

Hughes Becquart - European Commission

MEDIA PLAN FOR DIGITISATION

A JOINT FINANCIAL STRUCTURE FOR DIGITISATION: EUROPEAN INVESTMENT BANK AND MEDIA 2007

Recap of the dilemma: investment costs born by exhibitors, savings made by distributors. In addition there is an uneven capital cost playing field among various types of cinemas: 25% of the European cinemas are one-screen cinemas, and yet, cinemas need a certain number of screens and 1st runs in order to get VPF. Hence, 12000 screens don't have any business model.

These two market failures justify public policy. Proposal, therefore: a policy-driven third party VPF, with the establishment of a pan-European fund based on a leasing model (on the model of what the EIB has already done in cooperation with the Commission). The share-holders could be the Commission, exhibitors, distributors, commercial banks, etc. There would be an investment committee, financial windfall would be reinvested in the fund to finance the next generation of digital equipment, but the day-to-day fund management remains to be decided. A transparent VPF agreed between distributors and exhibitors could also contribute to the fund so that the manufacturers and service providers could lease the equipment to the exhibitors. In terms of public support, the EIB could cover 50% of the costs and the EC would contribute to the leasing costs. In a simulation based on the Europa Cinemas network (1514 screens) and aiming at equalising the (theoretical) ticket increase caused by digital equipment across all types of cinemas, the costs for the EC would be 5.74 million EUR/year for 5 years and the EIB total loan volume: 46 million EUR.

THE OTHER EUROPEAN STRUCTURAL FUNDS (DG REGIO)

Within EU cohesion policy, there is no specific allocation for digital cinema but it could fit under several headings for the enhancement of social and economic development in the regions: culture and tourism, innovation, entrepreneurship and SMEs, information society, plus the European Social Fund. It was stressed that as regards grants or non-repayable state aid, cinemas are considered as commercial activities. Aid can therefore only be given if the market fails, if there is no significant distortion of market, etc. To apply for Structural Funds, management authorities of each Member State/region have to be contacted since they are the ones who define and manage the operational programmes (on the basis of strategic guidelines drafted by the EU).