

Unclassified

DSTI/ICCP/CISP/IE(2006)2

Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

22-Nov-2006

English - Or. English

DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INDUSTRY
COMMITTEE FOR INFORMATION, COMPUTER AND COMMUNICATIONS POLICY

Working Party on Communication Infrastructures and Services Policy
Working Party on the Information Economy

OECD-BIAC WORKSHOP ON FUTURE OF ONLINE AUDIOVISUAL SERVICES, FILM AND VIDEO: ISSUES FOR ACHIEVING GROWTH AND POLICY OBJECTIVES

Held in London on 29 September 2006
Headquarters of the Confederation of British Industry

This document summarises the proceedings of the OECD-BIAC workshop. Delegates are invited to discuss and comment on the main topics and conclusions of the workshop in light of the programme of work on Digital content and network convergence of the WP/IE and CISP and the planned ICCP Committee organised Ministerial.

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JT03218294

Document complet disponible sur OLIS dans son format d'origine
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OECD BIAC WPIE-CISP WORKSHOP

ONLINE AUDIOVISUAL SERVICES, FILM AND VIDEO: ISSUES FOR ACHIEVING GROWTH AND POLICY OBJECTIVES

1. The ICCP Committee's Programme of Work contains a proposal for research and analysis of online film and video as well as on communications convergence. For business, the content-rich, audiovisual services becoming available on high bandwidth (including wireless) networks are vital for building and maintaining international competitiveness. This involves creation and upgrading of these networks and the diffusion of new, higher value goods and services incorporating increasing amounts of quality audiovisual content. Content creators are also increasing their investments in non-linear content - content that more fully utilises the potential of networks than standard linear video. If both the infrastructure and content industries collectively overcome the formidable challenges involved they will create a value chain that enables a broad range of businesses to develop closer, more interactive "communities of interest" with their online customers, with positive effects on broadband uptake, growth and employment.

2. However, it still unclear how these new services will develop on de-centralised, dynamic and interactive global online platforms that are radically different from established more linear distribution media. Policy and regulatory responses, where appropriate and necessary, need to change to reflect the new forms of video distribution, the changes affecting spectrum scarcity and the nature of competition in the video distribution market. They could review how traditional business and policy approaches may be challenged by innovative audiovisual service development and delivery. Within this context, OECD analysis would be helpful if it could generally identify and illuminate the following topic areas:

- The economic and operational conditions that underpin established and new media growth within new service areas.
- The existence of policies that foster or impede growth in audiovisual services in emerging converged and inter-connected, high bandwidth Internet (IP) based environments.
- The range of regulatory and technological tools (including the contribution of off- and online self and co-regulation) available in a digital world, and their benefits and drawbacks to the achievement of social and economic policy goals in an online audiovisual environment.

3. The aim of this workshop has been to identify and scope the main issues involved in research and analysis of these topic areas.

Opening remarks: Jeremy Beale, Head of e-Business Group, CBI

Keynote Speech: Mr. Olivier Fleurot, Senior Advisor to the Chief Executive, Pearson: “Competing in the global marketplace: the role of new media”

4. The most important factor in the media sector at the moment is the pace of change. All forms of publishing will be completely transformed over the next five years, having to re-invent its business model for the digital world. For businesses, this presents something of a challenge as often it takes two to three years for investment in new systems and processes to take effect.

5. The music industry had not envisaged the rise of Apple in digital music, and as a result, not only had Apple succeeded in designing the most user-friendly interface for customers, but also set the basic price for digital music. This could happen in other markets.

6. When technologies penetrate markets, the process normally follows an ‘S-curve’, and we are currently at the first inflection point of web usage. With ever-increasing bandwidth speeds, we can expect usage rates to accelerate quickly. For instance, when the FT.com website was started, staff simply put the same content online as was in the daily paper, failing to maximise the capabilities of the website. They are now moving towards a second-generation website that is far more interactive.

7. What are the big changes from the move towards online service delivery? The first is the shift from ‘push to pull,’ people can interact and choose what content they want to consume. With Wikipedia, people can build content in a co-operative way. This material is not always of low quality - on sites with a good brand there are extended quality-control systems.

8. For media companies, the biggest concerns are over intellectual property rights (IPRs). It is far harder to control what people do with content online, as it breaks up into individual ‘chunks.’ Pearson have entered into discussions with mobile operators to look at how they can take advantage of selling individual chunks of content – for instance through their interactive travel guides.

9. The biggest challenge is dealing with the new generation of 16 to 24 year-olds who have grown up consuming content in a completely different way. They also are used to producing their own content - though the rise of user-generated content (UGC) could present a fantastic opportunity to media companies. Looking forward, with convergence, there would be little to distinguish between what is a newspaper website, radio website, or television website on the Internet implying that these different media and Internet companies are now competing head-on.

MORNING PLENARY SESSION

“Value Chains and Business Models: Services’ Supply, Demand and Financing”

Questions for discussion

10. Analysis of service, supply and demand could usefully be structured around distinct activities along the value chain (content creation, distribution, delivery and use). In addition, it will be important to consider ways in which overlaps and connections between these activities (eg. consumers – traditionally users - becoming involved in content creation and distribution) result from developing technological capabilities and might impact on supply and demand capabilities:

- How do the new value chains differ from the traditional vertically integrated models? What impact does the changing nature of technology and consumer engagement with the audiovisual industry have on the existence of bottlenecks in the value chain? Will reduced entry barriers erode market power, increase actual and potential competition and therefore reduce the need for regulatory intervention?
- To what extent do different delivery mechanisms (wire-based and wireless) and interactive technologies (IPTV, streaming, etc.) impact on content supply, audiovisual service capabilities and possible business models?
- What new forms of revenue generation can be associated with emerging forms of content creation, distribution and interactive activities? Are they replacing or complementing existing business models? In particular, how do innovative marketing practices (broadcast, viral, communities of interest) for different audiences (mass-consumer products vis-à-vis high-value targeted products) impact spending and revenue streams (e.g. in-house vis-à-vis third party)?

Presentations and discussion

11. **Alan Lazarus (British Telecom, BT Group)** gave a presentation on BT’s new audiovisual service, BT Vision. It is the range of content available that will make the difference between different commercial audiovisual services. It will be centred around a number of integrated features, including community programmes and entertainment on-demand, and BT intends to make Vision interactive, with games, gambling and shopping all included in the package.

12. BT hope to use the service’s bandwidth capabilities to offer new and innovative forms of advertising and product placement to users, though some of the Commission’s Audiovisual Media Services Directive proposals might stifle these developments.

13. **Casey Harwood (Turner Broadcasting)** noted that Turner had over 40 broadcast channels worldwide. Possibly their biggest competitor and partner could be a company like Pearson. For example, the Sun’s website is largely comprised of audiovisual, interactive websites.

14. The market used to be comprised of ‘free-TV’ against ‘pay-TV.’ With the advent of digital television, hundreds more competitors entered the market, while the Internet had now reduced all barriers

to entry, and a company like Turner was faced with an unlimited number of competitors, many of whom did not 'play by the rules'.

15. But Turner was responding well to the digital age. It has over 120 mobile partnerships in Europe alone. From Turner's perspective, the tipping point for mobile services will be in 2008, when over half of Europe would own a 3G phone.

