



Fédération des Editeurs Européens
Federation of European Publishers

Commission Staff Working Paper Strengthening the Competitiveness of the EU Publishing Sector

FEP Response to the Public Consultation

FEP welcomes the opportunity given by the Task Force for Co-ordination of Media Affairs of DG Information Society of the European Commission to comment the above mentioned Staff Working Paper (the Paper). FEP looks forward to pursue the debate with officials of the European Commission and Commissioner Viviane Reding during the Forum jointly organised by Brussels based publishers associations and the European Commission on 6th December 2005.

FEP would like to make a very preliminary comment on the Paper. DG Enterprise prepared this before the current Commission took office in 2004. It is based on a snapshot of 2001. Because it loses one of the most dynamic periods of development in digital publishing, it reflects the view that digital is print simply transferred into an electronic format, which misses the point of the evolution, the speed of technological development, new business models etc which have moved a very long way since 2001.

FEP also wants to stress that we miss a European-wide definition of the book. Indeed, the current book publishing industry suffers from a considerable handicap, which is the definition of the "book" itself. Traditionally, it has been defined by its medium (or hardware), the paper, not by its content (or software). That definition implies that new book hardware like digital CD ROMs or electronic-books do not legally exist under European law, because it does not recognize them as such. The e-book is considered a service provision that pays taxes outside the rest of the publishing products creating an independent business line. Our competitiveness rates would improve if adequate legal changes would include these new products in a broader definition of book. Thus, they would be better protected and less discriminated.

FEP would also like to insist that we miss strengthening policies outside EU idiomatic areas. The Paper often refers to the strong export capacity of the EU book publishing industry. In fact, books - 49.01 nomenclature code (NC) - contribute to the European balance of payments with a considerable trade surplus. The Paper considers that the main causes of that surplus are linked to the strength of EU languages abroad like English, Spanish, French or German. Notwithstanding, the Paper does not mention any measure or policy aiming to expand that competitive advantage outside the EU idiomatic areas. A big deal of the European competitiveness strength is and will be linked to our expansion within those foreign markets. In this regard, the cases of English and Spanish seem to be paradigmatic.



FEP welcomes the principle that '*publishing is a priority for this Directorate General newly created task force on coordination of media affairs. The competitiveness of EU publishing will remain a strategic media policy objective*'. This is a crucial political statement if only because of the economic importance of the European publishing industries (http://europa.eu.int/comm/internal_market/copyright/docs/studies/etd2002b53001e34_en.pdf) representing 1.07 % of the Gross National Products of the EU

As a direct consequence of the economical importance of our industry, we plead that any further consideration should be based on updated information which FEP might be able to produce for the sector it represents. If the analysis is not based on recent figures and data, the European institutions risk basing their policies on incomplete information and create further barriers rather than improve business conditions.

FEP wants to share with the Commission a schema (see Annex 1) of the various processes involved in electronic book and journal publishing at this date. This amply demonstrates the complexities of the new models.

In summary, FEP welcomes the increased attention from the European Commission on the strategic European publishing industry. European publishers would like to emphasise that it is crucial that EU policies encourage sustainable business models with in turn will act as an incentive to create and disseminate EU creative content. The European publishing industry needs legal certainty to be able to pursue investments in making available culture, education and information to the benefit of society as a whole.

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

Precisely, one of the main shortcomings of this Paper lies in its belief that EU publishing could function as one and unique industry even if the Paper concedes that publishing is heterogeneous, and that it is difficult to get a coherent picture across books, newspapers, magazines etc.

From FEP standpoint, even book publishing in the European Union does not represent a unique industry. Indeed, the book and journal (scientific publications) sector in Europe covers a wide variation due to differences in publishing segments (textbooks, trade books, etc.), language markets, population size, culture, etc. and any attempt to confine a description to a common denominator format is misleading. The French children's book market has nothing or very little in common with the Slovenian textbook market, etc.

