



Berlin, 15 June 2009

Bundestag Committee on Cultural and Media Affairs

Meeting held on 17 June 2009

Report by the Federal Ministry of Economics and Technology / Federal Government Commissioner for Culture and the Media on the implementation and results of the Federal Government's initiative for the culture and creative industries

1. Against the backdrop of intensive discussions held at the level of the Federal Länder, in the German Bundestag and at European level, the Federal Government launched an initiative for the culture and creative industries on 7 May 2008. The kick-off event was attended by around 80 high-ranking representatives of all eleven sub-sectors of the culture and creative industries (the advertising industry, the broadcasting industry, the games industry, the design industry, the performing arts market, the architectural market, the book market, the film industry, the press market, the art market and the music industry) as well as other central associations of business and general cultural institutions in order to initiate a sustainable dialogue about the economic development of this important branch of industry.

The aim of the interministerial initiative that is being jointly implemented by the Federal Ministry of Economics and Technology and the Federal Government Commissioner for Culture and the Media was first and foremost to explore the economic potential of the culture and creative industries and the employment opportunities for persons engaged in the cultural sector and in a second step to provide concrete assistance, where it is necessary and meaningful to do so from the Federal Govern-

ment's perspective, in a bid to strengthen the competitiveness of the sector and employment opportunities in cultural professions.

2. The research report commissioned by the Federal Government on the culture and creative industries was completed at the beginning of 2009. It is published on the websites of the Federal Ministry of Economics and Technology und the Federal Government Commissioner for Culture and the Media. An abridged version providing information about the initiative in two languages, namely English and German, is also available as a hard copy. The research report was also presented at the Federal Press Conference on 17 February 2009 where it met with a great response. It was covered by a number of newspapers including Süddeutsche Zeitung, Handelsblatt and Financial Times Deutschland. A more detailed presentation was also held on 17 February 2009 at the International Design Centre Berlin which was attended by around 100 representatives of the business and scientific community and administration.

In the research report, the Federal Länder were also represented by the Chairperson of the Committee on Cultural and Media Affairs. The interim results were also discussed at a workshop with representatives of the Federal Länder. The close coordination between the Federal Länder and the Federal Government has contributed in no small measure towards developing a shared understanding of the culture and creative industries and of their economic importance, without disregarding their culturally independent dimension.

It needs to be emphasized that the definition of the culture and creative industries proposed by the experts is compatible both with the definitions of the Federal Länder and the definitions used at European level. The culture and creative industries comprise all culture and creative enterprises that are mainly market-oriented and deal with the creation, production, distribution and/or dissemination through the media of cultural/creative goods and services. It comprises all the artistic, literary, cultural, musical, architectural or creative content, works, products, productions or services that form the relevant core of the branches.

The key economic data determined by the study once again underline the importance of the culture and creative industries within Germany's national economy. The culture and creative industries are meanwhile generating revenue of EUR 132 billion, with the share in overall value added in Germany amounting to EUR 63 billion on a similar scale to the major economic branches, e.g. the automotive, mechanical engineering and ICT industries. In contrast to the general economic trend last year, the general trend was most positive. The number of self-employed persons and companies rose by 4.3 percent, the quota of self-employed persons is extraordinarily high at 28 percent (compared to the economy as a whole: 11 percent). All in all, there were 238,000 enterprises and 1 million gainfully employed persons in the culture and creative industries, around 763,000 of whom are liable to social insurance deductions. The industries are characterized by a large percentage of small and micro enterprises and a large number of freelance professionals. Artists and persons engaged in the cultural sector are frequently at the beginning of the value chain. The revenue generated by each enterprise in 2008 was around EUR 554,000 which merely accounts for one-third of the revenue generated by an average company in the economy as a whole (EUR 1,619,000). The culture and creative industries are also characterised by an above-average share of female employees (53 percent). The share of women in the group of self-employed persons is way above the average.

Other structural features:

- Future-oriented models of work and business have prevailed in the culture and creative industries from the start.
- There are very short innovation cycles in sub-sectors of the culture and creative industries.
- The culture and creative industries mainly produces prototypes, individual works, small scale series and immaterial products.
- The employment structure, areas of activity and job descriptions change very rapidly.
- Nearly all enterprises of the culture and creative industries use state-of-the-art technologies.

