

# EU Media Futures Forum

## Fast-forward Europe 8 solutions to thrive in the digital world

Report for European Commission Vice-President Neelie Kroes  
Executive summary

We, the Media Futures Forum, composed of 28 personalities from a wide range of sectors and acting in their personal capacity (from publishers, audiovisual producers to new media), have been tasked by European Commission Vice-President Neelie Kroes to analyse the future of the media in Europe against the background of the current economic crisis and the Internet revolution. We were asked to make practical recommendations to ensure that Europe takes full advantage of its potential. These sectors are critical for media pluralism and democracy, values on which the European Union is founded. They are also **critical for economic growth and job creation**; the media industry in Europe employs more than 10 million people in the EU, and if we put in place the right conditions, it can create many more jobs.

We come from different sectors so our interests do not always coincide. We have different business models and, in many cases, we compete with each other. So it should come as no surprise that we did not agree on everything. But **we did agree that the media and content industry should have the interests of the consumers at the centre of its activities. We also agreed that the cake can become a lot bigger and that we are all better off with a smaller piece of a much bigger cake than with a larger piece of a small cake.**

This is our report. It consists of this short executive summary with a set of eight recommendations, and a longer report underpinning our analysis.

### Our first message: Europe, wake up!

Change, fuelled by the Internet and convergence, is happening at lightning speed, and sadly, we have to admit that Europe is not leading the change, but undergoing it.

Over a relatively short period of time, the Internet has become a vital medium of economic and social activity: for doing business, producing, working, playing, learning, communicating and expressing ourselves freely. It is changing, among many others, the way we deliver healthcare, financial services, transport and energy solutions. It means new media opportunities, as the Internet revolution allows people to enjoy seamlessly content and applications anytime, anywhere and from any device. Part of the media industry (notably press, publishing, music) has already been affected in a major way, but change will very soon affect all of our activities as connected TV and cloud computing go mainstream. This revolution also means "convergence", blurring traditional boundaries between IT, communication and media worlds. Players across the value-chain, from those who produce content to those who distribute it to those who make ICT equipment, find new opportunities and new challenges.

The digital economy has thus become a major source of growth and innovation that has allowed us to gain up to 8 per cent of EU GDP in 10 years, but other parts of the world are gaining more. We also know that Europe could gain another 4 per cent of GDP by achieving

and stimulating its Digital Single Market by 2020<sup>1</sup>. In times like these, Europe needs all the growth it can get.

Some of the companies we work for are international players with activities spanning different continents. Others are important European, national or regional players. Overall, however, few European companies are amongst global leaders. Worse still, in areas where we have been successful until recently, like in mobile telecommunication and network equipment, we are now facing fierce competition and our lead is eroding. New industrial players and new parts of the world are emerging in strength, and often leapfrogging over those long established in the business.

There are many new media and content players emerging in Europe, more than 400 in video-on-demand alone, but because of market fragmentation and lack of capital only very few of them grow into large companies that can compete successfully in a global market. For more European companies to seize the opportunities, we need a framework that enables, not one that is holding us back. Compare Netflix, the US on-demand video streaming service, with Spotify, a Swedish music streaming company. Both started their online activities in 2008. Netflix, drawing strength from a large US market, is expanding fast around the globe. Spotify is also beginning to enjoy global success: but still can't benefit from European economies of scale, as it is still only available in 11 EU Member States.

### Is Europe ready to become a world-leader in the global revolution?

Overall, we are optimistic that the European media sector can thrive in a digital world. Our cultural diversity and creativity are important assets. The situation is different depending on the segment of the digital value chain in which providers operate, but we are all part of one eco-system, so we all have an interest in each other's success. Global competition is fierce and new powerful players are entering the European market.

Europe's success, which we all believe in, will depend on industry and policy makers' capacity to adjust quickly to the digital age. It will depend on our capacity to innovate, pioneer and embrace new business models instead of clinging to old ways of thinking. It will depend on our capacity to offer European citizens, wherever they are, the services, applications or content they want and deserve. It will depend on our capacity to catch up with other parts of the world, which are rapidly racing ahead of us, and gain corresponding benefits.

