



**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**

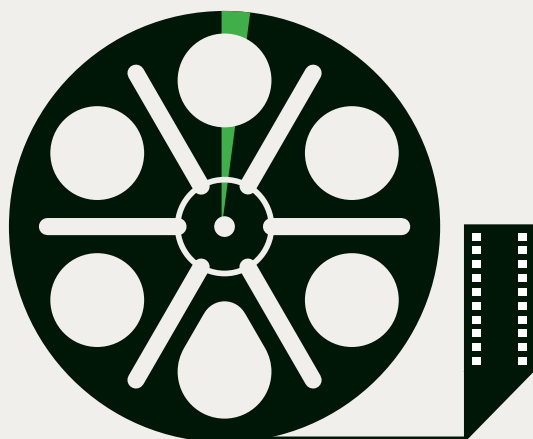
The European audiovisual sector is a significant and growing part of the EU economy

- 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

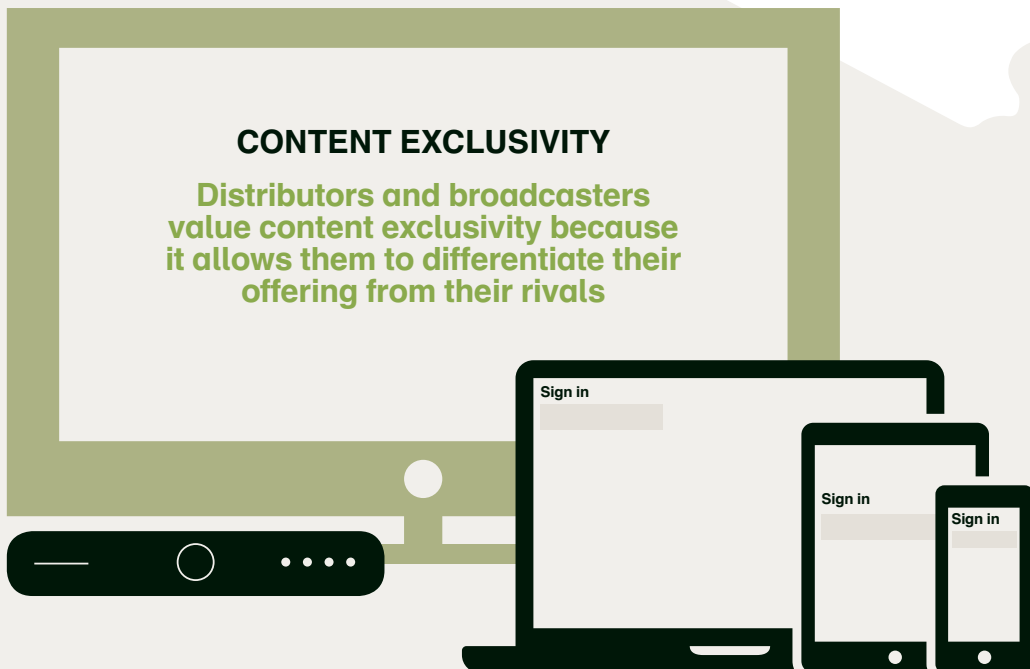
INTER-TEMPORAL PRICING

— 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



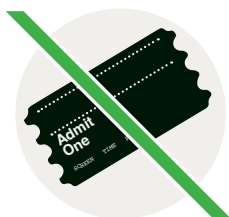
**The industry will be exposed
to considerable losses in
the short run...**



**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



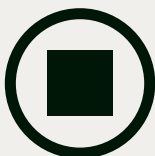
Imposing restrictions on the
availability of content on
OTT distribution platforms



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

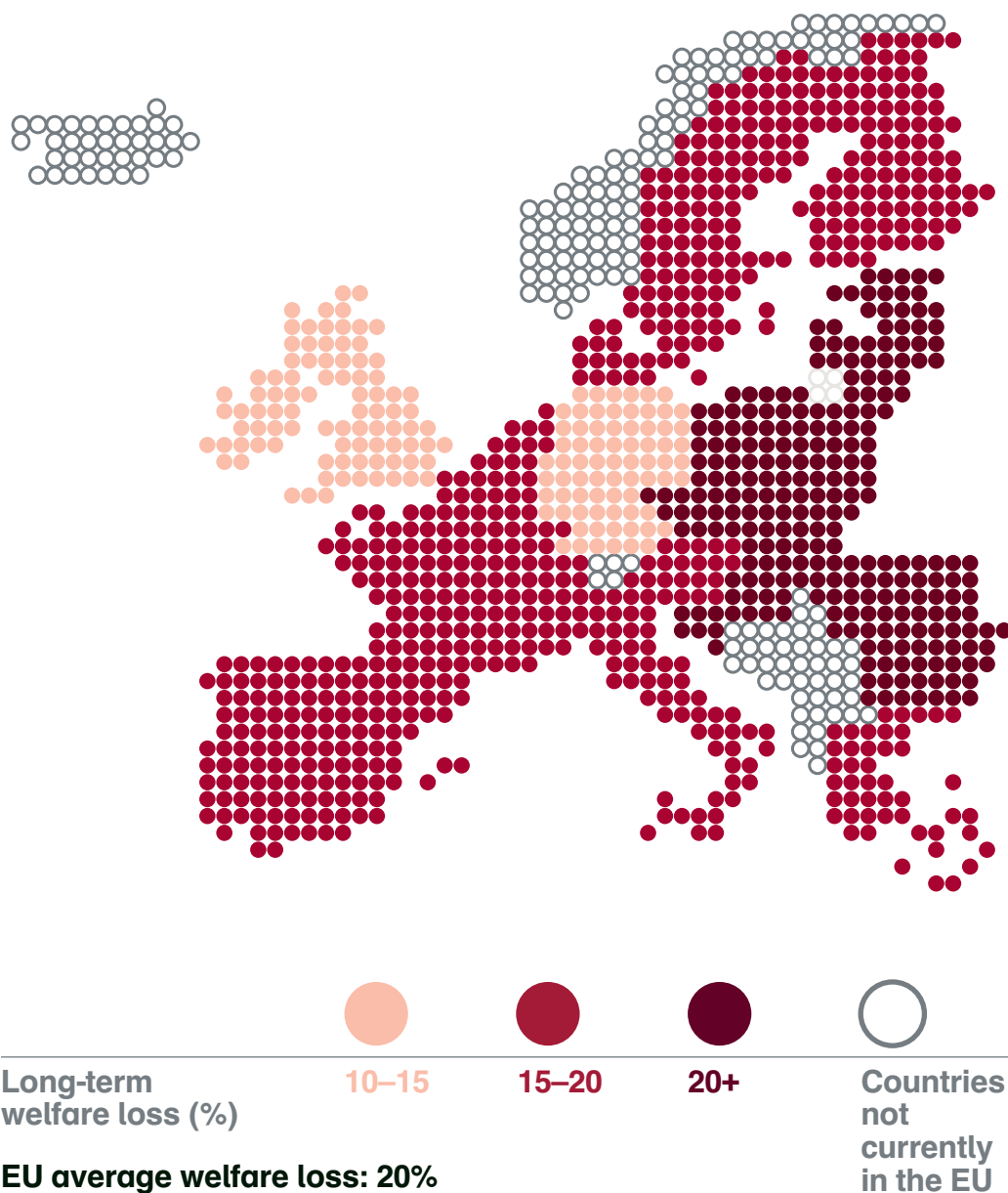


Consumers in lower-income Member States will be disproportionately affected through a combination of
— less access to content
— quality reductions
— higher prices



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

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



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