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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**ON OPPORTUNITIES AND CHALLENGES FOR EUROPEAN CINEMA IN THE
DIGITAL ERA**

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1. INTRODUCTION

European cinema plays an important role in shaping European identities at the core of the European Agenda for Culture. 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). The competitiveness of the audiovisual content industry in Europe will strongly depend on the use of these new technologies in the distribution stage.

Under the new Europe 2020 strategy for smart, sustainable and inclusive growth¹, the **Digital Agenda for Europe**² (one of its seven flagship initiatives) aims at creating a digital Single Market so that commercial and cultural content and services can flow across borders and European citizens can fully enjoy the benefits of the digital era. One of the ICT-enabled benefits for Europe is a wider and cheaper distribution of cultural and creative content.

Furthermore, as stated in the Green paper "unlocking the potential of creative and cultural industries"³, cultural contents play a crucial role in the deployment of the information society, fuelling investments in broadband infrastructures and services, in digital technologies, as well as in new consumer electronics and telecommunication devices. Beyond their direct contribution to GDP, creative and cultural industries are also important drivers of economic and social innovation in many other sectors.

In light of the policy issues at stake, the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions⁴, ratified by the European Union in 2006, also has a role to play in determining the need for European Union action in respect of the digitisation of cinemas.

The policy issues raised by the impact of the digital revolution on European cinema are of concern at all levels: regional, national and European. Two aspects are of particular importance:

- Competitiveness and circulation of European works;

¹ See http://ec.europa.eu/eu2020/index_en.htm

² See Communication COM(2010) 245, 19.5.2010, at http://ec.europa.eu/information_society/digital-agenda/index_en.htm, in particular p. 31-32.

³ See Communication COM(2010) 183, 27.4.2010, at

http://ec.europa.eu/culture/our-policy-development/doc2577_en.htm

⁴ See http://ec.europa.eu/culture/portal/action/diversity/unesco_en.htm

- Pluralism and linguistic and cultural diversity.

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.

This Communication builds on the work that has already been carried out by the European Commission and the Member States in this area. The European Commission established a **Group of Experts** on Digital Cinema as early as spring 2008. This group, made up of distributors, exhibitors and representatives from the film agencies working on digitisation schemes, explored the different means to maintain the diversity of films and of cinemas in tomorrow's digital Europe. The discussions showed the need for an alternative to the existing VPF (Virtual Print Fee) model as well as the importance of European Union and national public support for the digitisation of certain cinemas.

These issues were further explored in the **Public Consultation** on Opportunities and Challenges for European Cinema in the Digital Era⁵ launched by the European Commission on 16 October 2009. Over 300 replies from exhibitors, distributors, producers, sales agents and other stakeholders such as film agencies, professional agencies and digital service companies were received. These responses provided a valuable input for the present document.

During this period a number of Member States have also started reflecting on how to ensure that cinemas can make the transition to digital projection and reap its benefits. These schemes have also been examined in the preparation of this Communication.

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).

⁵ See the background document to the Public consultation:
http://ec.europa.eu/culture/media/programme/overview/consultations/docs/background_digital_cinema_en.pdf

2. EUROPEAN CINEMAS

Compared to the United States (where most of the film industry is vertically integrated and the market share of domestic films is 95%), the European cinema market is characterised by fragmentation, different language zones and a wide variety of operators that make it more difficult for global deals or national roll-outs to be implemented.

Roughly 10% of European cinemas are multiplexes, compared to 35% in the USA⁶. Moreover 31% of European screens are in single-screen cinemas. This will slow down the digital roll-out as limited levels of activity undermine any profitability of costly digital equipment.

The problem is even more acute in the newer Member States, where the percentage of screens in single-screen cinemas is 60%, and indeed over 80% for some countries. There is a similar discrepancy in terms of inhabitants per screen: whereas in 2007 there were 15,977 inhabitants per screen in Western Europe, there is one screen for an average 50,926 inhabitants in the Central and Eastern European Member States⁷.

The majority of European cinemas have between 2 and 7 screens. This is where the great diversity of European exhibition lies: from local two-screen cinemas mainly exhibiting national and US content to urban multi-screen theatres with majority European programming, there is a wide range of exhibition categories/companies for which there is no one-size-fits-all solution.

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. In 2008 37% of the screens in MEDIA countries were in multiplexes compared to 9.4% in 1994 and this has more than doubled between 2000 and 2008.

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.

