Executive summary
First meeting of the EU Media Futures Forum
7 December 2011

1. Mandate and objectives of the group

The first meeting of the EU Media Futures Forum took place on 7 December 2011. In her **opening**, **Vice President Neelie Kroes** thanked the participants and Christian Van Thillo for having accepted to chair this independent group whose mandate is to elaborate a set of concrete actions to make sure that the European media landscape thrives. A content revolution is taking place and it is a global one. The media and ICT sectors have a key role to play for growth and jobs in the context of the financial crisis. The first challenge is to work towards a digital single market to the benefit of citizens, to the benefit of the media sector and ultimately also to the benefit of creators / right holders. At the same time the media sector is not just like any other sector and freedom of expression, media freedom and pluralism need to be ensured. The Forum should address the following questions: What are the trends and how Europe positions itself in the global scene? Where the business and markets are going? How do we best achieve our aims of competition, pluralism, cultural diversity and content creation or openness and interoperability? What are the main opportunities and barriers in creating a digital media market in Europe? What needs to be done to attain these opportunities and overcome the barriers?

Christian Van Thillo, the Chair, further specified the **tasks of the Forum**: to analyse the impact of this revolution on the European media, looking at different segments (e.g. publishing, broadcasting, film production) to identify the resulting risks and opportunities, and to possibly assess which policies could best address them. The Forum's debates will be spread over five meetings to take place in a one-year time period. The next meeting is planned to take place towards the end of February 2012.

The Forum consists of around 30 personalities representing the range of views and tendencies across the EU, Members of the European Parliament and representatives of the Council of Ministers (the list of members is attached). The discussion in the first meeting was constructive, and took place in a pleasant and cooperative atmosphere. **Members stressed the timeliness of the initiative and their commitments to investing in the Forum so that it meets fully expectations.**

2. Main trends in the media industries

Caroline Pauwels gave a comprehensive overview of the main trends and challenges facing the media industries to frame the debate. This was followed by **five short presentations** by members of the Forum (Lauri Kivinen, Rhys Nölke, Nicolas Gaudemet, Xavier Vidal-Folch and Emmanuel Gabla) who gave their own personal (and different) perspectives.

After a discussion by the Forum on the **scope** of the exercise**,** an agreement was reached on a rather broad definition including all content made available regardless of technological platform. In other words, the media content industries sector which includes broadcasting (TV, radio), recorded music, filmed entertainment, on-line and off-line publishing (newspapers, magazines, books), games, and social networks. Issues related to

advertising and networks/connectivity will also be dealt with because of their importance for the media sector but are not part of the definition.

Although some sectors are more affected by the digital revolution, a broad consensus emerged on what are the main trends:

- As a result of **technological developments and convergence**, the media content industries are growing at a higher rate than the EU economy as a whole thanks to online revenue increase. The various distribution channels complement each other with consumers becoming increasingly network-agnostic. Convergence of devices is increasingly becoming reality with connected TV models and cloud computing. Media can increasingly be made available anywhere, anytime on any type of connected device. Content storage is no longer an issue and world wide content can easily be circulated beyond frontiers. At the same time, content is very often geo-blocked because of the EU content market fragmentation and territoriality arrangements. Measurement tools to trace usages/viewing are also lacking, with piracy and illegal downloading becoming increasingly an issue. Finally, broadband capacity may very soon cripple cloud adoption and media services by end consumers as video distribution and cloud computing services are particularly bandwidth demanding.

