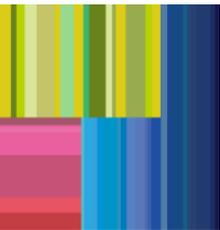


Licences for Europe – the commercial context for broadcasters' licensing decisions

The ACT represents the commercial broadcasting sector in Europe:

33 media groups active in 37 European countries



MTV MEDIA



MEDIASETespaña.



MTG
MODERN TIMES GROUP



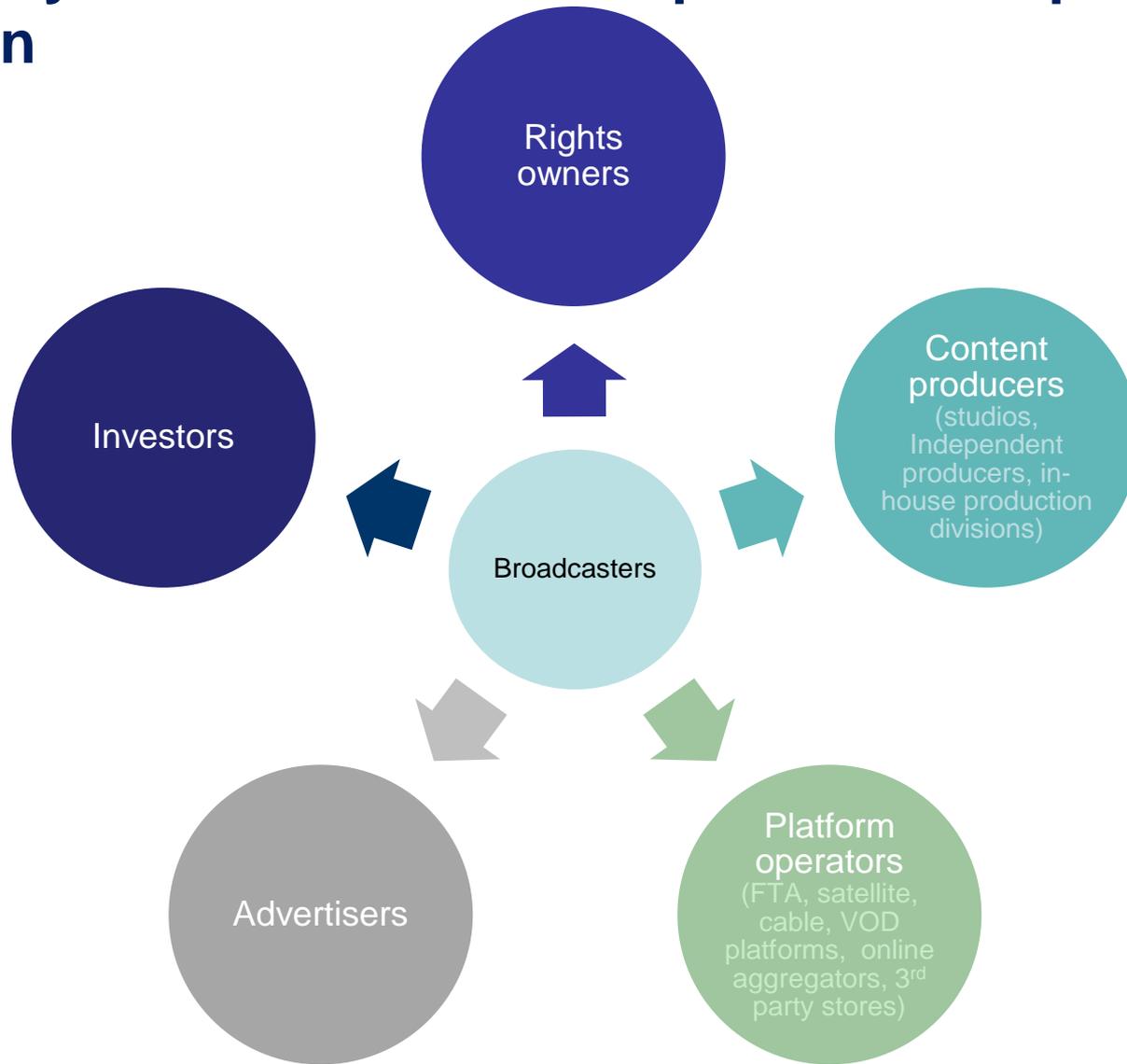
What questions have we been asked to address?

