch of the sector to the other:

- **Newspapers**

This is the branch which faced the largest threats from new technologies while at the same time taking great advantage of the opportunities created by the Internet. Most European newspapers have already created online services - this step has allowed them to reach out to new consumers and at the same time to build new business models and new interactive relationships with their readers. The same process is now being launched with regard to mobile business, where many newspaper publishers are positioning themselves to benefit from 3G mobile markets.

- **Books**

The major change brought by digital media to book publishers concerns the sector of educational publishing, where the emergence of new interactive media (digitised audio, text and video content, virtual libraries, e-learning tools) has put into question the traditional way of teaching and learning at school. However, many book publishers have been able to occupy the space created by digital learning devices to combine new and traditional educational content.

In regard to e-books, they have not been very successful in the European market when compared with the US experience. In the US, in 2003 over 1.3 million downloadable e-books were sold, generating revenues of nearly USD 7.4 million, a 27% increase over 2002<sup>40</sup>. Comprehensive figures lack for Europe, but the level of sales is well below US standards.

- **Magazines**

As for newspapers, magazines have experienced an erosion of advertising due to competition of new media and the Internet. Some magazines have made important investments to develop online services (based on a subscription or pay-per-view business model) but it is unclear whether the revenue generated has been sufficient to cover the investment. Some interesting opportunities have been offered to magazine publishers by new mobile interactive services. Business-to-business and specialised magazines have often been able to appropriate the Internet in a more lucrative way than generalist publications.

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<sup>40</sup> *Publishing Market Watch*, op.cit.



## TRADE

According to UNESCO's statistics, in 2002, the trade of printed media as a whole amounted to USD 18.2 billion, including USD 11.3 billion for the trade of books, USD 4.5 billion for newspapers and periodicals, and USD 2.4 billion for other printed matter.

Europe registered higher volumes of exchange in all categories for both imports and exports. In 2002, European countries accounted for 53.1% of world trade in books and 66.6% in newspapers and periodicals. It should be noted that these figures also include intra-Community trade of printed material. North America is the second most active region in this area with its trade amounting to between one-third and two-thirds that of Europe, depending on the specific category.

As for trends in this sector, the following table shows the evolution of trade in publishing between 1994 and 2002 with a comparison between Europe and North America:

**Table 35: The evolution of US and European trade in publishing (1994-2002)**

| Year | Europe  |   | North America   |   |
|------|---|---|---|---|
|      | Exports   | Imports   | Exports   | Imports   |
| 1994 | Value: \$ 8,517 million   | Value: \$ 7,233 million   | Value: \$ 3,394 million   | Value: \$ 3,527 million   |
|      | Share:<br>Books 58.4%<br>Newspapers and periodicals 67.3%<br>Other printed matter 61.5% | Share:<br>Books 47.3%<br>Newspapers and periodicals 57.3%<br>Other printed matter 50.1% | Share:<br>Books 24.1%<br>Newspapers and periodicals 25.2%<br>Other printed matter 24%   | Share:<br>Books 25.2%<br>Newspapers and periodicals 22%<br>Other printed matter 26.5%   |
|      | Value: \$ 10,897 million  | Value: \$ 9,474 million   | Value: \$ 4,013 million   | Value: \$ 4,999 million   |
| 2002 | Share:<br>Books 60.9%<br>Newspapers and periodicals 70.4%<br>Other printed matter 55.7% | Share:<br>Books 45.2%<br>Newspapers and periodicals 62.7%<br>Other printed matter 46.9% | Share:<br>Books 21.4%<br>Newspapers and periodicals 23.7%<br>Other printed matter 33.9% | Share:<br>Books 26.5%<br>Newspapers and periodicals 20.3%<br>Other printed matter 35.8% |

In general terms, the regional structure of trade remained stable between 1994 and 2002, with Europe and North America having most of the exchanges. Europe is a net exporter of printed goods and represented around two-third of the world's exports in books, newspapers and periodicals in 2002 - this trend has been consolidated over the years. The value of EU exports in the publishing sector has more than doubled the value of North American exports and the difference continued to grow.

If we examine the situation at the national level, we can observe that Germany, Italy, Spain, the United Kingdom and the US were the world's largest exporters in 2002. In this year, their joint supply accounted for 57% of global exports. As for imports, Canada, France, Germany, the United Kingdom and the US constituted the main destinations with 76% of all imports for the same year. It is interesting to note that the high growth rates were registered by some non-traditional exporters such as the Czech Republic and Poland for newspapers and periodicals.

## EMPLOYMENT

The total number of employees in the publishing industries (newspapers, magazines and books) of the EU25 in 2001 was over 670,000<sup>41</sup>. Over the years this number has grown in most European countries with the exception of Italy and the Nordic countries. The situation, on a country-by-country basis in 2001, was as follows:

**Table 36: total number of employees in publishing industries by country (2001)**

| Country     | Number of employees |
|-------------|---------------------|
| Austria     | 7,981               |
| Denmark     | 30,908              |
| Finland     | 16,635              |
| France      | 81,487              |
| Germany     | 178,388             |
| Hungary     | 7,155               |
| Italy       | 35,076              |
| Lithuania   | 6,022               |
| Latvia      | 5,089               |
| Malta       | 698                 |
| Netherlands | 37,145              |
| Poland      | 28,082              |
| Portugal    | 10,488              |
| Spain       | 45,411              |
| Sweden      | 24,570              |
| Slovenia    | 2,943               |
| Slovakia    | 4,056               |
| UK          | 148,644             |
| TOTAL       | 670,808             |

The country with the highest number of employees in the publishing sector was Germany, followed by the UK. Nordic countries have a higher percentage of employees working in the publishing sector over total employment - it can be seen that the Netherlands have more employees in the publishing industries than Italy while Denmark surpasses Poland; Denmark is ranked the 6<sup>th</sup> European country based on the number of people employed by the publishing industries although it is only ranked 14<sup>th</sup> by number of employees in general.

- **Sectoral analysis**

On a sector-by-sector basis, employees in the European publishing industries are distributed as follows:

**Table 37: Employees in European publishing industries by sector (2001)**

| Sector     | Number of employees (2001) |
|------------|----------------------------|
| Newspapers | 303,271                    |
| Magazines  | 209,225                    |
| Books      | 159,909                    |
| TOTAL      | 672,405 <sup>42</sup>      |

The large countries account for more than half of the total number of employees in each sector. Some remarks may be made for the following sectors:

<sup>41</sup> *Publishing Market Watch*, op.cit.

<sup>42</sup> The difference in the total figure from the table above is due to the fact that data for some countries were only available for certain sectors and were therefore included only in this table

- *Newspapers*: Germany with over 100,000 employees is by far ranked 1<sup>st</sup> in Europe in respect to people working in the newspaper sector - the UK is 2<sup>nd</sup> with 48,659 employees. Denmark is the 5<sup>th</sup> EU country in this category with 17,798 employees, ahead of Italy, the Netherlands, Poland and Sweden
- *Magazines*: UK has the largest number of people working in the magazine industry (65,896) followed by Germany (46,105) and France (32,224). Both the UK and France have more people employed by the magazine industry than by the newspaper industry, whilst for other EU countries the contrary is true
- *Books*: the UK comes 1<sup>st</sup> for number of employees (34,089) followed by Germany (31,339), France and Spain. Italy and Poland have a higher number of employees in the book sector than in newspapers and magazines.

## NATIONAL DIMENSION

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- **Consumption habits**

The major difference observed in Europe concerns consumption habits of populations with regard to published products. In this respect considerable diversity has been recorded between Northern Europe and Southern Europe. Whereas on average nearly half of Europeans (46%) read newspapers every day (5 to 7 days a week), the percentage varies from 78% of Swedes and Finns to 32% of French and 20% of Greeks<sup>43</sup>. Average circulation of daily newspapers per thousand people is almost ten times higher in Norway than in Greece, Portugal or Romania.

- **Readership patterns**

The same patterns can be found in book readership. In Northern European countries there is a higher tendency to read than in other regions. When asked whether they read for reasons other than work or study, 71.8% of people in Sweden, 66.2% in Finland and 63.2% in the UK answered affirmatively (the average EU value is 45%). On the contrary, 67.3% of Portuguese, 58.3% of Belgians and 54.3% of Greeks declare they have not read a book in the last 12 months<sup>44</sup>.

The percentage of magazine readership (people who regularly read one or more magazines) is considerably higher throughout Europe than any other publishing sector - 70% of Europeans regularly read and differences amongst European countries are less pronounced than in the newspaper and book sectors.

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<sup>43</sup> *Publishing Market Watch*, op.cit.

<sup>44</sup> *Publishing Market Watch*, op.cit.

## TELEVISION

TV broadcasting began in the USA during the late 1920s. The first regularly scheduled television service began on July 2, 1928 in a suburb of Washington, D.C. and it was shortly followed by other TV broadcasts. In Europe, the UK led the way. From 1936 to 1939 in London, a city where there were 12,000 to 15,000 receivers, TV broadcasts were on the air an average of four hours a day.

Today, around 200 million households own a TV in Europe. 97.6% of Europeans claim to watch television on a regular basis<sup>45</sup>. On average, most Europeans watch more than 200 minutes of TV per day. Thus, watching TV is one of the most popular activities in our society. Broadcasting has also become an important industry. Between 1995 to 2002, the broadcasting sector's revenue increased by about 6.5% a year<sup>46</sup>. Today, it amounts to more than € 60 billion a year.

The broadcasting sector is composed of three main categories:

- Public service broadcasting - whose revenues depend on a mix of licence fees (main source) and advertising (additional source)
- Free commercial TV based on advertising as the main source of revenue
- Pay-TV - deriving its revenue from subscription fees

As a consequence of technological evolutions, TV channels can be broadcast via a growing number of platforms (terrestrial, satellite, cable, Internet). ICT is revolutionizing the European broadcasting landscape: new actors are entering the market (cable operators, telecommunication companies), new services are being developed (mobile TV, IPTV, VoD, etc.) and new channels are being launched. By 2010 most European countries will have switched to digital TV thus opening up additional new opportunities to Europe's broadcasting market. As a result of these technology changes, a thorough re-evaluation of existing consumption habits and business models is required.

## ECONOMY OF THE SECTOR

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### OVERALL GROWTH IN REVENUES

The broadcasting sector's revenue has been growing at about 6.5% a year between 1995 and 2002<sup>47</sup>. Growth was notably triggered by:

- The impact of ICTs, which have resulted in an increase in the number of available channels and in the launch of new companies
- The increase in the funding of public service broadcasting
- Growth in the advertising market

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<sup>45</sup> Eurobarometer survey of the European's participation in cultural activities - SPADARO (Rosario), Eurostat, Luxembourg, 2002.

<sup>46</sup> Study on the impact of measures concerning the promotion of the distribution and production of TV programmes (Community and national) provided for under Article 25 (a) of the directive on television without frontiers - Report completed by David Graham & Associates Limited for the European Commission, Directorate-General for Information Society and the Media, Brussels, 2005, 239 p.

<sup>47</sup> Study on the impact of measures concerning the promotion of the distribution and production of TV programmes (Community and national) provided for under Article 25 (a) of the directive on television without frontiers - Report completed by David Graham & Associates Limited for the European Commission, Directorate-General for Information Society and the Media, Brussels, 2005, 239 p.

## GROWTH IN REVENUES BY MARKET SEGMENT

Taking into account the different components of the European TV industry over the period 1997 to 2002, the compound annual increase in revenue has been as follows:

- 4.5% for commercial channels;
- 5% for public broadcasters;
- 20% for secondary basic and free channels;
- 26% for pay TV packagers<sup>48</sup>.

Digital TV packages, basic secondary channels and free channels (i.e. channels with an audience share lower than 3%) have contributed the most to market growth. This reflects both the growth in the pay-TV market over the last few years and the fragmentation of TV viewing with an exponential increase in the number of specialist channels.

## BREAKDOWN BY REVENUE SOURCES

In 2002, the sector's revenue in the EU15 totalled € 61.1 billion – equivalent to 0.66% of EU15's GDP<sup>49</sup>. It was broken down as follows:

- *License fees*: € 15.2 billion (24.9% of the total revenue). From 1995 to 2002 they grew at about 3% a year
- *Advertising and sponsorship revenues*: € 22.6 billion (37% of the total revenue). From 1995 to 2002 they grew at about 5% a year
- *Consumer payments for pay TV services and cable relay*: € 19 billion (31.1% of the total revenue). From 1995 to 2002 they grew at more than 10% a year
- *Other miscellaneous broadcasting platform revenues* (publishing activities, program sales...): € 4.3 billion (7% of the total revenue).

## STRUCTURE OF THE SECTOR

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The broadcasting sector is composed of different types of channels:

- Free (commercial) TV
- Public service broadcasting
- Various types of pay-TV's

These channels can be broadcast via terrestrial, satellite or cable infrastructures in addition to being streamed via the Internet.

The structure of the European TV market is marked by the following trends and characteristics:

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<sup>48</sup> Study on the impact of measures concerning the promotion of the distribution and production of TV programmes (Community and national) provided for under Article 25 (a) of the directive on television without frontiers, op. cit.

<sup>49</sup> *ibid.*

- **Vertical integration to ensure full ownership of rights and a steady flow of content**

Within the six largest EU15 markets, 40% of non-news programming is made by in-house departments within the broadcaster and 25% is made by third-party producers<sup>50</sup>.

Moreover, both pay-TV platform owners and primary channel broadcasters are the main owners of basic tier and free-to-air secondary channels in Europe. Numerous premium secondary channels are also owned by pay TV platform owners.

- **Horizontal integration in order to operate beyond national frontiers**

Many TV companies have chosen horizontal integration and developed broadcasting activities on several European territories. For instance, RTL Group has TV channels in 9 EU countries (Belgium, France, Germany, Hungary, Luxembourg, Netherlands, Portugal, Spain and UK), Modern Times Group in 9 countries (Denmark, Estonia, Finland, Hungary, Latvia, Lithuania, Norway, Spain and Sweden) and SBS Broadcasting in 8 countries (Belgium, Denmark, Finland, Hungary, Netherlands, Norway, Romania and Sweden).

- **Public and private broadcasters**

The European audiovisual landscape is characterised by the duality between public and private broadcasters. Public broadcasting faces rising competition across Europe: the audience share of the EU15 public TV channels fell from around 50% in the 1990's to around 35% in 2003<sup>51</sup>, mainly due to the growth of the private sector. In the new member States, except for Poland, Malta and Slovenia, national TV markets are characterised by the prominent role of private channels which often enjoy larger audience shares than public broadcasters.

- **A refocus on production activities**

The turnover of the TV production sector has grown from € 6.5 billion in 1997 to € 11 billion in 2001<sup>52</sup>.

Content is at the heart of a TV companies' strategy - generating attractive content is crucial in order to get audience shares. This is achieved in different ways:

Purchasing rights

In 2002, total spending across the EU15 amounted to about € 5.4 billion on sports rights (about € 2.2 billion for primary channels and about € 3.2 billion for secondary channels) and about € 6.5 billion on TV and film rights acquisitions (about € 3.5 billion for primary channels and about € 3 billion for secondary channels)<sup>53</sup>.

Broadcasters' investment in TV production

Broadcasters are key investors in TV production. In 2004, the first European TV producer, in terms of operating revenues, was pan-European broadcaster RTL Group. Its Content Division recorded operating revenues amounting to € 1,086 million (including feature film production and rights trade)<sup>54</sup>. In addition to

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<sup>50</sup> Study on the impact of measures concerning the promotion of the distribution and production of TV programmes (Community and national) provided for under Article 25 (a) of the directive on television without frontiers, op.cit.

<sup>51</sup> Le rôle clé de la radiodiffusion de service public dans la société européenne du 21<sup>e</sup> siècle - Contribution de l'UER, Amsterdam, 1<sup>er</sup>-3 septembre 2004 - European Broadcasting Union.

<sup>52</sup> ibid.

<sup>53</sup> ibid.

<sup>54</sup> Yearbook 2005, European Audiovisual Observatory, 2005

RTL Group, 3 other broadcasters ranked within the 5 leading TV production groups in the EU: Mediatrade, (owned by Mediaset) Groupe Canal+ and Bavaria Film (owned by ARD)<sup>55</sup>.

In 2002, about **€ 15.8 billion was invested in content creation for TV in the EU15:**

- € 14 billion from commissions made by primary channels
- € 1.1 billion from commissions made by secondary channels
- € 0.3 billion from direct subsidies available to producers
- € 0.4 billion generated by producers' direct income from ancillary rights<sup>56</sup>

This € 15.8 billion was spent as follows:

- € 2.8 billion on national and local news as well as sports coverage (spending on sports rights is excluded)
- € 4.5 billion on commissions from independent producers
- € 6.5 billion on in-house productions or subsidiaries
- € 2 billion on works commissioned from suppliers external to the commissioning broadcaster but linked to another broadcaster<sup>57</sup>

Over the last few years, TV channels have increasingly shifted towards producing their own productions because of the rise in popularity of local content and in addition to regulatory requirements at the national and EU level (notably the Television Without Frontiers Directive's articles 4 and 5<sup>58</sup>).

In 2004 domestic TV production (including co-production) increased slightly in the five main European countries (133 hours, representing + 2.5% compared to 2003)<sup>59</sup>. Production volume grew in Germany, Italy and the UK yet it declined in both France and Spain.

This recovery is mainly due to commercial TV, particularly in Italy and Spain. However, public broadcasters continue to be the main commissioners and suppliers of domestic fiction - in the UK for instance, the BBC finances 40% of all nationally produced content<sup>60</sup>.

### **Portuguese content is taking over Brazilian productions**

Portuguese TV channels used to propose a major proportion of products acquired from Brazilian TV Globo.

Private Portuguese channel TVI has now dramatically developed local content, broadcasting Portuguese contents exclusively from 6 to 12 pm.

Whereas in 1999 Brazilian production had a 95% market share on Portuguese TV, in 2005 the seven national productions aired by TVI reached an average 44% market share.

As a consequence, the number of Portuguese production professionals (actors, technicians...) increased tenfold from 102 in 1999 to 1069 in 2005.

<sup>55</sup> Yearbook 2005, European Audiovisual Observatory, 2005

<sup>56</sup> Study on the impact of measures concerning the promotion of the distribution and production of TV programmes (Community and national) provided for under Article 25 (a) of the directive on television without frontiers

<sup>57</sup> ibid.

<sup>58</sup> Council Directive 89/552/EEC of 3 October 1989 on the coordination of certain provisions laid down by Law, Regulation or Administrative Action in Member States concerning the pursuit of television broadcasting activities.

According to article 4, broadcasters must "reserve for European works [...] a majority proportion of their transmission time, excluding the time appointed to news, sports events, games, advertising and teletext services".

According to article 5, broadcasters must "reserve at least 10 % of their transmission time, excluding the time appointed to news, sports events, games, advertising and teletext services, or alternately, at the discretion of the Member State, at least 10 % of their programming budget, for European works created by producers who are independent of broadcasters".

<sup>59</sup> Yearbook 2005, European Audiovisual Observatory, 2005

<sup>60</sup> Le rôle clé de la radiodiffusion de service public dans la société européenne du 21<sup>e</sup> siècle, op. cit.

- **The importance of broadcasting activities – broadcasters are Europe's leading audiovisual companies**

The size of the major European broadcasting companies is considerable, especially if compared with the enterprises active in the film industry. The broadcasting sector is highly concentrated at the national level with usually two/three large public and/or private groups controlling most of the market in terms of audience and advertising revenues.

The following table displays, in comparison with global players, the international ranking of European companies active in audiovisual activities:

**Table 38: The 20 leading audiovisual companies worldwide according to their 2004 turnover (assuming €1=€1.25)**

| Rank | Company                | Country | USD million | € million <sup>61</sup> |
|------|------------------------|---------|-------------|-------------------------|
| 1    | Walt Disney            | US      | 23,002      | 18,402                  |
| 2    | Viacom                 | US      | 21,374      | 17,099                  |
| 3    | Time Warner            | US      | 20,907      | 16,726                  |
| 4    | Sony                   | JP      | 16,006      | 12,805                  |
| 5    | Vivendi Universal      | FR      | 15,494      | 12,395                  |
| 6    | News Corporation       | AU      | 14,417      | 11,534                  |
| 7    | NBC Universal          | US      | 12,900      | 10,320                  |
| 8    | The DirecTV Group Inc. | US      | 11,360      | 9,088                   |
| 9    | Bertelsmann            | DE      | 10,113      | 8,090                   |
| 10   | Liberty Media Corp.    | US      | 7,682       | 6,146                   |
| 11   | BBC (Group)            | UK      | 7,250       | 5,800                   |
| 12   | ARD                    | DE      | 7,131*      | 5,705*                  |
| 13   | NHK                    | JP      | 6,272       | 5,018                   |
| 14   | Blockbuster Inc.       | US      | 6,053       | 4,842                   |
| 15   | Nintendo               | JP      | 4,816       | 3,853                   |
| 16   | Mediaset               | IT      | 4,813       | 3,850                   |
| 17   | RAI                    | IT      | 4,253       | 3,402                   |
| 18   | ITV PLC                | UK      | 3,963       | 3,170                   |
| 19   | TF1                    | FR      | 3,900       | 3,120                   |
| 20   | France Televisions     | FR      | 3,791       | 3,033                   |

Source: European Audiovisual Observatory

\*: 2003 figures

Nine out of twenty of the leading world audiovisual companies are European. Broadcasting is a considerable part of their activities:

- 17 out of the 20 leading audiovisual enterprises worldwide are mainly, or partly, active in broadcasting
- Of these nine companies, four are the public service broadcasters for the largest European audiovisual markets (BBC in the UK, ARD in Germany, RAI in Italy and France Televisions in France).
- The largest companies are Hollywood majors.

<sup>61</sup> Assuming 1€=1.25€



## THE IMPACT OF ICT

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The development of digital technology in relation to broadcasting is radically changing TV services across Europe. The main consequences of the transition from analogue to digital TV are likely to be the multiplication of available channels, the fragmentation of audiences and the emergence of new interactive services (amongst which VOD services). Traditional business models of the sector are also being affected by ICT by provoking structural changes in the audiovisual and telecommunications markets across Europe.

- **More free and niche channels**

Digitisation increases the number of European households receiving between 20 and 40 free channels. Most European countries should switch the analogue terrestrial broadcasting of their TV spectrum within the next 5 to 10 years. Thanks to digitisation, the costs of launching and running a niche offering have decreased significantly. As storage and distribution get cheaper with the digitisation of content, niche channels can operate profitably. As a consequence, the audiences' share of traditional channels is expected to be eroded in favour of smaller specialised channels.

- **Convergence and the launch of new platforms**

New media – especially broadband Internet and mobile 3G handsets – are developing as audiovisual platforms. Newcomers have thus appeared on the TV market. Cable operators, for instance, pursue strategies on three levels: TV, broadband Internet and telephony. The appearance of these new platforms will have consequences which are still difficult to assess.

### **Development of triple play services offer**

Triple play service means the provision of three services over a single broadband connection: high-speed Internet, television (including Video on Demand services) and telephone service. Today, triple play services are usually offered by cable television operators and by telecommunication operators. These service providers compete with each another and also with satellite broadcasters since they offer TV services.