- **Consumers' consumption patterns**: Technological development and convergence change the way media content is produced and consumed. Consumers want to freely use content available on the internet to generate new types of content. While very faithful to domestic content on their main TV screen, they also increasingly access non-national EU and non-EU content available through a multitude of new screens (internet-enabled TV sets, PC, mobile phones and tablets). Although the situation may differ between different segments of the media industry and between countries, the EU audiovisual content industry has gradually lost ground to more financially powerful US players as shown by the EU media overall negative trade balance with the rest of the world. Consumers generally do not accept that certain services or content is limited to certain countries or that it is not accessible from anywhere. As a response to these new consumption patterns, many (legal but also illegal) innovative services and solutions flourish: manufacturers intend to simplify use of new devices (i.e. the interface and application layer); the abundance of content creates a need for powerful search engines for content screening and selection and new business opportunities triggered by social media (e.g. growing willingness to share and recommend contents to peers) and internet players. Hybrid business models emerge as a result of cross-media fertilisation (e.g. BBC-You tube; broadcasters with Netflix and Hulu). Slowly, consumers seem to become more willing to pay for content (e.g. iTunes).

- **Change in the value chain with content as a driver of growth:** While European players focus on their domestic markets or particular linguistic areas, innovation comes mainly from US-based and ICT driven firms which widen their presence across the European market. They prosper on creating convenience of use rather than creating original content. The struggle boils down to direct access to consumers and control over their personal data to better understand needs and adequately respond to them. Some business models are raising concerns among regulators and consumer associations about competition, and other regulatory issues, like data protection. Even though content is a strategic asset, the bargaining power of content producers weakens considerably in certain sectors (e.g. press). This may have a detrimental effect on the

EU creative and content creation sector. Investments in production of local and professional content already seem to be affected. Until now Europe has pursued a rather 'defensive approach' in protecting their interests in the audiovisual sector, involving inter alia the promotion of European works through the Audiovisual Media Services Directive, strict territorial copyright licensing arrangements and public support to the industry to promote creation and cultural diversity. Some stakeholders are starting to recognise that because of the lack of a true digital single market and of real pan-European players, Europe is not benefitting from the boom in the creative content market that is being witnessed notably in the US.

3. Areas for further reflection

New developments lead to a list of open questions which were raised by the Forum members in the course of the discussion. They can be grouped into four main categories which could also serve to structure future discussions:

1) How can both the European media industries and EU consumers fully benefit from **technological developments and convergence**? Is the EU media industry too conservative and insufficiently embracing technological evolutions? Why is innovation mainly coming from US-based and ICT driven firms? To what extent can European market fragmentation explain the lack of business dynamism and of investment in broadband? What about standardisation and walled gardens? Would more research into matters such as development of (multi-lingual) applications, to trace usage of content or illegal downloading be of any help?

2) Is there a shift of control towards **consumers**? Will the willingness to pay of consumers develop with a widest choice of rich content and legal offers? Does user generated content threaten the quality of content on the Internet or does it contribute to content diversity and innovation? Do the changes in consumption patterns endanger the business sustainability of the EU content industry? Is the EU media industry sufficiently consumer driven and with a powerful outreach able to provide appealing content to an international audience? Would a more integrated EU market help achieving a critical mass and better promote a sustainable content creation and distribution mirroring European cultural diversity?

3) What is the impact of the above trends **on business models**, competition, pluralism and content creation in Europe? Are these developments part of a fair competitive process of creative destruction? Are aggregators and social media becoming primary gateway for consumers, or the new "meta-platforms"? Or will TV become a social medium in itself? Are there a first mover advantage and network advantage? Could they in the longer run put into question the EU's capacity to promote European audiovisual works and to enforce European regulation in the audiovisual and media sector? What are the conditions for sustainable business models that can deliver investigative journalism and pluralism? As regards quality journalism, should self-regulation be the answer?

4) How much can the **regulators** do? What is the right level of intervention at the national European or international level? Is regulation used to protect market fragmentation and national interests? Are different levels of obligations for linear, on-demand and other (i.e. those non-regulated by the audiovisual rules) services appropriate in view of developments such as the connected TV? How should the re-regulation vs. deregulation (in particular as

regards advertising restrictions) dilemma be addressed so that to ensure the survival of European media industries facing the new aggregators entering the market?