Opinion of the European Economic and Social Committee on the ‘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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The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 24 May 2011.

At its 472nd plenary session, held on 15 and 16 June 2011 (meeting of 15 June), the European Economic and Social Committee adopted the following opinion by 142 votes to 1 with 9 abstentions.

Motto
‘Europe must become a world player, never a subcontractor to globalisation’ (1).

FOREWORD

‘European cinema plays an important role in shaping European identities at the core of the European Agenda for Culture.’ This opening sentence from the Commission communication is a strong declaration of intent, clearly framing the subject from the outset and highlighting its major importance, with the absolute aim of achieving the goal of a united Europe, as imagined by its founders. Culture in all its facets, including cinema in this case, is the most important vector of communication, solidarity, democracy and in particular European cohesion. The real Holy Grail of life, cinema must be protected and considered with keen political and strategic interest. Digital cinema is an opportunity which must not be missed to give the European cinema industry the key role of transcendent communicator of ideas; it is also a unique and thus compulsory opportunity for the EU to equip itself with the tools needed to achieve European cohesion by shaping European identities. However, only art in general and cinema in particular can achieve this imperative. In economic terms, this means money, a huge financial push without which the future of the EU – a veritable 27-storey Tower of Babel – is in serious danger of falling apart because of the sensibilities of each Member State’s identity.

1. Conclusions and recommendations

1.1 The topic under consideration is complex, sensitive, serious and above all political:

— complex, because of the cultural plurality of Europe’s identities;

— sensitive, because each Member State, proud of the wealth and variety of its cinematographic heritage, will view this new phase with great caution or even scepticism;

— serious, because there is no real strategy at EU level and no definable results, which in the long term may endanger the EU’s efforts to achieve integration by shaping and harmonising European identities;

— political, because although cinema, the ultimate cultural act, was initially a leisure activity, over time it has taken on new roles: moral support, communicator, historical imprint, subliminal, vector of propaganda, etc.

1.2 The EESC recommends that all decision-makers involved in carrying forward this unique project should approach it with care and avoid the pitfall of comparisons tinged with cultural depression such as the American cinema industry rules the world or audiences prefer Americans. Competition must spur on European digital cinema. The audience wants to be engaged, amazed, convinced and entertained - to be invited into a cinema where they enter with their own ideas and leave with the

(1) Meeting of 6 January 2011 between EESC president Staffan NILSSON and Commissioner Michel BARNIER.
ideas they have encountered on the screen. This is the key to success; this is why every effort must be made (self-confidence, determination, the ambition to bring people together) to find the means and the funds to ensure the success of this cultural and political engine, which is certainly one of the cornerstones of a united Europe.

1.3 The real digital revolution within European cinema will, via programmes, standards and legislation, shake up the ‘quiet life’ of many players in the sector, imposing on them a new way of working, a new pace of life and above all, a greater budget. It will be a new challenge, but one that brings the risk of closure for many small and medium-sized enterprises, as clearly explained in the Commission text. The EESC calls for and supports all useful EU measures and believes that every effort must be made to preserve small cinemas in rural areas and large cities, which are so important both for social cohesion and for the ‘art-house’ niche film sector.

1.4 A great, innovative step forward, vital for the future of the EU, a key aspect of European culture, a solid bridge between peoples and cultures in the EU, helping them to meet and learn about each other and, if necessary, to appreciate how to live together with mutual respect and understanding, even admiration, digital cinema heralds a more social, competitive and cheaper life.

1.5 The EESC is in favour of establishing a specific, clear and stable legal framework at EU level. The Member States should specifically manage the campaign to draw back to the cinema the millions of cinemagoers who have given up on it. We must face up to one key fact: these days, watching a film at the cinema has become a luxury while watching a DVD on home cinema (with plasma screen of course) is a daily event.

1.6 It is important to approach this issue with the clear notion that ICT (new technologies, real-time information and direct communication without linguistic borders) brings a huge advantage when it comes to spreading Europe’s diversity of cultural and creative values, without obstacles and as cheaply as possible. At the same time, it offers enhanced accessibility to people who are visually or hearing impaired.

1.7 However, nothing stable or sustainable can be achieved if the EU does not make available the financial resources needed to implement and properly support this unique multicultural project. Poor management of the programme will certainly result in costs which will be difficult to bear for small cinemas, some categories of employees in this field and particularly audiences, our target. Bearing in mind that there can be no ‘one-size-fits-all’ public support approach for each country and region in Europe, the EESC stresses the need for sufficient funding for the digitisation of small cinemas, specifically those in rural areas, as well as those in large cities. Structural Funds should be used, appropriate national co-funding secured and the Media Production Guarantee Fund should be made more accessible to exhibitors as a priority. Nevertheless, there can be no ‘one-size-fits-all’ public support approach for each country and region in Europe, and every country and region in Europe must be free to operate a scheme which works well in the prevailing markets.

