REPORT

Enumerating the role of incentives in CCI production chains

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1. Introduction

This paper is the second of a series of CICERONE papers which started with "*A review of tariff barriers and trade costs affecting the Creating Industries across European borders*". This series of papers explores whether and to what extent the existing European, national and regional policy frameworks concerning cultural industries (and the wider economy) are appropriate to the challenges of new and emergent organisational and governance forms of the creative economy. This paper adopts the Global Production Network (GPN) approach to creative and cultural industries (CCIs). Such approach aims at capturing the main drivers of changes in labour division among firms such as digitalization, regulation, taxes, subsidies, copyright policy. It also analyses local and supra-local ties governing the CCI production[1]. As such, the GPN approach enlarges the research field on CCIs by looking at *where* value is created under *which conditions*, and how power relationships within the network impact on the capturing of value.

1.2. Objectives

This paper aims to assess the role of CCIs incentives in the GPN framework. In doing so, it builds on previous research on CCIs incentives.[2] Incentives favour the interactions and collaboration between stakeholders across different stages of the CCIs GPN – in societal and territorial terms and especially in network terms – therefore enhancing the creation, enhancement and capture of value. Analysing the various types of incentives to support CCIs in Europe thus enables to understand the underlying market dynamics and needs that motivate their existence. The underlying question this paper intends to respond is the reason why such incentives exist and how they influence the production circle.

1.3. Scope

This paper adopts the following definition of 'incentive': a motivating influence, which encourages someone to take action for a specific purpose. In relation to CCIs and in the GNP perspective, an

[1] The application of the GPN approach to the CCIs by CICERONE is detailed in Creative and Cultural Industries and GPN approaches so far

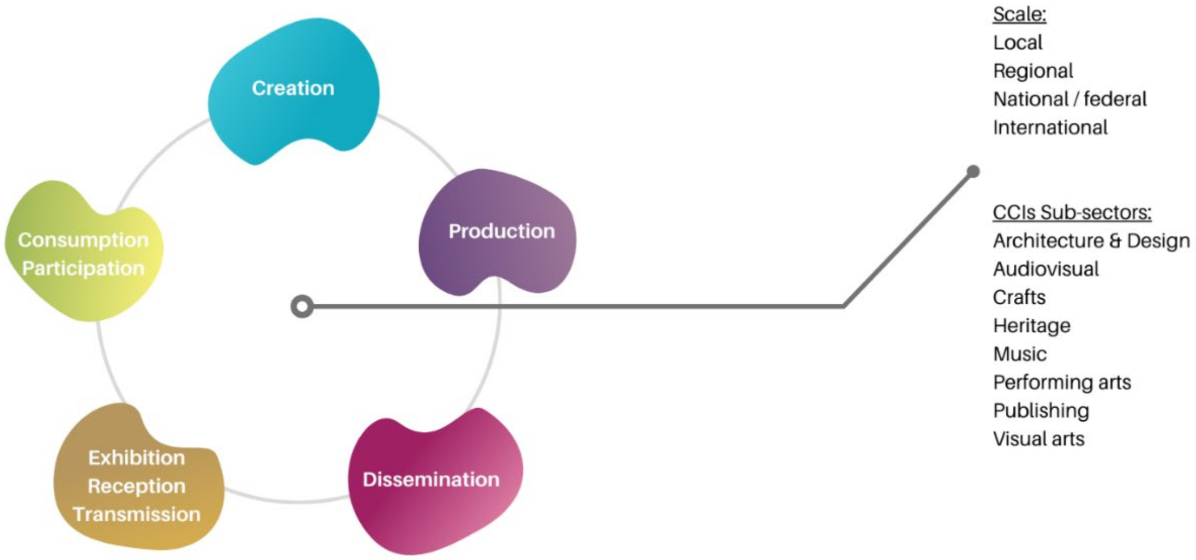
[2] Such as the work conducted by OMC group coordinated by the European Commission DG EAC in 2016 with the 'Good practice report towards more efficient financial ecosystems: innovative instruments to facilitate access to finance for the cultural and creative sectors (CCS)'

incentive is a policy instrument or a measure taken to stimulate the creation, the production, the dissemination, the exhibition of cultural and creative goods and services, their reception, transmission to and consumption by an audience or the participation of such audience in their final realisation.

As Figure 1 shows, the paper describes the role of incentives in CCIs production chains considering the following criteria:

- the GPN stage(s) at which they intervene
- the purpose of their action (creation, production, dissemination
- exhibition/reception/transmission, consumption/participation)
- the scale at which they operate (local, regional, national/federal, international)
- the CCIs sub-sectors studied by the CICERONE project (architecture and design, audio-visual, crafts, heritage, music, performing arts, publishing and visual arts)

Figure 1: Incentives in CCIs production chains



The incentives referred to in this paper constitute a catalogue of instruments put in place in the European Union (EU),[3] by EU Member States, regions, cities or by the EU institutions to support various parts of the creative industries. This paper has been completed from desk research by the partners of the CICERONE project. For all practical purposes, it is by no means exhaustive.

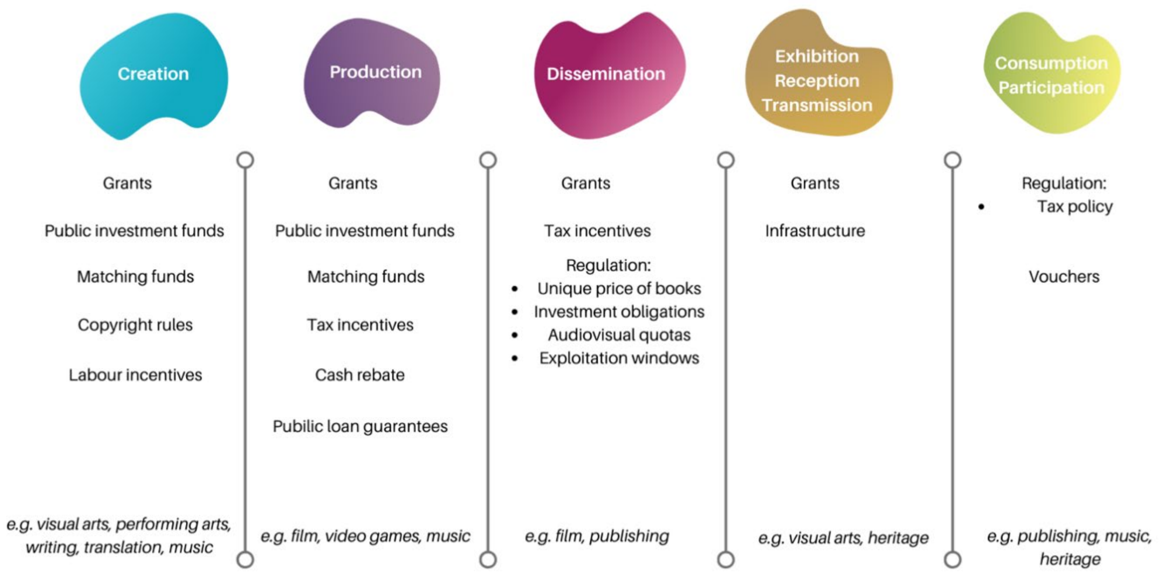
[3] The CICERONE project started in February 2019. In this paper, the European Union is therefore considered as before the formal withdrawal of the UK.

2. The role of CCIs incentives in the GPN

Culture in general and the arts in particular have been traditionally recognised, promoted and preserved in relation to their very intrinsic value, i.e. their status as a symbolic creation at the heart of humanity and resulting from the expression of its creativity. However, in the last decades a new complementary and interrelated approach has emerged from international organisations such as the UNESCO (e.g. 2005 Convention on the Protection and Promotion of the Diversity of Cultural Expressions), United Cities and Local Governments, the Organisation for Economic Co-operation and Development and the European Union. Such approach increasingly recognises the instrumental value of the arts, culture and creative industries, for their contribution to other policy fields bringing about a range of economic and social benefits including spill-over effects in other industries.

