UNIC

Union Internationale des Cinémas
International Union of Cinemas

PASSIONATE ABOUT THE BIG SCREEN

Cine32, Auch/France, Courtesy of ENCORE HEUREUX Architectes/Photo: Sébastien Normand

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INTERVIEW WITH UNIC PRESIDENT PHIL CLAPP

In May 2013, UNIC members decided that Phil Clapp should follow Ad J. Weststrate as President of the association. Weststrate stepped down after eight successful years of guiding Europe's trade body for cinema exhibitors and their national associations. Clapp, 47, is Chief Executive of the UK Cinema Exhibitors' Association.

opposite: Phil Clapp, UNIC President

«Cinema exhibition in Europe in 2012 proved once again to be a very robust market which continued to be the key driver of the entire motion picture value chain.»

How would you consider the sector's performance in the past year?
I have to say that despite the economic and at times even political threats in some UNIC territories, overall, cinema exhibition in Europe in 2012 proved once again to be a very robust market which continued to be the key driver of the entire motion picture value chain. Across UNIC territories we experience a 3 per cent growth in box office revenues.*

Coming into this new role, what do you see as the key challenges facing UNIC?
For all its strengths, there are a significant number of challenges facing European exhibition, and where UNIC has a key part to play in supporting national associations as well as cinema operators.

While several European countries are now fully digitised or rapidly approaching that point – digitisation averaged 78 per cent across UNIC territories by the end of 2012 – for others it remains very much unfinished business. We have seen different ways of achieving digital conversion, some involving public money and others commercial approaches, but we now need to ensure that

*Data presented in this report covers the year 2012

support is available to those currently lagging behind. Given the likely disappearance of 35 mm across Europe in the next couple of years, the dangers of not doing so are all too apparent.

Additionally, UNIC has a role to play in assisting cinema exhibition to understand the longer-term implications of digital cinema. This is a systemic change and we all have to work together to ensure that exhibitors remain in the driving seat when it comes to deciding on the future technological trajectory of our industry.

Some of the territories most in need of support are also those experiencing the most severe economic difficulties. We need to remind governments in these countries of the important contribution that cinemas make to the economic, cultural and social health of their communities. The key point is that some of the national moves proposed to raise income in the short-term, such as raising taxes on cinema tickets, will inevitably cause longer-term and more fundamental damage.

Finally, one of the drivers behind moves to strengthen UNIC in recent years was the sense that European cinema exhibitors needed to speak with one voice if they were to have more influence with European politicians and policy-makers. While we welcome Brussels' desire to strengthen cinema, we also have to make sure that it gets its strategy for the sector right. Cinema exhibition, after all, is an incredibly diverse sector and it is often our role to ensure that the market or – where and when appropriate – national governments continue to determine what is best for its future.

What do you see as the key strengths of UNIC?
Cinema exhibition is of course a very competitive industry with many different approaches and strategies adopted from territory to territory or company to company. Nevertheless all cinema operators share a desire to provide people with the opportunity to see films in the best possible environment, the cinema theatre.

I'm convinced that this desire and the fact that the public care deeply about their local cinema are our key selling points. In many communities, cinemas are the last piece of 'neutral' community space enjoyed by everyone, regardless of age, social class or background. It is not something we have said often or loudly enough.

While our task is therefore to ensure that politicians and the media care as much, I'm confident that that shared sense of purpose amongst our members, and that groundswell of support from the public, put UNIC in a great position to build influence and profile.

UNIC Board, Cannes, May 2013. From left to right: Jaime Tarrazon (FECE), Jean-Pierre Decrette (FNCF), Andreas Kramer (HDF-Kino), Kim Pedersen (Danske Biografer), Phil Clapp (CEA), Edna Epelbaum (ACS), Mario Mazzetti (ANEC)

How do you see UNIC developing over the next few years?
I think that my predecessor Ad Weststrate did everything right in helping the organisation to move from Paris to Brussels and starting its reform process. Because of Ad, UNIC is today in a much better position than ever. The industry has been lucky to have had Ad Weststrate as its long-term champion.

Regarding the future, I see UNIC continuing to grow in influence, both in representing the interests of international exhibition and also in working more effectively with partners across the industry in developing effective responses to the challenges we all face.

Over the last few years we have recruited members with cinemas in territories such as Poland, Hungary, the Czech Republic, Bulgaria, Romania, Lithuania, Estonia, Latvia and Slovakia, but there are still a large number of countries in Central and Eastern Europe where our networks are comparatively undeveloped. Addressing that situation needs to be a priority, not least given the increasing importance of that region to the major studios.

And while we now have an established 'face' with the European Commission and Parliament, we also need to step up efforts to articulate our position on a wider range of issues relevant to our interests.

«Cinema operators share a desire to provide people with the opportunity to see films in the best possible environment, the cinema theatre.»

Related to that point, we have been able to forge effective partnerships with colleagues in production and distribution on key challenges such as film theft. That is all positive, but there are a number of other areas where our interests coincide and we need to play a full and active role in defending the entire film industry.

In short, the potential for UNIC to grow, in terms of geographical spread as well as political influence, is huge. I look forward to working with UNIC and industry colleagues over the coming months and years in helping to realise that potential.

Are you confident about the future of cinema exhibition?
Absolutely. I am certain that the sector will be able to reap the benefits of the tremendous efforts undertaken in recent years in relation to digital cinema. While there is a myriad of entertainment out there in the digital world, the cinema theatre remains the single best place where we can enjoy high-quality creative content – together and on the big screen. The fact that exhibitors can be more flexible in their programming strategies and increasingly experiment with showing a mix of studio content, local films and alternative offers will enable them to attract more audiences to their theatres in the future.

2
KEY FIGURES

Performance across UNIC territories in 2012 has been stable, even though there have been significant regional differences. Germany, Russia and Scandinavia experienced important growth, while Southern European cinemas faced economic difficulties and a lack of support. The local films' share declined slightly and non-national European films performed well. Average share of national screens digitised reached 78 per cent.

opposite: Courtesy of NVB, Photo: Arjan Bronkhorst

2.1 Cinema-going in 2012

Box office increased by 3 per cent across UNIC territories.

Stable performance across UNIC territories – significant regional differences

In 2012, total admissions across all UNIC territories were stable, but characterised by significant territorial disparities. While the sector enjoyed substantial increases in Northern Europe, it also suffered equally marked declines in Southern Europe, especially in countries experiencing economic difficulties. Total admissions across UNIC territories declined by 0.65 per cent, while box office increased by 3 per cent (compared to 6 per cent in North America and 30 per cent in China).

The biggest successes in European theatres were Skyfall, The Hobbit: An Unexpected Journey, The Dark Knight Rises, Ice Age: Continental Drift and The Avengers.

