[GB] Digital Screen Network and Rural Cinema Pilot Scheme

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In the United Kingdom, the film exhibition sector is, according to the recently released House of Lord's Communications Committee's "Report on The British Film and Television Industries", dominated by a few large companies... In 2008, there were 3,610 screens (96 more than in 2007) in 726 cinemas in the UK. In 2008, 61 per cent of screens were controlled by three companies: Odeon, Cineworld and Vue. The two largest of these are owned by private equity firms, Terra Firma (Odeon) and the Blackstone Group (Cineworld). Exhibitor revenues, which are made up of box office receipts, concessions and advertising, were just over GBP 1bn in 2008 (three per cent higher than 2007). Although most films are still shown using the standard film print, in 2008, the UK had 310 high-end digital screens, the highest number in Europe.

Of the 310 high-end digital screens, 240 form the UK Film Council's Digital Screen Network. The Digital Screen Network was announced on 16 August by the UK Film Council 2004. Applications were accepted until March 2005.

The legal basis for the scheme is the National Lottery Act (2003), per the "the National Lottery Distribution Fund". Thus, the DSN involved the use of "state resources". Accordingly, this was notified to the European Commission. The Commission decided that the UK Film Council Digital Screen Network, which might constitute an aid measure within the meaning of Article 87(1) EC, is compatible with the common market pursuant to Article 87(3)(d) of the EC Treaty for a period of approximately four years, until 31 March 2009.

The DSN Guidelines provided that applications were eligible from all types of full-time licensed cinemas from all parts of the country - for the purposes of this application, a full-time cinema is defined as one that shows at least one evening show per day, at least 300 days per year.

By the end of the scheme, 240 screens at 212 cinemas had been equipped via DSN in the UK. 79% of the cinemas are outside of London. By the end of the scheme GBP 11,933,364 had been awarded to enable successful applicants to equip their exhibition sites with "state-of-the-art" digital projection equipment (2k projectors, capable of showing films at resolutions of 2048x1080 pixels) and computer servers.

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In return for funding, cinemas would be expected to show more “specialised” films (e.g. independent films, restored classics, documentaries and foreign language films). In 2005, around GBP 300 million was spent on distributing and marketing all cinema releases in the UK, but only GBP 18 million, or 6%, was spent on specialised films. The introduction of digital distribution will mean that films such as these will reach around 30 million people throughout the UK.

The contract to establish the screens was awarded to Arts Alliance Digital Cinema (AADC). AADC was selected in a competitive bid governed by the EU supplies directive. The agreement with AADC runs for the period of the installation/rollout plus 4 years. It covers installation, training, servicing, warranties and upgrades for the lifetime of the contract. In addition, under the terms of the contract, AADC will, if and when required, create digital cinema masters for specialised film content and when requested load onto disks, deliver to the cinema and supply the security keys for the cinema to play out the film all at a pre-agreed price.

Finally, it might be of interest to note that the UK Cinema Exhibitors’ Association has established the Digital Funding Partnership (UK) to help secure finance to allow small and medium-sized UK cinema operators to purchase digital cinema equipment.

A relevant initiative is that Rural Cinema Pilot Scheme. The aim of the RCPS is to “...introduce a rollout of...new digital technologies into the three pilot areas to significantly improve quality of presentation and the supply and range of content screened.” Rural cinema is defined as “...film screenings in rural areas, normally in non-traditional venues such as village and town halls, arts centres and other community spaces. It encompasses film societies, film clubs, mobile cinemas and community cinemas.”

GBP 1.2 million of Lottery Funding (see above) has been allocated to the Pilot Scheme. The equipment is a combination of a touring version of the Digital Cinema Initiative specification projector and “Blu-Ray-based digital projection equipment which will represent a significant step-up in quality to DVD-based systems currently used.” The scheme is to run for three years, starting from 2009.

House of Lords, “Communications Committee - First Report. The British Film and Television Industries”

http://www.publications.parliament.uk/pa/ld200910/ldselect/ldcomuni/37/3702.htm

European Commission, “State aid N 477/04 - United Kingdom: UK Film Council Distribution and Exhibition Initiatives,- Digital Screen Network”, Brussels, 19.I.2005, C (2005)45 fin

http://ec.europa.eu/community_law/state_aids/comp-2004/n477-04.pdf

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UK Film Council, "Bringing Cinema to Rural Communities: the UK Film Council's Rural Cinema Pilot Scheme"

http://www.ukfilmcouncil.org.uk/media/pdf/j/2/Rural_cinema_pilot_scheme_strategy_document.pdf

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