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September 12, 2005

Harnessing the Full Potential of the Digital Economy

Comments from the Creative and Media Business Alliance on the European Commission's i2010 Communication

The Creative and Media Business Alliance is keen to assist the Commission in its efforts to harness the potential of the digital economy to promote growth and employment, as outlined in the recent i2010 Communication. We are at the disposal of the Commission to assist in assessing the impact on the creative content sector of legislative or regulatory measures in the context of i2010.

The Communication rightly suggests the importance of the creative content sector to the evolving digital economy. It is at the heart of the knowledge-based economy. Our creative products and services are indispensable to the successful uptake of high-speed digital networks and the sale of much new digital equipment. Moreover, the entertainment and media industries are projected to grow 7.3 per cent annually to US \$1.8 trillion in 2009, according to a recent report from PricewaterhouseCoopers¹. New spending streams stimulated by Internet, broadband and wireless technologies are expected to account for a significant portion of this growth. In Europe, the UK, Germany and France show the fastest growth rates.

While rich and diverse creative content contributes much to society and to the quality of life of European citizens, it is also a business. The business of the Creative and Media industries is to create, foster, invest in and distribute "content". We play a vital role in ensuring that creators can make their works widely available and be justly compensated for their work. We also ensure that consumers throughout Europe, and indeed the world, have access to a wide range of creative products and media services. To call creative products and services "added value" to one of the many delivery technologies like broadband is like saying a text is added value to a book.

¹ PricewaterhouseCoopers Global Entertainment and Media Outlook: 2005-2009.



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Legal online services are an exciting opportunity for our industries to reach consumers in new ways. These 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. From Belgium, where Belgacom recently acquired rights to the football league matches, to Italy, where Video on Demand is offered by Telecom Italia and where an established free-to-air broadcaster is investing heavily both in infrastructure and content development for enhanced DTT services. From the 190 legitimate music sites offering their services in Europe to electronic news and features complementing the paper format for almost all major European daily and periodical publications – consumers can buy an amazing range of creative products and services on a multitude of media and formats.

We agree with the Commission that certain bottlenecks still need to be addressed on our way to a knowledge-based economy, namely: encouraging the business of creative products and services; establishing a secure, legal environment for business through stakeholder cooperation; maintaining technological neutrality; and consultation of all stakeholders.

CMBA calls on the Commission to encourage the Business of Creative Products and Services

For new content creation, services and business models to work as driving forces for growth and further employment, a viable business framework is an essential starting point. The creative and media industries invest heavily in the creation of new and innovative content for consumers and will also require substantial investment to adapt content for changing ICT conditions. Different delivery platforms necessitate production changes and training to master new technologies (i.e. to produce in high definition for television and film; adapting educational content to online learning). All these investments to create quality content constitute a competitive advantage for our industry and it is precisely this that will allow for growth and job creation.

Therefore, we need a stable regulatory environment that enhances and justifies continued investments. Such an environment begins with protection of our intellectual property, but embraces clear advertising rules adapted to a convergent market, and a clear signal that the best way to access creative products and services is via the marketplace. The EU can also do much to encourage the development of secure interoperable standards and to remove hurdles to the development of efficient and secure micro payment systems.



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We urge the Commission to work proactively with the creative and media industries to further cultural aims, in particular in the context of suggestions for a European Digital Library. We believe that voluntary agreements and private-public sector partnerships are the way forward. The preservation of Europe's heritage should not jeopardise investment in the creative products and services that constitute its digital future.

Publishers as all rights holders are interested in finding new innovative solutions to making their books and works available to a wider audience. Therefore any proposal for a European Digital Library must involve publishers and other rights holders. Scanning, storing and copying books from cover to cover requires authorisation.

CMBA embraces the Online Distribution of Creative Works

More and more creative products and services are being distributed online on commercial terms, from the 190 legal music sites in Europe to efforts to introduce Video on Demand to multiplayer online games. Many different business models are being tested, sometimes discarded, always refined.

