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Mediaset blames Google for TV 'piracy'

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Italian broadcaster Mediaset has warned of the threat posed by online news aggregators to the traditional business models of television broadcasters, accusing Google and similar companies of "parasitic exploitation".

Background

Mediaset is one of Italy's largest television broadcasters with an annual turnover of €4.3 billion. Founded in 1978, by Silvio Berlusconi, the company has been instrumental in the former Italian prime minister's business and political career.

This has proven difficult a difficult year for the company. Mediaset shares have lost half their value since May and dropped a further 10% with the announcement of Berlusconi's loss of power on 16 November.

Mediaset is in a long-standing conflict with Google over alleged copyright infringement, going so far as attempting to sue Google for €500 million in July 2008. Both Mediaset and Google have been investigated on occasion by EU regulators over possible monopolistic practices.

The Italian media giant made the claim during the presentation of a study on Wednesday (23 November) that it had commissioned on the state of the audiovisual sector in Italy and the importance of copyright protection to funding content, such as films and television series.

The report's findings include claims that piracy costs the Italian audiovisual sector €496 million per year and that 84% of Italians continue to watch television daily, while only 26% use the Internet.

Aggregators' parasitic exploitation

US Internet giant Google and its subsidiary YouTube are singled out for particular criticism. The report says that while Google partially relies on regular TV content for traffic and advertising, it is not itself required to invest in content despite the company's €8.5 billion yearly profits.

The report says that YouTube's annual revenue could soon surpass €1.24 billion, the price at which the US-based Google purchased the company in 2006.

Speaking to EurActiv, Gina Nieri, board member of the Mediaset Group and vice president of the European Association of Commercial Televisions, said: "The amount of videos that people are watching on [YouTube] represent years and years of our programmes. … But what is the problem? They are selling advertising on this content."

The report estimates that Italian broadcasters Rai and Mediaset spent €4.5 billion between 2001 and 2011 producing television series.

"At the end of the day [Internet aggregators] are basing their business model on piracy," she added.

Mediaset went even further in a press release saying "the majority of net aggregators, namely those companies that make greatest use of unlicensed professional video content – parasitically exploiting television production – fail to make any meaningful contribution to content production."

TV advertising revenue increasing

The report is keen to emphasise that television has maintained its pre-eminent position among media, going so far as to call it the "super medium" with a potential audience of 3.7 billion worldwide. In Italy itself, it estimates that TV viewership increased by 11% between 2001 and 2010, by almost 1 million.

The study said that the music industry suffered a 31% drop in revenue between 2004 and 2010, something not compensated by a 1,000% increase in online sales. It warns that without appropriate protection for copyright television could suffer a similar fate.

However, the report also finds that, unlike many print media (see EurActiv's LinksDossier), television broadcasters have been able to not only maintain but expand their share of advertising revenue despite competition with internet.

According to the report, television's share in global advertising revenue has been increasing, from 38% in 2008 to 41% in 2010, worth almost $200 billion. The internet's share of this revenue is expected to reach 17% in 2012.

Commission tries to reassure TV networks

In a recent speech in Avignon (France), European Commissioner for Digital Economy Neelie Kroes had unnerved many television broadcasters with unusually frank criticism of the existing system of copyright.

Kroes said the current model of intellectual property often did not reward artists and was proving ineffective in fighting piracy. "Meanwhile citizens increasingly hear the word copyright and hate what is behind it. Sadly, many see the current system as a tool to punish and withhold, not a tool to recognise and reward [content creation]," she said.

Speaking at the report's launch event, Anthony Whelan, Kroes's head of cabinet, attempted to reassure the assembled media executives – which included the chief executive of RTL Belgium and the president of the Motion Picture Association-Europe – against fears that the Commission was abandoning copyright protection.

"We need to be open to new models and that doesn't mean putting old models in the bin. … Clearly in terms of consumer activity linear TV with its existing models is the elephant in the room," Whelan said.

However, Whelan suggested that traditional television media should be open to new distribution models. "We should not be afraid of Netflix," he said, referring to a major US provider of web-streaming services for films and TV series.

Whelan also added that established media are well-positioned to take advantage of the internet. "[Television] networks in Europe have extremely powerful brands which they are well able to leverage in the online space," he said.

Positions

Al Verney, **Google**'s EU communications manager, responded to this article saying, "We take the protection of copyright on Google and YouTube very seriously - and have done for a long time. Five years ago we launched our Content ID technology on YouTube, allowing any content owner to implement their own policies to protect and manage their audio and video rights on the site."

"A majority of content owners also choose to earn revenue from their content by allowing ads to be shown. Today, Content ID is used by thousands of partners worldwide, including hundreds in Italy," he added.

Mediaset also pointed out that rights-owners and media distribution outlets who invest the largest percentage of their revenues in production and rights acquisition should be free to manage, protect, circulate or withdraw their offer from competing platforms where content is a mere commodity.

According to the Italian media company, the firms that invest in branded content have a legitimate interest in preventing exploitation of their creative effort in platforms that mix professional and UGC content and claim no editorial control.

"If broadcasters bear the risk to invest in a rich and varied programming offer, they should also be free to choose their distribution channels. The Content ID scheme is based on Google’s full control of the advertising sales drawn from third parties’ content. If You Tube were to operate through regular licensing agreements, they could rightly enjoy their foray in the advertising markets in their own terms," Mediaset added, stressing that broadcasters rather than being the elephant in the room are the main driver allowing technology companies and internet intermediaries to draw huge sales with no risk in content production and no editorial responsibility.

According to a recent study by Ernst and Young, the aggregate market capitalization of Google, Apple, Yahoo and Microsoft reached €609 billion, with net cash amounting to €113bn. The growth of telecom and media companies from 2007 to 2011 compared to that of new technology players was: – 28% vs. + 38% for market capitalization and + 2% vs. + 773% in terms of net cash.

Links

Business & Industry

- Mediaset/Isicult: 'Italy: A Creative Media Nation' report
- Mediaset/Isicult: Press releases and report summaries

EU official documents

- European Commission: Speech by Commissioner Neelie Kroes