Incentives are therefore motivated on the one hand by the needs of the CCIs in their supply and value chains and on the other hand by their expected positive impacts on the economy and on society. Figure 2 below shows the various types of incentives that can be found for each stage of the GPN. It should be noted that the same type of incentive can be used at various stages.

Figure 2: Incentives in the GPN stages



Incentives represent a financial input in the production phase (supply side). They enable CCIs to access the funding required at various stages of their production or distribution. Investment needs vary according to the stage of development of a project and the structure of the industry. Film production for instance is generally a very expensive activity spanning long periods of time. A producer is thus faced with the challenge of acquiring large amounts of money from different sources to be able to make a film. At the same time, film production is a lucrative activity creating jobs not only in audio-visual production but also in other sectors such as catering (for the film crew at the time of shooting), crafts (props, costumes, decors) and tourism to locations where the film was set. Tax incentives in film production intervene not only to help the producer acquire liquidity to be able to continue with his production, but also with the overarching aim of bringing important inward investment thus an important input for the local economy.

The dissemination (and to a certain extent the exhibition, reception and transmission) is a critical phase for cultural and creative products to find a market and an audience, especially in an international and digital environment. On the one hand, the diversity of languages and cultural traditions negatively impacts foreign market access opportunities for creators and producers in Europe. A large number of cultural productions only go to a domestic audience, distributed in local language. Moreover, reaching out internationally requires the capacity to bear important distribution and marketing costs which few European cultural operators actually have. On the other hand, with a high Internet penetration on the continent,[4] an increasingly high share of Europeans access cultural content online: in 2018, 72 % of the adult population (aged 16 to 74 years) watched films or television online, 56 % listened to streamed music and 33 % played or downloaded games from the Internet.[5] The online cultural experience is particularly important among younger generations.[6] However, digitisation has brought about a number of challenges to CCIs, especially the disintermediation from creator to consumer made possible online and the disruption of new (global) actors in the platform economy which threaten traditional value chains. Digitisation has impacted all cultural and creative sectors, from industries such as audio-visual, publishing and music to heritage, visual and performing arts. Digital is not only transforming business models but also working processes and operations, for instance audience development, ticketing and communication. Incentives, especially on the regulation side, have a strong role to play so that cultural productions find their way towards a large audience, who is increasingly present online while preserving revenue flows for CCIs professionals. The EU and Member States are evolving towards finding a level playing field with digital platforms through regulation.

[4] 89 % of households in the EU-28 had internet access regardless of the type of connection. Source: EUROSTAT (2019) Culture statistics — 2019 edition.
[5] EUROSTAT (2019) Culture statistics — 2019 edition.
[6] In EU-28, EAA and Western Balkans in 2018, 90 % of people aged 16-24 who used the internet in the previous three months had watched a film online. Source: EUROSTAT (2019) Culture statistics — 2019 edition.

At the other site of the GPN, on the demand side, a more general conception of the public value of culture[7] demonstrates how cultural participation can lead to the creation of democratic citizenship and the construction of an inclusive society. Indeed, recent research suggests that cultural participation in general, but also specific forms of artistic expression, online creativity and passive participation are strongly related to trust and tolerance which are some of the main characteristics of an open, resilient and inclusive society.[8] In addition, according to recent studies, participation in cultural activities such as cinema, theatre, classical music, visual art exhibitions and novel reading among others is ranked as second as a determinant of psychological well-being after absence of disease and outperforming factors such as employment, age, income and educational status.[9] Encouraging the consumption of cultural products and experiences and the participation in related experiences can be done through regulatory instruments such as tax policy lowering the cost of access to culture or vouchers schemes enabling access to cultural products or experiences for a targeted audience.

Incentives intervene in a context of global competition in the arts and creative fields. While cultural goods and services are considered different to other goods and services,[10] incentives come to play to protect and promote the plurality of means of expressions and diversity of cultural content in Europe. Having this as a basis, one can observe three main categories of incentives to CCIs production:

1. **Public subsidies**. These represents a more traditional way of directly supporting CCIs. Public subsidies consist in a non-repayable amount of money given to cultural operators after a selection process mainly based on artistic quality.
2. **Regulatory incentives.** These aim at setting a favourable framework to CCIs development, taking into consideration market power relations (e.g. media chronology, reduced VAT, investment obligations, harmonisation of copyright rules in the digital age).

[7] Council of Europe (2013) "Governance of Culture-Promoting Access to Culture". Background paper by Elena Di Federico, researcher Zsuzsa Hunyadi, sociologist and Peter Inkei, director of the Budapest Observatory. MinConCult (2013)
[8] Hertie School of Governance (2016,). Cultural Participation and Inclusive Societies –A thematic report based on the Indicator Framework on Culture and Democracy. Strasbourg: Council of Europe. https://edoc.coe.int/en/cultureand-democracy/7285-pdf-cultural-participation-and-inclusive-societies-a-thematicreport-based-on-the-indicator-framework-on-culture-and-democracy.html
[9] Grossi, E., P.L. Sacco, Blessi G.T, Buscema M. (2011), The Interaction Between Culture, Health and Psychological Well-Being: Data Mining from the Italian Culture and Well-Being Project. Journal of Happiness Studies 13(1):129-148. https://link.springer.com/article/10.1007/s10902-011-9254-x
[10] See CICERONE Paper 3.1 "A review of tariff barriers and trade costs affecting the Creating Industries across European borders"

3. **Incentives leveraging private investment**. Such schemes involve public and private funding in the production chain, with a view to generate wider economic benefits for the territory where the cultural or creative production takes place. Examples are tax incentives or public investment funds.

The next sections describe all three categories and the various types of incentives. The latter are often illustrated with examples taken from EU countries.

3. Public cultural spending in the CCIs as an incentive

Public support for arts and culture largely takes the form of traditional models of funding including direct financing such as subsidies, awards, and grants, provided by central and lower levels of governments.[11] This section presents traditional funding schemes that work as an incentive for creation and production as well as innovative ones to incentivise the investment in production or the consumption of cultural products.

3.2.Grants

Grants constitute an amount of direct funding that does not need to be reimbursed by the recipient to the issuing body. Through a particular grant, the issuing body (public or private) normally finances a type of actions or bodies in the aim to pursue a given policy objective or the general interest. Grants are subject to EU state aid rules as they intentionally increase competitiveness.[12]

The European Union itself also provides grants to the CCIs, importantly through (but not restricted to) its Creative Europe Programme (2014-2020).[13] The programme contributes to the overarching aim of promoting cultural diversity at both offer and demand levels: firstly by promoting European cultural and audio-visual works across Europe (referred to as increasing the circulation of works); secondly by increasing and diversifying access to and experience with cultural and audio-visual content across Europe (referred to as audience development strategies). The Programme dedicates a significant share of its budget to address the circulation of cultural and audio-visual works (around 60% of the total Creative Europe budget for 2014-2017, considering all the actions directly related to circulation).[14] The grants provided cover: distribution and sale agent companies in the film sector, cinema exhibitors showing non-national European films, digital distribution of films on national platforms, transnational collaboration in the cultural sector (at production and distribution levels), translation of literary works, European prizes to celebrate best European talents in cinema,

[11] OECD (2018) « Financing and Investment Frameworks for Cultural and Creative Sectors » DISCUSSION NOTE in the context of the conference Unleashing the Transformative Power of Culture and Creativity for Local Development, 6-7 December 2018, Venice https://www.oecd.org/cfe/leed/venice-2018-conference-culture/documents/C1-DiscussionNote.pdf
[12] Definition inspired by the one laid down by the Open Method of Coordination, OMC group (2016) op.cit.
[13] https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1408546810627&uri=CELEX:32013R1295
[14] KEA (2018) Research for the CULT Committee – Creative Europe: Towards the next programme generation, European Parliament, Policy department for Structural and Cohesion Policies, Brussels.

architecture, music, literature and heritage. With such a grants system, the EU Programme aims at compensating the difficulty of CCI operators to distribute across national borders in a highly fragmented linguistic area and at increasing foreign market access opportunities.