In particular the recording industry has effectively licensed most of its creative content any time, any place and on any platform first and foremost because this has made and continues to make commercial sense for its current investments. However, it is a formula that does not work for all creative and media businesses and all types of investment into creative products and services at all times. There is no simple one-size-fits-all magic solution.

A variety of business models are growing out of the market, dependent on what consumers want: a movie in a cinema or on DVD; a pre-release exclusive download on an online service through legal peer to peer distribution; a music video on free over the air television; a newspaper in a café; the news headlines on a mobile device; or a book on the beach. We shall see an acceleration of this trend of rich and diverse creative content being made available to consumers in an incredible range of formats and on a wide variety of platforms. Allowing for a more diverse range of business models in turn stimulates investment in more diverse types of creative products and services to the benefit of the entire value chain.

The business models behind the exploitation of different types of content may differ significantly. All, however, are based on the premise that creative content is not a free resource available in endless quantities, much less to amortize infrastructure investments. Creative content should not be available for the taking by those who have not invested in its creation.



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CMBA is ready to help negotiate a European Charter on Cooperation with ISPs to jointly combat online infringements

We look forward, in particular, to working with the Commission and other stakeholders in a common front across all industries against piracy and mass unauthorised distribution and copying. Commissioner Reding's dialogue between ISPs and – specifically, but not only - the film and music industries, aiming for a European Charter, is an important step in this direction. In our view, the absence of any reference to online infringements, throughout the i2010 Communication, in spite of the substantially increased understanding of our sector's importance, is evidence that the role of the creative content sector is not yet fully addressed. Unauthorised mass duplication and distribution of creative products and services concerns all of our industries. For new markets to take off, it is unacceptable that unauthorised material is as readily available to the subscribers of broadband connections as licensed content. Those who are eager to enter these new markets on the network side have to contribute to keeping the market fair and legal. Regulatory activity in this field must foster cooperation between all actors in the value chain to fight unauthorised use of creative content. At the same time, the EU must aim to provide an appropriate legal framework, for example on criminal sanctions for infringements of intellectual property rights, beyond those currently covered by the Commission draft on this matter.

CMBA favours technological neutrality and interoperability in the distribution of creative products and services

Legislation or regulatory intervention should not favour particular technologies for content distribution – ADSL broadband or 3G in particular are only two of many new delivery platforms. Our interest as content providers is in having healthy competition in what we hope to be a growing infrastructure market. Traditional electronic communications players should not be able to leverage their considerable market size onto what they consider “added value” markets to merely substitute for existing delivery models. Rather, the Commission should be encouraging them to compete with other platforms which have been and will be distributing content to European consumers for a richer, bigger and more diverse market in creative products and services.

New technology requires creativity to make the most of, for example, the possibilities of broadband. This involves the development of genuine, bespoke broadband creative products and services, much in the same way as DVD allowed for featurettes and additional material or online music services provide extra information such as artist biographies, tour dates or recommendations for similar music.



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Platform interoperability is a top priority for the creative sector if the consumer is to have a variety of creative content available securely on different platforms. Robust and secure digital rights management (DRM) solutions need system-wide support so that continuity of security is maintained across platforms. We welcome the Commission's plans in i2010 insofar as they promote cooperation between the relevant parties and encourage the Commission to monitor the development and use of technologies that will stimulate new content offers in the marketplace.

We also look forward to cooperating with the ICT industry in the Framework Programme 7 on issues related to rights management, interoperability and security.

CMBA is ready to assist the Commission in moving i2010 forward

The Creative and Media Business Alliance would like to thank the Commission for taking the time to consider our comments. As the Commission moves forwards with i2010, we hope that you will draw on the collective expertise of CMBA members on an ongoing basis. We are confident that an ongoing dialogue will help to achieve our joint aim of fulfilling the potential of the creative industries to promote growth and employment in today's Information Society.