Furthermore FEP wants to reiterate the comments it made when Rightscom (Publishing *Market Watch: Sectoral Report 2: Book Publishing*) presented its report in September 2004 concerning journals. Indeed, publishers who publish academic journals, regularly, if not always, also publish books in the same fields of knowledge and science, and therefore, we consider it an oddity to have a combined category for magazines and journals, which only have periodicity in common. For the sake of completeness, FEP statistics reports on educational or schools publishing represents 16% of industry output; academic, business and professional publishing represents 26.2% of output and consumer (trade) publishing (including children's) represents 58%.

Academic journals are at the very cutting edge of access and product technology and are already producing the business models of the Knowledge Economy, which are spreading across the sector. In the context of Lisbon and the so-called Knowledge Economy, it is therefore essential to properly identify this sector.

Relating to the definition of scope: FEP considers that the new definitions of the publishing industry in the future NACE statistics should be supported but as it was stated in a FEP resolution adopted unanimously in 2005 (see Annex 2) the Office of National Statistics should continue collecting the data at a detailed level to the benefits of improving understanding of the trade. It might be useful to retain the existing PRODCOM subject headings (like in the UK). It wants to stress that one of the difficulties in our field is the overwhelming number of SMEs in publishing and this even within large publishing groups. Publishing is by definition a matter of small, specialised editorial teams even within larger publishing groups which share administrative and service functions but not the core editorial process. Due to their structure and sometimes their geographical situation, small publishers sometimes seem to experience specific difficulties, notably in the field of distribution, book promotion, database registration, access to finance and some lack of training in many cases; and their demand for help seems to be growing. The liquidation of a couple of distributors of small publishers last year raised concerns about the conditions of distribution for small publishers as well as their training, which needs to be strengthened. This was stressed at the Conference organised by the Luxembourg Presidency in April 2005 on the necessity for the European Commission to support EU non-audiovisual cultural industries as it does with its audiovisual industries in the programme MEDIA.

Concerning competitiveness, the concepts of labour productivity, specialisation and trade openness are commonly used as a measurement of macro-economic competitiveness for a given industry sector or a country. However, concerning book publishing, the Paper acknowledges that one of the major obstacles is linguistic diversity. FEP believes that the concept of labour productivity especially is more adapted to



manufacturing sectors. In addition, the jobs required in the book-publishing sector are highly qualified ones and will be different according to the different segments of book publishing. It is a misconception of our trade to say that book publishers usually maintain a small number of editorial staff who evaluate manuscripts and then purchase the rights to them from authors. Publishers' added value to content creation has to be properly recognised as the role of publishers goes far beyond the selection and purchasing of manuscripts, it deals also with editing, advising, referencing, marketing, etc.

Concerning content acquisition costs, even if some remuneration (and not compensation as the Paper mentions it) is based on sales' levels (royalties, the fixed costs of acquiring illustration and visual information and to pay for the editors, associated with the growing usage of paying in advance royalties (before having sold any book), contradict the idea that the costs in acquiring content are relatively low.

Another factor of competitiveness affecting book publishing is the number of titles, which has almost doubled in a decade without equivalent increase in turnover. This in turn means that costs are under pressure. This also means that a sustainable demand for many different books exists. It should be recalled that in order to stimulate demand for books, these books need to be available in the widest number of retail outlets. Therefore, it is necessary that the print run of books is higher than the actual sales.

Referring to linguistic diversity, FEP would like to stress that despite having a market reading in the 21 official languages of the European Union as well as in the many regional languages, European book publishing is very competitive to US publishing, with one widely spoken language across the whole country, having similar level of publishers' revenues (2004 - total of \$23.72 billion). Furthermore, it is worth stressing that some of the largest US publishers such as Random House belonging to European groups like Bertelsmann.

It needs to be repeated that book publishing is the largest cultural industry in Europe far ahead of the European audiovisual and European music sectors Publishing represents 1.07 % of GDP of the EU compared to for instance 0.41% by the Radio/TV/Film/Video and 0.06% by the music industry (http://europa.eu.int/comm/internal_market/copyright/docs/studies/etd2002b53001e34_en.pdf). Yet it is the one, which is often understated by European institutions, and whose influence on society, especially as a special instrument to fight illiteracy, is ill recognised by European institutions. With the newly created taskforce, publishers have hopes that their role in the economy and in society as a whole will be better recognised.