Grant schemes can be found at any level of government across Europe, in every subsector as well as well as targeting any stages of the GPN – but the consumption stage. In this sense, their impact on the GPN can be localized at one stage, or on the contrary, provide for a more distributed and dynamic flows across the GPN in terms of value creation, enhancement and capture.

3.3.Culture and creative vouchers

A voucher is a credit – usually in the form of a ticket or a card – that is meant to pay a good or a service as a substitute to cash. Public actors across the EU have been putting in place creative or innovation voucher schemes to encourage innovation through collaboration between researchers, governmental bodies, businesses and cultural/creative operators.

Vouchers encourage the consumption of CCIs as a creative input in other production chains. Such schemes are most frequently provided by public bodies to manufacturing or service-providers small and medium-sized enterprises from the CCIs or other sectors. Vouchers allow for them to acquire goods or services from other creative or innovative entities, and thus they enable and promote interaction between the different stakeholders involved in the production circle. Creative vouchers enable SMEs to introduce innovation and creativity skills and approaches that many times they lack due to inexperience, small scale or budgets. At the same time, these vouchers enable access to Business to Business (B2B) markets to SMEs from the creative sector.[15]

Various types of vouchers schemes have been introduced across Europe at different administrative levels. At national level it can be found in by several Member States such as the UK, Portugal, Slovakia and Austria. A regional level it can be found in Belgium (Wallonia) as illustrated in the examples below (see boxes).

Besides, vouchers can also be proposed to encourage the consumption of cultural products by the audience and the participation in cultural (linked to libraries/heritage, publishing, music, audio-visual) experiences.

[15] OMC group (2016) op.cit.

WALLONIA CREATIVITY VOUCHERS

- Stage (s): linking the creation-production-dissemination stages
- Subsector (s): transversal
- Scale: regional, Wallonia (Belgium).

The Wallonia Creativity Vouchers were issued under the Creative Wallonia programme of the Wallonia Region Government and co-funded by the European Commission, with an initial investment of EUR 60,000. The Wallonia European Creative District programme was organised into four themes, one of these themes, 'Better Business Support', included a pilot scheme providing Creativity Vouchers to SMEs. These vouchers provided businesses across a range of sectors with EUR 6,000 to buy services from the creative industry for new creative projects that would result in a long-term increase in profitability. The pilot was organised into two rounds, with open calls for proposals held in September 2014 and February 2015, and a total of 10 EUR 6,000 vouchers.[16]

CULTURE VOUCHERS IN SLOVAKIA

- Stage (s): linking the consumption stage to other stages.
- Subsector (s): archives/libraries/heritage, music and audio-visual
- Scale: national, Slovakia.

The Ministry of Culture of the Slovak Republic has been distributing culture vouchers since 2006 to improve access to culture for pupils of elementary and secondary schools and the pedagogical staff of these schools. The beneficiary can use the voucher to pay for admission (to a theatre, museum, gallery) or to pay for services providing access to culture (e.g. at a library or a cultural centre). Culture vouchers are provided in sets worth four euros, each of which includes four vouchers worth one euro each. The owner can use three of the vouchers for any cultural event of their choice except watching a film. The other voucher can be used to watch a film or any other cultural event.[17]

3.4.Public investment funds

Public investment funds are gradually emerging as new forms of support to CCIs. Such funds create conditions for private capital to be invested in CCIs, moving away from the project-based logic of

[16] http://www.designforeurope.eu/case-study/wallonia-creativity-vouchers
[17] https://www.coe.int/en/web/culture-and-heritage/-/culture-vouchers

public subsidies. Public funds favour a much-required pool of financial resources that can be utilised for scaling-up enterprises and favour the growth of promising businesses in the cultural and creative sectors. Public investment funds might offer of a wide array of tailored financial instruments to CCIs such as:

- repayable financing (loans) with free or favourable interest rates
- venture capital (equity) or matching funds to support investment in CCIs, from start-ups to larger companies in capital-intensive sectors (e.g. AV and video games).

Such funds can intervene at national or regional levels, for instance to support business angels with matching funds. They can also offer services such as brokerage/awareness raising events to bring together CCI businesses, investors and public authorities, or training and capacity building activities to foster business and entrepreneurial skills within CCIs. These funds aim to complement and not replace other types of financial mechanisms and public subsidies. Several EU countries (e.g. France, UK) effectively established public investment funds to complement public support to projects with investment in the growth of CCIs businesses and stimulate the leverage of private investment capital.

ST'ART INVEST, THE INVESTMENT FUND FOR CULTURE AND CREATIVE INDUSTRIES (BELGIUM)

- Stage (s): production, dissemination, exhibition, consumption
- Subsector (s): heritage, visual arts and crafts, music, design, performing arts, fashion, architecture, publishing, radio and TV (including web radio and TV), digital arts, video games, food design and gastronomy.
- Scale: regional, Brussels and Wallonia

St'art was founded in 2009 by the Wallonia region, the Federation Wallonia-Brussels and Finance.Brussels (regional investment organisation for the Brussels region) with a capital of EUR 37 million. The common objective behind the creation of the fund was to support the development of the creative economy by strengthening the solvability and growth capacity of SMEs in the sectors. The fund provides financing in the form of loans and equity funding .[18] St'art contributes to the creation of new companies and the development of existing structures in order, for example, to undertake new projects, create new products and win new markets. The fund aims at leveraging funding from banks and private investors, complementing regular financial mechanisms and public subsidies.

[18] http://start-invest.be/-Le-fonds-154-?lang=fr

Matching funds

Public investment funds often provide matching funds. Matching funds exemplify a positive correlation between public subsidy and private investment, in which the two are not substituting each other, but are complementary, to the benefit of the CCIs. They require that a private donation or investment has to be matched by a certain amount proportional to the value of the donation or investment from a third party, such as the state or local community. Matching funds can also enable the investment in content production that would otherwise be perceived as too risky for sole private investors to intervene.

MATCHING FUNDS IN THE UK

Within the Creative Industries Sector Deal[19], the British government committed to boost matching funds delivered through the following measures:

- A regional angel co-investment fund: this instrument aims to complement existing equity schemes offered by the British Business Bank to provide matching fund to syndicates of angel investors. This scheme helps the CCIs to provide support to investors to secure the matching fund.

Support Creative England which addresses the financing gap for CIs businesses (video games, TV, film and digital media industries) by offering investment, loans but also growth mentoring and networking opportunities between national investor networks and regional CIs businesses.[20] Between 2014 and 2018, Creative England has invested more than GBP 23 million in loan and equity investment to SMEs and leveraged GBP 49 million private investment. The step-up finance (from GBP 10 000 to GBP 250 000) is offered alongside business support.

FILM FUNDS AS EXAMPLE OF MATCHING FUNDS

The Copenhagen Film Fund is an investment fund which should be included in the films' recoupment plans on the same conditions as other private investors. Applicants must prove they have already secured a minimum 60% of their financing with a Letter of Commitment.[21]

[19] Source: British Government, Industrial Strategy, Creative Industries Sector Deal. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/695097/creative-industries-sector-deal-print.pdf
[20] Source: https://www.creativeengland.co.uk/who-we-are
[21] http://cphfilmfund.com/en/funding-2

3.5. Debt-based finance and guarantees

Public loan guarantees

Guarantees can mobilise and leverage debt financing by mitigating and/or protecting risks, notably commercial default risk in the case of CCIs. Through a public guarantee, governments or other public executive bodies agree to bear a certain amount of risk, typically by assuming a borrower's debt obligation in the case of a default. The public loan guarantee established at EU level for the CCIs has become increasingly popular as more and more financial intermediaries have signed an agreement with the EU in the past 2 years.

creative Europe guarantee facility for cultural and creative sectors
At European level, the Creative Europe Guarantee Facility for Cultural and Creative Sectors[22] has been reinforcing the European trend of private investment in the audio-visual sector, by seeking to incentivise banks and other financial intermediaries (FI) to extend loans to SMEs within the cultural and creative sectors. In 2016, the EIF designated a free-of-charge guarantee instrument of an overall value of EUR 121 million (extended to EUR 181 million in 2017) to financial intermediaries across Europe. The guarantee takes the shape of a portfolio of eligible debt financing, meant to cover eventual losses incurred by FIs if a CCI business falls into default on loan repayments (i.e. it covers 70% of outstanding final loss after recovery procedures are terminated). However, a cap on losses is set by EIF at a maximum level of 25%. The Guarantee Facility is expected to generate more than EUR 1 billion in loans for thousands of cultural and creative SMEs.[23] Until now, 13 financial intermediaries in 10 EU countries have signed agreements with EIF for an overall portfolio guarantee of over EUR 62 million[24], further proving the growing interest of the private sector in investing into the development of the creative sectors.

