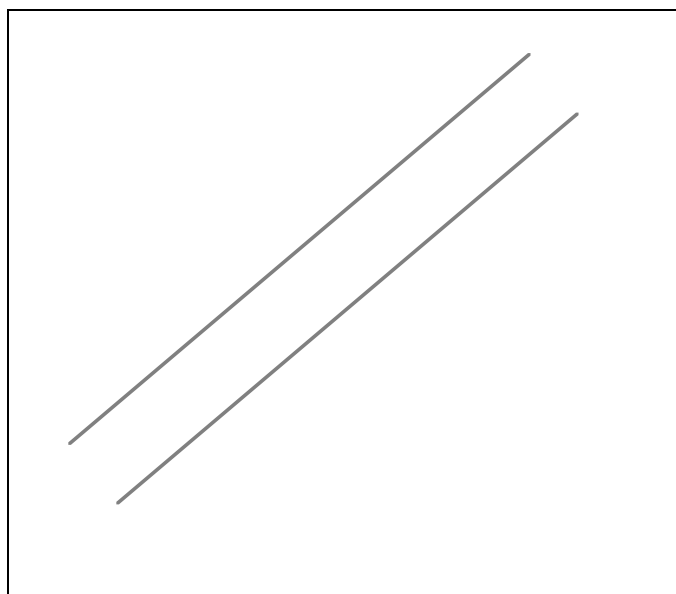


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## **Why Broadband Needs Content**

**IDATE 27<sup>th</sup> International conference:  
Content industries and Broadband  
economics.**



**Montpellier, 23 November 2005**

Ladies and Gentlemen,

The topic of this 27<sup>th</sup> IDATE International Conference is the right choice. Content Industries and Broadband Economics lie at the heart of the issues that we face today in our sector. It is also the central issue underlying the first priority of my new policy initiative i2010 launched in June this year.

The importance of the issues you will address makes me regret strongly that I cannot be with you today, but I will pay close attention to the results of this important meeting.

### **The economic importance of the ICT & media sector**

The information, communication and media industries are one of the most dynamic sectors of our economy. The ICT sector accounts for 5.3% of GDP and for 3.4% of total employment. In the period 2000-2003, the ICT sector contributed to more than 25% of productivity growth. It is a highly innovative sector, responsible for more than a quarter of total effort in European R&D effort.

### **Broadband take-off**

But this sector **can** and **will** deliver so much more. Broadband communications and the convergence of networks, services and devices are right now paving the way for a new phase of growth and innovation.

Broadband take-up is progressing fast. As of June there are almost 50 million connections in the EU, a three-fold increase over the past two years.

By June 2005 10.5% of European population had subscribed to broadband, with the leading countries reaching penetration rates as high as 20% in some countries. I firmly believe that in a few years we will see take-up levels similar to those of **television** and **mobile phones**. In other words the saturation level for internet services will be above 100% of households.

This is very significant economically because it implies that today we are at the inflection point, low down on what will be a very steep innovation growth curve.

Increased competition is driving the growth we see today. France experienced high growth in the past 18 months – the penetration rate has more than doubled, achieving 14% of population, well above the EU average of 10.5%. France has

become one of the top European broadband performers thanks to price reductions and improvements in broadband offers. Growth in the market has been driven by pro-competitive regulatory decisions that stimulated a three-fold increase in the share of unbundled local loops. As a result, France has been one of the first countries in Europe witnessing the emergence of triple-play offers, both by entrants and by the incumbent operator.

Although the European broadband market is growing at high rates, there is still much to be achieved. We are still behind our main international competitors, both in terms of take-up and of speed. For example, South Korea achieves a penetration rate of 25% of population, which represents more than 70% of households. Japan had 15.4 million broadband subscribers in 2004, and nearly 10% of these were connected via fibre optic with downlink rates of up to 26 Mega bit per second. In the EU, speeds are increasing, but there are few connections with bandwidth above than 3 Mega bit per second.

