

# European Content on the Global Networks

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## Introduction.

In 1994, Martin Bangemann, then Vice-President of the European Commission, gathered a group of high level industrialists to try and formulate a strategy for a European way to the Information Society. The group gave clear indications: leave to the **private sector** a leading role for infrastructure, applications and content. The **public sector** has to facilitate the transformation of industry and consumers in three ways: create a **vision**, establish a clear, predictable and stable **regulatory framework**, and **catalyse the experimentation**. These complimentary roles have been at the root of the European policy to support the development and competitiveness of European industry since. In this paper the focus is not infrastructure development, but rather on multimedia content, a key sector for Europe, both in economic and social terms (see Table 1).

The EU Competitive Position	
Strengths	Weaknesses
Overall market size	Fragmented markets
Global players	Many SMEs
Long publishing tradition	Low demand of new services
Large content base	High Telecoms costs
Linguistic and cultural richness	Public sector information underused
	Risk averse culture

Table 1: The content sector

## Multimedia content and the networks: economic and social implications.

While in traditional publishing the EU market share is above 50% (38% US), in electronic publishing this is just 33% (52% US)<sup>1</sup>, Figure 1. The problem seems to be that Europe is still leader in a mature sector that is not creating jobs, while we are lagging in a market which is emerging. Two quite contradictory examples can illustrate the situation: Reed-Elsevier, the Anglo-Dutch group, has recently declared that by the year 2000, some 50% of its turnover will be electronic publishing based; in the UK employment in traditional publishing has decreased from 160000 in 1990 to 132000 in 1996<sup>2</sup>. The same report claims that people employed

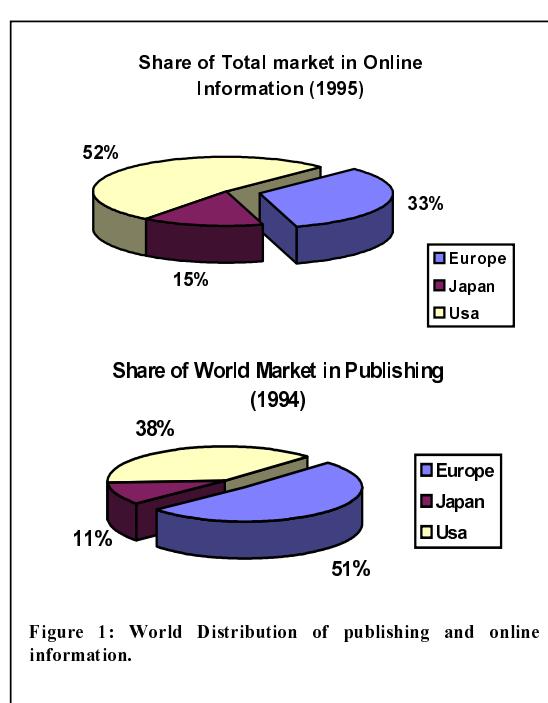
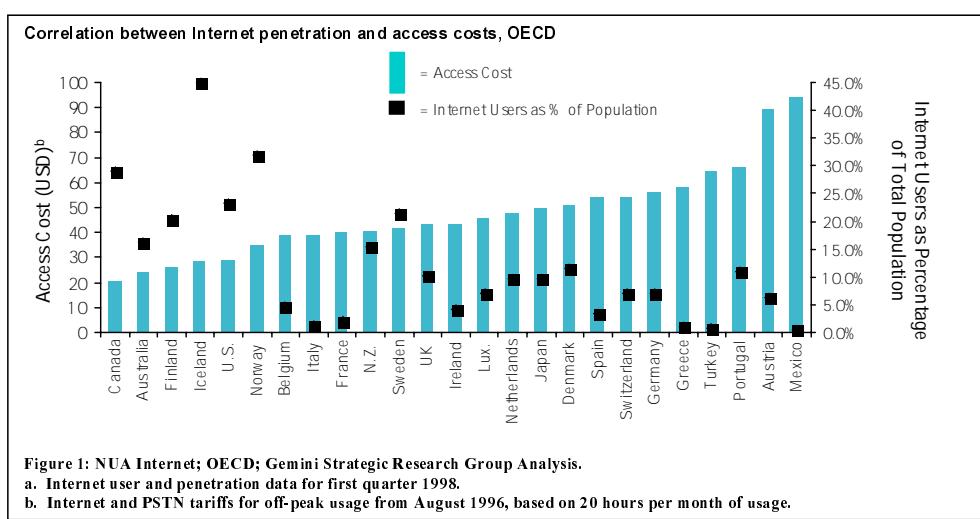


Figure 1: World Distribution of publishing and online information.

in the “creative industries” earn more money, produce more and enjoy higher job satisfaction. Around 4% of the UK economy, or 500 000 people work in this field. It is therefore almost self evident that there is an interest to ensure a smooth transition of more traditional content based industries towards the opportunities offered by the combination of electronic publishing and electronic commerce.

