

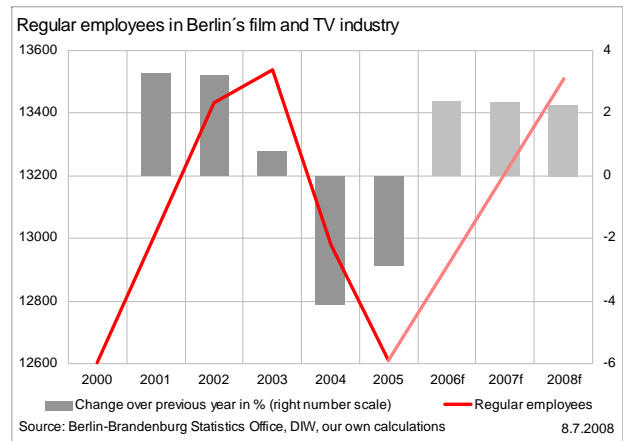
The Berlin Film and TV Industry

Film Capital Berlin

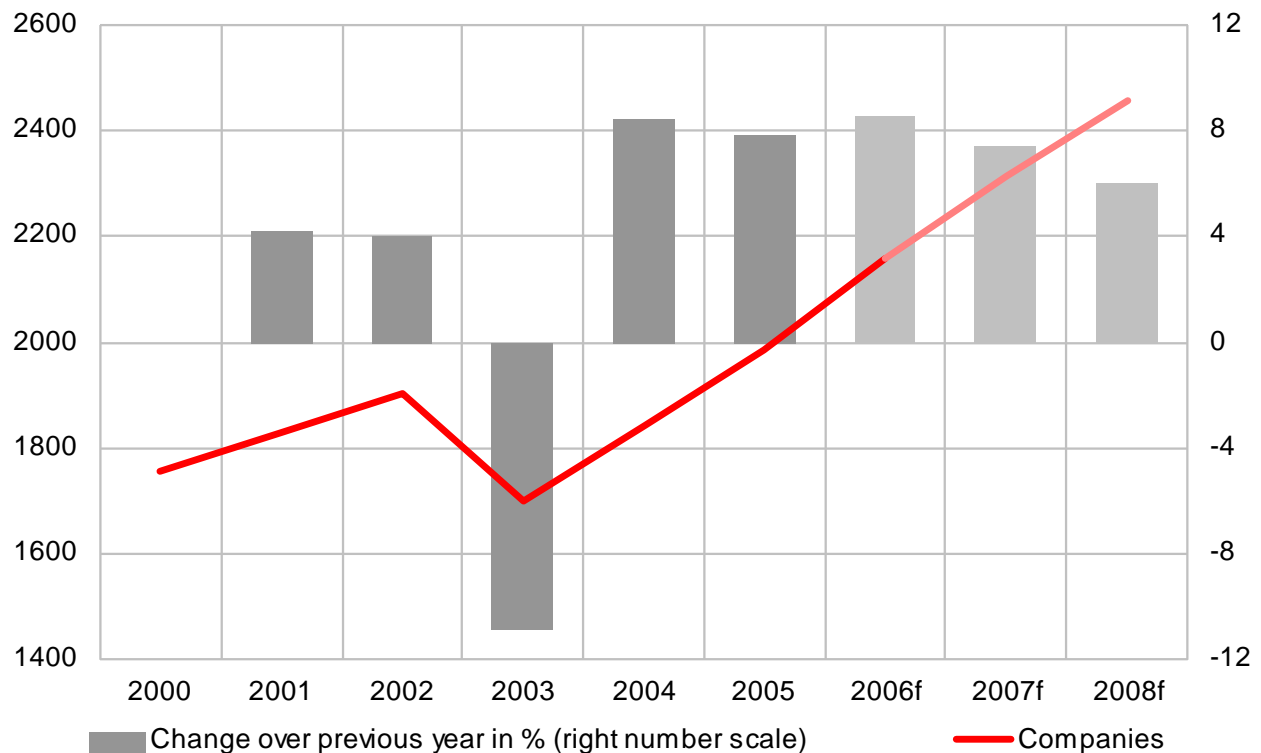
Among major German cities, Berlin plays an especially important role. Indeed, the capital is one of the most interesting centers of knowledge, culture, politics, and art in all of Europe. Berlin has both a tremendous cultural heritage and a vibrant creative force, which make it a virtually guaranteed draw as a business location for the creative industries, including film and TV. The film and TV industry is made up primarily of many small companies, and it boasts several limited-term collaborations, particularly in the field of production. Roughly 2,000 film and TV companies with 12,600 regular employees are active in the capital. If one includes freelancers, the self-employed, and those persons in marginal employment, the number of people active in the film and TV industry rises to almost 36,000.

