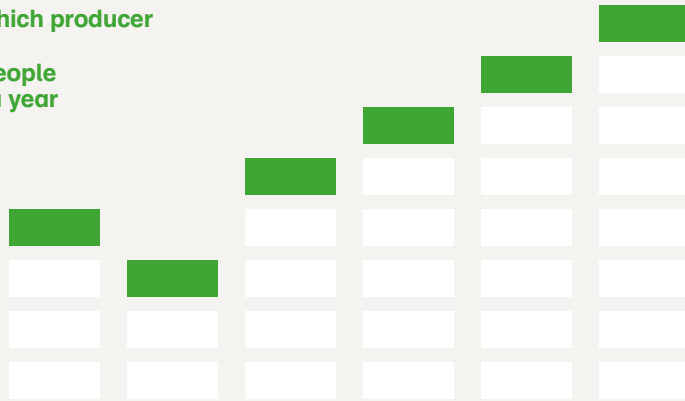




**If the European Commission
introduces cross-border access
measures which erode the
territoriality of audiovisual rights
in Europe, less content will
get made and consumers will
be worse off overall**

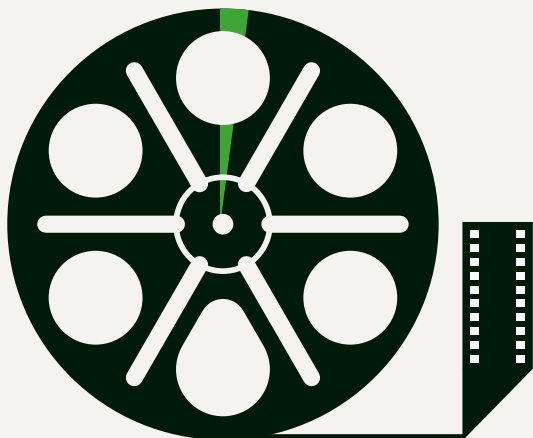
The European audiovisual sector is a significant and growing part of the EU economy

- Worth €97bn a year, of which producer revenue is €40bn
- And employs 0.7–1.1m people
- It's been growing at 2% a year



Producing films and TV series is a risky activity

In the UK, the British Film Institute estimates that <7 per cent of independent films make a profit



The majority of content is funded by returns from the few “hits”

Most funding arrangements require commitment of funds up front

If there are less funds in the system, the more risky or marginal content will suffer most and not be made

The current funding and financing cycle relies on a few key mechanisms

EXCLUSIVE TERRITORIAL LICENSING

— Reflects differences in consumers' tastes, preferences and valuation of content across the individual Member States

SCREEN TIME PRICE

INTER-TEMPORAL PRICING

— Content is sold in separate ‘windows’ (e.g. theatrical, DVD/home entertainment, pay-TV, free-TV), offering consumers a variety of access at different times and price points

SCREEN TIME PRICE

CONTENT EXCLUSIVITY

Distributors and broadcasters value content exclusivity because it allows them to differentiate their offering from their rivals



The industry will be exposed to considerable losses in the short run...



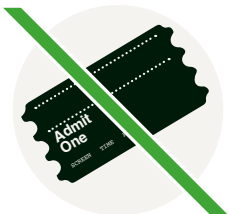
Given the significant scale of these impacts, firms in the industry will try to react. Individual responses could include:



Producer revenue losses up to €8.2bn per year



Output reduction of up to 48% for TV content and up to 37% for films



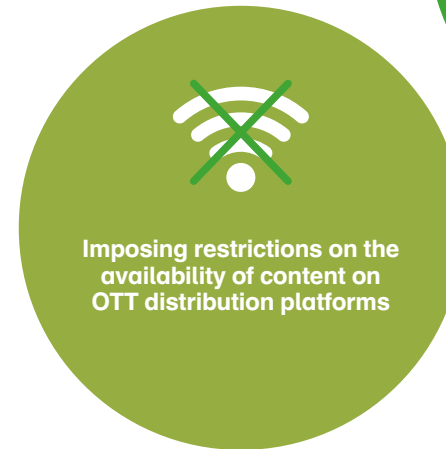
Consumer welfare losses up to €9.3bn per year



Moving to a pan-European licensing model in order to preserve exclusivity



Individually re-negotiating wholesale prices, and adjusting content pricing across Europe



Imposing restrictions on the availability of content on OTT distribution platforms