At national level, there are many examples of public loan guarantees set up by EU Member States, such as the CREA fund in Spain[25] or the IFCIC in France.

[22] https://www.eif.org/what_we_do/guarantees/cultural_creative_sectors_guarantee_facility/
[23] Source: https://ec.europa.eu/digital-single-market/en/financial-guarantee-facility-culture-creative
[24]https://www.eif.org/what_we_do/guarantees/cultural_creative_sectors_guarantee_facility/businesses_active_in_the_ccs
[25] https://www.egeda-us.com/Egeda_AudiovisualSGR.asp

FINANCING INSTITUTE FOR CULTURAL INDUSTRIES AND CINEMA (IFCIC)

The public-private IFCIC is the reference institution in France for the financing of CCIs. It was established in 1983 on the French ministries of Culture and Economy's initiative. Today, 49% of IFCIC's capital in held by the French government and the group BpiFrance and 51% by private shareholders, including most of the commercial banks and lending institutions established in France. IFCIC offers two sets of financial instruments:

- **Loans to cultural and creative companies** and financial/banking expertise; the loans usually finance development investments (post-seed financing) and expenditures on intangible investments; IFCIC loans are unsecure (no guarantee, security, mortgage or insurance is required).
- **Loan guarantees to banks**, co-financing ability and expertise in assessing the specific risks of CCS companies and projects; the IFCIC guarantees take the form of a participation in risk in which IFCIC shares the final capital risk of the credit transaction with the bank. All maturities (from short to long-term) are eligible. The guarantee rate usually varies between 50% and 70% of the credit's amount.

In 2016, the total volume of loans granted or guaranteed by IFCIC amounted to EUR 1 billion for the benefit of nearly 1000 cultural and creative companies.

IFICI also provides medium-term loans in particular to music businesses for structural development through the 'Fonds d'Avance aux Industries Musicales' (the loans cover up to 70% of the costs for a maximum of EUR 800,000).

Public loan guarantees are a way to leverage private funding to realise substantial investment in CCIs.

4. Regulatory incentives

A number of regulatory measures implemented either at EU or at national levels take into account interactions between different segments of the creative value chain and aim at protecting CCIs sub-sector markets. These incentives mostly intervene at the dissemination and consumption stages of the GPN. This section lists a number of regulatory measures widely used in Europe, for specific industries or generally applied in the CCIs.

4.2. Tax policy – low VAT rates

Almost all countries have reduced VAT to support various policy objectives, including stimulation of consumption of « merit » goods such as cultural products. Arguments to support the implementation of lower VAT rates for culture focus on the intrinsic societal values excessing the consumption value for the individual consumer[26] and on the positive externalities that come with cultural consumption.[27] For instance, printed books are subject to reduced VAT rate (10%) instead of the standard rate (20%). Cultural products or services such as e-books, cinema/theatre/music concert tickets, press and magazines can also be subject to reduced VAT rates as permitted by EU law.

Lowering prices for cultural products considered as merit goods makes them more affordable for low income groups thus spreading consumption possibilities to broader sections of the population.

4.3. Unique price of books

Fixed book price is a form of resale price maintenance applied to books which allows publishers to determine the price of a book at which it is to be sold to the public. Fixed book price aims to facilitate non-price competition between retailers and preserve quality and diversity in the publishing market, fostering the sales of titles beyond bestsellers. It is a way to maintain a large network of independent bookshops on the basis that prices are not undercut by large distribution outlets whose book selling is ancillary to their commercial activities. This measure is regulated at national level and in use in 13

[26] Copenhagen Economics (2007) Study on reduced VAT applied to goods and services in the member states of the European Union, for the European Commission.
[27] Borowiecki, K.J., Navarrete, T. Fiscal and economic aspects of book consumption in the European Union. J Cult Econ 42, 309–339 (2018).

European countries, including Austria, Belgium, France, Germany, Spain, Italy, the Netherlands, Norway, and Hungary.

Usually, fixed book price can take the form of a law to oblige by all retailers or an agreement between publishers and booksellers. In France, the Lang Law establishes a fixed price for books sold in France and limits price discounts on them in order to protect small, traditional booksellers from competition of big stores and chain retailers (such as Fnac). The law was extended to cover e-books in May 2011.[28] In Germany, fixed prices on books have long been a tradition and were codified in law in 2002. Outside Europe, books are sold on a fixed price system in markets including Mexico, Argentina, and Japan.

The system of fixed book prices is supported by the industry as playing a key role in the dissemination of books as essential cultural goods as well as fostering the quality and variety of books available.[29]

4.4. Exploitation window for cinematographic works

Exploitation windows' regulation, also referred to as release windows, statutory windows, release patterns or media chronology, deals with the time that must pass between the release of a theatrical film in an exhibition window and its distribution in the following one. This chronology prevents the competition between diffusion operators while ensuring that producers of audio-visual works benefit from the best screening conditions possible over a long time period and therefore a return on initial investment.

The exploitation window system dates back to the 1948 Paramount Decision in the US which abolished the vertical integration of the main studios. It was first introduced in Europe in 1986 in France with a legislation requiring minimum theatrical windows of 6 months before home video release. European institutions followed in 1989, first the Council of Europe with the European Convention on Transfrontier Television, then the Television without Frontier Directive of the European Union, established a two-year lapse between the theatrical release and the broadcasting of a film.[30] These rules were replaced by agreements between rightsholders in order to allow them and the Member States more flexibility. The Directive (EU) 2018/1808 of 14 November 2018 to the Audio-visual Media

[28] http://www2.culture.gouv.fr/culture/dll/prix-livre/index.htm
[29] https://www.boersenverein.de/presse/pressemitteilungen/detailseite/germanys-system-of-fixed-book-prices-acts-as-a-guarantor-of-quality-and-diversity-on-the-book-market-new-research-results-presented/
[30] European Audiovisual Observatory (2019) *Release windows in Europe: a matter of time*, Strasbourg.

Services Directive 2010/13/EU (AVMSD)[31] deals with windows in its Article 8. It only provides for a general obligation for EU Member States to 'ensure that media service providers under their jurisdiction do not transmit cinematographic works outside periods agreed with the rightsholders' this is why different regulations on exploitation windows coexist in Europe. They can result either from agreements between producers, distributors and exhibitors, or from agreements signed by industry associations. They can also be regulated by national law.

