FAEP Input to Commission Staff Working Paper on Strengthening the Competitiveness of the EU Publishing Sector

November 2005

Introduction

FAEP would like to reiterate its support for the creation of the Media Taskforce within DG Information Society and Media, and we welcome the move to seek the views of industry on the challenges faced in the publishing sector through the publication of this Staff Working Paper (SWP). FAEP hopes that this contribution will be found to be helpful.

As a general comment, we would question the overall tone of the paper that magazines must "go digital" or go bust. Our members are well aware of the opportunities and challenges that digital technology offers the magazine sector. But we do not accept the apparent premise in this SWP, and believe that innovation in the paper magazine world – if suitably supported by EU and national government policy – can continue to deliver consumers with innovative and exciting paper-based products, amply complemented where appropriate by new media offerings.

FAEP would therefore like to offer its own list of priorities for Commission action to boost the competitiveness of Europe's magazine industry:

- Distribution, in particular postal services, remains vital for all magazine businesses. Publishers are major clients of Postal Operators and alternative delivery services. We would therefore call upon the Commission to continue its work in facilitating the completion of liberalising the postal sector, but also request that it addresses in the short term specific issues related to international postal deliveries (quality of service, barriers to entry etc.);
- Member states need to agree on the VAT treatment of postal services, which can also be facilitated by the Commission;
- The Commission needs to keep the interests of publishers in mind when it considers legislation in the area of paper and chemicals;
- The Commission should drop the attempts to apply eco-labels to magazines;
- The Commission should not extend broadcasting regulation to the online world as this will hamper the efforts of publishers to develop the complementary digital products the SWP believes (exaggeratedly) to be necessary;
- The Commission should consider measures to boost copyright protection and piracy prevention, both in the online and offline domains;
- At a time of increasing competition between the different media sectors, the Commission should not introduce measures which would affect the freedom of commercial communications.

General Comments on the SWP

It would seem the main elements of the SWP are based largely on two studies, carried out for DG Enterprise in 2002 by Pira International (UK) and in 2003/2004 by Rightscom (UK) in collaboration with the Tuurku School of Economics (Finland) and commissioned by the former ICT Unit of DG Enterprise. The EU publishing associations expressed their concerns about these studies at that time. It should also be noted that the consultants themselves admitted that a lack of up-to-date statistical data was a problem in being able to make any meaningful diagnosis of the publishing sector today, we considered it rather too farseeing to base studies on such out-of-date data and at the same time to make statements and predictions about the future competitiveness of the sector.

In this sense, the SWP talks about the rapidly evolving digital economy and almost questions the publishing sector's ability to build business models necessary to exploit the online world.

Yet at the same time, the paper explicitly recognises that 2-3-4-5 year old data "*limits the usefulness…when assessing current trends and problems…for some countries the data is almost systematically not available*".

We would consider, therefore, that the paper cannot take into account the realities of the magazine publishing sector in 2005 and therefore cannot be used as a basis for examining possible future evolutions of the sector in the near future.

Further, more up-to-date analyses of the sector could be considered by the Commission in this respect.

Print versus Electronic

It would seem that the whole premise of the SWP (as based on the consultants' studies) presupposes that publishing **should be digital,** that it **should be electronic content** and that it **should be delivered online**.

To a certain degree, therefore, FAEP would consider many of the assertions made about publishers' participation in the digital economy to be missing the point.

It might appear that publishers are 'conservative' as regards the digital economy – but not so. Publishers are embracing the digital age. But the majority of readers still want to read their magazine content on paper.

For the time being, and with the possible exception of specialised and professional (SP/B2B) content, magazine publishers are embracing the digital world more as a complement to their printed product rather than as a replacement for it. By investing in databases and online versions of magazines, publishers are learning more and more about the interests and demands of their readers, and are, of course, reacting accordingly.

This may change with a generation or two, but the "product" so well enabled by Gutenberg has been with humanity for centuries - centuries which have seen many changes and almost

unimaginable innovation. But throughout all of this, our basic product has not changed: it remains written content delivered on paper.

Magazine publishers still see a strong demand from readers to read paper magazines at a kitchen table, on the bus or train, on the couch in front of the television, on a beach, in the office, rather than reading such content on a screen.