Licensing content on an enforced dubbing basis

It is unclear whether and how long the industry would take to fully adapt

In the long run, there would still be significant losses



Less content would be made, affecting quality and diversity of both film and TV, with negative impact on local, European and international productions



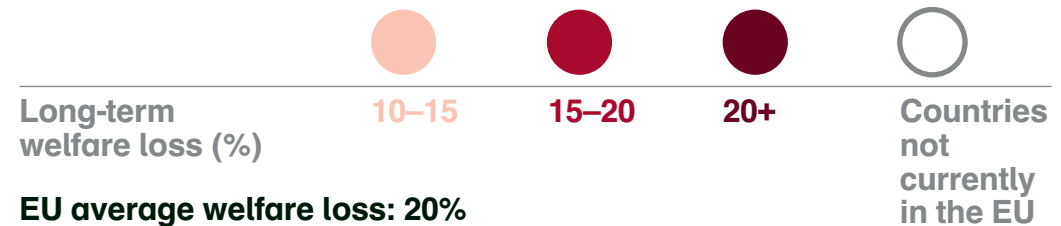
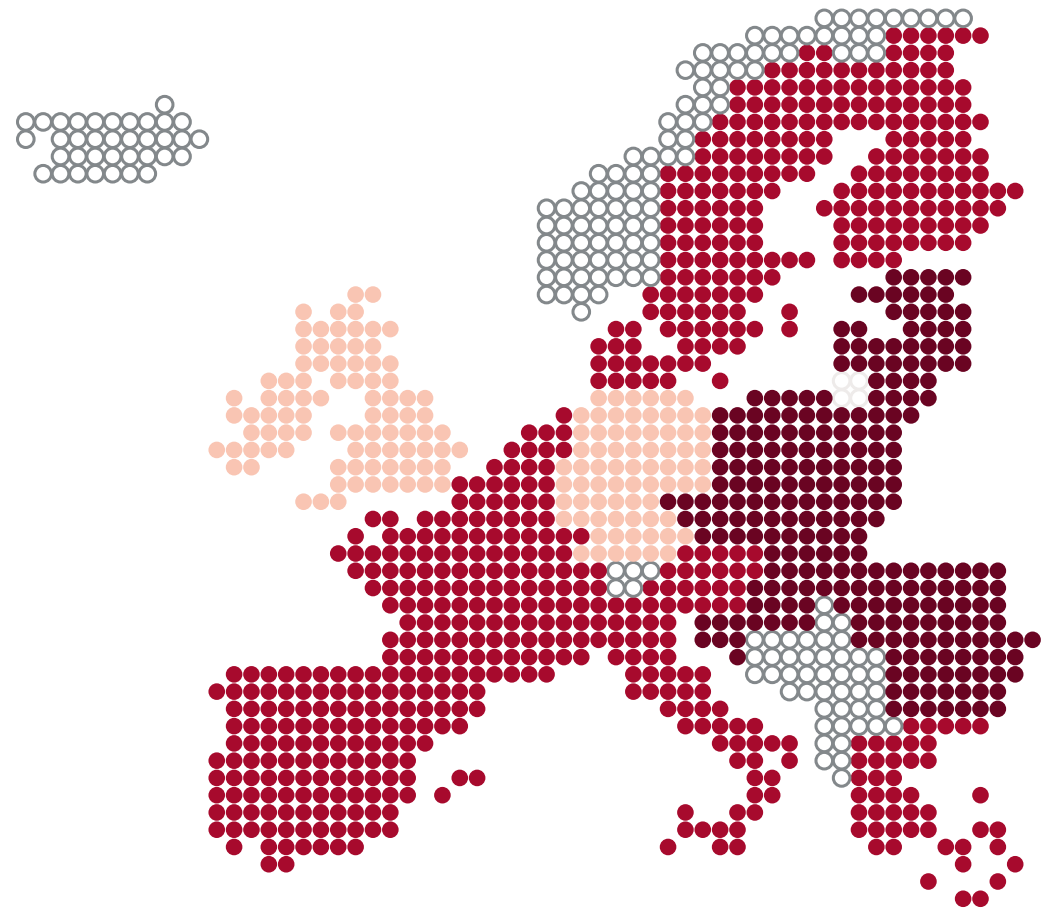
Consumers in lower-income Member States will be disproportionately affected through a combination of

- less access to content
- quality reductions
- higher prices



Consumer welfare would be up to €4.5bn per year smaller than today

The impacts would be most pronounced in the lower-income countries





To view the full report please visit
www.oxera.com/crossborder