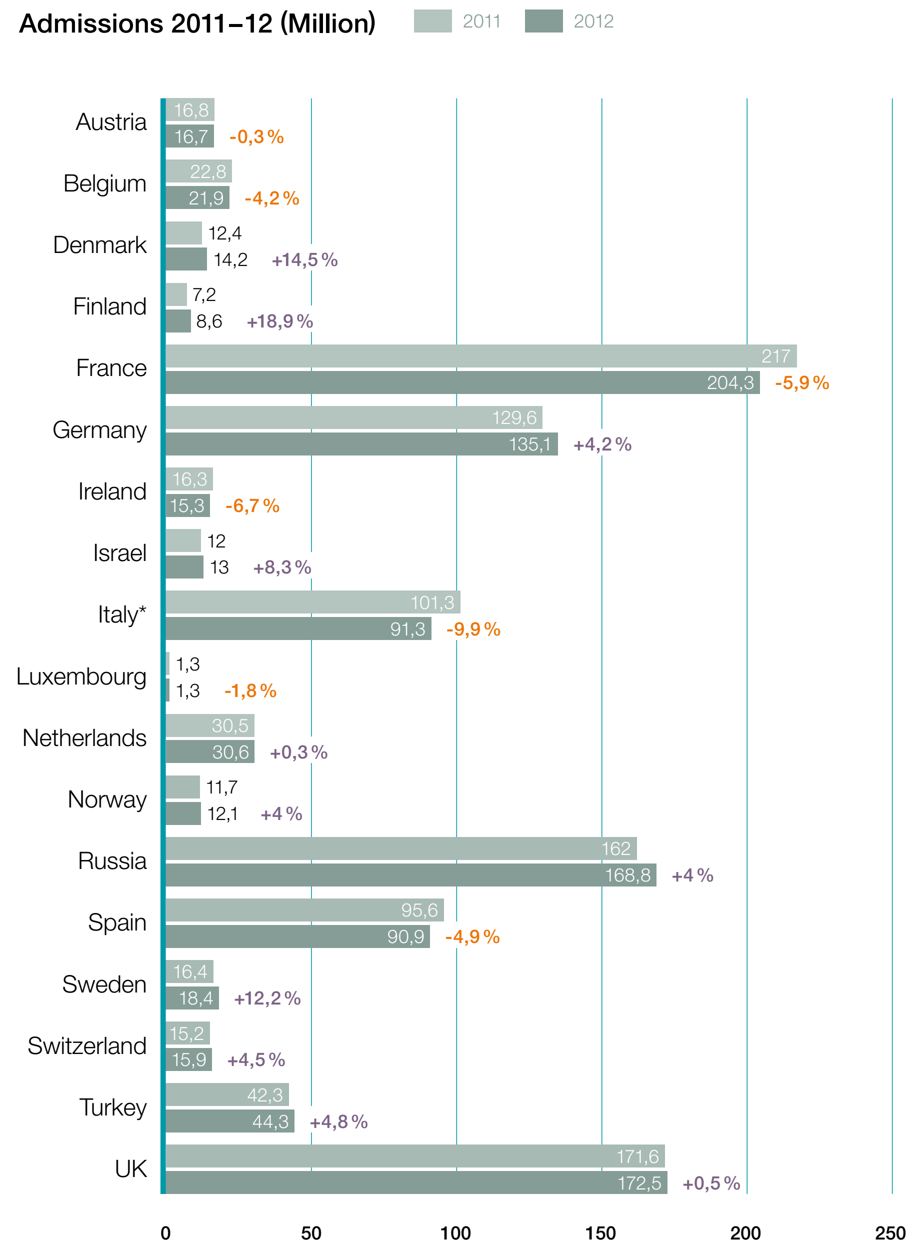
Growth in Germany, Russia and Scandinavia

Cinema exhibition celebrated significant successes in a number of European territories. In Germany, box office increased by 7.8 per cent, crossing the one billion € mark for the first time in its history (€ 1,033 billion), closely followed by Russia which reached a new record high of € 960.9 million. Denmark was boosted by a 15.2 per cent increase (€ 146.4 million), while in the UK box office increased for the sixth year in a row, despite the distraction of the London 2012 Olympic Games.

Scandinavian exhibitors had one of their strongest years in terms of admissions, with record years in Denmark, Finland and Sweden. Other successes were noted in Turkey (where admissions grew 4.8 per cent). After an exceptional year in 2011, and despite a 5.9 per cent decline in admissions, attendance in France remained above the 200 million mark and above the national average for the past ten years.

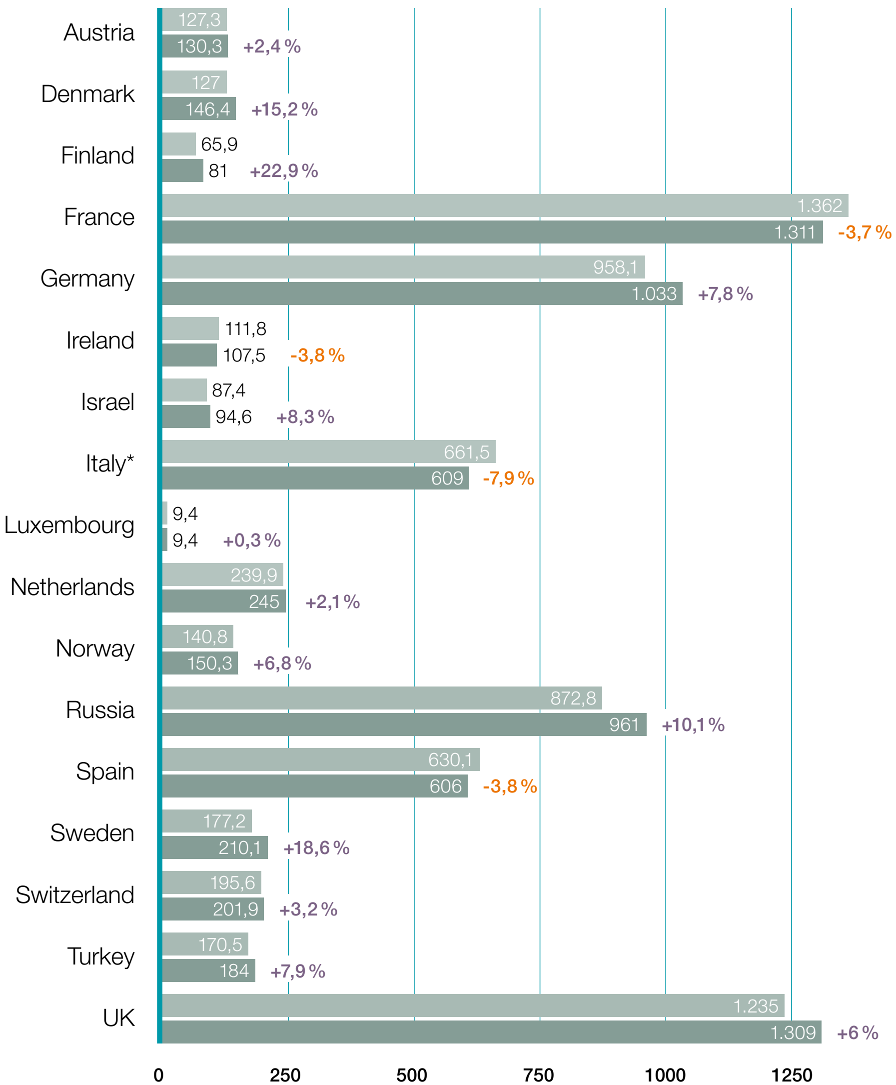
Economic difficulties and lack of support impact on Southern European cinema

Results were less positive in those countries most strongly hit by the economic downturn. In Spain, where a radical drop in admissions was expected following the dramatic VAT increase on cinema tickets, and in light of increasing unemployment, two historic local successes limited box office decline to 3.8 per cent, with overall admissions declining by 4.9 per cent. In Italy, admissions dropped by 9.9 per cent; in Ireland by 6.7 per cent.