“How can we ensure that Europeans have better transnational access to online music and video services? And how do we better guarantee the continuity of these services with subscribers moving around in Europe with their Smartphones or tablet consumers?”

Commissioner Michel Barnier, 4 Feb 2013

- As part of this process we have been asked to explain:
 - ✓ What cross-border/portable content solutions are already on the market?
 - ✓ What obstacles – legal, licensing and commercial – prevent more of these solutions being available?
 - ✓ What could be done to encourage us to do more?
- Further discussions with the Commission reveal specific areas of interest:
 - ✓ Must a consumer only be permitted to access the local version of a site [iTunes model]?
 - ✓ Why can't consumers in one EU market access online services in other EU markets?
 - ✓ Can a consumer continue to access content from their home country TV subscription when travelling within the EU?

Reality 1: Broadcasters are part of a complex value chain



Reality 2: Maximised revenue = maximum investment in content

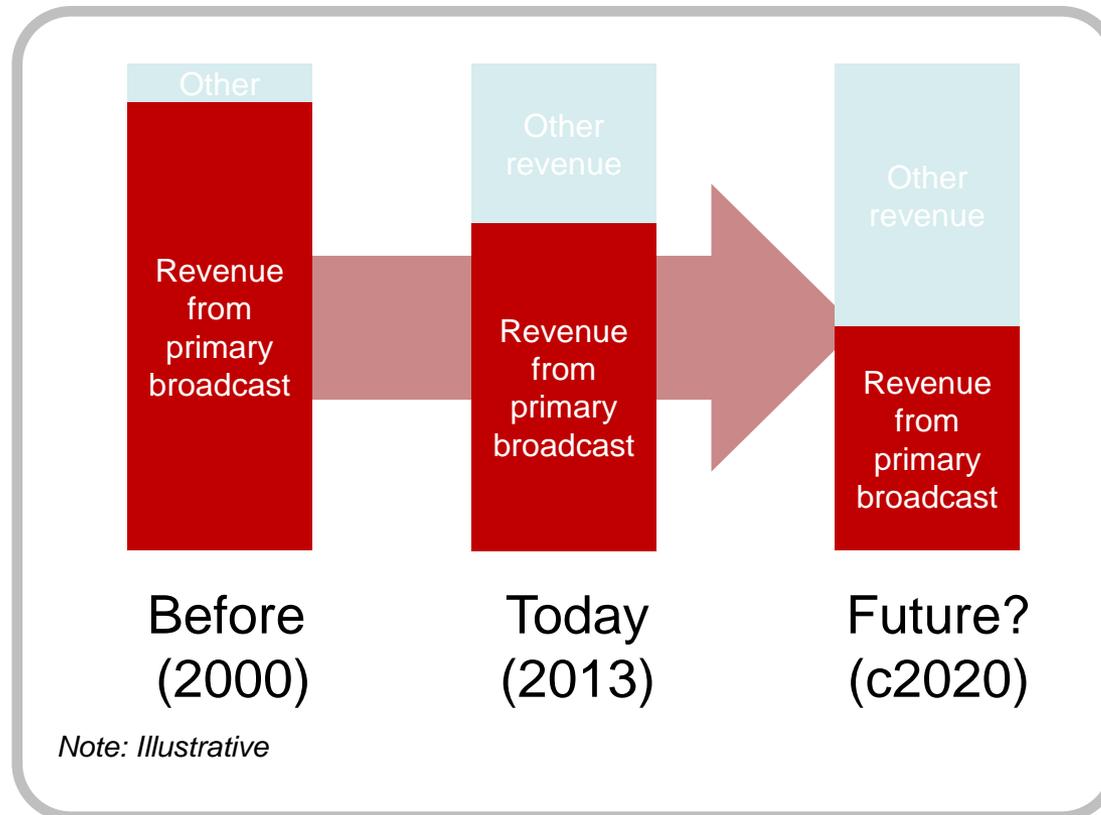
- The larger ACT member companies invest a total of **€15bn** annually in content. Adding the contribution of other ACT companies, public broadcasters and smaller players – we estimate that around **40% of the €85bn turnover of the sector** is reinvested in content.
- Significant time lag between investment in content and return on that investment. Distribution deals are usually multi-annual.
- Producers and broadcasters will choose the distribution strategy for each piece of content which maximises return on the initial investment.

