

[NO] Cinemas Go Digital with Levy Funds

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Following pre-notification contacts between the European Surveillance Authority, the EFTA watchdog body, and the Norwegian exhibitors' organisation Film & Kino, full digital roll-out to all 440 cinema screens in 220 locations across Norway will commence this autumn, to be completed by 2011. Implementation of the ambitious scheme follows the publication by the ESA in May of a preliminary assessment, in which it declared itself satisfied that no State aid is involved in the funding of the digitalisation programme.

Norway's exhibition structure is dominated by municipally owned and operated cinemas, which hold 72.6 per cent of the market (calculated on the basis of admissions). Publicly and privately owned cinemas, however, have co-operated closely in developing the exhibition sector since the early 1970s, using the so-called "Cinema Fund" to bankroll projects of common interest and benefit. Since the late 1980s, video retailers have also participated. The fund, originally a voluntary mutual fund, was enshrined in the 1987 Act relating to Films and Videograms, which made obligatory the Cinema Fund levy on all cinema ticket sales (2.5 per cent) and video/DVD sale and rental transactions (NOK 3.50 per transaction). Regulations delivered under the 1987 Act provide general aims for the use of the Fund's resources, while also establishing a legal base for Film & Kino to determine concrete operations and lines of action, under the supervision of the Ministry for Culture. The levy currently brings some EUR 7.5 - 8 million per year into the Fund.

Total costs of digital roll-out in Norway are estimated at NOK 400 million (EUR 45 million). Film & Kino has negotiated the roll-out directly with Hollywood studios and agreed on the Digital Cinema Initiative (DCI) specifications as the applicable technical standard, with a minimum 2K projection. Funding will be split between distributors, who will pay a 40 per cent Virtual Print Fee (VPF) over a period of up to six years, while cinemas can choose between paying by cash or in instalments and taking out a six-year loan. To bankroll the programme, Film & Kino will use NOK 100 million from the Cinema Fund to leverage a NOK 400 million (EUR 45 million) financial package and will launch a tender to financial institutions in the European Economic Area (which includes the EU, as well as Iceland, Liechtenstein and Norway) to manage the package.

Technical implementation will be handled by "system integrators". To avoid monopolisation, Film & Kino has divided the country into ten zones; potential

suppliers of technical services may place bids to service one or more zone(s) for a minimum period of ten years. Tenders will be issued to potential system integrators in the EEA area.

Lov om film og videogram av 15. mai 1987 nr. 21

http://www.lovdata.no/cgi-wift/wiftldles?doc=/usr/www/lovdata/all/nl-19870515-021.html&emne=lov*%20om*%20film*%20og*%20videogram*&&

Act relating to Films and Videograms of 15 May 1987 no. 21

http://www.lovdata.no/cgi-wift/wiftldles?doc=/usr/www/lovdata/all/nl-19870515-021.html&emne=lov*%20om*%20film*%20og*%20videogram*&&

Unofficial translation into English of Act relating to Films and Videograms

<http://www.ub.uio.no/ujur/ulov/english.html>

Forskrift om film og videogram av 20. desember 1999

http://www.lovdata.no/cgi-wift/wiftldles?doc=/usr/www/lovdata/for/sf/kk/kk-19991220-1515.html&emne=film*%20og*%20videogram*&&

Regulations relating to Films and Videograms of 19 December 1999

http://www.lovdata.no/cgi-wift/wiftldles?doc=/usr/www/lovdata/for/sf/kk/kk-19991220-1515.html&emne=film*%20og*%20videogram*&&

For a more comprehensive description of the Norwegian digital roll-out, see European Audiovisual Observatory, "Digital Roll-Out in Norwegian Cinemas", available at:

http://www.obs.coe.int/oea_publ/eurocine/cinerep_no_2009.pdf.en