Currently, FEP considers that a major reason for the failure of the Lisbon agenda is that public investments and policies generally have neglected the necessity to focus on the kinds of knowledge needed for the EU publishing to compete at the world level. Instead, for example the limited available public funds have been primarily directed at connectivity and hardware tools to access the Internet. And yet, It is creative content provided, amongst others by publishers, which people are looking for when they are connecting to the internet, activating their broadband connection or switching on their 3G mobile phone 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.



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

FEP as a member of the Creative and Media Business Alliance (CMBA) has reviewed the Commission's i2010 communication and has commented on this initiative (see annex 3). FEP is currently preparing a response to the Communication on digital libraries. It is important that the Commission supports publishers' business models and does not compete with them. For example, the Commission could also consider financially contributing to publishers' training for the digitisation of books or the adoption of appropriate standards for long-term preservation.

It is vital that the Commission recognizes that any change that is under even preliminary discussion must be subject to a rigorous regulatory and economic Impact Assessment. If issues are dealt with prematurely and out of the global context of world competition, our competitiveness will progressively be reduced. Therefore FEP calls for:

- Respecting copyright and promoting fair licensing conditions to improve access. FEP welcomes the positive tone in the Paper concerning copyright. Concerning the Community *sui generis* right of the databases, FEP considers that there is no real and justified need to introduce changes to the directive and that any attempt to modify the current system must be accompanied by an improved and coherent system to protect databases Europe-wide. Concerning collective management of rights, FEP recalls that in the publishing sector it is generally managed on an individual and contractual basis. On digital piracy whether on a commercial scale or having a similar effect on business models, it is a serious threat for publishers' sustainability in the digital environment, which must be curbed through a high level effective IPR protection framework and effective enforcement measures. Thus, the need of well-designed Intellectual Property laws that would maintain, not reduce, IP protection standards in regards to, for instance, databases or the reduction of exceptions, among others. In other words, there is a need to advocate for just the opposite direction than seems to be backed by the European Commission. The Commission seems to prefer to achieve the "information society" goals by putting first the container, sacrificing the content. So, the following question arises: what would happen to the container without the content ?
- Promoting a digital agenda, which better recognises the value of European content, especially books and the added value of publishers in this context. For example, the debate on value added tax (VAT) should bear in mind the discrimination between paper and digital copies of a similar publication. See also our comments on the definition of the book.
- Assessing policies on their impact on cultural diversity, as stipulated in article 151.4 of EU Treaty. Books are clearly a crucial element of any cultural policy and therefore, FEP requests for independent examination of the book sector, independent from newspapers and magazines sub-sectors. Avoiding over-regulating or adding barriers to the trade (for example, the eco-label on printed publications). There is currently a draft proposal for an ecolabel for printed paper products before the European Commission, the voting is foreseen to take place at the Committee meeting in December 2005. Publishers recognise and support the value of recycling and eco-label, however, they object to adding an extra hurdle for printed products for which there are no substitute. In the case of books, particularly educational ones, it is the content, not so much the packaging, which is bought. If the ecolabel gets taken for an indication of the sustainability of the content, censorship could be imagined. We do not think it is the role of the European



Commission to compete with national ecolabels (like for instance, the Nordic Swan or the German Blue Angel), nor should there be a competition between recent decisions on sustainability of products and specifications on ecolabels, which go much further. A price increase for books because of excessive demands on the printer because of the ecolabel would severely burden the market, which is now already difficult.

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?

It needs to be restated that at least for a foreseeable future, a large number of books will remain printed on paper and that it is extremely difficult to preview if, when and how all segments of publishing will shift to electronic.

This being said, European book and journal publishing industry is facing the huge challenges ranging from designing new business models, the protection of investments, to establishing metadata and description standards for truly interoperable content. Without an appropriate response from our sector and relevant support by the national and European institutions, the Lisbon process is unlikely to advance significantly.

