

The Creative and Media Industries

A central pillar of the Lisbon Agenda

The Creative and Media Business Alliance, an informal grouping of some of Europe's top media and creative businesses and industry associations, calls upon the European Commission, the European Parliament and the 25 EU Member States to focus on our sector in their joint efforts to foster innovation, growth and employment in the Information Society. The creative and media businesses are more than a mere driver for technology deployment or an 'added value' to the Lisbon Agenda. They are the true value of the Information Society.

Europe's economic reform agenda is in deep trouble. The results achieved so far are unsatisfactory, or even "a failure", according to the Kok Report. No substantial progress has been made with growth and employment in Europe in the past five years, let alone with competitiveness. One of the failures of the Lisbon agenda is its one-sided focus on new technologies. This approach neglects the fact that a dynamic and competitive Information Society will not be created by hardware technology and distribution networks alone. We note the Commission's i2010 Communication on a "European Information Society for growth and employment" and stress the value and contribution of our sector to growth and employment.

The Creative and Media Industries make the new roads of the Information Society worth travelling.

The creative, media and information businesses have always been a crucial sector of the economy. Together, the creative and media business sectors invest in, produce and disseminate a huge array of content that educates, informs and entertains Europe's citizens. They include newspaper, book, magazine, database, portal and web-publishers, music companies, broadcasters and film producers as well as advertising agencies— all of which help create content (songs, music, information, articles, stories, poems, films, shows) and make it commercially successful. It is this creative content which people are looking for when they are connecting to the internet, activating their broadband connection, switching on their 3G mobile phone or choosing a channel on their digital TV service. The creative and media sector is thus the true heart of the Information Society. Without it, the Information Society would be nothing more than empty pipes and boxes.

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The creative and media business sector is one of the most successful and fastest growing in Europe, providing hundreds of thousands of jobs and contributing positively to Europe's trade balance. According to a recent report from Price Waterhouse Coopers¹, the European entertainment and media market is forecast to rise around 5.4% in the next few years to reach a value of €351 billion by 2008.

¹ Global Entertainment and Media outlook: 200-4-2008, Price Waterhouse Coopers



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Only the creative industries can provide the innovative content needed to satisfy increasingly sophisticated consumer demand. The creative and media businesses also play a pivotal role in contributing to cultural diversity and a well-informed, pluralist society.

Europe is a centre for excellence in the creative and media industries. There is no other part of the world that has the ability to compete with the U.S. in providing the creative content that consumers can enjoy worldwide. If Europe is going to rise to the challenge of becoming the world's leading knowledge-based economy by the year 2010, it must create the conditions to allow its creative and media businesses to develop further.

Example: European television stations have re-invested revenues from advertising and subscriptions into the original, domestic programmes which now dominate peaktime schedules, in contrast to the situation in the 1980s. But if this success is to be sustained into the digital age, then the regulatory framework - e.g. the Television Without Frontiers directive - needs to reflect the complex market and technological changes underway in the media industry.

Specifically, the creative and media business sector calls for:

- **Increasing competitiveness.** Europe is bound by high regulatory burdens, heavy social costs and taxation levels that make it difficult to compete on equal terms with the U.S. and other regions. The European Union needs to reduce these burdens to free its creative and media industries to compete in a global marketplace.

Example: Books, magazines and newspapers are subject to different VAT rates in the different Member States. Annex H of the VAT directive allows Member States to apply reduced rates to printed products if they so wish. Sweden recently introduced a reduced rate for books by reducing the VAT rate from 25 % to 6 %. Book and magazine prices were correspondingly reduced and sales went up by 20-40 %. This initiative has proven to be beneficial along the whole value chain from the author to the consumer. The same provision should be valid for all cultural products without discrimination.

- **Respect for intellectual property.** Intellectual property is the cornerstone of the creative and media industries and the measure by which the people who contribute to creativity can be remunerated. The production of new creative content is usually made possible by the reinvestment of revenues from existing creative content. Yet this virtual circle is threatened by the increasing illegal use of intellectual property.
 - Europe must provide a strong legal foundation, based on intellectual property, if it wants to have the internationally competitive creative industries that are at the root of a world class knowledge economy.
 - The EU and national governments need to do more to track down and pursue illegal use of intellectual property rights. There is an urgent need to create a stronger deterrence against IP crime and online infringement, through a combination of effective legislation and greater government commitment to enforcement activity.