1.8 It is recommended that film archives – whether documentaries, archive footage or classic films – be digitised so that future generations are not deprived of the treasures of European cinema, and to ensure that these resources can be accessed easily when the inevitable switch to digital technology occurs in the coming years.

1.9 The Communication concentrates narrowly on the digitisation of cinemas rather than more generally on European cinema and on audiovisual policy in a digital world. Digitisation is a far more complex phenomenon than the mere substitution of equipment. A more integrated approach that takes in cultural concerns and objectives – creativity – along with the technological/industrial will be required to make European cinema a key strategic component of the Digital Agenda for Europe. Access to digital film, be it for entertainment or information, should be a part of the Digital Agenda for Europe.

2. Introduction

2.1 Digital cinema refers to the way a film is distributed and projected in cinemas, using digital technology. Digital technology comprises: digital recording, digital post-production, Digital Cinema Distribution Master (DCDM), digital projection of films (DCI) – this can be done using two definition levels: 2K and 4K. The digital cinema system must provide the highest fidelity pictures and sound.

2.2 The digital distribution of films brings massive savings to film distributors. Eighty minutes distributed on traditional film costs between USD 1 500 and USD 2 500. When millions of copies are made, this adds up to an astronomical sum. In digital format at a maximum of 250 MB per second, a standard film can be stored on a hard disk of only 300 GB for a much lower cost – not to mention the fact that the less voluminous digital medium is easy to handle, store and transport, and is also reusable (source: Wikipedia).
2.3 Digital distribution (digital cinema) would not exist without film production, which has lagged behind when it comes to retrofitting digital film equipment. A particular financial effort is needed to close the gap and make swift progress in the face of competition.

Today's situation is somewhat odd, in that we are preparing to create a digital cinema network while most film producers still use celluloid as the medium for distributing films.

The same applies to the 3D field where distributors or operators often charge European cinemagoers several euros more per ticket to view some pale imitation of lower quality than the digital norm. As long as the digital master is not filmed digitally, there can be no real digital projection. For example, the film Avatar was filmed in 3D, which is why it was such a hit with millions of cinemagoers.

3. Prerequisites

3.1 The communication takes into account various key concepts that will promote a common cultural area in the EU. The digitisation process must therefore take place as follows, with the necessary financial support.

3.1.1 European Agenda for Culture: involved at the highest level when it comes to promoting European cinema, shaping European identities and bringing European cultures closer together.

3.1.2 Digital Agenda for Europe: one of the seven flagship initiatives of the Europe 2020 strategy for smart, sustainable and inclusive growth, in a digital Single Market.

3.1.3 The single market is a hub that, despite all its difficulties, makes it possible for cultural content, social relations and commercial services to flow across Europe's borders, enabling European citizens to fully enjoy the benefits of the digital era through the creation of a digital Single Market.

3.1.4 The Unesco convention ratified by the EU in 2006 calls for the diversity of cultural expression to be protected and promoted. This is key when identifying the essential actions to be carried out, an objective that the EU must meet when it comes to the digitisation of cinemas.

3.1.5 Green Paper - Unlocking the potential of cultural and creative industries. In addition to their direct contribution to GDP, creative and cultural industries are also important drivers of economic and social innovation in many other sectors.

3.1.6 Media 2007 is a vast programme, which also comprises a training scheme strand for European audiovisual professionals. It aims to help people in the field adapt to the European and international dimension of the audiovisual market, promoting vocational training and the use of new technologies.

3.1.7 Funding for the digitisation of cinema theatres, mainly those in rural areas, is lacking and needs to be provided using Structural Funds, appropriate national co-funding and by making the Media Production Guarantee Fund more accessible to exhibitors.

4. Analysis of the situation

4.1 The digital revolution raises political issues at regional, national and European levels:

— competitiveness and circulation of European works;

— pluralism and linguistic and cultural diversity.

These problems must be analysed and resolved fairly and uniformly among all stakeholders in the EU.

4.2 With regard to the aid granted by government authorities in the Member States, support measures have until now been reserved for the creation and production of films. The EESC considers this to be commendable and indeed necessary for the promotion of cinema culture in the Member States, provided that it carries over into digital production.

4.3 The communication also highlights the need to provide additional funds for both digital masters and digital screens so that films can be distributed and viewed by a wide audience, provided that funding is provided to re-train those who have lost their job as a result of the retrofitting.

4.4 The text raises the issue of the wide scale involvement of film distributors and exhibitors, which is essential in order to guarantee the circulation of European works and the diversity of European cinema. The fact that the distributor is also the producer of the film is not cause for concern provided that the ticket price is not exorbitant. Their entrepreneurial mindset must be used to benefit national and EU digital cinema.

