

Film Producer's Association of Latvia
Elizabetes street 49, Riga
Mr. Commissioner Valdis Dombrovskis
Euro and Social Dialogue
European Commission
1049 Bruxelles

Riga, April 20, 2015

Dear Commissioner,

As the European Commission continues its reflections on the strategic priorities for the Digital Single Market, we are writing to you as organisations that represent the film and audiovisual sector in Latvia. We are the film producers, film makers, screenwriters, authors, technical crews, actors, producers, publishers, broadcasters, distributors, and exhibitors we seek your support in ensuring that Europe remains a creative hub where cultural diversity, creativity and innovation are cherished and encouraged to thrive.

The creative sectors and its film and audiovisual sector make a vital contribution to European growth and jobs. Last December, EY published a study showing that the European film and audiovisual sector generates 1.24 million jobs and contributes € 107.2 billion to European GDP. In addition, our sectors are also key drivers of the digital economy. We continuously experiment with new business models that deliver creative works to consumers. Today European consumers already have access to over 3,000 audiovisual online services. One of the cornerstones of this success is the contractual freedom that the audiovisual sector enjoys to finance and distribute film and audiovisual works with a mix of different financing and licensing models - including widespread use of high-value exclusive licensing arrangements – and to partner with distribution platforms of different sizes and scope depending on the needs of each market segment.

Unlike many manufactured products, films and audiovisual works are unique creations, each of which has its own business model in terms of financing, productions, marketing and distribution to the public, whose possibilities for success are in large measure unpredictable and uncertain. They require a heavy initial investment and entail significant financial risks that is shared by producers and distributors alike, who contribute to the production, marketing and distribution costs without knowing whether the project will be successful or not and without any guarantee of return on investment.

The extraordinarily high up-front costs of producing a film or television series mean that, to get a project off the ground, it can be necessary to license the distribution rights to individual countries on an exclusive basis – before filming has even begun. Mandating licensing models for cross border access would result in de facto pan-European licensing which would significantly reduce the ability to finance productions and ensure the optimal distribution in foreign markets. Such a move, if mandated by legislation, would certainly undermine the exclusivity of distribution rights sold on a country by country basis, thereby reducing or destroying their value as well as eliminating the indispensable dedicated and targeted distribution efforts recognized by more than 20 years of the EU's Creative Europe Programme. This would have a significantly negative impact on the incentive to invest in original film and television content. It would be even more difficult than today to finance riskier projects and more artistic original productions, resulting in a decrease in the diversity of content available to consumers. Promotion and distribution would increasingly be left only with large international platform companies, who do not participate in the financial risk of production and who would extract a larger share of the value from creative works relative to the EU creative industries.

We therefore call on you to ensure that the future debates within the College of Commissioners remains balanced, positive and evidence-based and to refrain from engaging in any premature initiatives that would undermine ongoing efforts and investments. Industry can and must be assured the freedom of adapting – without legislative intervention and by catering to demonstrable consumer demand – to the changing commercial and market conditions.

Europe's creative industry is a success story, which should be promoted rather than subjected to efforts, which erode the fundamental rights of creators, producers and investors in their creations.

We thank you for your support.

With our regards



Aija Bērziņa, President
Film Producers Association of Latvia