ACT Association of Commercial Television in Europe

A Digital Single Market for content: “win-win”, or unintended consequences?

Brussels, 17 September 2015

AT A GLANCE: EUROPE'S SUCCESS STORY

TV4, Ack Värmland ("Oh Shropshire")

- We lead the world in creating and investing in high quality content
- We matter. We occupy a unique position in Europe's economy, its culture and society and we are at the forefront of consumer technology trends
- Our businesses were early adopters of digital technology and we help power the European digital economy
- Europe's commercial TV sector entertains and informs over 500 million European citizens. No other media can reach as far as TV. We are a responsible and trusted sector operating to the highest standards

CENTRAL TO THE LIVES OF EUROPE'S CITIZENS

- Our TV channels reach over 200 million European households in 28 EU member states and beyond
- Our online TV services are available in over 150 million European homes connected to the internet and are central to Europe's broadband story
- Our member companies deliver content to a range of devices and platforms in response to consumer demand

200 million households reached

150 million EU homes connected

DIGITAL FIRST, SECOND AND THIRD

- Europe's commercial TV is digital – we started the journey 10 years ago
- We distribute TV according to our customer's preferences, whether that's digital terrestrial, digital satellite, cable or online
- We operate more diverse digital business models than the global tech sector to deliver unparalleled customer choice: advertising funded, subscription, subscription on-demand, pay as you go, pay to own…

DIGITAL FIRST, SECOND AND THIRD

- Our companies offer some of the most popular online services to European consumers, helping to drive the take-up of connected devices and supporting the investment case for Europe's telcos
- We have frequently launched these services earlier than the global tech players

NO.1 FOR EUROPEAN CONTENT

- We invest more in high quality European content than all other commercial content sectors combined

- We out-compete the US in global TV formats – Europe sells more TV formats to the US than they sell to Europe;

- €15bn annually, over 40% of our revenues, is reinvested in high quality TV content

- All of this creates a multiplier effect throughout the creative economy

- We compete with Hollywood, our channels commission dozens of high-end dramas each year that cost more than €1.5m / hour

1. Michael Driscoll / Atlantique Productions, Borgia season; 2. Carnival Film & Television / ITV, Downton Abbey; 3. MTG, TV Sweden, Homicide (Mordet); 4. RTL Television, Deutschland.

WE ARE SUPPORTIVE !

- We are supportive of the DSM Strategy, and in particular of
  - the increased focus on effective action against piracy and a clarification of the role of intermediaries
  - any measures which would result in Europeans legally consuming more of our content,

BUT….

TV CONTENT ≠ CARS!

1

2

≠

- Language and culture specific

- Involves a complex chain of creative decision-making and financial risk in multi-cultural national markets

1. Mediaset, Romeo e Giulietta; 2. Viacom, MTV Trax app.

EUROBAROMETER 411 vs PLUM

- Over the last 12 months only a very limited number of Internet users (**5%**) have tried to access AV content through online services generally meant for users in other Member States. [1] [2]

- Only **35%** of broadcasters offering long-form video content on their websites use geo-localisation to restrict access to certain types of content especially US content and international sports and music events; national content is more broadly available

- A majority (**54%**) say that the last time they tried to access digital content through an online service generally meant for users in another Member State, the service worked and they were able to access or download what they wanted.

- Plum concludes that “few cross-border services […] would be economically viable”.

1. Mediaset, Romeo e Giulietta; 2. Viacom, MTV Trax app.

WE ARE CONCERNED !