Reality 3: Not all content is the same or has the same value...

- 
- “Content” is not interchangeable (music/books/TV/film have different market structures and consumer expectations);
 - Within broadcasting, national language, tastes and interests vary;
 - But programme genres are key factors in determining value across markets:
 - Niche sports (ice-hockey in Nordics, rugby, cricket etc)
 - News
 - Hollywood content and US series (also format trade)
 - Content in the local language (and reflecting local humour, history, references) is of high value
 - English language content (as the most widely spoken second language in the EU) may have higher value across the EU than other EU languages.

Reality 4: Exclusivity and Price Differentiation maximise revenue

The digital revolution means broadcasters adopt a multi-window, multi-platform approach.



Exclusivity/Revenue: Mr. Selfridge

- 10-part period drama produced by ITV;
 - Set in 1909, it tells the story of Harry Selfridge opening London's famous department store.



- High production costs (more than £1million/hour);
- First transmission in UK on ITV in January 2013;
- Subsequently sold to broadcasters in more than **35 countries**, including Norway, Finland, Ireland, Israel, the US, and Australia;
- Release windows are important within major territories: e.g. in one major European territory we have six release windows over more than twelve months (Pay TV/TVOD... OTT/SVOD...DVD.... FTA TV... etc.);
- Also licensed to multiple on-demand platforms (e.g. iTunes in UK and North America), and negotiations are underway with other platforms across various territories;
- DVD sales also underway in some countries, with pre-sales and shipping underway elsewhere where initial broadcast is still pending;



Release windows and territorial exclusivity are an integral part of content exploitation strategies: allows broadcasters to try to recoup the significant and risky up-front investment in original European content.

Reality 5: Clear linkage between demand and services

Figure D-2: Intra-EU migrants' estimated willingness to pay for cross-border audiovisual media services, € (000s) (very likely to pay)