France and Bulgaria have adopted specific or general legislative provisions on release windows. On the contrary, the majority of countries have chosen to organise windows through film support rules. In these countries, access to public support is conditioned upon the respect of release windows by the film concerned. Belgium, Denmark, Spain and the United-Kingdom are operating according to self-regulatory approaches, either through industry agreements or free contracts. In this case, release windows are set up through a case- by-case contractual practice.[32]

This type of regulatory incentive, specific to audio-visual works, has been used to preserve both cinema screens and the revenues of rightsholders. Indeed, media chronology spans from windows with higher potential revenues for the rightsholders and a lower number of potential viewers to those with lower potential revenues for the rightsholders and a higher number of potential viewers.[33] In practice, this means that exhibition windows start from cinema theatres, then TVOD/Physical retail, TVOD/Physical rental, pay-TV and ultimately SVOD and free TV. Rightsholders collect most revenues at the beginning of the window. The first release window is also where the largest investments are made into marketing and advertising. However, the multiplication of windows is pushing for a reduction of the window width. Member States regularly review the media chronology to take into account mobile consumption of film and audio-visual content and the apparition of new platforms such as Netflix, YouTube and Amazon. When regulated, release windows depend on the share of initial funding made by diffusion operators. The more investment in a film or audio-visual production made by the latter, the better positioned it will be in the media chronology.[34] In such case, the regulation does not distort windows, but is the counterpart to the investment obligations imposed on the different exploitation modes.[35]

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[31] Directive (EU) 2018/1808 of 14 November 2018
[32] European Audiovisual Observatory (2019) *op.cit.*
[33] ibidem
[34] Institut National de l'Audiovisuel, La Revue des médias, 'Nouvelle chronologie des médias : des évolutions trop timides', 21 December 2018 — Updated 20 January 2020 https://larevuedesmedias.ina.fr/nouvelle-chronologie-des-medias-des-evolutions-trop-timides
[35] European Audiovisual Observatory (2019), op.cit.

4.5. Quotas and investment obligations in audio-visual content

The amendments brought by the above-mentioned AVMSD creates market access obligations to the benefit of European audio-visual content that are aimed to promote the availability of copyright content with EU origin. The revised AVMSD enhances the rules for promotion of European works by requiring TV, Pay TV and VOD services to reserve a share of at least 30% of European works in their catalogue and to ensure prominence (Article 13(1)). The Directive also recognises the ability for Member States to impose proportionate and non-discriminatory financial contributions obligations to cross border VOD and broadcasters targeting audiences in their territory (Art 13.2 and 13.3).

Article 13.2 of the AVMSD establishes a distinction between service providers under the jurisdiction of a Member State and service providers outside its jurisdiction but targeting its territory. It extends the ability of Member States to seek contributions from service providers to national cultural policy objectives. Criteria to determine if a service is targeting a specific audience in a Member State are suggested in recital 38 which proposes as indicators advertisement or other promotional activities aimed at customers in that territory, the main language of the services or the existence of content or commercial communications aimed specifically at the audience in the Member State of reception.

Such regulatory incentives at EU level regulate access to market and especially conditions the audio-visual activities of large US-based digital players in Europe. Nevertheless, one can argue that they are not as ambitious as the previous Directive Televisions without Borders (1989) which imposed on TV channels to show at least 50% of European content.[36] Besides, while the AVMSD is being translated in national regulations by the Member States, the way to calculate 30% of European content (number of titles in the catalogue, length…), is still under discussion.

4.6. Copyright rules

Legal and especially copyright rules create a framework for cultural creation to be protected in a digital and international market. The legislative environment has been restructured to better fit the current digital realities and create a level playing field for creators and (online) service providers. The revision

[36] This point is notably discussed by Alain Le Diberder in 'L'audiovisuel public européen, quel dommage !' https://alain.le-diberder.com/laudiovisuel-public-europeen-quel-dommage/

of the Copyright Directive finalised in 2019[37] aims to ensure that the longstanding rights and obligations foreseen by the copyright law also apply to the internet.

The Directive on Copyright in the Digital Single Market (EU) 2019/790[38] introduced specific rules for so-called 'online content-sharing providers' which store and give access to a large number of copyrighted works uploaded by users. Where rightsholders do not grant a licence, online content-sharing service providers are liable for unauthorised content unless they make their best efforts to ensure that unauthorised content is not available on their service. The specific rules which must be complied with are set out in detail in Article 17(5), (7)-(9) of the Directive which focus on cooperation between online content-sharing service providers and rightsholders. The Directive also provides for the organisation of stakeholder dialogues to discuss best practices for the cooperation between providers and rightsholders. Such rules, to be implemented by the Member States by 7 June 2021, aim at addressing the little monetary compensation to the exploitation of copyright protected works on social media platforms (notably YouTube).

Such developments, even if they are not incentives per se, pave the way towards a fairer digital market place of CCS in Europe.

Principle of territoriality: challenges of copyright harmonization

However, the growing interest of the European Union towards the development of a more ambitious and fairer EU digital single market has gradually undermined the role territoriality has been playing in the enforcement of copyright across Europe. Copyright protection has always been territorial since rights are acquired and enforced on a country-by-country basis and exceptions to copyright protection vary to one country to another.

The territoriality principle has been at the basis of the financing of the film industry in Europe, through the territorial pre-sales agreements. Pre-sales are associated with licensing the rights to a film by a producer to distributors on a territory-by-territory basis, usually in the pre-production phase, in order to obtain financing at an early stage of the project and thus to cover up-front production costs. The

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[37] Council of the European Union, Press Release, 'EU adjusts copyright rules to the digital age', 2019, https://www.consilium.europa.eu/en/press/press-releases/2019/04/15/eu-adjusts-copyright-rules-to-the-digital-age/

[38] Directive (EU) 2019/790 of 17 April 2019 on copyright and related rights in the Digital Single Market ('the new Copyright Directive')

pre-sale agreements can form the collateral for bank loans. Another reason for producers to sell territorial licenses is to engage in price discrimination between high-income and low-income countries.[39] Thus, territorial exclusivity allows distributors and broadcasters (who can also act as co-producers) to invest in theatrical releases or broadcasts in specific local audience markets without being afraid of competition from concurrent offers on the same film. This is possible under the principle of territoriality which has traditionally governed the copyright law in the EU (acting thus as an incentive to produce and distribute films in the EU) and which is challenged now by the harmonisation efforts in the need to adapt to the digital online environment.

Moreover, European films face constant competition from the US films which are much more successful than the former in attracting large audiences, given the large budget the latter dispose for marketing and promotion. Between 2012-2017, the share of EU films in EU cinema admissions was between 27-34%, while US films accounted for a staggering 63-70%.[40] An outcome of this weak position of EU films on the market is that these films do not benefit of economies of scale, like the Hollywood blockbusters do. As such, it is harder for the former to recoup production costs and further enhances financial risk for investors.[41] A smaller audience means lower production costs and/or higher admissions price. In order to control the onslaught of large budget Hollywood movies on the European markets (for which theatrical releases have become ever more synchronised across territories), EU films need important support not only for the production costs, but also to cover distribution agreements and to support pre-sales agents. As mentioned above, several EU grants (from the Creative Europe MEDIA programme) are destined to cover presales agreements via minimum guarantees are already in place, however the budget destined for these grants annually is much smaller than the marketing budget of a single Hollywood production.[42]

Besides public cultural spending and regulatory instruments, a very dynamic form of incentives has developed in almost all European countries to favour private investment in the form of tax incentives and cash rebates. These are presented and discussed the following section.

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[39] Bernt Hugenholtz, Joost Poort, 'Film Financing in the Digital Single Market: Challenges to Territoriality' in *International Review of Intellectual Property and Competition Law* 51, 167-186 (2020)
[40] European Audiovisual Observatory, Yearbook 2018
[41] Bernt Hugenholtz, Joost Poort, op.cit., 2020
[42] KEA, op.cit, 2018

5. Production and distribution incentives

This type of incentives covers mechanisms designed to support and attract valuable creative activities in or to a location by offering a return on eligible qualifying production or distribution expenditure. Such incentives are considered a viable complementary source of finance in the CCIs industry. The access to these mechanisms (or other forms of private investment) relies on business skills, diligence, on developing business relations between the different involved sectors and understanding the various specificities of each sector. Also, these instruments offer an incentive to promising local creators to remain in the country and not set up elsewhere, for instance taking advantage of more lenient tax regimes targeting the sector's best talents to relocate.

There are two main types of audio-visual production and distribution incentives: tax incentives and cash rebates which are respectively explored in the sections below.