The authors of a study on multiple play<sup>62</sup> have analysed 87 providers in the 30 OECD countries. They observed that triple play services were available from 48 providers in 23 OECD countries in September 2005. Nearly 66% of the 29 cable networks examined offered triple play services such as Casema in the Netherlands, Noos in France, Telewest in the UK, Welho in Finland, Auna in Spain, Telenet in Belgium and UPC in Hungary for example. In the case of telecommunication networks, around 44% of the 50 analysed offered triple play services such as France Telecom in France, Lyse in Norway, Belgacom in Belgium, AON in Austria and AR Telecom in Portugal to list a few. Telecommunication and cable TV operators that do not yet offer triple play packages are expected to do so in the near future.

- **Development of new services**

Besides facilitating the entrance into the market of new operators and service providers, ICTs allow established TV companies to launch digital offerings such as pay-per-view, niche channels and/or interactive applications.

- In 2006, German private TV broadcaster ProSiebenSat.1 launched pay-TV channels, mobile TV and video-on-demand services.

- French group Canal+ launched video-on-demand services in October 2005 (1,000 programmes, mainly cinema movies), High Definition TV in April 2006 and a mobile TV service called Canalsat. In February 2006, there were

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<sup>62</sup> *Multiple Play: Pricing and Policy Trends*, Working Party on Telecommunication and Information Services Policies, OECD, 07 April 2006.

30,000 subscribers to Canalsat on French telecom operator SFR, paying € 7 a month. In order to continue broadening its offer, Canal+ has recently tested mobile TV on a DVB-H platform.

- German pay TV operator Premiere launched HDTV in December 2005 on MPEG4 format. The next steps in innovation are expected to be the increased broadcast of HDTV signals, the launch of IPTV and mobile TV.

- English satellite broadcaster BSkyB plans to enter the broadband market by 2010. It will offer all of its TV subscribers free broadband connections. Although it will not be a full IPTV service, SkyBroadband will offer online distribution for BSkyB's content, including films and sports rights. Whereas the trend for cable operators is to enter the TV market, BSkyB, as a TV operator, will compete against traditional broadband providers (telecommunication and cable operators) on the broadband market and on the triple play offer.

## TRADE

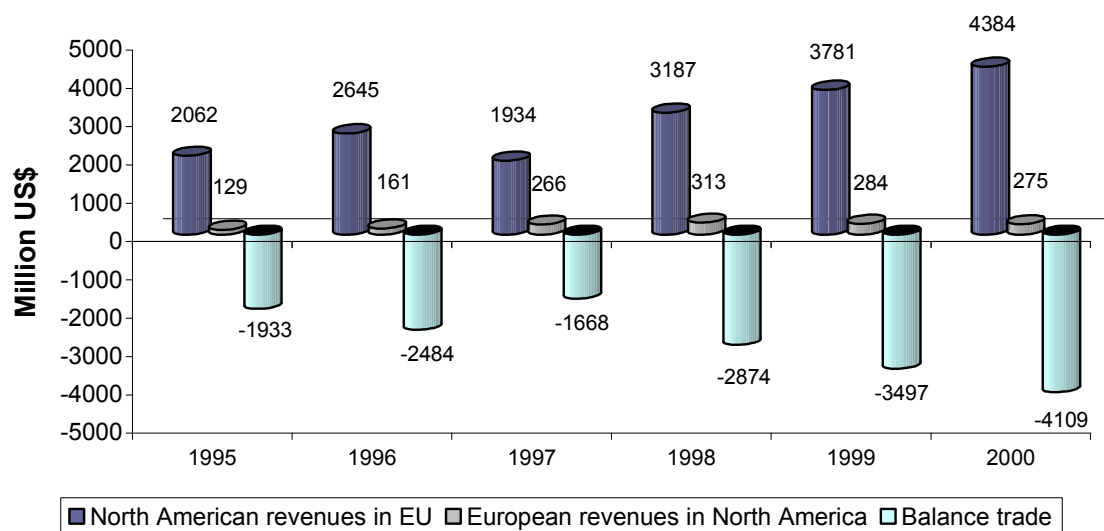
Comprehensive figures on international trade flows in TV programmes are not available due to difficulties encountered when attempting to measure the amount of trade in services. However, available data shows that the EU recorded an important trade deficit with the US concerning audiovisual programmes.

In 2000, the balance of trade between TV companies in the EU and in the USA showed a deficit of about € 4.1 billion:

- Import (the USA to the EU): € 4.4 billion;
- Export (the EU to the USA): € 300 million<sup>63</sup>.

Between 1997 and 2000, this deficit grew exponentially:

**Figure 37. Trade in TV programmes between the EU and North America**



Source: ETS/European Audiovisual Observatory, 2002, in *International Flows of Selected Cultural Goods and Services, 1994-2003*, Unesco Institute for Statistics, Paris, December 2005, 99 p.

<sup>63</sup> Study on the impact of measures concerning the promotion of the distribution and production of TV programmes (Community and national) provided for under Article 25 (a) of the directive on television without frontiers, op.cit.

## EMPLOYMENT

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It is estimated<sup>64</sup> that about 300,000 people were employed in the broader TV sector of the EU15 in 2002, including TV content production:

- About 150,000 people worked in broadcasting or integrated broadcaster/delivery companies;
- About 150,000 people worked in TV production:
  - o About 90,000 worked on in-house production (including news and sport);
  - o About 60,000 worked at external production companies.

In regards to direct employment provided by broadcasters, according to the European Audiovisual Observatory there were 196,628 people employed permanently by TV companies in the EU25 throughout 2003<sup>65</sup>. The largest TV workforces are in Germany (almost 60,000 people) and in the UK (about 50,000 people)<sup>66</sup>.

## NATIONAL DIMENSION

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A national approach to the European broadcasting sector shows major differences between the EU15 countries and the new member States.

The broadcasting sector is wealthier in the EU15 countries than in the new member States. In terms of advertising expenditure, it appears that the EU15's broadcasters receive higher revenues from advertising than broadcasters in the new member States. Another distinction between these two groups of countries can be applied to public broadcasting. The share of licensing fees is usually higher in the EU15 (larger share of public broadcasters' revenues) than in the new member States (barely half of the revenues).

The EU15's public broadcasters also usually attract larger audiences than public broadcasters of the new member States do. In the EU15, the daily audience market share of public TV is around 40-45%. This figure is quite homogenous across the EU15 with only a few exceptions: Denmark (71.8%) is the country with the highest public TV audience market share (71.8% daily). Greece, French speaking Belgium and Portugal are on the opposite end of the spectrum with lower than average public TV audience market share (respectively 16.1%, 20.3% and 23.6%).

In the new member States, the situation is quite different. Private broadcasters widely dominate the market. On average, public TV has a 20-25% daily audience market share. In Lithuania, the figure is 12.5%. Poland is an exception; its public TV gathers 51.9% of the daily audience. In some of the new member States, audience for public TV was much higher ten years ago than today. Over the last decade, the daily audience market share of public TV has fallen from 73.7% to 24.6% in Slovakia and from 79% to 19.1% in Hungary.

Broadcasting companies' activities are not limited to the national level. A few European audiovisual companies broadcast programmes worldwide. BBC and TV5 are the two best examples:

- BBC World is the English speaking BBC's commercially funded international news and information TV channel, broadcasting 24 hours a day. It is received in 270 million homes in more than 200 countries and territories<sup>67</sup>.
- TV5 is a general French speaking TV channel<sup>68</sup>, received in 160 million homes in 203 countries. On average, 24.5 million people watch TV5 everyday<sup>69</sup>. It is one of the three biggest TV networks, the two others being CNN and MTV.

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<sup>64</sup> Study on the impact of measures concerning the promotion of the distribution and production of TV programmes (Community and national) provided for under Article 25 (a) of the directive on television without frontiers, op.cit.

<sup>65</sup> Yearbook 2005, European Audiovisual Observatory, 2005

<sup>66</sup> "Graham report"

<sup>67</sup> BBC on [http://www.bbcworld.com/content/template\\_clickpage.asp?pageid=141](http://www.bbcworld.com/content/template_clickpage.asp?pageid=141)

<sup>68</sup> TV5 is a consortium of public broadcasters established in French-speaking territories (France, Canada, Belgium, Switzerland)

<sup>69</sup> TV5 on <http://www.tv5.org/TV5Site/tv5monde/presentation.php>

## VIDEO GAMES

Despite being a "young" thirty-year old cultural industry, video games can be regarded as a "serious business" today and particularly relevant in relation to the EU Lisbon strategy:

- Video games are one of the fastest growing sub-sectors of cultural industries.
- Video games are closely linked to the ICT sector as they both contribute to the evolution of hardware and benefit from high-speed broadband penetration in the same way as they trigger it.
- Video games are a driver for the development of new digital services, both online and mobile.

Although the sector is at present dominated by American and Japanese companies, European companies possess some significant market shares (they own 11% of the US market, the largest in the world) – and there is room for further growth.

## STRUCTURE OF THE SECTOR

### DEFINITION

A video game is usually defined as "an electronic or computerized game played by manipulating images on a video display or television screen".

In the following sections, the term "video games" includes **console games**<sup>70</sup>, **PC offline games**<sup>71</sup>, **online games**<sup>72</sup> and **wireless games**<sup>73</sup>. The hardware and accessories used to play the games are not included in the video games sector. Such a definition also corresponds to the category of interactive leisure (or entertainment) software.

### TWO MAIN PLAYERS: "DEVELOPERS" AND "PUBLISHERS"

The industry is mainly composed of "developers" and "publishers".

**Developers** are the creative resource. They conceive and produce programmes that are used for creating the video games that are then sold and marketed by publishers. They are the "risk takers", creating prototypes (demos) in order to attract publishers, whereas most of the revenues generated by video games benefit publishers and manufacturers. Development and content creation activities are carried out by a few large studios and a large number of SMEs. A typical development studio employs around 25 people<sup>74</sup>. In 2004, the UK was the European country recording the highest number of development studios (120). It was followed by Germany (50), France (45) and Italy (27). The Netherlands, Sweden, Norway, Belgium, Spain, Austria, Switzerland, Denmark, Ireland and Finland also accommodate development studios<sup>75</sup>.

<sup>70</sup> A **video game console** is an interactive entertainment computer. The term is used to distinguish a machine designed for consumers to buy and use solely for playing video games from a personal computer or arcade games. A console game is a form of interactive multimedia used for entertainment. The game consists of manipulable images (and usually sounds) generated by a game console, and displayed on a television or similar audio-video system. The game itself is usually controlled and manipulated using a handheld device connected to the console called a controller. In the case of a console off-line game the game is played without connection to a broader network, as the internet, via a game console.

<sup>71</sup> **PC off-line games**: games for entertainment that are played on a personal computer without a connection to the internet.

<sup>72</sup> **Online games** refer to video games that are played over some form of computer network, most commonly the Internet. Online games can range from simple text based games to games incorporating complex graphics and virtual worlds populated by many players simultaneously. Many online games have associated online communities, making online games a form of social activity beyond single player games.

<sup>73</sup> **Wireless games**: In modern usage, wireless is a method of communication that uses low-powered radio waves to transmit data between devices. The term refers to communication without cables or cords, chiefly using radio frequency and infrared waves.

<sup>74</sup> *The European Games Yearbook 2003/2004*, ISFE

<sup>75</sup> *The European Games Yearbook 2003/2004*, ISFE

However, in recent years one third of all game developers in the world went out of business annually<sup>76</sup>. In Europe, they decreased from more than 300 in 2002 to 281 in 2003<sup>77</sup>. This is notably due to the increase of development costs, in particular for SMEs:

- In the early 1990's the average cost of developing a video game was USD 40,000<sup>78</sup>
- In 2004, the average cost had risen to USD 10 million<sup>79</sup>
- The cost is expected to reach more than USD 65 million in some cases for the next generation of consoles<sup>80</sup>

Whereas at present most games are released on the three main consoles (Microsoft's Xbox, Sony's PlayStation and Nintendo's GameCube) and PC at the same time, in the near future games are likely to be developed for one platform only. The reason for this is the ambition of platform vendors to have a grip on the entire value chain of the market, from sales of hardware equipment to sales of video games. As a consequence, development costs will dramatically increase as software developers will depend on a single platform for the distribution of their games.

It is estimated that the number of profitable consoles games titles could not exceed 80 by 2008<sup>81</sup>.

**Publishers** produce the video games created by developers. They are also involved in marketing, manufacturing and wholesale. Europe counts 15 major European-owned publishers<sup>82</sup>.

## MAJOR GLOBAL PLAYERS

The list of the leading video game publishers worldwide is a clear indicator of the dominance of US and Japanese companies in the sector. Four European companies are on the list - this is a signal that Europe has untapped potential which should be further developed.

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<sup>76</sup> *Game development technologies in Europe*, Malte Behrmann, European Games Developer Federation, 2006

<sup>77</sup> *Yearbook 2005*, Volume 4, European Audiovisual Observatory, 2005

<sup>78</sup> CRANDALL (Robert W.), SIDAK (J. Gregory), *Video Games: Serious Business for America's Economy* - Study commissioned by the Entertainment Software Association, 58 p.

<sup>79</sup> CRANDALL (Robert W.), SIDAK (J. Gregory), op. cit.

<sup>80</sup> *Creating growth – How the UK can develop world class creative businesses*, NESTA Research Report, April 2006

<sup>81</sup> *Creating growth – How the UK can develop world class creative businesses*, op. cit.

<sup>82</sup> *The European Games Yearbook 2003/2004*, ISFE

**Table 39: Top-20 video game publishing companies in the world in 2004**

| Rank | Company  | Country | Turnover 2004 (USD million) |
|------|--|---------|-----------------------------|
| 1    | Sony <sup>83</sup>                               | JP      | 4,092.06                    |
| 2    | Electronic Arts                                  | US      | 3,129                       |
| 3    | Microsoft (Home and Entertainment) <sup>84</sup> | US      | 2,876                       |
| 4    | Nintendo <sup>85</sup>                           | JP      | 2,119                       |
| 5    | Activision                                       | US      | 1,405.9                     |
| 6    | Take-Two Interactive Software Inc.               | US      | 1,128                       |
| 7    | Konami <sup>86</sup>                             | JP      | 879.4                       |
| 8    | Ubi Soft Entertainment S.A.                      | FR      | 869.2                       |
| 9    | Infogrames Entertainment                         | FR      | 782.4                       |
| 10   | Sega <sup>87</sup>                               | JP      | 797.2                       |
| 11   | THQ Inc  | US      | 756.7                       |
| 12   | Square Enix                                      | JP      | 687.8                       |
| 13   | Vivendi Universal Publishing                     | FR/US   | 647                         |
| 14   | Capcom   | JP      | 597.1                       |
| 15   | Namco (Home Video game software) <sup>88</sup>   | JP      | 443.8                       |
| 16   | Bandai (Video games) <sup>89</sup>               | JP      | 359.8                       |
| 17   | Koei   | JP      | 263                         |
| 18   | Eidos PLC  | UK      | 242.6                       |
| 19   | Acclaim Entertainment Inc <sup>90</sup>          | US      | 142.7                       |
| 20   | Majesco Holding Inc                              | US      | 121                         |

Source: European Audiovisual Observatory

## A CONCENTRATED MARKET

The video game publishing market is highly concentrated:

- Since 2003, the bankruptcies of major companies and a series of important mergers have accelerated the concentration process.
- The increase of the production's length and costs has also contributed to market concentration.
- Entering the market on the basis of an original game concept has become highly difficult especially for independent development studios as there are usually only three categories of "top-selling games": those which are based around film titles, those which are licensed from sport franchises and those which have developed a strong brand loyalty over the years.

<sup>83</sup> Sony reports game division revenues but does not isolate software and hardware revenues. The EAO has taken, as a hypothesis, that software represents 60% of the game activities turnover (\$ 6,821 million).

<sup>84</sup> Microsoft's Home and Entertainment branch includes the Microsoft Xbox video game system, PC games, the Home Products Division and TV platform products.

<sup>85</sup> Nintendo reports total revenues, but does not isolate software and hardware revenues. The EAO has taken, as a hypothesis, that software represents 44% of the game activities turnover (\$ 4,816).

<sup>86</sup> Consumer software sales only.

<sup>87</sup> Including hardware sales.

<sup>88</sup> Bandai and Namco merged in September 2005.

<sup>89</sup> Bandai and Namco merged in September 2005.

<sup>90</sup> Bankruptcy in September 2004

## REVENUES

On a global level the **revenues of the video game industry as a whole are reported to have doubled** between 1997 and 2003, reaching € 15.3 billion<sup>91</sup> in 2003. The turnover of the main international video games publishers alone amounted to USD 21 billion in 2004 (€ 16.6 billion), an increase by 3.7% compared with 2003<sup>92</sup>. The industry's revenues are expected to grow by 16.5% a year until 2009<sup>93</sup>.

The sector has undergone difficulties in recent years and profitability indicators have been negative since 2000, as exemplified in the following tables:

**Table 40: Financial situation of European video games publishers (€ million) 1999-2003**

|                        | 1999  | 2000  | 2001  | 2002  | 2003  |
|------------------------|-------|-------|-------|-------|-------|
| Number of companies    | 41    | 41    | 39    | 38    | 36    |
| Operating revenue      | 1,749 | 2,013 | 1,855 | 2,416 | 2,201 |
| Operating profit       | 49    | -252  | -199  | -179  | -38   |
| Profit/loss before tax | 204   | -283  | -214  | -241  | -74   |
| Profit/loss for period | 129   | -270  | -323  | -334  | -130  |

Source: *Yearbook 2005*, Volume 4, European Audiovisual Observatory, 2005

**Table 41: Financial situation of European video games developers (€ million) 1999-2003**

|                        | 1999 | 2000 | 2001 | 2002 | 2003  |
|------------------------|------|------|------|------|-------|
| Number of companies    | 223  | 275  | 276  | 309  | 281   |
| Operating revenue      | 542  | 588  | 851  | 955  | 1,124 |
| Operating profit       | -12  | -159 | -229 | -178 | 11    |
| Profit/loss before tax | 31   | -122 | -251 | -188 | 20    |
| Profit/loss for period | 7    | -120 | -335 | -201 | 35    |

Source: *Yearbook 2005*, Volume 4, European Audiovisual Observatory, 2005

Yet, the outlook is far from being dull:

- The market is cyclical as the largest segment of the video game industry is the console games market which is very dependent on the cycle of game consoles. Thanks to the launch of the next generation of game consoles, the market is expected to grow in 2006 and 2007.
- New markets (wireless and online) are far easier to enter. For instance, developing a Java mobile game costs between € 100,000 to € 500,000<sup>94</sup>.
- Although it faces difficulties, the online gaming market is growing at a rapid pace. Today it is the most dynamic sector of the video game industry. The European video game market is projected to reach USD 11 billion (€ 8.7 billion) in 2007<sup>95</sup>.

<sup>91</sup> *The European Games Yearbook 2003/2004*, ISFE

<sup>92</sup> *Yearbook 2005*, Volume 4, European Audiovisual Observatory, 2005

<sup>93</sup> *Global Entertainment and Media Outlook 2005-2009*, 6<sup>th</sup> annual edition, PriceWaterhouseCoopers, June 2005.

<sup>94</sup> *The European Games Yearbook 2003/2004*, ISFE

<sup>95</sup> *Digital Broadband Content: The online computer and video game industry*, op. cit.

## TURNOVER OF THE VIDEO GAME SECTOR AT EUROPEAN LEVEL

The turnover of the European video game sector increased from €2.6 billion in 1997 to **€5.25 billion in 2003**<sup>96</sup>. A breakdown by country is as follows (in € million):

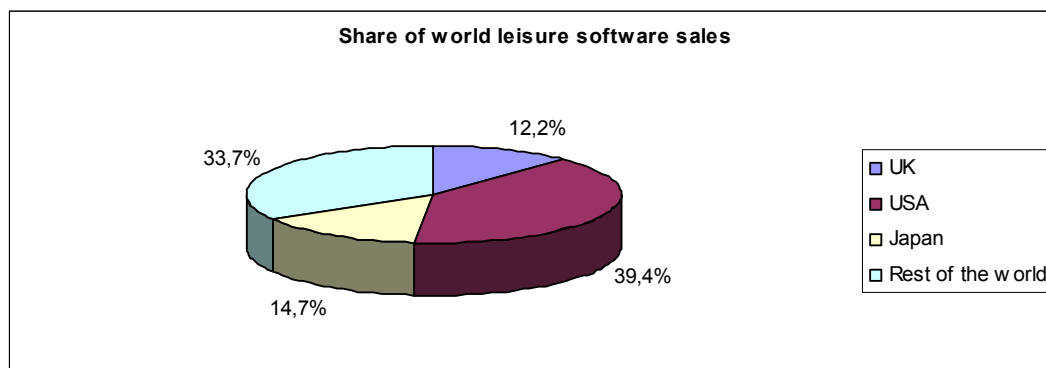
| Country                             | Turnover (€ million) |
|-------------------------------------|----------------------|
| Austria & Switzerland               | 227.1                |
| Benelux                             | 300.8                |
| France                              | 869.2                |
| Germany                             | 945.8                |
| Ireland                             | 103.9                |
| Italy                               | 388.7                |
| Denmark, Finland, Norway and Sweden | 393.3                |
| Spain and Portugal                  | 387.3                |
| UK                                  | 1,632.4              |

In Europe, the turnover of video game publishing companies amounted to **USD 2.8 billion (€ 2.2 billion) in 2003**, representing about **14% of the worldwide market**<sup>97</sup>.

## VIDEO GAMES SALES AT GLOBAL LEVEL

The following graph represents the repartition of world sales, showing the importance of the US, Japanese and UK markets:

**Figure 38. Share of world leisure software sales (2005)**



Source: ELSPA 2005 Yearbook

In 2005, video games published by US companies captured 44% of the world market and titles published by Japanese companies took 35% of the world market<sup>98</sup>. The US and Japan are also the only two countries to have their own console manufacturers (Nintendo and Sony in Japan; Microsoft in the US), which constitutes a strong competitive advantage. Other countries that perform well on this market are Canada and South Korea.

<sup>96</sup> *The European Games Yearbook 2003/2004*, ISFE

<sup>97</sup> *Yearbook 2005*, Volume 4, European Audiovisual Observatory, 2005

<sup>98</sup> *Digital Broadband Content: The online computer and video game industry*, BEINISCH (Yischai) PAUNOV (Caroline), VICKERY (Graham), WUNSCH-VINCENT (Sacha), OECD, Directorate for Science, Technology and Industry, Paris, 68 p., 2005.



## MARKET GROWTH FOR ONLINE GAMES

Today the main segments of the video game market are<sup>99</sup>:

|   |  |
|---|--|
| ⇒ <b>Traditional markets : 90%</b><br>Console off-line: 73%<br>PC off-line: 17% | ⇒ <b>“New markets”:</b> 10%<br>Wireless games 3.4%<br>Online: 6.4% |
|---|--|

According to estimates, the video game industry’s projected market proportions by 2008 are as follows<sup>100</sup>:

|   |  |
|---|--|
| ⇒ <b>Traditional markets : 47 %</b><br>Console games off-line: 41%<br>PC games off-line: 6% | ⇒ <b>“New markets”:</b> 53%<br>Wireless games: 25%<br>Online games: 28%. |
|---|--|

In 2003, the mobile gaming market<sup>101</sup> amounted to € 55 million in Western Europe with about 1.25 million games being downloaded every month<sup>102</sup>.