In Europe as a whole, the content industries, traditional and multimedia, are important on both the economic and social front. Firstly the **sector size**<sup>3</sup>: 376 billion EURO (or 5% of the EU GDP) in 1998 employing some four million people, almost twice as much of Telecoms, 181 billion EURO with a little less than two million employees; secondly the growth rate: up to 20% per year, varying between sectors, with a forecast of up to 1 million of new jobs by 2005<sup>4</sup>; thirdly the **spillover effects to other sectors**: the modern enterprise is increasingly based on networked information both for its internal functioning and for the relations with clients and suppliers. Online multimedia content fulfils a role of double driver of electronic commerce: content drives e-commerce and pulls demand for ever more sophisticated hardware and software.

The transformations under way are also highly relevant on the social side. While negative examples remain phenomena like **computer crime**, that has also an important economic side (e.g. money laundering), or the problem of **illegal and harmful content**<sup>5</sup> on the networks that can affect family life (e.g. the possibility of minors to have access to harmful content, like extremely violent scenes, but not necessarily illegal). These problems, on the border line of legality are quite difficult to deal with at global level, often due to the different sensitivity that belong to different countries and cultures. The preferred approach remains that of **industry self-regulation**, supported by the search of more sophisticated methods for filtering information and public awareness of the problem. However, the positive social impact of the global networks is far superior to the negative aspects mentioned. They are essential to guarantee access to information to the less privileged (e.g. rural zones, etc.), but they are also the potential vehicle for wider transformation like **electronic government, distance learning, healthcare, telework, transport and environment application**.

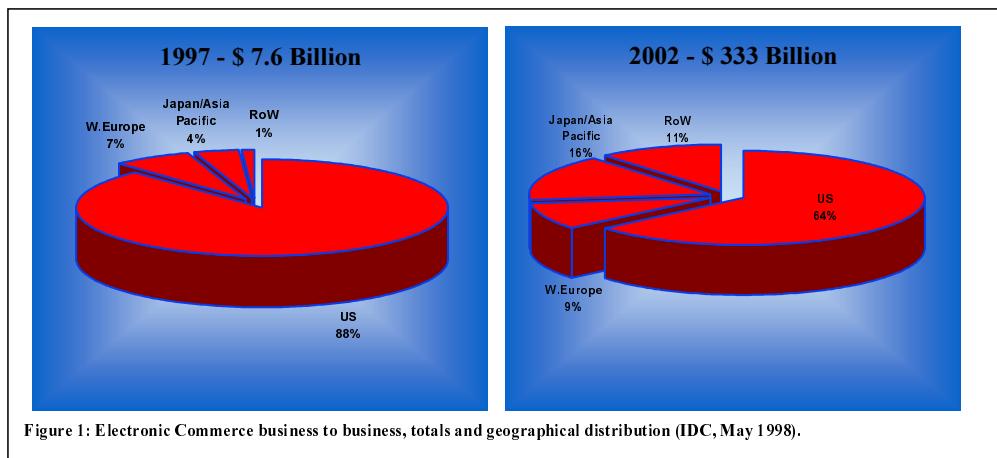


In this framework it is useful to underline that the Commission has adopted in January 1999 a **Green Paper**<sup>6</sup> on the role of public sector information in the Information Society. The key question of the paper is how it is possible to get a better exploitation of public sector information in Europe. First of all, by allowing citizens **access** to this information throughout Europe, in terms of price and quality of the information held by the public bodies. Secondly, the paper asks how best to **exploit commercially** this information, possibly by establishing public-private partnerships.

## A turbulent market and an evolving regulatory framework

The key feature of the emerging market is its turbulence, driven by the Internet in two ways: the speed of penetration (user base) and the impact on the way of “doing business”. Internet is not easily defined. Some simply define it as new medium, able to bring together existing platforms (e.g. video on demand, PC-TV, etc.), others talk of a new distribution platform, others of a new business platform. The reality seems to be that Internet is yet to be discovered: it is all these things and more than that, leaving space for innovative applications, combining previous media in an interesting new mix. The concept of **convergence** of computers, telecommunications and media becomes a business reality. The Commission has been at the forefront in the last few years of this discussion, firstly by sponsoring a strategic study on this subject, then by publishing a Green Paper<sup>7</sup> to stimulate a public debate and collect opinions on how best prepare an appropriate reply both in helping experimentation and in terms of regulatory initiatives.