- Intuitive win-win scenario

- But unintended consequences
  - for business

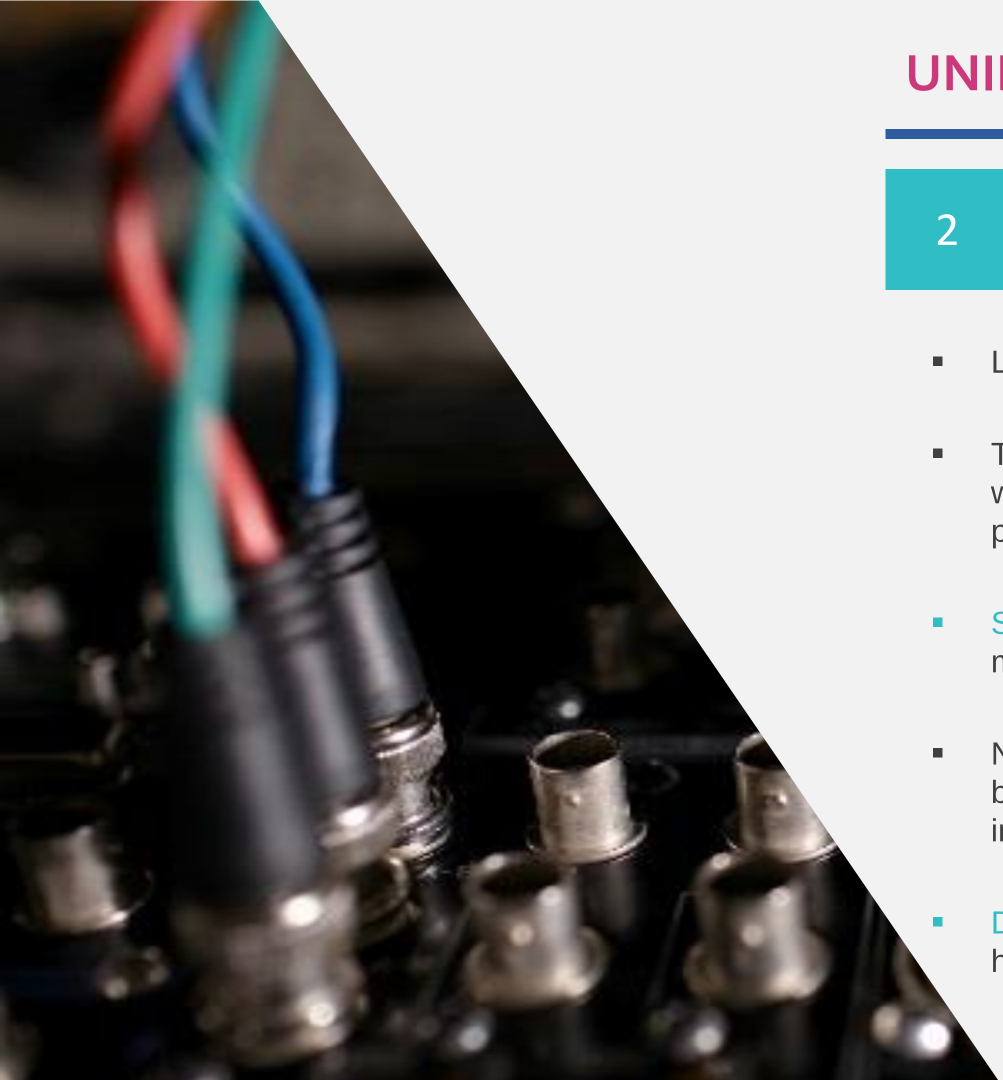
    AND

  - for consumers

UNINTEDED CONSEQUENCES

1 RIGHTS OWNERS TO HIGH-VALUE CONTENT (SPORT, FILMS, HIGH-END DRAMA AND ENTERTAIMENT) WILL EITHER

- Sell rights on a pan-EU basis, which smaller national platforms will be unable to pay or
- Withhold content from online distribution until exclusive national windows have expired across the EU (resulting in less content being available online in Europe).



UNINTEDED CONSEQUENCES

2

IF RIGHTS MOVE TO A PAN-EU MODEL:

- Local domestic operators will not be able to acquire them
- The main beneficiaries will be larger content aggregators who offer content in the main European languages, particularly English
- Smaller markets and less-widely spoken languages will be marginalised
- National online offerings would be impoverished, only being able to secure content rights with no wider international appeal
- Digital innovation will decline as online rights become harder to secure.