The online sector is growing and it is estimated that it will become the second-largest market segment in upcoming years. Demand for online games will increase in relation to the online capabilities of the next generation of consoles, the rise of broadband Internet connections and new models of wireless telephones capable of downloading games.

In South Korea, where broadband penetration is the highest in the world, online games totalled 61.9% of video game revenues in 2004<sup>103</sup>. As a direct effect of the online games boom, the market for PC games will continue to deteriorate and should be surpassed by online games

## EMPLOYMENT

No global figures on employment in the sector are available in Europe.

It is estimated that video game developers employ around 13,250 people in Europe<sup>104</sup>. As already noted, the development sector experienced difficulties in recent years and these are visible at the employment level. In the UK, employment in games development fell by 6% between 2000 and 2006<sup>105</sup>. Over the same period employment within the UK video game industry rose by 7.5%: the number of employees in publishing, distribution, peripherals/accessories and retailing has thus increased.

In relation to publishers, the only figures available are those of particular companies. For instance<sup>106</sup>:

- French publisher and developer Ubisoft employs over 1,100 people in Europe
- American company Electronic Arts, the world’s largest publisher, employs 930 people in Western Europe

<sup>99</sup> *Digital Broadband Content: The online computer and video game industry*, op. cit.

<sup>100</sup> *Digital Broadband Content: The online computer and video game industry*, op. cit.

<sup>101</sup> **A mobile game** is a computer game played on a mobile phone, smartphone, PDA or handheld computer. Mobile games may be played using the communications technologies present in the device itself. More common, however, are games that are downloaded to the mobile phone and played using a set of game technologies on the device. Mobile games are usually downloaded via the mobile operator’s radio network, but in some cases are also loaded into the mobile handsets when purchased.

<sup>102</sup> *The European Games Yearbook 2003/2004*, ISFE

<sup>103</sup> *Game development technologies in Europe*, op. cit.

<sup>104</sup> *The European Games Yearbook 2003/2004*, ISFE

<sup>105</sup> *Creating growth – How the UK can develop world class creative businesses*, op. cit.

<sup>106</sup> *The European Games Yearbook 2003/2004*, ISFE

- UK publisher and developer Codemasters employs 380 people
- French publisher Atari employs over 1,000 people in Europe

Additionally the sector generates employment in related sectors such as mastering, manufacturing & replication, distribution, retail, media (gaming magazines and websites), hardware companies and specialist services. In the UK for example, 20,000 people were employed by 270 companies in games-related sectors throughout 2004<sup>107</sup>.

In the USA, the video game sector as a whole directly employed about 50,000 people in 1998<sup>108</sup>. The number of jobs supported by the sector is much more important than the number of direct jobs within the sector. By 2009, the entertainment software industry is expected to support around 250,000 jobs in the USA<sup>109</sup>.

## NATIONAL DIMENSION

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The UK is the largest video game market in Europe and the third in the world following the USA and Japan<sup>110</sup>. In 2003, the UK video game market exceeded USD 2 billion while also being the first developer and producer in Europe<sup>111</sup>. It is followed by:

- The German market (representing €1 billion in 2002)
- The French market (representing € 990 million revenues in 2002). French groups Ubisoft and Infogrames Entertainment are two of the world's largest publishers – the case study below represents the Ubisoft company
- The Spanish market (representing € 800 million in 2003)<sup>112</sup>

Around a dozen of European countries accommodate development studios. In this sector, Romania is an emerging country.

## SECONDARY ECONOMIC IMPACT

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According to the authors of a study on video games' impact on the American economy<sup>113</sup>, in the US the video games industry generated USD 10.3 billion in software sales in 2004 and USD 7.8 billion in sales of complementary products. It has thus contributed more than USD 18 billion to the American economy as a whole. The authors distinguish four economic benefits of the video game industry for the American economy:

- *The market for games themselves*; including domestic sales (USD 8.2 billion), foreign export (USD 2.1 billion) and video game rentals (USD 700 million)
- *Salaries* paid to the 144,000 full-time US-based employees whose jobs are supported by the entertainment software industry
- *The stimulative effect of entertainment software on technological innovation* (introduction of newer and faster central processing units in computers) and consumer demand in complementary markets (games consoles, PCs specialised in gaming applications, HDTV, interactive devices for entertainment software, broadband Internet and mobile telephone service)

<sup>107</sup> *Digital Broadband Content: The online computer and video game industry*, op. cit.

<sup>108</sup> CRANDALL (Robert W.), SIDAK (J. Gregory), op. cit.

<sup>109</sup> CRANDALL (Robert W.), SIDAK (J. Gregory), op. cit.

<sup>110</sup> *Global Entertainment and Media Outlook 2005-2009*, op. cit.

<sup>111</sup> *Global Entertainment and Media Outlook 2005-2009*, op. cit.

<sup>112</sup> *Digital Broadband Content: The online computer and video game industry*, op. cit.

<sup>113</sup> CRANDALL (Robert W.), SIDAK (J. Gregory), op. cit.

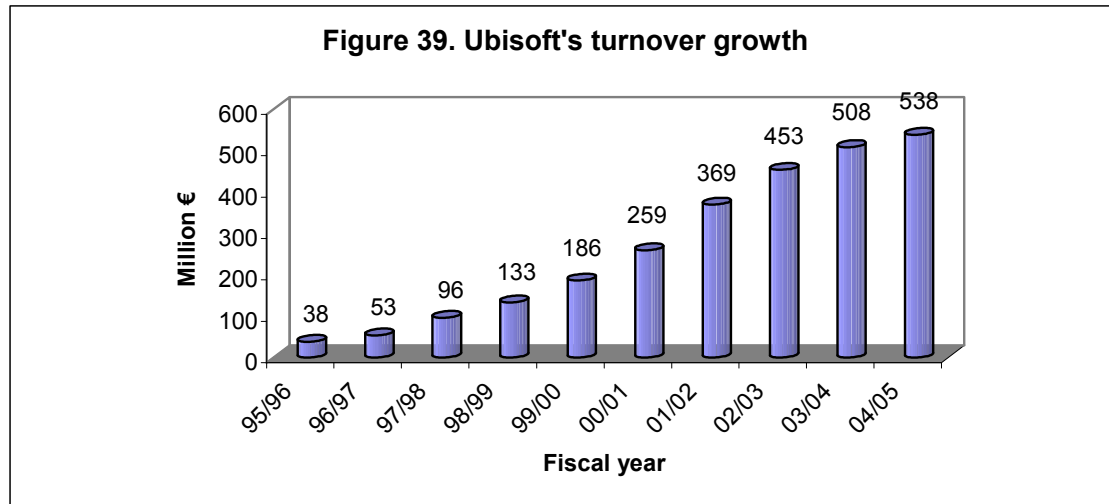
- *Technological transfers from the entertainment software industry to other industries or fields* (education, advertising, military simulation technologies and medical & corporate training)

Although there is no estimation of them, similar secondary impact and spin off effects are generated in Europe albeit at a lower level because of the reduced size of the market. Online gaming for instance is a key driver for high-speed broadband Internet uptake whilst mobile gaming is instrumental in driving the upgrade toward 3G mobile handsets.

## Case Study The rise of Ubisoft

Ubisoft is a developer, publisher and distributor of interactive entertainment products. Twenty years after its creation in France, it has become a worldwide multimedia company employing around 3,000 people.

Established in 1986, Ubisoft was in 2004 the 3<sup>rd</sup> independent publisher in France and Germany, 5<sup>th</sup> in the UK and 7<sup>th</sup> in the US. In early 2005, it became 2<sup>nd</sup> in France and the UK. The company has a portfolio of over 1 000 titles. Its turnover is on constant raise, as illustrated below:



Source: Ubisoft Annual Report 2005

Between 1995 and 2005 Ubisoft's sales have multiplied by 14.

Between 2001 and 2005 they have more than doubled and reached € 538 million in 2005. The sales are distributed as follows:

- 53% in Europe
- 42% in North America
- 5% other.

According to Ubisoft's CEO Yves Guillemot, the company plans to double its worldwide revenue and to triple its profits by 2010. At present, Ubisoft has subsidiaries in 21 countries and distributes its products in 55 countries. The company has 13 studios in 9 countries: Canada (2), China, France (3), Germany, Italy, Morocco, Romania, Spain and the USA (2).

### ■ Ubisoft's strategy

#### • *Operating on as many market segments as possible*

Ubisoft is a creator of brands. The company provides products for all major supports of the video games' market: 128-bit consoles, portable consoles and PCs. It is currently working on titles for the next generation of home consoles for the three main manufacturers.

#### • *Investing in training*

For Ubisoft, a talented workforce is the key to success. In order to have an efficient workforce, Ubisoft invests in training, for example, the recent creation of the Ubisoft Campus in Montreal. The Campus provides training to people from all the company's studios and then helps develop the production teams' skills. It also provides educational foundation for future professionals of the videogame industry. Moreover, Ubisoft plans to establish partnerships with schools worldwide in order to teach future developers production methods and tools.

- *Building relationships with independent producers*

Ubisoft's in-house production force is the second largest video game production team in the world. However, the company keeps relationships with independent developers, which are a source of creativity, to diversify Ubisoft's portfolio.

- **Jobs creation and job off-shoring**

Ubisoft is a job creator. From 2002 to 2005, Ubisoft's workforce increased by 50%.

On 31 March 2005, Ubisoft employed 2 972 people worldwide: 75% in production studios and 25% in distribution and support functions. The average employee's age was 30.4 and the average seniority was 2.92 years. The majority of Ubisoft's employees have permanent work contracts. The following table displays the distribution of Ubisoft personnel by country.

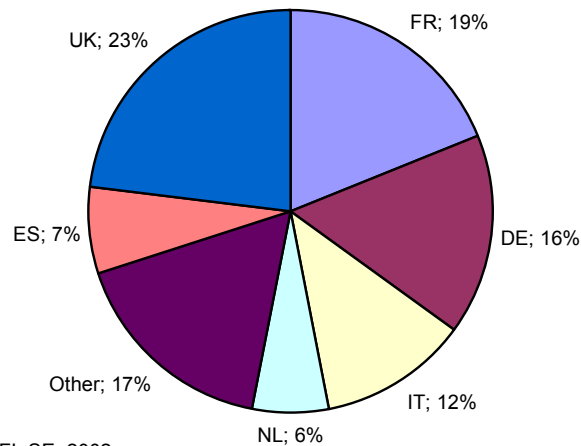
| Country             | Workforce on 31-03-2004 | Workforce on 31-03-2005 | Evolution     |
|---------------------|-------------------------|-------------------------|---------------|
| Australia           | 15                      | 13                      | -13,33%       |
| Austria             | 9                       | 6                       | -33,33%       |
| Belgium             | 10                      | 8                       | -20,00%       |
| Canada              | 719                     | 1110                    | 54,38%        |
| China               | 209                     | 329                     | 57,42%        |
| France              | 630                     | 656                     | 4,13%         |
| Germany             | 66                      | 66                      | 0,00%         |
| Hong-Kong           | 5                       | 5                       | 0,00%         |
| Italy               | 58                      | 49                      | -15,52%       |
| Japan               | 17                      | 17                      | 0,00%         |
| Morocco             | 52                      | 42                      | -19,23%       |
| Netherlands         | 10                      | 10                      | 0,00%         |
| Romania             | 114                     | 218                     | 91,23%        |
| Scandinavia         | 21                      | 22                      | 4,76%         |
| South Korea         | 3                       | 2                       | -33,33%       |
| Spain               | 51                      | 48                      | -5,88%        |
| Switzerland         | 8                       | 6                       | -25,00%       |
| UK                  | 48                      | 44                      | -8,33%        |
| United States       | 307                     | 321                     | 4,56%         |
| <b>Total</b>        | <b>2352</b>             | <b>2972</b>             | <b>26,36%</b> |
| <b>Total Europe</b> | <b>1025</b>             | <b>1133</b>             | <b>10,54%</b> |

Source: Ubisoft Annual Report 2005

## ECONOMY OF THE SECTOR<sup>114</sup>

Advertising is one of the major creative industries in Europe. In 2003, advertising in the EU25 generated € 32 billion in value added and employed 782,600 people. The total turnover at the European level of the advertising sector was € 121 billion - the principal contributor in terms of turnover was the UK followed by France, Germany and Italy as shown in the following graph:

**Figure 40: Turnover in advertising in the EU-25, share by Member State, 2003**



Note: IE, LV, LU, MT, PL, SI, FI, SE: 2002 –  
GR not available

Source: Eurostat

In comparison, the US advertising market was estimated at USD 271 billion (€ 213.5 billion) in 2005<sup>115</sup>

In 2001, 167,481 enterprises had advertising as their principal activity. Besides its economic relevance, advertising offers a significant contribution to Europe in terms of creativity and innovation. Advertising agencies rely on creativity as the main quality of their workforce - advertising also has important spill over effects on other creative sectors such as graphic design, interactive media and audio-visual production. Competitions and contests are regularly organised at national and EU levels to award the most creative advertising campaigns - European agencies have a reputation for creativity which is key in attracting international clients.

<sup>114</sup> The source of this section is the report prepared by Eurostat: "Statistics in brief, Advertising and staff selection in Europe", Pekka Alajääskö, April 2006  
[http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-NP-06-013/FR/KS-NP-06-013-FR.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-NP-06-013/FR/KS-NP-06-013-FR.PDF)

<sup>115</sup> Advertising Age, Special Report: 100 Leading national advertisers, June 2006  
<http://adage.com/images/random/LNA2006.pdf>

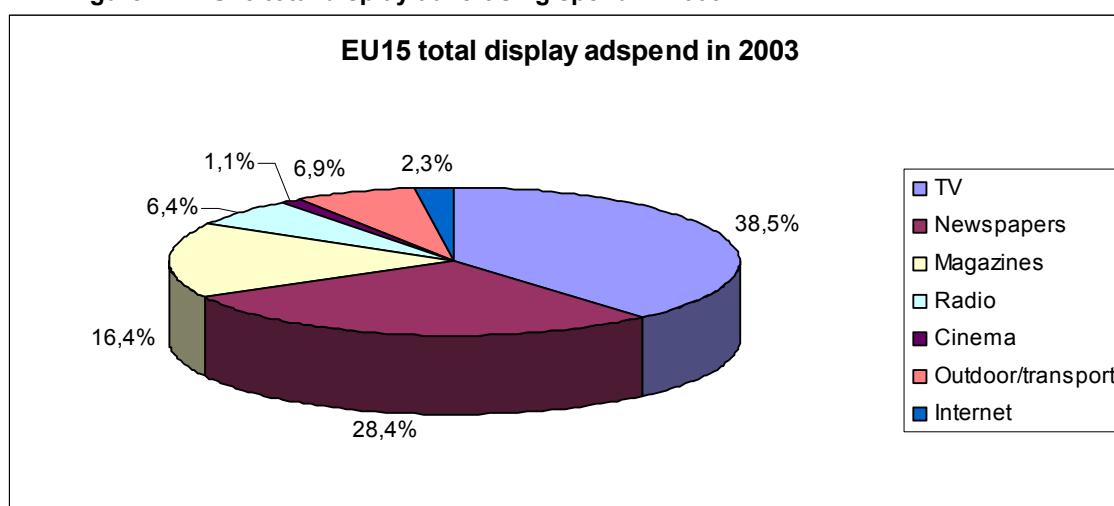
## THE IMPACT OF ADVERTISING ON THE MEDIA SECTOR

Advertising also has a relevant impact on the revenues generated by the media sector including, in particular, TV (free-to-air commercial broadcasters are one of the single most important vehicle of advertising) and the press (newspaper and magazines).

In the EU15, total advertising spent for 2003 amounted to € 62.3 billion, a considerable increase compared with 1996 (€ 46.5 billion) but a decrease compared to the record breaking expenditures of 2000 (€ 68.2 billion)<sup>116</sup>. In 2003, advertising expenses accounted for 0.85% of EU15's GDP<sup>117</sup>.

The following graph represents the division of advertising expenses at an EU level across different mediums in 2003:

**Figure 41: EU15 total display advertising spend in 2003**



Source: *Yearbook 2005*, European Audiovisual Observatory, 2005

TV attracts the largest part of advertising spending, followed by newspapers and magazines - however, the situation varies greatly between countries.

The new EU Member States are characterised by a percentage of advertising spent on TV significantly higher than in the EU15 countries. The spending in both the EU10 and the EU15 countries was quite stable during the period of 1994-2004. However, there are significant disparities. In 2003 for instance, the national share spent on TV advertising was lower than 20% in Denmark, Finland and Ireland yet higher than 50 % in Hungary, Italy, Poland and Portugal<sup>118</sup>.

## TRADE

Assessing trade in services provided by advertising agencies is not simple because of the inherent obstacles encountered when trying to measure trade in services (see above Section I.IV). Many agencies are also local subsidiaries of major international groups (see below for a ranking of the world's leading advertising agencies). It is

<sup>116</sup> *Yearbook 2005*, European Audiovisual Observatory, 2005

<sup>117</sup> *Yearbook 2005*, European Audiovisual Observatory, 2005

<sup>118</sup> *Europe – Public Television in the New Member States* - European Broadcasting Union, Strategic Information Service, Brussels, 2005, 109 p.

certain that the development of ICT and the liberalisation of services at both Internal Market and global levels have facilitated trans-national provisions of advertising services.

On the basis of data transmitted by nine European countries in 2003 (Denmark, Greece, Luxembourg, Poland, Romania, Slovenia, Spain, Sweden, UK), Eurostat<sup>119</sup> has been able to draw the following conclusions about trade in advertising services:

- The export of advertising services generated a significant share of the turnover for advertising agencies in Luxembourg (more than 23%), Slovenia (15%) and Denmark (14%) whilst in Spain and Poland exports were less than 5%.
- Most of the turnover generated by exports in advertising services originated from other EU countries (21% for Luxembourg).
- Turnover generated by exports to non-EU clients was higher than average in Slovenia (6% of the total) and UK (5% of the total) - in all the other countries this share was less than 3%.

## THE IMPACT OF ICT

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The rapid development of digital technologies and the Internet have provoked three major positive effects on the advertising industry:

- Traditional advertisers are using new advertising space (online and new media). The Internet for instance has become an important medium for advertising
- New Internet businesses use traditional advertising mediums (print, TV and radio). Since the end of the 1990's, they have become new clients for the advertising sector
- New media agencies have been created in order to answer to firms' demand for serving a global market

However, ICT is also causing major disruptions in the traditional advertising business.

Reaching target audiences through traditional media outlets becomes more and more difficult because of new media technologies and further audience fragmentation. This is particularly the case with free-to-air television. Consumers are also disposing of tools that enable them to ignore advertising such as personal/digital video recorders (PVR). Since their appearance on the market, PVRs have deprived advertisers of more than 1% of impact. In 2005, there were 10 million digital video recorders in the USA and this number is expected to reach 42 million by 2010<sup>120</sup>.

## ONLINE ADVERTISING IN FIGURES<sup>121</sup>

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In 2005, online advertising amounted to almost € 5 billion in Europe. The UK accounted for 43% of all Europe's online advertising expenditures. France had the second largest share of the market (22.5%) and Germany accounted for 18% of overall spending on advertising. A significant gap between the three largest markets and the next tier remains, with Sweden, Spain and Italy each estimated at accounting for about 3% of the online advertising spend market.

The average share of online advertising over total advertising spent is estimated at 6.8% across Europe.

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<sup>119</sup> Eurostat: "Statistics in brief, Advertising and staff selection in Europe", Pekka Alajääskö, April 2006  
[http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-NP-06-013/FR/KS-NP-06-013-FR.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-NP-06-013/FR/KS-NP-06-013-FR.PDF)

<sup>120</sup> Randall Stross, "If everyone skips the ads, how will TV survive", in *The New York Times*, 20 May 2006

<sup>121</sup> European Interactive Advertising Association: Europe Online, August 2006  
<http://www.eiaa.net/FTP/downloads/EIAA%20-%20Europe%20Online%202021.8.06.pdf>



The following table presents figures for overall and online advertising in a number of selected European countries:

**Table 42: Advertising Expenditures in selected European countries 2005**

| Country        | overall advertising expenditure<br>(€ billion) <sup>122</sup> | online advertising expenditure<br>(€ million) |
|----------------|---|---|
| Belgium        | 2.4   | 55 <sup>123</sup>                             |
| Denmark        | 1.7   | 81 <sup>124</sup>                             |
| France         | 10.2  | 1,100 <sup>125</sup>                          |
| Germany        | 16.3  | 885 <sup>126</sup>                            |
| Italy          | 8.6   | 138 <sup>127</sup>                            |
| Netherlands    | 3.7   | 97 <sup>128</sup>                             |
| Norway         | 2.5   | 120 <sup>129</sup>                            |
| Spain          | 6.7   | 150 <sup>130</sup>                            |
| Sweden         | 1.9   | 160 <sup>131</sup>                            |
| United Kingdom | 17.4  | 2,100 <sup>132</sup>                          |
| <b>Total</b>   | <b>71.4</b>   | <b>4,886</b>                                  |

Source: European Interactive Advertising Association: Europe Online, August 2006

By way of comparison, in the US Internet advertising revenues for 2005 exceeded USD 12.5 billion (€ 9.9 billion). Combined online and mobile advertising is estimated to achieve USD 22 billion (€ 17.3 billion) in 2006<sup>133</sup>.