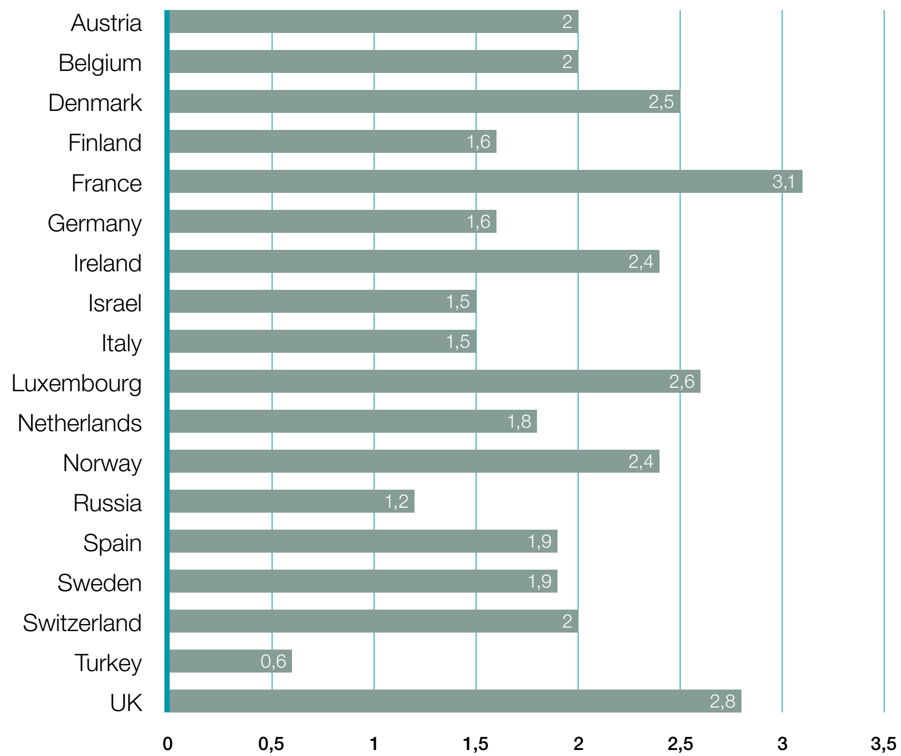
Source: UNIC members 2012
*Cinetel: 90 per cent of the market; SIAE global results to be published in June 2013

Box Office 2011–12 (Million Euro)



Source: UNIC members 2012
*Cinetel: 90 per cent of the market; SIAE global results to be published in June 2013

Admissions per capita 2012



Average 1.7 visits to the cinema per year
On average, in 2012 people went to the cinema 1.7 times per year across all UNIC territories. The rate was highest in France (3.1) followed by the UK (2.8), and lowest in Turkey (0.6). Cinema admissions per capita were also relatively high in Luxembourg (2.6) Denmark (2.5), Norway (2.4) and Ireland (2.4).

2.2 Performance of local/national and European films

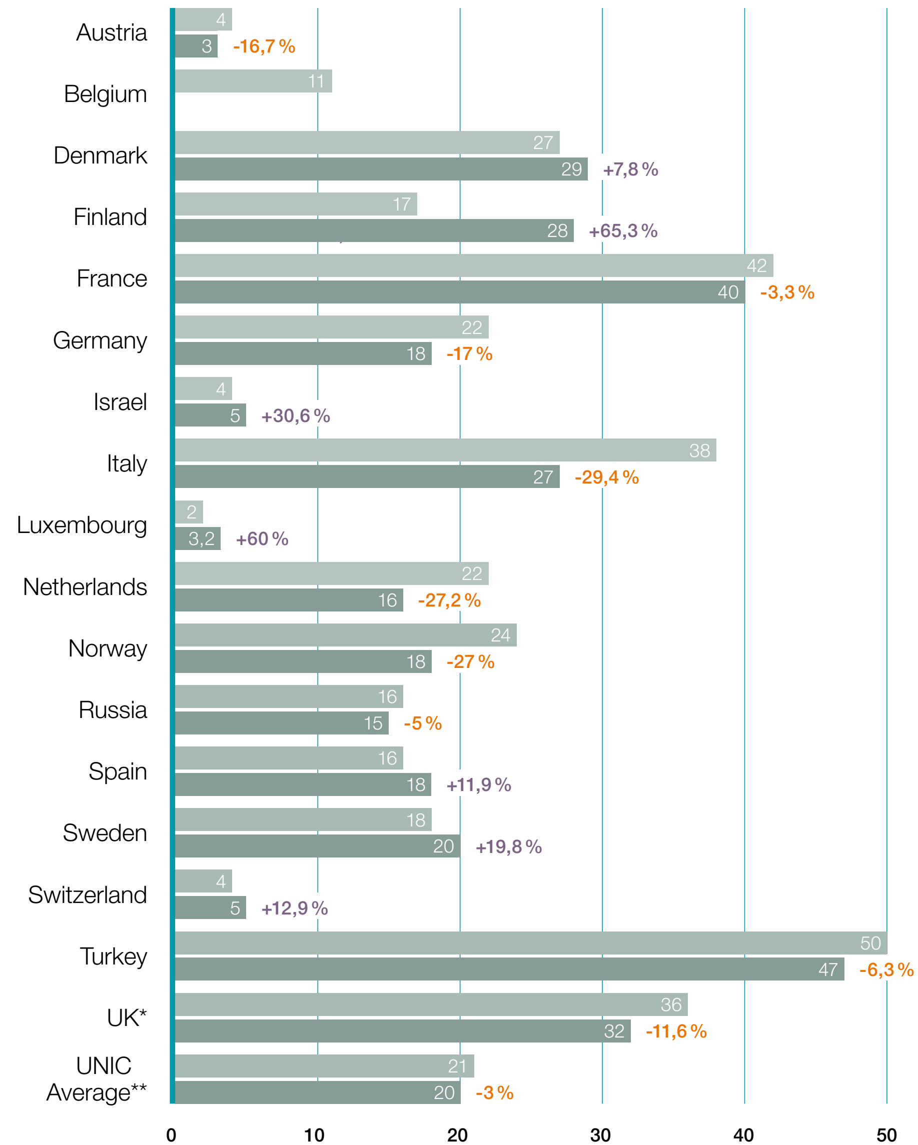
Decline of local films' share in 2012
Overall, in 2012 the average market share of local/national films in UNIC territories declined by 3 per cent, illustrating on the one hand how dependent local admissions were on having one or two well-performing local titles per year, and on the other hand the influence of strong content coming from the US.

Biggest local hits in Finland, Denmark, Spain and Germany
2012 saw a record year for Finnish local films, with a market share of 28 per cent in admissions. In Spain, the local share reached its highest level for 27 years due to the contribution of three key local films. The Spanish film The Impossible had the highest grossing opening weekend of any film in Spanish history, and surpassed even Titanic in terms of box office results (1997). In Denmark, local hits such as This Life, All You Need is Love and A Royal Affair claimed the second, third and fifth place in the annual top 20.

Non-national European films perform well in 2012
The market share of non-national European films in theatres was 33.6 per cent in 2012, representing an increase of 5.6 per cent compared to 2011 (European Audiovisual Observatory). A French film achieved the strongest box office results in Germany in 2012 (Intouchables). In Sweden, the box office results of non-national European films increased from 13 to 18 per cent, while in France the share reached 14.5 per cent – the highest for many years.

The market share of non-national European films in theatres was 36 per cent.

Local/national films' share 2011–12 (in % of adm.)

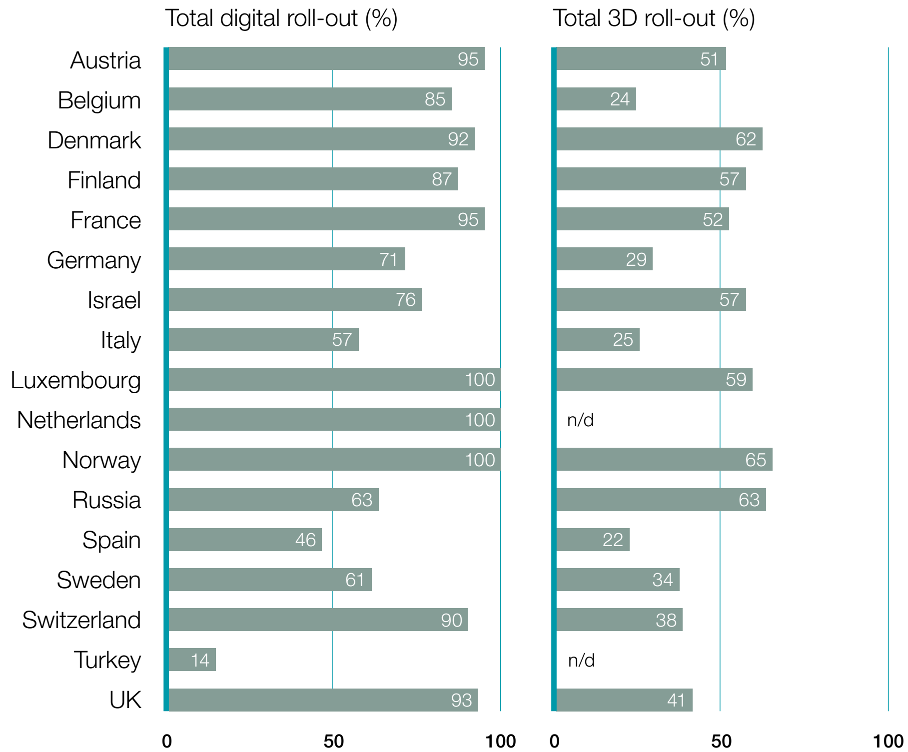


Source: UNIC members, 2012
*The definition of UK film used is that employed by the British Film Institute for categorisation purposes.
** Excl. Belgium

2.3 Digital roll-out

Cine32, Courtesy of ENCORE HEUREUX Architectes/Photo: Sébastien Normand

Digital roll-out and 3D share in 2012



Source: UNIC members, 2012

Average share of national screens digitised in UNIC territories was 78 per cent.