16. The broadcast and media sector was now an incredibly Darwinian environment which is extremely competitive – hence companies like Turner have to be at the forefront of change. Technology was like frostbite, attacking the extremities of a company first. The Internet should provide the company with more opportunities than threats, though they needed to grasp how the younger generation held loyalties to general brands rather than specific channels.

17. Casey noted that from his perspective, three nightmare scenarios existed for the future of broadcasting.

18. First, in relation to the structure of the existing business. Commercially, it was pointless trying to look any further than to around 2010. Turner had a legacy structure they are proud of, but one that held them back in some respects – it was being pulled apart by a content-centric approach rather than a channel-centric one.

19. Second, in relation to changes in consumption. Content was traditionally sold in a business-to-business (B2B) style between companies along the value chain. The Internet had changed this model and was moving towards more of a business-to-consumer (B2C) environment of direct content distribution and consumption. Turner was having to think more like a platform rather than a content producer – they were looking at different options for selling customers different pieces of content and services from across different parts of their business.

20. Finally, in relation to business models. The business model for the online world was unclear – particularly the advertising model. It was unclear how people would react to different forms of advertising being included within or around their content.

21. Casey finished by highlighting the example of the 'curved-ball' of legislation – policy makers need to be aware of the difficulties of regulating such a fast-moving environment.

22. **Staffan Johnson (Ministry of Industry, Employment and Communications, Sweden)** noted how we are now seeing technological convergence over the Internet protocol (IP). He felt that business will move away from hardware production towards content creation, citing Ericsson's recent announcement towards this trend. As broadband goes more mobile, it will open up new content channels.

23. He noted consumer expectations on the Internet were changing, particularly around their willingness to pay for content. A key issue for business would be around standards.

24. **Midum Kim (Korea Information Industry Promotion Agency, (KIPA) Korea)** outlined Korea's approach to ICT services, highlighting the Government's 'IT 839' strategy. She noted the numerous different audiovisual services that are available in Korea, either via broadcast, the Internet or mobile devices. Korea's goal was to achieve a holistic content service that can be tailored to each person's individual preferences. A group of broadcasters, operators and government representatives had been formed to advance this agenda, under the banner of 'T-Channel'.

25. The business speakers were asked how they would approach the issues faced by their counterparts if their roles were reversed. Casey felt he would start with the consumer and work backwards

– new technologies allow companies to better understand the consumer and to better deliver a service they can use easily. For example, Google Video gives customers familiar forms of content but also introduces new forms. Alan thought the most important factor was getting the content out to consumers. Access to content should be competitive and made easier, and policymakers should remove traditional bottlenecks. He also felt that mobility and portability of content would be key. Olivier thought it was key to focus on the user, whose habits are changing incredibly quickly, though it was important not to focus solely on the consumer, as the B2B market was still very important. For example, companies are often willing to pay significant amounts for high value information or content.

26. Following this theme, a second question was whether there were markets for B2B or B2C content provision. Olivier noted how Pearson continue to base their FT.com website on paid-for subscriptions for access to more specialised content, while a large part of its business was selling content to education institutions and schools. Casey noted that governments should investigate the use of content for better engaging citizens. He cited CNN Pipeline as being launched to engage the business user.

MORNING BREAK-OUT SESSIONS

Morning Breakout Session 1: Creation and Competition, Financing and Revenue Generation

Questions for discussion

27. How can or do increases in bandwidth and interactivity lower entry barriers along supply chains and stimulate innovation and change how content is created, aggregated and distributed?

28. How are new and emerging delivery platforms changing the creation and delivery of different types of audiovisual content and services? Are there particular obstacles to the development of new platforms?

29. How can advertisers, producers and corporate developers of content extract value and increase exposure as the “long tail” of content is made available to consumers and businesses in place of mass-market formats? What are the alternative ways of financing rich media content for all of these audiences?

Presentations and discussion

30. **Graham Vickery (OECD)** opened the session by highlighting three key issues to bear in mind: *i)* What are the main areas of business that will change the most?; *ii)* What does this mean for policies to support these new initiatives?; *iii)* Where are governments most likely to succeed?

31. **Stuart Maister (Broadview Communications)**, introduced his company, Broadview Communications. Broadview is a small B2B organisation providing audiovisual services. Stuart highlighted the potential for audiovisual services, not just for entertainment purposes but also for businesses within the workplace, to improve performance and structure the way employees work. For example, large companies no longer tend to commit long term to employees and need to find ways of making employees feel like they are part of the organisation’s strategy - this vision needs to be in harmony with the content on line.

32. **Richard Allan (Cisco)** argued that the value chain is shifting in three key areas: content creation; aggregation and distribution. With user-content creation increasing, a challenge for advertisers is to find new ways of utilising new popular communication channels. Network and programme providers needed to work together to offer integrated services that met consumer demands. Significant market power would come from bundling services. A broad spectrum of content existed, ranging from the very cheap to produce to the very expensive, such as for high-definition television (HDTV). In conjunction, delivery mechanisms vary from the very cheap such as ‘over the top’ services accessible anywhere with the Internet (*e.g* YouTube) to the more expensive mechanisms needed to cope with sophisticated content. Both cheap and expensive mechanisms would have a role going forward. The increasing convergence of services would mean there continued to be a need for expensive, sophisticated mechanisms that could ensure individuals were able to receive content where and when they wanted it.

33. In discussion, it was suggested that intellectual property rights (IPR) concerns had dominated the approach of content makers to the Internet, yet without detailed discussion of overall goals and enforcement mechanisms. This could make it more difficult for new business models to develop. A different approach to content regulation was needed, though policy makers still looked at regulations in terms of the existing communications environment. A key opportunity existed for policy makers to address the future challenges.

34. The consumer representatives raised that there was a danger that IPR laws were out of step with consumer use and new business models. There were arguments that a more profound change was occurring in the use of network and collaborative working than simply a threat to rights holders, which required a fundamental rethink of policy makers' approach. There was also a rise in user-generated content, which could be either original or a hybrid ‘mash up’ of content which challenged traditional concepts of broadcaster and ownership of content. It was suggested by the consumer representatives that OECD may wish to consider a workshop where leading thinkers from academia, civil society and industry could discuss these issues. For example Yochai Benkler from Yale University who had just written a book called ‘The wealth of networks’ that identified some of these challenges and possible policy responses to them.

35. In general discussion it was also suggested that policy issues would arise from the relationship between the old media (TV) and new media (Internet). We could not assume that new media would overtake and replace old media rather than the two co-evolving. Broadcasters are experimenting with new revenue models, including hybrids such as combining games with movies to provide more interactive experiences. Traditional media remained strong; in Norway, for example, the number of national terrestrial television broadcasters had increased from 4 to 11. Others stressed the large number of different Internet delivery mechanisms currently existing and the extent to which people would continue to use traditional channels (cable and terrestrial TV) to access content. It was also suggested that in Germany traditional TV use might well prevail for a long time.