## THE COMPETITIVENESS OF EUROPEAN COMPANIES

Europe is a hub for creativity in many sectors and advertising is one of them. As shown by the following graph, three out of the world's six leading advertising agencies are Europe-based:

<sup>122</sup> ZenithOptimedia, 2006

<sup>123</sup> IAB Belgium

<sup>124</sup> IAB Europe

<sup>125</sup> TNS Media Research/Mediametrie/Netratings/Ipsos

<sup>126</sup> Nielsen & OVKMarkt, 2006

<sup>127</sup> Nielsen Media Research/IAB Italy/Assointernet

<sup>128</sup> ZenithOptimedia, 2006

<sup>129</sup> ZenithOptimedia, 2006

<sup>130</sup> IAB Spain - estimate

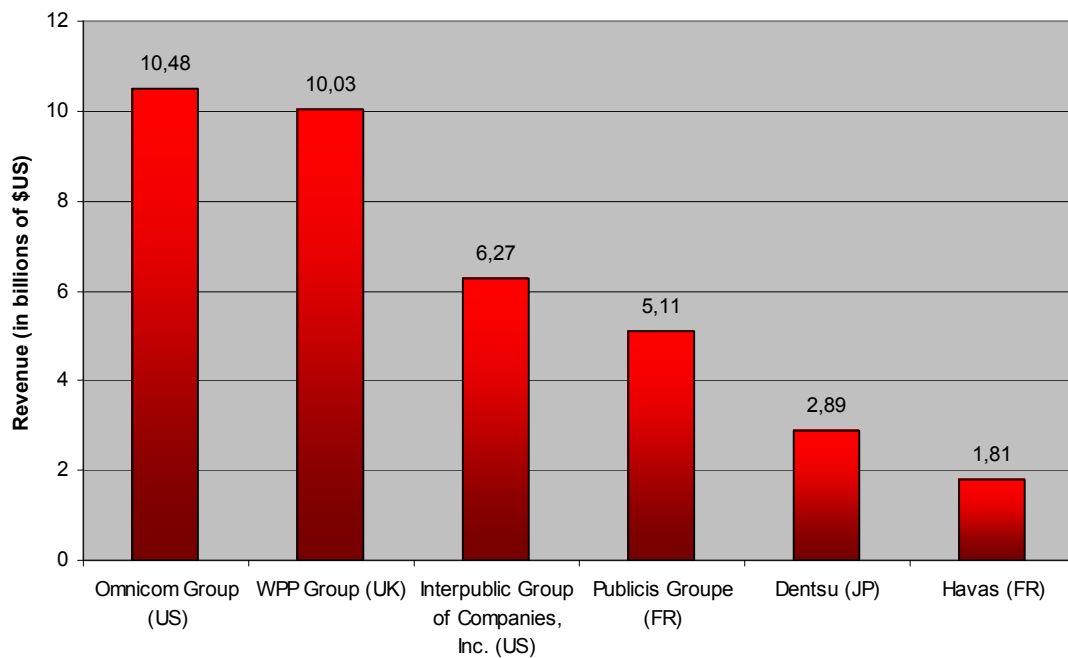
<sup>131</sup> ZenithOptimedia, 2006

<sup>132</sup> IAB UK, 2006

<sup>133</sup> Financial Times, *Old media increase share of online ads*, September 12 2006

**Figure 42: Top six marketing and advertising companies in the world based on 2005 revenues**

The Top Six Marketing and Advertising Companies in the World Based on 2005 Revenue



Source: ADAGE research<sup>134</sup>

Some of the most reputed and award-winning advertising agencies belong to European groups - prime examples are Ogilvy & Mather (part of WPP), Leo Burnett and Saatchi & Saatchi (part of the Publicis group).

### **London as global advertising hub**

There are three main centres in the world for the advertising industry: New York for the Americas, Tokyo for Asia and London for Europe. Two thirds of all international advertising agencies have their European headquarters in London<sup>135</sup> and the UK is the largest advertising market in Europe, followed by Germany and France.

<sup>134</sup> <http://adage.com/images/random/familytree06.pdf>

<sup>135</sup> *Creative Industries Mapping Document* - Department for Culture, Media & Sport, London, 2001

Design is an asset in post-industrialised economies where a product's quality and uniqueness become competitive parameters – as important as technology and price. Beyond the most “obvious” industries based on design (such as the fashion industry), design activities are relevant for an increasing number of businesses. In the latter case, the added-value of design is not limited to “aesthetic characteristics” but impacts the whole production process.

The following sector profile focuses on the added-value design activities bring to random enterprises and national economies as a whole.

### STRUCTURE OF THE SECTOR

The designer's function is to conceive industrial objects that are aimed for mass-reproduction: cars, furniture, clothes, etc.

He/she is at the cross roads of technical, commercial and cultural constraints.

Depending on his/her focus of activity, he/she will be described as a graphic designer (working on graphic presentations of products and documents, including multimedia and web design), product designer (conceiving a product), packaging designer (conceiving products' packages), industrial designer (conceiving and developing an industrial product) and/or a fashion designer (from “haute couture” creation to the production of high street ranges for specific stores, etc.).

Design activities are either carried out by design agencies, or integrated into a random company.

In regard to design agencies, these are composed of a large number of smaller consultancies and a few larger consultancies. In the UK, it is estimated that 73% of design consultancies employ 20 or fewer staff<sup>136</sup>. In France, 40% of consultancies employ one or two people and only 15% employ at least 10 employees<sup>137</sup>. Additionally, the sector is reported to include a significant number of self-employed.

Traditionally, design activities have constituted a major asset in Europe. This is obvious in relation to the most well-known design activities such as fashion design (from the original designer market dominated by French international brands such as Chanel, Dior, or Yves Saint Laurent to “high street ranges” such as Adolfo Dominguez or Zara), product design (from Finnish Alvar Aalto, to French Philippe Starck, Italian Alessi and even Swedish IKEA stores) or car design. In all of these sectors, Europe is well positioned and often the world leader, as in the case of fashion presented below.

<sup>136</sup> DCMS *Creative Industries Mapping Document* 2001

<sup>137</sup> [www.placeaudeesign.com](http://www.placeaudeesign.com)

## **Fashion design in Europe**

The role played by fashion in promoting the image of Europe as a creative hub should not be underestimated. Paris, Milan and London are recognised on a global level as fashion capitals along with New York. Fashion is a relatively small industry but it has important economic spill over effects on a range of industry sectors including textile, advertising and tourism.

Despite the lack of consistent data in the sector, it is undisputable that Europe plays a central role in the economy of fashion. The world's two largest luxury groups are based in France – LVMH and PPR. Europe is also home to a series of large and small fashion houses which offer a significant contribution to local and national economies.

In terms of turnover generated by fashion design activities, European groups are world leaders:

**Table 43: Revenues of European leading fashion groups 2005**

|  | Revenues (€ million ) 2005 |
|--|----------------------------|
| <b>LVMH</b> (Louis Vuitton, Christian Dior, Givenchy, Fendi, Kenzo, Donna Karan) | 4,812                      |
| <b>PPR</b> (Gucci, Yves-Saint-Laurent, Balenciaga, Sergio Rossi)                 | 3,036                      |
| <b>Prada Group</b>   | 2,750                      |
| <b>Giorgio Armani Group</b>  | 1,428                      |

Source: annual reports of the groups. For Prada, see <http://www.fashionunited.co.uk/news/prada.htm>

Defining the values generated by design activities is neither easy to achieve on the basis of statistical frameworks nor the best way to assess the added-value generated by design to national economies. Indeed, a most interesting subject of investigation in this section is to determine to what extent the integration of design activities into a random enterprise generates a significant impact on the company's overall performances.

## **THE INDIRECT IMPACT OF DESIGN ON COMPANIES PERFORMANCES AND NATIONAL ECONOMIES**

*"Good design is good business"*

Thomas Watson Jr. president of IBM declared in 1966<sup>138</sup>.

To understand these indirect impacts, design activities must be further presented and the design process explained in more details.

### **1. The design process**

The term "design" is often incorrectly interpreted as meaning something that applies only to an object's appearance.

Design however is a far ranging notion that relates much more to a process as it does to an object.

The following ladder of "design maturity"<sup>139</sup> presents the different degrees in the intensity of "design use", from the aesthetic "final touch" to a comprehensive impact on the whole production process (maximising the product quality and reliability while minimising production and distribution costs, integrating market research and customers' requirements, working on marketing and branding to support the product, etc.).

<sup>138</sup> Quoted in Marc Richetti, « *Good design is good business, the economic valuation of design* », in *Designing value*, Gianni Malossi, dir. (Associazione per il disegno industriale, Camera Nazionale della Moda Italiana)

<sup>139</sup> National Agency for Enterprise and Housing (2003)

#### Level 4 Design as innovation

Design professionals work together with the owner or managers **to renew** the entire company, or to renew large parts of the company's business ideas.

#### Level 3: Design as a process

**Design is integrated** into the product development process at the first stage of development.

#### Level2: Design as styling

Companies use design as the **final touch** in the product development process. Design services may be provided by a professional designer or they may be provided by others.

#### Level 1: Non-design

Design plays only a tiny part of the product development process and professional designers play no part in the process

Taken in this broad sense, design is used by many business sectors as an innovation input to the production process.

## 2. Assessment of the added-value of design at micro- and macro-economic level

The design process may be applied at various points along the value chain, thereby contributing to maximise the value added in one or two ways:

- Contributing to minimise input costs through more efficient production methods
- Helping to maximise sales revenues by providing a tool to create a product that satisfies customers' requirements.

Attempts to quantify the impact of design in the success of a business are not common though. The following paragraphs will outline examples on the basis of some of the few existing assessments. They have adopted two different approaches:

- A micro-economic approach (measuring the economic performances of an enterprise using design in terms of turnover, exports, profitability, productivity and performance).
- A macro-economic approach (assessing the added value of design in terms of its contribution to enhancing the competitiveness of the nations).

### 2.1. Micro-analyses of design

The following UK, Belgian and Danish surveys highlight the positive correlations found between the use of design by a company and:

- Its performance on the stock exchange (British survey)
- Its profitability, solvency and liquidity (Belgian Survey)
- Growth revenues, employment and exports (Danish survey)

These examples also show that the more intensive the use of design is (along the "ladder" presented above), the better the results.

**UNITED KINGDOM - The Design Index  
Survey conducted by the Design Council of England, 1999**

In 1998 Fitch, a UK-based design Consultancy, devised a means of assessing design-led firms' success using the respective firms' share market performance. Drawing on the services of investment fund managers, Fitch compiled a hypothetical "design-led" portfolio of its publicly listed clients in the US and compared the performance of that fund over a five year time period with the Standard and Poors 500<sup>140</sup> index. The hypothetical fund increased 40.8% while over the same period the market index gained 14.1%<sup>141</sup>.

In 1999, the Design Council of England applied this approach applying it to a set of 6 hypothetical funds comprising British design-embracing firms. The six funds performed between 5% and 28% better than the market index (in this case the FTSE All-Share index<sup>142</sup>) between the period of January 1995-August 1999. An aggregate a fund of all 95 companies involved performed 10% better than the FTSE index.

Subsequently, a real investment fund was launched with a portfolio based on those businesses.

**BELGIUM (Flanders Community) -  
Survey carried out on behalf of the Ministry of Economy, 1999-2001<sup>143</sup>**

The survey was carried out in 2003 using economic financial data from the period 1999-2001, on a sample of 400 Flemish businesses belonging to 9 sectors in which it was thought that design could play a significant role. The Study considered three indicators in corporate performance: profitability, solvency and, liquidity. The intensity of the use of design by companies was measured through a questionnaire which examined the companies' behaviour in different areas and which enabled the companies to be divided into three groups. The study concludes that a strong interest in design makes companies more profitable. The immediate outcome of the research was that the Ministry set up a centre of excellence for product innovation and design.

**DENMARK - Study of the Danish Design Centre for the National Agency for Enterprise and Housing, 2003**

The survey<sup>144</sup> was carried out by the Danish Design Centre for the National Agency for Enterprise and Housing, in 2003, on over 1000 private Danish companies, with at least 10 employees each. It examined:

- Total (private) investment in design:

Danish companies invest an annual € 0.7 billion (DKK 5 billion) in the external procurement of design and approx. € 0.3 billion (DKK 2 billion) in internal design purchases. The effect of public investments in design, the resources devoted to education and research and the annual € 1.7 million (DKK 12.5 million) of public funding invested in the promotion of design has not been subject to study.

- The difference in gross revenue, employment and exports for companies that adopt a comprehensive approach to design compared to those that don't.  
The Study found that:

- Danish companies that purchased designs had registered over the previous five financial years. Approx. 22% above average growth in gross revenues (approx € 7.8 billion - DKK 58 billion) than for companies which did not purchase designs.

- Companies which had experienced an increase in design activity (i.e. investments in design-related employee training or external procurement of design services) achieved an additional 40% of gross revenue increase compared to companies where design activity was either constant or had decreased.

- Companies that employed design professionals and purchased external design externally had exported 34% of their turnover on average compared to 18% by companies that had adopted a different design purchasing behaviour or none at all.

- There was a positive correlation between design and employment since job creation was higher in companies that had employed design compared to companies with no design activity.

- Gross revenue performances were better and the number of exports was greater the higher companies ranked on the "design ladder".

<sup>140</sup> A benchmark of US common stock performance, which includes 500 of the largest stocks (by market value) listed in the US

<sup>141</sup> New Zealand Institute of Economic Research in its report « *Building a case for added value* », Wellington, 2003

<sup>142</sup> A weighted average of all shares traded on the London Stock Exchange. It represents about 900 LSE (London Stock Exchange) listed stocks. These stocks make up over 95% of total market capitalization, and around 99% of all trades.

<sup>143</sup> Compagnie CV (2004), op.cit.

<sup>144</sup> National Agency for Enterprise and Housing (2003), op.cit.

## 2.2. Macro analyses of design

As businesses have begun to recognise the opportunities for growth provided by a design-led strategy, so have governments.

From an economy-wide perspective, the most compelling case for the use of design as a means of maximising international competitiveness is provided by the World Economic Forum's *Global Competitiveness Report 2001-2002*.

The basis of the report is a suite of indexes that measure a range of factors - including the use of design as an input to business- that influence competitiveness. The following rankings were extracted from this report:

**Table 44: Global Competitiveness Report 2001-2002 - ranking of countries on the basis of their competitiveness and use of design**

| Country         | Current competitiveness ranking | Design ranking |
|-----------------|---------------------------------|----------------|
| Finland         | 1                               | 1              |
| United States   | 2                               | 2              |
| The Netherlands | 3                               | 7              |
| Germany         | 4                               | 3              |
| Switzerland     | 5                               | 6              |
| Sweden          | 6                               | 8              |
| United Kingdom  | 7                               | 10             |
| Denmark         | 8                               | 9              |
| Australia       | 9                               | 21             |
| Singapore       | 10                              | 22             |
| Canada          | 11                              | 15             |
| France          | 12                              | 4              |
| Austria         | 13                              | 12             |
| Belgium         | 14                              | 16             |
| Japan           | 15                              | 5              |
| Iceland         | 16                              | 14             |
| Israel          | 17                              | 13             |
| Hong Kong SAR   | 18                              | 24             |
| Norway          | 19                              | 18             |
| New Zealand     | 20                              | 20             |

Source: World Economic Forum – table extracted from the Report *Design for Latvia, Structures and strategies for development and supply of design services*, 2004.

In April 2006, Designium, the New Centre of Innovation in Design at the University of Art and Design in Helsinki, prepared its “*Global Design Watch*”, an update to its 2003 Report “*Design Policy and Promotion Programme in Selected Countries and Regions*”. It ended up with the following rankings:

| Rank | Country     |
|------|-------------|
| 1.   | Japan       |
| 2.   | US          |
| 3.   | Germany     |
| 4.   | Switzerland |
| 5.   | Denmark     |
| 6.   | France      |
| 7.   | Finland     |
| 8.   | Sweden      |
| 9.   | Belgium     |
| 10.  | Austria     |

The difference in the results presented in these two tables comes from the indicators chosen. However, there were also noticeable changes resulting from the improvements of the performances recorded by some countries. In

particular, the report notes a significant improvement in Denmark and Singapore's positions. This can be attributed to the comprehensive policies that were set up by governments to support design.

Governments are increasingly aware of the importance in design to improve economic performances and are setting up programmes to support the development and the use of design. The aforementioned study, *Global Design Watch*<sup>145</sup>, lists the national design programmes recently developed in Denmark, Estonia, Finland, Germany, Italy, Lithuania, the Netherlands, Sweden, the United Kingdom, Hong-Kong, Japan, Singapore, South Korea and the United States. All of these programmes include in their main objectives the aim of strengthening the competitiveness of businesses and the economy.

## **Conclusion:**

Design is increasingly perceived as an important competitiveness factor. The Global Competitiveness Report integrates a "design ranking" in calculating the "competitiveness" indices and ranking of the nations. Some national governments develop specific schemes to support the integration of design into the production process of cultural and non-cultural activities. Design, which builds on the resources generated out of the cultural & creative sector, has become an innovation sector in our post-industrialised economies.

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<sup>145</sup> *Global Design Watch* (update to the 2003 Report Design Policy and Promotion Programmes in Selected Countries and Regions) prepared in April 2006 by Designium, the New Centre of Innovation in Design, at the University of Art and Design in Helsinki (Ktja Sorvali, Jaana Hytönen, Eija Nieminen)



Since its origin, the arts market has operated beyond national frontiers. When the first auctions began in Venice during the early XVIth century, then subsequently systematized during the following centuries in countries such as Holland, Great Britain or France, a painting sold in Paris could well have initially been bought in Brussels or Amsterdam. Months later it could even be resold in London – as for the performing arts, the arts field can be seen as a precursor to the European integration process.

The art market went global after WWII, with the US increasingly gaining importance and eventually becoming the leader of the art market. Today other regions of the world, Asia and its “Hong-Kong hub” for example, are gaining momentum. In Europe, the art market is still growing, but at a slower pace than in the US.

### STRUCTURE OF THE SECTOR

The art market involves different categories of players that can be described as follows:

- Artists include painters, sculptors, ceramists, draughtsman, set designers, graphic artists, illustrators, creators of stained glass, etc.
- Distributors include commercial as well as non-commercial distributors:

“Commercial distributors” sell original pieces of work to the public, they could be art dealers (including galleries, antiquaries, organisers of specialist fairs, shops and warehouses) as well as auction houses.

“Non commercial distributors” exploit the original work and/or present it to the public, without selling the work. They include the State and public institutions (for instance a public institution may buy a contemporary art work – the box below on “Arts Galleries in France” shows that 6 % of the turnover of French Art Galleries is generated by sales to public institutions), editors, advertisers, museums, enterprises (an enterprise may buy a work of art and then make use of it for its own image, or make it available to the public through setting up show-rooms or organising exhibitions), or associations.

Two major trends must be highlighted to understand the evolution of the art market’s structure: the rise of auction houses in the past 50 years and the development of specialised events.

- **The rise of auction houses**

Until the Second World War, auctions only constituted a tiny share of the art market. Prior to their eminence, major art was primarily sold by art dealers. Today, auction houses account for 52 % of the global arts market, with this figures being 46% on the European market.<sup>146</sup>

Amongst auction houses, the two main players that can be described as “the Majors” within the arts market are Christie’s and Sotheby’s.

<sup>146</sup> TEFAF Report *The European Art Market in 2002*

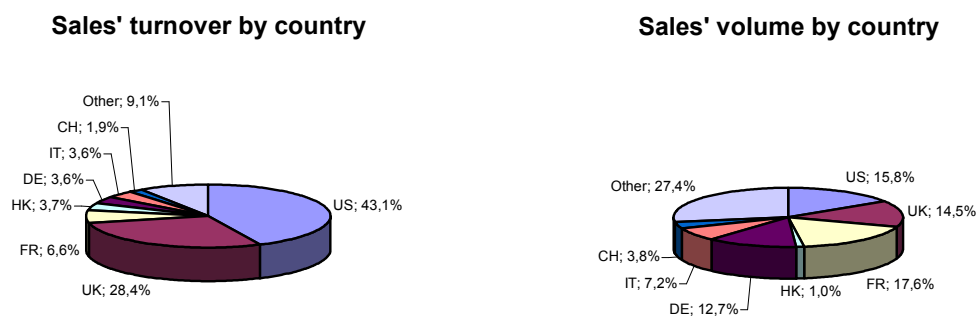
Despite it now belongs to French Group Financière Pinault, Christie's, which was founded in 1766 by James Christie, and conducted the greatest auctions of the 18<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> centuries, is established in the UK under the name Christie's International plc. Founded in the UK, Sotheby's is now American and established in the US under the name Sotheby's Holdings Inc.

There are several reasons as to why and how auction houses gained so much significance, their: pricing strategies, expertise and professionalism, ability to provide clients with appropriate legal counsel, communication strategies and ability to create a "trend" to win the preference of the public over other players such as art dealers and galleries.

Above all, auction houses think and operate on a global level. They work through their different offices around the world and are able to provide their clients with various locations in regard to where they want to sell and buy, thereby allowing them to choose the corresponding regulatory environment too. As a result, their operations outside of Europe are reported to have developed at a rapid pace.

In 2005, Christies recorded USD 3.2 billion (approx. € 2.5 billion) sales turnover. According to its annual report, the same year Sotheby's sales turnover stood at USD 2.75 billion (approx. € 2.1 billion). The following figure shows auction houses' sales turnover and volume of transaction by country.

**Figure 41. Auction houses sales turnover and sales volume by country**



These figures show that whereas the volume of sales is quite balanced, the bulk of sales' turnover is attributable to the UK and the US. As it will be further explained below, the evolution of the average price of art pieces sold by auction houses is a good indication of the state of the arts market (as the average price per auction increases, it becomes more important that one attracts major pieces to be auctioned). Over the last few years the average price of artwork in the US has soared whereas in Europe it has dropped. This is why sales' volume by country is more balanced than sales' turnover by country.

Both auction houses increasingly operate at regional level and develop innovative strategies on emerging markets such as Hong-Kong, Russia and India in particular.<sup>147</sup>

It should be noted that for the first time in 2005, Hong-Kong joined the club of the top auction places, reaching the 4th rank, thereby surpassing Germany and Switzerland, two countries that have historically constituted important art hubs in Europe.

<sup>147</sup> Christie's press release 25 July 2006 "Christie's International announces record worldwide sales of £1.17 billion for the first half of 2006, up 39% from the same period last year"

In addition to Christie's and Sotheby's, local auction houses are operating at a regional level, often specialised in more local markets.

- **The development of specialist fairs**

In 2002 an estimated USD 1 billion was spent on art fairs globally<sup>148</sup>.

Traditionally, in this regard, Europe is a world centre. Out of the most important art fairs in the world, many take place in Europe: FIAC in Paris, London Frieze in the UK, the Berlin Art Forum, the Berlin Biennale, the Frankfurt Fair in Germany; the veteran "Venice Biennale International Exhibition" (since 1893), the Arte Fiera Bologna in Italy, Art Brussels in Belgium, Art ARCO in Spain, etc. In the past decades we have witnessed specialist fairs blossom in Europe

This phenomenon can be seen as a response to the importance taken by auction houses. It is a way for art galleries and dealers to operate on a global level too. Like the Cannes film festival or MIDEM for music, these fairs constitute annual meetings attended by the whole profession from all around the world – it presents an opportunity to gain access to more markets and clients. Specialist fairs are also used as a PR tool. French renowned specialist of the art market Raymonde Moulin presents them as the inescapable "*communication tool for any gallery willing to develop an international strategy*"<sup>149</sup>. Furthermore, they too offer the expertise that is looked for among buyers that auction houses generally provide.

It is consequently a challenge to keep these fairs operating in Europe, to maintain a place for Europe on the global art market as well as to benefit from the direct and indirect economic impacts they generate, indirect impact being most of them concentrated in the tourism sector.

Chapter IV of this study presents the direct and indirect economic impacts generated by the Documenta fair in Kassel, Germany. Below is presented the case of the Maastricht art fair.

