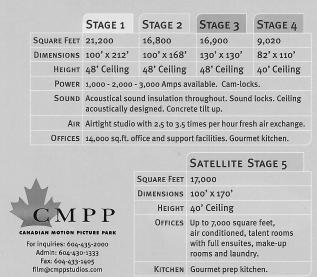
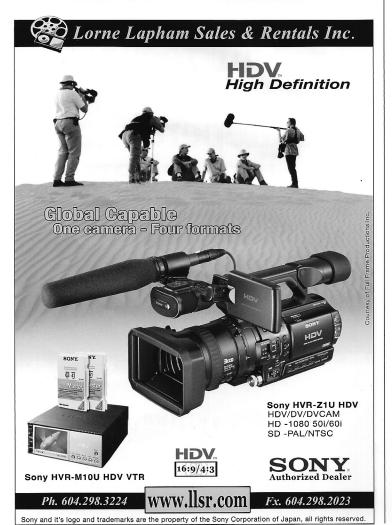
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LEGAL BRIEFS

German Media Funds Could Vanish

Why Germany's film industry could lose its private funding. by Cornelia Bauer

GERMANY HAS ESTABLISHED A VARIETY of national and regional film funding schemes. This funding is also available for international co-productions. Unfortunately, it appears that these tax advantages will be abolished at the end of this year. As a result, private media funds in their present form will disappear as an important financing source for film productions in Germany. The attractiveness of Germany as a production location will likely also fade with this change.

The current government, as well as the opposition party, CDU/CSU, have announced their intention to close tax loopholes and to abolish the lucrative loss-allocation possibilities in order to finance the reduction of the corporate income tax.

In actual fact, during the last few years German private media funds have promoted the film industry in Hollywood rather than indigenous film productions. Of approximately (Euro)15 billion of private capital invested in media funds by Germans since 1997, only 10-15 % has actually benefited the German film industry. Nearly 80 % of this amount went into film productions in the USA.

Of course, private investors put more value on how much success the film project concerned promises than on the nationality of the film industry they promote. Given that Germany is the only country where the incentive for investors is not linked to a local spend, movies like *Terminator* or *Lord of the Rings* were financed by German private funds, which are often referred to as "Stupid German Money".

Film is an economic and cultural good of great significance for a country. In order to strengthen and develop the German film industry, public funds are rightly regarded as indispensable.

National and regional film funds in Germany provided more than (Euro) 240 million in 2004. Private capital invested in media funds amounted to (Euro) 1.5 billion. The goals and motivation of private and public funds are different and while the state sets high value on cultural and qualitative aspects, private investors focus exclusively on business that pays. Hence, the coexistence of both is necessary to promote and strengthen the national film industry.

The current situation in Germany (to the alarm of the film industry) is that politicians have decided to abolish tax advantages before establishing alternative support measures.

Both the Canadian wage subsidy approach, and the UK sale and leaseback model, have been discussed by German politicians and producers. Since tax credits involve a direct subsidy, which would not be viable in Germany at the moment, and since they would require a higher capital expenditure than sale and leaseback, it is very unlikely that the Canadian model will be adopted. Indeed, a lot of politicians, as well as the producers' lobby group film20, have argued for the introduction of a sale and leaseback model similar to the one in the UK. Christina Weiss, the State Minister for Culture and Media, has suggested that the creation of a (Euro) 90 million venture capital fund could replace the private media funds.

All parties seem to agree that other fiscal parameters must be introduced as soon as possible to bolster local productions in Germany and to again make it attractive as a location for international productions.

Cornelia Bauer is a German law student currently working with the Vancouver law firm of Roberts & Stahl.

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great people through Women in Film & Television. I've taken several courses through the organization and find that I end up working with people that I have a relationship with. I am a Mom to Jesse who is 7 so I really appreciate the opportunity to connect with other women who are involved in making films and still

find a way to keep a family going. I also like to hang out with the boys at the Canadian Composers' Guild, which keeps me up to date with the fine composers in Vancouver.

After many years of playing and composing music, I'm still passionate about it and I'm still learning something from every project. www.julieblue.com