An important corollary issue is that the digital transition will also have a social cost (in terms of staff redundancy for projectionists and in labs) and training needs will have to be met. The transition period should therefore be carefully managed and all its implications on the different stakeholders at each step of the audiovisual chain be taken into account.

⁶ In 2007 (source: Media Salles).

⁷ European Audiovisual Observatory, Yearbook 2008, volume 3, p. 18.

3. STANDARDISATION

The Digital Cinema Initiative (DCI) was launched in 2002 by the six US majors to define the technical specifications of digital cinema distribution. These specifications were published in July 2005 and then turned into standards by the Society of Motion Picture and Television Engineers (SMPTE). They included a resolution of 2048x1080, known as 2k (4096x2160 or 4k for screens over 15m) and JPEG 2000 as the compression format intended to allow digital cinema to offer an improved cinema experience to audiences over soon-to-be-available technologies (HDTV Broadcast, Blu-Ray and video-on-demand). These specifications also include security parameters (a significant part of the cost of the equipment). They are now being considered for adoption as voluntary international standards by the International Standard Organisation (ISO) in Geneva.

Nevertheless these specifications have cost implications: 2k/4k represents a major investment⁸ for cinemas, many of which are currently experiencing financial difficulties. Not all European cinemas consider that they will reap short-term benefits from it (except perhaps those that screen 3D films) or indeed long-term benefits (since digital projectors have a shorter lifespan than 35 mm projectors and will therefore need to be replaced more often at a higher cost).

It is worth noting that there is no standard for 3D digital projection. However, audience interest in 3D films enables cinemas to charge premium ticket prices for 3D showings, at least in the short term. This has encouraged commercial cinemas to install 3D-capable digital projection equipment. As far as alternative content (live screenings of concert, opera and sports events) is concerned, distributors of such content have so far imposed fairly limited minimum requirements.

Technology is changing rapidly. It is important that standards meet the needs of European cinemas. There are now digital projectors suitable for large venues which are significantly cheaper than 2k DCI-compliant projectors but which have an image resolution of 1920x1080. Some have a profile similar to those required by the DCI specifications and have versions which could show 3D films. These projectors are also compact and can be integrated easily into existing projection booths and run, at least in the short term, in parallel with a 35mm projector to allow for a smooth transition from 35mm to digital projection.

Over 80% of European screens are less than 10 m wide. The quality of projection at a resolution of 1920x1080 on screens of this size is more than satisfactory and the difference with 2k is fully acceptable to audiences and cinema owners. This would clearly represent a viable alternative for the overwhelming majority of European screens. This would furthermore represent a significant economy in terms of the private and public investment needed for the transition to digital projection. However issues remain as to whether all distributors would accept the screening of their films in these conditions.

The European Union will further examine how to seize the opportunities offered by the standardisation process. The aim is to ensure that the necessary flexibility is guaranteed to enable all viable cinemas in Europe to use digital projection.

⁸ Around €60,000 (projector and server) per screen + installation costs + associated costs (cabin adaptation, cable extraction, air conditioning, lamps...) + maintenance costs (higher than for 35 mm).

4. CHALLENGES OF DIGITAL CINEMA FOR FILM HERITAGE

As underlined in the Second report on the implementation of the Film Heritage Recommendation, transition to digital cinema puts the ability of future generations to have access to digital films at risk. As regards the collection of digitally-produced or digitised films in film heritage institutions or specialised heritage cinemas, there is a need to update the legal instruments establishing legal or compulsory deposit of films, in order to cover films produced in all media. The establishment of standards at European level specifying the conditions for the submission of films to archives and for their preservation is also important.

However, since many questions are still open about the storage and long-term preservation of digital material, all options for preserving digital films should be considered, as well as benchmarking between Member States and other sectors. Investments in research, equipment and professional training in this field are very important. Finally, film heritage institutions or specialised heritage cinemas also need to be equipped to project in digital format and are to be included in the Member States' strategies for equipping cinemas. Definition of standards for digital projection of heritage films is also necessary.

5. FINANCING THE DIGITAL CINEMA TRANSITION

5.1. Commercial models

Under a VPF financing model, distributors (initially, the six US Majors) sign long-term agreements with intermediaries (known as integrators). These integrators⁹ finance the acquisition of digital cinema equipment and collect the distributors' contribution to repay (part of) the equipment they have financed on behalf of the exhibitors.

The idea behind the model is that the first time a distributor shows a digital film in a cinema equipped through a VPF agreement, the distributor pays a fee (the VPF) to the integrator in order to reimburse its initial investment.