Among Berlin's advantages as a business location are its studios in Adlershof and Babelsberg, along with the region's tremendous concentration of film-related service providers, many small and highly specialized operations, and attractive film locations. The city is also home to a large number of actors and artists, and it offers widespread educational opportunities in the field of media and communications, as well as outstanding funding and financing conditions.

Yet another of Berlin's essential business advantages is the fact that production costs and the overall cost of living in the capital are considerably more favorable than they are in Munich, Cologne, or Hamburg. Berlin's international importance as a city for film is underscored each year when it hosts one of the world's most important celebrations of cinema: the Berlin International Film Festival or "Berlinale."



Companies in the Film and TV Industry in Berlin



The Berlin International Film Festival or “Berlinale“

Once a year, Berlin becomes the world capital of cinema and welcomes the biggest names and celebrities in the film and TV business. The annual “Berlinale“ is not only the city’s largest cultural event; it also functions as an important trade fair for the international film industry. Roughly 20,000 experts from more than 100 countries – among them 4,000 journalists – attend the Berlin International Film Festival each year. With over 200,000 tickets sold, the Berlinale is not only an industry meeting but also the world’s most popular public film festival. For two full weeks, the get-together mixes art, business, and pleasure. The European Film Market (EFM) is a film fair that is integrated into the Berlinale and that has emerged as one of the most important business meetings for producers, distributors, buyers, and international film financiers. Together, the Berlinale and the EFM create a network of formal and informal connections. Since 2006, the main site of the EFM is the Martin Gropius Bau, a building located near the Berlinale at Potsdamer Platz.

The Berlinale celebrated its 58th anniversary on February 7, 2008, when it once again played host to several well-known German and international artists and producers, including the Rolling Stones, who came to celebrate the opening film, “Shine a Light,” by Martin Scorsese. Music was the central focus of many other films at the 2008 festival, with Madonna offering her directorial debut “Filth and Wisdom“ at the Zoo-Palast cinema, the documentary “Dream of Life“ providing an intimate portrait of the singer/songwriter Patti Smith at the International cinema, and the concert film “CSNY Déjà Vu“ chronicling the 2006 tour of Crosby, Stills, Nash & Young.

Although the Berlinale takes place over the course of two weeks in February, the festival also plays a major economic role throughout the entire year as well. It generates year-round business for the film and TV industry as well as the entire spectrum of creative industries, including agencies, IT and Internet companies, the music industry, advertisers, publishers, and the games industry.

The Economic Effects of Film and TV Production on Berlin

Before we sing the praises of the Berlin film industry too loudly, we should analyze actual developments in Berlin using the latest statistical data. The strengths and weaknesses of this industry can only become transparent when developments in this sector are not examined in isolation. Advantages and disadvantages become clear, for example, when the film and TV industry is compared to other creative industry segments, such as the music industry. Additionally, we need to recognize that the film and TV industry increasingly enters into cooperation agreements with the music industry, for example, in the production of films and DVDs, as was shown at this year’s Berlin Film Festival. Doing so allows each sector to profit from the strengths of the other. With this in mind, the report featured here will compare the development of the Berlin film and TV industry with the corresponding values of other creative industry segments as well as with the overall situation of the creative industries in general. In this context, answers will be sought to the following questions: What is the importance of the film and TV industry for Berlin’s creative industries? What overall advances have been made in the Berlin film and TV industry and in the creative industries in general? What growth perspectives do companies in these sectors have?

