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.

In the UK, the British Film Institute estimates that <7 per cent of independent films make a profit. Producing films and TV series is a risky activity. 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.
- **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.

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...

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

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

- 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.

<table>
<thead>
<tr>
<th>Countries not currently in the EU</th>
<th>20+</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU average welfare loss (%)</td>
<td>10–15</td>
</tr>
</tbody>
</table>

The map shows the distribution of welfare loss across different countries, with darker shades indicating higher welfare losses. The diagram indicates that the welfare loss is highest in countries with 20+ welfare loss, followed by 15–20 and 10–15 welfare loss categories.
To view the full report please visit
www.oxera.com/crossborder