There are also many European regions where broadband coverage is a far off dream and where fixed line usage is in decline. There is no cause for complacency; the time to act is now, not once the wave has passed and the first mover advantages have gone to our global competitors.

## Convergence and Content Rich Services

So even though it is true that broadband speeds are increasing and triple-play (telephone, internet and television) offers are starting to emerge, Europe is once again playing catch-up. What can we do to move ahead more quickly, so we can get into a leading position in this new phase of broadband driven growth?

I believe that our challenge is to unlock a virtuous circle of growth by investing in content rich interactive services and in new fast networks. The key to this lock, in my opinion, is in the services.

It is **services** that provide the heartbeat of the economic agenda before us. It is **services** that will provide the growth and jobs that Europe so sorely needs. It is **services** that will allow broadband networks to meet the growing needs of citizens. In the end it is new services that will validate the very large investments in new high speed networks.

My central message to you therefore is very short and clear. If we want growth and jobs, if we want better lives for citizens and if we want to retain Europe's position at the front of the global

telecommunications industry then we have to clear away the barriers to the development of new, high-value, content-rich and interactive services.

### **What are these new services?**

I see three main ways in which new services are emerging.

First, new services can be created by moving old services onto new platforms. For example, television is going on-line, television is going mobile. So are films and music. These changes will shake the foundations of existing business models.

Europe has tremendous capacity for the production of content. Let's build the new services on the basis of these existing capacities.

Second, new services will emerge to exploit the new features of the converging technologies. IPTV is interesting, not just because it is another platform for television, but because enhanced interactivity offers to consumers a new televisual experience. We all know the examples – customised video clips, multimedia merging of existing content. The opportunities are there to take our existing stocks of commercial and public

content and build new industries based on these enhanced capacities.

These services require a willingness to take risks. If we cling to our traditional business models we will see the old markets erode even before the new ones fail to open up. The value chain is being cut up in different ways and it is in the enhanced services that we will find the locus of profit in the future, not in protecting old interests.

We can see this in the way that Voice over IP is making inroads into traditional voice telephony on switched circuits. We can see it when we look at music downloads versus sales of CDs.

It is absolutely essential that industry takes a proactive position on these developments. It is not just a question of putting content on-line, it is a challenge to use interactive technologies to form new markets. Rights owners should realise they are sitting on top of a goldmine, but they will be undermined if they don't start digging the gold.

Third, we can also expect completely new services to emerge. The global reach of the will lead to a new economic model made up of millions of niche markets.

These new narrow-niche markets are being created by “word of mouth” in the new virtual communities.

In many cases these virtual markets are creating their own content and services are emerging to service them – the well known ones are: Flickr (on-line storing and sharing photos), Craigslist (on-line small ads), Wikipedia (the on-line encyclopedia). New services are emerging based on these new forms of content creation, just as eBay and Google emerged in the first wave of internet development.

These well-known examples are from the United States. But I ask, where is Europe in this development? We surely have the skills, energy and talent. What is stopping us from making Europe a centre of this “nouvelle vague” of services, innovation and growth?

### **What do we have to do?**

I do not hide it. For some businesses, these changes will be a threat. But failing to act will lead to destruction without a compensating creation of new business opportunities. That is why Europe has to embrace change and move on.

There is an opportunity for traditionally separate industries to work together for their common benefit. These industries must be innovative and develop new offers and business models for content and communication services.

The central aim of my first priority in i2010 is to create the appropriate conditions to support the converging digital economy.

In particular I want to create the conditions for the virtuous circle between the high speed networks and the rich content services that, I insist we need for growth and jobs.

For the moment I have set myself four tasks:

### **1. To modernise the rules on audiovisual content**

Content rules can no longer be limited to traditional broadcasting. Television services are increasingly available on the Internet and they are also going mobile. We need a modern framework to make sure that these new services will grow strongly and correctly.

We need a level playing field between the different audiovisual content service providers, in particular with respect to the rules applying to the protection of minors and human dignity.