Statistical Profile of the Film and TV Industry

The first data to be examined in an investigation of the economic importance of the film and TV industry in Berlin are value-added statistics and the number of people employed in jobs subject to social insurance contributions. These statistical data, however, can only provide us with a limited picture of the film and TV industry, for example, because value-added statistics are only gathered for companies that have a minimum turnover and their central offices in Berlin. Companies that have a turnover of less than €17,500 are not subject to value-added taxes and are consequently not acknowledged by the statistics. Additionally, these statistics have a two-year delay. Thus, the data used in this study, which are from 2005 and were published in March 2007, are the most up-to-date data available. Statistics regarding employees subject to social insurance contributions are based on a total computation, but they entail only about 70% of the number of persons employed. Freelancers and self-employed colleagues are not taken into account.

In June 2007, in response to this wanting statistical situation, the German Institute for Economic Research (DIW) established an expanded database for the creative industries cluster, including the film and TV industry, on behalf of the Berlin Senate Department for Economics, Technology, and Women's Issues. In December 2006, on the basis of the statistics mentioned above, an initial survey of 25,000 companies in Berlin's creative and film industries was carried out. The data gathered from this initial survey made it possible to classify freelance workers, who would otherwise not appear in the statistics regarding employees subject to social insurance contributions, according to individual sectors. At the same time, the survey used an employment key to reassign the turnovers of companies with subsidiaries in other regions. A statistical keying was also carried out in the radio and TV industry. As a result of the fact that value-added tax statistics only consider data on private companies and not on public broadcasters, the study also took into consideration turnovers and income from fees, advertising, and other revenue. Further corrections were made with incomes generated by theaters and orchestras. Since value-added tax statistics only take into consideration private theaters, income from public theaters were added from theater statistics.

The new German Institute for Economic Research (DIW) database was used for the following analysis of the film and TV industry. This study understands the term "film and TV industry" to include the following economic branches:

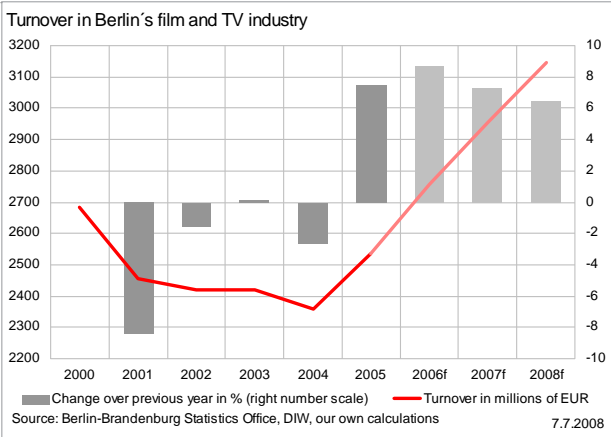
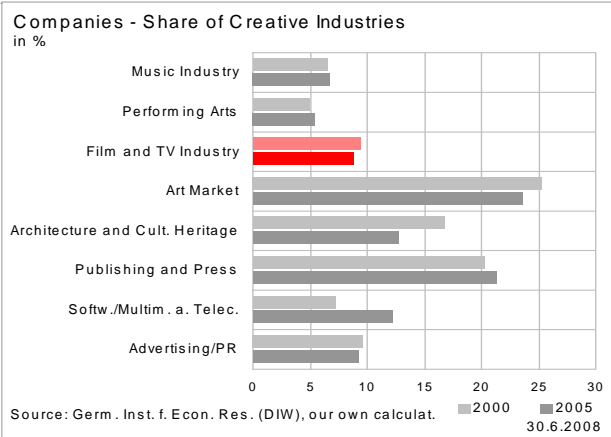
- Duplication of image media (DVDs, CDs, etc.)
- Duplication of data media
- Production of blank audio-, visual-, and data media
- Production of radio devices as well as audio and video equipment
- Production of photography, projection, and cinema equipment
- Retail sales of home entertainment equipment and accessories
- Video stores
- Film and video film manufacturing
- Film distribution and video program service providers
- Cinemas
- Radio broadcasters
- Development and production of radio and TV programs
- Self-employed stage, film, radio, and TV artists