36. It was also argued that, given the broad spectrum of development across old and new media, there was no one-size-fits-all approach to policy and regulation. Business was experimenting with new audiovisual services and revenue models. At the moment, everybody was starting with a blank sheet and this would seem to generate best practice, though there was also the danger of regulation details impeding the evolution and development.

37. Others suggested that regulation was not the key challenge to business going forward. Rather it was the question of gaining access to content at the right price – business speakers noted that they do not want regulators to get in the way of industry innovation and development.

38. It was also suggested that synergies could develop between broadcasters and telecoms operators, with business models changing as people tried to find ways to connect, inter-mediate then dis-intermediate, perhaps looking to content to differentiate services.

39. It was emphasised that brands played an important role in the development of audiovisual services. Technology allowed people to multi-task, watch a movie, make a call, check e-mail. There would be niches and big players and it would be interesting to see how niche organisations fitted with the big players. But brands appealed to consumers as a badge of integrity and familiarity. Consumers did not need to worry about the complexity behind the provision of multiple services - the brand was in charge of this and packaged the service in a user-friendly format.

40. However, others highlighted the vulnerability of brands in this fast changing environment. There was an embedded assumption that a brand provided a badge of integrity. The technologically savvy younger generation liked to create their own brands (*e.g.* MySpace) - but given the speed at which brands take off, young people could become disaffected quickly. Old-fashioned brands might become old-fashioned power. Within this context, others questioned whether regulators were trying to bring the past into the future by assuming big brands would appear in the future and thereby introduced laws that were actually in contrast to social trends.

41. Richard Allan concluded by suggesting that businesses should strive towards becoming full service communication providers. Although individual providers may be serving particular areas of the communication market – Internet, mobile, fixed telephony – he felt that the future would be the bundling of services (and service providers) under specific trusted brands. It was suggested that the use of a brand would provide market power.

42. Stuart Maister concluded the session by highlighting three trends he saw developing in the marketplace. First, the move towards services on demand. Second, the fragmentation of traditional TV programming and content (*e.g.* Sky Plus). And third, the rise in consumer-produced content, which is dynamic, and constantly changing. He urged businesses to not only engage with this content but also find ways to contribute.

Chair's Summary of Morning Breakout Session on “Creation and Competition”; “Financing and Revenue Generation”

43. There were 30 participants in the session, and very good discussion. The discussion took a circle from excitement about the potential of new content creation, distribution and use through regulation and back to the excitement of new content creation. The co-moderators Stuart Maister (Broadview) and Richard Allan (Cisco) made excellent opening statements and then actively participated in the discussion.

44. Ten points coming from the session:

1. Audiovisual content is much broader and has bigger impacts than just film and TV entertainment. Very large potential for business audiovisual/video applications. (Stuart Maister)
2. There is a bifurcation along the creation/aggregation/distribution value chain between “cheap” (consumer) and “expensive” (high end business) applications (Richard Allan)
3. Is there something different and new about the impacts of the Internet and broadband? Yes. Do we need to treat audiovisual content policy issues differently from other content? Possibly not, in broad terms. Generic issues around different kinds of digital content are similar.

4. Schumpeter's "gales of creative destruction" describe some of the transformations underway. In contrast, established brands are likely to survive and prosper in the new global content environment, but with established brands entering from non-content industries.
5. There is not a case of old media (*e.g.* TV) versus new media (*e.g.* Internet distribution), with the new completely replacing the old. In most areas it is old media and new media co-existing and evolving together. "Push" distribution (old) and "pull" distribution (new) models are developing along complementary paths.
6. Consumer / user content and distribution models are increasingly important, with the shift to on-demand, interactive distribution. These new models are being financed in different ways including subscription, advertising, product placement, etc.
7. Policy and regulatory issues: The aim of policy is / should be to encourage:
 - A pro-innovation business environment.
 - Experimentation and competition in value chains and business models.

This is helped by a shift away from the current policy silos separating network infrastructure, cultural / content promotion, and IPR policies to a more holistic pro-competition approach.

8. The session did not to any extent discuss traditional industry / technology policy: *e.g.* R&D, venture capital, skills or investment in very high speed network infrastructure.
9. There is a pressing need to re-think IPR issues including how IPRs are defined, paid for, cleared, and enforced. The current system was developed for past content creation and distribution models but new content development and distribution models are different and need different treatment.
10. Finally, 2010 is a long way off in terms of the rapid developments in digital content creation and distribution.

Morning Breakout Session 2: Supply and Demand

Questions for discussion

45. How can service providers meet the demands of the empowered user in the online environment?
46. What consumer and corporate demand characteristics are necessary to enable sustainable growth of new media services?
47. In what ways can new value chains and business models stimulate new levels and types of consumer and corporate demand?

Presentations and discussion

48. **Kristen Finney (20th Century Fox)** outlined her experiences of licensing content for Fox's pay-per-view, video-on-demand and electric-sell-through division. The key point was the amazing pace of change and experimentation in the market. Fox aims to be at the cutting edge of the development and exploration of different business models, as no one model had emerged as the only successful model for on-line distribution of video content. Many different permutations exist – it can be daunting but also incredibly exciting at the same time. Fox is working with many different large platforms and numerous smaller business partners - new companies are emerging all the time as it is a high growth market. She

noted that this is a fantastic time for content providers, distributors and consumers alike as never before could content be legitimately consumed in so many different ways.

49. Content has to be available to make any money. Fox is completing deals as quickly as possible (while simultaneously striving to do smart deals), and is working as hard as possible to meet the demand for content for these new models, and is fully engaged in participating in these new markets. For example, Fox is exploring the demand for mobile content and is distributing new forms of content such as special “mobisodes” and other mobile-specific content based on Fox series and other Fox content. They have also done seven or eight electronic sell-through deals in the United States (with more to come) and are looking to do the same in Europe. Fox is embracing high-definition and distributed a significant amount of its content in high-definition, including a very large number of sporting events. However, Kristen also noted that Fox is always accountable to its shareholders and therefore needs to do deals that are right for the company.

50. At the same time, while focusing on new distribution channels for content on-line and the evolution of business models, Fox’s, current business structures, (which are having a good amount of success distributing content to consumers located all over the world) remain an essential part of its business.

51. Key challenges for Fox in the new media environment are piracy, interoperability and on-going adaptation of their business models to meet both new and more traditional consumption demands.

52. **Domenico Di Martino (Telecom Italia)** provided statistics regarding the development of various ICT services. He mentioned the ever increasing size of households with DSL and households interested in receiving movie content through the Internet stating that never has such an integrated and global content distribution platform existed as the Internet. The ratio of user-generated content (UGC) to professional content on the Internet was roughly 100:1. UGC empowers the user and this could transform entertainment and media forever. It is likely to have a major impact on paid-for content as companies who want to make money will have to compete with those who are happy to create and provide content for free.

53. Next-generation networks will meet the corporate and user demand for high-throughput broadband and for equally high levels of quality of service. With such connections, all users should be able to do whatever they want at any point of the access chain. Within this environment, telecommunication companies may use their experiences of network intelligence to manage business models and modes of consumption as required by corporate and private customers. Corporate services and customer intelligence are a telecommunication company’s speciality and could be used to bridge the gap between new users and new technologies.