As far as the industry is concerned, the Internet is accelerating the process of **polarisation**, splitting the industrial panorama more and more between **global** and **local** players. Global players like Reed Elsevier expect that consolidation will quickly reduce the number of global players from some fifteen (turnover in excess of a billion dollars) to no more than five or six in the next few years. The signals from the marketplace are quite clear: Bertelsmann has made a deal with America On Line (AOL), that in turn has acquired Compuserve, etc. At the other end of the spectrum, small and medium innovative businesses are able to exploit niches delimited by communities of interest or geographical boundaries. Local newspapers are an excellent example: they have a limited geographical span, but they are able to count on the sustained interest of the local communities and thrive on local content and advertising. From the job creation point of view, Andersen Consulting has pointed out that local newspaper opening an online service tend to employ an extra three to twenty people to provide the service.



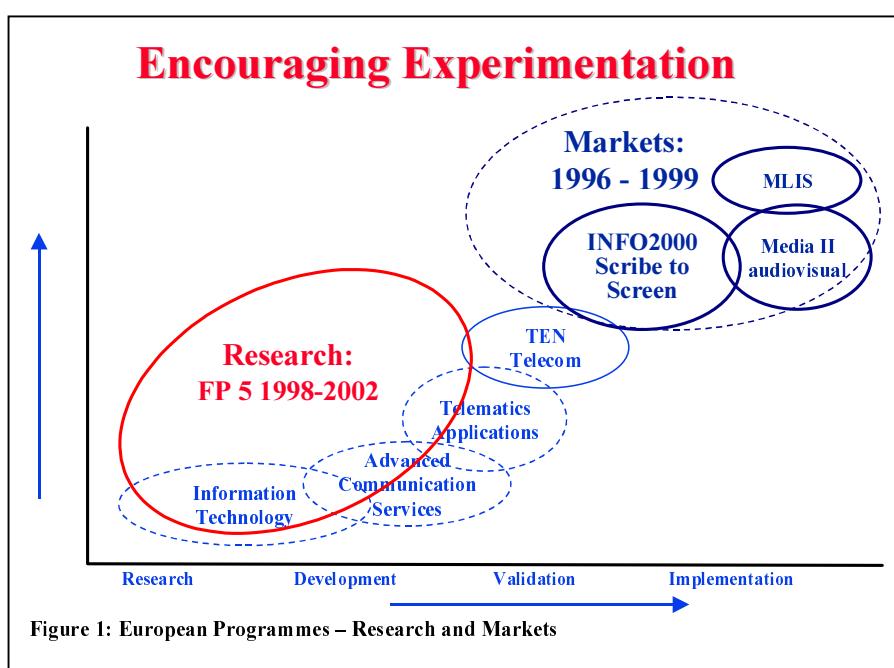
The new challenge for the multimedia content sector is the integration between electronic publishing and electronic commerce. The CONDRINET<sup>8</sup> study underlines the role of “portals” (e.g. [www.yahoo.com](http://www.yahoo.com)) as vehicle for content aggregators to add value to information for online users. According to Gemini Consulting, by 2002 80 million Europeans will become regular network users, spending around 500 billion EURO per year, or 5 – 6% of the EU GDP. The opportunities are therefore present, but we are not exploiting them fast enough. If we consider the business-to-business segment of the market, while growing in absolute terms (Figure 3), the European share is not projected to increase fast enough. The CONDRINET study underlines the role of content in this framework. Since on the networks everything is dematerialised, content is a primary tool to attract user attention and complete online transactions, together with attributes like customer loyalty and ease of navigation on a site. Moreover, the

study underlines the role of the Web in initiating transactions that are not finalised online but that are then completed via more traditional means (\$ 1 trillion by 2001).

The **regulatory framework** is also of primary importance to develop the market place. The EU favours the creation of a **stable** and **technology neutral** framework. **Intellectual Property Rights** (IPRs) on the new media are of primary importance to the content providers to encourage the transition of existing products and services to the new platforms. The Commission has proposed a directive<sup>9</sup> aiming at solving the problems opened by the use of new technologies. It covers four fundamental areas like the reproductions rights, the right of communication to the public, technically necessary copies, etc.. **Telecoms prices** have a notable impact on the demand and use of services, Internet is a good example (Figure 2). In spite of the liberalisation of the sector completed in 1998, the tariff differential with the US is still high, most of all for international data and voice transmission (up to six times the price of the cost of a national call along the same distance) and for local calls (US mostly enjoy a flat rate regime). The **privacy directive**, in place since October'98, sets criteria for the exchange of personal data within the EU and with third countries, ensures a high level of protection. This very short summary can be completed by a number of proposals presently in discussion by the Council and the European Parliament like: digital signatures, (May '98), a recommendation on **means of electronic payment** (July '97), a directive on **electronic commerce** (November '98)<sup>10</sup>.