5.2. Tax incentives

Tax incentives have been recognized as straightforward and effective policy tools to develop various economic sectors by stimulating private investment into different stages of the value chain (e.g. production or distribution). Tax incentives benefiting CCIs have become increasingly popular across the EU especially in the audio-visual industry, where they encourage private investment into audio-visual production. While there is a considerable increase in the demand for screen content, there has been a significant investment in production from international studios, broadcasters, streaming platforms and a subsequent rise in audio-visual content (feature films, animated films, series, video games etc.). In May 2019, 97 audio-visual production incentives were in operation in countries, states and provinces worldwide.[43]

A) Tax incentives to stimulate investment

There are two main types of tax incentives commonly used in Europe: tax shelters (tax deductions) and tax credits (rebates).[44]

[43] Global Film Production Incentives, a white paper by Olsberg SPI, June 2019

[44] Source: Olsberg SPI (2014) Impact Analysis of Fiscal Incentive Schemes Supporting Film and Audiovisual Production in Europe. Report produced for the European Audiovisual Observatory

- *Tax shelters* are any methods of reducing taxable income resulting in a reduction of the tax payments. Tax shelters designed to attract investment from individuals or firms who are permitted to deduct investments made in qualifying production costs from their taxable revenues, while still being able to realise profits from a project (although these would be subject to tax when received)
- *Tax credits* are driven by the production spend against the producer's tax liabilities in the way that the incentive will directly reduce the amount of tax due, after a corporate annual return is filled in. This model can be further distinguished in tax rebate according to the procedure for claiming the tax credit (rebate).

Tax incentives are considered a viable complementary source of financing in the CCIs industry, subsequently they have become increasingly popular across the EU. A large number of European countries (amongst others, Belgium, France, Estonia, Hungary, Ireland, Italy, Lithuania, the Netherlands, Romania, Spain) have tax incentives in place, notably to stimulate audio-visual production (feature films, animations, TV series, documentaries, etc.). Some tax incentives even operate at regional level in regions that have their own tax system.[45]

SOME EXAMPLES OF TAX INCENTIVES FOR AUDIO-VISUAL PRODUCTIONS IN THE EU

In Belgium, the Tax Shelter for AV production is open to Belgian productions as well as international co-production. The net advantage for the producer is 42% of the qualifying audio-visual spent in Belgium.[46] In France, the *Crédit impot cinema* offers automatic direct support which normally equals to 30% of the total eligible expenditure (capped at EUR 30 million per project).[47] In Hungary, the Motion Picture Act and Corporate Tax Act (the Hungarian financial support system) allows foreign movie production companies that shoots a movie in Hungary (even only on video or audio post-production) to get 25% of the cost indirectly back from the Hungarian government.[48]
Italy introduced six new tax credits to support AV production and distribution in 2016 (Law 202/2016).

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[45] This is for instance the case in Navarre and in the Canary Islands (Spain) which both have their own tax rebate and tax credit. Source: http://www.shootinginspain.info/en/international-shootings
[46] https://www.belgiumfilm.be/film-financing/tax-shelter
[47] https://www.cnc.fr/professionnels/aides-et-financements/cinema/production/credit-dimpot-cinema_132769
[48] https://filminginhungary.com/255-tax-rebate

Tax incentives have also been extended to support other CCIs sectors such as video games, music or books and press as well as other segments of the value chain (not only production but also post-production, distribution and marketing). Italy for instance has put in place a tax credit for music. The scheme covers up to 30% of the eligible costs incurred for creation, production, digitalization and promotion of music or AV recordings for a maximum of EUR 200 000 per year per company. There is also a tax credit for bookstores (retail sale of new and second-hand books) for an amount not exceeding EUR 10 000 per year.[49] In Belgium, the Tax Shelter mechanism has been extended to the performing arts (including music) since 2017. In France, a tax rebate for video games covers 30% of production expenses, for up to EUR 6 million per company.

This reflects the broader trend in Europe towards encouraging investment in the CCIs sector, as a holistic measure to support the industry, develop the local economy and promote international attractiveness. Many EU countries like Belgium, France, Hungary, Italy, Lithuania, the UK are increasingly attracting foreign investment thanks to these schemes.[50] For instance, KEA study (2018) on the evaluation of the fiscal incentive scheme for film production in Lithuania[51] shows that the tax scheme has helped channelling an additional EUR 24.4 millions of foreign investment in the country and helped generating an estimated EUR 43.5 million in expenditure in the country between 2014-2017. The study also shows that a significant increase in the production activity reflected in the annual turnover of the Lithuanian production companies, evolving from EUR 10.3 million to EUR 14 million in 2016 (an increase of 36%). Since the implementation of the tax scheme, Lithuania's film industry has shown ability to increase its market share and meet consumers' demand for local stories (21.47% in national market share in 2017).

It is important to point out that the introduction of tax incentives is also beneficial for the government. For example, UK's creative tax incentives are amongst the most competitive in the world: the instruments have since 2007 attracted over GBP 11 billion of investment in British screen industries.[52]

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[49] Law 205/2017 http://www.beniculturali.it/

[50] European Commission (2016) Innovative instruments to facilitate access to finance for the cultural and creative sectors (CCS): good practice report

[51] The Lithuanian tax scheme came into effect in January 2014 for a five-year period. It was approved by the European Commission in 2012, as part of State Aid review. The scheme was designed as a policy measure to boost local and foreign film production in Lithuania and to attract inward investment through a private investment scheme. The support is provided as a donation (which does not exceed 20% of the production budget) by an undertaking entity and is backed by a tax relief on profits. Source: KEA (2018) Evaluation of the fiscal incentive scheme for film production in Lithuania.

[52] British Government, Creative Industries Sector Deal. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/695097/creative-industries-sector-deal-print.pdf

B) Tax incentives to stimulate sponsorships and donations

Tax incentives can be applied to sponsorship and donations as another way of encouraging investment of external private capital in the wider cultural and creative industries. However, whereas sponsorship (or "patronage") is part of a commercial strategy which includes quantifiable returns, no financial return is expected when making donations.

- *Sponsorship* is becoming a strategic measure for increasing investment in CIs. Sponsorship of cultural institutions, organisations or events can be treated the same as other expenses for advertising (i.e. it is fully deductible) with the condition to be linked to business activities that are sources of taxable income.
- *Donation* is a gift in cash or kind made by companies (or other legal subjects) or individuals to cultural organisations or individual artists. A taxation policy measure to encourage corporate donations is mostly implemented via a *tax deduction* on the donation *(tax shelter)*, i.e. the taxable income of the donor is being reduced with the value of the donation.

Whereas sponsorship is part of a commercial strategy which includes quantifiable returns, no financial return is expected when making donations.

Several European countries such as Austria, Bulgaria, Denmark, France, Ireland, Italy, Malta, Portugal or the UK, have introduced tax incentives (in particular *tax deductions*) for sponsorship actions and/or donations (corporate or individual donations). Some measures have been very successful in raising funds (both from individuals and companies) for culture while increasing the fiscal revenues at the same time.

Another type of measure to boost individual donations and raise funds for CCIs is the National Lottery mechanism introduced by several countries (Belgium, France or the UK for instance). In the UK, in 2018, the Arts Council England has created the National Lottery Project Grants as an open-access programme for arts, museums and libraries projects that is intended to support a broad range of not-for-profit projects that create and sustain quality work and help people across England to engage with arts and culture. The programme supports development by allowing artists, cultural practitioners and organisations to work in new ways and to get their work out to new audiences. Project grants will support in particular the organisations working in creative and digital media. In order to obtain funding, applicants must secure 10% of the funding from private sources. Submitted projects may work in the creative media and wider creative industries (i.e. film, audio-visual, design or gaming), in order to secure the interest of private investors.

5.3. Cash rebates

This mechanism repays an amount of qualifying production expenditure back to a producer according to a pre-determined scheme. The rebate tends to be funded by the state budget (e.g. Public Investment Programme) but as the rebate is paid only after the production spend is undertaken and relevant taxes paid, it is beneficial from a government's point of view. Cash rebate can intervene at production and post-production stage. They are common in the film industry but they can also be applied to performing arts or heritage for instance.

