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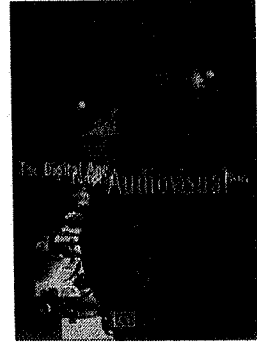
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The European  
Commission

Directorate General



*The Digital Age:  
European Audiovisual Policy*



## Report from the High Level Group on Audiovisual Policy

October 26, 1998

chaired by Commissioner Marcelino Oreja  
and composed of Francisco Pinto Balsemão, José-Maria Bergareche,  
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## CHAIRMAN'S MESSAGE

## **The audiovisual industry : vital, special**

The audiovisual industry has been one of the defining features of the twentieth century. As the century draws to a close the industry is on the verge of a transformation, a kind of revolution. Just as the introduction of soundtracks, then colour film, transformed the film industry and colour television broadcasting, we now stand on the threshold of a new era ushered in by digital technology.

When the Lumière brothers first showed their invention to the world just over 100 years ago, nobody, including the brothers themselves, believed that they had invented much more than a fairground attraction. In fact, they had created a wonderful story-telling machine which would change human culture forever. The cinema became one of the most popular art forms of the twentieth century. In 1996, 702.4 million cinema tickets were sold in European cinemas, an 18% increase on the low point of 1990.

Then came television. The average European already spends over three hours each day watching television. He – or she – is about to be (or already is) faced with a quantum leap in the number of channels on offer, with digital technology enabling the transmission of hundreds of channels.

The importance of the audiovisual industry therefore cannot be over-estimated : for the vast majority of Europeans, it is the major source of information not only about events in their world, but also about the nature of that world. It plays an enormous role in developing and transmitting social values and influences not only what citizens see, but how they understand what they see. It is the single most important source of entertainment and culture.

The central importance of this industry in any society is therefore self-evident. Equally self-evident is the pre-ponderance in the European audiovisual market of imported productions. The European Community has in recent years adopted a series of measures to try to redress this imbalance. Most notable among these are the Television Without Frontiers Directive, which creates a single market for television broadcasts in Europe, and the MEDIA programme which provides a series of support measures. These measures, together with increasingly vigorous policies at national level, are beginning to bear fruit. Last year saw some notable European successes in cinema and the share of European programming on television in the 1990s is continuing to increase.

### **Audiovisual policy : next steps**

The High Level Group was set up in 1997 as part of a general review of Community audiovisual policy. The other notable elements of this review were :

- The holding of a high-level seminar in conjunction with the Luxembourg Presidency on the "Advent of Digital Broadcasting" in November 1997;
- The European Audiovisual Conference, held on 6-8 April 1998, in conjunction with the UK Presidency, entitled "Challenges and Opportunities of the Digital Age".

In parallel, the European Commission published a Green Paper on the convergence of the Telecommunications, Media and Information Sectors in December 1997. A major consultation exercise ensued and the follow-up to this will be presented in a Communication from the Commission at the end of this year. The mid-term review of the Media programme is also due to be carried out this year.

This review is timely. The changes brought about by the advent of digital will be truly

profound. The analogue world of spectrum scarcity will be replaced by one where hundreds of digital television and radio stations will be available. Interactivity will increase and viewers will be able to call up programmes on demand and even arrange their own viewing schedules. A host of new or improved services will be offered to the television viewer, such as teleshopping, financial services, e-mail and even Internet access. Crucially, there will be an explosion in demand for audiovisual content.

### **Why the High Level Group?**

The audiovisual market is at a turning point and the future is complex and very difficult to predict. This is why I decided that the Commission, if it is to devise policies suited to the digital age, should avail itself of a group representing the highest levels of expertise available.

Within the overall review process, the High Level Group had a very specific role. It was to reflect on future audiovisual policy guidelines for the European Union and, in the face of the imminent digital transformation of the audiovisual landscape, to consider in particular the following three questions.

- How can the European content production industry (film, television, multimedia) get the most out of the expected developments ?
- How can the authorities at European and national level contribute to helping European industry to rise to the industrial, cultural and societal challenges? What should be the role of the public broadcasting sector in the new environment ?
- What consideration should be given to the general public interest, particularly with regard to ethical issues, in order to safeguard the European approach to society?

### **The challenges**

At the heart of the matter is the question of whether the predicted explosion in demand for audiovisual material will be met by European productions or by imports. The European audiovisual market is already fragmented due to linguistic and cultural diversity. The danger is that the channel proliferation brought about by digital technology will lead to further market fragmentation, making it even more difficult for European producers to compete with American imports.

Europe must maintain its cultural and linguistic diversity and uphold its core values also in the digital age. But more than this : there are tremendous opportunities opening up and Europe must seize them or others will simply do so in our place.