And as we said earlier, when it comes to “transition” and “survival”, we must not forget that the “electronic value chain” in the publishing industry has yet to emerge. The vast majority of the sustainable and established book publishing industry continues to be based on paper output. In contrast, the transition to electronic value chains has been quite dramatic in one publishing segment: publishing of any type of “look-up” information (eg academic journals, text and reference works). The vast majority of academic journals appear now in e-format (adding powerful functionalities to paper) and for several of them there is no paper counterpart. The transition to electronic value chains has also prompted experimentation and evolution of new business models, eg licensing as opposed to subscriptions, e-delivery of individual articles or chapters of monographs, as opposed to whole journal issues and works. The new business models seek to take advantage of a unique economic characteristic of e-publishing (large upfront fixed costs and near zero variable (dissemination) costs. In the case of journal publishing this has in certain cases even led to a complete reversal from “reader (or his institute) pays” to “author (or his institute) pays”. Time will tell to what extent and possibly in what sub-segments of academic publishing a complete charge reversal may be implemented in a successful and sustainable way. . Of course, books tend to be increasingly sold online. But so far, ebooks have generally failed to find an audience. For a simple reason: paper book is simply cheaper, and very convenient to read, to store.

The question is not about switching from paper to digital, having in mind that some publishing businesses have already done it and produce paper books from digital contents and digital inputs. The question is about moving forward to re-think the publishing trade in the digital age where publishing must be multi-format and content must be quickly reusable and adaptable from one format to another. Contents must also be searchable and indexed with interoperable tools and repositories or brokerage systems. Appropriate metadata and culturally or language-independent description methods must be developed by the industry with the help of the most competitive research labs under EU content and partnerships projects.



Returning to the question number 2, one of the threats for publishers in this digital age is the envisaged public policy direction that would consist of transforming established and well functioning copyright rules and/or fund contents produced at hidden costs. Not that the publishing industry is fearing free content as long as it is created and funded under fair competition rules, but publishers are now threatened by new ideas that some traditionally paid-for, editorial and value –added contents governed by licensing conditions should be free because of its educational and cultural values.

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

FEP trusts that paper (and sales of books as tangible goods) will still remain the main format and business model for books targeted at the general public, especially in the trade publishing sector (fiction and non fiction), except in some special cases where more partnerships such as EU AIN (see documents enclosed) needs to be encouraged to address e-accessibility issues for people suffering a vision handicap or some forms of print impairments.

For journal publishing, Internet publications represent increasingly means of providing the information to their clients. The case for open access models is overlooking the core of the editorial process such as selection and peer review mechanism. This cannot be done at any cost and requires specific skills that cannot be automated.

While in some sectors DRMs (Digital Rights Management) have become confused with TPMs (Technical Protection Measures) with the negative connotations that arise, Book and Journal publishers see DRMs as a publisher / customer facilitating medium and not a means of 'blocking' access. DRMs will enable business models, allowing the customer to receive the exact information he/she wishes at a fair price. Prior findings of some research undertaken by publishers and University researchers (ORMEE – Presentation of the results on 24th November, Annex 4) tend to prove that when dealing with 'communities' such as schools, trust is the main component of the relation between stakeholders.

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

(If we understand properly the question) to protect and promote European book and journal publishing sector it is crucial to support EU democratic values including diversity. Protecting the investment of publishers will drive further investment thus creating a dynamic favouring cultural and linguistic diversity.

This could be achieved by assessing policies on their impact on cultural diversity, as stipulated in article 151.4 of EU Treaty and by creating funding programs dedicated to publishers, who represent the only sector with music which production is still deprived of EU funding.

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)?

Vanity publishing has always existed and will always exist. And blogs will not threaten EU publishing sector, to the contrary.



Publishers' added value in selecting content will be more important than ever to allow consumers to find valuable, certified, trustful content on the net.

The real threat for publishers comes from competition distortion by public policies allowing for content development at hidden costs or worse, funding such developments as a substitute for appropriate licensing.

CONCLUSIONS

It is very important for the European Commission to identify means to strengthen even further the EU publishing industry. In light of such a statement, we welcome the increased attention and support from the European Commission and look forward to present our views on how to better disseminate information, education and culture through sustainable business models, to the Commission during the Forum on 6th December 2005.