#### **The Maastricht Art Fair**

The Maastricht Art Fair (TEFAF) which specializes in 17<sup>th</sup>-century Dutch pictures started in 1988. It is acknowledged as being the most important Art Fair in Europe, and one of the world's largest. At its 2006 gathering:

- 218 art and antique dealers from 15 countries participated in the fair (82 % of the participants were non-Dutch)
- It is estimated that over USD 500 million worth of art was sold
- 84 000 visitors attended the event, an increase of 8% from 2005
- Half of the visitors came from the Netherlands, the other half was composed by visitors from Belgium, Germany, France, the UK, as well as Japan, Australia, Brazil, and some 5% from the US
- The fair attracted representatives from 110 museums around the world, an increase of 30% from 2005
- A team of over 140 international experts were there covering all specialities<sup>150</sup>

<sup>148</sup> According to David Kusin, quoted in *The Rise and Rise of art fairs*, [www.artandantiquesfairguide.com](http://www.artandantiquesfairguide.com), 2003

<sup>149</sup> Raymonde Moulin, *La FIAC balance entre effervescence et muse*", in *Libération*, 6 October 2005 "

<sup>150</sup> Sources:

[www.tefaf.org](http://www.tefaf.org)

Bloomberg (Linda Sandler : *Maastricht Fair Draws 84,000 Buyers, More Than 100 Private Jets*, for Bloomberg, 20 March 2006, <http://www.bloomberg.com/apps/news?pid=10000088&sid=a2yTZX8yxm50&refer=culture#>)

- **A multitude of galleries**

European cities are filled with art galleries of every kind. They contribute to the promotion and sustainability of European artists as well as to the attraction of tourists and the development of economic activities in the areas where they are established. Figures on galleries are practically non-existent. Yet, in December 2005 a study was released by the French Professional Committee of Art Galleries. The survey is an unprecedented document on the socio-economic impact of this rather unstudied sector of activity<sup>151</sup>. It was completed on the basis of consultation with 230 galleries.

| <u>A survey on the economic impact of French Art Galleries</u> |   |
|--|---|
| Turnover by destination  | <ul style="list-style-type: none"> <li>• 2/3 of the turnover of French galleries is generated by private auctions in France, 14% by sales towards other EU countries, 13% by sales towards non-EU countries and 6% by sales to French public institutions</li> </ul>  |
| Employment   | <ul style="list-style-type: none"> <li>• French galleries are small structures employing an average of 3 people (14% employ 5 or more).</li> <li>• Potential for hiring more personnel is particularly high in: new galleries, galleries specialised in avant-garde contemporary art</li> </ul>   |
| Visitors   | <ul style="list-style-type: none"> <li>• French galleries record approx. 93 visitors per week</li> </ul>  |
| Volume of activity   | <ul style="list-style-type: none"> <li>• On average, they organise eight exhibitions and publish two catalogues annually.</li> <li>• The volume of commercial transactions is higher than that of auction houses</li> </ul>   |
| Turnover   | <ul style="list-style-type: none"> <li>• In 2004 the average turnover was € 800,000 before taxation</li> <li>• Turnover varies according to the area of specialisation:               <ul style="list-style-type: none"> <li>- approx. € 500,000 for avant-garde contemporary art</li> <li>- € 840,000 for classical art</li> <li>- approx. € 1,2 million for modern art</li> <li>- approx. € 1 million for the second market</li> </ul> </li> <li>• Galleries established in Paris and its surroundings record a significantly higher turnover than those established in other French regions (respectively € 900,000 against less than € 350,000).</li> </ul> |
| Optimism   | <ul style="list-style-type: none"> <li>• 42 % say they are optimistic in relation to the future of their activity, 68 % in relation to their professional future and 55% in relation to their sector of activity</li> </ul>   |
| Barriers   | <ul style="list-style-type: none"> <li>• Resale right and VAT on imports</li> </ul>   |

## **REVENUES<sup>152</sup> OF THE SECTOR AND THE POSITION OF THE EUROPEAN MARKET**

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Assessing the art market is a difficult task. There is only very little data on sales by art dealers and a substantial part of the market is underground. Also, the way the market is evaluated varies from country to country as well as amongst professional associations.

At the European level, the art market's turnover was estimated at € 12 billion by the European Fine Arts Foundation (TEFAF) in 2002. The same year, the art market turnover in Europe and in the US was worth € 24.6 billion.

<sup>151</sup> The survey was completed on a sample of 230 art galleries in November-December 2005 - 73% in Paris and its region, and 27% in the rest of France.

<sup>152</sup> TEFAF Report The European Art Market in 2002

Sales within auction houses account for the bulk of the art market's revenue, both at a global and European level (approximately 50%, i.e. € 5.5 billion in EU15).

On the European art market, the UK ranks first, representing 56% of the European art market with France holding second place representing 16.8%. The main centres of activity after the UK and France are Germany, Italy and Sweden.

The following table presents an assessment of the European art market. Unfortunately, it does not take into account the new member States as it was completed before their accession to the EU. To our knowledge, this report, which appears to be the only comprehensive report on the sector, has not been updated since they have joined.

**Table 45: The European art market 2002: turnover, number of enterprises and jobs**

| Country              | TURNOVER (€ MILLION) |             |          | NUMBER OF ENTERPRISES |             |       | JOBS           |             |        |
|----------------------|----------------------|-------------|----------|-----------------------|-------------|-------|----------------|-------------|--------|
|                      | Auction houses       | Art dealers | Total    | Auction houses        | Art dealers | Total | Auction houses | Art dealers | Total  |
| Austria              | 62.27                | 93.41       | 155.68   | 40                    | 900         | 940   | 180            | 2100        | 2280   |
| Belgium & Luxembourg | 74.77                | 91.39       | 166.17   | 20                    | 220         | 240   | 100            | 650         | 750    |
| Denmark              | 68.20                | 83.35       | 151.55   | 8                     | 149         | 157   | 118            | 286         | 404    |
| Finland              | 17.78                | 21.73       | 39.51    | 4                     | 67          | 71    | 53             | 128         | 181    |
| France               | 770.69               | 1257.44     | 2028.12  | 460                   | 13700       | 14160 | 2200           | 23000       | 25200  |
| Germany              | 301.93               | 472.25      | 774.18   | 100                   | 900         | 1000  | 450            | 2200        | 2650   |
| Greece               | NA                   | NA          | NA       | NA                    | NA          | NA    | NA             | NA          | NA     |
| Ireland              | 31.58                | 38.60       | 70.18    | 3                     | 59          | 62    | 47             | 114         | 161    |
| Italy                | 204.85               | 250.37      | 455.22   | 28                    | 506         | 534   | 400            | 971         | 1371   |
| The Netherlands      | 105.33               | 70.22       | 175.55   | 40                    | 300         | 340   | 200            | 900         | 1100   |
| Portugal             | NA                   | NA          | NA       | NA                    | NA          | NA    | NA             | NA          | NA     |
| Spain                | 109.88               | 93.41       | 203.29   | 9                     | 161         | 170   | 127            | 309         | 436    |
| Sweden               | 150.17               | 183.54      | 333.71   | 19                    | 149         | 168   | 267            | 286         | 553    |
| UK                   | 3381.69              | 3381.69     | 6763.39  | 754                   | 9463        | 10217 | 17123          | 19940       | 37063  |
| TOTAL EU             | 5279.14              | 6037.40     | 11316.54 | 1485                  | 26574       | 28248 | 21265          | 50884       | 72149  |
| Norway               | 32.26                | 39.43       | 71.69    | 6                     | 116         | 122   | 92             | 223         | 315    |
| Switzerland          | 234.34               | 390.56      | 624.90   | 20                    | 425         | 445   | 200            | 900         | 1100   |
| TOTAL Europe         | 5545.74              | 6467.39     | 12013.13 | 1511                  | 27115       | 28626 | 21557          | 52007       | 73564  |
| US                   | 6900                 | 5600        | 12500    | 810                   | 8019        | 8829  | 18394          | 16899       | 35293  |
| Europe + US          | 12400                | 12200       | 24600    | 2321                  | 35134       | 37455 | 39951          | 68906       | 108857 |

*Source: Kusun & Company 2002, in TEFAF Report*

*Note:* In this table it is not clear whether the turnover of art auction houses refers to the turnover of the auction houses or the combined sales of art by the auction houses. Since auction houses operate on commission, their turnover, is of course, significantly lower than the combined art sales. Similarly, the reference site Art Price recorded the turnover for fine arts sales by auction houses in 2005 as €5.5 billion, which, again seems to refer to total art sales rather than actual turnover of the auction houses. However, it seems to us as though firms that can be distinguished in the 30 territories covered by our study actually have a turnover of less than €1 billion.

TEFAF notes that the European market is losing market shares (7.2% between 1998 and 2002, while over the same period the US increased their market share by 7 %).

Another relevant indicator to measure the dynamism of the art market is the evolution of the average price of art pieces sold by auction houses: as the average price per auction increases, it becomes more important that one attracts major pieces to be auctioned.

Over the last few years the average price of artwork in the US has soared whereas in Europe it has dropped. On a global level, the average price of fine art works sold at auctions have enjoyed an average annual growth of 6% during the period of 1998-2002. Throughout the same period in Europe, this average price experienced a 3% decrease.

The following table exemplifies both the rise in price for works of art and a shift in sales location:

**Table 46: The rise in price for works of arts**

| Year | Artist    | Title                                 | Price (USDm) | Auction house |
|------|-----------|---------------------------------------|--------------|---------------|
| 1954 | Canaletto | View of S.Redentore from the Giudecca | 0.018        | SL            |
| 1958 | Cézanne   | Garçon au gilet rouge                 | 0.618        | SL            |
| 1967 | Monet     | La terrasse à Sainte Adresse          | 1.540        | CL            |
| 1970 | Velásquez | Juan de Pareja                        | 5.524        | CL            |
| 1980 | Turner    | Juliet and her nanny                  | 6.400        | SNY           |
| 1986 | Manet     | Larue Mosnier au Pavéurs              | 10.080       | CL            |
| 1987 | Van Gogh  | Iris flowers                          | 49.000       | SNY           |
| 1989 | Picasso   | Les noces de Pierrette                | 51.671       | BG            |
| 1990 | Van Gogh  | Portrait Dr. Gachet                   | 75.000       | CNY           |
| 1995 | Picasso   | Angel Fernandez de Soto               | 26.500       | SNY           |
| 1998 | Van Gogh  | Portrait of artists without beard     | 65.000       | CNY           |
| 2000 | Picasso   | Woman with her arms folded            | 50.000       | CNY           |
| 2001 | Cézanne   | La montagne Sainte Victoire           | 35.000       | PNY           |
| 2002 | Rubens    | The child's murder at Bethlehem       | 68.400       | SL            |
| 2003 | Mantegna  | Descent in limbo                      | 25.500       | SNY           |
| 2004 | Picasso   | Garçon à la pipe                      | 93.000       | SNY           |
| 2005 | Canaletto | Canal Grande towards the North-East   | 29.400       | SL            |
| 2006 | Picasso   | Dora Maar with a cat                  | 85.000       | SNY           |

SL/SNY: Sotheby's London/New York

CL/CNY: Christie's London/New York

BG: Binoche Godeau Paris

PNY: Phillips New York

Source: Art Sales Index/DW/Die Welt Sat. 12<sup>th</sup> August 2006.

## EMPLOYMENT

In 2002 it was estimated that the art market in Europe directly employed **72,149 people** and consisted of **28,600 enterprises**<sup>153</sup>:

- 27,115 shops or galleries (95%), employing an average two employees
- 1, 511 auction houses (5%), employing an average 14 employees. In its annual report for 2005, Sotheby's recorded having 253 employees in Europe (out of a total 1443 employees).

In comparison, the US market is reported to consist of 8,800 enterprises employing over 35,300 employees. In other terms, the European art market generates more employment than the US art market.

TEFAF assesses the percentage of part-time employees in Europe at 25% (23% for auction houses, 26% for art dealers). In addition:

- 52% of total employees are women
- Over half of employees are self-employed or associates
- An average 62% of people working as art dealers have a university degree

<sup>153</sup> TEFAF Report op.cit

**Table 47: The European art market 2002 – number of employees, salary, % of part-time and % women**

| Country     | Number of employees | Salary in € | % part-time | % women |
|-------------|---------------------|-------------|-------------|---------|
| UK          | 37,063              | 37,535      | 27          | 46      |
| France      | 25,200              | 28,904      | 11          | 62      |
| Germany     | 2,650               | 30,688      | 36          | 64      |
| Switzerland | 1,100               | 42,996      | 18          | 59      |
| Total UE    | 72,149              | 29,454      | 28          | 52      |
| US          | 35,293              | 46,898      | 28          | 58      |

Source: Kusun & Company (2002) – in TEFAF Report

## SECONDARY SOCIO-ECONOMIC IMPACT

The art market generates considerable indirect impacts. Related economic activities can be divided into three categories:

- *Occupations and activities that are linked to restoration and heritage* - In addition to their economic value, they represent an extraordinary and centenary know-how, in relation to which Europe is in a unique situation in the world.
- *Ancillary activities such as audit, advertising, arts fairs, banks, insurance and security, transport, technologies* - In 2002, the arts sector spent some € 1.7 billion in 2001 on ancillary services.<sup>154</sup>
- *Cultural tourism* - Art markets have reinforced the attraction of a certain number of regions, such as, for instance, the surroundings of Cologne or Maastricht where people from Paris, London, Düsseldorf or Brussels can, within one and a half to three hours, and thanks to efficient transport infrastructures, go and attend an art fair and discover the richness of the art works on offer.

The following table assesses for each of these activities the revenues generated at European level.

**Table 48: The European art market indirect economic impact**

| Sector                       | Spending by the art market (€ million) | Corresponding jobs |
|------------------------------|--|--------------------|
| Audit                        | 166.30                                 | 6,094              |
| Advertising                  | 532.16                                 | 190,500            |
| Arts fairs                   | 232.82                                 | 5,531              |
| Bank spending and interests  | 83.15                                  | 3,047              |
| Conservation and restoration | 116.41                                 | 4,266              |
| Insurance and security       | 166.30                                 | 6,094              |
| Legal Counsel                | 99.78                                  | 3,656              |
| Packaging and transport      | 232.82                                 | 8,531              |
| Technologies                 | 33.26                                  | 1,219              |
| <b>TOTAL</b>                 | <b>1,663.00</b>                        | <b>60,936</b>      |

Source: Kusun & Company 2002

Note: Jobs are estimated on the basis of sales. The sales/employees ratio was estimated in the British Arts Market Study of 1997. [Report "The British Art Market in 1997", completed by Market Tracking International for the British Art Market Foundation]

<sup>154</sup> TEFAF Report op.cit.

## **IMPACT OF E-COMMERCE AND OF NEW TECHNOLOGIES**

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Internet sales have not yet generated a significant turnover, however, developments in information technology have contributed radical change to the art market. Information technology has helped to foster globalisation and optimize new opportunities that are the drivers to further productivity gains. Yet, the optimal use of these technologies requires experience as well as new investments. The European Fine Arts Foundation acknowledges that younger art dealers in Europe, specialising in Fine Arts, are aware of the need to invest in new technologies.



## THE PERFORMING ARTS

This sector's core activities consist of the creation, production and performance (including tours) of operas, orchestras, dance, drama, circus, and street performers. These activities result in a wide range of occupations (musicians, dancers, choreographers, music managers, theatre directors, administrative staff, festivals organisers, etc.), that can be included under the following categories: artistic staff, technical staff, and an administrative staff working in different venues.

Venues are manifold. They include, for instance, theatres, operas, multi-arts centres, studios, open-air sites for festivals, etc. Europe possesses a unique richness in this respect, which is rooted in the continent's history. These venues are of different status. Most of them are public (this is the case for most European theatres), others are private or are constituted as charities, associations & foundations, etc. Taking the example of theatre, Spain and Portugal have a large number of privately-owned theatres. State-owned theatres can be found in other countries such as in France while Central and Eastern Europe, where theatre was formerly under State control, are increasingly experimenting with public-private partnerships.

As a result, the sector is heterogeneous, mixing employees and free-lancers, State-subsidised and private entities, as well as charities and associations.

There is a drastic lack of data at the European level in relation to the sector's *core activities* presented above. From an economic standpoint, the sector is not addressed in a comprehensive way at the pan-European level. Data made available at the national level is neither comparable nor complete. They often focus exclusively on one aspect (most of the time on public subsidies granted by central governments) and are unable to describe the sector in all its complexity (subsidies fuelled from different levels of government, share represented by sponsorship and donations, employment in the totality of the sector, value represented by the private sector and the "third sector"; assessment of the indirect socio-economic impact of the sector, etc).

The sector of performing arts was consequently approached throughout the study, focusing on different issues, and on the basis of case studies:

- The above "Music Sector Profile" presents a case study providing insight of its economic weight that is on the rise. Interviews with professionals confirmed these results. While stressing that "music bands and festivals are going through the roof", Peter Jenner, responsible for the IMMF (International Music Manager Forum), complained about the lack of economic data and the lack of existing centralised information. Similar complaints were voiced through PEARLE, the organisation representing employers in the sector.

- Chapter 3 includes developments on public support to the performing arts (including an assessment of its level as a % of national culture budgets) as well as on sponsorship in the sector. The sector is traditionally a beneficiary of public support. The level of public intervention represents, as an average, 15 to 20% of total cultural budget, with theatre and classical music receiving the largest percentage. Concerning sponsorship, performing arts are the most private-supported cultural sectors, followed by visual & fine arts and heritage.

- Chapter 4 includes information on the indirect impact of the performing arts. Here again, there is no centralisation of information. For example, there is no report available on "direct and indirect revenue and employment generated by festivals in Europe" (there is no way to estimate the actual number of festivals that take place in European territory!), nor any available idea of the revenues and employment generated by European opera houses, theatres, etc. In Chapter 4 the indirect socio-

economic impact of performing arts, contributing to cultural tourism and local development, is exemplified through a set of case studies.

Amongst the material consulted, a single survey assesses the economic impact “of performing arts” as a whole (dance, theatre, opera, etc.) in relation to the whole national economy. This Irish Study (presented below) on the economic impact of the performing arts in Ireland is a survey<sup>155</sup> based on the questionnaire’s responses from 36 theatre production companies, 11 venue-based production companies, 26 performing arts venues, 8 festivals and 5 other organisations in the field.

The survey shows:

- Earned revenues and sponsorship are increasing
- Funding from the central government was reduced whereas funding fuelled through local authorities increased
- The indirect economic impact (on local economy) is important and by far surpasses public subsidies received
- ¾ of the performing arts employment is part time
- Training in business and financial skills as well as in ICT is called upon
- The main challenges identified are: attracting an audience, increasing subsidies, adequacy of operating income and industry recognition.

In other terms, the pursuit for more independently earned resources should not end up with a decline in public subsidies - public/private partnerships seem to be the way forward.

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<sup>155</sup> *Economic impact of Professional Performing Arts in Ireland*, September 2004, undertaken on behalf of Theatre Forum by Fitzpatrick Associates

## Case Study - THE ECONOMIC IMPACT OF PERFORMING ARTS IN IRELAND

The survey<sup>156</sup> on the economic impact of professional performing arts in Ireland is based on the questionnaire's responses from 36 theatre production companies, 11 venue-based production companies, 26 performing arts venues, 8 festivals and 5 other organisations in the field.

### ■ Income

• In 2003, the sector's income was € 82 million. The breakdown of income by sources is as follows:

|                              |     |   |
|------------------------------|-----|---|
| Box office:.....             | 40% | (there were 3 million admissions recorded at distinct events in 2003) |
| State funding: .....         | 38% |   |
| Other earned income:.....    | 12% |   |
| Sponsorships/donations: .... | 6%  |   |
| Other income:.....           | 4%  |   |

• In terms of trends regarding income sources, a comparison between 2002 and 2003 shows:

|                              |        |
|------------------------------|--------|
| Box-office income:.....      | + 2.5% |
| Sponsorship: .....           | + 2.5% |
| Other earned income:.....    | + 10%  |
| Arts Council Funding:.....   | - 17%; |
| Other State Funding (local): | + 10%. |

### ■ Expenditure – Direct and indirect economic impact

• The level of expenditures measures the economic impact in this sector.

In 2003, approximately € 73 million were spent by all organisations of the performing arts in Ireland.

The percentage breakdown of expenditures by category is as follows:

|  |      |
|--|------|
| Artistic programme costs: .....                    | 43%; |
| Non artistic costs (salary): .....                 | 40%  |
| Marketing, public relations, buildings, other:.... | 17%  |

• On the basis of this information, the report estimates<sup>157</sup> that the overall economic impact of the industry's expenditure amounts to approx. € 110 million.

• Indirect economic impacts represented by additional expenditures (including expenditure of the audience outside the venue on transport, food, drink, and accommodation) are estimated to reach € 37 million.

Hence the report concludes that the performing arts industry's expenditures in Ireland amounts to approx. € 147 million, which by far surpasses public subsidies received.

### ■ Employment

• It is estimated that 5,000 people worked in the performing arts in Ireland throughout 2003.

• Survey results show that approximately ¾ of employees in the performing arts are part-time while the rest are full-time.

• A considerable number of people are employed indirectly as a result of this sector's activities. These indirect jobs include: printing, advertising, catering, security, building & carpentry, etc.

### ■ Training and development

• In response to what training and development is seen as important for all staff categories in the performing arts, we see that:

↗ The most common training and development needs mentioned by respondents for **management/administration staff** are:

|  |     |
|--|-----|
| Information technology (to manage box-office systems): | 33% |
| Training to finance: .....                             | 21% |
| Management: .....                                      | 15% |
| Marketing: .....                                       | 21% |
| Fundraising and attracting sponsorship: .....          | 18% |

↗ The most common training and development needs mentioned by respondents for **artistic staff** are:

|  |     |
|--|-----|
| Artistic skills and techniques: .....            | 22% |
| Administration and business management training: | 21% |

↗ The most common training and development needs mentioned by respondents for **technical staff** are:

<sup>156</sup> *Economic impact of Professional Performing Arts in Ireland*, September 2004, undertaken on behalf of Theatre Forum by Fitzpatrick Associates

<sup>157</sup> after having applied a 1.5 multiplier

Technical training: .....; 33%  
Health and safety training: ..... 49%

### ■ Identified challenges

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Respondents were asked to indicate their most prevailing challenges. Some of the main challenges include: attracting an audience, increasing subsidies, adequacy of operating income and industry recognition.

**These findings support the view that in order to get the most out of the socio-economic potential of the performing arts, there needs to be better training and support to acquire business and management skills.**

## HERITAGE

The sector of cultural heritage is heterogeneous and includes heritage sites, museums and their collections, libraries and archives and archaeological sites.

Although the sector is essential to Europe's memory, history and identities, figures on its economic value are almost non-existent. This should not prevent the attempt to approach the sector from an economic standpoint.

Europa Nostra, a pan-European federation of more than 200 non-governmental heritage organisations therefore published in 2005 a document titled "Cultural Heritage counts for Europe", illustrating the wide scope of benefits the sector brings to European societies and economies.

In particular, two socio-economic spin-off effects of heritage must be stressed:

- The creation of local jobs and the development of corresponding skills. This impact is explored under point 1 below
- Transforming territories, and notably cities, through the improvement of buildings thereby increasing local attractiveness and generating significant "returns on investments". This impact is explored under point 2 below .

### 1. A STRONG POTENTIAL FOR GENERATING QUALIFIED JOBS

The most evident economic impact of the sector is its potential in job creation.

In 1993 the EU White Paper on "*Growth, competitiveness and jobs*" highlighted the job potential deriving from "new services". Amongst them, those created on the basis of heritages were cited.

