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on European cinema in the digital era
(2010/2306(INI))

Committee on Culture and Education

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on European cinema in the digital era (2010/2306(INI))

The European Parliament,

- having regard to Article 167 of the Treaty on the Functioning of the European Union,
- having regard to the Convention on the Protection and Promotion of the Diversity of Cultural Expressions adopted by the United Nations Educational, Scientific and Cultural Organisation (UNESCO) on 20 October 2005,
- having regard to Directive 2010/13/EU of the European Parliament and of the Council of 10 March 2010 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audiovisual media services (Audiovisual Media Services Directive)¹,
- having regard to Decision No 1718/2006/EC of the European Parliament and of the Council of 15 November 2006 concerning the implementation of a programme of support for the European audiovisual sector (MEDIA 2007)²,
- having regard to the Recommendation of the European Parliament and of the Council of 16 November 2005 on film heritage and the competitiveness of related industrial activities³,
- having regard to the Commission Recommendation of 24 August 2006 on the Digitisation and Online Accessibility of Cultural Material and Digital Preservation⁴,
- having regard to the Council conclusions of 13 November 2006 on the Digitisation and Online Accessibility of Cultural Material, and Digital Preservation⁵,
- having regard to the Council conclusions of 18 and 19 November 2010 on the opportunities and challenges for European cinema in the digital era⁶,
- having regard to the Commission communication concerning the State aid assessment criteria of the Commission communication on certain legal aspects relating to cinematographic and other audiovisual works (Cinema Communication) of 26 September 2001⁷,
- having regard to the Commission Communication of 3 March 2010 on ‘Europe 2020: A strategy for smart, sustainable and inclusive growth’ (COM(2010)2020),

¹ OJ L 95, 15.4.2010, p. 1.

² OJ L 327, 24.11.2006, p. 12.

³ OJ L 323, 9.12.2005, p. 57.

⁴ OJ L 236, 31.8.2006, p. 28.

⁵ OJ C 297, 7.12.2006, p. 1.

⁶ OJ C 323, 30.11.2010, p. 15.

⁷ OJ C 31, 7.2.2009, p. 1.

- having regard to the Commission staff working document of 2 July 2010 on the challenges for European film heritage from the analogue and the digital era (Second implementation report of the Film Heritage Recommendation) (SEC(2010)0853),
 - having regard to the Commission communication of 26 August 2010 on ‘A Digital Agenda for Europe’ (COM(2010)0245),
 - having regard to the Commission communication of 24 September 2010 on opportunities and challenges for European cinema in the digital era (COM(2010)0487),
 - having regard to the Commission Green Paper of 27 April 2010 on ‘Unlocking the potential of cultural and creative industries’ (COM(2010)0183),
 - having regard to the Commission Green Paper of 13 July 2011 on the online distribution of audiovisual works in the European Union: opportunities and challenges towards a digital single market (COM(2011)0427),
 - having regard to its resolution of 2 July 2002 on certain legal aspects relating to cinematographic and other audiovisual works¹,
 - having regard to its resolution of 13 November 2001 on achieving better circulation of European films in the internal market and the candidate countries²,
 - having regard to its resolution of 19 February 2009 on Social Economy³,
 - having regard to Committee of the Regions’ opinion of 2 April 2011 on ‘European cinema in the digital era’⁴,
 - having regard its resolution of 12 May 2011 on unlocking the potential of cultural and creative industries⁵,
 - having regard to Rule 48 of its Rules of Procedure,
 - having regard to the report of the Committee on Culture and Education and the opinion of the Committee on the Internal Market and Consumer Protection (A7-0366/2011),
- A. whereas culture forms a fundamental basis for European identities and shared values;
- B. whereas culture is at the heart of contemporary debates on identity, social cohesion and the development of a knowledge-based economy, as is stated in the 2001 UNESCO Universal Declaration on Cultural Diversity;
- C. whereas everyone has the right to participate in the cultural life of the community and to enjoy the arts and whereas cinema art, moreover, helps people to acknowledge one

¹ OJ C 271 E, 12.11.2003, p. 176.

² OJ C 140 E, 13.6.2002, p. 143.

³ OJ C 76 E, 25.3.2010, p. 16.

⁴ OJ C 104, 2.4.2011, p. 31.

