


Procedure file

Basic information		
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European cinema in the digital era		
Subject		
3.30.01 Audiovisual industry and services		
3.30.06 Information and communication technologies, digital technologies		
4.45.08 Cultural and artistic activities, books and reading, arts		

Key players				
European Parliament	Committee responsible	Rapporteur	Appointed	
	CULT Culture and Education		26/10/2010	
		PPE BORYS Piotr		
		Shadow rapporteur		
		S&D CHILDERS Nessa		
		ALDE SCHAAKE Marietje		
		Verts/ALE TRÜPEL Helga		
		ECR MCCLARKIN Emma		
	Committee for opinion	Rapporteur for opinion	Appointed	
	ECON Economic and Monetary Affairs	The committee decided not to give an opinion.		
	ITRE Industry, Research and Energy	The committee decided not to give an opinion.		
	IMCO Internal Market and Consumer Protection		15/02/2011	
		ALDE CREUTZMANN Jürgen		
European Commission	Commission DG	Commissioner		
	Communications Networks, Content and Technology	KROES Neelie		

Key events			
24/09/2010	Non-legislative basic document published	COM(2010)0487	Summary
16/12/2010	Committee referral announced in Parliament		
05/10/2011	Vote in committee		Summary
19/10/2011	Committee report tabled for plenary	A7-0366/2011	
16/11/2011	Results of vote in Parliament		
16/11/2011	Decision by Parliament	T7-0506/2011	Summary
16/11/2011	End of procedure in Parliament		

Technical information	
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Documentation gateway

Non-legislative basic document		COM(2010)0487	24/09/2010	EC	Summary
Committee opinion	IMCO	PE458.564	25/05/2011	EP	
Committee draft report		PE467.003	23/06/2011	EP	
Amendments tabled in committee		PE470.048	12/09/2011	EP	
Committee report tabled for plenary, single reading		A7-0366/2011	19/10/2011	EP	
Text adopted by Parliament, single reading		T7-0506/2011	16/11/2011	EP	Summary
Commission response to text adopted in plenary		SP(2012)55	05/03/2012	EC	

European cinema in the digital era

PURPOSE: to lay down the opportunities and challenges for European cinema in the digital era.

BACKGROUND: the audiovisual landscape is mutating rapidly worldwide, opening up myriad opportunities for the European cinema and audiovisual industry provided that the inherent challenges of investment in equipment, training and new models can be overcome. Digital technologies have already made European audiovisual works more easily accessible outside their country of origin thanks to new ways of transporting audiovisual content (such as video on demand and catch up TV).

Ensuring that there is circulation of European works and diversity of European cinema available to viewers will require a wide range of operators (distributors and exhibitors). One of the challenges will be to maintain cinemas in spite of the entry barrier represented by the high costs of digital equipment that threatens the existence of a number of European cinemas.

Some European exhibitors are still hesitant about investing in digital equipment since over the last 15 years they have made substantial investments in the upgrading of their facilities and in the creation of mini/multiplexes.

The digital cinema distribution revolution therefore raises two major issues:

- the important investment in digital equipment has to be borne by exhibitors, but the savings will be made by distributors (thanks to the lower cost of digital copies);
- digital equipment represents a cost that can be borne by cinema chains and multiplexes but that is often out of reach for certain smaller independent (frequently arthouse) cinemas.

This could lead to a dual exhibition/distribution market, where only multiplexes and high value commercial films would benefit from the digital cinema revolution. Cultural diversity and renewal of talent however depend on maintaining Europe's unique network of cinemas.

It is clear that the European Commission has an important role to play in the digital transition of cinemas, in particular by contributing to the establishment of a framework for this Transition. It is for this reason that it has presented its communication on the opportunities and challenges for European cinema in the digital era.

CONTENT: Member States' support measures focus in general on the creation and production phases of filmmaking. These films will from now on also need digital masters and digital screens in order to be shown and to reach their potential audience. Access to digital equipment and to digital masters will become crucial to remain competitive in a rapidly evolving market. Ensuring that there is circulation of European works and diversity of European cinema available to viewers will require a wide range of operators (distributors and exhibitors). One of the challenges will be to maintain cinemas in spite of the entry barrier represented by the high costs of digital equipment that threatens the existence of a number of European cinemas.

It is clear that the European Commission has an important role to play in the digital transition of cinemas, in particular by contributing to the establishment of a framework for this transition, covering elements such as:

- standardisation;
- collection and preservation of film in digital format;

- regional support to digitisation (including EU Cohesion Policy);
- compatibility with Treaty rules;
- support to exhibitors of European films (MEDIA Programme);
- access to finance (European Investment Bank and MEDIA).

The European Commission is aware that the transition to digital projection has a number of inherent risks that have to be tackled to enable European cinemas to benefit from its opportunities.

To reach that objective it is necessary to ensure:

- flexibility and transparency in the standardisation process, so that digital cinema projection standards can meet the diverse needs of European cinemas;
- legal security in the field of State aid for the digitisation of cinemas, in the form of clear assessment criteria enabling Member States to design their schemes accordingly;
- EU financial support for the digital transition of cinemas showing European films or having an impact on regional development.

Financing the digital cinema transition: the objective of the European Commission action plan is to create a favourable environment for the digital exhibition of European films. Different initiatives have been and will be launched to support the take-up of and the investment in new digital technologies. With the help of the European Structural Funds and the new MEDIA scheme, the ultimate objective of the Commission is also to promote European citizens' access to digital cinema.

Two types of intervention are proposed:

1) to design a new MEDIA scheme to support the digital transition of European cinemas. In line with the principle of subsidiarity and the Programme's objectives the support will focus on cinemas screening a majority of recent European films. This will comprise the basic award criterion for the applicant cinemas. The new digitisation scheme will grant support directly to cinemas and co-finance a clearly identified set of digital equipment costs in the form of flat-rate financing. MEDIA support can be cumulated with national support; however, priority will go to cinemas/countries that cannot benefit from VPF deals or from national support schemes for digitisation. The cinemas based in those countries will be given particular attention, in line with the priorities of the MEDIA 2007 Programme. To be able to grant support in the form of flat-rate financing a study on digital equipment costs has been commissioned to determine a sliding scale of unit costs. The scheme will be finalised and launched at the end of 2010, on the basis of the findings from this study;

2) to facilitate the access of exhibitors to credit or to support their financing costs. The possibility of opening the MEDIA Production Guarantee Fund to exhibitors and/or of creating a new i2i scheme for them is therefore being considered. The European Investment Bank (EIB) could also play a role in the digital transition by helping national funds/digitisation plans access commercial loans.

Timetable: the Commission therefore intends to put into place the following elements of an action plan for the transition to digital cinema projection for European cinemas:

2010

- a progress report on the adoption of digital cinema projection standards to ensure that this reflects the needs of European cinemas and that alternatives are explored for European
- cinemas that do not need or cannot access 2k equipment;
- a study on the costs of digital equipment to provide important data from across the EU;
- a new MEDIA support scheme for the digitisation of cinemas screening a significant percentage of European (non-national) films.

2011

- adopt a Recommendation on promoting digitisation of European cinema;
- examine the possibility of extending the MEDIA Production Guarantee Fund to exhibitors or find a similar way to facilitate their access to credit.

2012

- monitor the digital transition and review all its different aspects in the whole audiovisual chain (training, digital masters, programming?);
- develop appropriate criteria to assess State aid support for digital projection in the Cinema Communication.

European cinema in the digital era

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.

European cinema in the digital era

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.