For example, Finland has among the most internet-proficient populace in the EU. Nonetheless, 90% of magazines in Finland are subscribed to by the reading public: meaning that 90% of magazines in Finland are delivered, by post, in paper form to Finnish readers, despite their devotion to digital technology and media.

As another example, in the UK, 2005 saw an 8% increase in subscription sales (i.e. readers receiving paper magazines, delivered by the post, rather than bought at newsstands). This increase in magazine subscribers is partly attributed to publishers' investment in online services for different magazine titles which make it easier for potential customers to order/subscribe online.

Even beyond general interest/consumer titles, magazine publishers involved in the B2B press and professional/specialised publishing do not yet predict the "death of paper". Certainly, this sector is increasingly moving to content delivery online and business models are adapting as quickly as the readers' demands. However, for the time being, a demand for such publications to be also available in paper form has not yet entirely receded.

Publishers throughout the EU are also reacting to a growing demand for "customer magazines", which is now a big business. In this sense, publishers are increasingly publishing magazines aimed at the customers of corporate clients of the publisher (airlines, retail companies, financial services companies etc.), all of which are on paper.

FAEP therefore considers it rather too premature to contemplate policy options now on a sector which is highly likely to continue – in the main – as a print medium, delivered on paper, for a generation to come. In the area of professional/specialised/B2B publishing, the market should be allowed to evolve, best followed by the publishers themselves, before policy options are considered.

What is competitiveness?

In a broader sense, the competitiveness of the publishing sector should not only be considered in terms of its ability to create wealth. Publishing is not only a sector producing goods and services. It is a sector creating ideas, informing, entertaining, engaging, and teaching.

The revised "Lisbon objectives" are not only about digital knowledge, but about fostering "knowledge" in general in Europe. The need to have an educated workforce, to migrate work from manufacturing to service industries and to be able to compete in a globalised world is not only tied to the ability of citizens to effectively use new media and communications tools. It is also necessary for citizens to be informed and to understand better the world of today.

RUE D'ARLON 15
B-1050 BRUSSELS
TEL: +32 (0)2 286 8094
FAX: +32 (0)2 286 80 95
EMAIL: DAVID.MAHON@FAEP.ORG
WEB: WWW.FAEP.ORG

In this respect, while the focus of the SWP is not (as stated on page 7) on the role of publishing as the watchdog of democracy and freedom of opinion and information, this merits much more than the passing reference to such values, in particular in light of the fact that paper makes reference to integrated media policy.

FAEP would therefore urge DG Information Society and Media to consider re-examining the analysis of our sector carried out by DG Enterprise in the past.
_____

SWP Consultation

As regards the specific questions posed in the SWP, FAEP has the following comments

Question 1: *Does this paper accurately describe the main indicators for competitiveness across different publishing segments?*

For the magazine publishing sector, the exercise of collating the data has been of some use to the sector by providing an overall picture of the different markets throughout the EU.

However, the data is too old to be definite and therefore it cannot accurately describe the competitiveness of the magazine publishing sector in Europe in 2005.

Further studies and analyses would be welcome in this respect.

Question 2: *Are there further issues you would add in respect of publishing, notably with regard to policy approaches set out in the Commission's i2010 communication?*

Unlike television or Internet, magazine publishing in Europe remains a largely European medium (national, regional and local). For example, there is no need for content quotas in the print world, as exists at national and EU level for television or radio. The majority of printed content is entirely national, regional or local, written by European journalists and published by European publishing companies. It is a medium entirely different in its make-up than the audiovisual medium in that it mainly involves reading text rather than looking at moving images.

While EU citizens might enjoy watching US or other audiovisual production, they do not ordinarily like reading US or other newspapers/magazines. They want local content directly relevant to them.

This should be considered a strong point of the European publishing sector, and policy approaches should be sensitive to this.

RUE D'ARLON 15
B-1050 BRUSSELS
TEL: +32 (0)2 286 8094
FAX: +32 (0)2 286 80 95
EMAIL: DAVID.MAHON@FAEP.ORG
WEB: WWW.FAEP.ORG

In addition to that, policy makers should be always aware that the periodical press is and should always remain an unlicensed media. This very specific character of the printed press is essential for the publishing sector and its role as a watchdog of democracy and guarantor of freedom of opinion and information. Therefore the publishing sector will always need to be considered separately from other media sectors when talking about policy approaches.