The report also contains key economic data (characteristics) on each of the eleven sub-sectors and not just key data on the culture and creative industries.

The experts also had to examine the existing support framework of the culture and creative industries in detail and to draw up recommendations for action for the Federal Government. It has been proposed, among other things, that a network of experts be set up to provide advice and coaching to the individual sub-sectors and that the definition of the term “innovation” be changed in order to enhance access of enterprises of the culture and creative industries to support available for small and medium enterprises.

3. Since the kick-off event, industry-specific hearings have also been held nationwide with all eleven sub-sectors of the culture and creative industries, with each sub-sector being represented by around 50 participants:

Year 2008

Advertising industry	12 June, Düsseldorf
Broadcasting industry	6 November, Cologne
Computer games	13 November, Berlin
Design industry	18 November, Stuttgart

Year 2009

Performing arts market	22 January, Bochum
Architectural market	11 February, Hamburg
Book market	25 February, Frankfurt am Main
Film industry	12 March, Babelsberg
Press market	16 March, Munich
Art market	31 March, Leipzig
Music industry	5 May, Berlin

This in-depth form of dialogue has been very well received by the sub-sectors. The Federal Government now has a good overview of the structures, challenges, lines of development and needs of the heterogeneous complex of markets and of the culture

and creative industries as a whole. The hearings also helped to develop common perspectives between the two sides, culture and industry.

There is a huge interest in continuing with the intensive dialogue in future, in pressing jointly ahead with the integration of the sub-sector and in tackling certain issues across all sectors more exhaustively, for instance, issues relating to training, qualifications and finance. In terms of the support needs of individual enterprises across all sectors, it emerged that there is a significant cross section of measures worth considering that are incidentally also recommended by the experts carrying out the study on behalf of the Federal Government. In this context, these include enhancing the specific supply of information about existing support possibilities, making specific persons engaged in the culture and creative industries aware of the support programmes available, providing specific coaching and professionalization services, supporting innovative pilot projects and offering to assist with tapping international markets, tailored to the specific needs of the culture and creative industries.

4. In addition, the Federal Government implemented a number of other events. Last year, an industry-specific dialogue was conducted with the manufacturers of music instruments in Nuremberg. German manufacturers of music instruments provide a very good example of how specialising in high-quality products pays off. Furthermore, the Federal Government assisted with the Createurope/ THE FASHION ACADEMY AWARD project launched by the Goethe Institute. This competition for young fashion designers that around 1,000 young designers from 39 countries entered added to the networking between creative people and promoted Germany as a fashion location. It also showed that young and upcoming fashion designers from Germany are able to hold their own in competition with other international fashion designers. In late 2008, the economic dialogue aimed at preventing Internet piracy was launched that includes both content providers from the culture and creative industries and Internet service providers. The Federal Foreign Office implemented its workshop "Germany's image abroad" in late 2008, focusing on the culture and creative industries. This once again showed that potential does exist in individual industries but that this potential is frequently not sufficiently visible.

In 2009, the initiative also implemented an event under the heading "Design strengthens SMEs" which 200 small and medium-sized enterprises took part in. At

this event, the participants were informed on the basis of practical examples about the economic opportunities that present themselves to those using design.

5. On the basis of the results achieved in the analytical phase, the next step will involve developing a universal strategy aimed at strengthening the culture and creative industries, with the Federal Government intending to focus above all on small enterprises operating in this industry. Another important guideline will be to develop and implement measures that will benefit as many of the eleven sub-sectors of the culture and creative industries as possible. The work to develop the future strategy is to be pressed ahead with swiftly while giving due care. As such, it will be important for the Federal Government to integrate the Federal Länder as closely as possible in order to achieve the best possible coordination among the various levels and their activities. In the medium-term financial plans, funds of EUR 2.5 million per year have been earmarked for the implementation of the initiative.

If project applications are submitted to the initiative during the transitional phase, it is in particular relevant for a positive decision – in addition to ensuring the budgetary requirements are met – that as many sub-sectors of the culture and creative industries stand to benefit as possible, for instance, from the transfer of know-how or the exchange of experience. However, conversely this does not mean that projects which relate exclusively to individual sub-sectors of the culture and creative industries will be excluded.

