

European cinema in the digital era

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The European Parliament adopted by 506 votes to 27, with 46 abstentions, a resolution on European cinema in the digital era.

State of play: Parliament points 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. It also stresses that European cinema is of growing importance to the economy, as it provides more than 30 000 jobs. European cinema plays an extremely important role in the cultural development and identity of Europe.

Parliament notes, however, 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. It highlights 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. It points 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**. The diversity of the EU's cinematic landscape must be preserved and the **transition to digital** must not result in the closure of small and art-house cinemas to the benefit of multiplexes.

Preponderance of US productions is a threat to European productions: Parliament notes that the European film industry's potential is growing, but that the proportion of European productions showing in cinemas needs to grow. It observes 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. It notes, furthermore, with concern that the survival of many independent cinemas is being endangered by the high costs of converting to digital technology. The resolution notes that multi-territory or pan-European licensing is crucial for unlocking the potential of online distribution film markets, for promoting a wider circulation of European films, for better consumer access to European films and for availability of European films on Video On Demand (VOD) platforms.

Opportunities and challenges: for the Parliament, the Member States and the Commission must make it a priority 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 Parliament 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: Parliament underlines 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. It calls on European and national standardisation organisations to promote the use of this standard accordingly.

As far as the issue of archiving is concerned, Parliament recommends 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. It therefore recommends that the **digital transition be made as quickly as possible** to avoid the cost of producing both celluloid and digital versions of films.

State aids: Parliament calls 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. Parliament emphasises 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: Parliament emphasises the **need for both public and private investment** as the cinema sector enters the digital era. It stresses 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. It recommends that the financing of digitisation projects by the European Structural Funds include commitments by supported cinemas to screen European films. It underlines that although the European Structural Funds are a significant source of financing for digitisation projects and training initiatives, funding should be increased, the waiting times shortened and the applications simplified as part of the **new Multiannual Financial Framework 2014-2020**.

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): Parliament acknowledges 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. It notes 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: Parliament underlines 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 it calls on Member States to include film education in their national education programmes and to support educational programmes in film schools. It highlights the importance of film education in independent cinemas at all stages of education in order to develop audiences for European films.

The MEDIA Programme: underlining the importance of the MEDIA Programme for the European film industry, Parliament stresses its importance in the digitisation of cinemas. It calls 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. It also calls 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: Parliament notes 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. It points out that one weak point in the digitisation process is the fact that distributors, and especially independent distributors, receive insufficient support for digital distribution. It therefore encourages 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, Parliament encourages Member States to ensure the widest possible inclusion of European films in the screening programmes of their cinemas. To do so, it suggests that there is a need to promote and support **European co-productions**. It also encourages Member States to promote and support the dissemination and circulation of European films on their territories through dedicated events and festivals. Parliament calls for technology-neutral support for all cinemas which show **a high proportion of European films and for an ambitious programme, irrespective of their turnover or number of customers**. It recommends 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, Parliament proposes 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.