54. Returning to the way demand drives innovation, given people’s willingness to pay less for more on the Internet, this will reward technologies and business models that offer allow lower convenience or financial costs. One way to respond to this was to use the Internet’s capability to offer different, tailored services to different people or groups. For example, prepaid cards for mobile phones lowered barriers to entry for offering different services on mobiles.

55. Consumers' desire for content will be increasingly important – place shifting will become more common in the future. Consumers’ demand for quality will technically and economically challenge the current infrastructure of technological distribution and make new business grow. As an example, Akamai, that responds to the demand for faster and better delivery of content, currently accounts for around 15% of Internet traffic and over 50% of all content delivery. Telecommunication companies do not have to invent new business models but instead may wish to remain as the main distribution platforms for these services. Content right owners may want to allow for more flexible use of rights.

56. Ms. Finney noted that DRM does enable flexibility but the lack of interoperability is still a problem. She mentioned that the market is working to address the issue, noting as an example the CORAL project in which a significant number of major content providers, device manufacturers and service providers are working on a solution that would offer an alternative to the siloed concept of DRM.

57. There was a consensus by some participants on the difficulty of securing content rights (each very specific to technology, geography and time) pointing to the multitude of necessary negotiations. Another participant also noted that many parties often do not exploit multi-platform rights properly – thus a content company might sell exclusive multi-platforms rights and then find the company did not properly exploit the service across different platforms. Content provider representatives responded that they are all looking into exploiting multi-platform deals where content can be distributed widely.

58. It was asked why the tipping point for the provision of many new media services and the completion of many deals seemed to be last summer? Ms. Finney believed part of the reason was due in Fox's case – to becoming somewhat more comfortable with the content protection offered by DRM and also because operators were implementing Fox's content protection requirements. Whilst protection technology can never be foolproof, it can act as roadblock to people circumventing the protection and for most people this roadblock is enough to prevent them from engaging in piracy. It was also suggested that many contractual agreements ended last summer, which freed up content for new deals to be made. The fact that such deals involve a long-term process of trust-building enables the best deal for both parties to be worked out.

59. In the discussion, the fear of content owners to cannibalise their own sales was mentioned as one challenge in the move to digital services.

60. One participant mentioned that online content services were a far cry away from providing a seamless consumer experience (“content anywhere, anytime, with any device”) questioning whether the potential of the Internet as a global, integrated content distribution platform was effectively put into practise. A consumer in Europe cannot buy movies on iTunes or Amazon (due to rights issues which need to be resolved) and many video-on-demand services are in their infancy as regards availability of films. Instead of a unified global distribution platform, the Internet is currently segmented into multiple regional offerings most of which still have a limited catalogue, each require different media players or software and some of which are tied to special hardware devices (“silos” of content).

61. One participant added that a positive sign was that businesses were taking consumers more into account in their business models - but a lack of interoperability is bad for the consumer and there can sometimes be a lack of transparency surrounding digital rights management (DRM) systems for digital content. Kristen responded that it is in the best interest of the content providers to serve the needs of the consumer. There is a natural incentive for the content providers to explore ways in which they can tap into the desires of the consumer so that they can turn as many individuals into consumers of their content as possible. She also mentioned that the work of the CORAL Consortium again is another way in which content providers are trying to make legitimate on line consumption of content more user-friendly as this work will provide a framework for different DRMS systems to talk to each other, thus hopefully resolving the interoperability problem.

62. The viability of advertising-funded business models was also raised. It was suggested that huge potential existed for such models, but they could be killed by excessive regulation. On-demand services needed different forms of advertising and offered the capability for developing adverts that individuals might choose rather than being forced to see through what is called permission marketing. Market dynamics, such as the need to compete with 'free', are pushing businesses towards advertising-funded models. However, some participants noted that such models may be threatened by the European

Commission's proposed Television without Frontiers Directive. Questions were also raised as to the global enforceability of some regulations (e.g. how would a ban of product placements in films be enforced in one country when films coming from other countries contain such product placements?).

63. In response, it was noted that no regulator wants to kill off markets. However, consumers are accustomed to regulatory protection when viewing audiovisual services, so how regulation can benefit these new markets should be looked at. It was pointed out that consumer expectations are changing and business has a role to play in helping consumers understand the changes taking place so they can know what to expect in using new services. New generations are used to engaging with media services in a completely different manner so it was necessary to be realistic about the way consumer expectations are going to change. The reality of hundreds of content sources needs to be addressed – with more consumer choice, consumers should be better equipped to make decisions on their own.

64. It was pointed out that the global nature of the Internet often renders classifications irrelevant or unworkable. It was also argued that standards of acceptability are normally based on a common community or society and that harmonisation of these standards would not be a good thing – it should come down more to personal responsibility. We need systems that are responsive to the needs of consumers though it needed to be recognised that these very needs can change quickly. The ability of individuals to create their own systems was also noted, with one participant citing the example of 'NSFW' on the Internet as a sort of self-classificatory system.¹

65. Ms. Finney noted content providers do fully understand the need for clear information and appropriate content labelling. If these new services are not user-friendly or are in any way confusing to the consumer, the consumer will likely not return to try the services again. Content providers, along with service providers, obviously want these services to succeed. Thus they are working together to create user-friendly offerings that will be a major success with consumers.

66. It was also mentioned that commercial content offers are increasingly competing with publicly funded content (BBC) which is free.

Chair Summary of the Morning Break Out Session on “Supply and Demand”

67. The morning session included approximately 30 participants. The discussion was very positive, and impressive in the sense that all sectors emphasised the important cross-sector dialogue and co-operation that is taking place at a quickening pace in order to expedite availability of online content. The co-Moderators were Mr. Domenico DiMartino (Telecom Italia) and Kristen Finny (New Media Division, 20th Century Fox).

68. Key Points raised in the Session

1. Both Content Providers and Mobile Operators stressed that their objective is to deliver and distribute as much content as possible.
2. The Content Owners emphasised that these are exciting times. They are looking at all possibilities: all business models, delivery platforms, and devices to make content available. They are experimenting with all possible deals/transaction, without excluding anything. But building these models takes significant time.

¹ 'Not Safe for Work' see: <http://en.wikipedia.org/wiki/NSFW>

3. The Network Operators emphasised the increasing Broadband Availability and that they are focused on how to ensure that infrastructure and business models are able to provide any type of content, anytime, to everyone. This includes huge investments being made in Next Generation Networks (NGN).
4. It was stressed that what type of business models prevail does not matter: What is important is efficient delivery of content. We need to be ready for anything that becomes available.
5. It was noted that there is now a flood of content available, and this may reflect a “tipping point” towards greater confidence in intellectual property rights protection. What may have been seen as “silos” of content availability may slowly be starting to disappear, as the approach to making content available by all interested parties is evolving.
6. Challenges that are being very actively addressed include relating to interoperability, addressing the need for effective disclosure to consumers regarding DRMs, as well as all players working to adapt to new technologies.
7. Specifically it was noted that software providers are working with all parties to provide more effective interface between platforms in response to challenges posed by interoperability. It was also noted that DRMs serve as an important tool to make content available – to bring it to markets, as well as to provide copyright protection. DRMs also raise some challenges which were discussed.
8. All agreed that consumer education and appropriate consumer protection is important, and that technologies are helping to address some areas relating to consumer protection in the area of broadcasting for example (*i.e.* smart boxes to protect children). It was also noted that consumer confusion harms demand.
9. It was agreed by some participants that one should make sure that *global co-ordination* of self regulation (not global regulation) was being conducted in order that local conditions and regulations do not constitute barriers to trade.
10. According to industry, as long as there is no untimely regulation, that hampers development of business models, we will move in a positive direction.

