

1. Is €100,000 per screen a fair estimate of the cost of installing digital projection equipment? If so, is it affordable even with State aid?

The €100,000 is a fair estimate for standard cinemas. The amount, however, falls short of the investment that smaller cinema operators require for conversion to digital projection, which would often require them to remodel their projection booths.

Regarding affordability while taking into consideration State aid, smaller cinema operators would only be inclined to install digital projection equipment if the costs were equal to or less than that of installing a 35mm projection system. The amortization period of 35mm projection system installation (around €35,000), as a general rule, is 25 years for the average small cinema operator.

2. Are there no commercial business models which could install digital projection equipment at least in the more profitable cinemas?

In Switzerland, the two largest cinema operators (Kitag AG and Pathé) currently operate 40% of all screens (or 220 of the 550 screens in the country). Despite this, there are only around 38 screens that have been outfitted with digital projectors (or around 7%). This would indicate the lack of a standardized business model for 2k digital projection.

There is a commercial model, however, for HD projection advertising and film distribution in Switzerland. As of today, 490 screens have been outfitted with the HD projectors and media players (DTSXD10).

3. Would audiences find a wider choice of films at those cinemas receiving State aid for digital projection equipment? If not, what is the advantage to the taxpayer?

Perhaps if the demand for digital film distribution increases, then the library of films in the proper digital format would also increase. Theoretically, films in the digital format are much more easily distributed at a much lower price.

4. It has been argued that, if they cannot afford the equipment, many cinemas could close when film distributors switch from 35mm to digital. How real is this threat and what is the timeframe?

In Switzerland, it has been estimated that 35% of all small cinema operators would leave the market* if digital projection systems and installation is not made more accessible and affordable. Small cinemas in rural areas would be most affected in this scenario.

*Kino / Film - Analyses der Schweizer Bundesamt für Statistik
<<http://www.bfs.admin.ch/bfs/portal/de/index/themen/16/02/01/dos/03.html>>

5. Would one-off State aid provide a sustainable and uniform solution for digital cinema? In particular, would the cinemas which could not afford the equipment without State aid be able to meet the apparently higher running costs of digital projection equipment and replace it at the end of its useful life?

The one-off State aid is more sustainable in comparison with any kind tax credit system. Smaller cinema operators would be able to meet maintenance costs, which are already quite substantial in the current system.

6. Would cinemas be induced by the State aid to invest in one digital standard in preference to another?

The digital standard has been defined by the Digital Cinema Initiative (DCI). The aim of the DCI is to ensure that digital film distribution is globally the same. Cinema operators are willing to adapt this standard regardless of equipment preference.

7. As a condition of the State aid, would cinemas have to ensure that films released in any open digital format could be screened on the supported equipment?

Yes.

8. In view of the limited number of cinema screens worldwide and the limited production capacity of projection equipment designed specifically for cinemas, would State aid for such equipment artificially inflate its price?

No, prices should fall over time as production increases to meet demand. There are currently several producers of digital equipment to meet market needs.

9. In connection with questions 4, 5 & 8, could State aid for digital cinema accelerate the closure of the least profitable cinemas?

No. It would even the playing field for smaller cinemas based on reduced distribution costs and wider access to content.

Andrew Katumba

MOJO Digital Film Distribution
(a slice of BOSSA FILMS Ltd.)
Kleinstrasse 17 / 8008 Zurich
www.mojo-digital-film.ch