By the end of 2012, the average share of national screens digitised in UNIC territories was 78 per cent (compared to 84 per cent in the US, 41 per cent in Africa and Latin America and around 75 per cent in Asia, according to IHS Screen Digest). In Norway, the first country to have gone 100 per cent digital, preliminary analysis has shown that it is the smaller cinemas that are benefiting most from the digital conversion. After Norway and the Benelux countries, France, Denmark, Finland and the UK are all close to becoming "all-digital", having crossed the 85 per cent mark in 2012, with Germany catching up rapidly. Countries in Southern Europe are still finding digitisation a significant challenge however, with Spain, Italy, Greece and Turkey all remaining below 50 per cent. In Russia, small single screens especially are in danger of being left behind while the larger networks are quickly converting.

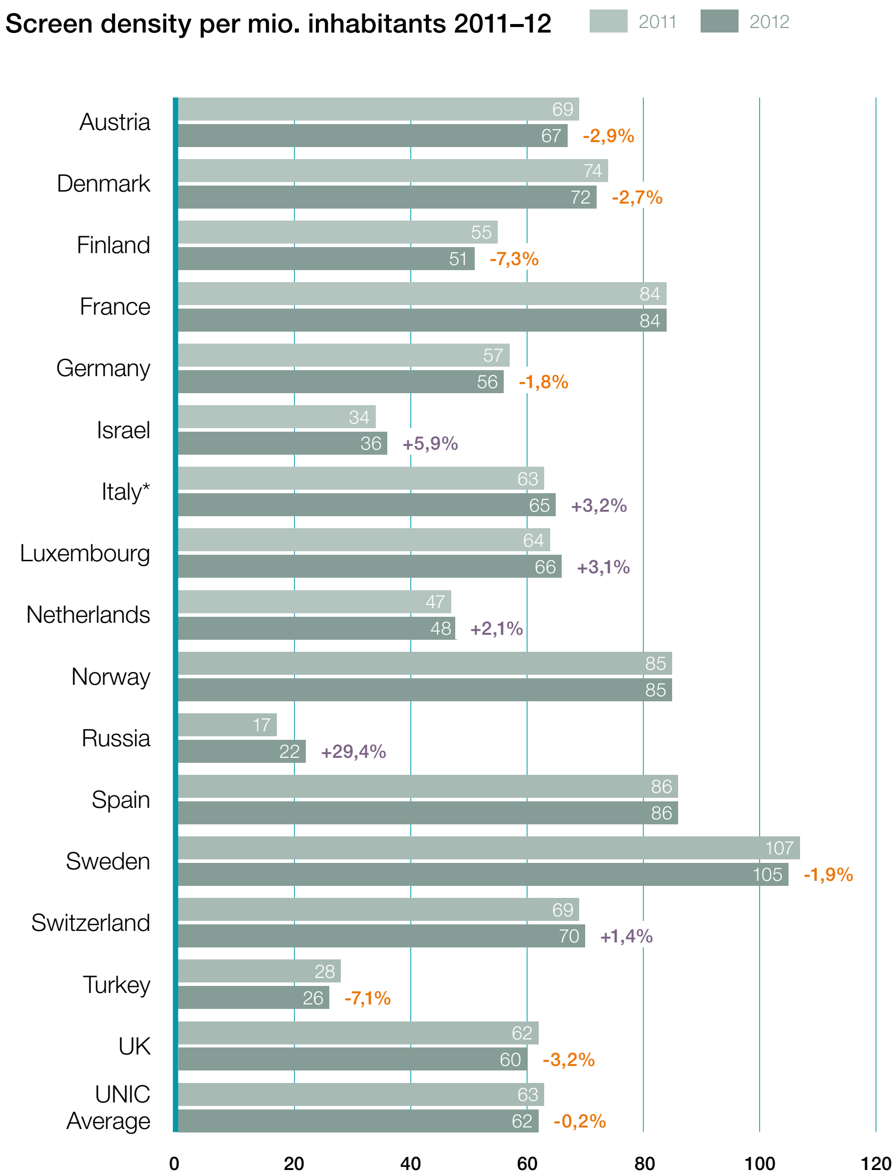
2.4 Screen density

From left to right: Cinéma Gérard Philippe, Vénissieux/France; Kinepolis, Brugge/Belgium; Cinéma Le Paris, Caudebec-en-Caux/France; SF Bio, Bergakungen/Sweden; Cines La Dehesa Cuadernillos, Madrid/Spain; Cine Gran Marbella, Malaga/Spain; Courtesy of FNCF, Kinepolis, SF Bio and FECE

62 screens per million inhabitants

The number of cinema screens in UNIC territories remained stable between 2011 and 2012. On average, there are 62 screens per million inhabitants, with the sector growing fastest in Russia (29.4 per cent growth in 2012).

Screen density per mio. inhabitants 2011–12



Source: UNIC members 2012

3
CURRENT ISSUES FOR CINEMA EXHIBITION

In most countries, cinemas represent a growing share of film industry revenues as returns in home entertainment continue to decrease. This is because cinemas are first of all cultural and creative meeting places that enable audiences to share an unparalleled experience that cannot be compared to watching a film on your own – possibly on a small mobile device – or in the home.

Cine32, Courtesy of ENCORE HEUREUX Architectes/Photo: Sébastien Normand

3.1 The Big Screen in a digital world

UGC Ciné Cité Les Halles, Paris/France

Cinema exhibitors were amongst the earliest to invest in digital innovation.

We live in an increasingly connected world – one that is always 'switched on'. This is particularly so in the case of popular culture, the media and their audiences. The cinema industry is no exception and is rapidly transforming, experiencing the combined impacts of globalisation, digital technology and social media. Cinema exhibitors were amongst the earliest stakeholders of the film industry to invest in digital innovation. More than three quarters of all screens in UNIC territories were digitised by the end of 2012 and the sector will hopefully complete this milestone transition by the end of 2014.

European cinemas now compete against a myriad of digital entertainment offers. Soon, every second European will possess a smartphone. There are also several hundred video-on-demand (VOD) services available online across Europe. And yet, despite all of these competing 'offers', in every UNIC territory cinema exhibition remains the flagship of the international film industry. Indeed, in most countries, cinemas represent a growing share of film industry revenues as returns in home entertainment continue to decrease. This is because cinemas are first of all cultural and creative meeting places that enable audiences to share an unparalleled experience that cannot be compared to watching a film on your own – possibly on a small mobile device – or in the home.

Films and alternative content entertain us, make us think and reflect our everyday life – and cinema theatres help reach the widest audiences.

