

**The Future Digital Economy  
Digital Content – Creation, Distribution and Access**

**Organised jointly by the Italian Minister for Innovation and Technologies and the  
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**Presentation by Andrea Camanzi, Chairman of the ICCP BIAC Committee  
31 January 2006**

**Session 8a: Content creation. Building the right environment for innovation**

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Ladies and gentlemen, good afternoon.

It is a privilege for me to speak here today on behalf BIAC.

BIAC, the advisory committee for business and industry, is the only business organisation that works institutionally with the OECD.

Our recent work includes:

- the BIAC Broadband Manifesto of 2003, which triggered the OECD Broadband Policy Statement and
- comments to OECD on projects such as the on-line music and scientific publishing studies.

1. As anticipated in our **Broadband Manifesto**, the technology of broadband has now enabled the on-line content industry to take off. It is a fact that all the sectors involved are benefiting today from broadband.

Indeed, in the **Telecom Sector**:

- The liberalisation of the telecom industry produced, from the nineties onwards, a wave of investment that led, among other results, to the diffusion of broadband in all OECD countries;
- Innovation has generated new platforms such as: wireless broadband, UMTS, Digital Terrestrial Television and IPTV; and NGN i.e. Next Generation Networks using wireline facilities;
- Existing players brought to the market new products and services;
- New hardware devices have been created to enjoy music or videos at home and on the move;
- In the new era of convergence, broadband makes it possible to offer triple play services. This was until recently a kind of dream, we talked about it in speeches but it never happened in reality.
- But most importantly in my vision, thanks to broadband new players appeared on the market for information and content services.

Let me add that, from the point of view of the convergence of audiovisual services and of platforms, digital technology also transformed and fragmented the ways of the **traditional TV offering**, with more opportunities and more risks. This was mentioned by the previous speaker, as “disintermediation”:

- A massive enlargement of consumer choice, resulting from the transition to digital TV, both satellite-based and DTT;
- Increased investment in production of content for the new channels;
- And almost an end to the “spectrum” scarcity, which reduced the entry barriers for content producers who need to reach the consumer market.

2. However, given that online and convergent services are emerging, to allow **the market to sustain its unfettered development**, we need to consider policy frameworks and their implications.

With the globalization and convergence of digital markets for content, information, application and services, we cannot address the situation in a piecemeal fashion.

In different OECD countries different policies are being considered:

- **Europe and the USA** intend to review their regulatory framework for telecommunications and content distribution:

- In **Europe**, a review of the TV regulation is now ongoing. I will talk about this specific point later. In addition, the European Commission is going to revise the current telecommunications regulatory framework. In fact, it is now clear that today, instead of the light-handed approach and the forbearance that was initially to be the hall-mark of European telecommunications regulation, we are still in the midst of market-analysis and definition of remedies.
- In the **USA** an effort is being made to separate the regulation of new markets from that of the established ones:

I am pleased to be raising the issue of net-neutrality which Prof. Eli Noam yesterday regretted that it had not been raised:

The following Box 1 is a factual explanation on the net-neutrality debate in the USA provided for the written speech:

**Box 1**

- o In June 2005, the Supreme Court ruled in “FCC v Brand X Internet services” that cable companies that sell broadband Internet service do not provide telecommunication service and, hence, are exempt from mandatory common carrier regulation.
- o In September 2005, the FCC determined that wireline broadband internet access is an information service, with a telecommunication component. Accordingly, the FCC also removed common carrier obligations.
- o On the same day, the FCC also adopted a policy statement on net-neutrality, indicating four principles:
  - o (1) consumers are entitled to access the lawful Internet content of their choice;
  - o (2) consumers are entitled to run applications and services of their choice, subject to the needs of law enforcement;
  - o (3) consumers are entitled to connect their choice of legal devices that do not harm the network; and
  - o (4) consumers are entitled to see competition among network providers, application and service providers, and content providers.

We are certainly not in a position to comment on the complex US debate, but I would like to emphasize here that the US appears to be addressing the fundamental issues by (a) highlighting the primacy of the consumer in the new digital online age and (b) ensuring the development of innovative broadband Internet access technologies.

- **Japan and Korea** are in the process of redesigning the regulatory framework for the telecommunication and network-related industry. This will include guarantees for fair competition in new markets, such as that for content to be delivered on next generation mobile phones and networked information appliances. Yesterday, the Minister of information and Communication of Korea gave a very interesting presentation on how mobile broadband is being developed.

The following explanations in Box 2 on Japan and Korea are provided for the written speech:

**Box 2**

- Although deregulation issues retain their importance in the telecommunication policy in **Japan**, there might arise a need to intervene with a policy to encourage competition, eliminating non-legislative barriers for new players. Based on the discussion about asymmetric regulation in the mobile markets, Japan is in the process of redesigning the competition and regulatory framework for telecommunication and network-related industry.
- **Korea** is likewise trying to balance fair competition and deregulation in emerging markets.

3. Now let me go back to the **European review of TV regulation** and to its possible extension to online audiovisual services. According to the current “TV Without Frontiers” Directive, broadcasters must reserve a majority proportion of their transmission time to European works. Specifically, as a result of the European exercise, the current film quotas set for broadcasting may be extended to new online services like the Video-on-Demand distribution.

The following explanations in Box 3 are provided for the written speech:

### Box 3

According to the current “TV Without Frontiers” Directive, broadcasters must reserve a majority proportion of their transmission time to European works. Moreover, the same broadcasters have to reserve at least 10% of their transmission time or programming budget for European works created by independent producers. A revised Directive may provide that audiovisual media service providers shall promote production of and access to European works in a proportion left to the definition of Member States.

The questions here are:

- whether these requirements can actually work in the new media worldwide environment, which is characterised by unregulated access to content;
- whether this is the best way of building European non-linear services.

The Internet represents a better opportunity than television to distribute European films worldwide both current and library.

Digital content distribution is lowering the entry barriers for European film producers who, in the past, struggled to compete with their larger US rivals for access to consumers.

Successful digital business indicates that demand for content is so wide that it may provide greater support for European film production than the quota system has achieved to date.

4. We all agree that it is necessary to use the momentum gathered and ensure a mass development of digital online services. **In BIAC we all have ideas as to what should be done:**

- More effective partnerships will have to be created among stakeholders. As an example, ISPs are already striking advanced deals with content owners.
- Copyright protection against piracy must be guaranteed in an efficient and fair manner.
- DRM solutions should be left to the marketplace.
- There should be further understanding of business models for the purpose of promoting the availability of content across platforms (TV, PC, mobile) to create new revenue streams for all stakeholders.

To achieve these goals, we need to analyze what should be done to encourage **competition** in all sectors involved.

5. However, I feel that our analysis should go further. Soon we shall live in a **different world transformed by technology and services.**

**This is bringing our problems to a different scale: we will need to decide on issues such as:**

- **whether we want to live in a more integrated and inclusive society;**
- **what freedom of choice will be guaranteed and how we can empower consumers.**

So, OECD and Member Governments will need to address the following questions:

- Should content be enjoyed by anyone, at any time, on any platform?
- Should citizens be entitled to the choices in the highest quality of service for the delivery of different types of content, and if so what impact would this have on the marketplace?
- As raised by Minister Stanca in his opening speech, can these issues be addressed at national level or do we need some kind of appropriate global approach?

We do not yet have a BIAC position on these issues. We consider addressing them in 2006.

The answer to these questions will play a role in our vision of the economy, democracy and society we live in.

Thank you.