Country of residence	Country of origin																										Total	
	AT	BE	BG	CY	CZ	DK	EE	FI	FR	DE	ES	HU	IE	IT	LV	LT	LU	MT	NL	PL	PT	RO	SK	SI	ES	SE	UK	Total
AT	0	97	497	6	560	62	14	71	410	9,274	143	1,192	49	866	26	40	33	3	433	2,280	85	1,634	856	415	152	178	532	19,908
BE	160	0	372	12	129	195	35	185	8,304	2,723	857	162	186	10,214	38	61	262	12	8,006	1,902	1,618	774	142	32	2,337	272	1,604	40,596
BG	2	1	0	7	12	1	0	1	5	22	89	5	0	7	1	1	0	0	1	34	0	9	4	1	1	1	4	207
CY	11	8	171	0	21	5	1	15	29	93	674	10	21	15	5	3	0	1	16	22	2	137	3	1	4	28	1,170	2,465
CZ	190	28	353	4	0	18	5	14	145	978	49	36	30	155	8	26	1	1	163	1,191	8	207	3,479	15	31	35	278	7,446
DK	72	51	128	2	44	0	58	143	315	1,498	53	88	71	265	141	320	2	3	406	1,306	57	257	40	12	179	793	913	7,215
EE	1	0	1	0	0	2	0	57	1	10	0	0	1	1	79	68	0	0	1	5	0	0	0	0	1	8	4	241
FI	25	17	40	2	19	38	1,542	0	96	257	26	66	22	91	45	40	1	1	70	128	18	59	12	4	68	526	213	3,426
FR	506	5,264	732	45	460	352	41	195	0	9,115	532	476	426	19,567	95	121	420	21	2,284	5,629	31,281	2,345	166	143	14,383	525	9,128	104,253
DE	12,035	1,540	3,648	47	2,244	1,254	267	848	7,396	0	16,810	3,624	574	33,606	709	1,395	766	23	9,632	26,310	6,552	5,672	1,252	1,229	6,111	1,152	6,652	151,350
ES	90	83	1,933	903	42	53	3	45	336	838	0	30	26	352	2	7	2	2	163	793	14	1,112	16	3	52	136	843	7,880
HU	235	33	67	7	19	12	4	25	122	1,327	26	0	20	97	4	5	2	1	113	155	10	3,678	304	10	24	58	155	6,514
IE	35	60	110	24	458	45	233	44	436	786	20	307	0	300	1,355	2,659	2	55	323	5,132	85	740	492	13	213	89	5,316	19,334
IT	430	381	2,535	14	371	145	56	111	2,096	3,002	420	380	171	0	113	253	18	41	561	6,528	297	44,865	411	177	1,045	223	1,864	66,506
LV	5	3	31	0	8	16	59	15	16	76	1	2	4	14	0	227	0	0	8	30	3	15	2	1	8	25	25	597
LT	2	2	7	0	1	10	5	6	8	33	1	0	2	8	24	0	0	0	4	33	0	1	0	0	3	6	8	165
LU	47	1,031	25	2	35	136	21	67	1,689	822	80	38	67	1,152	17	21	0	9	246	113	4,159	45	22	19	173	103	321	10,458
MT	9	4	42	0	4	8	0	4	17	36	2	6	10	32	1	1	0	0	13	9	1	13	4	2	3	25	262	508
NL	240	1,679	680	8	161	164	33	136	1,093	4,851	439	293	229	1,275	64	130	20	8	0	2,663	834	360	135	32	992	221	2,645	19,384
PL	62	13	62	1	42	17	2	5	45	316	49	25	4	41	3	32	0	0	31	0	3	13	16	1	9	82	49	922
PT	28	101	397	1	14	29	7	22	311	611	9	19	39	272	17	34	8	1	297	64	0	1,640	9	3	441	46	1,046	5,465
RO	8	5	10	0	1	1	0	0	33	50	89	15	1	108	0	0	0	0	9	4	1	0	1	0	5	5	21	367
SK	131	20	83	2	515	17	2	8	99	287	15	255	9	88	4	7	1	1	31	332	7	274	0	11	24	16	91	2,328
SI	24	3	42	0	8	1	1	1	12	53	1	9	1	44	1	2	0	0	7	11	1	10	17	0	3	4	23	279
ES	687	2,237	9,245	10	560	806	89	764	7,803	13,769	267	463	951	11,030	190	1,350	40	11	3,469	5,286	7,665	41,597	382	73	0	1,504	24,530	134,778
SE	200	72	179	10	75	2,490	205	4,578	413	1,953	267	251	102	354	155	335	2	4	514	2,385	89	387	50	37	268	0	1,107	16,483
UK	1,711	1,499	2,534	3,109	1,665	1,360	216	600	7,886	20,721	1,412	2,105	20,202	6,707	2,011	4,891	33	1,327	3,632	32,145	4,615	3,083	2,085	0	3,885	1,793	0	131,228
Total	16,946	14,232	23,921	4,216	7,468	7,237	2,902	7,959	39,114	73,502	22,331	9,857	23,219	86,659	5,107	12,030	1,614	1,526	30,434	94,492	57,404	108,926	9,899	2,235	30,416	7,854	58,803	760,304

Reality 5: Clear linkage between demand and services

- 
- Total demand for transfrontier audiovisual services is estimated at €760m annually (0.7% of EU television market).
 - But demand is uneven across the 702 markets analysed. In over 200 markets, the value is below €10,000 p.a.
 - In others, the demand is commercially interesting – e.g., Romanian language services in Spain or Italy are valued at over €40m p.a. Commercial broadcasters provide services for many such expatriate groups (Pro TV International for Romanians).
 - But even here the commercial case may be marginal – Mediaset Italia does not gain any additional advertising revenue from its distribution deals, despite the Italian-origin population being the third most lucrative identified by Plum.