### European Programmes

The third pillar of the EU policy consists in supporting business experimentation and research activities in order to catalyse the transformation. Two types of instruments have been put in place: a) the framework programme for research and technological development, including a programme for a User Friendly Information Society; b) a number of smaller programmes aiming at the use of existing technologies. Figure 4 shows schematically these two types of instruments. On the research side, the programmes *Information Technology*, *Advanced Communication services*, e *Telematics Applications* active in the period 1994 – 1998 (Fourth Framework Programme) have been replaced by a new integrated approach. The programme Information Society Technologies (IST), with a budget of 3.6 billion EURO for the period 1998 – 2002, is based on **four key actions**: system and services for the citizens, new methods of work and e-



commerce, multimedia content and tools, essential technologies and infrastructure. Generic actions on future and emerging technologies and research networks complete the programme structure. Figure 4 shows also how the emphasis is shifting from technology towards content, where the introduction of a key action on multimedia content recognises the growing role of content also on the research agenda.

If we consider then innovation and the technology take up part of figure 4, a number of medium sized programmes (budgets range from the 310 million EURO of MEDIA II down to the 25 million EURO of the Internet Action Plan, IAP, over four years) have been active in the past few years. Subjects are: INFO2000 electronic publishing, MLIS multilingualism, MEDIA II audiovisual, IAP illegal and harmful content. With the exception of the IAP, that started on 1.1.1999, the other programmes will end in the current year. The renewal is been discussed presently by the Commission and by industrial players. These programme contribute not only to the experimentation, but also to the visioning process mentioned before. For example INFO2000, with a budget of 65 million EURO over four years presents interesting results. Projects financed, with the participation of small and medium size enterprises above 40%, rank among the best sellers of European produced products. Wider ranging activities, like the mentioned Green Paper on public sector information, the presentation of the IAP proposal, the support to the legal framework formulation mentioned, the strategic studies referenced and an awareness activity throughout Europe in favour small and medium size enterprises on the possibilities offered by multimedia content, have complemented the programme action.

## Conclusions

The EU approach to the Information Society, with particular reference to multimedia content is the object of the present paper. It is important to underline in these conclusions that some basic conditions have to be fulfilled to turn the potential described into real economic activities: the content sector dynamism, the speed of EU enterprises to exploit the opportunities, the capacity of turning language barriers into a competitive advantage and the speed of the public sector to create the framework conditions for healthy market development. Public-private partnerships are key to support this process and are at the base of the EU programmes described. The EU commitment is clear and it is expressed in the 1999 workprogramme of the Commission. The challenge posed by the worldwide competition, together with the technological induced changes open new scenarios (e.g. e-commerce) that require solutions beyond national borders in a climate of exchange and cooperation.

Further information can be obtained on the European Commission web sites, [europa.eu.int](http://europa.eu.int) for general information, [www.cordis.lu](http://www.cordis.lu) and [www.echo.lu](http://www.echo.lu) for specific information on some of the programmes described in this paper.

Disclaimer: These are the views of the author and do not engage in any way the European Commission.

## Notes

<sup>1</sup> *Information as a raw Material for Innovation*, Bundesministerium für Bildung, Wissenschaft, Forschung und Technologie, 1997.

<sup>2</sup> Creative Industries, Creative Industries Task Force, UK 1998

<sup>3</sup> European Information Technology Observatory, 1998.

<sup>4</sup> Strategic Developments for the European Publishing Industry towards the year 2000,

Andersen Consulting, 1996, <http://www2.echo.lu/elpub2/en/home.html>, Study commissioned by DG XIII.

<sup>5</sup> Communication on Illegal and harmful content on the Internet, Recommendation on the protection of minors and human dignity in audiovisual and information services May 28th, 1998 (formal adoption on September 24th, 1998). <http://www2.echo.lu/legal/en/internet/communic.html>, [http://europa.eu.int/comm/dg10/avpolicy/new\\_srv/recom-intro\\_en.html](http://europa.eu.int/comm/dg10/avpolicy/new_srv/recom-intro_en.html)

<sup>6</sup> Green Paper on Public Sector Information in the Information Society COM 98(585), <http://www2.echo.lu/info2000/en/publicsector/greenpaper.html>

<sup>7</sup> Convergence of Telecommunications, Media and Information Technologies, COM(1997)623 and further developments, [www.ispo.cec.be/convergencegp](http://www.ispo.cec.be/convergencegp)

<sup>8</sup> CONDRINET, GEMINI Consulting 1998, Study commissioned by DG XIII, [www.echo.lu/condrinet](http://www.echo.lu/condrinet).

<sup>9</sup> Draft Directive on the Copyrights and related Rights in the Information Society, 10 December 1997, <http://europa.eu.int/comm/dg15/en/intprop/intprop/1100.htm>

<sup>10</sup> Details available on <http://europa.eu.int/comm/dg15/en/media/index.htm>