

European film in the digital era

The fast pace of technological change is creating both challenges and opportunities for the film industry, notably in terms of distribution via new release channels (video on demand, downloading, streaming) and release windows (release chronology), and resulting changes in audience behaviour. New business models also raise questions over copyright for access to content.

Background

In its 2010 [Communication](#) on cinema in the digital era, the European Commission outlined obstacles the [film sector faces](#) in a digital environment that has changed production and distribution chains, and [consumer habits](#). The Commission's ambition is to create a Europe-wide [market for digital products and services](#), eliminating geographical and legal barriers, in the context of efforts to achieve the [Single European Digital Market](#), one of the priorities of the Commission's 2015 work programme.

Main challenges

The [European film industry](#) is prolific, with over [1 500 films](#) produced in 2013. However, the sector is fragmented, primarily due to linguistic diversity. It faces huge competition from US productions, which account for a growing share of the distribution market (an estimated 69% in 2013). [New release channels](#), that have attracted consumers and encouraged their viewing habits towards digital consumption, also face competition from [US-based distribution platforms](#) (iTunes, YouTube, Amazon or Netflix), adding to the challenges. Most EU film companies are [SMEs or micro-enterprises](#). The average US film production budget is some five times the EU average (US\$23 million against US\$4.7 million in 2008). Spending on advertising and promotion uses about half of the budget in the US, compared to an EU average of 12%. [EU rules](#) define the allocation of national support (production, distribution, and promotion) and the level of state aid: up to 50% of the production budget (with no ceiling for difficult audiovisual works, as defined by each Member State), and 60% for co-productions expected to attract bigger audiences across the EU. The [Media strand](#) of the EU's [Creative Europe](#) programme offers support for European film co-productions, distribution and cinema networks.

Issues of concern

[Some stakeholders](#) see exploitation rights sold as licences as a vital source of funding. Territorial licensing ensures pre-sales in a given territory on an exclusive basis (territoriality) and results in geo-blocking of digital content. The Commission aims to facilitate cross-border distribution via a planned reform of [copyright in the digital environment](#) putting an end to [copyright territoriality](#), a change which is broadly supported by [consumers](#). According to [stakeholders](#), this move will [benefit](#) big companies and [endanger](#) the rest of the industry, but without tackling worldwide [content piracy](#) (unauthorised use, copying or sale of content), often [motivated](#) by price levels, and which has not, so far, successfully been prevented by geo-blocking.

Traditional linear distribution chains, passing from cinema screening to DVD/BluRay and subsequent TV release, are increasingly challenged with the rapid advent of new release windows which open non-linear access. Some perceive the different channels as complementary, while others fear that change will result in [lower cinema distribution incomes](#). The Commission's preparatory action on the [circulation of European films in the digital era](#) is designed to test more flexible releases across media and to address this issue.

The motion for resolution [drafted](#) by the EP's Committee on Culture and Education (rapporteur Bogdan Brunon Wenta, EPP, Poland) supports a more flexible approach to film releases, maximising audiences and discouraging [piracy](#). It encourages production cooperation, alternative film funding (crowdfunding) for subtitling, and focuses on copyright and licensing as essential issues for digital film distribution throughout the EU. It also highlights the role of film heritage and small cinemas in promoting cultural content.