Alongside this social dimension, cinema exhibition is of genuine cultural and economic value. Films and alternative content entertain us, make us think and reflect our everyday life – and cinema theatres help reach the widest audiences. The cinema is the launch-pad for content that becomes truly successful in other markets (broadcasting, VOD, DVD, etc.). Because of this popularity, cinema exhibition is a strong industry with box office returns of approximately € 6.4 billion in the European Union alone. The sector thus provides much-needed employment throughout Europe at a time when jobs are urgently needed.

UNIC is the international grouping of cinema trade associations and exhibitors from the EU, Russia, Turkey and Israel. It represents cinemas' interests vis-à-vis European governments and other organisations in the international film industry. Our key objective is to safeguard and influence conditions so that theatre owners are supported to provide an unparalleled offer of films and alternative content to their audiences. Exhibitors have over recent years made significant investments to the benefit of cinema-going audiences. They require economic and regulatory stability to recoup this in the future.

UNIC's work, outlined below, seeks to facilitate such stability and aims to strengthen the profile and influence of European cinema exhibition.

3.2 Digital cinema: status quo and next steps

Cinemas that have converted their screens are able to benefit from innovations in content, operational efficiencies, increased flexibilities and the new economies of scale that come with the digital conversion.

The conversion to digital cinema in Europe is in full swing. It represents amongst the biggest changes that the exhibition sector has experienced since its very beginnings.

Cinemas that have converted their screens are able to benefit from innovations in content, operational efficiencies, increased flexibilities and the new economies of scale that come with the digital conversion. UNIC has long been a proponent of this transition, whilst at the same time acknowledging that the sector needs to work together to enable as many exhibitors as possible to convert.

Despite the fact that more than three quarters of the European exhibition landscape is now digitised, the transition continues to pose numerous challenges and will continue to do so for some time. Of greatest importance is the need to enable those cinemas that have not yet done so to convert their screens and projection technology. This is especially so given that distributors now openly talk about imminent cut-off dates for distributing 35 mm film in many UNIC territories.

Many cinemas have financed digitisation through a Virtual Print Fee (VPF) mechanism, where the majority of costs are borne by distributors. However, as the digital roll-out comes closer to being completed, those cinemas that have waited until now to strike such deals may find it increasingly difficult to negotiate favourable terms with distributors. For smaller and single-screen cinemas, VPF deals have not been ideal solutions in the past. Cinemas in the UK, the Netherlands and Luxembourg – to name but a few examples – have formed buying groups to achieve sufficient leverage to negotiate favourable deals. These examples can be models for territories where financing solutions yet have to be found. Often, but not always, these collective groups have also benefitted from further public funding, including support from the European Union's MEDIA programme.

However, as UNIC's data suggests, challenges continue to exist in many Southern European territories and several countries in the East. UNIC offers advice to exhibitors in these territories and welcomes public support for those cinemas that are not currently in a position to digitise. The loss of almost 20 per cent of Europe's specialised cinema sector would be a devastating blow for European film and cinema culture.

Other challenges exist: while some exhibitors are still concerned about how to digitise, many others are already considering further digital innovations, and whether or how to invest in them.

Examples include Higher Frame Rate (HFR) technology, 3D or immersive sound solutions, laser illumination as well as satellite or cable distribution systems. While UNIC is fully aware that the future of cinema exhibition relies on cinemas' capacity to innovate, it is also concerned that any further fragmentation of the market brings with it the danger of losing the economies of scale and scope that are so attractive to distributors. Ensuring that certain standards are maintained will therefore be a vital task in the future. Experiences around the initial roll-out of HFR technology have only served to underline the need for cinema operators to remain in the driving seat when it comes to deciding how and when the industry should innovate.

Finally, there are many current issues around digital cinema that need to be addressed before the next wave of technical innovation can be truly embraced: exhibitors continue to struggle with issues such as disproportionate sound levels, seamless content delivery as well as with timely provision and efficient management of Key Delivery Messages (KDMs), amongst other challenges.

To address some of these issues, UNIC has in recent months established the UNIC Technology Group, bringing together technology experts from UNIC's major cinema operators and selected national cinema associations to monitor and discuss technology developments relevant to exhibition, exchange expertise and best practices, and give input and feedback to other partners such as the European Digital Cinema Forum (EDCF), UNIC's US sister organisation, the National Association of Theatre Owners (NATO), the Inter-Society Digital Cinema Forum (ISDCF) and the Society of Motion Picture and Television Engineers (SMPTE). To help its work, the group has prepared a white paper on current and future technological challenges, which UNIC will use to advocate on behalf of the sector and to inform its members.

Funding mechanisms for digitisation

Country + Digital roll-out	Support mechanisms
Austria 95 %	A volunteer VPF agreement for the sector was concluded and installed in 2012.
Belgium 85 %	Public intervention by Walloon and Flemish authorities for small cinemas.
Denmark 92 %	A plan for the whole sector's digital roll-out offers every cinema approximately € 26.000 in state support. Support comes from a mix of foundations, public institutions and local councils.
Finland 87 %	Most of the funding comes from the Finnish Film Foundation (lottery fund via Ministry of Culture). There is also a VPF deal in place.
France 95 %	Since September 2010, distributors have been obliged by law to provide a VPF to exhibitors and created a general roll-out scheme for all cinemas. Local authorities can also provide public support in addition to the Centre National du Cinéma's (CNC) special subsidies for the smallest theaters (1-3 screens).
Germany 71 %	By July 2012, most digitised cinemas ("criteria cinemas") received support from the Federal Film Board (83%), followed by support from the federal state (62%) and the Länder (72%). VPF deals with third parties are common for the bigger circuits.
Italy 57 %	A government-funded tax credit is available for operators looking to invest into digital cinema (up to Dec 2013). Alongside, a set of guidelines governing VPF models (outside of those operated by third party entities) has been agreed between distributors and exhibitors. Further support has been granted on a regional level.
Luxembourg 100 %	Third party integrators have successfully closed deals with groups of small and medium-sized cinemas. All cinemas, big and small – except two – have VPF deals.
Netherlands 100 %	Based on the VPF model, all majors and all Dutch independent distributors have signed up to a scheme financed through a collective buying group initiative. The scheme is partly supported by € 5.0 M from the Dutch government. With some exceptions, all circuit and independent sites in the Netherlands are part of this scheme.
Norway 100 %	Roll-out was coordinated by Film & Kino. VPF agreements were signed with all distributors (with back-up, and reporting and accounting systems). About € 13.3 M of public money was distributed by Film & Kino.
Russia 63 %	Digitisation is a private investment by cinema theatres. VPF deals have only been made since summer 2012 and so far they are only for big circuits and most of the major studios.
Spain (Apr 2012) 46 %	No national roll-out plan or public subsidies for digital cinema. Operators are investing their own funds in digitisation.
Sweden 61 %	In late 2011, the government has granted approx. € 6.8 M for a three year period which will cover approx. one third of the hardware costs for those who apply. The rest should be financed by private and regional funding. The subsidy will be handled by the Swedish Film Institute. The largest operators have negotiated VPF arrangements
Switzerland 90 %	Self-funding is the most common mechanism. The Swiss Office of Cultural Affairs contributes to digitisation of cinemas with diverse programming. There also are joint funding schemes through a distributors and exhibitors umbrella organisation, as well as public funds (lottery funds and other, in particular in rural areas). VPF's were set up by independent distributors for big and medium sized cities.
Turkey 14 %	NA
UK 93 %	Third party integrators have successfully closed market-driven deals with operators large and medium-sized commercial cinema circuits. Set up in 2010, the UK Digital Funding Partnership seeks to help small and medium-sized cinema operators to digitise. It now represents 320–350 screens, acting as a group buying mechanism via a VPF agreement – a wholly commercial arrangement with no public funding involved.

Source: UNIC members, 2012

3.3 Film release strategies in the digital era

SF Bio, Bergakungen/Sweden

Cinema-going is a shared cultural event that cannot be compared to watching a film on a smartphone or a computer screen.