The current commercial financing models rely primarily on VPF payments. Distribution agreements have been signed by all the US Majors; others are now beginning to sign agreements. The VPF model may not provide a sufficient revenue stream for smaller and arthouse cinemas offering European programming. This may have an impact on the type of films that are programmed.

5.2. Public intervention at national, regional or local level

Since the VPF financing model is based on the traditional distribution model, the profile of cinemas which have traditionally been second-, third- or fourth-run cinemas could therefore be inappropriate for the VPF model, which is based on the average turn rate of first-run films.

Cinemas play an important social and cultural role in municipalities and rural areas since they are often the only venues providing access to culture for the community. Many European cinemas (in particular single-screen cinemas) are owned by municipalities.

⁹ Only four are active in more than one European country: Arts Alliance Media, XDC, Ymagis and Sony for 4k equipment.

European Union Structural Funds could be called upon by Member States/regions to co-finance digitisation projects and training initiatives as factors of innovation as well as of cultural diversity and of regional development, provided these projects and initiatives are in line with the State aid rules. In this context, funding could be provided under several types of projects including a cultural dimension and linked with local attractiveness: urban regeneration, rural diversification, cultural tourism, innovative activities, information society and human capital¹⁰. As these Structural Funds are managed by Member States/regions, it is for them to identify digitisation as a possible funding area in their National Strategic Reference Frameworks and operational programmes¹¹. To be successful, digitisation projects must be mainstreamed into integrated development strategies, at regional or city level, in partnership with authorities representing different policy areas and relevant representatives from the civil society.

In Poland the region of Malopolska has already used European Structural Funds to digitise a small network of municipally-owned arthouse cinemas in order to increase the "tourist attractiveness" of the region. In Portugal an interregional scheme for digitisation of (mainly municipal) cinemas in the North, Centre and Alentejo regions is close to completion, having obtained funding from the ERDF¹² under the general heading of 'Cultural Facilities'. The German Land of Niedersachsen and some French regions also intend to use ERDF resources for the digitisation of cinemas.

In EEA States a variety of political, social and economic conditions prevail. Therefore different approaches to digitisation have been considered in different countries, including collective conversion schemes for example in France and Germany that have not been followed through:

- Pilot projects: The first country to launch a pilot scheme was the UK with the Digital Screen Network (240 screens for "specialised" films). Similar pilot schemes have been run in Ireland (Cultural Cinema Consortium) and Sweden (through the Swedish Film Institute);
- Targeted national schemes: Finland; Poland, the Czech Republic and Slovakia focus mainly on municipal cinemas;
- Tax and credit facilities: Spain (soft loans) and Italy (tax credit)¹³;
- Other schemes: Norway (ongoing) and the Netherlands (in works).

¹⁰ Out of the €347 billion that the Cohesion Policy will invest in regions over 2007-2013, €5.9 billion will be dedicated to culture, €10 billion to urban and rural regeneration projects and €15.2 billion to the development of digital infrastructures. For cultural projects supported by Structural Funds, see: http://ec.europa.eu/regional_policy/themes/culture/index_en.htm

¹¹ The detailed management of programmes which receive support from the Structural Funds is the responsibility of the Member States. For every programme, they designate a managing authority (at national, regional or another level) which will inform potential beneficiaries, select the projects and generally monitor implementation. To find the responsible authority see: http://ec.europa.eu/regional_policy/manage/authority/authority_en.cfm

¹² European Regional Development Fund.

¹³ State aid investigation opened by the Commission in July 2009.

Complementarity

In the territories where market solutions/VPF deals are available, they can be accessed by a number of cinemas (multiplexes, cinema chains, multi-screen cinemas with a high turn rate of first-run films). Subject to compliance with EU competition rules, smaller cinemas with a lower turn rate who want to acquire digital equipment could in some cases group together and "mutualise" their costs to access VPF deals (or European regional funds). National solidarity funds are also an option.

Complementarity is all the more necessary as, according to some interpretations, public support could actually affect the value of the VPF paid to reimburse the exhibitor's equipment.

Although some countries favour nationwide digital roll-outs, so that equal access to cinema is guaranteed and the transition is quicker, some consider that public support should actually prioritise cinemas that have no access to market solutions or solidarity funds and cannot therefore afford the equipment without public intervention: one-screen cinemas, part-time cinemas, travelling cinemas... Another possible approach is to support the digitisation of cinemas in exchange for European programming commitments.

