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*Committee on Culture and Education*

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# DRAFT REPORT

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)<sup>1</sup>,
- 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)<sup>2</sup>,
- 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 activities<sup>3</sup>,
- having regard to Commission Recommendation of 24 August 2006 on the digitisation and online accessibility of cultural material and digital preservation<sup>4</sup>,
- having regard to Council conclusions of 18 and 19 November 2010 on the opportunities and challenges for European cinema in the digital era<sup>5</sup>,
- having regard to Council conclusions of 13 November 2006 on the Digitisation and Online Accessibility of Cultural Material, and Digital Preservation<sup>6</sup>,
- having regard to 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 2001<sup>7</sup>,
- having regard to 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),

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<sup>1</sup> OJ L 95, 15.4.2010, p. 1.

<sup>2</sup> OJ L 327, 24.11.2006, p. 12.

<sup>3</sup> OJ L 323, 9.12.2005, p. 57.

<sup>4</sup> OJ L 236, 31.8.2006, p. 28.

<sup>5</sup> OJ C 323, 30.11.2010, p. 15.

<sup>6</sup> OJ C 297, 7.12.2006, p. 1.

<sup>7</sup> OJ C 31, 7.2.2009, p. 1.

- having regard to Commission Communication of 3 March 2010 on "Europe 2020: A strategy for smart, sustainable and inclusive growth" (COM(2010)2020),
  - having regard to the Commission communication of 26 August 2010 on "A Digital Agenda for Europe" (COM(2010)0245),
  - having regard to the Commission Green paper of 27 April 2011 on "Unlocking the potential of cultural and creative industries" (COM(2010)0183),
  - 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 its resolution of 2 July 2002 on certain legal aspects relating to cinematographic and other audiovisual works<sup>1</sup>,
  - having regard to Committee of the Regions opinion of 2 April 2011 on 'European cinema in the digital era'<sup>2</sup>,
  - having regard its resolution of 12 May 2011 on unlocking the potential of cultural and creative industries<sup>3</sup>,
  - 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 Internal Market and Consumer Protection (A7-0000/2011),
- A. whereas culture forms a fundamental basis for European identities and shared values,
- B. whereas culture should integrate and unite European citizens particularly in times of crisis,
- C. whereas European cinema is an important part of culture, promoting dialogue and understanding amongst EU citizens, whilst playing a significant role in the preservation and support of cultural and linguistic diversity,
- D. whereas the European audiovisual sector, including cinema, constitutes a significant part of the EU economy and should be more competitive at the global level,
- E. whereas the digital era brings new opportunities for the audiovisual sector, in particular in the film industry as regards a more effective distribution, screening and availability of films, but also creates some serious challenges to European cinema in the process of moving to digital technologies,
- F. whereas the complete digitisation of both European film industry and its cinemas must be accomplished urgently, and should be supported at European and national level,
- G. whereas local and regional governing bodies are key entities in defending and promoting

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<sup>1</sup> OJ C 271 E, 12.11.2003, p. 176.

<sup>2</sup> OJ C 104, 2.4.2011, p. 31.

<sup>3</sup> Texts adopted, P7\_TA-PROV(2011)0240.

European cultural heritage, in particular the digitisation of films and cinemas,

- H. whereas the digital transition should be as fast as possible in order to avoid the doubling of production and distribution costs,

### **State of play**

1. Notes that the European cinema market is highly fragmented and diversified, where a great majority of the cinemas have only one or two screens;
2. Notes that multiplexes constitute the majority of digitised cinemas;
3. Notes that in Europe, there is an imbalance in the accessibility of citizens to cinemas;
4. Notes that the potential of the European film industry is constantly growing, but the proportion of European productions showing in cinemas is still insufficient;

### **Opportunities and challenges**

5. Calls on the Member States and the EC to support the full digitisation of EU cinemas and to establish European and national programmes to support the transition to digital technologies;
6. Highlights that digital cinema improves the quality of picture and sound, allowing more diversified and flexible programming of live events while enabling the use of innovative technologies, such as 3D, that could attract a new and wider public;
7. 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;

### **Threats**

8. Acknowledges that the high costs of digitisation create a significant burden for many small and independent cinemas and which, in the face of closure, require special support;
9. 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 may limit access to European cinemas;

### **Standardisation and archiving**

10. Underlines the need to ensure the interoperability of digital projection systems and materials, as well as other devices;
11. Recommends the standardisation of systems based on ISO standards in the areas of production, distribution and film screening;
12. Underlines the importance of 2K and 4K resolution systems, that allow the screening of films in 3D, HDTV and Blu-Ray as well as for Video On Demand (VOD) services;

13. Recommends Member States adopt legislative measures to ensure that audiovisual works, being a part of national heritage, will be collected, catalogued, reconstructed and disseminated for cultural, educational and science purposes, whilst respecting copyright;

### **Financing models**

14. 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;
15. Underlines that although European Structural Funds are a significant source of financing for digitisation projects and training initiatives, funding should be increased as part of the new financial perspectives 2014 – 2020;
16. Underlines the availability of preferential loans provided by the European Investment Bank for cinemas which are pursuing digitisation and do not have proper funding;
17. Acknowledges that the so-called Virtual Print Fee (VPF) financing model, 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;
18. 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;
19. Underlines the need to implement training programmes targeted at professionals in the audiovisual sector allowing them to adapt to digital technologies and to new business models;

### **Film education**

20. Underlines that film education constitutes an important element in developing positive personality traits, which represent common values recognised by societies and across generations;
21. Underlines that film education, as an integral part of education, allows citizens to have a critical understanding of media;
22. Calls on Member States to include film education in their national education programmes;

### **The MEDIA Programme**

23. 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;
24. Stresses the importance of the MEDIA Programme in the digitisation of cinemas and calls for increased funds in the next generation of the programme to tackle the challenges brought by digital technologies;

25. 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;

#### **Models of distribution**

26. Notes that digital technologies have affected the way films are distributed over a variety of platforms and devices either through linear or non linear services;
27. Notes that digital technologies allow new distribution patterns and flexible releases such as the possibility to release a film on a variety of platforms soon after theatrical release;

#### **Promotion of the European cinema**

28. Encourages Member States to ensure the widest possible inclusion of European films in the screening programme 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;
29. Encourages Member States to promote and support the dissemination and the circulation of European films on their territories through dedicated events and festivals;
30. 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;

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31. 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 160,102 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 a Virtual Print Fee (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 mold, 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.