⁵ Texts adopted, P7_TA-PROV(2011)0240.

another, sharing the same human experience, helping to create a European identity;

- D. whereas investments in culture show long-term, non-material, multigenerational results in shaping the European identity;
- E. whereas the European audiovisual sector, including cinema, constitutes a significant part of the EU economy and should be more competitive at the global level;
- F. whereas European film is an important part of culture, promoting dialogue and understanding, embodying and showing European values within and outside of the EU, whilst playing a significant role in the preservation and support of cultural and linguistic diversity;
- G. whereas European cinema should strengthen territorial and social integrity;
- H. whereas the digital era brings new opportunities for the audiovisual sector, in particular in the film industry as regards more effective distribution, screening and availability of films and as regards the higher audio and visual quality that it offers for European audiences, while it also creates some serious challenges to European cinema in the process of moving to digital technologies, particularly with regard to finance;
- I. whereas digital technologies therefore contribute to the implementation of EU and national goals on the screening and accessibility of European works, and on social cohesion;
- J. whereas digital cinema technology makes possible flexible promotion planning and last-minute changes in material;
- K. whereas the first phase of the digitisation of European cinema has been of uneven benefit;
- L. whereas the latest generation of digital equipment is approximately 25-30% cheaper than previous models and is now at a more accessible level to both European cinemas and funding programmes;
- M. whereas not all cinemas are equally capable of coping with the challenge of digitisation of cinemas;
- N. whereas the complete digitisation of both the European film industry and its cinemas must be accomplished urgently, to avoid a reduction of access to cultural diversity and availability on multiple platforms, and should be supported at European and national level;
- O. whereas independent and art-house screens constitute Europe's unique cinema network, representing diverse programming that appeals to an audience outside the commercial mainstream;
- P. whereas the concerns expressed by art-house cinema organisations, which have suggested special and priority measures to promote the production and distribution of independent European films, should be acknowledged;

- Q. whereas local and regional governing bodies are key entities in defending and promoting European cultural heritage, in particular the digitisation of films and cinemas, and therefore constitute fundamental partners in the digitisation process;
- R. whereas cinemas are an important means of preserving the quality of life and social interaction in old city centres and in the suburbs, and of regenerating urban areas;
- S. whereas European cinematographic works need to meet with success in Europe if they are to be distributed internationally, thus enabling them to meet their financial objectives and constitute a form of cultural cooperation and diplomacy through which not only the works, but also Europe's diverse mix of cultures, are disseminated in third countries;
- T. whereas the digital transition should be as fast as possible in order to avoid the doubling of production and distribution costs;
- U. whereas the European film industry is currently fragmented along national and linguistic borders, and whereas films are in the first place made for and consumed by the local audience of the country of origin;

State of play

- 1. Emphasises the important contribution of European cinema to investment in digital technologies, innovation, growth and jobs;
- 2. Points out 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;
- 3. Stresses that European cinema is of growing importance to the economy, as it provides more than 30 000 jobs;
- 4. Stresses that, in addition to the economic impetus provided by the arts sector in the EU, European cinema also has, in particular, an extremely important cultural and social dimension and is an important factor in the cultural development and identity of Europe;
- 5. Notes that the European cinema market is highly fragmented and diversified, a great majority of the cinemas having only one or two screens;
- 6. Notes that multiplexes constitute the majority of digitised cinemas;
- 7. Notes that in Europe, there is a geographical imbalance in the accessibility of cinemas and film to citizens, most notably in Eastern Europe and in rural areas;
- 8. Emphasises the importance of the social and cultural role played by cinemas, one which must be preserved, particularly in rural and remote areas;
- 9. Notes that the potential of the European film industry is constantly growing, but the proportion of European productions showing in cinemas must be progressively increased;

10. Points out that small commercial and non-commercial cinemas make a vital contribution to preserving cultural heritage by including European productions in their programmes;
11. 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;
12. Considers that the diversity of the EU's cinematic landscape must be preserved;
13. 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;
14. Emphasises therefore that the digital roll-out must 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;
15. Points out that digitisation makes it possible to distribute cultural contents throughout the internal market more cheaply, and safeguards the competitiveness and diversity of European cinema;
16. Notes that there is increasing pressure for all films to be compatible with digital projection, while some European cinemas have already converted to 100% digital;
17. Notes with concern that the survival of many independent cinemas is being endangered by the high costs of converting to digital technology and competition from cinemas which primarily show films from the USA;
18. Notes that independent distributors are having problems coping with the dual costs they must meet in the transition period, which is having a ripple effect throughout the cinema industry;
19. 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;
20. Notes that a number of EU schemes exist that have the potential to support the transition of the film industry to the digital age, such as the MEDIA programme;
21. Notes that, as a result of inadequate funding, European cinema is being insufficiently promoted internationally;
22. Stresses the importance of all the stages in the production chain in creating cinema content and the need to support all those stages;
23. Points out that multimedia technology is supplanting other forms of communication and that there is therefore a need to teach people how to receive it;

