REUTERS

Comments on European Commission paper "*Strengthening the Competitiveness of the EU Publishing Sector: The Role of Media Policy*"

Reuters is grateful for the opportunity to comment on the above paper.

Introduction to Reuters

Reuters, a UK-listed company, is a global leader in the provision and publishing of news and information to the world's financial and media markets.

Reuters has over 2,300 editorial staff around the world that between them produce more than eight million words in 19 languages every day. In addition to its own content, Reuters aggregates under licence third party data such as prices from stock and commodities exchanges, broker research, announcements from listed companies, and news from third parties. All this information is aggregated into dynamic content packages delivered in realtime.

The only media company to be ranked in the top 100 firms by Interbrand's 2005 Best Global Brand Survey, Reuters is a truly global publisher and provider of news and information data.

General comments

Before answering the detailed questions set out in the paper, we would like to make the following additional points:

- *The importance of online publishing*

  Reuters disagrees with the Communication's comments on page 4 of the executive summary:

  > *"Although publishing has a greater than average take-up of ICT inside companies, electronic delivery is still in the early stages of experimentation. No definite business models exist for online distribution yet in the principal publishing sectors*".

  Reuters has been at the forefront of providing information electronically, both direct to the public through its own websites, and through online services to financial services and media clients. Reuters first electronic information services were introduced in the 1960s and have been the factor in our transformation from a conventional news agency to a world class online content company.

- *Providing EU publishers with a globally competitive regulatory regime*

  (i) Liability of content aggregators

  The leading online market is the United States. Content aggregation is becoming more and more common amongst online publishers, as no single company is likely to have all the content required to produce a marketable content package. The UK is home to some of the world's leading publishers, many of whom also produce their own material online as well as aggregate content from third parties. The EU must therefore ensure that the growing trend in content aggregation is supported by a favourable regulatory regime. The United States, under the Communications Decency Act and the law cases that followed it, has established that content aggregators have no liability for third party they aggregate until aware of its presence on their services. Unfortunately, the EU's E-Commerce Directive does not provide similar protection for European aggregators. Reuters therefore calls on the EU to align its liability regime for online content aggregators with that in the United States. The practical limitations on real-time content aggregators like Reuters in vetting content can be identical to those of ISPs. The liability regimes need to be aligned, as they are in the United States.

  (ii) Regulation of online content

  Reuters believes there is a need to take into account with this Communication other legislative measures such as the revision of the TV Without Frontiers Directive. It is important that the EU's rules for public broadcasters are not extended to online media services, for example electronic versions of

newspapers. This will ensure that the publishing and media sectors are not overburdened with excessive regulation and that European online publishers are not disadvantaged *vis-à-vis* their U.S.-based competitors.

In addition, Reuters believes that the Commission's approaches as regards the Recommendation on the protection of minors and human dignity and the right of reply in relation to the competitiveness of the European audiovisual and information services industry need further consideration to assess the impact on the publishing sector. The Commission may have underestimated the practical difficulties for online media of adopting such a right of reply and there needs to be greater analysis of impacts before this work can be progressed.

(iii) Protecting the right to report news

Reuters would welcome the European Union intervening to establish a cross-media short news reporting right where entertainment rights in major public events are acquired exclusively. Although this issue has been most apparent in the area of television news, it is beginning to affect the availability of news to other media.

- *Impact of telecoms costs on content distribution*

  We would question the assertion on page 20 of the Commission paper that "e*lectronic delivery channels introduce an important change in cost structure, as distribution costs are near-zero".* In fact telecoms costs for Reuters are the second highest costs after employee costs. Therefore the need for European telecommunications markets to be competitive internationally is paramount. There are already signs that Europe's cost advantage over Asian countries is declining, and some Asian centres are already more price competitive than Europe in their telecommunications markets.

- *Protecting IPRs*

  Reuters supports the paper's focus on innovation and welcomes the attention paid to ensuring that an adequate copyright protection regime is in place for digital content. We welcome, for example, the emphasis paid by DG Trade (and USTR) in pressing third countries to pay greater attention to protecting IPRs.