More precisely, in 2005 the French Association Européenne des Entreprises de Restauration du Patrimoine Architectural (AEERPA), showed the importance of employment in the cultural heritage sector in five European countries. The following table is extracted from an AEERPA study:

**Table 49: Number of employed directly linked to cultural heritage**

| Country | Heritage services | Restoration work | Heritage work |
|---------|-------------------|------------------|---------------|
| Belgium | 5,450             | 2,500            | 5,000         |
| Spain   | 20,000            | 3,000            | 13,000        |
| France  | 20,000            | 9,49             | 42,714        |
| Italy   | 18,000            | 10,00            | 23,000        |
| UK      | 35,000            | 35,00            | 100,000       |
| Romania | 14,000            | 1,000            | 4,000         |

Study for the AEERPA

Due to the exploitation of heritage, many new jobs were generated in the tourism sector and as a result the figures are even more impressive (please refer to Chapter IV. Section I). According to recent estimates<sup>158</sup>, more than 8 million jobs are directly and indirectly sustained by the cultural heritage sector in Europe.

The heritage sector has a large job potential because it is labour-intensive: "rehabilitation is sixty to seventy percent labour with the balance being materials".<sup>159</sup> Hence "a million dollars spent on new construction generates 36.1 jobs but 1 million dollars spent on rehabilitating an historic building generates 40 jobs".

In addition, jobs related to restoration and conservation are often highly skilled and require rare skills - they are therefore usually well paid. Yet, Europe is experiencing a shortage in these specialised skills, as highlighted in the AEERPA White Paper on *The economic advantages of architectural heritage in Europe*.<sup>160</sup> This shortage may impede the full exploitation of the sector's job potential.

## 2. THE ABILITY TO GENERATE RETURN ON INVESTMENTS

The sector is generally thought to be non-profitable and it is presented as being heavily supported by "the public purse".

A 2004 report from the Fundación Caja Madrid<sup>161</sup> presents the following international comparison of public spending on cultural heritage:

**Table 50: Comparison of public spending on conservation, restoration and rehabilitation of cultural heritage (PSH) (2001)**

|  | Italy  | France   | Portugal | Spain  |
|--|--------|----------|----------|--------|
| PSH central administrations (€ million)                    | 876.67 | 1,017.78 | 152.59   | 385.70 |
| PSH / total spending by public central administrations (%) | 0.22%  | 0.39%    | 0.45%    | 0.18%  |
| PSH / GDP (%)  | 0.07%  | 0.07%    | 0.13%    | 0.06%  |
| PSH per capita (€)   | 15.16  | 17.23    | 14.87    | 9.61   |

These are significant figures.

The ratios public support to heritage / total public spending on culture are even more talkative:

- 50% in Greece (2005)
- 52% in Italy (2000)
- 47% in Finland (2001),
- 47% in France and Hungary (2003),
- 43.5% in Ireland (2002),
- 50% in Lithuania (2003)

<sup>158</sup> Dr.Y.Nypan, Directorate fir Cultural Heritage, Norway "Cultural heritage monuments and historic buildings a value generators in a post-industrial economy. Why emphasis on exploring the role of the sector as economic driver", Oslo, December 2003.

<sup>159</sup> Donovan D.Rypkema, Heritage Strategies International, Washington USA, speaking at the European Cultural Heritage Forum in December 2005 in Belgium

<sup>160</sup> Association Européenne des Entreprises de Restauration du Patrimoine Architectural, Livre Blanc, Les avantages économiques de la restauration du patrimoine architectural en Europe, rapport réalisé par Pr. Xavier Greffe, juin 2006

<sup>161</sup> ALONSON HIERRO (Juan), MARTIN FERNANDEZ (Juan) *Preservación del patrimonio histórico de España. Análisis desde una perspectiva económica*, Fundación Caja Madrid, 2004

Yet, the issue is more complex and the sector, although highly subsidised, can actually turn out to be profitable, in particular in relation to tourism and city revitalisation.

#### • Cultural tourism

Revenues generated by cultural tourism are most significant. According to Nypan<sup>162</sup>, 79% of the turnover in Europe's cultural heritage sector is due to tourism while 16% is derived from investments in maintenance by private owners, charities, and foundations. The remaining 5% is received from public and governmental bodies. The impact of heritage driving the tourism industry is obvious in our cities. However, heritage is also a powerful lever for cultural tourism in rural areas as the European countryside is rich with historical sites, structures, and buildings (churches, castles, Roman roads & aqueducts, etc.).

A visitor survey organised by VisitBritain, with financial support from English Heritage, showed that between 2,244 sites in England, of which 922 are classified as historical interests, there were 58 million visits in 2004. Commissioned by English Heritage and the Association of English cathedrals, a study covering 42 cathedrals and their 8.8 million visitors showed that visitors spent a total of £ 91 million per year in the local economy with a total economic impact of £ 150 million<sup>163</sup>.

#### • City revitalisation

Enhancing heritage is also a way to contribute to the revitalisation of city centres, as it is developed in Chapter IV. City revitalisation is not only limited to a Church or a monument, but to a larger scope of old buildings (abandoned shipyards, industrial plants, old libraries, etc) that can be renovated and re-used for other purposes previously unforeseen. This in turn has many indirect socio-economic impacts:

- The improvement of the area's image and reputation, which acts as a magnet to businesses
- Increased possibilities to hold conferences, and other PR events in part of these renovated sites, thereby generating new demand (particularly in the hotel, restaurant and catering sector) and attracting "business tourists"
- An improvement in the quality-of-life.

In the UK, regeneration was achieved across Essex, Kent and East London (the Thames Gateway). English heritage has identified more than 100 historic hubs in this area (town, cities, and villages) that have historic assets and the potential to act as a catalyst for revitalising the whole area. In Rochester, six years of investment in heritage revitalisation has seen more than 70 buildings renovated on Rochester High Street and created more than 1,200 square meters of environmental improvements. £ 1.5 million of public sector funding brought in more than £ 4 million of private sector investments.<sup>164</sup>

In addition, historical districts add value to property. Properties within historical districts appreciate at greater rates than the local market overall.

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<sup>162</sup> Dr.Y.Nypan, Directorate fir Cultural Heritage, Norway "Cultural heritage monuments and historic buildings a value generators in a post-industrial economy. Why emphasis on exploring the role of the sector as economic driver", Oslo, December 2003.

<sup>163</sup> *Cultural Heritage counts for Europe* Europa Nostra Forum, Brussels 7 December 2005, Contribution by Anita Pollack, Head of European Policy, English Heritage.

<sup>164</sup> *Cultural Heritage counts for Europe* Europa Nostra Forum, Brussels 7 December 2005, Contribution by Anita Pollack, Head of European Policy, English Heritage.

- On the whole, returns on investments in this sector are significantly higher than in many other economic sectors. Nypan estimates that:
  - Historic rehabilitation created 13% higher returns on investments than new construction as well as 16.5% more jobs.
  - Historic rehabilitation created approximately 10% higher return on investments than highway constructions and 26.6% more jobs
  - Cultural heritage tourism generates incomes in trade and services at the amount of € 335 billion per year for Europe



## Annex 2. Statistical Matrix

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| DOMAINS      | SECTORS | SUB-SECTORS-ACTIVITIES   | NACE  | SOURCE            |
|--------------|---------|--|---|-------------------|
| Architecture | N.A     | Architectural services<br>Landscape architectural services<br>Engineering services<br>Other scientific and technical consulting services   | 7420 Architectural and engineering activities and related technical consultancy   | Eurostat database |
| Design       | N.A     | Fashion design, i.e. a portion of companies whose main activities are classified as retail, wholesale and agencies of textiles and clothing and footwear, manufacture of textiles, apparel, and footwear manufacture and design of printing plates, and design and design consultancy services.<br><br>Graphic design, i.e. a portion of companies whose main activities are classified as: printing and ancillary services related to it, architectural activities, artistic creation and graphic design and advertising services.<br><br>Interior design, i.e. a portion of companies whose main activities are classified as other business activities and services and artistic creation<br><br>Product design, i.e. a portion of companies whose main activities are classified as other business activities and services and artistic creation | <u>Fashion design:</u><br>1700 Manufacture of textiles<br>1800 Manufacture of wearing apparel<br>1930 Manufacture of footwear<br>2624 Manufacture of other technical ceramic products<br>5116 Agents involved in the sale of textiles clothing, footwear and leather goods<br>5141 Wholesale of textiles<br>5142 Wholesale of clothing and footwear<br>5241 Wholesale of textiles<br>5242 Wholesale of clothing and footwear<br>7487 Other business activities n.e.c.<br>9305 Other business activities n.e.c.<br><u>Graphic design:</u><br>2222 Printing n.e.c.<br>2225 Ancillary services related to printing<br>7420 Architectural and engineering activities and related technical consultancy<br>7440 Advertising<br>7487 Other business activities n.e.c.<br>9231 Artistic and literary creation and interpretation<br>9305 Other service activities n.e.c.<br><u>Product design:</u><br>2222 Printing n.e.c.<br>2225 Ancillary services related to printing<br>7420 Architectural and engineering activities and related technical consultancy<br>7440 Advertising<br>7487 Other business activities n.e.c.<br>9231 Artistic and literary creation and interpretation<br>9305 Other service activities n.e.c | Amadeus database  |

| Domains         | Sectors            | Sub-sectors-activities   | Nace  |   |
|-----------------|--------------------|--|---|---|
| Visual arts     | <b>Crafts</b>      | Ranges in most categories in manufacturing and retail.<br>Can only be captured in individual firms' trade descriptions including "crafts" "hand made products" etc.  |   | Amadeus database  |
|                 | <b>Paintings</b>   | A portion of companies whose main activities are classified as retail in specialised and non-specialised stores, renting own property (e.g. for exhibitions) creation of arts and operation of arts facilities and museums | Paintings, picture framing and sale of art:<br>5212 Other retail sale in non-specialised stores<br>5248 Other retail sale in specialised stores<br>7020 Letting of own property<br>7487 Other business activities n.e.c.<br>9231 Artistic and literary creation and interpretation<br>9232 Operation of arts facilities<br>9252 Museums activities and preservation of historical sites | Amadeus database  |
|                 | <b>Sculpture</b>   | Idem as for paintings.   | 5212 Other retail sale in non-specialised stores<br>5248 Other retail sale in specialised stores<br>7020 Letting of own property<br>7487 Other business activities n.e.c.<br>9231 Artistic and literary creation and interpretation<br>9232 Operation of arts facilities<br>9252 Museums activities and preservation of historical sites  | Amadeus database  |
|                 | <b>Photography</b> | Commercial and consumer photograph production, Photography for commercials, publishers, fashion, real estate or tourism purposes and news and photo agencies   | 7481 photographic activities<br>9240 news agency activities   | Eurostat database + complements of the Amadeus database |
| Performing Arts | <b>Theatre</b>     | i.e. a portion of companies whose main activities are classified as artistic and literary creation and interpretation  | 9231 Artistic and literary creation and interpretation  | Amadeus database  |
|                 | <b>Dance</b>       | Idem as for theatre.   | 9231 Artistic and literary creation and interpretation  | Amadeus database  |
|                 | <b>Circus</b>      |  | 9234 Other entertainment activities n.e.c   | Amadeus database  |

| Domains                | Sectors                                    | Sub-sectors-activities   | Nace   |   |
|------------------------|--|--|--|---|
| <b>Audiovisual</b>     | <b>Film and video</b>                      | Production (including the production of commercials, activities of studios)<br>Distribution<br>Exhibition<br>Video sale through and rental<br>These companies include film production, distribution and exhibition plus sales and rentals of videos and DVDs | 9211 motion picture production<br>9212 motion picture distribution<br>9213 motion picture exhibition<br>5248 Other retail sale in specialised stores<br>7140 renting of personal and household goods<br>n.e.c.         | Amadeus database except for video sale through and rental where data from the European Audiovisual Observatory were used.                           |
|                        | <b>Radio and Television</b>                | - Production of radio and television programmes whether or not combined with the broadcasting<br>- Cable and satellite distribution of TV –programmes  | 9220 radio and television activities<br>6420 telecommunications  | Amadeus database  |
|                        | <b>Software publishing including games</b> | Development, production, supply and documentation of ready-made (non-customized) software including games  | 7221 publishing of software<br>2214 publishing of sound recordings   | Eurostat databases + complements from the Amadeus database  |
| <b>Advertising</b>     |  | Operations of advertising agencies and services  | 7440 advertising agencies  | Eurostat database   |
| <b>Music</b>           |  | Creation and interpretation<br>Publishing revenues<br>Production activities<br>Distribution activities<br>Wholesale and retail<br>Performance rights   | 9231 Artistic and literary creation and interpretation<br>5248 Other retail sale in specialised stores   | Eurostat database + complements from the Amadeus database   |
| <b>Books And Press</b> |  | Publishing of books, magazines, newspapers and wholesale of books,<br>Retail of magazines and newspapers and books<br>Mail order retail of books   | 2211 publishing of books<br>2212 publishing of newspapers<br>2213 publishing of magazines<br>5147 wholesale of other household goods<br>5247 retail sale of books newspapers<br>5261 retail sale via mail order houses | Eurostat database. Exclusion of "directory publishing" (as requested by the European Commission) was achieved with the help of the Amadeus database |

|                 |   |  |   |   |
|-----------------|---|--|---|---|
| <b>Heritage</b> | <b>Museums</b><br><b>Arts&amp;antique</b><br><b>markets</b><br><b>Libraries</b><br><b>Archeological</b><br><b>activities</b><br><b>Archives</b> |  | 9251 library and archives activities<br>9252 Museums activities and preservation of<br>historical sites | Amadeus<br>database + data<br>on Libraries<br>obtained using<br>UNESCO<br>documents |
|-----------------|---|--|---|---|

### Annex 3. Contribution of the cultural & creative sector and of other industry sectors to the European economy

|                       | Manufacture of food products, beverages and tobacco (%) | Manufacture of textiles and textile products (%) | Manufacture of wood and wood products | Manufacture of coke, refined petroleum products and nuclear fuel | Manufacture of chemicals, chemical products and man-made fibres | Manufacture of rubber and plastic products | Manufacture of machinery and equipment n.e.c. | Manufacture of electrical and optical equipment | Real estate activities | Computer and related activities | Creative Sector |
|-----------------------|---|--|---------------------------------------|--|---|--|---|---|------------------------|---------------------------------|-----------------|
| <i>Austria</i>        | 0.04  | 0.01   | 0.02                                  | N/A  | 0.02  | 0.02                                       | 0.05  | 0.05  | 0.05                   | 0.02                            | 0.04            |
| <i>Belgium</i>        | 0.06  | 0.02   | 0.01                                  | 0.02   | 0.09  | 0.02                                       | 0.03  | 0.03  | 0.03                   | 0.03                            | 0.07            |
| <i>Cyprus</i>         | 0.00  | 0.00   | 0.00                                  | N/A  | 0.00  | 0.00                                       | 0.00  | 0.00  | N/A                    | 0.00                            | 0.00            |
| <i>Czech Republic</i> | 0.02  | 0.01   | 0.01                                  | 0.00   | 0.01  | 0.01                                       | 0.02  | 0.02  | 0.01                   | 0.01                            | 0.02            |
| <i>Denmark</i>        | 0.05  | 0.01   | 0.01                                  | N/A  | 0.03  | 0.01                                       | 0.03  | 0.03  | 0.09                   | 0.03                            | 0.06            |
| <i>Estonia</i>        | 0.00  | 0.00   | 0.00                                  | 0.00   | 0.00  | 0.00                                       | 0.00  | 0.00  | 0.00                   | 0.00                            | 0.00            |
| <i>Finland</i>        | 0.02  | 0.00   | 0.01                                  | 0.01   | 0.02  | 0.01                                       | 0.03  | 0.08  | 0.03                   | 0.02                            | 0.04            |
| <i>France</i>         | 0.29  | 0.07   | 0.03                                  | 0.03   | 0.25  | 0.11                                       | 0.16  | 0.25  | 0.28                   | 0.20                            | 0.52            |
| <i>Germany</i>        | 0.35  | 0.07   | 0.06                                  | 0.05   | 0.40  | 0.19                                       | 0.60  | 0.58  | 0.56                   | 0.29                            | 0.53            |
| <i>Greece</i>         | N/A   | N/A  | N/A                                   | N/A  | N/A   | N/A  | N/A   | N/A   | N/A                    | N/A                             | 0.01            |
| <i>Hungary</i>        | 0.02  | N/A  | 0.00                                  | 0.01   | 0.01  | 0.01                                       | 0.01  | 0.03  | 0.01                   | 0.01                            | 0.01            |
| <i>Ireland</i>        | 0.07  | 0.00   | 0.00                                  | N/A  | 0.16  | 0.00                                       | 0.01  | 0.07  | 0.02                   | 0.02                            | 0.02            |
| <i>Italy</i>          | 0.19  | 0.17   | 0.05                                  | 0.02   | 0.15  | 0.09                                       | 0.27  | 0.19  | 0.12                   | 0.15                            | 0.29            |
| <i>Latvia</i>         | 0.00  | 0.00   | 0.00                                  | N/A  | 0.00  | 0.00                                       | 0.00  | 0.00  | 0.00                   | 0.00                            | 0.00            |
| <i>Lithuania</i>      | 0.00  | 0.00   | 0.00                                  | 0.00   | 0.00  | 0.00                                       | 0.00  | 0.00  | 0.00                   | 0.00                            | 0.00            |
| <i>Luxembourg</i>     | 0.00  | 0.00   | 0.00                                  | 0.00   | 0.00  | 0.00                                       | 0.00  | 0.00  | N/A                    | 0.00                            | 0.00            |
| <i>Malta</i>          | N/A   | N/A  | N/A                                   | N/A  | N/A   | N/A  | N/A   | N/A   | N/A                    | N/A                             | 0.00            |
| <i>Netherlands</i>    | 0.10  | 0.01   | 0.01                                  | 0.01   | 0.08  | 0.02                                       | 0.05  | 0.05  | 0.11                   | 0.07                            | 0.13            |
| <i>Poland</i>         | 0.09  | 0.01   | 0.01                                  | 0.04   | 0.03  | 0.02                                       | 0.02  | 0.03  | 0.02                   | 0.01                            | 0.02            |
| <i>Portugal</i>       | 0.03  | 0.03   | 0.01                                  | 0.01   | 0.01  | 0.01                                       | 0.01  | 0.01  | 0.01                   | 0.01                            | 0.02            |
| <i>Slovakia</i>       | 0.00  | 0.00   | 0.00                                  | N/A  | 0.00  | 0.00                                       | 0.00  | 0.00  | 0.00                   | 0.00                            | 0.01            |
| <i>Slovenia</i>       | 0.00  | 0.00   | 0.00                                  | 0.00   | 0.01  | 0.00                                       | 0.01  | 0.01  | 0.00                   | 0.00                            | 0.01            |
| <i>Spain</i>          | 0.17  | 0.05   | 0.03                                  | 0.04   | 0.10  | 0.05                                       | 0.08  | 0.07  | 0.23                   | 0.07                            | 0.18            |
| <i>Sweden</i>         | N/A   | N/A  | N/A                                   | N/A  | N/A   | N/A  | N/A   | N/A   | 0.11                   | 0.06                            | 0.06            |
| <i>United Kingdom</i> | 0.31  | 0.06   | 0.04                                  | 0.04   | 0.21  | 0.11                                       | 0.16  | 0.22  | 0.33                   | 0.43                            | 0.47            |
| <i>Bulgaria</i>       | 0.00  | 0.00   | 0.00                                  | N/A  | 0.00  | 0.00                                       | 0.00  | 0.00  | 0.00                   | 0.00                            | 0.00            |
| <i>Romania</i>        | 0.01  | 0.01   | 0.00                                  | N/A  | 0.00  | 0.00                                       | 0.00  | 0.00  | 0.00                   | 0.00                            | 0.01            |
| <i>Norway</i>         | 0.03  | 0.00   | 0.01                                  | N/A  | 0.02  | 0.00                                       | 0.02  | 0.01  | 0.05                   | 0.02                            | 0.06            |
| <i>Iceland</i>        | N/A   | N/A  | N/A                                   | N/A  | N/A   | N/A  | N/A   | N/A   | N/A                    | N/A                             | 0.00            |

|                              |            |            |            |             |            |            |            |            |            |            |            |
|------------------------------|------------|------------|------------|-------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Total EU 25</b>           | <b>1.8</b> | <b>0.5</b> | <b>0.3</b> | <b>0.03</b> | <b>1.6</b> | <b>0.7</b> | <b>1.5</b> | <b>1.5</b> | <b>2.0</b> | <b>1.4</b> | <b>2.5</b> |
| <b>Total EU 30 countries</b> | <b>1.9</b> | <b>0.5</b> | <b>0.3</b> | <b>0.03</b> | <b>1.6</b> | <b>0.7</b> | <b>1.6</b> | <b>1.7</b> | <b>2.1</b> | <b>1.5</b> | <b>2.6</b> |

Source: EUROSTAT and AMADEUS

## Annex 4.

### The development of GDP in European countries 1999-2003 (€ million)

| GDP IN MARKET PRICES | 1999    | 2000    | 2001    | 2002     | 2003     | NOMINAL GROWTH 1999-2003 |
|----------------------|---------|---------|---------|----------|----------|--------------------------|
| Austria              | 200025  | 210392  | 215878  | 220688   | 226968   | 13,5%                    |
| Belgium              | 238233  | 251741  | 258884  | 267578   | 274582   | 15,3%                    |
| Cyprus               | 9008    | 9895    | 10599   | 11073    | 11704    | 29,9%                    |
| Czech Republic       | 55345   | 60397   | 67960   | 78388    | 80254    | 45,0%                    |
| Denmark              | 163200  | 173598  | 179226  | 184744   | 188662   | 15,6%                    |
| Estonia              | 5226    | 5940    | 6676    | 7472     | 8138     | 55,7%                    |
| Finland              | 120965  | 130859  | 136472  | 140853   | 143807   | 18,9%                    |
| France               | 1366466 | 1441372 | 1497184 | 1548555  | 1585172  | 16,0%                    |
| Germany              | 2012000 | 2062500 | 2113160 | 2145020  | 2163400  | 7,5%                     |
| Greece               | 117850  | 123173  | 131769  | 142369   | 154153   | 30,8%                    |
| Hungary              | 45075   | 51039   | 58419   | 69622    | 73538    | 63,1%                    |
| Ireland              | 90612   | 104379  | 117114  | 130515   | 139097   | 53,5%                    |
| Italy                | 1127091 | 1191057 | 1218535 | 1260598  | 1300929  | 15,4%                    |
| Latvia               | 6752    | 8379    | 9227    | 9792     | 9861     | 46,0%                    |
| Lithuania            | 10169   | 12408   | 13556   | 15017    | 16443    | 61,7%                    |
| Luxembourg           | 18739   | 21279   | 22020   | 22806    | 23956    | 27,8%                    |
| Malta                | 3633    | 4095    | 4218    | 4281     | 4217     | 16,1%                    |
| Netherlands          | 374070  | 402291  | 447731  | 465214   | 476349   | 27,3%                    |
| Poland               | 157617  | 185775  | 212196  | 209431   | 191408   | 21,4%                    |
| Portugal             | 114192  | 122270  | 129143  | 135001   | 136967   | 19,9%                    |
| Slovakia             | 19131   | 21926   | 23322   | 25733    | 28952    | 51,3%                    |
| Slovenia             | 20152   | 20814   | 22018   | 23699    | 24860    | 23,4%                    |
| Spain                | 579983  | 630263  | 679842  | 729021   | 780550   | 34,6%                    |
| Sweden               | 238020  | 262550  | 247253  | 258878   | 269548   | 13,2%                    |
| United Kingdom       | 1374500 | 1564573 | 1602840 | 1667312  | 1598172  | 16,3%                    |
| Bulgaria             | 12164   | 13704   | 15250   | 16589    | 17785    | 45,7%                    |
| Romania              | 33388   | 40346   | 44904   | 48442    | 50688    | 51,8%                    |
| Iceland              | 7969    | 9220    | 8579    | 9078     | 9362     | 17,5%                    |
| Norway               | 148373  | 181079  | 189632  | 202319   | 197012   | 32,8%                    |
| Total EU 25          | 8468054 | 9072963 | 9425241 | 9773659  | 9911689  | 17,0%                    |
| Total 30 countries   | 8669948 | 9317313 | 9683605 | 10050086 | 10186475 | 17,5%                    |

Source: EUROSTAT (National accounts)



## Annex 5. Delimitation of the cultural field in view of extracting employment data

The following statistical table was established by French *Département des Etudes de la Prospective et des Statistiques* (Ministry of Culture and Education), coordinator of the Eurostat Task Force on Cultural Employment to further extract data in the cultural field.