Enjoying a film, a live event or other alternative content in a cinema is a unique experience. This is because cinema-going is a shared cultural event that cannot be compared to watching a film on a smartphone or a computer screen. The vast majority of film professionals set out to create their works for the big screen. The entire European film sector benefits when exhibitors strive to provide their audiences with unique and exclusive cinema-going experiences and thereby create demand and value around film.

Regardless of their country of origin or budget, European films are not typically promoted as strongly as their counterparts from the US. They therefore often benefit from an extensive theatrical release that allows audiences the time to recommend the film on social networks and in conversations with friends and colleagues. Small and independent film theatres that screen

above-average amounts of European film for this reason also benefit from sustainable theatrical releases.

There are further economic reasons for releasing a film exclusively in cinemas before it is released on other platforms. Smart release strategies and the "media chronology" allow the film sector to create returns at each step of a film's life cycle. This encourages investments in potentially successful films, and protects jobs and cultural diversity. For the film industry, the goal is to increase the overall returns of films from all formats (cinemas, DVD and Blu Ray, VOD, pay-TV, free-TV, etc.). Moreover, release windows are particularly important to film because cinema is a high-risk and highly creative industry. The European film sector crucially depends on recouping significant investments on the basis of one successful film, recognising that others will be less successful.

Smart release strategies and the "media chronology" allow the film sector to create returns at each step of a film's life cycle. This encourages investments in potentially successful films, and protects jobs and cultural diversity.

By choosing to make a film available only in the cinema for a certain period of time after its creation – and by paying significant fees for this privilege – cinema exhibitors are able to create an unparalleled cinema-going experience. This, in return, creates high levels of publicity for the work and contributes to its success on other platforms. It is worth pointing out that such exclusive release practices are common in many other sectors, including the digital media industries and consumer electronics. Consider, for example, the importance of exclusively licensed flagship stores and the iTunes online shop for the success of Apple's products and services.

The fragmentation of Europe's media sector plays an important role, too: release schedules vary from country to country and are shaped by cultural and linguistic preferences to which each film has to be adapted, relevant market conditions and the ongoing development of national audiovisual policies. The ability to launch films strategically on different dates, territory by territory, significantly increases a distributor's ability to maximize the box office return from any given title.

Exhibitors have long tried to facilitate easy access to the cinema-going experience. They have kept average ticket prices low by adapting their offer to different price categories according to different types of film, time slots and age groups. As a result cinema remains among the most affordable cultural experiences next to museums and far below that offered by concerts, operas and the theatre. On average, the price for a cinema ticket in most UNIC territories has increased below the level of inflation over the past ten years.

For all these reasons, UNIC strongly supports the maintenance of a distinct and exclusive theatrical release window in all territo-

Courtesy of CEA

Exhibitors have long tried to facilitate easy access to the cinema-going experience.

ries and opposes experiments such as so-called Premium VOD, where the theatrical window is significantly reduced, or day-and-date release. This is not a position which seeks to oppose the development of a healthy and competitive VOD market, something from which the entire film industry would benefit at a time when overall home entertainment returns continue to shrink. It is rather an acknowledgement of the flagship role of cinema exhibition and the need to grow overall film industry revenues together and in collaboration with content providers and other emerging platforms.

The increasing trend for the European Commission to comment on or even intervene in how films are released is becoming a matter of great concern to UNIC, which believes that such issues should be decided by the market or – in some cases – by national governments, who best understand the prevailing conditions in each territory.

European law stipulates that film releases are a matter of contractual negotiation between the different operators in the market. Additionally, in some countries, governments seek to become involved, based on specific national cultural policy

objectives. Given the fragmented nature of Europe's creative content markets and the fact that cultural policy-making rests within the remit of EU member states, UNIC believes that there is no justifiable reason for Brussels to get involved in debates about release windows. Brussels-based policy-makers would be well advised to trust the film and cinema industry as well as their colleagues in the Member States to do what is right for each market and for the development of the industry. The fact that approximately 90 per cent of public support for the European film and cinema sector comes from EU Member States and Regions only underlines this position.

To address these concerns, UNIC has in the past year had open and frank discussions with European Commission Vice-President Neelie Kroes (DG Connect), Commissioner for Education and Culture Androulla Vassiliou (DG Culture and Education) and various officials in DG Internal Market and DG Competition. It has also, with support of MEPs Doris Pack (President of the Committee for Culture) Helga Trüpel (Vice-President of that Committee) Marielle Gallo and Piotr Borys, addressed a group of leading Members of the European Parliament in order to raise awareness of the concerns of European cinemas.

UNIC has also considerably strengthened its relations with the arthouse cinema network CICAE and Europa Cinemas to illustrate that all cinemas stand united when it comes to protecting the right of exhibitors to decide how to release films in their theatres.

Finally, UNIC has reached out to culture ministers of all European Member States to ensure that they are aware of the potentially damaging influence of some EU policy-makers on national film and cinema strategies.

3.4 Copyright: rewarding creation and investments into European film

CineMeerse, Hoofddorp/Netherlands, Courtesy of NVB/ Photo: Arjan Bronkhorst

There is a real need for cinema exhibitors to help ensure that investments in film production, distribution and exploitation continue to be rewarded, and that Europe's culturally diverse, pluralistic and competitive film and cinema industries continue to flourish. UNIC has therefore in the past year significantly intensified its activities around copyright and promoted the positive contributions that intellectual property rights bring to the development of culture and creativity in Europe.

There are many reasons why exhibitors should offer their support to this challenge and build alliances with other creative content stakeholders at the European and national level. The entire film industry suffers significant losses each year because films are recorded in cinemas or copied from legal content and

then shared online. This seriously harms home entertainment markets but eventually also has negative impacts on cinemas because films have to be marketed and exploited ever-more rapidly in theatres before they are illegally available online, leaving less time for experimentation and innovative promotion (and at the same time devaluing legal VOD offers). These dynamics are a particular constraint on smaller European films reaching audiences as the pressure to immediately create returns in the theatrical window limits the sometimes slow emergence of "word of mouth" or "buzz" for niche films.

The film sector has to convince consumers as well as policy-makers that creation and investments into creative content should be rewarded and that making content available for free is not a sustainable solution. This is a challenging task, as consumer behaviour has been significantly skewed by habits of free-ride access and the absence of effective copyright enforcement and general awareness-raising measures. Major global technology companies make significant profits as content is made freely available online by illegitimate services at the cost of European creators and their business partners. These industries invest heavily in lobbying and public relations to ensure that they are not held responsible for the harm that is done to Europe's cultural and creative industries.

In light of these developments, there is a crucial need to raise public awareness and design sustainable educational programmes on the value of creative content and the harm caused to creativity by copyright infringements.

UNIC believes that cinemas should play a positive role in generating these ideas and collaborate with partners from film distribution and production as well as the creative community. After all, cinema exhibitors and the people that work in our theatres are in direct contact with hundreds of millions of European cinema-lovers every year. They are the perfect example that not only film and cultural diversity but real jobs and people suffer if consumers decide to not fairly reward filmmakers and their partners for the content they enjoy.

UNIC's involvement in this issue is multi-faceted. On a purely practical level, we help our members understand where film-theft "hot-spots" exist in the exhibition landscape by distributing weekly camcording reports. To fight camcording on the ground, UNIC members have in recent years increased the quality and frequency of staff training to identify and locate illegal recording devices. UNIC also shares best practices in relation to national campaigns regarding the value of copyright among its members.

The entire film industry suffers significant losses each year because films are recorded in cinemas or copied from legal content and then shared online.

In Brussels, UNIC has in the past year advocated for more effective implementation of EU copyright rules in Member States, as well as further harmonisation of rules that work well in some countries but are not applied in others. It has done so by participating in public consultations and frequently by meeting government officials and Members of the European Parliament. We are participants in the current “Licences for Europe” initiative of the European Commission and will actively promote the shared positions of the film industry in regard to the currently unfolding review of copyright enforcement rules in Europe.

