



DIGITAL ROLL OUT KEY ISSUES FOR THE INDEPENDENT DISTRIBUTORS February 2009

The digital switch is now actually happening and the independent distributors from Europa Distribution want to be part of that process and to have a real place in the decision making. As for every introduction of a new technology, there are great expectations regarding the flexibility and the cost savings that digital can offer to distributors in the future, but also fears related to the new costs the digital switch will generate during the transition period.

One of our main concerns is that the dominant business models proposed in Europe are based on the Virtual Print Fee Model (VPF) implemented by the US Majors. We have made various simulations and the result is that the prevailing models have been designed to be more suitable to multiplexes in big urban areas and for large film releases, generating in most cases a cost increase for independent releases, instead of the anticipated savings. Thus, there are at this point no viable VPF financial models for independent distributors and theatres. Digital is, in this sense, not just a new technology; it could significantly impact the circulation of films and the diversity of existing independent exhibition, distribution and production structures.

We believe that it is important that the digital roll out does not threaten the diversity of European films and of European cinema companies.

We believe Authorities should be aware that the market in itself can only resolve the switch for mainstream theatres and big distribution companies. It is likely that if independent distributors and cinemas have to face an unmanaged switch to digital, then a lot of European films will suffer, and many of them could no longer find a place to be shown, not to mention the impossibility for catalogue films to be shown at all.

Moreover, we think that it is important that European authorities look carefully that the current business models implemented in Europe do not negatively impact competition or result in a dominant market position; otherwise there is a clear need for market regulation.

We know that it is very hard to elaborate a pan-European model for the financing of the digital equipment of European screens, as the European national markets are indeed very diverse. But as Europa Distribution, we want to facilitate the exchange of information and to be a spokesman for national and European authorities.

We think that different models may be needed for different market strata, and we believe in the "solidarity" approach that includes public models in order to have a fair, managed, transparent and quick switch to digital.

Failure to act without further delay might lead to a serious and everlasting damage of the European cultural diversity.

About Europa Distribution:

Europa Distribution was created in 2006. The Dardenne Brothers are the Presidents of Honour of the Association and the Board of Administration is chaired by Régine VIAL (Les Films du Losange / France) & Antonio MEDICI (Bim / Italy).

Europa Distribution, with a membership of 68 leading independent distributors representing 19 countries, serves as the voice of the European independent film distributor. It acts as a lobby, a think tank as well as a network and it represents the best of European Cultural Diversity: 85% of the films awarded in Cannes, Venice and Berlin have been released over the last six years by independent distributors, members of our network.