In audio-visual production, cash rebates apply to production companies established or having a branch on the territory which reallocates the funds or on a territory that is a party to an agreement with the entity providing the cash rebate, for projects choosing this territory as a location.

SOME EXAMPLES OF CASH REBATES FOR AUDIO-VISUAL PRODUCTIONS IN THE EU

The Greek cash rebate amounts to 35% on the eligible expenses incurred in Greece for all beneficiaries. Producers will have access to state aid once they pass the cultural test and spend at least EUR 100,000 in the case of feature films or documentaries and EUR 60,000 in the case of digital games in eligible expenses in Greece. The legislation provides a more flexible threshold for television series, starting at EUR 30,000 per episode, with a minimum of all eligible expenses at EUR 100,000, while projects are financed without a cap. The cash rebate supports feature films, documentaries, TV drama series, animated films and digital games that choose Greece as location in either principal photography and production development and/or post-production stage.[53]

In the Netherlands, the Film Production Incentive offers a cash rebate up to 35% on production costs spent on parties that are subject to Dutch taxation for feature films, feature length documentaries, feature length animated films and 30% for high-end TV drama, documentaries and animation series and single episodes in the Netherlands.[54] An application can be filed by a production company based, for at least two years prior to the application, in the Netherlands or an

[53] Hellenic Film Commission https://www.filmcommission.gr
[54] Netherlands Film Commission https://filmcommission.nl/incentive-and-financing

EU-country or a state that is a party to the agreement in respect of the European Economic Area, or in Switzerland, and which is legally represented by a producer. The producer has, as majority producer, been responsible for the production of at least one film production over the past seven years, which has been theatrically released in the Netherlands.

Almost all EU Member States are equipped with increasingly attractive tax and cash rebates, especially in audio-visual production and distribution. This has a cultural motive (the 'cultural test' has a lot of importance in granting the scheme and is determinant in competition law) and intends to diversify the cultural offer in Europe. In contrast to the US, the structure of the film industry in Europe is made of small fragmented film houses with smaller financial means. With the opportunity to benefit from many incentives in different states and at EU level (e.g. production and distribution grants, tax and cash rebates), many films are co-productions, thereby contributing to the circulation of European works. But the multiplication of tax and cash rebates incentives also leads to some form of bidding competition between territories to attract international productions. However, these attractive production incentives may be inefficient without the corresponding distribution infrastructure and support locally.

6. Location factors

Property and infrastructure may act as 'competitive incentives' and can contribute to location factors in the CCIs and to inter urban competition to attract talents and generate positive spillovers onto the local economy and social fabric. However, their analysis is not systematic, therefore this paper only provides some local examples.

6.2.Cultural infrastructure and services, attracting and retaining talent

Local measures supporting the installation or clustering of cultural activities can be consider as incentive as long as to the extent that they are designed for the economic and social benefits brought by CCIs: reducing talent drain from the city or region, creating growth and jobs, urban and social regeneration. The combination of space and services, as well as the opportunity for networking and mentoring is critical in the development of CCIs projects and companies. Therefore, initiatives providing these amenities such as the creation of clusters, quarters, parks, hubs providing spaces and services are likely to attract or retain cultural and creative professionals.

Creative clusters have been defined as 'a group of cooperating organizations and individuals originating from local and regional societies, representing business, science, the arts, culture, education, health, entertainment and leisure activities' that act as a pool of creative resources and skills for other segments of the innovative ecosystem.[55] The convergence of regional identity, innovative mobilisation of resources and talent search with the protection and development of unique local values form the basis of creative cluster dynamics. The tendency to cluster CCI activities in Europe is reinforced by the Regional Innovation Smart Specialisation Strategies (RiS3) which are linked to the use of the European Regional and Development Funds (ERDF). This way European regions are encouraged to identify the unique characteristics and assets providing them a competitive advantage and to rally regional stakeholders and resources in an excellence-driven approach. More than 100 regions across EU Member States have included culture and creative sectors in their RiS3.[56] The dominant areas are fashion, design, textile industry, art, cultural heritage, audio-visual (including video games) and music production.[57]

[55] Knop, Lilla & Olko, Sławomir. (2017). Clusters in Cultural and Creative Industries in Europe – Specialisation and Activities. Scientific Papers of Silesian University of Technology. Organization and Management Series.
[56] http://s3platform.jrc.ec.europa.eu/map
[57] Knop L. & S. Olko, S. (2017) op.cit.

Creative clusters mainly perform networking and knowledge exchange between their members as well as support for the creation of new business and for the financing during the start-up phase (access to private and public investors' capital). The cases below provide examples of how some cities have driven creative clustering activities on their territory.

CATALONIA AUDIO-VISUAL PARK (SPAIN)

The Terrassa City Council converted a 55,000 square meter derelict hospital into a regional centre for audio-visual production and a cluster of technology companies. The implementation of the Catalonia Audio-visual Park was part of a strategy to renew the urban fabric and economic activity following years of deindustrialisation of the region, preventing the brain drain of creative ideas and workforce. The park supports both content creation and production of audio visual projects, small to large scale. Entirely funded by the region of Catalonia and the municipality of Terrassa, it supports 28 small and 5 medium- sized local companies in addition to the 36 coming from the wider region. The park acts as a communication platform to encourage cooperation between companies for the development of new creative projects.[58]

INCREDIBOL – L'INNOVAZIONE CREATIVE DI BOLOGNA (ITALY)

To respond to the challenge of retaining home-grown talent, offering young people opportunities to build a creative business or a cultural organisation at the local level, the city of Bologna, together with a network of 23 public and private partners launched the IncrediBOL! project. IncrediBOL! provides a range of financial and in-kind benefits to young entrepreneurs in the CCIs to help them establish and grow their businesses. After a call for innovative creative projects, selected organisations get tailor-made advice on managerial and legal issues as well as training and consulting assistance. They can also access spaces and facilities provided by IncrediBOL! partners for the creation of new activities. More than EUR 500,000 were provided in the form of rents, consultancy services and promotional activities in 2014. The project has contributed to micro-urban regeneration in Bologna and to promoting CCIs as a driver for innovation.[59]

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[58] Catalonia Audiovisual Park is featured in the catalogue of best practices of the Culture for Cities and Regions project: http://www.cultureforcitiesandregions.eu/culture/resources/Case-study-Terrassa-Catalonia-Audiovisual-Park-WSWE-9Y2GSX

[59] IncrediBOL! is featured in the catalogue of best practice of the Culture for Cities and Regions project http://www.cultureforcitiesandregions.eu/culture/resources/Case-study-Bologna-IncrediBOL-WSWE-9ZCHBF

UTRECHT DUTCH GAME GARDENS (NETHERLANDS)

As part of Utrecht's cultural strategy, the city and the Province created the Dutch Game Gardens in 2007 to help start-ups in the video games industry to grow and develop quality games. The programme provides dedicated spaces to video game development (in the Beatrix conference and exhibition complex devoted to supporting and stimulating trade and industry) together with associated services such as a start-up support programme or a business centre for more mature companies. Dutch Game Gardens do not only support the creation and production phases but also the distribution with networking and brokerage events to support international exposure and export for incubated companies.[60]

Besides clusters and innovation-driven initiatives, the construction, refurbishment or re-purposing of buildings for cultural activities can also drive the development of CCIs on a given territory. These infrastructures can attract and enable performers and producers to stage or exhibit, leading them to favour such places over other which would not benefit from the same quality of infrastructure.

BARCELONA ART FACTORIES (SPAIN)

Barcelona Art Factories[61] aim at fostering and promoting professional creative activities via innovative collaboration between artists, creative professionals and the public. The project goes beyond enhancing access to culture through infrastructure for dissemination and consumption by exploring strategies focused on the creation and production stages (experimentation, creation, innovation, training).

