

# Digital cinema and the growth of digital 3D

Extract from UNIC's annual report 2010-2011

**UNIC**

Union Internationale des Cinémas  
International Union of Cinemas

## The transition to digital cinema

The last year has seen conversion to digital cinema technology continue. By the end of 2010, some 30 per cent of European screens had been digitalized.

UNIC understands the need for, and supports this change. If managed with care and common sense, it should provide major benefits not just for studios, distributors and cinemas but most importantly for the cinema-going public. Digital cinema should provide greater flexibility of programming, access to cutting-edge 3D and the ability to watch live theatre, opera, sports and music events, all in the comfort of the modern cinema environment.

Each European territory is finding its own way in managing the transition. Some are able to call on public money to do so. Others are relying on the financial support of the studios and the distributors as well as money from their own pockets.

Given the financial costs that such approaches potentially impose on cinema exhibitors and the complexities involved, UNIC has set out seven key conditions for that support. These are that:

- Distributors have to pay for a significant proportion of the transition either via the VPF or via similar mechanism;
- All digital equipment must be inter-operable;
- Key Delivery Message (KDM's) must be delivered for all screen at a site in time for the first day of release;
- Exhibitors have absolute and sole discretion as to what is shown on their screens and the order in which it is shown – this covers films, advertisements and trailers;
- The switch to digital technology must be organized in such way as to ensure the diversity of cinema theaters and film product;
- The transition must respect territoriality: Europe is a single market but each nation has its own particular characteristics;
- Distributors must be willing to pay for the full costs of 3D glasses (including royalties, when there apply).

Within these principles, UNIC recognizes that each European territory has different requirements with regard to financial support. As a result, governments, regions and municipalities should remain free to contribute to digital roll-out. But each must be aware of the potential for public funding to distort competition between movie theaters and to discourage distributors from making their fair contribution.

European structural Funds can also support digital transition but without substituting for a VPF mechanism. Such European, national and regional financing, where they apply, should only be complementary to studio support.

During the past year a number of key European territories marked significant progress in their attempts to digitalize.

In Belgium, all the main exhibitors companies and many of the smaller operators are in the process of digitalization. Currently about 65 per cent of screens have been converted, with number expected to reach 80 per cent very soon.

In Luxemburg, all of 22 screens operated by the main companies are now digital and a government support scheme should ensure full digitalization in the country by the summer of 2011.

In France, since September 2010, distributors have been obliged by law to provide a VPF to exhibitors and create a general scheme for all cinemas for digital roll-out. In addition to the National Center for Cinema and Animation (CNC), local authorities provide public subsidies for the smallest theaters. By the middle of 2011, almost half of the French cinema screens were digitalized.

In the Netherlands, digitalization of over 500 screens has recently begun through the collective buying group initiative, Cinema Digitaal BV. The scheme is partly supported by 5.4 million Euros from the Dutch government. With the exception of Pathé, Euroscop and Utopolis, all circuit and independent sites in the Netherlands are part of this approach. Based on the VPF model, all Dutch independent distributors have signed up to the scheme. Roll-out is scheduled to be completed by end 2012 at latest.

In Austria, around 64 per cent of all screens are now digital, mainly through a VPS deal agreed with the third party integrator company XDC. Negotiations are now underway to secure a VPF deal for those sites which have already digitalized from their own resources or have yet to do so.

In Italy, operators looking to invest their own funds in digital cinema can do so with the support of the government-funded tax credit, now available up to December 2013. Alongside this, representatives from distribution and exhibition have agreed a set of guidelines governing VPF models (outside of those operated by 'third party' entities). It remains the case however that further support will be required for smaller cinemas seeking to digitalize.

In the UK, the Digital Funding Partnership announced a VPF deal with the Belgian integrator company XDC to digitalize as many as 400 screens, with roll-out due to begin by mid-2011. Overall, around 50 per cent of screens are digitalized.

In Switzerland, that figure stands around 37 per cent., with an agreement just reached with government to help finance digital installation for art house operators. Many cinemas operation in small towns and villages are also being supported to convert by the local community.

In Finland, around 45 per cent of all screens are digital. Practically all of these installations have been made with the support of The Finnish Film Foundation (lottery fund via Ministry of Culture. The market share of these screens is 90-95 per cent.

In Denmark, a plan for the whole sector's digital roll-out is in place, offering every cinema approximately 26.000 Euros in state support. Update: As of August 31, the digital cinema coverage of screens in Denmark was 40, 3%. The tipping point is expected January 1st 2012.

Norway has, over the last 12 month, been undertaking a national roll-out of digital cinema technology across 420 screens. The country will be fully digitalized by July 2011, with back-up, reporting and accounting systems all in place. The benefits of this change are already being seen,

with twice the number of digital copies available than was the case for 35mm, and smaller cinemas in particular having access to a wider range of films than previously.

### Digital cinema standards

UNIC is aware of a small number of voices – in the sector and elsewhere – which see the introduction of a new lower standard for digital cinema in Europe as a potential answer to some of the challenges some of the smaller cinemas face in adapting to the digital environment.

In this regard, UNIC is unwavering in its support for the single standard currently working its way through the standards – a unique, open and compatible worldwide standard which takes into account the position of the European exhibitors.

In January 2010, the organization made this longstanding position clear in an open letter to Aviva Silver, Head of the Media Unit at the European Commission.

### Digital 3D Cinema

2010 saw *Avatar* set new box-office records across the globe, convincing many that 3D digital was here to stay. While the impact of 3D since that point has – perhaps inevitably – not been as marked, UNIC continues to believe that 3D has the potential not only to boost cinema admissions and box-office, but also public perception of modern cinema-going.

UNIC remains neutral on the relative merits of different 3D formats, and on the decision taken by some operators to try out 35mm 3D formats while the digital transition is underway.

It believes however that not all films are necessarily appropriate for 3D, and also that costumers should be given a choice to see a film in the standard format wherever possible.

While the success of 3D films such as *Avatar* and *Alice in Wonderland* has served to increase even further interest in producing films in this format, given the premium price most cinemas charge for 3D films, UNIC also sees there is a potential danger.

Making a film in 3D does not guarantee that a film will be a good one. Cinema costumers have the right to expect a high quality cinema experience. Recent developments suggest that where some films have been retrospectively converted to 3D, and this has been done badly, then the resultant criticism, and the poor ‘word of mouth’ amongst cinema-goers, has had much wider negative effect than just around the film in question.

UNIC calls on all studios to ensure their films always offer a consistency high quality 3D experience so that costumers do not become cynical about this format.