



**COUNCIL OF
THE EUROPEAN UNION**

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**AUDIO 37
COMPET 311
CULT 98**

NOTE

from:	General Secretariat of the Council
to:	Permanent Representatives Committee (Part 1) /Council
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Subject:	Draft Council conclusions on the opportunities and challenges for European Cinema in the Digital Era - <i>Adoption</i>

The Audiovisual Working Party has drawn up a set of draft conclusions on the above, which is annexed hereto. All the delegations are able to agree to the draft.

The Permanent Representatives Committee is requested to confirm the agreement reached in the Audiovisual Working Party and to submit the text to the Council for adoption and subsequent publication in the Official Journal.

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

THE COUNCIL OF THE EUROPEAN UNION,

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)¹;
- the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "A Digital Agenda for Europe"², especially the statement that "support to digitisation of cinemas is necessary to safeguard cultural diversity";
- the Commission Green Paper of 27 April 2010 entitled "Unlocking the potential of cultural and creative industries"³;
- the UNESCO Convention of 20 October 2005 on the protection and promotion of the diversity of cultural expressions⁴.

¹ SEC(2010) 853 final

² COM (2010)245 final.

³ COM (2010)183 final.

⁴ Council Decision 2006/515/EC of 18 May 2006 on the conclusion of the Convention on the Protection and Promotion of the Diversity of Cultural Expressions (OJ L 201, 25.7.2006, p. 15).

2. WELCOMES WITH INTEREST :

- the Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions on opportunities and challenges for European cinema in the digital era⁵.

3. TAKES NOTE THAT:

- digital technologies offer new opportunities for film distribution, including for cinemas showing art-house films and cinemas located in less populated areas, thereby contributing to European and national objectives relating to promotion of and access to European works, promotion of cultural and linguistic diversity and social cohesion;
- the European market for film screening is fragmented and this presents a number of challenges which may have an impact on the definition and implementation of nation-wide and/or Europe-wide plans for transition to digital cinema;
- digitisation of cinemas generates significant costs to be borne by the exhibitors, while some distributors can make savings thanks to the reduced cost of digital copies. In order to overcome this asymmetry, the market has established funding models with private finance for the digitisation of cinemas, such as the so-called "VPF models"⁶. However these models do not always suit small cinemas, especially single-screen cinemas, those showing art-house films and/or heritage films and revival cinemas. Therefore, those screens may encounter greater financial problems in obtaining digital projection equipment, even though they fulfil a significant social and cultural role, for example in less populated areas where cultural events are limited.

⁵ COM(2010) 487 final.

⁶ The Virtual Print Fee (VPF) model is based on involving third party investors/integrators to address the issue of how to share the costs and the benefits. These third parties collect (part of) the distributors' savings in the form of VPFs to contribute to the digital equipment of the participating screens.

4. HIGHLIGHTS IN THIS CONTEXT THAT:

- digital projection allows more flexible and less costly use of different linguistic versions (including subtitling and dubbing) and audio description techniques, thereby contributing to better access to and circulation of works, including those from countries or regions whose languages are less widely spoken;
- digitisation of cinemas offers unprecedented opportunities for European cinema but may involve market restructuring, which will disproportionately impact on the above mentioned cinemas, thereby hindering diversity in the films released and access to film production for a part of the population. It could also undermine social cohesion insofar as cinemas play an important role in some regions as exchange and meeting places. It could also imply social costs, particularly regarding employment in technical industries and in the theatrical exhibition sector;
- digitisation of cinemas also offers opportunities for promotion of and access to European film heritage. Appropriate measures at various levels are therefore required to maximise these opportunities, including for education purposes;
- in order to facilitate as much as possible the transition to digital projection, there must be aggregation and flexibility of funding sources, whether from private or public origin, from local, national or European origin, in order to enable the different types of cinemas to get support tailored to their specific situation.

5. ACKNOWLEDGES THAT :

- the digitisation of a cinema also requires a range of equipment and tools in addition to the projection equipment itself (server, sound, screen, adjustment of the projection room, etc.);

- the lifetime of this equipment is as yet unknown, raising questions about the cost of maintenance and the financing of updating and/or replacement in the medium and long term, including potential migration of digital productions into new formats.

6. BELIEVES IN THIS CONTEXT THAT:

- the transition to digital cinema is urgent and necessary. Public policies should support this transition taking into account the following general interest objectives:
 - ensuring access to and promoting European works, including works from the European film heritage;
 - promoting cultural and linguistic diversity, notably through improving the circulation of works;
 - strengthening the competitiveness of the European operators involved in the process of digitisation;
 - contributing to social cohesion, including through the existence of a variety of cinemas throughout the European Union.

7. WELCOMES THE INTENTION OF THE COMMISSION:

- to implement the action plan for the transition to digital cinema projection for European cinemas as indicated in its Communication on the opportunities and challenges for European cinema in the digital era, and in particular:
 - to launch a new mechanism before the end of 2010, as part of the existing MEDIA programme, to support the digitisation of cinemas programming a significant percentage of non-national European works;

- to examine in 2011 the possibility of giving film exhibitors access to the MEDIA Production Guarantee Fund or to find a similar way to facilitate their access to credit;
- to adopt a recommendation in 2011 on the promotion of European cinema digitisation;
- to propose appropriate guidelines in the forthcoming Cinema Communication in 2012 for assessing public support for digitisation of cinemas.

8. INVITES THE MEMBER STATES TO:

- consider the need to support the digitisation of cinemas, taking into account the general interest objectives mentioned above;
- consider in this context and in compliance with European competition rules the implementation of support schemes for cinema digitisation in complementarity with private financing. These plans should take into account the specificities of each Member State. Options could include:
 - a) support for cinemas that are unable to meet the cost of digitisation in order to digitally equip them and to enable them to remain competitive with cinemas which are able to equip themselves through for example VPF models;
 - b) support for cinemas located in less populated areas where cultural events are limited;
 - c) support for cinemas promoting European works for example by offering a substantial proportion of European programming;

- d) support for film libraries and theatres dedicated to film heritage, in accordance with the Council Conclusions of 18 November 2010 on the European film heritage, including the challenges of the digital era⁷;
 - e) encouraging the organisation of solidarity mechanisms between distributors and exhibitors and/or between exhibitors;
 - f) encouraging small cinemas to join together and pool their digital equipment costs;
- consider the idea of making State aid for films conditional upon the production of a digital master, so as to increase overall offer of digitised European works;
 - examine how European Union Structural Funds could be used to finance digitisation projects and traineeship initiatives where appropriate.

9. INVITES THE MEMBER STATES AND THE COMMISSION, WITHIN THEIR RESPECTIVE SPHERES OF COMPETENCE, TO:

- further reflect, taking into account existing ISO standards for digital cinema projection, on how to obtain necessary and appropriate results in projection quality and film circulation meeting the respective demands; this should be done in accordance with the principle of technological neutrality;
- take into account that technologies are in constant state of change and renewal and that issues regarding the financing of digital projection will not be limited to the current period of transition;

⁷ doc. 14711/10.

- ensure as far as possible and with regard to competition rules that the implementation of funding mechanisms for digitisation of cinemas, both private and public, does not hinder exhibitors' freedom of choice regarding the films they intend to show;
 - encourage the establishment of retraining and digital technology training programmes notably for cinema owners and distributors, particularly regarding projection, new business models for digital cinema, marketing of alternative repertoire and technical maintenance;
 - investigate the possibilities to facilitate access to credit for film exhibitors and other companies involved in the transition to digital projection, particularly through the European Investment Bank when this becomes possible.
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