  However, we are becoming concerned that other parts of the European Commission may be pressing for the European Union to reduce IPR protections. The reports that the European Commission was on the point of proposing to abandon the Database Directive was particularly concerning to Reuters, a producer of the kinds of databases that the Database Directive is designed to protect.

Detailed questions

Reuters would like to make the following responses to the Commission's questions:

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

and

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?

As highlighted above Reuters believes that the Commission paper does not adequately reflect the importance of online publishing.

In addition, Reuters agrees with comments by the European Publishers Council that some of the problems faced by the European publishing industry have not been sufficiently addressed due to limitations in the data used for the Communication.

Defining the publishing sector on the basis of the NACE classification referred to on page 8 ("*publishing includes the publishing of books, newspapers, magazines and journals, sound recordings as well as other publishing, such as photos, timetables, posters etc"*) is too narrow because it excludes a large number of other content generators

Furthermore, we question whether the paper captures the true value of publishing to the EU. For example, Table A1 in Annex 1 describes the "production value" of the UK publishing sector as 28,868.6 million euros. This strikes us as undervalued. By itself, Reuters reported 2004 revenues of 3,500 euros. We suspect the Commission definition of "production value" needs to be more widely encompassing.

Finally, the paper needs to pay greater attention to the international importance of EU publishing. At Paragraph 3.3 the paper claims "*national publishing industries in the EU are not very exposed to competition from abroad, nor are they strongly export oriented"*. Reuters and a number of other leading European online publishers operate globally with great success in competitive international conditions. One wonders how this apparent misconception has arisen?

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 communication technologies?*

As publishers move towards online services and the digital transmission and dissemination of data, it is increasingly inappropriate to continue to subject them to rules that were designed for the print media.

For example, reporting restrictions on newsworthy criminal cases under UK contempt of court laws are no longer suitable for UK based international online publishers like Reuters. It would be easier to prevent jurors from searching online material relating to cases instead of imposing onerous obligations on online publishers. The impact of UK policy in this area can be disproportionate since the impact is universal, for example online media reporting a UK criminal case concerning (say) an Italian defendant would not be able to report fully the trial for subscribers in Italy or elsewhere because the same content would also be available in the UK where its reporting would be in breach of the UK contempt of court rules. This is disproportionate and in our opinion in breach of the European Convention on Human Rights to the extent that it deprives all European citizens of receiving information merely to "ring fence" twelve jurors in the UK. The same effect can be achieved more proportionately by ensuring that the twelve jurors do not carry out online research during the course of a trial.

4) *How will business models evolve and how far will digital rights management systems be essential for their successful implementation?*

Reuters believes that digital rights management systems are evolving and are gaining in importance, but are less relevant for news content, which is often of ephemeral interest, than for "evergreen" content. Nevertheless, DRM technologies offer a useful means to track content use. Reuters has a certain interest in DRM, for example in watermarking video footage to assess use by broadcasters, and phasing the release of investment research reports.

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

Reuters is a major wholesaler of objective news and other information to other media that then place their own interpretations (or "spin") on the information they receive. In performing this wholesaling role, we regard ourselves as one important pillar of media diversity in Europe and elsewhere. This explains why Reuters has pressed so hard over a long period for the creation of a short news extracts right. If not only entertainment, but also news coverage, is capable of being monopolised, diversity will be under threat.

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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 (blogs?)*

We have no comments.

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?*

It is important that the press is subject to self-regulation and not subjected to unnecessary regulatory and inappropriate regulation designed for others. We support an approach based on a "principal purpose" test, so that online media will not become subject to broadcast regulation, even when they incorporate video in their services, provided that the video is incidental, and not the principal purpose, of the service.

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

We have no comments.

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?*

We have no comments.

Reuters hopes that these responses are helpful and would be pleased to provide additional information or clarifications as necessary.

Jenny Camaradou
Government & Regulatory Affairs
Reuters Group PLC

The Reuters Building, South Colonnade, Canary Wharf, London E14 5EP
T: +44 20 7542 8615 E: jenny.camaradou@reuters.com

November 2005