Reality 6: Territorial distribution, linguistic diversity + opportunities for smaller players?

- What would the EU AV market look like where all content made available across all borders and territorial exclusivity abandoned?
 - dominance of English language/US content;
 - monopolies/oligopolies at each point in value chain – consolidation would take place so that players had scale necessary to purchase and exploit rights across such a wide and diverse market;
 - this is not purely a European issue...

Answer to Commission's questions

- Must a consumer be referred to the local version of a site? [iTunes model]
- Can a consumer have access to services from other markets?

Answer to Commission's questions

- *Can a consumer continue to access content from their home country TV subscription when travelling within the EU?*
 - In principle such an approach might be possible while also maximising the value of rights – so long as there is no leakage of rights value from one market into another.

What is available today: an Italian visiting London

Premium Play “Download & Play”

Viewers can watch content previously downloaded on the device memory, anywhere without any internet connection.

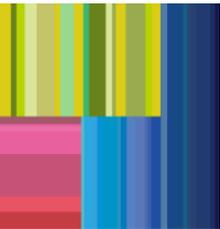


The viewer chooses “Crazy Stupid Love”.



He can decide to download it for a future play on the move or watch it directly via streaming.

Sign in



sky SPORTS 1
BORUSSIA DORTMUND V MALAGA
Streaming live Tue from 7pm

Pay As You Go Sky Sports
All 6 Sky Sports channels
24 hours. £9.99

sky SPORTS DAY PASS
£9.99

GET SKY SPORTS DAY PASS

SKY SPORTS PASS **GET STARTED** **DEVICES** **COMING SOON**

SHOWING LIVE SHOWING NEXT

NEXT 7 DAYS

sky SPORTS 1

12/30 MINS

NETBUSTERS

sky SPORTS 2

12/60 MINS

PGA TOUR CLASSIC

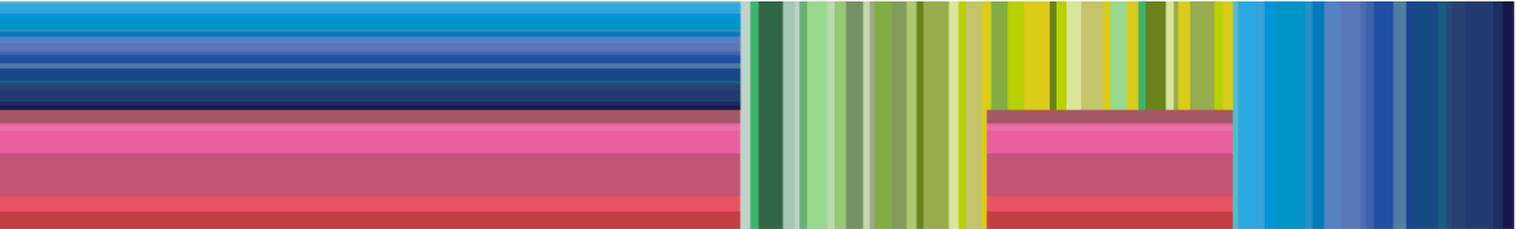
sky SPORTS 3

12/30 MINS

UP CLOSE WITH..PETER ODEMWIN...

Conclusion: Exclusive territorial distribution works for everyone in the value chain – and ensures sustainable investment in content

- Consumers – have access to content in their language that fits their interests, at a price they can afford.
- Content Producer/Rights holders – gives them the option to generate maximum return on their investment by segmenting rights between one or a series of broadcasters or choosing to retain rights to exploit themselves.
- Distributors – majority of platform operators focus on one country or territory because it allows them to develop and exploit specialist market knowledge and deliver brands, infrastructure, marketing, customer support that best serves national/regional consumers.
- Broadcasters – allows them to tailor channels to the audience – local language, content that most appeals to the market, locally commissioned content, targeted advertising – through a local distributor who has the market knowledge and expertise to deliver their channels to the audience.
- Advertisers – advertising is the biggest single revenue stream for European television and is highly national (as products are different). Channels that are not targeted at national markets are of very little value to advertisers.



Thank you! Questions?

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