Opportunities and challenges

24. Calls 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;
25. Stresses in this respect that the programmes should be flexibly aligned with practical requirements;
26. Highlights that digital cinema should aim at improving the quality of picture and sound (when a 2K resolution minimum is implemented), in order to allow a more diversified and flexible programming of live events, and also of recorded broadcasts and of educational, cultural and sporting events, while enabling the use of a wide range of innovative technologies that will continue to attract audiences into the future;
27. Underlines that it is essential to support and promote EU productions and recognises that the EU contributes significantly to digital creativity and innovation such as 3D;
28. Acknowledges that although the digitisation of cinemas is a key priority, a consistent technological development should be taken into account, since in the medium and long term it may be necessary to further adapt to newer screening formats;
29. Recalls that the European shift to digital cinema should aim at creating new opportunities for the distribution of European films, maintaining the diversity of European production and enhancing its accessibility for European citizens;
30. Underlines that VOD may provide European film companies with the opportunity of reaching larger audiences;
31. Acknowledges that creation and innovation are matters of general interest, and urges that investing in programmes should be prioritised and supported in order to stimulate the supply of good quality content available on the networks;
32. Urges small and independent cinemas to take every advantage of their commercial potential, through product diversification, adding value to the service they provide and utilising the niche market they occupy;
33. Believes that digitisation is a very important opportunity to promote the presence of official regional languages in cinemas as well as foreign language learning;

Threats

34. Acknowledges that the high costs of digitisation, which will provide long-term commercial benefit, can nevertheless create a significant burden for many small and independent cinemas and film theatres whose programming goes beyond the main stream, with a high proportion of European films;
35. Acknowledges in this respect that in the face of closure, or in order to prevent it, such

cinemas and film theatres require special and priority support;

36. Calls therefore on the Commission to propose specific measures to provide support for these cinemas;
37. Observes that cinemas bear the heaviest burden in relation to the costs of digitisation and that, because this entails the creation of basic infrastructure which is important to the public and will facilitate better cultural services than hitherto, irrespective of place of residence, public funding is important, particularly for small and independent cinemas;
38. Recognises that cinemas are places where people meet and exchange views, and stresses that the disappearance of small and independent cinemas, in particular in small towns and less developed regions, limits access to European cultural resources, culture and cultural dialogue;
39. Stresses that the problem of small cinemas mainly exists in rural areas, where they can play a particularly strong social role as meeting places;
40. Draws attention to the difficult situation of small urban cinemas which, as art-house cinemas, help to preserve cultural heritage;
41. Recognises that the digitisation of small and independent cinemas has to be achieved as urgently as possible in order to keep these venues open for films, cultural diversity and audiences;
42. Highlights the threat of copyright fraud and illegal downloading to the cinema industry; calls for intellectual property rights to be properly enforced by Member States;
43. Recognises furthermore the threats to the quality of the works projected and respect for authors' moral rights caused by metallic screens which create significant luminance differences across the image; taking into account that metallic screens are made for 3D; recommends avoiding screening 2D films on metallic screens in order to respect authors' moral rights and to preserve the quality experience of the viewers;
44. Points out that the European film industry faces problems with the circulation and distribution of films, especially those with lower budgets, and that many productions reach only national markets and rarely get screened internationally, which prevents them from reaching wider audiences across the continent and the world;
45. Warns of the current lack of suitable training of projectionists to handle new digital cinema equipment and to adapt it to each specific film so to respect the quality of the projected work;
46. Acknowledges that the digitisation of audiovisual production and distribution poses new challenges to film heritage institutions in their activities of collecting, conserving and preserving the European audiovisual heritage;

Interoperability, standardisation and archiving

47. Underlines the need to ensure the interoperability of digital projection systems and

materials, as well as other devices, as they are particularly needed for smaller and medium-sized screens which take account of the economic context of the European cinema market and thus preserve the diversity of cinema and films;

48. Stresses the need to ensure that the digitisation of cinemas is as technologically neutral as possible;
49. Recommends the standardisation of systems based on ISO standards in the areas of production, distribution and film screening;
50. Considers however that in the particular case of digital screening the digitisation of cinemas must not under any circumstances result in the establishment of a single standard;
51. Notes that this would also be inappropriate with reference to further new technical developments such as cinema projection systems using laser technology;
52. Underlines 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;
53. Welcomes therefore the fact that, with the 2K standard, a unique, open and compatible worldwide ISO standard has been developed for digital projection, which takes into account the specific needs of European exhibitors;
54. Calls on European and national standardisation organisations to promote the use of this standard accordingly;
55. Welcomes the Commission's announcement, in its 2010-2013 Standardisation Work Programme for Industrial Innovation, of the plan to specify by 2013 voluntary standards for the submission of digital films to archives, for their preservation and for 3D projection;
56. Allows for the further possibility of funding less expensive projectors, which can be used successfully in venues where more alternative content is shown, and furthermore has the potential to benefit specialist films such as documentaries and foreign language films;
57. Concedes that, although the archiving of films will become technically easier as a result of their digitisation or purely digital production, it will entail more challenges in future because of the issues of standards and copyright;
58. 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, will be digitised, collected by means of compulsory deposit mechanisms, catalogued, preserved and disseminated for cultural, educational and science purposes, whilst respecting copyright;
59. Recommends that the digital transition be made as quickly as possible to avoid the cost

of producing both celluloid and digital versions of films and a dual distribution/exhibition system, whilst also providing an incentive for advertisers to switch from 35mm to the digital format;

