

## ROADMAP

Title of the initiative: **Communication on digital cinema**  
Type of initiative (CWP/Catalogue/Comitology): major initiative, CWP 2010  
Lead DG/contact person/details: DG EAC/C6  
Expected date of adoption of the initiative (month/year): **9 June 2010**  
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Version No: 3

### Initial IA screening & planning of further work

#### **A. Context and problem definition**

(i) What is the political context of the initiative? (ii) How does this initiative relate to past and possible future initiatives, and to other EU policies?

The consequences of the digital revolution represent a major challenge for public policy, in particular in respect of:

- Competitiveness and circulation of European works;
- Pluralism and linguistic and cultural diversity.

This must be seen in the context of existing European Union policies for the audiovisual sector (the main instrument is the MEDIA 2007 programme) including competition rules (State aid for the digitisation of cinemas and antitrust issues regarding the new business model) and European structural funds.

What are the main problems identified?

Member States and professionals are concerned by the transition to digital projection because their films will soon need to be available on digital masters (all US films from the Hollywood majors are already available on this format) and digital screens will be needed in order for the films to be shown and to reach their potential audience.

The digital cinema distribution revolution therefore raises two major issues:

- The (big) investment for digital equipment has to be borne by exhibitors, but the savings will be made by distributors;
- 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.

Who is affected?

Independent exhibitors (= cinema operators) and distributors are in danger of being left by the wayside because of the entry barrier represented by the high costs of digital equipment and the new business model that is evolving (change of balance in existing commercial practices).

(i) Is EU action justified on grounds of subsidiarity? (ii) Why can the objectives of the proposed action not be achieved sufficiently by Member States (necessity test)? (iii) As a result of this, can objectives be better achieved by action by the Community (test of EU Value Added)?

The digital revolution has an impact on cross-border cinema distribution and exhibition of European films, which falls within the scope of the MEDIA programme (one of its key objectives is to increase circulation of non national European films) and represents high added-value compared to national support schemes (focusing on national production and distribution).

To ensure the circulation of European works outside national borders and the diversity of European cinema available, specific types of operators (distributors and cinema operators) must be maintained and the contribution of an EU programme such as MEDIA to these activities is essential.

The type of activities being supported (distribution and exhibition of non national European films) is therefore achieved more effectively and efficiently at European level than at national level,

## **B. Objectives of EU initiative**

What are the main policy objectives?

To increase transparency about the effects of "the digital revolution" for the European cinema sector.

To create a favourable environment for digital cinema distribution and exhibition of European works across Europe, at regional (European Structural Funds), national (in terms of national subsidies) and European level (new MEDIA support scheme)

Do the objectives imply developing EU policy in new areas or in areas of strategic importance?

This initiative brings together clearly for the first time different aspects of policy and shows how they impact on this important new technological and economic development. The digitisation of cinemas is already referred to in the MEDIA 2007 decision (this will be a new scheme based on that instrument) and public support schemes for digitisation are already underway in several countries (these are or have been notified under State aid rules and a coherent policy should be communicated as for other aspects of State Aid in the sector). Similarly the ESF have already been used by certain regions to equip cinemas with digital projectors.

## **C. Options**

(i) What are the policy options? (ii) What legislative or 'soft law' instruments could be considered? (iii) Would any legislative initiatives go beyond routine up-date of existing legislation?

- Do nothing
- Use of existing instruments:
- Use of a "soft law" instrument

Does the action proposed in the options cut across several policy areas or impact on action taken/planned by other Commission departments?

DG COMP: in terms of State aid and antitrust  
DG REGIO: European Structural Funds

Explain how the options respect the proportionality principle

The proposed Communication increases transparency and highlights the ways in which the EU is already responding to the needs identified. It is based in part on a public consultation that requested action at EU Level. The linking of different (existing) actions creates a coherent and integrated EU policy.

#### **D. Initial assessment of impacts**

What are the significant impacts likely to result from each policy option (cf. list of impacts in the Impact Assessment Guidelines pages 32-37), even if these impacts would materialise only after subsequent Commission initiatives?

##### **Do nothing:**

- a substantial number of the cinemas screening EU films would disappear;
- this would in turn jeopardise European independent distribution and production;
- cultural diversity would be strongly reduced and US majors' films would dominate the market even more.

##### **Use of existing instruments:**

- even though the support scheme will be set up under the MEDIA 2007 programme, lack of clarity and transparency about the connections between the different Commission activities affecting digital cinema would still delay the digitisation process
- would be at best a partial response but EU cinemas (in particular those showing EU films) are already behind schedule in the digitisation process (compared to cinemas showing US majors' films);
- the longer the transition, the more expensive it will be (in particular for distributors);

##### **A political communication and incentive measures:**

- would contribute to the creation of a stable and favourable framework for the digital transition of European cinemas
- would greatly increase the visibility of EU policy in this area
- minimum approach ("soft law")
- more transparency (regarding antitrust issues, VPF deals)
- legal stability (clarification of State aid possibilities for the digitisation of cinemas)
- EU financial support to the digital transition of independent exhibitors and distributors of European films (under the MEDIA Programme – for which adaptation is already envisaged in the decision establishing the programme)

Could the options have impacts on the EU-Budget (above 5 Mio €) and/or should the IA also serve as the ex-ante evaluation, required by the Financial Regulation?

No impact on the EU budget. The budget of the new support scheme (€ 4 million for 2010) is linked to the implementation of the MEDIA Programme and not therefore dependent on the Communication (although the policy is linked to this initiative)

Could the options have significant impacts on (i) simplification, (ii) administrative burden or on (iii) relations with third countries?

No

#### **E. Planning of further impact assessment work**

When will the impact assessment work start?

Not foreseen

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(i) What information and data are already available? (ii) Will this impact assessment build on already existing impact assessment work or evaluations carried out? (iii) What further information needs to be gathered? (iv) How will this be done (e.g. internally or by an external contractor) and by when?

(v) What type and level of analysis will be carried out (cf. principle of proportionate analysis)?

Which stakeholders & experts have been/will be consulted, how and at what stage?

A public consultation has already been carried out last year: 330 contributions from all professionals and film bodies were received (results to be published shortly).