Added to this is the increasing concern among our citizens about the quality of much of what is available on our screens. Many feel that there is too much violence, for example, and that this can lead to emulative behaviour on the part of young people in society. There is a general view that more needs to be done to protect our children from harmful content and provide them with programming that is both entertaining and educational. Again, the solution lies, at least in part, in an increasingly vigorous and competitive European production industry.

### **What is needed**

In the view of the Group, these are the key elements of a future audiovisual policy :

- The starting point for any examination of public policy for the audiovisual media must be the recognition of the specific role they play in our societies and the need to ensure balance between the free play of market forces and the preservation of the general public interest.
- It is vital that Europe makes use of the "window of opportunity" that is opening to

- establish digital broadcasting (in all its forms) in readiness for the information age.
- If "content is king", distribution remains the key to the kingdom. Policies to support European production must recognise this fundamental reality. The development of a high-performance distribution and rights management sector should be a priority.
  - Broadcasters are a key and driving force behind audiovisual productions, which they both distribute and finance. European audiovisual policy must build on this element of strength, act in a complementary way to national policies on audiovisual in general, and broadcasting in particular, and seek to bring the added European dimension.
  - Current support measures for the film/audiovisual content industries should be adapted and completed. In particular, the following are seen as key elements:
    - The introduction of a mechanism for attracting more investment into audiovisual production;
    - A network of European film and television schools should be established to link centres of excellence;
    - A European showcase event should be encouraged;
    - The MEDIA II programme should be strengthened and provided with resources appropriate to the size and strategic importance of the industry;
    - Partnership agreements between private broadcasters and public authorities should be developed (with possible Community support for the transnational dimension).
  - The implementation of a set of principles and criteria for the funding of public service broadcasting, following on from the Amsterdam protocol, would provide a sound basis for the future of the public service, while ensuring the necessary degree of respect for the principles of free enterprise and competition that private broadcasters need in order to develop their activities. The two main criteria for evaluating any funding system for public sector broadcasting are those of proportionality and openness.
  - There will continue to be a need for specific regulation for audiovisual content, based on the fundamental distinction between communication to the public and private correspondence.
  - The right copyright regime is vital for the development of the industry.

Finally, in recognition of the sweeping changes in Central and Eastern Europe since 1989, the Group included Central and Eastern Europe within its remit. These countries are partners in a common endeavour.

It has been a tremendous privilege for me to work with the Members of the Group. As is fitting for a Group which draws on all parts of the industry for its expertise, different points of view have been put forward and full agreement on all issues was not possible. Nevertheless, their diligence, their expertise and their commitment to the European audiovisual industry have, in my view, produced a policy guide of unparalleled excellence, one that will help us navigate the uncharted waters of the digital age. I commend it to the reader.



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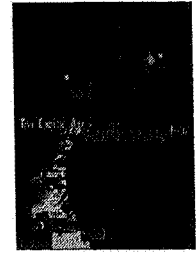
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## **I. The Media and the European Model of Society**

### **I.1 The role of the media for society and democracy in Europe.**

This report is based on a premise which its authors view as incontestable, namely that a modern democratic society cannot exist without communication media which:

- are widely available and accessible ;
- reflect the pluralistic nature of such a society and are not dominated by any one viewpoint or controlled by any one interest group ;
- make available the information necessary for citizens to make informed choices about their lives and their communities;
- provide the means whereby the public debate which underpins free and democratic societies can take place, means that the market will not necessarily deliver on its own.

A society which restricts access to information or freedom of expression to a privileged few is no longer a democratic one. Even in this minimalist sense of the role of the media, it is clearly crucial to the functioning of democratic societies.

However, the role of the media goes much further than simply providing information about events and issues in our societies or allowing citizens and groups to present their arguments and points of view : communication media also play a formative role in society. That is, they are largely responsible for forming (not just informing) the concepts, belief systems and even the languages – visual and symbolic as well as verbal - which citizens use to make sense of and interpret the world in which they live. Consequently, the role of communication media extends to influencing who we think we are and where we believe we fit in (or not) in our world : in other words, the media also play a major role in forming our cultural identity.

In this context, television (the dominant audiovisual medium) is of crucial importance. The average European spends between 3 and 4 hours each day watching television and the figure for children is even higher. For the great majority of Europeans, it is the major source of information, of entertainment and of culture. It provides not only facts about and images of the world, but also concepts and categories – political, social, ethnic, geographical, psycho-logical and so on - which are used to render these facts and images intelligible. It therefore helps determine not only what we see of the world, but also how we see it. In the words of one recent study, television:

"supplies a set of fantasies, emotions and fictional images with which we construct our understanding (or misunderstanding) of all those parts of society beyond our immediate surroundings. It is, therefore, part not just of how we see ourselves in relation to the community within which we are embedded, but also part of how we understand the community – indeed part of where the very idea of community arises and is given meaning."1)

The audiovisual industry is not an industry like any other and does not simply produce goods to be sold on the market like other goods. It is in fact a cultural industry par excellence, whose "product" is unique and specific in nature. It has a major influence on what citizens know, believe and feel.

