

European cinema in the digital era

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The Committee on Culture and Education adopted unanimously the report by Piotr BORYS (EPP, PL) on European cinema in the digital era.

Members point out, firstly, that almost 1 billion cinema tickets were sold in the EU in 2010, demonstrating cinema's continued popularity and huge financial, growth and employment potential. They also stress that European cinema is of growing importance to the economy, as it provides more than 30 000 jobs. They also point to European cinema's extremely important cultural and social dimension and its role in the cultural development and identity of Europe.

Members note that the European cinema market is **highly fragmented and diversified**, a great majority of the cinemas having only one or two screens. They also note that multiplexes constitute the majority of digitised cinemas. They highlight the fact that there is a geographical imbalance in the accessibility of cinemas and film to citizens, most notably in Eastern Europe and in rural areas. They point out that film screening is in the process of changing, with growing numbers of multiplexes and a **marked reduction in the number of screens in small towns and old city centres**. Members observe that, partly because of the primacy assigned to blockbuster films, the diversity of films in Europe and cinemas' freedom to decide on their programming are endangered and as a result there is reason to fear an irreversible market concentration in the field of cinema. The digital roll-out must therefore preserve programming diversity and cultural facilities for rural and urban areas in all EU countries and must not result in the closure of small and art-house cinemas to the benefit of multiplexes.

Members note, furthermore, with concern that the survival of many independent cinemas is being endangered by the high costs of converting to digital technology.

Members highlight the fact that, as a result of inadequate funding, European cinema is being insufficiently promoted internationally.

Opportunities and challenges: aware of the difficulties faced by European cinema, Members call on the Member States and the Commission to financially support the full digitisation in terms of equipment of EU cinemas and to establish European and national programmes to **support the transition to digital technologies as quickly as possible and encourage the circulation of European films** within an audiovisual sector that is globally very competitive.

Threats: among the main threats to the development of European cinema identified by Members are the following:

- the high costs of digitisation, especially for small independent and art-house cinemas;
- the closure of small cinemas in small villages in less-developed regions;
- the threat of piracy and illegal downloading;
- the problems relating to the circulation and distribution of films, particularly those with lower budgets;
- the lack of suitable training of projectionists to handle new digital cinema equipment.

To counteract these threats, the main priority actions should be: i) specific measures proposed by the Commission to avoid the closure of small, independent and art-house cinemas, ii) public funding, in particular for small independent cinemas.

Interoperability, standardisation and archiving: Members underline the need to ensure the interoperability of digital projection systems and materials, while respecting the principle of technological neutrality. In this respect, Members recommend the standardisation of systems based on **ISO standards** in the areas of production, distribution and film screening without, however, resulting in the establishment of a single standard. They also stress the importance of standardising the 2K resolution system, which allows the screening of films in 3D, HDTV and Blu-Ray as well as for VOD services. They call on European and national standardisation organisations to promote the use of this standard accordingly.

As far as the issue of archiving is concerned, Members recommend that Member States adopt legislative measures to ensure that audiovisual works, which in future could form the beginnings of a European multimedia library and become an important instrument for protecting and promoting the national heritage. They therefore recommend that the **digital transition be made as quickly as possible** to avoid the cost of producing both celluloid and digital versions of films.

With regard to Europeana, Members call on the Commission to use the European digital library EUROPEANA not only as a digital library for printed products but also for the European film heritage.

State aids: Members call on Member States to take EU competition rules into account when designing State aid schemes for digital conversion, in order to avoid distortions of the financing terms for digital cinema. The Commission is invited to draw up clear guidelines for State aid, building on experiences in various Member States. Members emphasise that, while public support should be technology-neutral, it should also guarantee the **sustainability of investments**, taking into account exhibitors' specific business models and distributors' technical requirements.

Financing models: Members emphasise the need for public and private investment as the cinema sector enters the digital era. They stress that in order to ease the digitisation process, flexible and diversified financing, both public and private, should be made available at local, regional, national and European level, particularly to support small and independent cinemas. They recommend that the financing of digitisation projects by the European Structural Funds include commitments by supported cinemas to screen European films.

The Commission and the Member States are also invited to:

- disseminate best practices in the area of the financing of digitisation (e.g. small cinemas forming networks to conclude collective agreements with distributors);
- take into account the costs for small local cinemas, and possible opportunities/consequences for the labour market, when drawing up their national digitisation programmes;
- take into consideration cinemas located in less well populated areas, where cultural events are rare, and not in a position to pay the costs of converting to digital;
- promote public-private partnerships as a method for financing the digitisation of cinemas;
- respect the independence of cinemas;
- increase funding for research connected with digital cinema technology;
- implement training programmes targeted at professionals in the audiovisual sector allowing them to learn to use digital technologies and adapt to new business models.

Virtual Print Fee (VPF): Members acknowledge that the so-called VPF commercial model for financing the installation of digital equipment is suitable for large cinema networks but is not an optimal solution for small and independent cinemas. They note that financing models should be promoted which enable independent cinemas to gain access to VPF payments from all distributors; recommends organising purchasing cooperatives in order to make the advantage of **group rates** available to all cinemas.

Film education: Members underline that education through film, including cinema culture and language, allows citizens to have a critical understanding of different forms of media. Film education should enable

citizens to gain wider knowledge, to appreciate the art of film and to reflect on the values that films convey. This is the reason why Members call on Member States to include film education in their national education programmes and to support educational programmes in film schools.

The MEDIA Programme: underlining the importance of the MEDIA Programme for the European film industry, Members stress its importance in the digitisation of cinemas. They call on the Commission to earmark funding under the new MEDIA programme for the post-2013 period and from the European Fund for Regional Development (EFRD) to support the digitisation of cinemas showing European content. They underline that new initiatives must be introduced as part of the next generation of the MEDIA programme to improve and promote translation, dubbing, subtitling and surtitling, in order to support independent cinemas dedicated to European films.

They also call for: i) a ‘digital programme heading’ to be included in the MEDIA programme in order to simplify conversion to digital formats; ii) investment by the MEDIA Programme in VOD (video on demand).

Models of distribution: Members note that digital technologies have affected the way in which films are distributed over a variety of platforms and devices either through linear or non-linear services. They point out that one weak point in the digitisation process is the fact that distributors, and especially independent distributors, receive insufficient support for digital distribution. They therefore encourage Member States to:

- focus financial aid on distribution;
- devise a strategy for establishing a digital cinema network including film studios, single-screen and multiplex cinemas;
- accompany the development of new online exploitation methods with the implementation, at European level, of fair remuneration for audiovisual authors.

Promotion of European cinema: overall, Member States to ensure the widest possible inclusion of European films in the screening programmes of their cinemas. To do so, they suggest that there is a need to promote and support **European co-productions**. They also encourage Member States to promote and support the dissemination and circulation of European films on their territories through dedicated events and festivals. They recommend that films winning awards at European festivals should be given marketing support to further facilitate international VOD releases. In recognising the role of the EP LUX Prize in promoting European films, Members propose better cooperation and interaction with third countries aimed at raising the profile of European productions on the world market, and particularly in the Mediterranean area.