6. All in all, the following conclusions have been drawn from the eleven industry-specific hearings held between June 2008 and May 2009 and from the study commissioned by the Federal Government:

Culture and creative industries are part of the overall focus of modern economic and cultural policy

Culture and creative industries are of paramount importance for our national economy. These industries' share in overall value added in Germany amount to EUR 63 billion which is comparable to that of the major economic branches, e.g. the automotive, mechanical engineering and ICT industries. From the perspective of economic policy, the culture and creative industries should be accorded the same focus

as the other above-mentioned industries. They are now perceived as an economic branch of its own standing, that is becoming permanently established as a growth industry. Economic policy geared towards strengthening and expanding innovation in Germany therefore has to include the development of the culture and creative industries as a cross-sectoral branch, without disregarding the cultural dimension. Culture and creative industries are more than just an important branch of industry. Artists and persons engaged in the cultural sector are at the beginning of the value chain in all sub-sectors. They are the producers of artistic and cultural products which means we have a special responsibility towards them. Promoting the culture and creative industries should hence also be perceived as promoting business and as an important investment in the future.

Continue monitoring

The economic data show that the culture and creative industries are not a soft, but a hard location factor. It is therefore important to continue monitoring the progress of the culture and creative industries each year in future. The same applies to the eleven sub-sectors. It would be desirable in this respect to obtain even more detailed information about the characteristics of the sub-sectors than has been the case up to now.

Owing to the intensive dialogue it has engaged in with representatives of the sub-sectors, the Federal Government has managed to gain a good overview of the structures, challenges, lines of development and needs of the individual sub-sectors and of the culture and creative industries as a whole. It must continue to keep abreast of developments in future and must carry on the dialogue in the form of talks, workshops and other events. Other important themes affecting a large number of sub-sectors include, for instance, qualifications and professionalization, sustainability and demographic trends. Before the end of this year, greater emphasis is to be placed on the role of handicrafts and the event industry and how they relate to the culture and creative industries. Even though they are not independent sub-sectors of the culture and creative industries, they make a major contribution to the economy. Freelance professionals and micro-enterprises of the culture and creative industries are also of special interest. Following the summer recess, their functions, potential and development possibilities are therefore to be subject to a more detailed analysis in cooperation with the municipalities of Bremen, Nuremberg and Leipzig.

Enhancing networking

Similar to the IT industry, the culture and creative industries represent a cross-sectoral area with key functions. They overlap with traditional branches of industry in many diverse ways and are of paramount importance for the development of our society. The culture and creative industries also harness technology and creativity. In order to make even better use of the potential in future, it is important to further expand the exchange between the culture and creative industries. The plan is hence to create a relevant platform and to provide the necessary communication areas. It is also important to enhance an exchange between the culture and creative industries and the traditional industries. This is why the event “Design strengthens SMEs” was implemented once again this year at the initiative of the design industry. Using practical examples, 200 small and medium-sized enterprises were briefed about the economic opportunities that exist when they use design.

Raising awareness of support possibilities – informing enterprises more effectively about existing programmes – strengthening occupational qualification measures

While this initiative was being implemented, it very often became obvious that little is known about existing support options. Enterprises engaged in the culture and creative industries– this applies in particular to the set-up phase – need to be approached in a special way in order to achieve the necessary professionalization standard. Informing enterprises and helping them to participate in existing programmes need to be significantly enhanced. This is to be achieved by developing a network for players of the culture and creative industries who are to take on the important role of mediators.

Nearly all the studies and reports carried out on the culture and creative industries have pointed out the major deficiencies shown by many players in management and marketing. In order to remedy this situation, a competence network of external experts who are familiar with the industries are to be integrated into this pilot structure, offering offer targeted professionalization measures (for instance, in the form of coaching on the job) in order to optimise production processes, tap new markets, to develop marketing strategies, to make full use of existing financing possibilities (business plan, access to banks) and to develop additional new fields of activity for

artists and persons engaged in the culture and creative industries. In doing so, existing consulting services are to be used and integrated via an Internet portal, wherever it is meaningful to do so.