60. Calls 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 and to define the remit of EUROPEANA accordingly;
61. Underlines the need to provide support for cinemas and film libraries that promote and preserve film heritage;
62. Recommends that Member States set up compulsory deposit mechanisms for digital formats or adapt their existing mechanisms to such formats by requesting the deposit of a standard digital master for digital films;

State aid

63. 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;
64. Calls on the Commission to draw up clear guidelines for State aid, building on experiences in various Member States, in order to increase legal certainty whilst leaving Member States free to shape film and cinema funding at national level;
65. 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;
66. Calls on the Member States to provide support to national film studios and other relevant institutions in the transition to working with digital technology;

Financing models

67. Emphasises the need for public and private investment as the cinema sector enters the digital era;
68. 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, within a framework that sets out the priorities and complementarities at the various levels and establishes quantifiable objectives;
69. 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;
70. Recommends that the financing of digitisation projects by the European Structural Funds include commitments by supported cinemas to screen European films;

71. Furthermore, calls for mechanisms to improve support through European Regional Development Fund programmes;
72. Calls on the Commission and Member States to disseminate best practices in the area of the financing of digitisation, including market-based solutions such as small cinemas forming networks to conclude collective agreements with distributors; calls on the Commission, Member States and regions to focus public funding for digital conversion on cinemas which cannot cover their financing needs from other sources, and to keep the transitional period as short as possible;
73. Calls on the Commission to carefully examine the implications which the transition from traditional to digital cinema has for all the stakeholders and parties involved; stresses that Member States should take into account the costs for small local cinemas, and possible opportunities/consequences for the labour market, when drawing up their national digitisation programmes;
74. Considers that cinemas located in less well populated areas, where cultural events are rare, and which are not in a position to pay the costs of converting to digital, should be fitted out with digital equipment;
75. Underlines the availability of preferential loans provided by the European Investment Bank for cinemas which are pursuing digitisation and do not have proper funding;
76. Underlines the role of public-private partnerships as a method for financing the digitisation of cinemas and stresses that they should be promoted;
77. Stresses that publicly or privately funded digitisation of cinemas must not jeopardise the independence of film theatres and will not lead to a reduction in the diversity of programming and in the market share of European films;
78. Calls on the Commission to resolve this issue in the light, also, of the prolongation of the application of the Cinema Communication;
79. Notes in this respect that any public funds provided for the digitisation of cinema and film should be subject to the same scrutiny as state aid to other sectors;
80. Encourages cooperation between cinema operators, local authorities, venues, film clubs/societies and film festivals in order to best make use of digital technologies provided for by funding from EU avenues;
81. Considers that mechanisms integrating distributors and exhibitors should be implemented and calls for strengthened cooperation between small cinemas to minimise the costs of investment in digital equipment;
82. Encourages Member States to increase funding for research connected with digital cinema technology, and particularly channels for disseminating film material and the methods for compressing it, so that the network established will be interactive and offer high quality projection and at the same time allow easier use of compressed and decompressed images;

83. Highlights the importance of appropriate investment in research, funding and training for professionals already working in this field to enable them to adapt to the use of new technologies and to guarantee social inclusion and employment protection;
84. Underlines the need to implement training programmes targeted at professionals in the audiovisual sector allowing them to learn to use digital technologies and adapt to new business models, and acknowledges the success of the initiatives already under way in that field; considers that the EU must pledge support and funding for these programmes;

Virtual Print Fee (VPF)

85. 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, which are restrained by the lack of investment funds, and that therefore the VPF financing model may also hamper cultural diversity;
86. Highlights the fact that many small, rural and art-house cinemas which mainly show European content are excluded from the VPF model and that alternative financing models, including public support, may be necessary to maintain and strengthen cultural diversity and to safeguard competitiveness;
87. Calls therefore for VPF financing models to be adjusted in accordance with the requirements and specificities of independent programme and art film cinemas;
88. 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

89. Underlines that film education helps develop an analytical mind and train young people generally, as it enables learning about heritage to be combined with becoming aware of the complexity of the universe of images and sounds;
90. Underlines that education through film, including cinema culture and language, allows citizens to have a critical understanding of different forms of media, thereby increasing and enhancing the resources and opportunities offered by 'digital literacy';
91. Underlines that film education should enable citizens to gain wider knowledge, to appreciate the art of film and to reflect on the values that films convey;
92. Calls on Member States to include film education in their national education programmes;
93. Highlights the importance of film education in independent cinemas at all stages of education in order to develop audiences for European films;
94. Encourages Member States to support educational programmes in film schools and other relevant institutions on the possibilities of making films using digital technology and on

digital film production and distribution;