Finally, UNIC strongly believes that there is a need for all creative content stakeholders to work together to better promote and protect the value of culture, creation and creativity in Europe. It therefore sits on the steering committee of a newly-established creative content coalition that seeks to promote the positive contributions of intellectual property and thereby raises the profile of cinema exhibition amongst other film industry stakeholders.

Cinemas invest significant resources in fighting film theft through individual campaigns or at the national level in co-operation with public bodies. The table below summarises a selection of private and public initiatives in UNIC territories.

Courtesy of Kinepolis

Europe’s exhibitors against film theft

Country	Campaign
Austria	2012 “Kunst hat Recht”-Initiative (Art is right/ has rights) In DE only.
Belgium	Since 2008: “Télécharger des films piratés, c’est du vol” Campaign (Illegal downloading is theft), outlined on the Auvoleur.be website. In FR only.
Denmark	2006: “Drop kopierne, bevar originalerne” (Quit the copies, keep the originals). 2013: new campaign underway with the Consumer Council and the Ministry of Culture.
Finland	DWNLD website on legal online content. In FI, SE.
France	2008 “J’aime les artistes” campaign (I love artists) – stopped in 2009 after numerous cyber-attacks.
Germany	Respe©t Copyrights Campaign & Copypolice Initiative.
Norway	2007 movie clip campaign launched by exhibitors and distributors.
Russia	Theatres showcase anti-camcording video and audio reels.
Spain	Short video clips shown in cinemas before screenings. 2005 campaign by the Federation for the Protection of IP (FAP), with clips such as “Si eres legal eres legal” – If you are legal, you are legal.
Sweden	2006: “Filmfolket” website/campaign (i.e. The Film People).
Switzerland	Clips on the Swiss Anti-Piracy Association youtube channel. 2007: Swiss Anti-Counterfeiting and Piracy Platform.
UK	2010–2013 trailer campaign “Moments Worth Paying For”.

3.5 Collective rights management in the cinema exhibition sector

Cine32, Courtesy of ENCORE HEUREUX Architectes/Photo: Sébastien Normand

The vast majority of exhibitors operating in UNIC territories currently make rights payments to collecting societies. These payments are typically intended to reward songwriters, composers and performers for the use of their works in films, and in providing background music in auditoriums, lobbies and other public areas. UNIC absolutely supports the entitlement of all creative people to be fairly rewarded for their work.

The level of payments varies from territory to territory and is set by law or by the collecting societies themselves. It usually ranges between 1–2 per cent of box office revenue but can be much higher in some countries. Often, it is unclear how fee levels are determined and what factors are taken into consideration in this process. It is generally very difficult and costly to challenge the collecting societies before national courts or relevant copyright tribunals.

For example, any measure based on a percentage of box office revenue – as exists in most UNIC member countries – ignores the fact that the amount or quality of music is rarely what essentially drives cinema admissions. Another example is 3D films, where the significant increase in box office in recent years has been driven by each exhibitor's willingness to invest in cinema upgrades and 3D equipment. The success of 3D is unrelated to music, yet collecting societies continue to receive a significant 'windfall' profit from the box office returns related to 3D films (and the 3D ticket supplement).

UNIC believes that the level of payments required of exhibitors in some member countries is unfair and potentially damaging to the livelihoods of cinema operators, particularly for small independent sites and those who rely on them for employment.

Additionally, UNIC believes that there is a lack of transparency in how the revenues flowing to collecting societies are managed. It is often unclear how the return to individual musicians, songwriters, performers, etc. is calculated, and how much money is retained centrally to fund the administration of a collecting society. The fact that US music rights holders usually license all rights to the producer, and then again benefit from the flow of payments from European collecting societies to US collecting societies, in UNIC's view represents an unacceptable double-payment.

UNIC therefore welcomes and supports the European Commission and the European Parliament's decision to investigate this issue as part of the currently developing European directive on the governance and transparency of collective rights management organisations. It has met with officials from the European Commission to highlight the challenges that exhibitors face in their relations with collecting societies and participated in several roundtables organised by the European Parliament on the issue. In doing so, UNIC not only intended to help improve EU rules on collecting societies, but also to develop a range of best practices for exhibitors and exhibitor associations at national level to assist them in local negotiations with collecting societies.

4
THE YEAR AT UNIC

The organisation has had a busy schedule in the past 12 months. Whilst our key task and raison d'être is better to promote cinema exhibition internationally and to influence EU policy-making, we also launched a number of industry-related initiatives to better benefit our members and the cinema exhibition sector in general.

opposite: UGC Strasbourg/France

4.1 Policy work

UNIC Breakfast at the European Parliament, “Cinemas in the Digital Era”, April 2013

In 2012, UNIC increased its efforts to work more closely with the European Parliament.

In 2012, UNIC increased its efforts to work more closely with the European Parliament. The association collaborated with a number of Parliamentarians, providing input and advice on the needs of our sector in relation to a range of policy initiatives:

- the Cavada report on the online circulation of audiovisual works;
- the Costa report on Creative Europe;
- the Moreira resolution on the EU negotiation mandate for the EU-US free trade agreement;
- the Gallo report on collecting societies; and
- the Sanchez-Schmid report on Europe’s cultural and creative sectors.

These efforts culminated in an event that UNIC organised in April 2013 in partnership with leading MEPs and moderated by the Chair of the Culture Committee Doris Pack, entitled European Cinema Theatres in the Digital Era, which helped to make the case for better framework conditions to enable European cinemas to thrive.

UNIC continued its close work with different departments of the European Commission and participated in several film industry expert groups. Its main focus in the past year in this context was the revision of the Cinema Communication, Vice-President Kroes’ Digital Agenda, the initiative Licences for Europe, the development of a Directive on Collective Rights Management, a Council Recommendation on EU film in the digital era and the potential copyright review of the European Commission.

UNIC’s Board of Directors had high-level meetings with VP Neelie Kroes (Digital Agenda/ DG Connect), Commissioner Androulla Vassiliou (DG Culture and Education) and Commissioner Antonio Tajani (DG Enterprise) to underline our positions.

UNIC is involved in the formation of a new coalition called Creativity Works!

At a different level, UNIC is involved in the formation of a new coalition called Creativity Works! It also continues to work closely with the European Digital Cinema Forum, on which board UNIC has a permanent seat.

In addition to the above, UNIC worked with national members on a diverse range of issues including VAT increases, negotiations with collecting societies, language policies and ISO Digital Cinema standards.

4.2 UNIC Initiatives

opposite: Cinemaxium, Turkey, Courtesy of Mars Entertainment Group; this side: Courtesy of Kinepolis

Raising the profile of the international cinema exhibition sector with European governments and decision-makers and increasing the influence of exhibition in this regard is the primary objective of UNIC. Next to this, the association has in the past 12 months launched a number of projects to deliver more value to its members and the international exhibition community in general.

UNIC's Technology Group brings together technology experts from Europe's leading exhibitors.

UNIC Technology Group: UNIC's Technology Group brings together technology experts from Europe's leading exhibitors and their national associations to monitor relevant technological developments in digital cinema and to enable a regular exchange of expertise and best practices among exhibitors and with partners from the European Digital Cinema Forum and NATO, UNIC's US sister organisation, as well as other organisations such as the ISDCF and SMPTE. The overall objective is to improve dialogue around the future of digital cinema and to ensure that cinematographic works are exhibited in the best possible conditions, as intended by the filmmaker. Members and other organisations interested in the group should contact UNIC's Brussels office.

UNIC has launched the European Retail Group.

UNIC Retail Group: Exhibitors' retail offers add significant value to the cinema-going experience. They also contribute much-needed returns for cinemas and help keep prices for tickets at affordable levels. To better understand latest trends in cinema retail and to examine how exhibitors can upgrade and innovate their offer, UNIC has launched the European Retail Group. The group brings together retail and concessions managers from leading cinema operators across Europe and conducts research, shares best practices and initiates real-life experiments to make retail in cinemas more imaginative and consumer-friendly. Results will feed into the concessions seminars and workshops at CineEurope, UNIC's annual convention, and will be published on the UNIC website.