A 7.5% Increase in Turnover in the Film and TV industry

According to the specifications outlined above, over the past several years, the film and TV production industry in Berlin has emerged as an important economic factor and field of growth. Roughly 2,000 taxable companies in the Berlin film industry with an annual turnover of €2.5 billion and approximately 12,600 employees subject to social insurance contributions are active in the capital. In comparison to 2000, this represents a 13% increase in, or 229 more, taxable companies. This, in turn, corresponds to a share of 8.8% of the total number of employees subject to social insurance contributions in the creative industries.

In 2005 alone, annual turnover in the film industry rose by 7.5% to €2.54 billion. This reflects a development in film industry revenue that is essentially more favorable than, for example, the entire turnover of the Berlin music industry in 2005, which had revenues of €1.03 billion (a decrease of 13.8%). Turnover in Berlin's creative industries altogether showed a clear increase of 20.8% as a result of the positive developments in the fields of publishing, the press, software/multimedia, telecommunications, advertising, and PR. In 2008, turnover in the Berlin film and TV industry is set to cross the €3 billion mark, thereby reflecting a 24 % increase in comparison to 2005. Indeed, the past two years seem to have been especially successful for the Berlin film and TV industry. According to a current survey, roughly two-thirds of the Berlin media companies polled were "satisfied" to "very satisfied" with their economic development in 2007, and 44% of the companies are expecting an increase in revenue.

The new funding programs created by the federal government also encourage this positive prognosis. In August 2006, in order to make the German film industry more competitive on the international level, the federal government created the German Film Fund (DFFF), which is designed to support films produced in Germany as well as foreign productions with German participation. The DFFF was launched in January 2007 for an initial period of three years with a sum of €60 million. The film business in the Berlin-Brandenburg region has already begun to profit from these measures.



Film and TV Industry: An Increasing Share in the Number of Employees Subject to Social Insurance Contributions

The number of regular employees subject to social insurance contributions in the field of film and TV industry remained almost constant in the period from 2000 to 2005 at approximately 12,610. However, the share of employees in the creative industries increased from 13.3% to 14.9%. All other creative branches – with the exception of the software/multimedia and telecommunications segment (+4.4 percentage points) – experienced a drop in share. On the other hand, the share in turnover held by the film and TV industry in the overall creative industries dropped from 19.0% to 13.7% in the past year due to the clear increase in profits in the publishing and press segments.