95. Calls for high quality and up-to-date training for both technical and managerial staff to be provided for by either EU funding avenues or successful applicants to funding avenues, in order to ensure optimum use of EU-funded digital technologies;
96. Calls on Member States to develop and promote special programmes and events, for example in the framework of film festivals, to develop young European citizens' education and taste for European films;

The MEDIA Programme

97. Acknowledges that the MEDIA Programme has supported the European audiovisual industry for more than two decades and has contributed to the development, distribution and promotion of European films, and to the training of cinema operators in digital techniques;
98. Welcomes, in this context, the commitment given by Mr Barroso on 18 March 2011 to maintain and further strengthen the MEDIA programme;
99. Stresses the importance of the MEDIA Programme in the digitisation of cinemas and calls for existing funding lines to be maintained, as well as for increased funds in the next generation of the programme to tackle the challenges brought by digital technologies;
100. 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;
101. Points out that it is necessary for the next generation of the programme to envisage measures generating substantial added value and contributing to the overall 'Europe 2020' strategy;
102. Underlines 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;
103. Recalls that the investment in new cinema technology and the transition to digital should improve accessibility for disabled people, particularly through the introduction of audio description;
104. Calls therefore for a 'digital programme heading' to be included in the MEDIA programme in order to simplify conversion to digital formats;
105. Draws attention to the importance of the MEDIA continuous training programme as a tool for professionals in the sector to upgrade their skills so as to adapt to changing technologies and production methods;
106. Points out the added value of the MEDIA initial training programme which facilitates film students' mobility in Europe, leading to better integration in the professional sector

and to increased European cooperation and coproductions; in this light calls for this funding line to be increased;

- 107. Recommends that the MEDIA programme invest in VOD as part of its efforts to support pan-European distribution, promote transnational collaboration between platforms and reward initiatives involving cross-border collaboration;
- 108. Emphasises the added value of European support, particularly with regard to cross-border screening of films and in preventing further fragmentation of the European cinema market;

Models of distribution

- 109. 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;
- 110. Recognises that, following the initial outlay on the digitisation process, digital infrastructure will thereafter reduce distribution costs considerably, and allow small independent film distributors to give wider releases to their films and thereby reach larger audiences;
- 111. Recognises that the successful conversion to digital technology is inextricably linked to access to high-speed broadband, as a means of distribution of digital content, the upgrading of digital software and many other essential functions, and therefore calls on institutions which wish to upgrade to digital technologies to make provision for the dependent nature of this relationship;
- 112. Notes that digital technologies have fostered the rapid development of short films and video and that they allow new distribution patterns and flexible releases such as the possibility to release a film on a variety of platforms soon after theatrical release;
- 113. Considers furthermore that the exclusive exploitation period for film theatres should be retained to protect the diversity of cinema;
- 114. 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 and are therefore unable to keep up with that process;
- 115. Encourages Member States to focus financial aid on distribution;
- 116. Encourages European institutions to implement preparatory actions and pilot projects aiming at testing new business models that could improve the circulation of European audiovisual works;
- 117. Encourages Member States to devise a strategy for establishing a digital cinema network including film studios, single-screen and multiplex cinemas and live screening facilities, using all data transmission channels, including satellite;
- 118. Underlines the need to accompany the development of new online exploitation methods with the implementation, at European level, of fair remuneration for audiovisual authors

that is proportional to the revenues generated by these new formats and services;

Promotion of European cinema

119. Encourages Member States to ensure the widest possible inclusion of European films in the screening programmes of their cinemas in order to enhance their circulation and promotion across the EU, and to enable EU citizens to appreciate the richness and diversity of such films, through the widest variety of platforms;
120. Suggests that there is a need to promote and support European coproductions and that the increase in such productions may result in the wider distribution of European films across the continent;
121. Supports the activities of cinema networks, such as Europa Cinemas, that promote European film worldwide by financially and operationally helping cinemas which exhibit a significant number of European films;
122. Acknowledges the importance of supporting independent cinemas dedicated to European films (such as Europa Cinemas members) in order to reinforce their European programming policy and diversity and their competitiveness on the market;
123. 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;
124. Encourages Member States to promote and support the dissemination and circulation of European films on their territories through dedicated events and festivals; encourages the Member States also to support the various film schools in existence in Europe;
125. Highlights that films winning awards at European festivals should be given marketing support to further facilitate international VOD releases and to help promote European cinema;
126. Recognises the role of the EP LUX Prize in promoting European films and multilingualism by translating subtitles for the winning film into all 23 official languages of the EU while also generating societal debates amongst EU citizens;
127. 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, promoting cultural exchanges and launching new initiatives in support of the Euro-Mediterranean dialogue and the democratic development of the whole region, not least in view of the commitments arising from the Euro-Mediterranean Conference on Cinema;

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128. Instructs its President to forward this resolution to the Council, the Commission and the governments and parliaments of the Member States.