Cinema Innovation Forum: This new project was launched in 2013. Through research and workshops with exhibitors and external experts the Cinema Innovation Forum will examine how cinemas can reach out to audiences in innovative ways and offer their customers a seamless cinema-going experience. The use of digital technology, mobile communications and social networks plays an important role in this context.

4.3 UNIC Intelligence

In 2012, UNIC conducted a number of surveys amongst its members on market and policy developments in the exhibition sector and established a thorough internal database, ranging from market data (box office, admissions, number of screens, digital and 3D roll-out, screens and admissions per capita, and others), to comparative policy analysis (contribution of cinema exhibition to film support, anti-piracy campaigns in cinemas, film rating, access and disability, and others), and detailed country profiles.

This comprehensive knowledge pool has considerably strengthened UNIC's position vis-à-vis national and EU decision-makers as well as its partners in the film industry. It also enabled UNIC to deliver better services to its members and co-operate with partners as well as to lobby policy-makers more persuasively by backing up its arguments with concrete evidence, including comparative data and case studies.

Cinéma Olympia, Dijon/France, Courtesy of FNCF/Photo: Ava du Parc

4.4 CineEurope

CineEurope: more than 3,000 professionals from over 50 countries and close to 100 companies

CineEurope is UNIC's official annual convention and the premier get-together of the cinema exhibition community in Europe. It is organised in collaboration with Prometheus Global Media (PGM).

From 18–21 June 2012, more than 3,000 professionals from over 50 countries and close to 100 companies took part in the convention's film screenings, trade-show and the conference programme. It was the first year that CineEurope had taken place in Barcelona at the Centre de Convenciones Internacional. UNIC was instrumental in moving the convention from Amsterdam to Barcelona and in the past two years has stepped up its involvement in organising the convention. This involvement was and will continue to be reflected in the programme through an increasing European perspective.

In 2013, CineEurope will be held from 24–27 June in Barcelona. At the time of writing this report, indications are that the trade show, the screenings as well as the conference programme will exceed even last year's tremendous success.

4.5 Partners of the European Cinema Exhibition Programme

UNIC's new Partnership Programme seeks to increase UNIC's value to cinema exhibition by creating closer ties with important technology partners, concession companies, suppliers and vendors, thereby strengthening the entire cinema ecosystem. The programme enables UNIC further to develop expertise about important developments in cinema-related sectors and in return offers its partners visibility and exposure as key supporters of the international exhibition community. Participants in the programme do not have any insight into or influence on the association's positions nor do they participate in UNIC meetings. The Programme will be reviewed after its first 12 months of operation to ensure that it contributes positively to UNIC and to its members.

5 LOOKING AHEAD

Staying on this positive trajectory and growing our political influence is a key objective for the next year.

In the past two years, UNIC has established itself as a well-respected advocacy organisation in Brussels. We have achieved our objectives in that decision-makers in the European institutions as well as other stakeholders in the audiovisual policy community now increasingly seek our advice and wish to collaborate on various issues that are of significant importance to both cinema exhibition as well as to the film industry in general. Staying on this positive trajectory and growing our political influence is a key objective for the next year.

Important policy concerns in the coming months will continue to include the debate around cultural diversity in the film industry, release windows, copyright, the finalisation of the digital roll-out, the sector's relationship with collecting societies and international trade. As the transformation of the global film industry continues apace, we intend to become even more outspoken regarding the value of cinema exhibition to the entire entertainment industry and for the European film ecosystem in particular.

This ambition connects to a broader need positively to shape policy dialogue as well as public opinion regarding the future of the film and cinema sector in Europe. At UNIC, we strongly believe that exhibition can make a positive contribution in this regard by bringing new ideas and innovative approaches to the table. We intend to work with colleagues from partner film industry associations better to achieve these goals.

Alongside UNIC's advocacy work, we wish to continue to develop the numerous member services, expert groups and information exchange programmes that we have established in the past year better to benefit European exhibition. We will have our hands full ensuring that UNIC's Technology Group gets off to a good start and intend to strengthen the group's relationships with key technology stakeholders and content providers. In addition, we wish to develop services, networks and knowledge exchange in the fields of marketing/customer engagement and retail and concessions.

Finally, UNIC intends to further develop its engagement in CineEurope together with partners PGM to continue to provide the European and international exhibition community an exciting, rewarding and diverse industry convention.

opposite: Courtesy of CEA

6 PARTNERS OF UNIC

Representing the film sector

CICAE Confédération Internationale des Cinémas d’Art et d’Essai / International Federation of Art Cinemas

Europa Cinemas

EDCF European Digital Cinema Forum

NATO National Association of Theatre Owners

FERA Fédération Européenne des Réalisateurs de l’Audiovisuel / Federation of European Film Directors

FIAD International Federation of Film Distributors’ Associations / Fédération Internationale des Associations de Distributeurs de Films

FIAPF International Federation of Film Producers’ Associations / Fédération Internationale des Associations de Producteurs de Films

CEPI European Coordination of Independent Producers / Coopération Européenne des Producteurs Indépendants

IVF International Video Federation

ISDCF Intersociety Digital Cinema Forum

MPA Motion Picture Association

Institutional partners

European Parliament

European Commission

National ministries for culture

European Audiovisual Observatory

7 MEMBERS OF UNIC

Should you wish to join UNIC, please get in touch with **Jan Runge** (jrunge@unic-cinemas.org).

Board of Directors

(from May 2013)

UNIC members at the 2013 General Assembly elected a new board of directors that will direct the association for the coming 2 years.

President Phil Clapp (CEA)
Senior Vice-President Jean-Pierre Decrette (FNCF)
Vice Presidents Mario Mazzetti (ANEC), Jaime Tarrazon (FECE), Edna Epelbaum (ACS), Kim Pedersen (Danske Biografer)
Treasurer Andreas Kramer (HDF-Kino)

Association members and affiliated members (*)

Austria Fachverband der Kino-, Kultur- und Vergnügungsbetriebe
Belgium Fédération des Cinémas de Belgique (FCB)
Denmark Danske Biografer
Finland Finnish Cinema Exhibitors' Association
France Fédération Nationale des Cinémas Français (FNCF)
Germany Hauptverband Deutscher Filmtheater Kino e.V.
Greece Federation of Greek Cinematographers*
Hungary Mozisok Orszagos Szovetsege*
Israel Cinema Industry Association in Israel
Italy Associazione Nazionale Esercenti Cinema, Associazione Nazionale Esercenti Multiplex
Netherlands Nederlandse Vereniging van Bioscoopexploitanten (NVB)
Norway Film & Kino
Russia Kino Alliance
Spain Federación de Cines de España
Sweden Sveriges Biografägareförbund
Switzerland Association Cinématographique Suisse
Turkey Turkish Cinema Operators' Association (SSID)*
UK Cinema Exhibitors' Association (CEA)

Operator members

Cinema City Israel, Hungary, Poland, Czech Republic, Romania, Bulgaria, Slovakia
Cinemax Slovakia
Cineworld Cinemas UK, Ireland
Cinémas Gaumont Pathé France, Netherlands, Switzerland
Kinepolis Group Belgium, France, Spain, Poland, Switzerland
Kino Arena Bulgaria
Mars Entertainment Turkey
Nordisk Film Biografer Denmark, Norway
Odeon/UCI/Cinesa UK, Austria, Germany, Ireland, Italy, Portugal, Spain
SF Bio Sweden, Norway, Finland, Estonia, Latvia, Lithuania
Movies@Cinemas Ireland
Svenska Bio Denmark, Finland, Sweden
UGC France, Belgium
Utopia Group Luxembourg, Netherlands, Belgium, France
Vue Entertainment Ireland, Germany, Poland, Latvia, Lithuania, Taiwan, Denmark, UK, Portugal
Yelmo Cines Spain

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