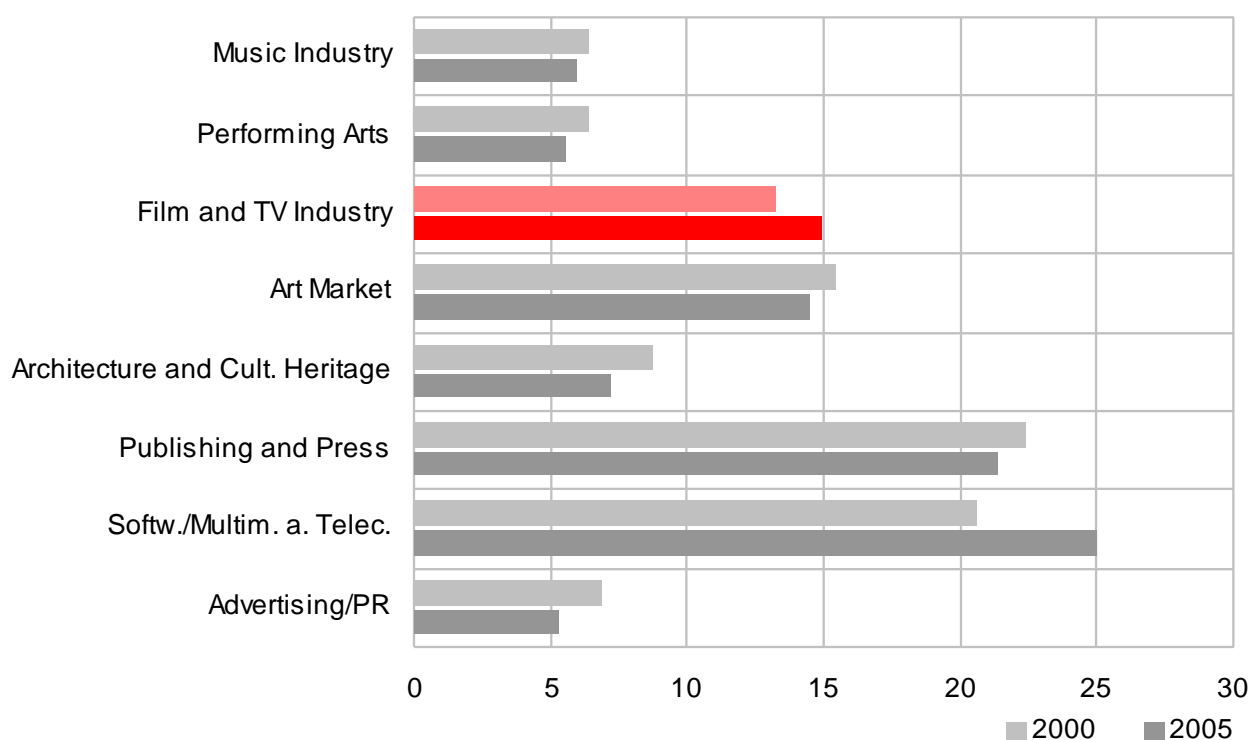
Software/Multimedia and Telecommunications: The Most Important Field in the Creative Industries

Berlin's most important creative industry – when measured in terms of both turnover and the number of employees subject to social insurance contributions – is the field of software/multimedia and telecommunications. In 2005, this segment generated a share of almost 36% of total sales in the creative industries. Sales in the field of software/multimedia and telecommunications at the end of 2005 rose to a level of €6.6 billion, an increase of 29.7% over a period of five years. In the same period, the number of companies in the sector doubled to 2,732. In 2005 alone, an increase of 268 companies subject to sales tax was registered over the previous year.

The number of employees subject to social insurance contributions in the field of software/multimedia and telecommunications showed a marked increase over the past several years, such as the 7.5% increase to 21,100 people in the 2000-2005 time period. In the same period, the number of employees working in Berlin's overall creative industries showed a decrease of 11.4%.