EXPLANATORY STATEMENT

"European cinema in the digital area" serves first and foremost as an invitation to consider the very function of cinema: which role does it play in the creation and sustainability of a *civil society*?

The link between citizens and their national or European institutions is fragile. At the heart of this fragile relationship lies the question of our identity, both individual and collective.

But what does it mean to be a European citizen today? Cinema provides a very powerful answer.

Cinema must be perceived as a political act aiming at shaping the *European soul*, as argued by Wim Wenders: *"Europe has its own soul, anchored in culture. And this culture is 'shaped' by an instrument that is the cornerstone of our individual and collective consciousness, which in turn creates a European hope. This instrument has a name: cinema."* Wim Wenders' words should be the guiding principle of any attempt to shape the future of European cinema.

The redefining of the function of the cinema in the European context, "European cinema in the digital area" puts into question the public policies implemented to support the European cinema.

Cinema needs to be looked at in two different ways, on the one hand as a tool of culture where investments produce long-term intangible results, on the other hand as an important branch of the European industry. Creation is the heart of culture whereas industry is its lungs.

Challenges for European cinema

European cinema is facing its biggest challenge to date: coping with the requirements of modern technology. The future of cinema is inseparably tied to the arrival of the digital era. Modern technologies change the audiovisual sector, creating challenges and possibilities for production, distribution and the accessibility of European cinema as well as certain dangers in the transition from analogue to digital systems. The transformation process should be achieved expeditiously and be coordinated on a national as well as European level. Participation in this process should be the responsibility of both the public and the private sector.

Potential of European cinema

European cinema has enormous potential. According to data from the European Audiovisual Observatory there are approximately 30,000 screens in the European Union. Most of these are small cinemas consisting of just one or two screens. In recent years we have witnessed an acceleration of the process of digitisation of cinemas stemming from production of digital films, mainly from the United States, as well as the increased public demand for films made using 3D technology.

The number of cinemas with digital projectors in 2010 was 8,682 more than double of the 4,129 that existed in 2009.

The potential of European cinema also translates to film production. In 2010 there were 1,203 films made in Europe, compared with 754 in the United States. European cinemas have sold nearly a billion tickets with European films accounting for 27 per cent of the market. However, the European cinema market, with all its potential, is still not integrated and film distribution within the EU proves difficult. Accessibility to cinemas is uneven: there are 16,102 people per screen in the Western Europe compared with 40,750 in Central and Eastern Europe.

From analogue to digital technologies

It is to be expected that in the near future most cinemas will have to switch to digital technology and copies of films will not be available on 35mm tapes anymore. The current situation generates higher costs for the producers as well as the cinema owners who have to comply with a dual system: screening analogue as well as digital films.

High costs, reaching up to €2,000, are incurred due to the expense of producing a celluloid tape, and the necessity of preparing a separate copy for every language version limits the scope of film distribution.

The costs of producing a digital copy are lower, at about €200. If the cinema has access to a high-speed internet broadband or a satellite connection the transmission of the film is cheaper and faster. This method of distribution allows for simultaneous film premieres in many language versions in all the cinemas. This method can favour independent and low-budget films which currently are not widely distributed. The result is that digital technology and distribution creates a chance for increased film premier screenings, simplified film distribution and higher availability of European cinema to EU citizens.

It is necessary to highlight the high cost of equipping cinemas with digital projectors, currently costing approximately €100,000 per screen. There is a danger that the cinemas, which do not comply with the digitisation process, will be forced out of the market and cease to operate. It may limit the access of parts of society to film culture, affecting in particular the rural and less developed areas, which are dominated by small and independent cinemas. Their closure might cause difficulties in popularising culture as well as in the employment sector.

The continuous development of technology needs to be taken into account in the process of transforming European cinema. In the long term it might mean the necessity of switching to the next, newer format. The current 2K and 4K resolution successfully enables the public to view films in 3D. The European sector of 3D film production has a big chance for development. Therefore, in the short term, a standardisation of systems is required to comply with ISO norms at both European and international level. An expeditious transition will require the Member States to archive their national film heritage achievements on digital media. Digitised film archives will serve future generations for research as well as educational and scientific purposes. It is therefore important to support the cinemas and the film libraries enabling the continuation of European film heritage.

Digital technologies in the area of culture and films open up a debate as to the future of media chronology. If we accept popularisation and increased accessibility of European film as a determinant, then it is necessary to create flexible models which give a chance for a balanced usage of linear and non-linear platforms taking into consideration the protection of copyrights.

