

## [AT] Austria Enters Crucial Phase of Cinema Digitisation in 2012

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With around 70% of screens digitised, Austria already appears to be leading the way as far as the digital rollout is concerned, apparently thanks to the 3D boom on the one hand, and the dominant position of an integrator (provider of digital cinema services including VPF contracts, e.g. XDC, Arts Alliance) in the Austrian market. In parallel with the ministry's efforts to promote the digitisation of repertory and regional cinemas, reported in IRIS 2012-1/8, film distributors in the Fachverband der Film- und Musikindustrie (Film and Music Austria) have been discussing the details of their own involvement in cinema digitisation since spring 2011.

The starting position was clear: around 70% of the Austrian market had been digitised by means of an integrator model, in which only one large integrator is active in the Austrian market. This model is highly beneficial to multiplex cinemas and cinemas that frequently screen new releases. However, it is largely unsuitable for repertory and regional cinemas, which are therefore forced to cover the high investment costs of around EUR 70,000 (excluding additional costs such as financing, air conditioning, refitting, maintenance, etc.) themselves. The difficult financial position of the cinema industry makes this virtually impossible.

As in other countries, the involvement of the distribution industry via a so-called Virtual Print Fee (VPF = a refinancing mechanism to finance the digital switchover; to put it simply, in order to support the digital switchover, the distributor reimburses the cinema the money it saves by distributing a digital rather than an analogue copy) was therefore discussed. The completely independent proposal of the Austrian film distribution industry is described below.

The Austrian VPF model creates the possibility of refinancing all or part of the investment costs for every cinema and every screen, minus the cinema's own contribution and any aid received, by means of a discount scheme operated by the distribution industry. It is ultimately in the interests of film distributors to ensure that the digital rollout is as quick and smooth as possible, that the logistically expensive combined use of digital and analogue copies is abolished and, for the Austrian film production and distribution sector in particular, that repertory and regional cinemas are protected.

In contrast to the German system, the Austrian VPF model does not distinguish according to the type of cinema (repertory, regional or multiplex) or the number of screens. Instead, any cinema can participate with any screens that are not included in an integrator model. The cinema must either be already digitised or prove no later than 31 December 2012 that it has invested in digitisation (e.g. by ordering digital hardware) and register for the discount scheme by the same deadline. Unlike direct aid schemes, the model includes so-called “first movers”, i.e. cinemas that invested in digital projection before the scheme was launched (1 March 2012).

The voluntary VPF model of the Austrian film distribution and cinema industry also includes the following essential features:

- Actual investment costs for digital hardware plus financing costs are taken into account, up to a maximum of EUR 80,000 (EUR 70,000 for equipment and EUR 10,000 for financing). To calculate the relevant figures for the refinancing period, the cinema's own contribution and any direct aid received must be deducted from this figure.
- The obligation to pay the VPF ends when the refinancing share is reached, or after seven years at the latest.
- The cinema's own contribution is 25% of the refinancing share on which actual costs are based. 50% of public aid can be used to cover a maximum of half the cinema's own contribution.
- Cinemas may participate regardless of the number of screens.
- The VPF is EUR 500 plus a EUR 50 administration fee.
- For poorly attended films, the VPF is EUR 1 per viewer, up to the maximum VPF. The VPF model is therefore meant to be attractive for smaller distributors with small copy numbers and small expected audiences.
- In the first two weeks of screenings, 100% of the VPF is due, after which the amount is gradually reduced. Films are VPF-free from the eighth week onwards.

The model is voluntary. Although cinemas have to be registered (free of charge) for the scheme as part of the compulsory registration process, individual distribution companies can decide for themselves whether to participate in the system.

If the majority of distribution companies consider the management and administration of the scheme by a not-for-profit third party and the equal treatment envisaged under the scheme to be sufficiently advantageous, they can participate in the system by paying the VPF. The Austrian market could therefore become virtually 100% digitised in 2012, bringing closer the objective set out by

politicians as well as the film and cinema industry: loss-free, digital image quality, widely available digital content both for the multiplex market and for repertory, art house and regional cinemas, and the logistical advantages of digital rollout via hard disk or satellite.

***Freiwilliges VPF-Modell der österreichischen Verleih- und Kinowirtschaft***

<http://www.filmundkino.at/merkblatt.html>

*Voluntary VPF model for the Austrian distribution and cinema industry*