Regular employees - share in creative industries

in %



Source: German Institute for Economic Research (DIW), our own calculations

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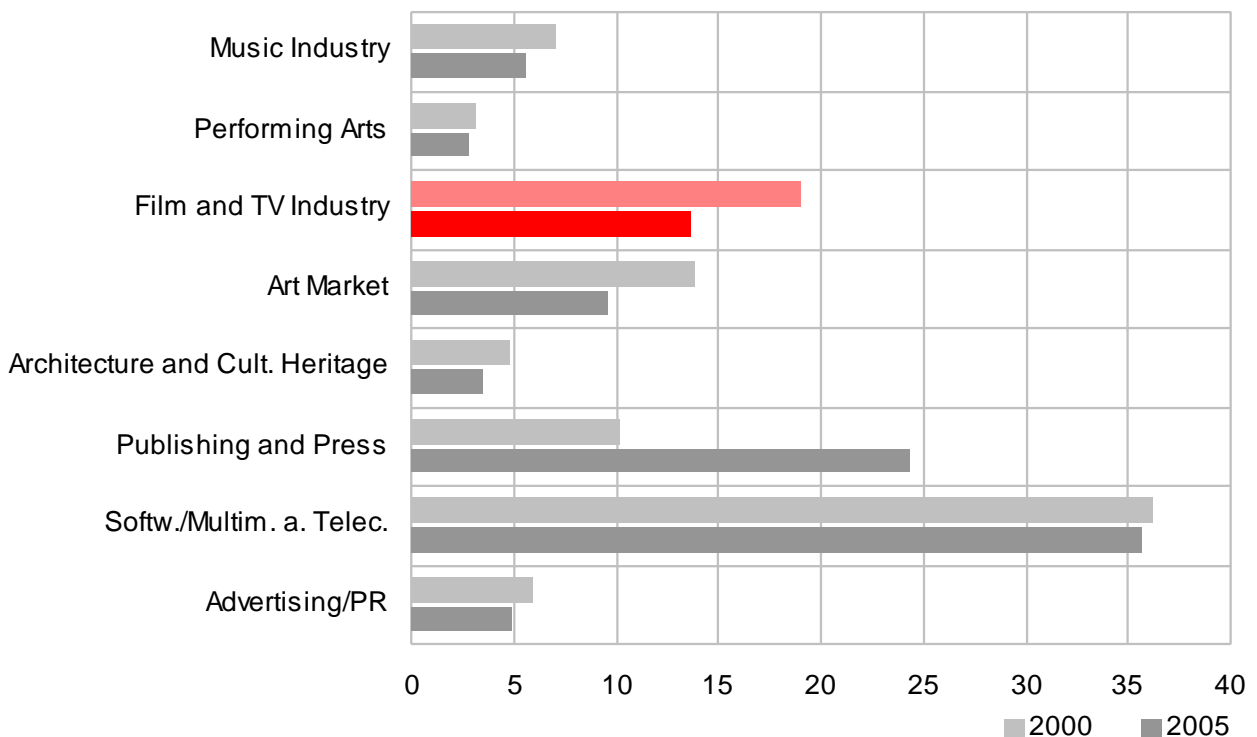
A 4% Increase in Turnover in the Music Industry

The relatively small music industry – the third of Berlin’s creative industries to be analyzed – holds a 6.7% share of the creative companies subject to sales tax and 5.6% of the industry’s overall turnover. Over the past five years, Berlin was able to attract 285 additional companies to set up businesses in this field, all of which led to an overall rise in turnover of 4%, and in 2005 alone, a sales volume of €1.03 billion was reached. The largest percentage increases were achieved in 2003 (+15.8%) and 2004 (+7.5%). However, these positive developments were not able to prevent a decrease in the percentage of turnover in the entire creative industries between 2000 and 2005 from 7.0% to 5.6%.

The number of music industry employees subject to social insurance contributions has seen a much less dynamic development over the past several years. In fact, in the period between 2000 and 2005, the number decreased by 17.2% to a total of 5,027 people. This leads to the assumption that the music industry is increasingly hiring freelance and fee-based workers.

Those music professionals most attracted to Berlin are young producers, musicians, and composers. Music-related experts from all fields continue to move to Berlin in increasing numbers, and they come mostly for the city’s excellent infrastructure and for its fascinating and unique atmosphere.

Turnover - Share in the creative industries
in %



Source: German Institute for Economic Research (DIW), our own calculations

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Significant Contribution to Value Creation

An overall analysis shows that Berlin film and TV companies not only produce first-class films, TV series, political programs, and talk shows; they also make a considerable contribution to value creation and overall employment in Berlin. The film and TV industry is a future-oriented industry that creates jobs and attracts investment to the city.

Film and TV productions are not the only ones contributing to value-creation in Berlin. The music industry and the field of software/multimedia and telecommunications continue to enjoy their ongoing path to success in Berlin. We should also not forget to include the many regional service providers – such as transport and catering companies, security personnel, and the hotel and restaurant industry – all of which profit indirectly from the film and TV industry and, in doing so, make an additional contribution to the boost in economic performance.

Since exact numbers on the volume of these indirect effects are not available, we are only able to calculate their economic importance using estimated figures. With the help of the Berlin Economic Simulation Tool (BEST), we can determine the pre- and post-production expenditures of the Berlin film and TV industry and convert them to value-creation effects. Based on the expanded data, we calculate the film industry's contribution to the GDP – including the effects in the related economic branches – to be around €3.2 billion annually. This corresponds to a 3.9% share of Berlin's entire economic output.