**With this statement and policy recommendations, we, members of the Forum, issue a wake-up call to our political and economic leaders that unless we act - and do so urgently - Europe will not (or no longer) be a lead player in the digital economy of tomorrow.**

### Eight bottlenecks - eight solutions:

We have mapped out 8 key bottlenecks that have to be addressed if we are to succeed. **We offer both a vision and a roadmap. The proposed solutions are clear and actionable, but they are not a menu from which you can pick the ones that are easy and forget the ones that are hard: they are all needed.** Many of the proposed solutions have been tried and tested in Member States and/or in other parts of the world, and shown to work. **All it takes now is a concerted effort from all stakeholders** - the media content industry, creators, collecting societies and right holders, Member States and the European institutions, to implement this vision and the corresponding roadmap. We either rise to the occasion or accept Europe's media sector's gradual but steady decline.

That's the choice.

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<sup>1</sup> Figures from "The economic impact of a European Digital Single Market" by Copenhagen Economics, March 2010, commissioned by the European Policy Centre (EPC)

1. After 20 years of single market, it is still much easier to move boxes than digital goods across borders. We deny ourselves one of our greatest assets. We can't succeed in this competitive environment with one arm tied behind our back.

#### **Solution 1: Turn Europe into a Digital Single Market by 2015**

We, the Media Forum, call for a true digital single market by 2015, and for the removal of obstacles resulting from diverging rules and practices at national level in areas ranging from protection of personal data, consumer rights, taxation, mobile payments and from a lack of an integrated postal and delivery market.

The freedom to contract remains of the essence. Offline and online VAT should be aligned to incentivise creation of quality content; and because of the important role media and the press play in our democratic European societies such alignment should be at the lower rate.

Some of us take the view that the copyrights framework should be updated with a view to simplifying licensing (particularly for music), harmonising exceptions and promoting common interpretations, whilst others argue that the copyright framework is not an impediment. Some call for aligning release windows<sup>2</sup> for new productions to promote pan-European services, others however disagree.

2. The Internet world offers vast new business opportunities generating growth and jobs. Many of them rely on the possibility of using personal data. In Europe, we care deeply about the protection of personal data. But we believe there are ways to protect personal data and promote consumer benefits, whilst enabling Europe's Internet sector to grow.

#### **Solution 2: Promote new business models**

We, the Media Forum, call for one set of rules for the processing of personal data across the EU which give individuals control over their data. However, we believe that new business models can be developed on the basis of appropriate information, transparency, choice and user friendly approaches which safeguard privacy whilst delivering important consumer benefits.

3. We believe strongly in innovation and new business models. But business can only continue to produce content if the reward is fairly shared between the players of the value chain (e.g. artists, media companies, and searched and aggregated digital services). This is the necessary condition for a healthy business for all and more particularly to support quality journalism. We believe the best response to illegal downloading is legal offers, and making payment for content easier, notably through the use of the latest technological means.

#### **Solution 3: Reward creators and creation of content**

We, the Media Forum, call for respect for the ownership of programming as well as of content; for promoting industry-to-industry and collective negotiations as well as inter-industry platforms to ensure appropriate remuneration complying with and supported by competition policy; for developing the necessary standards to encourage the use of ICT in managing creative content, and for promoting an EU-wide system for micro-payments.

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<sup>2</sup> Release windows are a common practice under which films are released only gradually over time to theatres, followed by video (DVD), then pay-per-view television, monthly subscription pay-TV networks and finally basic cable and/or free broadcasting.

We also propose a distinguished European prize for quality journalism (audiovisual and off and online press), established by industry/press associations, to reward outstanding journalism activities in Europe. We hope that in due time this would become as prestigious as the Pulitzer Prize is in the US.

4. In Europe, public support for film and broadcasters plays an important role in fuelling the creation of quality content. Global competition is fierce while Europe is still hampered by cultural and linguistic specificities and diverging public support policies in the Member States. We need to pool our resources to create critical mass and stand a better chance of exporting European content.

#### Solution 4: Adapt financial support for audiovisual creation

We, the Media Forum, call for a more efficient and well-endowed European support programme and better coordination between national financing schemes promoting the creation and distribution of audiovisual works that go beyond national/regional borders based on fair competition. Improving access to venture capital is key.

EU and national R&D should fund technologies to overcome linguistic barriers and improve production and distribution of content.