Compatibility with European Union State aid and competition law

Under the current European Commission policy on State aid for the digitisation of cinemas, subsidies to cinemas showing a certain share of European or arthouse films have been approved under Article 107(3)(d)¹⁴ TFEU and State aid to small cinemas and cinemas in remote areas has been approved under Article 107(3)(c)¹⁵ TFEU. Smaller amounts of public funding meeting the conditions of the *de minimis regulation*¹⁶ are not considered to have a

¹⁴ State aid N 477/04 – United Kingdom, UK Film Council Distribution and Exhibition Initiatives - Digital Screen Network: Article 107(3)(d) refers to "aid to promote culture and heritage conservation, where such aid does not affect competition and trading conditions to an extent contrary to the common interest". In the case of the UK Digital Screen Network, aid under this exemption was approved for cinemas showing a high proportion of "specialised" films using the digital projection equipment being (fully) financed.

¹⁵ State aid NN 70/2006 - Aid scheme to cinema in Finland: Article 107(3)(c) refers to "aid to facilitate the development of certain economic activities or certain economic areas, where such aid does not adversely affect trading conditions contrary to the common interest". The Commission has approved the support to cinemas under the aid scheme to cinema in Finland on this basis. The support was intended as partial funding for the procurement of equipment and modernisation in (arthouse and 1-3 screen) cinemas operating primarily in small or medium-sized localities. Multiplexes and cinemas which were part of a larger chain in the capital area were excluded from the aid (idem in medium-sized municipalities, except in limited economic circumstances).

¹⁶ To benefit from the *de minimis* rule, aid has to satisfy the following criteria:

- The ceiling for the aid covered by the *de minimis* rule is in general €200,000 (cash grant equivalent) over any rolling three fiscal year period to any single recipient undertaking. The relevant period of three years has a mobile character, so that for each new grant of *de minimis*, the total amount of *de minimis* aid granted during three consecutive fiscal years (including the then current fiscal year) needs to be determined;
- The ceiling applies to the total of all public assistance to any single recipient undertaking, which is considered to be *de minimis* aid. It will not affect the possibility of the recipient obtaining other State aid under schemes approved by the Commission;
- The ceiling applies to aid of all kinds, irrespective of the form it takes or the objective pursued. The only type of aid which is excluded from the benefit of the *de minimis* rule is export aid;
- The regulation only applies to "transparent" forms of aid which means aid for which it is possible to

potential effect on competition and trade between Member States, so that the measure does not need to be notified to the Commission in advance.

The current exemptions do not cover aid to bigger cinemas/multiplexes that do not show a minimum level of European/arthouse films and which exceeds the *de minimis* threshold.

The Commission would need to assess the compatibility of State aid for digital cinema under either Article 107.3(c) TFEU or under the cultural derogation of Article 107.3(d) TFEU. Both require the Commission to consider the necessity, proportionality and adequacy of the aid.

The Commission notes that 3D digital screenings make investment in digital projectors commercially viable. So it would appear that State aid for such costs is not necessary. In addition, public support schemes for digital projection equipment:

- should not accelerate the closure of cinemas with a high proportion of arthouse programming;
- should follow the principle of technological neutrality, i.e.:
 - any aid should be available to finance digital projection equipment which the exhibitor considers to be suitable for its auditorium and for its audience; and
 - the supported equipment should be capable of showing content from a variety of digital sources.

The Commission will always acknowledge the dual (cultural and economic) nature of the film sector, in line with the guiding principles of the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions.

When developing support schemes for digital projection equipment, Member States should avoid models which could raise competition issues, for example those which involve collective agreements between a majority of distributors. The Commission will ensure that the transition from analogue to digital cinema complies with European Union competition law rules, in particular regarding a prohibition of restrictive agreements contained in Article 101 of the TFEU.

6. PUBLIC INTERVENTION AT EUROPEAN LEVEL

If the transition to digital projection causes cinemas to close down, this could clearly jeopardise cultural diversity. The European Union is committed to preserving and promoting cultural diversity in accordance with the following provisions:

- Article 167(4) of the TFEU stipulates that the Union is to take cultural aspects into account in its action under other provisions of the Treaty, in particular in order to respect and to promote the diversity of its cultures;

determine the gross grant equivalent in advance without needing to undertake a risk assessment. This implies a certain number of restrictions on certain forms of aid like, for example, guarantees;
- In view of the current economic situation, the Commission will, for a temporary period, consider State aid of up to €500,000 per undertaking to be compatible, provided that certain conditions are fulfilled. The possibility of a loan guarantee of up to €1.5 million can also be regarded as *de minimis*.

- The *UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions* emphasises the distinctive dual (cultural and economic) nature of cultural goods and services¹⁷ (which include notably audiovisual works).