Programs supporting European cinema

Actors of all the Member States should unite in this process of transformation from analogue to digital cinema on a national as well EU level in the public and private sectors. The European Parliament should initiate this change of paradigm by making a financial input.

It is important to support different ways of financing the digitisation of cinema on a political level. One of the most important instruments in financing it is structural funds. Therefore, an appropriate level of support needs to be included in the new financial perspective 2014-2020. It needs to be highlighted that support from the European Regional Development Fund has already allowed some studio cinemas to better face the challenges of digitisation. By way of example cinemas in the Polish region of Małopolska, German Lower Saxony, Central and Northern Portugal as well as region of Alentejo should be mentioned.

It is important to be reminded that VPF system of finance was created in order to facilitate the transition from analogue to digital screening. Whilst VPF is appropriate for big chain cinemas and multi-screens cinemas, it does not accommodate small and independent ones. The speed of change and the lack of finance can lead to the closure of small cinemas not supported by VPF and which cannot afford the expense of purchasing new digital projectors. In this context it is postulated to implement mechanisms to integrate distributors and exhibitors and to support co-operation between small cinemas in order to lower the costs of investment in digital equipment.

Another significant instrument is the availability of preferential credit rates offered by the European Investment Bank to cinemas with insufficient funds for the digitisation process.

It is important to appreciate the significance of the MEDIA programme which, from its conception 20 years ago, has promoted favourable financial conditions for European distributors and considerably contributed to the development and promotion of European films. New initiatives need to be taken up within MEDIA aimed at improving and promoting translation, dubbing, subtitling and surtitling as well as training programmes directed at the representatives of the audiovisual and film sectors in order to adapt their expertise to digital technologies.

Film education

In the framework of the 2014-2020 financial perspectives, the European Union's programmes, especially MEDIA and MEDIA MUNDUS, must be reviewed. Pressure must be kept on maintaining a strong financial support for cinema and, more widely, to culture and to education. Indeed acculturation cannot be dissociated from education.

Film education should equip the public with the requisite media skills and giving them a better understanding and appreciation of the different content available. Teaching citizens how to "read an image" as an integral element of education broadens the knowledge of the world, forms the process of perception and thinking, develops imagination and helps them learn the language of film. By introducing a young viewer into the world of film culture, thereby deepening his knowledge, we stand a chance of raising a person who will maintain an interest in valuable film creations and who is able to appreciate them.

As Erwin Panofsky pointed out in 1934, *"it is the movies that mould, more than any other single force, the opinions, the taste, the language, the dress, the behaviour and even the psychical appearance"*.

Without doubt, Member State expenditure in film education is a profitable investment in the long-term. Therefore the Member States are urged to introduce film education to their national teaching programmes. If we are aspiring to promote cultural diversity, on which the EU is founded, we ought to invest in young people.

Promotion of European cinema

One of the channels for promotion and investment in the popularisation of European cinema in Europe are film festivals. Member States and European institutions are encouraged to promote, support and distribute the most valuable films by organising special events and festivals.

An excellent example of promoting multiculturalism and multilingualism is the European Parliament initiatives of the LUX Film Prize and the forthcoming LUX Film Festival. The added value of this cultural initiative is that it generates debates on topics which need discussing and which are important to the citizens of the Member States. The films screened deal with important European values, whose strength comes from expressing themselves in diversity.

As stated in Zygmunt Bauman's book, culture is perceived as the space where the "Other" is always one's neighbour. Given this definition, there is no doubt that Europe has a particularly important role to play in revitalising our understanding of culture precisely because Europe, with its great diversity of peoples, languages and histories, is the space where the "Other" is always one's neighbour and where everyone is constantly called upon to learn from everyone else.

Overall, "European cinema in the digital area" aims at supporting and sustaining the European cinema in its richness as well as granting the widest possible access to citizens in the name of unity and freedom of thought

25.5.2011

OPINION OF THE COMMITTEE ON THE INTERNAL MARKET AND CONSUMER PROTECTION

for the Committee on Culture and Education

on European cinema in the digital era
(2010/2306(INI))