AFTERNOON PLENARY SESSION: REGULATORY AND POLICY CHALLENGES

Questions for discussion

69. Analysis of how we best accommodate the new developments in content creation through regulatory change while ensuring that essential public policy goals are maintained could usefully support evaluation of the efficacy of regulatory, co- and self-regulatory models. Furthermore, analysis could usefully be done of how new technological tools and forms of online market analysis, segmentation could contribute to improved policy awareness and education campaigns and the contributions of private and public sector actors at different points along the supply chain.

70. How can competition be enhanced in video development and distribution markets while ensuring that public goals are achieved? Are there limits to the ability of market-based solutions to replace existing regulatory frameworks?

71. To what extent can market forces, including the changing role of end-consumers, stimulate the growth of new media local content production - in particular amongst small and medium-sized independent producers - and what policy and/or regulatory changes are required to accommodate this? What steps (if any) need to be taken to ensure that programme diversity increases with increased channel capacity and competition among platforms? How can local content be fostered?

72. In what ways do we expect the technological and consumer demand changes to erode existing bottlenecks in the value chain? What is the scope for new bottlenecks to emerge, how persistent will they be and what will be the most appropriate policy approach in each case? Will movies and sport continue to play a key role in driving demand or will new forms of reality TV, gaming or user-generated content provide greater competition? What role do interconnection issues play in the context of facilitating consumer access and content portability across emerging meshed IP networks? What changes, if any, are required to facilitate inter-industry co-operation in this rapidly evolving area?

73. To what extent can greater self-regulation develop and what obstacles are existing regulatory frameworks imposing on new growth and development of content industries? To what extent can self and co-regulatory models meet new regulatory challenges in areas of consumer protection? How can Governments better understand the needs, interests and requirements of consumers for audiovisual services (according to consumer habits, age, sex, race) such that spillover effects can be created for public online services offered to citizens? What are the tools that can protect the rights and interests of all those involved in the value chain?

Presentations and discussion

74. **Dietmar Plesse (Federal Ministry of Economics and Technology, Germany)** opened the afternoon session by highlighting the need for business and government to work together to identify where existing regulation may be hindering rather than stimulating the development of new business opportunities offered by technological developments. Dietmar asked what the real bottlenecks were.

75. **Cambell Cowie (Time Warner)** argued that government intervention should be linked to market failure. The market, not the regulator, is best placed to address and solve problems that may occur. The old

tradition of policy makers intervening when bottlenecks occurred must make way for the new environment being led by the Value Chain 2.0. He argued policy makers must recognise the world has moved on and must consider how to address the forms of content that now dominate the marketplace.

76. Consumers will look for content that meets their needs. While audience-generated music or film may only attract small audiences, business opportunities exist if viewers are willing to pay to receive this content. Suppliers of technology that understand how to utilise existing infrastructure to develop content and services that meet consumer needs will continue to be successful.

77. New technologies allow disintermediation of traditional conditional access systems (e.g. BSkyB's TPS). DRMs will allow companies to bypass conditional access systems and offer content direct to consumers. Set-top boxes (STBs) will become more intelligent and develop systems of local aggregation for content. Within this context, what are the implications for policymakers?

78. The question must be asked what is 'local' production? With lower entry barriers downstream, increased demand for content and lowered entry barriers upstream meant less intervention was required to promote the creation of content. Also, in an on-demand world, it is very difficult to mandate the consumption of content. Production of a far greater amount of niche content is possible, particularly when coupled with the advent of global aggregation systems and more intelligent financing, such as through micro-payments.

79. Television will no longer be comprised of a dumb terminal, so policymakers should not look to TV comfort zones for policy tools. Co-regulation has a role as a back-stop or regulatory floor for certain processes. In general terms, a broader content market meant there should be less need for competition concerns as players have reduced market power. While regulation had a role, it should focus on creating and maintaining a level playing field and supporting consumers by supporting high levels of customer service and protection.

80. **Mike Short (O2)** outlined the huge impact mobile technology has had on the take-up of mobiles across the world. Looking ahead towards 2010, all mobile devices will have e-mail, Internet, camera and video capabilities, as this will be expected by consumers. When regulatory challenges occur, an evidence-based approach is important and necessary. It will be increasingly difficult for policy-makers to keep up with innovation, as it is so fast.

81. In O2's business model content services only provide approx 1.5% of current gross revenues. However, they intend to develop these services going forwards, and to do this they need better access to content. A market review of the current state of play in access to content might help the market develop as historical rights regimes do cause problems for newer players.

82. Different payment methods available for mobile content were also important. The European Commission had regularly discussed widening the choice of alternative micro-payments but nothing had really happened. The lack of development in mobile content services could be partly attributed to the lack of action in Internet based micro-payments.

83. In looking at what the OECD might be able to do to help mobile markets develop, a form of benchmarking of mobile television could be a good idea. Mobile television needs common regulatory thinking to develop and such thinking could benefit from international benchmarking, particularly as mobility and innovation do not respect international boundaries, and will require international standards and common spectrum assignments.

84. Mobile television is still a very young market and needs regulatory clarity to help it develop. Any new regulation should show that it resolves a specific problem before being introduced. Policy makers should pull back from traditional regulatory thinking when addressing these new/nascent markets.

85. **Gianpaolo Scacco (Directorate-general for information Society and Media of the European Commission)** stressed the EU Institutions' commitment to better regulation and careful assessment of the appropriate regulatory approach. Regarding audiovisual regulation, he recalled the specific rationale for regulatory intervention, which is more complex than the establishment of a level playing field (rationale for *ex-ante* regulation in the communications sector) because of the specific nature of media content and the need to balance economic interest objectives and the protection of general interests that are at stake in the media sector (protection of minors and human dignity, cultural diversity, media pluralism). In this context, in the EU proposal for an Audiovisual Media Services Directive, the Commission's intention was not to introduce new rules, but to ensure a harmonised implementation of the fundamental freedom of expression (thus freedom of the media) in the EU internal market.

86. The intention of the framework being proposed under the Directive is to provide a stable regulatory environment which new business models and technological developments need in order to achieve full consumer acceptance and successfully deploy new services in the EU single market. This framework would imply a light touch regulation that is network/platform neutral. The Commission has no desire to restrict the development of new services but on the contrary wishes to harmonise a set of minimum standards so that all audiovisual media services providers can benefit from the Country of Origin principle, which allows service providers to be regulated by only one EU Member State. The Commission's proposal is therefore not about extending the current TV regulation to the Internet. The proposal does not add new regulatory requirements for service providers operating in the EU, but harmonises national laws and thus ensures that operators can fully profit from the EU internal market.

