Public Consultation on Content Online in the Single Market

We are responding to this consultation as an observer of audio visual media given our research focus on broadband content and digital media.

Consumption, creation and diversity of online content

3. Consumers are becoming increasingly comfortable accessing and using online services. Increased familiarity with such services, trusted brands moving online, the perception that online is now part and parcel of daily life promoted by through the consumer press, as well as the online activities of peers are all drivers in this. There is also a generational factor at work with a new set of consumers emerging for whom online services a just another tool for accessing information.

However, consumers are most comfortable using online services for communications, finding information and for shopping for physical deliverables. They are less comfortable in accessing content services online. Issues here include:

- having sufficient bandwidth to ensure a reliable and consistence viewing experience
- understanding the technology involved
- being able to watch content on the device that is most natural for the purpose e.g. films on the TV set in the living room rather than the PC in the study
- having to agree to terms and conditions that potentially allow a service provider access to the consumer's PC e.g. as is the case with Amazon's video download service
- concerns regarding privacy over viewing habits and preferences.

5. The ability to access and use all online content on several different devices is just beginning to be important to consumers, and hence to service providers in these markets. Restrictions governing the use of Apple's iTunes material really saw this issue enter the consumer space in terms of media coverage for the first time. To encourage the development of online entertainment services, consumers, when buying or renting content, must feel they "own" it to do with it what they like, including viewing/listening to that content in a way that is most convenient for them.

Some service providers are beginning to look at the porting of content as a differentiating feature e.g. Verizon, AT&T, and we expect it to be a key part of any connected home strategy. The development of multi-access content - that is content accessible over more than one device - will begin to gain momentum as broadband access becomes ubiquitous. The Internet portals are most advanced in this space.

Multi-access and the porting of content will increasingly be expected by consumers as an integral part of their online entertainment services, once these features are available from some suppliers.

6. We believe cultural diversity is self-sustaining and there is no need to further foster it. Today consumers live in a virtual, geo-flexed world where there many ways to promote creative collaboration in contrast to the past which exibited a very geo-blocked world, limited to content served by traditional media players. Telco pipes will just enhance this process. And while linguistic diversity may be 'endangered' by predominately English driven online content communities, the overall TESP impact vis a vie massive virtual content distribution is huge.

Competitiveness of European online content industry

7. Challenges for the European content industry include:

- the Asian market's shift to become the global media hub in terms of both production and consumption across all content categories
- the rising euro
- the introduction of film, TV and new media tax incentives in several North American and Asian territories
- the emergence of 'global domestic' audiences, which prefer to consume home-grown content regardless of where they are located in the world, thanks to all kinds of emerging time/place shifting technologies, but above all the Internet.

To face these challenges it's important that the European content industry has a highly efficient financing environment for production. It is crucial that European content producers have access to the most efficient technologies and innovative financing tools, certainly the equivalent of those available to content creators in other markets, and that these tools are available on competitive terms. all stakeholders should be brought to the discussion table, especially new entrants to the content delivery world such as telcos. The way forward is to define how these new 'front-line' players can be engaged in a proactive discussion but, most importantly, how they can be stimulated via innovative incentives to support the expected renaissance in European content in the coming years.

Piracy and unauthorised uploading and downloading of copyright protected work

23. P2P technology such as BitTorrent can be used as the back-end for a legitimate download service, in such a manner that the consumer is unaware they are using a P2P service. This brings the benefits of P2P (accelerated content delivery, reduced stress on the service provider’s network), while still offering consumers a familiar front-end. This is a good strategy for content owners/service providers, with only one caveat - the ISPs may not take kindly to shouldering the distribution costs. Example of players offering these kinds of technologies include Kontiki and Arvato, and services utilising them include Sky by Broadband in the UK and Warner Bros’ In2Movies download service in Germany.

Business models: The main revenue source for most legal players will be paid downloads, although there are also possibilities to generate additional revenues from advertising and sponsorship deals. The current revenue split with content owners is thought to be similar to that for iTunes and other digital download services – with roughly 70% going to the licence holders. Therefore the difficulty is to create the business model where the peer-to-peer provider can make a profit.

White labelling services might also provide further revenue opportunities.

What role for public authorities?

33. While in some jurisdictions with large domestic media markets, individual industry players and associations are able to establish successful market niches without government direction, in most smaller jurisdictions such as emerging IPTV/digital countries, the development of a critical mass of IPTV/VoD players, audiences and successful transition into the digital world requires a partnership between all stakeholders, including national government and media and the telco industry and a clear vision of potential markets for development by domestic/European firms. Therefore, in the case of Europe as a whole, new content policy should build on existing strengths and opportunities as follows:

- focus on a relative few core content sectors within new media such as stimulating digital films' distribution and online education
- focus on bringing creative industries and technology players together, by supporting the telco role in content distribution and distribution via creative fiscal instruments such as symbolic but effective tax incentives
- build strong network providers and content delivery networks (CNM) manufactures linkages to lower cost production centers, especially in the emerging IPTV markets
- increase the industry's participation, via direct consultation between the European creative/content sector and telcos, and build telcos/new players outreach and customer acquisition. At the same time, this would result in a multiple/chain success impact reaction on both creative and telecommunication industries in Europe.

However, to prove all this, there should be future research taken at the EU level and our recommendation for potential projects include the following:

- Economic and regulatory impact analysis of EU/TVWF content extension on a)telcos b) content providers
- Benchmarking of key jurisdictions + Asia
- Evaluation of the current content regulatory environment/specific issues vis a vie each EU jurisdiction