We also need legal certainty for the new audiovisual service providers so that services can be offered on a Pan-European basis. We cannot expect Europe to lead the way if innovators and entrepreneurs are confronted with 25 or more different regulatory regimes.

Moreover, we will not make progress if we burden new services with regulatory obligations. On this I can repeat what I have said before – there will be no content quotas on the internet as long as I am Commissioner.

## **2. Rules for electronic communications**

I have said that we need fast networks that can deliver rich interactive services. This calls for both investment and competition.

My key question is whether our current regulatory framework is delivering on both these counts. I am looking into this issue now and I will come forward with proposal next year based on a solid analysis of how well the rules we have today are working.

I do not rule out anything, but I would really like to create the conditions where European markets for broadband are just as attractive for investors and consumers as those we see in other parts of the world. If not, it will be a lost opportunity for Europe and for your sector.

The reason we are world leaders in wireless communications is because we acted together at the right time. I see a great need for Europe to act as one on making radio spectrum available for the upcoming innovations. If we don't do this now we will lose our strategic advantage. European pride in our wireless communications is not misplaced, but we need to safeguard its future and not rely on past glories.

### **3. Content online and film online**

Bringing content online will mean more choice for consumers and it will allow niche markets to emerge.

We have— as a matter of urgency – to address the barriers that are inhibiting a wide distribution of online content.

One of the main challenges is a common approach to Intellectual Property Rights. There cannot be a strong Content Industry without robust copyright protection and clear rules on liability for online-distribution, EU-wide and beyond. We have made some progress with EU-harmonisation of copyright rules in the past years and made first steps towards harmonised copyright protection in Europe. However, this still has not allowed the creation of a single European market for content. The main obstacle for this is that copyright continues to be closely linked to national territories and that content is licensed still at national level, and not for the entire EU. Also, that collecting societies stick close to national territories also with regard to online licensing.

If Europe's content industry really wants to be able to compete with other continents, and if it really wants to become a driver of growth in jobs for the digital economy, we have to start calling into question the territoriality of copyright protection in Europe. And move to a true level-playing-field for content, encompassing the territory of all 25 EU-Member States as a single content space. I know that this will sound like heresy to some copyright experts. But I am convinced that we will not be able to boost Europe's digital economy without tackling the fragmentation both of its telecommunications and of its content markets.

As first step to achieve a single European approach with regard content, I have launched a Content Online initiative, which in its first phase concentrates on agreeing, with the industry and with stakeholders, a Charter for Film-Online. My intention in launching this activity at the Cannes Film Festival 2005 was to create an arena for meaningful dialogue between the film industry and the service providers. I expect this work to codify the “Best Practices” so that film online services can benefit from strong business models and a wide take-up across the 25 EU-Member States.

I hope the Film Online Charter can be adopted during the next Cannes Film Festival in 2006. This will open the way to further initiatives in other areas where there is doubt and fear about the impact of online content – such as music, games and sport.

#### **4 Digital Rights Management (DRMs)**

Easy multiplatform access and secure distribution of online content remains a crucial challenge. Authors, artists, creators should be able to reap a due reward for their talent and skills. As long as the broadband internet is seen as lawless frontier, then the strong services which we need will not appear.

But we do have tools that can help establish law and order for the benefit of all. We have Digital Rights Management (DRM) technologies already available that can make distribution of content safe, reliable and backed up by reputable service suppliers.

But we need DRMs that are widely accepted. In particular, we need to know that they are interoperable, that they are used in a reasonable manner, that market access is open.

My services are working hard with all stakeholders to identify the best way forward for the use of DRMs. And I will very soon come forward with proposals for joint actions to promote safe, fair and interoperable DRM systems.

But I can only try to help identify the way, it is down to the actors in the market place to take these concrete steps forward.

## **Conclusions**

I am very pleased that you are addressing the crucial interface between broadband and content in your conference. The economic equation that you are trying to balance today is technically difficult and intellectually demanding.

Today we are at the bottom of the broadband wave, are you ready to ride it to the top?

I wish the conference to be very successful and I look forward to hear your conclusions.