87. No new heavy regulatory intervention would be necessary to implement the new legislation. On the contrary, the Commission's intention is to encourage self and co-regulatory systems, provided that they are broadly accepted by the main stakeholders, guarantee effective enforcement and have a sufficiently strong link to the State.. The Commission's proposal should thus benefit business by ensuring legal certainty across the EU.

88. **Chris Bone (Department of Culture, Media and Sport, United Kingdom)** noted the UK Government's aim to support innovation and creativity by business and to provide a level of protection that consumers expect and need. He challenged the approach taken by the EU Audiovisual Media Services Directive to the regulation of non-linear broadcasting, noting how the UK's 2003 Communication Act better regulated traditional television broadcasting and new web content. Under the UK Act, web content is considered to be outside existing broadcasting regulations. However, this did not mean that web content is outside the law and what is illegal offline is also illegal online.

89. The United Kingdom agrees that the Country of Origin principle is vital and should be kept within the Directive and advertising regulation in the EU needed an overhaul. Where the United Kingdom and the Commission disagree is over the regulation of new media services under the linear and non-linear definitions.

90. With convergence, the boundaries between these services were getting increasingly blurred. Non-linear services should be regulated, but the United Kingdom saw no justification for sectoral control in order to get a harmonised EU market for non-linear services. The costs of imposing the new tier of regulation would exceed the benefits, particularly if operators moved outside the European Union. The proposal could interfere with national limitations on free speech.

91. In looking at the UK's proposed compromise, many Member States look like they would agree with the UK's proposal that non-linear services should be limited to 'TV-like' services. The main tenets of the UK's proposed compromise amendment centre on ensuring that the non-linear definition captured only those services that provided content in a format suitable for broadcasting, when the specific programme was selected at the active request of a user and when the nature and means of access to the service would lead the user to reasonably expect regulatory protection similar to that for TV programming.

92. **Michelle Childs (Consumer Project on Technology)** argued that inconsistency, not to say hypocrisy, currently existed in the way business is responding to many of the issues discussed in the workshop. For example in relation to the WIPO broadcasting treaty some businesses are lobbying to extend 'old' broadcast rules to new media, downplaying arguments that the Internet requires a different approach to regulation, whereas some of the same businesses are lobbying for the exact opposite (a desire to avoid the same extension) in relation to the EU Audiovisual Media Services Directive. The potential common ground for debate on how or if you regulate in an online world is lost in short-term lobbying. The OECD could play a role in hosting a broader debate on this issue – *i.e.* assessing how regulation can undermine the positive aspects of technology.

93. There is a drive amongst businesses to encourage access to digital content 'rip and burn' as an advertising slogan; however, at the same time businesses are calling for increased enforcement of digital rights to combat ill-defined concepts of piracy, often motivated by a desire to protect old business models rather than content.

94. We are seeing a world of tensions; for example, digital empowerment vs. digital divide; copy vs. control; at the political level focus on business growth vs. cultural access to knowledge; fragmentation of consumer protection laws and users' rights vs. upwards harmonisation of laws for right holders.

95. Consumers are being caught in the middle of a complex, and often confusing situation. They are not interested in technical discussions about IPR, they want access to knowledge and content while fairly rewarding creators. The current focus of policymakers and some businesses is on the need to protect companies' IPR rights rather than on addressing the needs of consumers and wider social and cultural issues.

96. Much of the debate is driven by concerns about DRMs private rule making that ousts the role of courts, policy makers and impedes access and in effect decides the terms of public access to content. DRMs are poor at preventing commercial copying, good at restricting consumer use. In some instances, DRMs contravene copyright exemptions that currently existed to support the distribution of material by such bodies as public libraries and access by people with disabilities. The wider use of DRMs by businesses could also negatively impact on the development of a competitive market in content distribution.

97. The OECD should conduct a study to quantify the economic benefits of content in the public domain. A full-cost benefit analysis of the value and costs of IPR was needed to provide an evidence base for policy makers and businesses actions in the area of digital rights protection.

98. Self-regulation was no panacea for dealing with difficult policy questions. Studies by consumer groups and others had repeatedly shown its limited use and the need for co-regulation particularly in relation to enforcement powers.

99. **Dennis Weller (Verizon)** noted that traditional regulation centred around two main points: *i)* promote certain content and producers and *ii)* control 'bad stuff.'

100. He highlighted how Verizon had promoted the use of their new FioS infrastructure for civil society content – called their ‘FioS Community Studio.’ The large amount of bandwidth on offer allowed them to give these organisations free access to people to consume their content.

101. When asked about the impact of increasing bandwidth demands from applications such as slingbox, in the context of the Net neutrality debate, Dennis reacted suggesting that this was indeed a serious concern, noting that somebody would have to pay for the required increase in capacity, especially taking into consideration that his firm tries to maximize profits by closely matching investments in capacity to actual consumer demand.

102. When asked about the incentives for laying fibre, Dennis suggested that Verizon would have fewer incentives to do it if they did not have some control over priorities in traffic, but also recognised that fibre was substantially cheaper to maintain than previous networks and this created strong incentives to, in fact, switch to fibre. He also mentioned that it was a strategic decision to retrain employees in managing the new technology and a better alternative than traditional downsizing.

103. In looking at the future of audiovisual services, B-2-B commerce was increasingly important – the B-2-B market is already six times greater than B-2-C.

104. As storage and transport became abundant and cheap, distinctions such as linear and non-linear will become very outdated.

105. Globalisation produces concerns and uncertainty, with the result being that cultural and national interests will be altered. In the online world, scarcity is now replaced by abundance so there is no basis for regulating in some areas. Local content regulation should be aimed at helping local producers rather than delivery platforms. Regulation should still be there to protect against bad behaviour.

106. But there might be a growing market for security for individual content.

107. In the discussion, Mike Short was asked what merit he saw in the introduction of the new mobile domain name “.mobi”. He suggested as the mobile market develops and the amount of content developed for mobile devices increases, “.mobi” would be a useful tool for users to recognise content is for mobile services.

108. Chris Bone was asked to consider whether introducing an element of more technological distinction of programmable versus interactive content into the UK’s proposed amendments to TVWF might help further clarify the non-linear definition. Chris agreed that most likely it would and it was something they needed to take into account.

109. Dietmar Plesse suggested a study to show entry barriers (and whether they had really fallen) and an assessment of new market entries.

AFTERNOON BREAK-OUT SESSIONS

Afternoon Breakout Session: Business Innovation and Content Production, Competition and Entry Barriers

Questions for discussion

110. To what extent and in what ways does the development of geographically and technologically decentralised online service provision undermine the feasibility of traditional regulatory approaches, and obviate the need for them?

111. To what extent can consumer choice and content creation stimulate the growth of new media local content production and create new opportunities and distribution channels for film/video industries?

112. What are the conditions of entry and effective competition at intermediary levels needed to sustain new distribution service models?

113. What is the impact of reduced entry barriers at the intermediary stages in the supply chain on competition in both upstream and downstream markets, particularly for small producers?