This point of view, which sees the audiovisual media as playing a crucial, formative role in our societies, is neither controversial nor new and is in fact reflected in the legal systems of all Western European democracies, systems which seek to ensure that the media in general, and the audiovisual media in particular, shall not be controlled either by certain private interests or by the state. Amongst other things, it is a recognition of the immense power of the audiovisual media.

The European approach has traditionally been one of balance. Recognising the role of the audiovisual media as a societal, democratic, cultural and economic factor, legislators have striven to achieve a balance between conflicting demands. For example, the right to freedom of expression has to be balanced against other rights with regard to matters such as the protection of minors, racial hatred and the right to privacy.

Of equal importance is a policy of balance with regard to the interests of private broadcasting and public service broadcasting. In most countries in Western Europe, private broadcasting has only been authorised since the 1980s.

Whilst some would dispute the existence or even the value of a European audiovisual area, it remains true that the great majority of the present 15 Member States of the Community have, in broad terms, pursued similar policies in the broadcasting field since the inception of television. This should not surprise us since, despite their rich diversity, contemporary European societies share certain values, such as:

- a desire for fairness and justice;
- the conviction that democracy should be the political basis for managing society;
- the co-existence of different schools of political, philosophical and religious thought;
- pluralism;
- the need for a balance between the market and the role of the State.

Despite the many differences between the audiovisual markets of individual Member States, this common approach to broadcasting indicates that these national markets nevertheless have much in common in terms of social and cultural values and historical experience. If we compare this approach with that adopted in the United States, which has one of the largest and the most competitive markets in the world, we see that the starting point for the Europeans was different: namely, that it has never been assumed in Europe that the broadcasting and audiovisual sector should be treated as an economic subject only or that the market would per se guarantee a pluralistic service.

This is not to say that American regulators have not intervened decisively in the market when they have considered it necessary for industrial and other policy objectives – witness the famous "fin-syn rules" of the 1970s, the recent introduction of a programme rating system to protect children and the Federal Communication Commission's policy, backed up by legislation, of bringing about a rapid transition to an all-digital broadcasting environment. However, in Europe the approach to the audiovisual sector has systematically encompassed more than a simple need to ensure

the operation of the market : the specific nature of the sector and its crucial social function have always been clearly recognised by European governments. Consequently, a core element of European broadcasting policies has always been to educate and inform the viewer, over and above purely commercial considerations.

Given the technological advances we are experiencing - in essence, the advent of digital - the question now arises of whether the European approach to audiovisual policy, and broadcasting in particular, needs to be revised in the light of these advances and, if so, how. It is this question which the High Level Group has attempted to address in this report.

## RECOMMENDATIONS

- The starting point for any examination of public policy for the audiovisual media must be the recognition of the specific role they play in our societies and the need to ensure balance between the free play of market forces and the preservation of the general public interest.



### **I.2. Technological developments and their impact on the audiovisual media.**

The history of civilisations is linked to networks, from the network of Roman roads, through the Phoenician Mediterranean ports, the canal networks of Europe, the railways and air travel, electricity grids, telephone networks to television networks. All these networks have provided links, broken down barriers, reduced distances both psychological and physical, and, above all, allowed the exchange of goods, services and ideas. Digital communication networks will rapidly bring about economic and social consequences which are difficult to predict. The new environment will present many challenges and many opportunities.

But what exactly is meant by this "new digital environment"? At its heart is the fact that digital transmission technology allows hitherto unprecedented amounts of data to be provided over many different networks. For broadcasting, the spectrum scarcity which characterised analogue broadcasting and which limited the number of available channels is gradually disappearing. It will eventually be replaced by spectrum abundance. Hundreds of digital television and radio services will be delivered by terrestrial, cable and satellite networks. They will be both free-to-air and pay services. They will be accompanied by other value-added services or transactional services (teleshopping, financial services, e-mail, etc.).

Technological developments are also leading to a merging of the traditionally separate delivery platforms for images, text, sound and voice. In the on-line world, Internet already enables users to access certain television services with reasonable quality. It is possible that, in the coming years, increasingly rapid data transmission and consequent improvements in picture quality will enable premium content such as feature films to be distributed on the Web. However, it is in the broadcasting environment that European communications companies have their main strengths. It is vital, both from an industrial and cultural point of view, that Europe makes use of the "window of opportunity" these years provide us with to establish digital broadcasting as an important medium in Europe. This is essential if European broadcasters and producers are to be able to compete in a world where audiovisual material can be distributed equally and simultaneously over any platform.

Faced with a choice between hundreds of channels, the viewer will need navigational tools, such as electronic programming guides (EPGs), to help guide him through the

