

FILMWIRTSCHAFTSBERICHT
ÖSTERREICH

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SUMMARY

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For many years the film sector had called for an annual report that would describe the situation of Austria's movie industry, not only with a view to collecting objective facts and figures and thus establishing a national and European context for Austrian film production, but also to give policy makers an indication of where action might be needed and which forward-looking decisions had to be taken. With its third Film Industry Report, the Austrian Film Institute provides a well-founded basis for these aspirations. The developments shown by the report, some of them significant, will probably prompt clear reactions from policy makers, the media and the film sector itself.

Compared to the 2005 report, the quality of the data presented has been further improved. Co-operation with Nielsen EDI permits measurements in the cinema sphere in line with European standards and thus makes comprehensive international comparisons possible. While there is still a lack of reliable figures for the videogram (DVD and VHS) segment, a study commissioned by the Film Institute has achieved considerable progress: for the first time it has become possible to collect data on overall DVD and VHS turnover and on consumer behaviour. Positive impact is also expected to flow from the closer co-operation with the European Audiovisual Observatory which will generate a new quality of comparisons with other European film industries.

The results of the 2006 Film Industry Report represent a snapshot of continuous development. In order for stakeholders to use it as a basis and tool in an ongoing working process, the entire report will be made available as a dynamic website:

www.filminstitut.at/filmwirtschaftsbericht

THE FILM INDUSTRY

The film industry covers the production, copying and dissemination of films with the core areas 'film production' (commissioned and independent productions), 'film distribution' and 'film screening' (cinemas). In order to comply with common European practice and provide for international comparison, 'film production' was reduced to cinema, television, advertising and industry films. According to the *Fachverband der Audiovisions- und Filmindustrie* [Austrian Professional Association of the Audiovisual and Film Industry], the 2006 annual production value amounts to 148.5 million euros (2005: 165.5 million euros), lifting it a little above the 2004 mark (145 million euros). The share of independent film productions (= cinema film) is 15.6%. Hence, commissioned film productions represent a predominant share of 84.4% of the film industry's production volume. Broadcasting providers, mainly the Austrian public-service provider ORF, thus still play a central role as clients for the film production industry.

Since 1994, the liberalised trade law has led to a near quadrupling of film-production businesses – from 618 to approximately 2.400 at the end of 2006 (2005: 2.824). An overwhelming majority (up to 90%) of business undertakings in the film industry are single-person entities.

In the year under review the film industry in total employed a staff of 4.300 people, approximately 2.300 of them in film production (2005: 2.500). These figures neither include people in "atypical" employment – which represents a characteristic employment situation in the film industry – nor subcontracted work provided by single-person companies.

33 First releases. In 2006, 33 Austrian films (national films and co-productions equivalent in status to national productions) were first released in cinemas (including television-film and very small budget productions) – compared to 30 films in 2005. As in 2005, releases included more documentaries than full-length feature films. Half of the 16 feature films were purely domestic productions, the other half being co-productions with Austrian majority participation. Of the 17 documentaries, 13 were exclusively national productions. In 2006, 19 production companies had a film released in the cinemas, six companies released two to three films. The funding structure illustrates that in Austria – not unlike other European countries – the production of cinema films would not be viable without public funding: on average, public funding accounts for two-thirds of the budget of all independently produced films.

ORF commissions. In 2006, the ORF commissions amounted to 87 million euros with domestic production companies, thereby raising the commissioned volume for 2006 slightly above that of 2005. Developments of recent years show a nearly unchanging tendency of main shares of the commissioned volumes, mostly relating to TV series, going to a few film producers experienced in the series sector with 80% of the awarded volume going to 14 companies. However the increase in the number of commissioned undertakings from 84 (2005) to 95 (2006) resulted in a tripling of small-budget commissions as compared to 2000. About 95% of the commissioned volume went to approx. 32 film productions, and 65 production companies shared the remaining 5%.

DISTRIBUTION CHAIN

The distribution chain of cinema film includes several steps: cinema release followed by video and DVD sales and rentals, distribution as pay-per-view, pay-TV and, ultimately, airing on free TV. Assessing economic success requires a calculation of the national and international revenue totals of all distribution stages.

Secondary distribution. In the last ten years so-called “secondary” distribution, revenue generated after cinema release has ended, i.e. airing on television and distribution on DVD or video tape (sale or rental), has been accelerating and achieving markedly higher sales figures than the cinema box office, with the upward trend unbroken.

Box office. A total of 16.7 million cinema admissions reported by Nielsen EDI means the massive decline of 2005 has been overcome, even if the record high of 2004 was not repeated. The increase for the reporting year was 11%. The number of films shown was 334, repeating exactly the number of releases in 2005, 296 films were first released. 147 of these films were US productions and achieved a box office share of 77%, or more than 12.56 million admissions.

Distribution companies. This US dominance is even more marked in film distribution: with the exception of Constantin the six largest distribution companies are US-majors. Together they achieve a box office market share of approx. 75%. Austrian distributors hold a total market share of 25%.

Austrian cinema film. With a market share of 2.61% (or 460.147 tickets) for national productions, Austria again lags in the European rankings. The successful release of Austrian films should, however, be reassessed in the light of general audience acceptance of European films. Whereas half of all newly released films were European productions, they only achieved a box office share of 23,15%. The most successful films in the

international evaluation were *Caché* (Michael Haneke, Wega Film) and *We Feed the World* (Erwin Wagenhofer, Allegro Film).

