
**AN INTERNATIONAL COMPARATIVE REVIEW OF
DISTRIBUTION POLICIES AND
REGULATORY FRAMEWORKS IN THE FILM
AND VIDEO INDUSTRIES**

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** The opinions expressed in this report are those of the author and do not necessarily reflect the views of the Department of Canadian Heritage.

EXECUTIVE SUMMARY

This report is intended to provide an international comparative perspective to assist the Department in determining future options for improving the distribution of Canadian films in the domestic market and strengthening the position of Canadian film and video distributors. The report is a review of the policies and programs in other countries designed to support the distribution of domestic films in the face of strong foreign competition. This international comparative review draws the following conclusions:

- < **Government support abroad for the film industry has traditionally focused on supporting production only.** However, in all the case studies examined, **US films continue to dominate the exhibition and distribution markets.** Moreover, the trends indicate that the market share for US films has steadily increased in the countries examined, despite continued public support for the production sector. Therefore, **it would appear that this traditional approach has not worked.**
- < **Government support for the domestic distribution sector is not a priority for the countries examined. Therefore, the approach tends to be unfocused and provided through a variety of measures:** Subsidy or loan programs, exhibition quotas, distribution licencing, limited tax or legislative measures, exclusive distribution agreements with the private sector and television content regulations.

Non-Fiscal Measures

- < **There are few quotas or structural measures in place abroad to directly support film distribution. Spain, however, has been the most active in providing structural measures to support the distribution of domestic productions.** Structural support comes in the form of dubbing licences and exhibition quotas.
- < **France requires the licencing of distributors operating in their domestic market.** However, these licences are not designed to impede foreign access to the French market but, rather, are mandatory for distributors to be eligible for government funding.
- < The Australian government indirectly assists its domestic distribution sector by imposing a **10 per cent withholding tax on royalties** returned to foreign-owned film distribution and exhibition company's headquarters.
- < **The most common source of indirect support has been television content regulations in place in each of the countries reviewed.** Each of the European countries examined is party to the European Union's Broadcast Directive which mandates that a majority of programming originate with EU Member States. France has further strengthened this law by including a specific percentage of French programming and extending the quota to specifically include prime time programming.
- < **There are no foreign investment regulations in the countries examined which specifically limit foreign influence in the film sector.** Most of the countries have restrictions on foreign ownership of the "media" sector. While this does not apply to the film industry, it does affect the foreign ownership in the television industry.

Fiscal Measures

- < **Most of the direct support for the distribution sector is in the form of subsidies or (usually interest-free) loans** to film distributors intended to assist with promotional costs and the production and distribution of additional prints of domestic films. The latter measure is used to counter the often-aggressive release strategies of the US major studios which saturate the market with a large number of prints. **The bulk of government funding for the film industry is the responsibility of arms'-length support agencies analogous to Telefilm.**
- < These arms'-length agencies have further supported the films they fund by arranging **exclusive distribution/funding agreements with domestic and foreign distribution companies.** Examples include British Screen's exclusive distribution agreements with BSkyB and Miramax and the Australian Film Commission's agreement with Special Broadcasting Services (SBS).
- < **The French and Spanish governments grant automatic aid to domestic films in relation to their box office earnings.** In effect, this demand-side measure awards domestic producers of commercially successful films.
- < **Distributors in France are further assisted by two private sector organizations which provide loans and completion guarantees** for the production and distribution sectors of the French film industry.

Innovative Funding Sources for the Film Industry

- < In terms of funding sources for the film industry, **the United Kingdom will now distribute profits from the National Lottery** as its primary source of funding for the film sector. These proceeds will amount to **£ 80 million over five years.** France generates its funding for the film industry via two levies directed at the industry: a **10 per cent tax on all cinema tickets and a 2 per cent tax on the sale and rental of all pre-recorded video cassettes.**