Example: The Enforcement Directive is crucial to complete the legal framework for the market in intellectual property and we call on Member States to rapidly implement this legislation at the national level. However, effective enforcement will equally be dependent on a political commitment at the highest level in national governments to make the fight against intellectual violations a government priority. Appropriate tools should be available to combat piracy and ensure effective enforcement.

Example: Magazine titles, their graphics and content are being increasingly pirated - i.e. new titles are launched using the same graphics and/or same title or similar content. Cross border legal proceedings of this type of illegal use of IPR are increasing. There are also examples of magazines that are being reproduced in some EU countries without licences from the publishers who own the titles. Better cooperation between Member States and IPR enforcement agencies would help to solve this type of problems.

- Widespread abuse of new digital technologies has led to a proliferation of mass unauthorised theft of content online. Illegal file swapping has resulted in loss of investment in content creation, declining sales in the legitimate market, thousands of lost jobs and lost tax revenues for EU governments. There were, for example, an estimated 870 million illegal music files on the Internet in January 2005². The creative industries call on the EU and Member States to reflect in their policy the position that copyright abuse and unauthorised file-sharing of copyright content will not be tolerated.
- **Encourage migration to legal services.** Legal online services are beginning to take hold in Europe and healthy competition is emerging as scores of content companies, retailers, mobile carriers and broadband service providers vie for their place in the online market. Consumer demand for legal creative content is high. Forrester Midem 2004 forecasts say that the legal download volume of content (music, video clips and movies) will increase 1000% by 2007. The EU should play its role in encouraging migration to legal services, first and foremost by facilitating a common front across all industries against piracy and mass unauthorised copying with concrete actions to protect the new electronic marketplace. The example given by the governments of France, Italy, Spain and the UK of initiating such inter-industry dialogues is laudable and merits a European counterpart. We call on those industries who enthusiastically seek to develop new distribution channels of our content, in particular electronic communications services and network providers, to join us in seeking to address this problem to the mutual benefit of both Information Society and Media industries, of consumers and of responsible citizens.

Example: The Creative and Media Business Alliance welcomes Commissioner Reding's intention to facilitate a dialogue between the Internet intermediaries and the film and music industries aiming for a European Charter. We suggest pursuing similar arrangements for a broader range of creative and media industries such as publishing and television. We all are facing similar challenges and opportunities in creating a legitimate market.

² Source: IFPI Digital Music Report 2005

- **Interoperability.** Interoperability is a top priority for the creative sector if the consumer is to have a variety of creative content available on different platforms. The creative and media sector strongly supports interoperability. This should not be done at the expense of security. Secure DRM solutions need a system-wide support so that continuity of security is maintained across platforms. The Commission should continue to encourage the parties to cooperate, and monitor the development and use of technologies that we expect will encourage new content offers in the market place.
- **Availability of creative content.** The creative industries embrace the use of new technology to transform the way in which creative content can be offered to consumers. No one business model is or will be as effective at meeting the diverse needs of European creators, industry and consumers. Attempting to dictate a single business model or imposing restrictions on the industry's freedom to license would penalise creators and eliminate incentives to invest in new and diverse content that can drive new business models, products and services.
- **Awareness-raising among consumers.** Just because intellectual property is intangible, it doesn't mean that it has no value. The EU has a role to play in helping to educate consumers about the importance of copyright.
- **Removing barriers to trade.** Europe's creative industries export to and invest in many other countries but inadequate intellectual property laws and/or a failure to provide effective enforcement of intellectual property rights is a major barrier to trade with third countries. The EU should seek agreements with third countries that counterfeiting and piracy are criminal offences that should be treated no less seriously than other criminal offences such as forgery, theft and fraud.

Example: The Creative and Media Business Alliance welcomes the Commission's Strategy for the Enforcement of Intellectual Property Rights (IPR) in Third Countries. Piracy in countries such as Russia, the Ukraine or China continues to be a threat not only to those markets but to the EU as well and continued pressure by the Commission and the Member States will be indispensable to address these problems.

Example: Piracy of books is still in its infancy on the internet due to the lack of proper ebook reader. In the analogue world, textbooks are pirated through photocopying the entire work and then distributed to students, a growing practice in a number of Member States. Pirated printed books are sold both within the European Union in countries like Italy and the new countries and of course, in a large majority of third countries.

- **Stimulating employment.** The creative and media sector is characterised by highly skilled people in quality jobs and we have the potential to expand on this base. In order to do this the EU must look closely at social costs in the creative industries in order to stimulate employment.

The European Union should not miss this opportunity to take a decisive step towards the EU becoming the leading knowledge-based economy by 2010.