Excellent Film Funding in Berlin

In Germany, even films with a high potential for success must rely on financial support from the public sphere in order to be made in the first place. Film funding in Germany takes place at both the federal and state levels, and the most important support institution is the German Federal Film Board (FFA). In addition to the Central German Media Fund (MDM), the highly successful Medienboard Berlin-Brandenburg is one of only two interstate support bodies responsible for disbursing funds for film projects (including script and project development, production, and distribution) undertaken in the Berlin-Brandenburg region.

In 2007, the entire film-funding budget of the Medienboard was raised to €29.8 million. These additional means have facilitated the funding of important films and business-location marketing projects in Berlin-Brandenburg. Films such as Michael Haneke's drama "Das weiße Band" (Producers: X Filme Creative Pool), which was filmed in a small village in Brandenburg, "Mogadishu Welcome" by Roland Suso Richter (Producers: teamWorx), and Cyril Tuschi's "Aufstieg und Fall des Michail B. Chodorkovskij" (Producers: LaLa Film) were all given additional support funds. At the moment, pilot projects for the development of digital content are also being given financial support. For the current year as well as for 2009, the states of Berlin and Brandenburg have promised the Medienboard a €3-million budget increase for film funding – €1 million for 2008 and €2 million for 2009. As part of the 2007 film funding provided by the Medienboard Berlin-Brandenburg, a total of 269 films and business-location marketing projects were provided with support.

Among the outstanding funding conditions available in the regional film industry are interim financing instruments for film and TV productions. The state investment banks of Berlin and Brandenburg (IBB and ILB), together with the Medienboard Berlin-Brandenburg, have created an interim financing program for TV productions designed to strengthen the Berlin-Brandenburg film and TV industry. Small and medium-size production companies with offices in Berlin and Brandenburg, as well as German production companies that realize a large part of their TV projects in the Berlin-Brandenburg region, are among the companies receiving financial support.

In August 2006, in order to make the film industry more competitive on an international scale, the German federal government announced the creation of the German Film Fund (DFFF), a program designed to provide an additional sum of €60 million each year to films produced in Germany as well as to foreign productions with German participation. The program started in January 2007 and is set to run for an initial period of three years. Along with the film industry in Munich, the film industry in the Berlin-Brandenburg region is the sector most likely to benefit from these new support funds. In the past year, the film "Speed Racer," which was filmed in Potsdam, received €9 million in support funds. Tom Cruise's Stauffenberg film "Val-kyrie" received €4.8 million. Since the market share of German productions in terms of all films shown in Germany is around 15% (the rest is made up almost entirely of American productions), this film funding reflects the ongoing necessity of improving the international competitiveness and exportability of German films.

In 2007, the Berlin Senate's culture department handed out stipends and project funding to Berlin-based female filmmakers as part of the Female Artists Program for artistic endeavors in the field of film and video. Funding was open to initiatives and groups with experience in cinema programs for events and film series that present the work of female filmmakers to a broader audience. Special attention is paid to innovative and experimental film projects.

Summary: Increased Support for Innovative Projects

The film and TV industry in Berlin is set to increase in importance. Considerable potential for growth still lies in the interplay of classical film production and modern multimedia technologies. The use of new technologies, such as Internet-based business opportunities, video-on-demand, and developments on the DVD market, has the potential to increase film sales and revenues even further. Potential developments involving the traditional film industry and digital distribution media must be pursued further as well. Berlin's definite advantages in terms of personnel and infrastructural resources make it an ideal business location. A potential survival strategy for cinemas might be found in the connection of its core audiences by means of a specialization of their programs. Other possibilities include cinema events, such as live concerts and sporting events.

It is also essential that the training and education of a new generation of talent continue to enjoy a high priority. Berlin's universities and colleges should concentrate above all in developing and offering internationally competitive study programs in multimedia fields. Another possibility includes the strengthening of film-related pilot projects in which new technological and geographical ground is broken, such as in the field of digital media and/or in cooperation agreements between filmmakers in the new Eastern European countries of the European Union.