Presentations and discussion

114. **Stuart Collingwood (Slingbox Media)** gave a demonstration of the Sling Box as an example of how innovations in technology were impacting on business possibilities. Access and control are the key selling point for the Sling Box. Consumers have access to content whenever they want, wherever they are located and on whatever device they choose. They also control the content they want to watch, including local news and advertising, even if they are on a different continent. There is no issue of IPRs, because the owner of the device is merely consuming what they have already paid for.

115. **Christina Speck (Department of Commerce, United States)** outlined how the US Department of Commerce approached business innovation. The overall goal of the department is to increase the positive effects of technological developments and to work collectively with industry and stakeholders to reduce any negative effects. The department also examines regulation and legislation to ensure it does not impede technological progress or become irrelevant in the current marketplace. A key issue to address going forward was how to evolve the regulatory and legal framework to reduce possible negative impact on the marketplace as it grows.

116. **Richard Simpson (Industry Canada, Canada)** highlighted the role of the Internet in driving changes in distribution channels. The emphasis should not be upon changes in content *per se*, but the distribution systems that have been opened up. Since WWII, there has been increasing centralisation in distribution of films, with studios being integrated vertically. Similarly, the distribution system for television broadcasters, although more national, was nevertheless restrictive. Now the Internet had opened up distribution channels, allowing people to distribute their own content. This development could be seen as the 'revenge of the amateurs', as content producers had been out there all along and are now are now impacting on distribution. With these changes, business models were having to be re-invented on the distribution side.

117. Mr. Collingwood was asked whether they would be interested in introducing advertising to their model. Stuart explained that technically, it would be possible to introduce advertising but that they cannot

monitor consumer behaviour. They would not rule it out but it is not really in their interest. They are not a content company or a television production company.

118. The question was also raised as to whether the regulatory and legal framework in place at the time of the launch of Sling Media had been supportive of innovation, research and development. Stuart explained the broadband infrastructure that was required to enable consumers to stream content out of their homes. Five years ago, broadband speeds were too slow and it wasn't until two years ago that broadband speeds had increased sufficiently. With regards to regulation, caps on streaming tariffs and pricing were unrealistic in this marketplace. Caps might be appropriate for peer-to-peer communication, but Sling Media is different because consumers simply switch on when they wanted to watch something and then switch off.

119. The question was also raised as to limitations regarding editorial control versus the vast amount of audio-visual content. Given the generation of content, content aggregators would still be needed, but the degree of control aggregators will actually be able to have was questionable. An ISP such as BT is unable to monitor everything, but who is responsible: BT as the distributor or the producer of the content? The difficulty for regulators of defining 'broadcast material' was also raised in this context, as in the more influence you had over a channel, the more you looked like a service provider. So, it was asked, where did the line for liability lie?

Afternoon Breakout Session: Consumer experiences, DRMs, self and co-regulation

Questions for discussion

120. What approaches to creating a safe user environment can Internet service providers, software companies and creative industries effectively pursue, given their different positions along the supply chain?

121. What tools (navigational, filtering and controlling) are necessary for effective consumer-empowerment, and industry co- and self-regulation, and how should regulators develop awareness and education programmes that complement and are supported by such tools?

Presentations and discussion

122. **Peter Bourton (OFCOM, United Kingdom)** referred to the steps being taken at each link of the value chain to protect consumers and businesses, mainly on a self or co-regulatory basis. Given a rapidly changing media environment, and the inevitable limits on the effectiveness of national and even multi-national intervention, self and co-regulation could play an important role in protecting consumers. If industry did not pursue self and co-regulation, there was a risk that consumers could demand more statutory regulation, even though the long lead-time needed to develop national and regional regulatory responses and the global nature of media services could render them less effective.

123. **Sabine Frank (*Freiwillige Selbstkontrolle Multimedia-Diensteanbieter, FSM*)** described FSM's role in Germany's regulatory system. It is the self-regulatory body for German Internet services (including search engines) and has a formal co-regulatory function for user protection. They have independent advisors who review the content members of FSM have on their websites. It has sanctions it can impose of up to EUR 50 000 and they can expel companies from the organisation.

124. Sabine is a strong believer in self-labelling of content and that the EU should help put in place a pan-European system. She highlighted the strength of search engines in this market. FSM put in place an agreement with search engines in Germany to ensure that websites that were on their blacklist did not

appear on the results of the search engine. Interactive service providers who control chat rooms could put in place better protections for their users, such as alarm buttons and specific word alerts.

125. Self-regulatory bodies play a strong role in user protection and can react quicker to certain issues than traditional regulation. To operate successfully, they need strong sanctions and wide involvement. They need to be supported by a firm horizontal regulatory framework with incentives for industry to join in with self-regulatory systems.

126. Sabine was asked how FSM establishes its rules and code of conduct for members. She described how the original code of conduct was established only with members of FSM. They are now trying to widen the engagement process with a wider list of stakeholders and seek independent advice on its contents. They do have a very tight operational framework in the areas where they are licensed by the German Government.

127. Peter noted that self-regulatory bodies operating independently from existing legislation could respond more quickly and flexibly to developments that might not even have any legislation to account for them. It was also highlighted how some codes of conduct and rules can go beyond national legislation.

128. A question was raised regarding the difference between a code of conduct which industry has a form of control and another where there is a form of governmental oversight. Peter agreed that there were often tensions between these areas but noted that co-regulatory systems often have as many issues as self-regulatory bodies. There is not one model that fits best for all contexts. It was also pointed out that the prospect of government intervention often was enough to prompt agreement between parties over a code of conduct, but that it is often necessary to have a strong backstop power to ensure enforcement.

129. In response, it was noted that there are very strong backstop powers in some areas – the example of the Unfair Commercial Practices Directive was cited as a strong underlying framework for consumer protection in the EU.

130. It was argued that it was important to recognise the limitations of regulation in the online world. Regulation should be there to provide specific ‘safe places’ for people to enjoy the Internet but we should not aim for the same controls that exist for the broadcast sector. The best way to achieve that was through co-regulation that leveraged industry’s natural desire to make a profit into promoting businesses to join such schemes.

131. The example of YouTube was raised, with it being suggested that it would be impossible to regulate the site given the sheer volume of material on it. In response, it was argued that YouTube had implemented a form of self-regulation where users could flag a video as being inappropriate. This might well be a more effective response than attempts to impose national or international standards, given significant cultural differences. In this connection, it was also noted that there are huge global variations in definitions of decency – in some societies, showing a woman’s ankles could be considered unacceptable.

132. The advantages and disadvantages of self-labelling of content were also raised. It was argued that self-labelling of content might solve many of the issues discussed. Others pointed out that self-labelling is culturally contextual. Because of this, it could not be guaranteed that people will not see what they do not want to see. The only way to achieve that would be through a walled garden or a public that accepts accidents will happen. It was also noted that people can sometimes abuse self-labelling systems to their own advantage.

133. In talking generally about the value of self and co-regulatory systems, it was noted it is online where they can do the best job and they have an important role to play. It was suggested that industry needs

to work harder to build trust into these systems, possibly through incorporating participation into their corporate social responsibility programmes.

134. It was suggested that we are generally dealing with three main categories of business: first, those who consistently flout the law; second, those who might unwittingly or unintentionally provide content that offends certain sections of the population; third, those who do not contravene accepted standards. It was the second category that causes the most problems as the first can be dealt with by existing national laws. It was suggested that it is the second category where better education of consumer can play a role. We needed to look at how we can make ourselves 'fitter' for the world of the Internet – raising the question of who should do the educating. Schools would be the best location to educate minors about the Internet.