UNINTEDED CONSEQUENCES

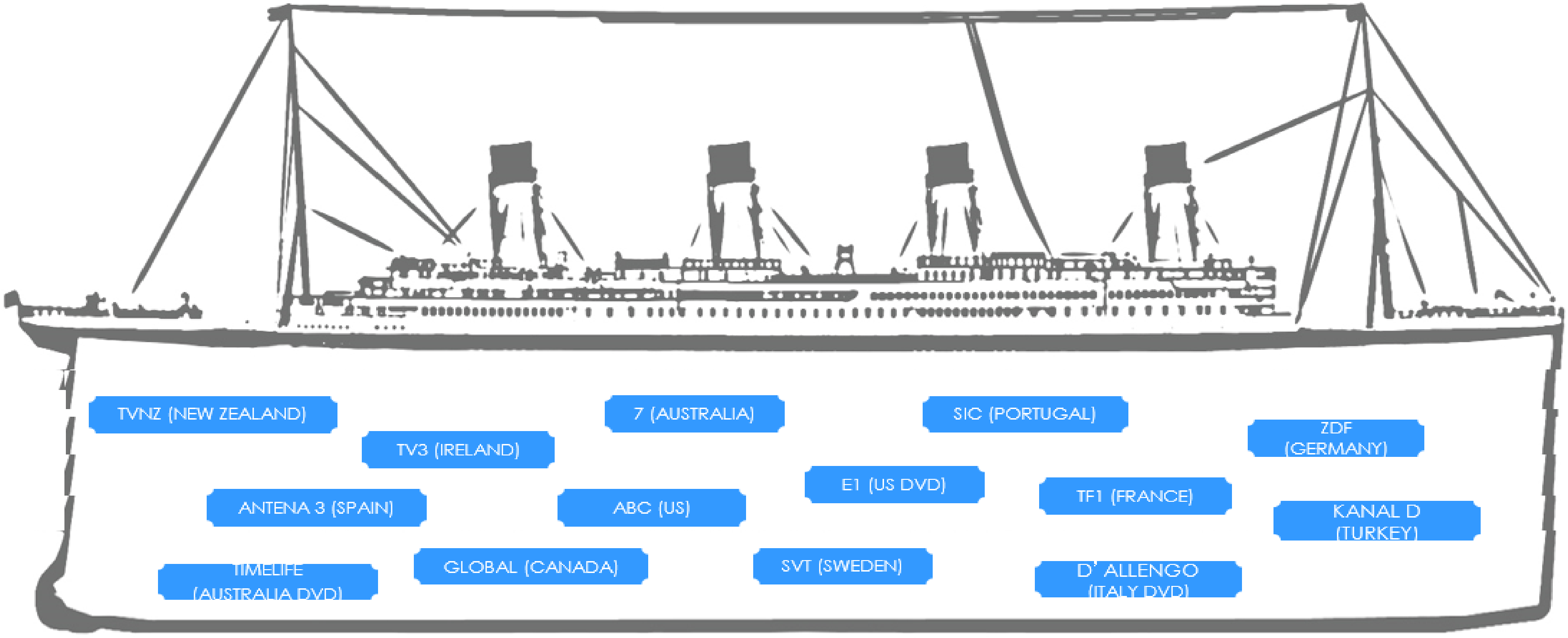
3 MULTI-TERRITORY FUNDING FOR EUROPEAN PRODUCTION WILL DECLINE

- Broadcasters have sought to spread the financing risk of great content via either co-productions or pre-sales in different EU markets.
- Pan-EU distribution would make such productions very difficult to finance, as the pre-finance market relies on a broadcaster being able to secure exclusivity to distribute in their home market.
- This will mean fewer European productions and a greater market share for large-scale, global content produced outside of the EU.

1. Mediaset, Il Segreto.

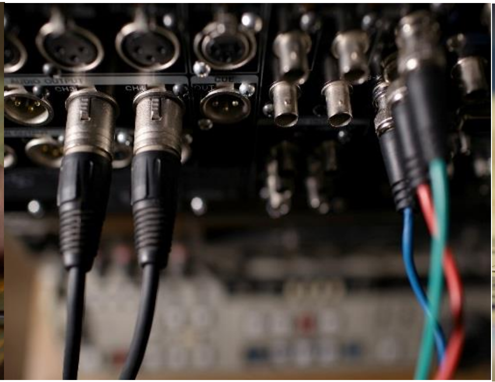
We have become ever more creative in the way that we fund shows

Titanic co-production and pre-sale partners



Titanic was an £11m production, and was fully funded through co-production and presales revenue from a variety of international broadcasters

POLICY OPTIONS?

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- A ban on geoblocking: what is good / bad cholesterol?

- Portability of content?

- A review of the Cable and Satellite Directive?

THANK YOU, ANY QUESTIONS?

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