Rapporteur: Jürgen Creutzmann

SUGGESTIONS

The Committee on the Internal Market and Consumer Protection calls on the Committee on Culture and Education, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Emphasises the important contribution of European cinema to investment in digital technologies, innovation, growth and jobs; stresses that, in addition to the economic impetus provided by the arts sector in the EU, European cinema also has, in particular, an extremely important cultural and social dimension;
2. Points out 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; stresses the importance of all the stages in the production chain in creating cinema content and the need to support all those stages;
3. Points out that digitisation makes it possible to distribute cultural contents throughout the internal market more cheaply, opens up new opportunities for the European film sector and safeguards the competitiveness and diversity of European cinema;
4. Points out that small commercial and non-commercial cinemas make a vital contribution to preserving cultural heritage by including European productions in their programmes; notes with concern that the survival of many independent cinemas is being endangered by the high costs of converting to digital technology and competition from cinemas which primarily show films from the USA;
5. Emphasises that the digital roll-out must 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; emphasises the importance of the social and cultural role played by cinemas, one which must be preserved, particularly in rural and remote areas; highlights the fact that many small, rural and art-house cinemas which mainly show European content are excluded from the Virtual Print Fee (VPF) commercial model for financing the installation of digital equipment and that alternative financing models, including public support, may be necessary to maintain and strengthen cultural diversity and to safeguard competitiveness;

6. Emphasises the need for public and private investment as the cinema sector enters the digital era; calls on the Commission and Member States to disseminate best practices in the area of the financing of digitisation, including market-based solutions such as small cinemas forming networks to conclude collective agreements with distributors; calls on the Commission, Member States and regions to focus public funding for digital conversion on cinemas which cannot cover their financing needs from other sources, and to keep the transitional period as short as possible;
7. Draws attention to the difficult situation of small urban cinemas, which, as art-house cinemas, help to preserve cultural heritage;
8. Emphasises the added value of European support, particularly with regard to cross-border screening of films and in preventing further fragmentation of the European cinema market; in this context, welcomes the commitment made by President Barroso on 18 March 2011 to maintain and further strengthen the MEDIA programme; calls on the Commission to earmark funding under the new MEDIA programme for the post-2013 period and under the European Fund for Regional Development (EFRD) to support the digitisation of cinemas showing European content;
9. 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; calls on the Commission to draw up clear guidelines for State aid, building on experiences in various Member States in order to increase legal certainty whilst leaving Member States free to shape film and cinema funding at national level;
10. 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;
11. Calls on the Commission to carefully examine the implications which the transition from traditional to digital cinema has for all the stakeholders and parties involved; stresses that Member States should take into account the costs for small local cinemas, and possible opportunities/consequences for the labour market, when drawing up their national digitisation programmes; highlights the importance of appropriate investment in research, funding and training for professionals already working in this field to enable them to adapt to the use of new technologies and to guarantee social inclusion and employment protection;
12. Welcomes the fact that, with the 2K standard, a unique, open and compatible worldwide ISO standard has been developed for digital projection, which takes into account the specific needs of European exhibitors; calls on European and national standardisation

organisations to promote the use of this standard accordingly;

13. Welcomes the Commission's announcement, in its 2010-2013 Standardisation Work Programme for Industrial Innovation, of the plan to specify by 2013 voluntary standards for the submission of digital films to archives, for their preservation and for 3D projection.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	25.5.2011
Result of final vote	+: 32 -: 1 0: 2
Members present for the final vote	Pablo Arias Echeverría, Adam Bielan, Cristian Silviu Buşoi, Trevor Colman, Lara Comi, Anna Maria Corazza Bildt, António Fernando Correia De Campos, Evelyne Gebhardt, Louis Grech, Małgorzata Handzlik, Malcolm Harbour, Iliana Ivanova, Sandra Kalniete, Eija-Riitta Korhola, Edvard Kožušník, Hans-Peter Mayer, Phil Prendergast, Mitro Repo, Robert Rochefort, Zuzana Roithová, Heide Rühle, Christel Schaldemose, Andreas Schwab, Laurence J.A.J. Stassen, Catherine Stihler, Kyriacos Triantaphyllides, Emilie Turunen, Bernadette Vergnaud, Barbara Weiler
Substitute(s) present for the final vote	Regina Bastos, Cornelis de Jong, María Irigoyen Pérez, Constance Le Grip, Morten Løkkegaard, Konstantinos Poupakis

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	5.10.2011
Result of final vote	+: 28 -: 0 0: 0
Members present for the final vote	Magdi Cristiano Allam, Maria Badia i Cutchet, Zoltán Bagó, Malika Benarab-Attou, Lothar Bisky, Jean-Marie Cavada, Silvia Costa, Santiago Fisas Ayxela, Mary Honeyball, Cătălin Sorin Ivan, Petra Kammerevert, Morten Løkkegaard, Marek Henryk Migalski, Katarína Neved'álová, Doris Pack, Chrysoula Paliadeli, Marie-Thérèse Sanchez-Schmid, Marietje Schaake, Marco Scurria, Hannu Takkula, Sampo Terho, László Tőkés, Helga Trüpel, Sabine Verheyen, Milan Zver
Substitute(s) present for the final vote	Ivo Belet, Luigi Berlinguer, Nessa Childers, Iosif Matula
Substitute(s) under Rule 187(2) present for the final vote	Jacky Hénin