4.5 In spring 2008, the European Commission and the Member States embarked on a long-term initiative when they set up an experts' group on digital cinema. The discussions highlighted the need for an alternative to the existing VPF (Virtual Print Fee) model, stressing the need for EU and national public support in order to achieve digitisation.
4.6 ‘Intermediate investors’ advance the funds for all the digital equipment required by digital cinemas. From the time that the film is first screened, the distributor must repay the cost – via the VPF – which serves to pay for the digital equipment.

4.7 The communication gives some examples of funding, indicating that the digital juggernaut has started to move, but we do not have a clear picture of its speed, efficiency, the stability of its equipment or, above all, the scope of the broad digital cinema network, one of the pillars of the European venture to guarantee smart, sustainable, inclusive growth.

4.8 The public consultation launched by the Commission on 16 October 2009 on the opportunities and challenges for European cinema in the digital area met with over 300 replies from exhibitors, distributors, producers, sales agents, film agencies, professional agencies and digital service companies.

4.9 The EESC believes that, if the venture is to be a success, this ongoing monitoring process must be in line with the broad patchwork of European cultural content.

4.10 Over the years, the cinema has met with a host of challenges (silent movies, the Technicolor system, Dolby Sound, etc.), but the digital revolution is the biggest yet.

4.11 The EESC emphasises that digitisation also poses serious technical and financial challenges of storage, long-term preservation and access that not addressed in the Communication. There is no long-term plan for digital storage and no proven long term way to store digital content for later retrieval. Digital storage media has a shorter lifespan than film, the costs involved are much higher and digital content will be geometrically increasing. Parallel concerns of access, originality and authenticity are also raised.

4.12 The EESC recommends that these challenges be addressed by industry-wide cooperation involving all stakeholders to create appropriate storage and archiving systems, establish unified standards and decide on steady and reliable funding. Recommendations for a coherent digital storage/archiving framework include guaranteed access for 100 years; immunity from extended periods of neglect and financial hardship; ability to create duplicate copies to meet future distribution needs; picture/sound quality which meets or exceeds that of original; and safeguard against dependence on shifting technology platforms.

4.13 The communication points out the advantage of digital distribution: it ensures the survival of film archives and the subsequent wide scale distribution of classics that would otherwise risk being forgotten, due to outdated technology.

4.14 Another advantage is the lower production and post-production costs. A digital source master (DSM) can be used in many fields, including cinema, VOD, DVD and digital television.

4.15 Digital distribution also offers another great benefit: it makes it easier to cross physical, cultural and, above all, linguistic borders by simply presenting the original film translated in the language of the country in which it will be shown. There are increasing numbers of DVDs with subtitles in several languages.

4.16 This digital procedure enables the director to control, up until the last minute, the quality of the digital master, including the picture, special effects, brightness, music and sound effects.

4.17 The EESC welcomes the European Commission’s efforts to encourage the Member States that support their national cinema industry to make the most of the advantages of digital distribution and, by taking part in this digital revolution, to meet the challenge of securing the future of digital cinema and making cultural diversity accessible to Europe’s citizens.

4.18 The EESC underlines the potential for employment as well as the specificity of employment in the sector. Investing now in human resources is key to a successful digital cinema roll-out in Europe that will take into the future the quality and the specificity of European film-making. It is also important to reduce as much as possible (e.g. through appropriate training and replacement measures) the social cost connected to the digital transition, such as staff redundancy for projectionists and/or in cinema labs.

4.19 Article 3(1)(c) of the Media 2007 decision provides for vocational training that will include, upstream, digital technologies for production, post-production, distribution, marketing and archiving of European audiovisual programmes. The Media 2007 programme should be reviewed and enlarged to prioritise and meet new requirements beyond those already identified.

4.20 The programme also supports the other main aspect of digital cinema: distribution and dissemination (Article 5).

4.21 Another source of funding comes from State aid, in accordance with Article 107(3)(d) of the Treaty on the Functioning of the EU, the examples of which are numerous, as understood from the context.

4.23 In 2005, the Society of Motion Picture and Television Engineers (SMPTE) published the DCI specification, turning it into a standard of digital cinema which today has been adopted as an international standard by the International Organization for Standardization (ISO), Geneva. In 2011, the Commission put forward a much-anticipated recommendation on promoting specific EU standards for European digital cinema.

4.24 In Europe, compared to the USA, the percentage of film productions shot or post-produced digitally is worryingly low, meaning that we are lagging far behind our competitor. One example speaks volumes: of all the digital films projected in France (30 films in 2007 and 50 in 2008), 35 were North-American productions, 10 were European and 5 were produced independently.

4.25 Forging ahead with the development of digital cinemas without also supporting European digital film production would equate to hamstringing European cinematic creativity and capitulating in the face of foreign digital production.

4.26 Should this vast European programme fail, digital cinema would simply mark the death of the idea of European cohesion based on shaping EU multicultural content.

4.27 Moral: Digital cinema in Europe has a lot of catching up to do.


The President
of the European Economic and Social Committee
Staffan NILSSON