Barcelona Art Factories started in 2007 as a municipality programme to transform nine obsolete industrial sites into public venues for culture and innovation with a mixed, flexible management model. These unused spaces became a dynamic network of community facilities for cultural purposes and local development. The geographical dimension of the project is central with the objective to decentralise the cultural offer to the several city districts. The initiative also responds to the need for spaces adequately equipped for artistic production. The Factories contribute to the city's strategic positioning and projection of a unique identity, vision and hallmark.

[60] Dutch Game Gardens are featured in the catalogue of best practices of the Culture for Cities and Regions project: http://www.cultureforcitiesandregions.eu/culture/resources/Case-study-Utrecht-Dutch-Game-Garden-WSWE-A3CKBX

[61] Fàbriques de Creació de Barcelona https://ajuntament.barcelona.cat/fabriquescreacio/en

Whilst more permanent, a rising concern of major cities is with the loss of cultural infrastructure from performance spaces, practice spaces and studio space. In the past, cities and nations have invested in state infrastructure to support culture in the form of theatres, galleries and music halls. This is a form of direct subsidy. There is much debate about the 'flagship' cultural venues (built for national prestige, or place promotion) that do not support local and regional demands. Today, major cities are often simply too expensive to support cultural accommodation or performance spaces. Cities such as London have recently launched pro-active programmes to support and sustain cultural performance venues and intervene in both preservation of threatened spaces, as well as managing the legal challenges of operating a cultural venue in a dense population zone. Cities, have begun to realise that their valued tourist income is built upon a functioning cultural infrastructure that – if left to market forces – may no longer exist, with a consequential impact on visitor numbers.

Finally, we can note that cities have a history of commissioning, or giving permission for, unusual or striking architectural structures. Some have sought to block such development to preserve a particular built heritage, others have made a point of using such distinctive architecture to 'show off' the city. Again, this is a grey area of promotion, or a relaxing control which is a virtual promotion (subsidy) of particular cultural forms, and of the architecture and design industry.

6.3. Location services

Like all industries the creative industries are unevenly distributed across regional, national or international spaces. Moreover, various creative industries are more or less concentrated, or fixed, as regards their production networks. Early work on employment in the creative industries highlighted both the hyper-concentration of particular industries primarily in national capitals, and the favouring higher-paid occupations in cities (Pratt 1998). Much effort has been devoted to local level support for the creative industries (as per other industries), in an effort to promote: a. industrial transition, and b. urban regeneration. As noted above, the provision of subsidised building and support policies have been common (particular to the cultural industries, but using the same policy tools as with other industries).

A similar uneven pattern applies to the national infrastructure of museums and galleries. In recent years national governments have made efforts to redistributed audience access to cultural goods and events; the devolution of national to regional arts provision and the development of national infrastructure in regions has been a pattern in many European countries in the past 20 years. Added to this 'regionalisation' of culture programmes such as the European Capital of Culture have sought to redistribute their focus away from capital cities toward regional centres as a means of regeneration. Some parts of the creative industries are not tied to a location, and are mobile. Perhaps the best example is that of the film industry where location shooting has become a target for regional and national agencies usually termed a Screen Commission that help to 'accommodate' film makers in location, at a basic level this means establishing legal waivers and permission for road closures and the like (Pratt 2007)[62]. However, cities and regions have been quick to notice the 'glitter of the silver screen' and see location shooting as a means of place promotion (competition). On one hand this is simple 'piggy-back' advertising, to attract 'place recognition', and hopefully to attract 'film tourism' (Connell 2102). One the other hand it can be seen as a means of attracting jobs. On the latter, the data suggests that very few jobs are re-located, and primarily it is temporary hotel, and low paid extras. On the former, 'place recognition' is hard to quantify; but Regions and nations have sought to build tourist strategies around films (even when the location is fictional!).

A further dimension of location shooting is a phenomenon of 'runaway production' (Freeman et al 2005). Simply this refers to the relocation of lower cost activities away from core centres. As noted above, location shooting often returns very little to the local economy as the higher values added activities flow to capital cities and headquarters of audio-visual companies. An extension of this is the construction of 'sound stages' or studios in alternative locations. A classic example has been Vancouver's successful studio complex. The initial reason for relocation was labour costs. It is a complex problem to distinguish the exact costs and benefits of such efforts as the sunk investment is huge and takes years to recoup. The model has been reproduced in many European locations as noted above. The question remains whether state- funded studios will develop higher value activities (such as marketing and special effects). It is very difficult to quantify and evaluate the cost-benefits of such developments, or to account to what extent they are true subsidies.

Canada has also taken an aggressive and innovative role in subsidies for the computer games industry. Here, the focus was on labour subsidy (in most states it was 40%) (Hemels 2017). At a time in the late 1990s and early 2000's when European national governments paid the computer games industry little attention Canada was able to offer incentives that effectively stripped out a major part of the leading French and UK games industries. Only latterly have both countries, and others, eventually developed some parity of tax incentives for computer games industries.

[62] See Olsbery-SPI (2019) Global Film Production Incentives, London.

Traditionally it has been assumed that basic training and education was provided equally in all territories; however, there has always been the attraction of world leading film schools, that transcend local production systems. In recent years some universities have developed postgraduate training in this field. Abertay University in Scotland is a case in point; moreover, there is evidence of a 'spill-over' effect of local games companies. There has not been a systematic study of the sorts of training subsidies and encouragement at either the local or national level; but clearly, it could lead to a local competitive advantage.

Little attention has been paid to the economic impact of festivals; studies have been traditionally carried out of established urban festivals such as Edinburgh Festival; however, the mushrooming of music, and other cultural, festivals in semi-rural locations has been a phenomenon of the 2000s. These events are the equivalent of the temporary re-location of a small city. Moreover, they play a significant role in the income of musicians, and all those involved in 'touring'. Whilst there is little positive spill-over for local communities; local and regional service providers do benefit, as does the live performance system. Again, little research has been carried out on the extent to which local government supports such activities with in-kind, or actual, subsidies.

7. Conclusions

Looking at incentives from the GPN perspective helps putting the emphasis on their role, their purpose at the various stages of the production chain. Incentives respond to market and development needs of CCIs organisations, at various stages of maturity and for a diversity of sectors. They also motivate the choice of a location for creation, production, dissemination and consumption of cultural and creative products.

Incentives are widely in use in Europe. Regulatory and tax incentives are traditionally operated at the national level while others can be managed at regional or local level. The European Union plays an important role in setting the regulatory framework for CCIs and in intervening in favour of the circulation of European works across the continent to promote its cultural diversity in the backdrop of the hegemony of US content.

The presence of incentives at certain stages of the GPN shows where the emphasis is put in terms of investment. Incentives focus quite generously on the production stage for instance in film, because of the positive externalities and spill-overs onto other sectors of the economy. There is evidence of a lack of understanding of cultural value chains by policy-makers. This is clearly underscored by the example of film where many countries have (for cultural exceptionalism arguments) favoured incentives to film and TV makers. However, many films were made, but never distributed and displayed. Only recently has policy accepted the need to link making and distribution, and the economies of scale of making multiple films. This indicates a slow movement to understanding film, television, and computer games as industries. There is more consensus on incentives that promote 'places' as part of tourism or visitor attractions. However, the evidence is unclear as to which have the more significant economic return on investment. Moreover, all of these incentives have the capacity to be a 'zero-sum game' as they do not necessarily increase overall investment in film.

The lack of a strategic view has, arguably, led to considerable damage to the computer games industry in Europe, where production capacity was lost to Canada. However, this is but one example of the global race to attract external cultural investment where cities, regions and nations are often pitted against one another. From the film and tv production side the industry has adapted to what is in effect a huge transaction cost structure on making European film via complex co-production arrangement where production is spread across 6 or 7 locations in order to qualify for subsidies.

GPN approach emphasises the interdependence between stages and therefore the need to better connect production with distribution to maximise effects. The digital shift is pushing for renewed approaches to distribution especially online, which are challenged by the increasing share of large US-based technology players in the European market. As the instruments of culturally diverse products, incentives remain important mechanisms in the European CCI economy in the face of new challenges.

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