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.

MEDIA 2007 Programme

The digital revolution is a challenge to MEDIA's global objectives of cultural diversity, increased circulation of European works and strengthened competitiveness of the audiovisual sector¹⁸.

The MEDIA 2007 Programme has committed itself to supporting European cinemas in the digital age. One of its main objectives is: *"to preserve and enhance the European cultural and linguistic diversity and (...), guarantee its accessibility to the public..."*.

Firstly, digital transition needs to be accompanied by **training** for professionals. In this context Article 3 (1)(c) of the MEDIA 2007 decision foresees training on *the inclusion upstream of digital technologies for production, post-production, distribution, marketing and archiving of European audiovisual programmes*. Training initiatives have therefore been supported, including on 3D production and for exhibitors¹⁹. Secondly, Article 5 of the MEDIA 2007 Decision foresees the following objectives in the field of **distribution** and dissemination:

"(d) to encourage the digitisation of European audiovisual works and the development of a competitive digital market place;

(e) to encourage cinemas to exploit the possibilities offered by digital distribution."

Under (d) The MEDIA programme has contributed to the digitisation of European content through pilot projects such as Europe's Finest²⁰ (digitisation of European classics) and D-Platform²¹ (common tool facilitating the digital mastering and distribution of European films). Through the VOD scheme, MEDIA also indirectly supports the digitisation of European programmes.

¹⁷ See in particular the 18th recital in the Preamble and Article 1(g).

¹⁸ Article 1(2) of the MEDIA 2007 Decision sets the global objectives of the programme:

(a) preserve and enhance European cultural and linguistic diversity and its cinematographic and audiovisual heritage, guarantee its accessibility to the public and promote intercultural dialogue;

(b) increase the circulation and viewership of European audiovisual works inside and outside the European Union, including through greater cooperation between players;

(c) strengthen the competitiveness of the European audiovisual sector in the framework of an open and competitive European market favourable to employment, including by promoting links between audiovisual professionals.

¹⁹ See "Where to be trained in Europe" (2010 Edition, in particular pages 59-71): http://ec.europa.eu/culture/media/programme/training/guide/docs/guide2010v2_en.pdf

²⁰ <http://www.finest-film.com/en/index.html>

²¹ Now called European Digital Cinema Library (EDCL). See <http://www.cnfilms.fr/soutien.html>

Under (e) The Commission has already supported a number of initiatives through the various MEDIA schemes: pilot projects on new technologies (such as CinemaNet Europe, a network of digitally equipped cinemas dedicated to screening documentaries), co-funding of digital costs for the distribution of European films and a specific support scheme for digital screenings of European films managed by Europa Cinemas.

The next step is now 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 same criterion has already been used to establish the Europa Cinemas network, which plays a crucial role in screening European films²² and which the MEDIA Programme has supported for 15 years. The network has now grown to 770 cinemas totalling 1,945 screens in 443 cities of MEDIA participating countries.

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 Programme²³.

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.

Another option to be explored is to facilitate the **access** of exhibitors **to credit** or to support their financing costs. In a period of credit crunch, such a measure could be the adequate response for some cinemas as it is not very costly, it has a high multiplying factor, lessens dependence on distributors/studios and is much less likely to distort the market. 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. In the meantime the EIB participated in the €100 million credit facility awarded to the integrator XDC for the roll-out of digital cinema in Europe.

7. CONCLUSIONS

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:

²² 36% of screenings and 34% of admissions were for European non-national films in 2009, compared to less than 10% on average within the European Union.

²³ In its Article 1.4.c), the MEDIA 2007 Decision sets out as one of its priorities "reducing the imbalances in the European audiovisual market between high audiovisual production capacity countries and countries or regions with low audiovisual production capacity and/or a restricted geographic and linguistic area".

- 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.

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:

ACTION	TIMETABLE
The Commission will prepare 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.	2010
The Commission will launch a study on the costs of digital equipment to provide important data from across the EU.	2010
The Commission will launch a new MEDIA support scheme for the digitisation of cinemas screening a significant percentage of European (non-national) films.	2010
The Commission will examine the possibility of extending the MEDIA Production Guarantee Fund to exhibitors or find a similar way to facilitate their access to credit.	2011
The Commission will adopt a Recommendation on promoting digitisation of European cinema.	2011
The Commission will monitor the digital transition and review all its different aspects in the whole audiovisual chain (training, digital masters, programming...).	2012
The Commission will develop appropriate criteria to assess State aid support for digital projection in the Cinema Communication.	2012