Giving enterprises in the culture and creative industries access to existing support programmes

The major importance of the culture and creative industries for the national economy in general and their innovativeness in particular militate in favour of them being integrated into economic and technological programmes. Up to now, it was not possible to leverage all existing federal programmes for the culture and creative industries too. This is why the formal and content-related requirements of the culture and creative industries are to be carefully examined and adapted wherever necessary in order to promote the development of the culture and creative industries. In addition, the current definition of the term “innovation” needs to be reconsidered as it is not just technological innovations that boost economic development, Rather, in this day and age it is ideas and creative content that speed up economic development.

Safeguarding finance

It is not always easy especially for freelancers and small enterprises engaged in the culture and creative industries to access financial resources: they are often cut off from external sources of finance because their generally lower financial requirements tend to be unattractive for banks or because they have difficulty offering sureties and it is hard to assess their market and corporate development. Despite their high entrepreneurial risk and diminished security, it is hence important for these enterprises to be able to access finance. This explains why existing programmes need to be further developed for enterprises with lower financial requirements. Furthermore, a manual is to be published in cooperation with advisers, banks and providers of business support that will help to enhance the economic classification of the culture and creative industries at institutional level. This manual should provide rules for assessment and recommendations for the special characteristics of business activities in the respective branches of the culture and creative industries.

Selling the “Created in Germany” brand at international level

Endeavours should be undertaken to ensure that the potential of Germany's culture and creative industries is leveraged more effectively abroad than has been the case up to now. Even though persons engaged in Germany's culture and creative industries are hugely competitive by international standards, the culture and creative industries' share in exports certainly has the potential to be greatly increased. Enterprises in culture and creative industries could therefore make much better use of the federal programmes aimed at promoting foreign trade. The issues of exports and internationalisation were also broached at hearings held with the industries, for instance, at events on the architectural market and the games industry. The proposal put forward by architects has been taken up to initiate talks after the summer recess in order to discuss issues relating to the export of architectural services with a view to solving existing problems. Furthermore, strategies from international marketing, design management and design thinking are to be discussed at a workshop to be held on 15 September 2009 – based on the jewellery market.

Maintaining social insurance for artists

Social insurance for artists has been a success story. Demands to abolish social insurance deductions for artists or even to abolish the system itself fail to recognise the special relationship that exists between insured persons and the parties exploiting their works and the indispensable contribution a reliable insurance for artists and publishers makes for Germany as a business and cultural location. Creativity and cultural innovation commissioned by industry, trade and services safeguard sales opportunities, jobs, growth, prosperity and entrepreneurial profits. Artists and publishers are generally highly trained initiators and innovators in the value chains of the culture and creative industries. Insuring them against their basic life risks creates an important basis for fostering creativity and the abundance of ideas. This was also highlighted several times at the hearings held with specific branches of industry, for instance, at the hearings for the market for the performing arts, the design industry, the art market or the music industry.

Safeguarding intellectual property protection

Persons engaged in the culture and creative industries play an important role as they are precisely the ones creating the basis for a wide range of subsequent economic activities. It is therefore important to ensure that creative people also have a financially sound future. Digitisation has upset the balance between creatives and users. We need to try to re-establish a better balance between the two. Further developing the statutory framework for digital copyright protection will therefore continue to be an important task in the long term. New forms of economic and technical cooperation between right-holders and service providers will be needed in the short to medium term, for instance, providing information and issuing warnings, technical protection measures and new business models. Right-holders and service providers will need to talk more intensively and open-mindedly than ever before about the drawbacks and benefits of the respective measures. This is why we intend to continue with the *economic dialogue aimed at preventing Internet piracy* that was initiated at the beginning of last year at the Federal Ministry of Economics and Technology with a view to achieving initial solutions approaches in the foreseeable future in a consultation process integrating all stakeholders.

7. At a high-ranking annual conference held in Berlin on 16 June 2009, the Federal Government will take initial stock of progress made by the initiative in its first year with representatives of all sub-sectors and leading cultural organisations. The main aims are above all to discuss the above-mentioned conclusions drawn from the research report and the industry-specific hearings about the initiative with selected, renowned representatives of the culture and creative industries in a transparent way and to highlight options for action for the coming legislative period. The results of hearings held with specific branches of industry will be available in an overall documentation. The federal cabinet and the Federal Government Commissioner for Culture and the Media will be notified shortly of the progress achieved.