DVD revenue. There are no reliable figures available for DVD and VHS sales and rental revenue in Austria. Estimates (equivalent to one tenth of German sales figures) assume a turnover of 170 million euros for DVD/video rental and sales. At 80% the sale of DVDs represents the main share. In the future, solid statistics have to be provided for this important element of the distribution chain.

Austrian films shown on ORF. In 2006, ten cinema films that received state funding attracted more than 100.000 viewers when broadcast on ORF, one of them gaining more than 500.000 viewers. Highest market shares were achieved by a crime movie and two comedies: *Silentium* (Wolfgang Murnberger, Dor Film), *Poppitz* (Harald Sicheritz, Dor Film) and *Zwei Väter einer Tochter* (Reinhard Schwabenitzky, Star Film).

FILM AWARDS

In recent years, Austrian films have been invited increasingly to participate in international film festivals. The Austrian Film Commission quotes the Golden Bear for the Austrian-Bosnian co-production *Grbavica* (Jasmila Zbanic, Coop 99 Film) as the highlight in award-winning films. The documentary *Unser Täglich Brot* (Nikolaus Geyrhalter, Geyrhalter Film) was nominated for the European Film Award.

PUBLIC FUNDING AND FINANCING

In Europe, independent cinematic film production is impossible without public funding, since revenue across the distribution chain would not even come close to covering the production cost. Therefore, most European countries consider the funding of national films a state task that takes not only the production process but also the background context of a film into account. As of 1980, the adoption of the Film Funding Act and the establishment of the Austrian Film Fund (today: Austrian Film Institute) initiated a system of state support that considered film in its cultural and economic aspects. The Austrian Federal Ministry of Education, Art and Culture has supported the purely artistic aspect of film and cultural institutions relating to film-making since

Film/TV Agreement. State funding measures are complemented by financial support from the Austrian public-service broadcasting provider ORF which is laid down in the Film/TV Agreement concluded between the Film Institute and the ORF. As in the preceding years, the funding provided by the ORF in 2006 amounted to 5.96 million euros. This represents 1.29% of the ORF's revenue from subscribers (462.8 million euros). In addition, the ORF contributed a total of 289.500 euros (2005: 448.200) towards promoting Austrian cinema films (this includes the annual financial support for the Austrian Film Commission and Diagonale festival, the organisation of theatre premieres and the showing of film trailers on Austrian television). According to the ORF, the decline under this funding scheme when compared to previous years was due to legal restrictions that made the use of film trailers more difficult.

Regional funding. Most Austrian Länder have film funding schemes focusing on the support of productions with a regional cultural link and a positive business impact on the region.

Total funding and financing. In 2006, the funding agencies had a total of 37.4 million euros at their disposal. The highest budgets still belong to the Film Institute (9.6 million), the Filmfonds Wien [Vienna Film Fund] (8 million), and the FERNSEHFONDS AUSTRIA [Austrian Television Fund] (7.5 million). These amounts rarely tally with the committed amounts, however, and even less with the amounts actually paid out, since the reporting period and the duration of a production rarely coincide.

Funding commitments. The Austrian film industry received total funding commitments of just under 35.4 million euros in 2006, the lion's share of which (83%) went into production. First-time funding was granted to 104 films, including 30 cinema films, 54 television films and 20 "other films" (mainly films shorter than 60 minutes). This is one third less than in 2005 (155 films).

Steep decline in TV films. The downward trend is also noticeable in television, where the number of films dropped drastically from 82 (2005) to 54. There was more than 50% downturn in television films with a budget of less than 800.000 euros.

Disbursement of funds. In 2006, actual disbursement of funds amounted to 33.5 million euros. As with funding commitments, the largest sums were paid out by the Filminstitut, the FERNSEHFONDS AUSTRIA and the Filmfonds Wien. Compared to 2005 this represents a slight increase. At 3.1 million euros, the ORF disbursed only half of the potential budget provided for by the Film/TV Agreement. A total of 14.2 million euros was disbursed for the production of cinema films, 12.8 million euros for television productions and 228.728 euros to the "other films" category.

FILM FUNDING IN EUROPE

MEDIA. The funding focus of MEDIA (Measures to Encourage the Development of the Audiovisual Industry) turns on development, promotion, sales and training. MEDIA 2007 will replace MEDIA PLUS which ran from 2001 – 2006. In this period, Austria has steadily increased its presence in MEDIA, even if some funding areas (i2i funding which facilitates access to finance, for instance) needed a warm-up period before they found general acceptance. In total, MEDIA PLUS brought 11.5 million euros to Austria, mainly in support of distribution activities. In 2006, Austria received 1.5 million euros from the MEDIA programme, the main share again flowing into distribution support.

EURIMAGES. This was established in 1988 as a Partial Agreement of the Council of Europe and had already been joined by 32 countries in the year under review. Eurimages supports the production of cinematographic works produced as European co-productions. The support is granted in the form of gap financing. In 2006, EURIMAGES funds totalled 21.1 million euros. The Austrian membership dues came to 445.000 euros or 2.3% of total membership contributions. In 2006, projects with Austrian participation received funding commitments of 889.895 euros, making this the best annual result for Austria since the country joined EURIMAGES.

THE EUROPEAN CONTEXT

In 2006, the EU saw the production of 862 films which represents an increase of 5.8%. The trend is not uniform, however, given that production figures rose in Spain and Hungary, whereas they dropped - albeit after the 2005 "record year" - in France and Denmark.

Admissions have recovered throughout Europe after the plunge of preceding years and the market share of European films has risen from 25% to 27.6%, with French and German productions making up the biggest share. In the EU, US productions achieved a market share of just below 70% (which includes films with US financing participation).