This methodology was used in the present study.

**1. Occupations.** The following table lists the Isco codes containing cultural occupations.

| Isco 3   | Isco 4  | Inclusion in the cultural field    |
|--|---|------------------------------------|
| 243 – Archivists, librarians and related information professionals | 24.31 – Archivists and curators   | Yes                                |
|  | 24.32 – Librarians and related information professionals                    | Yes                                |
| 245 – Writers and creative or performing artists                   | 24.51 – Authors, journalists and other writers                              | Yes                                |
|  | 24.52 – Sculptors, painters and related artists                             | Yes                                |
|  | 24.53 – Composers, musicians and singers                                    | Yes                                |
|  | 24.54 – Choreographers and dancers  | Yes                                |
|  | 24.55 – Film, stage and related actors and directors                        | Yes                                |
| 313 – Optical and electronic equipment operators                   | 31.31 – Photographers and image and sound recording operators               | Yes                                |
|  | 31.32 – Broadcasting and telecommunications equipment operators             | No                                 |
|  | 31.33 – Medical equipment operators   | No                                 |
|  | 31.39 – Optical and electronic equipment operators not elsewhere classified | No                                 |
| 347 – Artistic, entertainment and sports associate professionals   | 34.71 – Decorators and commercial designers                                 | Yes                                |
|  | 34.72 – Radio, television and other announcers                              | Yes                                |
|  | 34.73 – Street, night-club and related musicians, singers and dancers       | Yes                                |
|  | 34.74 – Clowns, magicians, acrobats and related associate professionals     | Yes                                |
|  | 34.75 – Athletes, sports persons and related associate professionals        | No                                 |
| 214 – Architects, engineers and related professionals              | 21.41 – Architects, town and traffic planners                               | Specific estimation <sup>165</sup> |
|  | 21.42 – Civil engineers   | No                                 |
|  | ...   | No                                 |
|  | ...   | No                                 |
|  | ...   | No                                 |

<sup>165</sup> The most detailed code of the Isco nomenclature (2141) doesn't allow isolating architects from town and traffic planners. The Deps used a professional source to calculate the number of architects.

## 2. Activities

The following table lists the Nace codes containing cultural activities.

| Nace 2   | Nace 3   | Inclusion in the cultural field  |
|--|--|----------------------------------|
| 22 – Publishing, printing and reproduction of recorded media | 22.1 – Publishing  | Yes                              |
|  | 22.2 – Printing and service activities related to printing   | No                               |
|  | 22.3 – Reproduction of recorded media  | No                               |
| 92 – Recreational, cultural and sporting activities          | 92.1 – Motion picture and video activities   | Yes                              |
|  | 92.2 – Radio and television activities   | Yes                              |
|  | 92.3 – Other entertainment activities  | Yes                              |
|  | 92.4 – News agency activities  | Yes                              |
|  | 92.5 – Library, archive, museums and other cultural activities   | Yes                              |
|  | 92.6 – Sporting activities   | No                               |
|  | 92.7 – Other recreational activities   | No                               |
| 74 – Other business activities                               | 74.1 – Legal, accounting, book-keeping and auditing activities; tax consultancy; market research and public opinion polling; business and management consultancy; holdings | No                               |
|  | 74.2 – Architectural and engineering activities and related technical consultancy  | Direct estimation <sup>166</sup> |
|  | 74.3 – Technical testing and analysis  | No                               |
|  | 74.4 – Advertising   | Yes                              |
|  | 74.5 – Labour recruitment and provision of personnel   | No                               |
|  | 74.6 – Investigation and security activities   | No                               |
|  | 74.7 – Industrial cleaning   | No                               |
|  | 74.8 – Miscellaneous business activities not elsewhere classified.   | Yes                              |

<sup>166</sup> As the Nace nomenclature doesn't allow isolating architectural activities from engineering activities and related technical consultancy, the Deps used estimator calculated from professional sources.

## Annex 6.

### Method of calculation – extraction of employment data

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The following methodology was elaborated by French *Département des Etudes de la Prospective et des Statistiques* (Ministry of Culture and Education), coordinator of the Eurostat Task Force on Cultural Employment to further extract data in the cultural field.

Figures presented in this study in relation to employment in the cultural sector were obtained through the implementation by Eurostat of this methodology.

#### LE CALCUL DES COEFFICIENTS CULTURELS

La méthode consiste à calculer un coefficient culturel pour chaque croisement profession x activité codé en Isco 3/Nace 2 (profession codée à 3 chiffres et activité codée à 2 chiffres).

**Exemple 1 :** croisement Nace 22 (Édition, imprimerie, reproduction) avec Isco 131 (Dirigeants et gérants)

Ici la Nace 22 comprend des activités culturelles et l'Isco 131 ne contient que des professions non culturelles.

Le coefficient culturel est calculé de la façon suivante :

Coefficient (Nace 22/Isco 131) = (croisement Nace 22 x Isco 131) / (croisement Nace 22 x Isco 131) = 39%

Ce croisement est uniquement disponible pour les pays détaillant en Nace à 3 chiffres.

**Exemple 2 :** croisement Nace 75 (Administration publique) avec Isco 313 (Techniciens d'appareils optiques et électroniques)

Ici la Nace 75 ne comprend que des activités non culturelles et l'Isco 313 contient des professions culturelles.

Le coefficient culturel est calculé de la façon suivante :

Coefficient (Nace 75/Isco 313) = (croisement Nace 75 x Isco 313) / (croisement Nace 75 x Isco 313) = 20%

Ce croisement est uniquement disponible pour les pays détaillant en Isco à 4 chiffres.

*Remarque :* pour un croisement contenant à la fois des activités et des professions culturelles (exemple : croisement Nace 22 x Isco 313), il y a donc deux manières de calculer le coefficient culturel. Il a été choisi ici de faire la moyenne des deux coefficients (très élevés à chaque fois).

Une fois l'ensemble des coefficients calculés, on l'applique à chacun des pays et pour chacun des croisements Nace x Isco.

*Exemple :* pour un pays donné, le croisement Nace 22 x Isco 131 donne 10 000 actifs. Le coefficient culturel pour ce croisement est de 39 %. Il y a donc 3 900 emplois culturels dans ce croisement. En procédant ainsi pour tous les croisements Nace à deux chiffres et Isco à trois chiffres, on estime au final le nombre total d'emplois culturels.

## Annex 7. Employment-Tables of computation

### Cultural employment (and % of total employment), cultural and cultural tourism employment (and % of total employment) - EU 25

| Country             | Cultural employment (in thousands) | Cultural employment in % of total employment | Cultural & cultural tourism employment (in thousands) | Cultural & cultural tourism employment in % of total employment |
|---------------------|------------------------------------|--|---|---|
| <b>Austria (AT)</b> | <b>79,1</b>                        | <b>2.1%</b>                                  | <b>110,9</b>  | <b>3,0%</b>   |
| Belgium (BE)        | 93,5                               | 2.2%   | 112,7   | 2,7%  |
| Cyprus (CY)         | 7,8                                | 2.3%   | 7,8   | 2,3%  |
| Czech Republic (CZ) | 89,4                               | 1.9%   | 116,1   | 2,5%  |
| Denmark (DK)        | 80,6                               | 3.0%   | 89,6  | 3,3%  |
| Estonia (EE)        | 18,6                               | 3.2%   | 21,15   | 3,6%  |
| Finland (FI)        | 77,6                               | 3.2%   | 88,85   | 3,7%  |
| France (FR)         | 496,3                              | 2.0%   | 618,25  | 2,5%  |
| Germany (DE)        | 957                                | 2.7%   | 1.138,2   | 3,2%  |
| Greece (EL)         | 97,4                               | 2.2%   | 139,4   | 3,2%  |
| Hungary (HU)        | 80,6                               | 5.1%   | 102,95  | 6,5%  |
| Ireland (IE)        | 45,7                               | 2.5%   | 61,9  | 3,4%  |
| Italy (IT)          | 466,9                              | 2.1%   | 622,9   | 2,8%  |
| Latvia (LV)         | 29,1                               | 2.9%   | 32,4  | 3,2%  |
| Lithuania (LT)      | 28,9                               | 2.0%   | 33,7  | 2,3%  |
| Luxembourg (LU)     | 3,5                                | 1.9%   | 4,4   | 2,4%  |
| Malta (MT)          | 3                                  | 2.1%   | 4,8   | 3,3%  |
| Netherlands (NL)    | 296,4                              | 3.6%   | 343,05  | 4,2%  |
| Poland (PL)         | 230,8                              | 1.7%   | 264,7   | 1,9%  |
| Portugal (PT)       | 76,2                               | 1.5%   | 115,8   | 2,3%  |
| Slovakia (SK)       | 28,7                               | 1.3%   | 41  | 1,9%  |
| Slovenia (SI)       | 28,7                               | 3.0%   | 34,4  | 3,6%  |
| Spain (ES)          | 379                                | 2.1%   | 558,85  | 3,1%  |
| Sweden (SE)         | 135,5                              | 3.1%   | 155,15  | 3,6%  |
| United Kingdom (UK) | 883,3                              | 3.2%   | 1.065,7   | 3,8%  |
| <b>EU 25</b>        | <b>4.713,6</b>                     | <b>2.5%</b>                                  | <b>5.884,65</b>                                       | <b>3,1%</b>   |

## Cultural employment in the EU-25 by gender

| Country             | Cultural employment |             | Total employment |             |
|---------------------|---------------------|-------------|------------------|-------------|
|                     | women               | men         | women            | men         |
| Austria (AT)        | 42,9                | 57,1        | 45,4             | 54,6        |
| Belgium (BE)        | 41                  | 59          | 43,9             | 56,1        |
| Cyprus (CY)         | 45,1                | 54,9        | 44,6             | 55,4        |
| Czech Republic (CZ) | 47,9                | 52,1        | 44,1             | 55,9        |
| Denmark (DK)        | 45,5                | 54,5        | 47,5             | 52,5        |
| Estonia (EE)        | 56,2                | 43,8        | 51               | 49          |
| Finland (FI)        | 49,7                | 50,3        | 49,1             | 50,9        |
| France (FR)         | 42,2                | 57,8        | 45,6             | 54,4        |
| Germany (DE)        | 45,6                | 54,4        | 45,9             | 54,1        |
| Greece (EL)         | 42,9                | 57,1        | 37,9             | 62,1        |
| Hungary (HU)        | 51,7                | 48,3        | 47,1             | 52,9        |
| Ireland (IE)        | 49,2                | 50,8        | 44,3             | 55,7        |
| Italy (IT)          | 38,6                | 61,4        | 39,9             | 60,1        |
| Latvia (LV)         | 70,8                | 29,2        | 50               | 50          |
| Lithuania (LT)      | 76                  | 24          | 50,7             | 49,3        |
| Luxembourg (LU)     | 32,4                | 67,6        | 41,1             | 58,9        |
| Malta (MT)          | 20,4                | 79,6        | 30,5             | 69,5        |
| Netherlands (NL)    | 43,8                | 56,2        | 44,9             | 55,1        |
| Poland (PL)         | 54,9                | 45,1        | 46,1             | 53,9        |
| Portugal (PT)       | 42,8                | 57,2        | 45,3             | 54,7        |
| Slovakia (SK)       | 53,2                | 46,8        | 46,1             | 53,9        |
| Slovenia (SI)       | 54,5                | 45,5        | 46,3             | 53,7        |
| Spain (ES)          | 43,8                | 56,2        | 39,9             | 60,1        |
| Sweden (SE)         | 49,4                | 50,6        | 48,7             | 51,3        |
| United Kingdom (UK) | 47,1                | 52,9        | 46,8             | 53,2        |
| <b>EU 25</b>        | <b>45,6</b>         | <b>54,4</b> | <b>44,6</b>      | <b>55,4</b> |

## Cultural employment in the EU25 by age

| Country             | Cultural employment |             |                    | Total employment |             |                    |
|---------------------|---------------------|-------------|--------------------|------------------|-------------|--------------------|
|                     | 15-24 years         | 25-49 years | more than 50 years | 15-24 years      | 25-49 years | more than 50 years |
| Austria (AT)        | 8,2                 | 72          | 19,7               | 13,2             | 69,6        | 17,3               |
| Belgium (BE)        | 6,3                 | 74,3        | 19,4               | 8,6              | 72          | 19,4               |
| Cyprus (CY)         | 9,6                 | 69          | 21,5               | 10,2             | 67,1        | 22,6               |
| Czech Republic (CZ) | 8,5                 | 60,9        | 30,6               | 8,3              | 65,6        | 26,1               |
| Denmark (DK)        | 8                   | 62,2        | 29,8               | 13,1             | 59,2        | 27,8               |
| Estonia (EE)        | 8,8                 | 56,4        | 34,9               | 9,7              | 62,4        | 27,9               |
| Finland (FI)        | 11,3                | 59,7        | 29                 | 11,6             | 60,6        | 27,8               |
| France (FR)         | 8,4                 | 71,2        | 20,3               | 9,3              | 68,4        | 22,4               |
| Germany (DE)        | 8                   | 65,4        | 26,7               | 10,6             | 64,5        | 25                 |
| Greece (EL)         | 8                   | 76,9        | 15                 | 8,4              | 71,3        | 20,3               |
| Hungary (HU)        | 5,8                 | 67,9        | 26,3               | 7,9              | 69,3        | 22,9               |
| Ireland (IE)        | 10,1                | 69,2        | 20,8               | 16,4             | 64,3        | 19,4               |
| Italy (IT)          | 7,7                 | 71,5        | 20,8               | 7,5              | 71,2        | 21,3               |
| Latvia (LV)         | 11,9                | 60,6        | 27,5               | 10,7             | 65,1        | 24,2               |
| Lithuania (LT)      | 7,1                 | 71,1        | 21,8               | 7,5              | 70,6        | 22                 |
| Luxembourg (LU)     | 2,8                 | 78,4        | 18,8               | 5,9              | 75          | 19,1               |
| Malta (MT)          | 26,2                | 53,2        | 20,6               | 21,1             | 60,4        | 18,5               |
| Netherlands (NL)    | 19,5                | 58,9        | 21,7               | 15,1             | 63,1        | 21,8               |
| Poland (PL)         | 6,4                 | 71,5        | 22,1               | 9,3              | 72,9        | 17,8               |
| Portugal (PT)       | 12,7                | 70,6        | 16,7               | 10,4             | 68          | 21,6               |
| Slovakia (SK)       | 8,2                 | 67,5        | 24,3               | 11,2             | 70,5        | 18,3               |
| Slovenia (SI)       | 11,7                | 67,3        | 21                 | 9,8              | 72,9        | 17,4               |
| Spain (ES)          | 9,4                 | 76,2        | 14,3               | 10,4             | 70,4        | 19,2               |
| Sweden (SE)         | 10,4                | 60,8        | 28,8               | 9,9              | 58,7        | 31,4               |
| United Kingdom (UK) | 13,3                | 61,6        | 25                 | 14,1             | 59,9        | 26,1               |
| <b>EU 25</b>        | <b>10</b>           | <b>67</b>   | <b>23</b>          | <b>10,6</b>      | <b>66,7</b> | <b>22,8</b>        |

## Cultural employment in EU25 by education level

| Country             | Cultural employment     |                 |             | Total employment        |                 |             |
|---------------------|-------------------------|-----------------|-------------|-------------------------|-----------------|-------------|
|                     | at most lower secondary | upper secondary | tertiary    | at most lower secondary | upper secondary | tertiary    |
| Austria (AT)        | 7,9                     | 58,4            | 33,7        | 17,4                    | 64,5            | 18,1        |
| Belgium (BE)        | 11,1                    | 30,7            | 58,3        | 25,6                    | 37,6            | 36,8        |
| Cyprus (CY)         | 5,2                     | 29,4            | 65,3        | 28,1                    | 39              | 32,9        |
| Czech Republic (CZ) | 3,6                     | 62,8            | 33,6        | 6,1                     | 79,8            | 14,1        |
| Denmark (DK)        | 12,1                    | 36,4            | 51,5        | 18,5                    | 49,7            | 31,8        |
| Estonia (EE)        | 0                       | 47,3            | 52,7        | 9,3                     | 57              | 33,6        |
| Finland (FI)        | 15,5                    | 42,6            | 41,9        | 18,5                    | 46,2            | 35,3        |
| France (FR)         | 16,2                    | 33,1            | 50,7        | 28,6                    | 44              | 27,4        |
| Germany (DE)        | 10                      | 43,4            | 46,6        | 14,9                    | 58,5            | 26,6        |
| Greece (EL)         | 9,6                     | 45,9            | 44,5        | 29                      | 44,5            | 26,5        |
| Hungary (HU)        | 3,2                     | 41,6            | 55,2        | 13,5                    | 65,4            | 21,1        |
| Ireland (IE)        | 12,8                    | 38,8            | 48,4        | 26,8                    | 39,9            | 33,3        |
| Italy (IT)          | 14,6                    | 46,5            | 39          | 40,2                    | 45,2            | 14,5        |
| Latvia (LV)         | 2,7                     | 52,8            | 44,5        | 10,9                    | 65,2            | 23,8        |
| Lithuania (LT)      | 2,2                     | 44,6            | 53,2        | 5,9                     | 61,3            | 32,8        |
| Luxembourg (LU)     | 4,1                     | 40,1            | 55,8        | 18,8                    | 54,8            | 26,4        |
| Malta (MT)          | 56,2                    | 19,1            | 24,7        | 63,5                    | 20              | 16,5        |
| Netherlands (NL)    | 20,1                    | 34,4            | 45,6        | 26,8                    | 43              | 30,3        |
| Poland (PL)         | 1,7                     | 47,1            | 51,1        | 6,4                     | 70,6            | 23,1        |
| Portugal (PT)       | 40,7                    | 27,4            | 31,9        | 69,7                    | 15,2            | 15,1        |
| Slovakia (SK)       | 0,7                     | 66,1            | 33,2        | 4,7                     | 79,9            | 15,3        |
| Slovenia (SI)       | 3,9                     | 48,7            | 47,4        | 13,3                    | 65,7            | 21          |
| Spain (ES)          | 17,7                    | 22              | 60,4        | 46                      | 22,1            | 31,9        |
| Sweden (SE)         | 11,4                    | 48,9            | 39,7        | 15,6                    | 56,2            | 28,2        |
| United Kingdom (UK) | 6,4                     | 48,3            | 45,3        | 10,6                    | 59,1            | 30,3        |
| <b>EU 25</b>        | <b>11,5</b>             | <b>41,7</b>     | <b>46,8</b> | <b>23,6</b>             | <b>50,7</b>     | <b>25,7</b> |

## Cultural employment in EU25 by employment status

| Country             | Cultural employment |             | Total employment |             |
|---------------------|---------------------|-------------|------------------|-------------|
|                     | dependent           | independent | dependent        | independent |
| Austria (AT)        | 61,7                | 38,3        | 90,9             | 9,1         |
| Belgium (BE)        | 67,8                | 32,2        | 86,5             | 13,5        |
| Cyprus (CY)         | 73,6                | 26,4        | 79,1             | 20,9        |
| Czech Republic (CZ) | 66,4                | 33,6        | 83,3             | 16,7        |
| Denmark (DK)        | 87,4                | 12,6        | 83,3             | 16,7        |
| Estonia (EE)        | 87,7                | 12,3        | 92,2             | 7,8         |
| Finland (FI)        | 83,2                | 16,8        | 90,3             | 9,7         |
| France (FR)         | 81,4                | 18,6        | 90,9             | 9,1         |
| Germany (DE)        | 67,2                | 32,8        | 89,1             | 10,9        |
| Greece (EL)         | 64,6                | 35,4        | 71               | 29          |
| Hungary (HU)        | 79,1                | 20,9        | 86,6             | 13,4        |
| Ireland (IE)        | 73,6                | 26,4        | 86,2             | 13,8        |
| Italy (IT)          | 48,5                | 51,5        | 72,8             | 27,2        |
| Latvia (LV)         | 91,4                | 8,6         | 93,3             | 6,7         |
| Lithuania (LT)      | 95,4                | 4,6         | 94,1             | 5,9         |
| Luxembourg (LU)     | 75,3                | 24,7        | 93,1             | 6,9         |
| Malta (MT)          | 77,4                | 22,6        | 87,4             | 12,6        |
| Netherlands (NL)    | 69,2                | 30,8        | 89,7             | 10,3        |
| Poland (PL)         | 79,8                | 20,2        | 87,3             | 12,7        |
| Portugal (PT)       | 73,8                | 26,2        | 81,8             | 18,2        |
| Slovakia (SK)       | 81,5                | 18,5        | 87,7             | 12,3        |
| Slovenia (SI)       | 86,3                | 13,7        | 91,5             | 8,5         |
| Spain (ES)          | 79,5                | 20,5        | 83,6             | 16,4        |
| Sweden (SE)         | 76,4                | 23,6        | 90,8             | 9,2         |
| United Kingdom (UK) | 71,9                | 28,1        | 87,4             | 12,6        |
| <b>EU 25</b>        | <b>71,2</b>         | <b>28,8</b> | <b>85,9</b>      | <b>14,1</b> |