135. It was noted that perhaps such education programmes could take better advantage of the Internet and tailor the message to specific audiences. Much consumer education information is only generally targeted in relation to the individual and so perhaps the Internet could be used to more effectively tailor messages to more focused groups of individuals. It was noted how the Australian Government had designed such an education programme around the dangers of phishing, running 'Scam Awareness Months.'

136. Finally, based on their experience with such schemes and providing examples, consumer representatives cast some doubt on the value of self-regulatory systems which have proven inadequate in pursuing their objectives.

PROGRAMME

- 9.00** **Welcome Speech:**
Jeremy Beale, Head of e-Business Group, CBI
- 9.05** **Keynote Speech:**
“Competing in the Global Marketplace: the Role of New Media”
Mr. Olivier Fleurot, Senior Advisor to the Chief Executive, Pearson
- 9.20 – 10.45** **Morning Plenary Session**

“Value Chains and Business Models: Services’ Supply, Demand and Financing”

Analysis of service, supply and demand could usefully be structured around distinct activities along the value chain (content creation, distribution, delivery and use). In addition, it will be important to consider ways in which overlaps and connections between these activities (*eg.* consumers – traditionally users - becoming involved in content creation and distribution) result from developing technological capabilities and might impact on supply and demand capabilities:

Questions for Discussion

- How do the new value chains differ from the traditional vertically integrated models? What impact does the changing nature of technology and consumer engagement with the audiovisual industry have on the existence of bottlenecks in the value chain? Will reduced entry barriers erode market power, increase actual and potential competition and therefore reduce the need for regulatory intervention?
- To what extent do different delivery mechanisms (wire-based and wireless) and interactive technologies (IPTV, streaming, etc.) impact on content supply, audiovisual service capabilities and possible business models?
- What new forms of revenue generation can be associated with emerging forms of content creation, distribution and interactive activities? Are they replacing or complementing existing business models? In particular, how do innovative marketing practices (broadcast, viral, communities of interest) for different audiences (mass-consumer products vis-à-vis high-value targeted products) impact spending and revenue streams (*e.g.* in-house vis-à-vis third party)?

Moderator: Richard Simpson, Director-General of Electronic Commerce, *Industry Canada*

Panelists (10 minute presentations each):

Alan Lazarus, Head of regulatory Policy and Strategy, *BT Group*
Casey Harwood, Senior Vice-President Digital Media, *Turner Broadcasting*
Olivier Fleurot, Senior Advisor to the Chief Executive, *Pearson* (Discussion only)

Staffan Jonson, Head of Section Division for Technology, Research and Development, *Ministry of Industry, Employment and Communications, Sweden*
 Midum Kim, *Korea Information Industry Promotion Agency (KIPA), Korea*

10.45 - 11.15 *Coffee*

11.15 – 13.00 **Break-out Sessions**

1. Creation and competition, financing and revenue generation	2. Supply and demand
<p>Co-Moderators:</p> <p>Richard Allan, Head of UK Government Relations, <i>Cisco</i></p> <p>Stuart Maister, Managing Director, <i>Broadview Communications</i></p> <p>Chair: Graham Vickery, OECD</p> <p>How can or do increases in bandwidth and interactivity lower entry barriers along supply chains and stimulate innovation and change how content is created, aggregated and distributed?</p> <p>How are new and emerging delivery platforms changing the creation and delivery of different types of audiovisual content and services? Are there particular obstacles to development of new platforms?</p> <p>How can advertisers, producers and corporate developers of content extract value and increase exposure as the “long tail” of content is made available to consumers and businesses in place of mass-market formats? What are the alternative ways of financing rich media content for all of these audiences?</p>	<p>Co-Moderators:</p> <p>Domenico Dimartino, Media Coordination, Contents and Rights, <i>Telecom Italia</i></p> <p>Kristen Finney, New Media Division, <i>20th Century Fox</i></p> <p>Chair: Nicole Primmer, BIAC</p> <p>How can service providers meet the demands of the empowered user in the online environment?</p> <p>What consumer and corporate demand characteristics are necessary to enable sustainable growth of new media services?</p> <p>In what ways can new value chains and business models stimulate new levels and types of consumer and corporate demand?</p>

13.00 – 14.00 *Lunch hosted by the CBI*

14.00 – 15.30 **Afternoon Plenary Session**

“Regulatory and Policy Challenges”

Moderator: Dietmar Plesse, Senior Executive Officer, *Federal Ministry of Economics and Technology, Germany*

Panelists (10 minute presentations each):

Campbell Cowie, Director Public Policy, *Time Warner*

Mike Short, VP Research and Development, *O2*

Gianpaolo Scacco, Audiovisual and Media Policies Unit, External Policy, *European Commission*

Chris Bone, Head of International Broadcasting Policy, *Department of Culture, Media and Sport, UK*

Michelle Childs, Head of European Affairs, *Consumer Project on Technology*

Dennis Weller, Chief Economist, *Verizon*

15.30 – 16.00 *Coffee*

16.00 – 17.30: **Break-out Sessions**

1. Business innovation and content production, competition and entry barriers	2. Consumer experiences, DRMs, self and co-regulation
<p>Co-Moderators:</p> <p>Stuart Collingwood, VP Europe, <i>Sling Media</i></p> <p>Christina Speck, Department of Commerce, <i>United States</i></p> <p>Richard Simpson, Director-General Electronic Commerce, <i>Industry Canada</i></p> <p>Chair: Dietmar Plesse, OECD</p> <p>To what extent and in what ways does the development of geographically and technologically decentralised online service provision undermine the feasibility of traditional regulatory approaches, and obviate the need for them?</p> <p>To what extent can consumer choice and content creation stimulate the growth of new media local content production and create new opportunities and distribution channels for film/video industries?</p> <p>What are the conditions of entry and effective competition at intermediary levels needed to sustain new distribution service models?</p> <p>What is the impact of reduced entry barriers at the intermediary stages in the supply chain on competition in both upstream and downstream markets, particularly for small producers?</p>	<p>Co-Moderators:</p> <p>Sabine Frank, Managing Director, <i>FSM</i></p> <p>Peter Bourton, Senior Policy Executive, <i>OFCOM, United Kingdom</i></p> <p>Chair: Jeremy Beale, CBI</p> <p>What approaches to creating a safe user environment can Internet service providers, software companies and creative industries effectively pursue, given their different positions along the supply chain?</p> <p>What tools (navigational, filtering and controlling) are necessary for effective consumer-empowerment, and industry co- and self-regulation, and how should regulators develop awareness and education programmes that complement and are supported by such tools?</p>

17.30 – 18.00: **Plenary Wrap-up Session**

DSTI/ICCP/CISP/IE(2006)2

Moderators: Graham Vickery, OECD Secretariat OECD ICCP WPIE
Dimitri Ypsilanti, OECD ICCP CISP

Moderators of parallel break out sessions will report on their discussions. Followed by questions and general discussion with the audience.

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