As regards the online world and the i2010 communication, actions and policies must be sensitive to the needs of publishers and their investments in the online world. Adequate copyright protection must be borne in mind. Policies should not hinder actual and possible investments in digital innovation.

Question 3: *Are current industry structures across all segments likely to survive the transition to electronic value chains? What are the major barriers and threats to publishers during the transition? What are the opportunities for publishers arising from new information and communications technologies?*

Why should industry structures be "likely **to survive** the transition to electronic value chains"? The periodical press remains mainly a paper-based medium and paper will not disappear as a major means of content delivery in the next years (again, with the exception of the professional/specialised/B2B sector).

Publishers continue to invest and innovate in online services, but for the present, such services and investment provide added-value to the paper content. Indeed, such innovation and investment allows publishers to better understand their readers' interests and demands.

Further investments in, and use of, databases, will allow publishers to react more directly to the specific requirements of individual readers and to deliver the content they seek. Similarly, publishers use magazine websites to better understand their readers' interests in, and interaction with, magazines. In this sense, websites act as good complements to the paper magazines themselves.

Major barriers and threats to publishers in the digital age would lie in being able to identify and respond to the different demands and capabilities of individual readers. The abilities and inclinations of different kinds of reader to embrace new technologies would need to be considered in this respect.

Other possible threats might be advertisers devoting more resources to Internet advertising, although research shows, and publishers still believe that advertisers will continue to realise the effectiveness of advertising in the periodical press and will continue therefore to do so. It might, however, be the case that a temporary shift to devote more advertising revenues to new media will affect the competitiveness of the periodical press in the short term.

Opportunities arising from new information and communication technologies, such as investment in databases and management/use of websites, allow publishers to fine-tune their

RUE D'ARLON 15
B-1050 BRUSSELS
TEL: +32 (0)2 286 8094
FAX: +32 (0)2 286 80 95
EMAIL: DAVID.MAHON@FAEP.ORG
WEB: WWW.FAEP.ORG

offerings to individual readers, and therefore improve the delivery of content to their readers and subscribers.

The current market development shows that the overall circulation of magazines increases slightly, while there is a remarkable increase of magazine titles. This indicates that there are more and more magazines out there, targeting a specific readership by discovering new niches. In this sense, the magazine publishing sector is very dynamic.

Question 4: *How will business models evolve and how far will Digital Rights Management systems be essential for their successful implementation?*

It is not possible to say how business models will evolve. Individual magazine publishing companies will each have their own business plans for involvement in the online world, which will differ from country to country, from title to title and from target-audience to target-audience.

Effective DRM systems will be important to enable publishers to return profits from their online investments. They will also be important to fend of content theft and misuse.

Question 5: *How far is there tension between the need for open outcomes in economic terms in a time of rapid technological change and the political desire to support democratic values including diversity?*

There is no, and should never be, any tension between the need for open outcomes in economic terms at a time of technological change and a political desire to support democratic values including diversity.

The **desire** to support democratic values including diversity should be more linked to a human and social need, rather than a political one.

EU (and national) policies therefore, must be very attentive to these factors. To nourish diversity and pluralism, the periodical press must be able to operate under conditions which do not hinder the creation and provision of content. Regulation must not therefore act to suppress revenues necessary to maintain editorial independence. Policies should be strengthened which encourage an unfettered provision of the periodical press to the reading public (through efficient and affordable distribution). Policies must not place additional burdens on publishers to create and print time-sensitive content on paper. Policies must not have the effects of discouraging the periodical press from innovating and investing in online services.

As long as content is freely available, as long as the freedom of thought and expression are corner-stones of European values, as long as the printed press remains a free medium in Europe, as long as policies do not hinder all these factors and as long as the diversity of demand from citizens are maintained there should be no tension as mentioned above.

RUE D'ARLON 15
B-1050 BRUSSELS
TEL: +32 (0)2 286 8094
FAX: +32 (0)2 286 80 95
EMAIL: DAVID.MAHON@FAEP.ORG
WEB: WWW.FAEP.ORG

Question 6: *How far is diversity of content and ownership likely to be self-sustaining in fully electronic markets, given for instance lower entry barriers to citizens' direct participation (eg blogs)?*

We would, once again, question the use of the term "fully electronic markets". In terms of medium-term competitiveness, the magazine publishing sector will not be operating in a fully electronic market.