### Cultural employment in EU25 by job stability

| Country             | Cultural employment |                   | Total employment  |                   |
|---------------------|---------------------|-------------------|-------------------|-------------------|
|                     | permanent workers   | temporary workers | permanent workers | temporary workers |
| Austria (AT)        | 89,9                | 10,2              | 92,8              | 7,2               |
| Belgium (BE)        | 80,4                | 19,6              | 91,2              | 8,8               |
| Cyprus (CY)         | 91,2                | 8,8               | 87,5              | 12,5              |
| Czech Republic (CZ) | 84,7                | 15,3              | 90,5              | 9,5               |
| Denmark (DK)        | 86,7                | 13,3              | 90,3              | 9,7               |
| Estonia (EE)        | 96,3                | 3,7               | 97,2              | 2,8               |
| Finland (FI)        | 83,3                | 16,7              | 83,1              | 16,9              |
| France (FR)         | 73,6                | 26,4              | 87,9              | 12,1              |
| Germany (DE)        | 84,9                | 15,1              | 88,2              | 11,8              |
| Greece (EL)         | 82,4                | 17,6              | 87,7              | 12,3              |
| Hungary (HU)        | 93,3                | 6,7               | 93,2              | 6,8               |
| Ireland (IE)        | 95                  | 5                 | 96,6              | 3,4               |
| Italy (IT)          | 82,6                | 17,4              | 88,8              | 11,2              |
| Latvia (LV)         | 87,8                | 12,2              | 91,7              | 8,3               |
| Lithuania (LT)      | 100                 | 0                 | 94,6              | 5,4               |
| Luxembourg (LU)     | 96,1                | 3,9               | 95,3              | 4,7               |
| Malta (MT)          | 94,7                | 5,3               | 96,7              | 3,3               |
| Netherlands (NL)    | 80                  | 20                | 86,2              | 13,8              |
| Poland (PL)         | 81,2                | 18,8              | 77,6              | 22,4              |
| Portugal (PT)       | 70,8                | 29,2              | 80,3              | 19,7              |
| Slovakia (SK)       | 93,6                | 6,4               | 94,8              | 5,2               |
| Slovenia (SI)       | 69,3                | 30,7              | 82,7              | 17,3              |
| Spain (ES)          | 71,5                | 28,5              | 68,9              | 31,1              |
| Sweden (SE)         | 77                  | 23                | 84,4              | 15,6              |
| United Kingdom (UK) | 92,7                | 7,3               | 94,3              | 5,7               |
| <b>EU 25</b>        | <b>83</b>           | <b>17</b>         | <b>86,7</b>       | <b>13,3</b>       |

## Cultural employment in EU25 by work duration

| Country             | Cultural employment |                   | Total employment  |                   |
|---------------------|---------------------|-------------------|-------------------|-------------------|
|                     | full-time workers   | part-time workers | full-time workers | part-time workers |
| Austria (AT)        | 75,6                | 24,4              | 81,1              | 18,9              |
| Belgium (BE)        | 79,7                | 20,3              | 77,9              | 22,1              |
| Cyprus (CY)         | 83,6                | 16,4              | 92,4              | 7,6               |
| Czech Republic (CZ) | 86,6                | 13,4              | 94,9              | 5,1               |
| Denmark (DK)        | 69                  | 31                | 77,1              | 22,9              |
| Estonia (EE)        | 88,7                | 11,3              | 92,2              | 7,8               |
| Finland (FI)        | 80,6                | 19,4              | 86,9              | 13,1              |
| France (FR)         | 77                  | 23                | 83,3              | 16,7              |
| Germany (DE)        | 71,9                | 28,1              | 77,2              | 22,8              |
| Greece (EL)         | 92,5                | 7,5               | 95,8              | 4,2               |
| Hungary (HU)        | 91,2                | 8,8               | 95,4              | 4,6               |
| Ireland (IE)        | 78,1                | 21,9              | 82,5              | 17,5              |
| Italy (IT)          | 80,6                | 19,4              | 87,1              | 12,9              |
| Latvia (LV)         | 80,7                | 19,3              | 91,6              | 8,4               |
| Lithuania (LT)      | 89,4                | 10,6              | 94,4              | 5,6               |
| Luxembourg (LU)     | 82,5                | 17,5              | 82,1              | 17,9              |
| Malta (MT)          | 83                  | 17                | 91,5              | 8,5               |
| Netherlands (NL)    | 41,4                | 58,6              | 54,5              | 45,5              |
| Poland (PL)         | 84,8                | 15,2              | 92,3              | 7,7               |
| Portugal (PT)       | 89,1                | 10,9              | 93,4              | 6,6               |
| Slovakia (SK)       | 96,7                | 3,3               | 97,3              | 2,7               |
| Slovenia (SI)       | 81,7                | 18,3              | 93,1              | 6,9               |
| Spain (ES)          | 86,3                | 13,7              | 91                | 9                 |
| Sweden (SE)         | 72,9                | 27,1              | 76,1              | 23,9              |
| United Kingdom (UK) | 70,2                | 29,8              | 73,6              | 26,4              |
| <b>EU 25</b>        | <b>75</b>           | <b>25</b>         | <b>82,4</b>       | <b>17,6</b>       |

## Cultural employment in EU25 by side jobs

| Country             | Cultural employment |               | Total employment |               |
|---------------------|---------------------|---------------|------------------|---------------|
|                     | without side-job    | with side-job | without side-job | with side-job |
| Austria (AT)        | 92,9                | 7,1           | 96,5             | 3,5           |
| Belgium (BE)        | 95                  | 5             | 96,1             | 3,9           |
| Cyprus (CY)         | 91,6                | 8,4           | 93,3             | 6,7           |
| Czech Republic (CZ) | 94,3                | 5,7           | 97,4             | 2,6           |
| Denmark (DK)        | 80,8                | 19,2          | 88,8             | 11,2          |
| Estonia (EE)        | 93,2                | 6,8           | 96,2             | 3,8           |
| Finland (FI)        | 91,5                | 8,5           | 96,1             | 3,9           |
| France (FR)         | 93,3                | 6,7           | 97,1             | 2,9           |
| Germany (DE)        | 95,2                | 4,8           | 97,3             | 2,7           |
| Greece (EL)         | 97,7                | 2,3           | 97,8             | 2,2           |
| Hungary (HU)        | 96,8                | 3,2           | 98,2             | 1,8           |
| Ireland (IE)        | 98,1                | 1,9           | 98,2             | 1,8           |
| Italy (IT)          | 94,6                | 5,4           | 97,9             | 2,1           |
| Latvia (LV)         | 87,5                | 12,5          | 92,9             | 7,1           |
| Lithuania (LT)      | 87,7                | 12,3          | 94,6             | 5,4           |
| Luxembourg (LU)     | 99,4                | 0,6           | 98,4             | 1,6           |
| Malta (MT)          | 95,4                | 4,6           | 95,7             | 4,3           |
| Netherlands (NL)    | 86,6                | 13,7          | 94               | 6             |
| Poland (PL)         | 91,5                | 8,5           | 91,2             | 8,8           |
| Portugal (PT)       | 91,6                | 8,4           | 93,6             | 6,4           |
| Slovakia (SK)       | 99,3                | 0,7           | 99,1             | 0,9           |
| Slovenia (SI)       | 94                  | 6             | 96,6             | 3,4           |
| Spain (ES)          | 96,1                | 3,9           | 98               | 2             |
| Sweden (SE)         | 87,4                | 12,6          | 90,9             | 9,1           |
| United Kingdom (UK) | 94                  | 6             | 96,1             | 3,9           |
| <b>EU 25</b>        | <b>93,4</b>         | <b>6,6</b>    | <b>96,3</b>      | <b>3,7</b>    |

## **Annex 8.**

### **ICT GLOSSARY**

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#### **Broadband**

Broadband in data communications refers to data transmission where multiple pieces of data are sent simultaneously to increase the effective rate of transmission, regardless of actual data rate. The wider the bandwidth, the more information carried.

#### **IPTV**

IPTV (Internet Protocol Television) describes a system where a digital television service is delivered using the Internet Protocol over a network infrastructure, which may include delivery by a broadband connection.

#### **Mobile Music**

Mobile music is music, which is downloaded to mobile phones and played by mobile phones. Although many phones play music as ringtones, true "music phones" generally allow users to import audio files from their PCs or download them wirelessly from a content provider (the latter is usually for a fee). In most cases mobile music is stored within the memory of the mobile phone, although many newer models feature removable storage.

#### **Triple-play**

In telecommunications, the Triple Play service is a marketing term for the provisioning of the three services: high-speed Internet, television (Video on Demand or regular broadcasts) and telephone service over a single broadband connection. Triple Play focuses on a combined business model rather than on solving technical issues or a common standard. Triple Play services are offered by cable television operators as well as by telecommunication operators. It paves the way for these service providers to compete with one another. It relies on the assumption that an integrated solution will increase opportunity costs for customers who may want to choose between service providers. Interoperability is not a design target. Triple Play has led to the term "Quadruple play" where wireless communications is introduced as another media to deliver video, Internet and voice content. The grouping together of services (as triple or quadruple play) is called multi-play.

#### **TV over DSL**

Television provided over the DSL transmission technology. DSL is a family of technologies that provide digital data transmission over the wires of a local telephone network.

#### **VOD**

Video on demand (VOD) systems allow users to select and watch video content over a network as part of an interactive television system. VOD systems either "stream" content, allowing viewing while the video is being downloaded, or "download" it in which the program is brought in its entirety to a set-top box before viewing starts.

Near video on demand (NVOD) is a pay-per-view consumer video technique used by multi-channel broadcasters using high-bandwidth distribution mechanisms such as satellite and cable television. Multiple copies of a programme are broadcast at short time intervals (typically 10–20 minutes) providing convenience for viewers, who can watch the programme without needing to tune in at a scheduled point in time. This form is bandwidth intensive and is generally provided only by large operators with a great deal of redundant capacity.

## **Annex 9.**

### **List of cultural ministries contacted**

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- Katrin KNEISSEL, Head of Unit, Department for the Arts, Federal Chancellery (**Austria**)
- Peter JOLLING, Cultural Advisor, Culture Ministry - Flemish Community of Belgium (**Belgium**)
- Henry INGBERG, Director of the Cinema and Audiovisual Center, Culture Ministry of the French Community of Belgium (**Belgium**)
- Peter MILADINOV, Head of the European Integration and relation with international institutions Department, Ministry of Culture (**Bulgaria**)
- Paikos AGIS, Cultural Officer, Ministry of Education and Culture (**Cyprus**)
- Jaromira MIZEROVA, Head of EU and International Organizations Department, Ministry of Culture (**Czech Republic**)
- Anne Julie SCHMITT JENSEN, Special Adviser, Ministry of Culture (**Denmark**)
- Ragnar SILL, Head of the Development Division of the Budget and Economical Analysis Department, Ministry of Culture (**Estonia**)
- Kimmo AULAKE, Special Adviser, Ministry of Education and Culture (**Finland**)
- Claire-Lyse CHAMBRON, Assistant to the Director of the International and European Affairs Department), Ministry of Culture, (**France**)
- Dirk Michael ROEDDER, German Ministry of culture (**Germany**)
- Werner WEBER, Commissioner for Culture and the Media, Office of the Federal Government (**Germany**)
- Georgios LIONTOS (Head of the EU Direction) Ministry of Culture (**Greece**)
- Mr Mihály NAGY, Head of Audiovisual Department, Ministry of Culture (**Hungary**)
- Thorgeir OLAFSSON, Head of the Arts Division, Ministry of Education, Science and Culture (**Iceland**)
- Keith NOLAN, Executive Officer, Ministry of Arts, Sport and Tourism, Arts Division (**Ireland**)
- Rinna MORATI, Civil Servant in the Office of the Diplomatic Council on Cultural Affairs, Ministry of Culture (**Italy**)
- Una SEDLENIECE, Department for Cultural Policy Planning of Latvian Ministry of culture (**Latvia**)
- Linda TRUSEVSKA (Head of EU Policy Division) Ministry of Culture (**Latvia**)
- Thomas BUECHEL, Deputy Head of Government (**Liechtenstein**)
- Vilma LEVICKAITE, Assistant to the Director of the Cultural Programme Centre, Ministry of Culture (**Lithuania**)
- Guy DOCKENDORF, General Director of the Ministry of Culture (**Luxembourg**)
- Marie-Louise MANGION, Head EU Affairs and Policy Development Department, Ministry of Culture and Tourism (**Malta**)
- Burt HOFESTEDE, Policy Advisor, Ministry of Education, Culture and Science (**Netherlands**)
- Silje THINGSTAD, Senior Adviser, Royal Ministry of Cultural Affairs (**Norway**)
- Lidia WILCZYNSKA, Specialist in Cultural Affairs, Ministry of Culture and National Heritage (**Poland**)
- Maria de Lourdes LIMA SANTOS, President, Observatory of Cultural Activities (**Portugal**)
- Delia MUCICA, Secretary General, Ministry of Culture and Religious Affairs (**Romania**)
- Ladislav SIMKO, General Director of the International Affairs Department, Ministry of Culture (**Slovak Republic**)
- Vesna COPIC, Head of the Cultural Policy Department, Ministry of Culture (**Slovenia**)
- Fernando GOMEZ RIESCO, Deputy Director of the General Directorate of Cultural Cooperation and Communication, Ministry of Culture (**Spain**)
- Björn CAPPELIN, Desk Officer of the Cultural Division, Ministry of Education, Research and Culture (**Sweden**)

-Paula CROFTS, Chief Economist of the Evidence and Analysis Unit Creative Industries Economic Estimates,  
DCMS (**United Kingdom**)

## **Annex 10.**

### **List of professional organisations, industry professionals, and academics consulted<sup>167</sup>**

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#### **VISUAL ARTS**

- European Visual Artists (EVA): Carola Streul (Secretary General)

#### **PERFORMING ARTS**

- Association of European Performers' Organisations (AEPO-ARTIS): Xavier Blanc (Secretary General), Guenaëlle Collet (Head of Office)
- Performing Arts Employers Associations League Europe (PEARLE): Anita Debaere (Director),
- International Federation of Actors (FIA): Bianca Busuioc (Deputy Secretary General)
- Union of Europe's Theatres (UTE): Pierre Bachelier (Production Manager)

#### **FILM, VIDEO, VIDEO GAMES**

- European Coordinator of Independent Producers (CEPI): Bruno Alves (General Secretary)
- European Coordination of Film Festivals (ECFF): Marie-José Carta (Executive Secretary)
- Eurocinema: Yvon Thiec (General Delegate), Fabienne Burton
- Interactive Software Federation of Europe (ISFE): Patrice Chazerand (Secretary General), Jürgen Bäscher (Communication Officer)
- European Games Developers Association (EGDF): Malte Behrmann (Managing Director)
- Motion Picture Association of America (MPAA): Chris Marcich (Senior Vice President and Managing Director of the MPA's European Office)
- Walt Disney Company: Patrick Gruter (Vice President, Government Relations, Europe)
- European Producers Club: Anne Appathurai (Head of Project)

#### **RADIO AND TELEVISION**

- European Broadcasting Union (EBU): Nicola Frank (Deputy Head of the Brussels Office)
- BBC: Matteo Maggiore (Head of European Affairs)
- Association of European Radios (AER): Vincent Sneed (Intern)

#### **MUSIC**

- International Music Managers Forum (IMMF): Peter Jenner (Chairman)

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<sup>167</sup> Including during the working session organised by the European Commission on 19 July 2006

- International Federation of the Phonographic Industry (IFPI): Francine Cunningham (Head of Communications, Europe)
- European Music Office (EMO): Jean-François Michel (Secretary General), Judith Merkies (Executive Manager)
- Independent Music Companies Association (IMPALA)
- European Grouping of Societies for Authors and Composers (GESAC): Martine Rezzi (Senior Legal Advisor)
- International Confederation of Music Publishers (ICMP/CIEM): Jenny Vacher (General Counsel)

## **ADVERTISING**

- European Advertising Standard Alliance (EASA): Oliver Gray (Director General), Katie Carroll (Promotion & Communications Manager)
- European Association of Communications Agencies (EACA): Dominic Lyle (Director General)
- European Group of Television Advertising (EGTA): Bertrand Cazes (European Affairs Adviser)
- World Federation of Advertisers (WFA): Malte Lohan (Public Affairs Manager)

## **BOOK AND PRESS PUBLISHING**

- European Federation of Publishers (FEP): Anne Bergman Tahon (Director), Céline D'Ambrosio (Policy Adviser)
- European Federation of Magazines Publishers (FAEP): David Mahon (Secretary General), Max v. Abendroth (Director of communications and sustainability), Ingrid de Ribaucourt (EU Affairs Manager)
- European Newspaper Publishers' Association (ENPA): Sophie Scrive (Deputy Director)
- Lagardère: Ann Becker (Permanent Representative)
- European Writers Congress (EWC): Myriam Díaz-Diocaretz (Secretary General)
- European Publishers Council: Nicole Schulze (EU Policy Adviser)

## **HERITAGE**

- Europa Nostra: Eleonore de Merode (Heritage Awards Co-ordinator)
- European Forum for the Arts and Heritage (EFAH): Sabine Frank (Deputy Secretary-General)

## **OTHER (other associations, institutions, academics)**

- Marta Beck-Domzalska, Eurostat, Culture Department
- Marianne Berendse (Director), Kunst en Zaken, The Netherlands
- Siobhan Broughan (Director), Business2Arts, Ireland



- Janine Cardona, Département des Etudes de la Prospective et des Statistiques, French Ministry of Culture and Communication – Eurostat Task Force 2 on cultural employment
- Danièle Cliché (Research Manager), European Institute for Comparative Cultural Research (Ericarts)
- Gianna Lia Cogliandro (Executive Director), European Network of Cultural Administration Training Centres (ENCATC):
- Luc Delany (Director), Digital Media Association (Edima)
- Andy Finch, (International Relations), American for the Arts, Washington, USA
  
- Professor Gerd-Michael Hellstern, Kassel University, Germany
- Andrea Hartman (Coordinator Project Muzone), Popakademie, Mannheim, Germany
- Alan Hewson (Director), Aberystwyth Arts Center, UK
- Joël Houzet (Responsible for culture, Paris 19<sup>th</sup> Arrondissement – *City Hall*), France
- Lambert Kleinmann, (General officer), EURES Network
- Ewald Kutzenberger, (General Director), Statistics Austria
- Theike Muss (Marketing Manager), BBW Berlin, Germany
- Daniel O' Donnell, Deutsches Statistisches Bundesamt / Eurostat
- Jacqueline Pacaud, Dir. C Unit C1, Directorate General Education, European Commission, (responsible European Capitals of Culture)
- Chantal Pirlot (General Secretary), Diana Pana (Coordinator), European Committee for Business, Arts and Culture (CEREC)
- Nathalie Sauvanet (Deputy General Delegate), Association pour le Développement du Mécénat Industriel et Commercial (ADMICAL), France
- Isabelle Schwarz (Cultural Policies Development Manager), European Cultural Foundation
- Peter Sinclair (Director), Creative London, UK
- Eulynn Shiu (Researcher Coordinator), American for the Arts, Washington, USA
- Philippe Spedding (Senior Programme Manager - Maecenas Initiative and A&B World), Arts&Business, UK
- Michael Söndermann (President of the Working Group on Cultural Statistics), Germany
- Professor Andreas Johannes Wiesand (Executive Director), European Institute for Comparative Cultural Research (Ericarts)
- Sandra Wilgenbusch (Adviser), Arbeitskreis Kultursponsoring (AKS), Germany

**Annex 11.**  
**Working Meeting of 19.7.2006,**  
**organised by the European Commission**  
**List of attendees**

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| <i>Invited Association/Grouping</i>                                  | <i>Answer</i> | <i>Contact Person</i>                          | <i>Attendance</i> |
|--|---------------|--|-------------------|
| <i>Union des théâtres de l'Europe</i>                                | Yes           | <i>Pierre Bachelier</i>                        | OK                |
| <i>RESEO</i>   |               | <i>Isabelle Joly</i>                           |                   |
| <i>European Visual Artists</i>                                       | Yes           | <i>Carola Streul</i>                           | OK                |
| <i>Europa Nostra</i>   | Yes           | <i>Eleonore de Merode</i>                      | OK                |
| <i>Congrès des écrivains européens (EWC)</i>                         | Yes           | <i>Myriam Diocaretz</i>                        | Ok                |
| <i>ENCATC</i>  | Yes           | <i>GiannaLia Cogliandro</i>                    | OK                |
| <i>European Cultural Foundation (ECF)</i>                            |               | <i>eurocult@eurocult.org</i>                   |                   |
| <i>Ligue européenne des instituts des arts (ELIA)</i>                |               | <i>elia@elia.artschools.org</i>                |                   |
| <i>EFAH</i>  | Yes           | <i>Sabine Frank</i>                            | OK                |
| <i>Performing Arts Employers Associations League Europe (PEARLE)</i> | Yes           | <i>Liesbeth Dejonghe</i>                       | OK                |
| <i>Euro-MEI</i>  |               |  |                   |
| <i>Eurocinema</i>  | Yes           | <i>Fabienne Burton</i>                         |                   |
| <i>European Producers Club</i>                                       | Yes           | <i>Anne Appathurai</i>                         | OK                |
| <i>Association of Commercial Televisions in Europe (ACTE)</i>        | Yes           | <i>Julia Vallelunga</i>                        | OK                |
| <i>International Federation of the Phonographic Industry (IFPI)</i>  | Yes           | <i>F. Cunningham</i>                           | OK                |
| <i>European Music Office</i>   | Yes           | <i>Judith Merkies<br/>Jean-François Michel</i> | OK<br>OK          |
| <i>European Advertising Standard Alliance (EASA)</i>                 | Yes           | <i>Katie Carroll</i>                           | OK                |
| <i>European Federation of Publishers (FEP)</i>                       | Yes           | <i>Céline D'Ambrosio</i>                       | OK                |
| <i>European Federation of Magazines Publishers (FAEP)</i>            | Yes           | <i>Max v. Abendroth</i>                        |                   |
| <i>European Newspaper Publishers' Association (ENPA)</i>             | Yes           | <i>Sophie Scrive</i>                           | OK                |
| <i>European Publishers Council</i>                                   | Yes           | <i>Nicole Schulze</i>                          | OK                |
| <i>Interactive Software Federation of Europe</i>                     | Yes           | <i>Patrice Chazerand</i>                       | OK                |

|   |     |                      |    |
|---|-----|----------------------|----|
| <i>(ISFE)</i>   |     |                      |    |
| <i>Creative Media Business Alliance (CMBA)</i>                          | Yes | <i>Voir IFPI</i>     |    |
| <i>European Grouping of Societies for Authors and Composers (GESAC)</i> | Yes | <i>Martine Rezzi</i> | OK |

|  |     |                      |    |
|--|-----|----------------------|----|
| <i>CEPI</i>  | Yes | <i>Bruno Alves</i>   |    |
| <i>European Festival Association (EFA)</i>   | No  |                      |    |
| <i>Association of European Radios (AER)</i>  | Yes | <i>Vincent Sneed</i> | OK |
| <i>Association Européenne des Entreprises de Restauration du Patrimoine Architectural (AEERPA)</i> | Yes |                      |    |
| <i>ICMP CIEM</i>   | Yes | <i>Jenny Vacher</i>  | OK |

## **Annex 12.**

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The bibliography is a complement to the various sources presented in the study.

Due to the amount of literature available at international, Community, national, regional, trade association and professional organisation level, it is limited.

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