5. Different rules apply for off-line and on-line; to broadcasters, telecom or information service providers; or between EU-based and third-country based companies operating in the same marketplace. This is not fair competition.

#### Solution 5: Treat like as like

We, the Media Forum, call for equitable regulatory and fiscal principles whenever economic players compete with each other on the same market, whether online or offline players, from outside or inside the EU.

Regulatory principles should reflect the changing landscape of the media, existing and new, both inside and outside the EU. For example, European media companies are subject to strict advertising rules (e.g. limits to advertising time) whereas companies established in third countries, but providing services into the EU, are under no such obligation. The same is true for other public interest obligations such as rules on protection of vulnerable groups (e.g. minors).

Within the EU, the wide variation in VAT rates and national or regional requirements makes it difficult to compete in an online environment.

6. Competition drives innovation; abiding by competition rules will create more growth for each and every actor in the value chain. But competition rules also need to adjust to the fast changing world of Internet.

#### Solution 6: Avoid new barriers to entry

We, the Media Forum, call for:

- (i) close monitoring of developments in the online and offline environment (many examples of possible new barriers exist and could include restriction of access for broadcasters to the "main" screen, thus to reach their audiences, aggregation, advertising overlays or popups running over somebody else's content), and,
- (ii) competent authorities to take effective action when such developments threaten

competition and/or innovation.

Some felt that the role and remit of public services in the digital environment should be clarified to avoid distortions of competition. Others took the view that in the digital world the same rules should apply for public services irrespective of the delivery platforms.

7. Europe's citizens can often not access on-line content or services because of 'geo-blocking' (e.g access to a website is blocked because you are situated in a certain country). Equally, citizens who have acquired content online in one EU country are not always allowed to use it in all others. This can create friction with the advent of cloud services. Similarly high costs of data access on mobile networks are a major barrier to users roaming across the EU.

**Solution 7: Increase access to and use of legal content and services from anywhere in the EU on any device for all citizens in the EU**

We, the Media Forum, strongly encourage the development of legal content offerings that consumers can access easily across the EU from wherever it is produced and on whatever device. Usage of acquired content should be allowed across the EU. We call on industry to commit to these principles.

We support the EU's data roaming regulation and urge policymakers to work towards a genuine single market for data where any price difference between roaming and use in the home market can be justified.

We need clarity on net-neutrality, allowing for innovation and preventing anti-competitive practices, and a strong commitment from all to the open Internet based on fundamental rights and transparency.

8. Without superfast Internet access, the media sector cannot distribute efficiently its content and European consumers cannot fully enjoy it, as many services and applications (e.g. HDTV and cloud) need much higher speeds. As a principle, all European citizens should have fixed and mobile access to high-speed Internet in line with the Digital Agenda for Europe targets.

**Solution 8: Quickly roll out the infrastructure of the future**

We, the Media Forum, call for all EU citizens to have access to high-speed Internet as soon as possible and for the EU to become a global leader in ubiquitous high-speed Internet access by 2020.

This will require a pro-competitive, pro-investment policy framework which incentivises the huge investments needed in next generation networks (both fixed and mobile). Transparency must be ensured so that consumers know they are getting what they pay for (e.g. guaranteed minimum download speeds).

**Our commitment:**

Too many reports have been issued by similar forums which too often are quickly forgotten. In this Forum we do not want this to happen. We see it as our role to issue a wake-up call and provide solutions to political and economic leaders. But we see it as our role to commit ourselves, too, to pushing for these changes.

Therefore we, as Forum members and through our Chairman, take a highly operational, threefold commitment that:

- a) We will address, actively promulgate, explain and communicate the above recommendations to policy makers at all levels, EU and national, but also to other players in the sector, and to other sectors with whom we could make new partnerships.
- b) We invite all industry players to support the 8 solutions, and put them into practice where they fall within their scope of action and we will support them within our companies or organisations.
- c) We will continue monitoring how all these solutions are being implemented. By the end of the year, we will meet again, assess progress, and (where appropriate) undertake new action or confront decision-makers with the lack of action.

## The EU Media Futures Forum

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**The chair and all members are acting in their personal capacity and not representing their companies or organisations.**

The secretariat of the Forum was ensured by the European Commission - DG Communications Networks, Content and Technology (Directorate G "Media & Data").