The periodical press is so vast in its diversity simply because there is a demand for such a huge choice of different content. Unless the nature of humans changes in this respect, magazine publishers consider that the supply of, and demand for, such a vast choice of content will continue, regardless of who owns the different media.

As long as citizens wish to inform and entertain themselves through trusted and respected sources, close to their own individual interests, diversity of content and ownership will continue to be self-sustaining, despite new forms of content such as blogs.

Question 7: *In converging markets, from the perspective of publishing, what approaches would you suggest for co-existence between the two different traditions of regulated, licensed broadcast media and unlicensed press?*

The unlicensed press should remain unlicensed in perpetuity. The written press online should not be considered any differently to the written press on paper. Even in converged markets, the style of content available to the consumer will be different: audiovisual content will remain different to written content, even when both forms of content are inter-mixed.

In this respect, policy makers should remain always aware of the fundamental differences between the different forms of content available to consumers.

Previous attempts to license (or otherwise control or exert influence over) the printed press have only ever had unpleasant results for a free society.

Question 8: *In relation to advertising regulation, what are your reasoned preferences in relation to different instruments available, voluntary self-regulation, co-regulation and statute law?*

The media are key elements of proper functioning advertising self-regulation systems. In this sense, advertising SR involves all concerned partners (unlike SR in the financial services, construction, travel industries etc.): the advertisers, the advertising agencies and the media in its operation and the public at large in its functionality.

Advertising self-regulation is the most effective way of ensuring that advertising is fair, as it is perfectly adjusted to the needs of the participating sectors. As long as all relevant parties are

Rue d'Arlon 15
B-1050 Brussels
Tel: +32 (0)2 286 8094
Fax: +32 (0)2 286 80 95
Email: david.mahon@faep.org
Web: www.faep.org

committed to it, advertising self-regulation has been shown to be the most effective way of ensuring good quality advertising and in addressing consumers' concerns.

Self-regulation is flexible in that the parties concerned can agree necessary changes to rules and codes in reaction to societal developments and public policy concerns.

There is no fixed definition of "co-regulation". However, as understood by FAEP it is a system whereby regulators retain ultimate control over a sector, but require the sector itself to invest in and administer the rules. In this sense, it removes the incentive of a sector to properly invest in and adhere to rules and codes which are ultimately outside the sector's control. It is not an attractive alternative to self-regulation.

Statue law lacks the flexibility of self-regulation and creates additional burdens on the operations of responsible business sectors. Indeed, in the area of advertising, statue law can often be considered as an ineffective means of achieving its objectives.

Question 9: *From the perspective of publishing, what are the main issues that an integrated media policy – i.e. one that covers all media sectors – should address?*

An integrated media policy is highly undesirable. The very notion indicates some kind of desire for control over all media channels. For the foreseeable future, the differences between the diverse media sectors will remain very tangible. Audiovisual content (moving pictures) may find new ways of delivery, just as written content (written text) will find new ways of delivery. Nonetheless, the type of content is entirely different.

Policy makers must therefore continue to recognise the fundamental differences between the different media and not confuse content delivery issues with the type of content itself.

In the media sector, policy makers should only consider reactive measures, rather than proactive ones – i.e. interference in the operations of the media must be considered with the greatest of caution and must only be considered if major public policy issues are brought to light, rather than before any such potential issues manifest themselves.

Fédération Européenne d'Éditeurs de Périodiques
European Federation of Magazine Publishers
Europäischer Verband der Zeitschriftenverleger

The **European Federation of Magazine Publishers (FAEP)** is a non-profit organization representing the interests of the national associations of periodical press publishers and corporate publishing members in Europe.

FAEP's **mission** is "to promote and protect the interests of publishers of the periodical press within the European Union thus ensuring the long-term survival and prosperity of a plural, diverse and economically successful magazine publishing industry in the EU".

Over **15.000 publishers** throughout Europe (the vast majority being Small and Medium Sized Enterprises) publishing over **50.000 magazine titles** in Europe, reaching on average **80% of European adults**. 300 million Europeans read magazines on a regular, consistent basis. And this is reflected by the fact that more than **20 billion copies** of magazines are sold every year in Europe.

With combined annual **revenues in excess of €40 billion**, European magazine publishers **employ more than 300.000 EU citizens** and a multiple of that figure is involved in the related advertising, distribution, printing, design and paper manufacturing industries