

**DCMS/BERR  
Interim Report  
on  
Digital Britain**



**Response  
From  
PPA  
[Periodical Publishers Association]  
12<sup>th</sup> March 2009**

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# DIGITAL BRITAIN INTERIM REPORT

## Response from PPA

### INTRODUCTION AND CONTEXT

PPA is the trade body for the UK magazine and Business Media industry. Its 250 members operate in print, online, and face to face, producing more than 2,500 titles and their related brands.

Magazine brands are at the heart of, and are living, the digital revolution. Nearly all magazines publish online; many of them use audio and video content on their websites. Blogs, Twitter, webinars and virtual fairs are all part of the magazine world. Online consumption of magazines in the UK is higher than online consumption of national newspapers. The magazine industry gives examples of how digital transition can be secured through building outwards from trusted brands.

### Size of the industry

The turnover of the UK magazine industry is approximately £6bn<sup>1</sup>. This is four times the size of the UK recorded music industry (£1.39bn<sup>2</sup>) and twice the size of the UK film industry (£3.22bn<sup>3</sup>). It is approximately the same size as the UK audiovisual content production sector (£5.5bn - £6bn<sup>4</sup>). The UK magazine industry consists of consumer magazines and business media brands – each of these sub-sectors with more than £2bn<sup>5</sup> of turnover – and customer publishing, with a turnover of c £900m<sup>6</sup>. The industry directly employs 114,000 people<sup>7</sup>.

### Early adopters

Digital technology is central to magazine brands both in print and online. Magazines were early adopters of digital technology in the production process, and have squeezed out costs through (now commonplace) PDF and CTP (computer to plate) technology. Over the past decade, virtually all magazines have expanded online, and are investing heavily in generating content for different platforms.

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<sup>1</sup> PriceWaterhouseCoopers Global Entertainment and Media Outlook: 2008-2012

<sup>2</sup> BPI, 2007

<sup>3</sup> PriceWaterhouseCoopers Global Entertainment and Media Outlook: 2008-2012

<sup>4</sup> Digital Britain, p36

<sup>5</sup> PriceWaterhouseCoopers Global Entertainment and Media Outlook: 2008-2012

<sup>6</sup> Ibid.

<sup>7</sup> PPA analysis of the Periodicals and Journals Industry based on Annual Business Inquiry

A typical magazine brand will have a print publication, plus a website, and may also run conferences and exhibitions. Conferences and exhibitions may be face to face or be virtual: magazine brands run ‘webinars’ – i.e. web-based seminars operating entirely online; and virtual exhibitions – i.e. exhibitions which take place online only. Content is also transmitted via SMS and MMS technology, and magazine brands will continue to adapt to and exploit future technological innovations.

### **International dimension**

The strength of magazines is in their brands – i.e. the relationship of trust and recognition between the magazine brand and its readers and users. Magazine brands can expand online throughout the world. They can also expand off-line through licensing of format and/or content, and UK publishers are investing in the developing economies, including Brazil, India, and China. They are in competition with publishers from other countries, for example Germany, but the advantage of the English language, and the creativity and talent within the UK industry, are competitive advantages. The benefit to the UK economy is in the hundreds of millions of £££ annually<sup>8</sup>.

### **News and content**

The Interim Report on Digital Britain rightly emphasises the importance of an informed society, and of impartial news and analysis. Underpinning impartial news and analysis is the unsung but vital contribution of Business Media magazine titles, both in print and online. These titles – for example Flight International; Building; Investment Week – have staffs of expert journalists with detailed knowledge of their industries. They provide high value information to their specialist audiences – often in real time. Equally important, Business Media titles are eagerly scanned by national newspaper and broadcast journalists looking for stories. The public does not realise that a high proportion of the hard news and analysis stories on television and in newspapers originate in the magazine sector. The continued health of the Business Media sector is important in sustaining an informed public in the UK – and in drawing in funds from abroad.

### **Not just print**

Nearly all magazines have a print heritage – though some have started online and have reversed into print, and some remain online only. There is sometimes a perception that magazines are print only. It is worth emphasising the extent to which magazines now occupy the digital space. The three case studies that follow are illustrative: a further six case studies are added as an Appendix.

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<sup>8</sup> PPA analysis of Audit Bureau of Circulations (ABC) data

## CASE STUDIES

### TSL Education

- TSL Education publishes TES (Times Educational Supplement). The initially print-based title is moving heavily into digital developments through [www.tes.co.uk](http://www.tes.co.uk), including online communities (nearly 700,000 teachers in the UK and abroad) and free resources for teaching materials (28,875 free resources)
- TSL has launched [TES Hirewire](#). This is a web-based tool allowing schools to build their own recruitment websites in 30 minutes with no technical expertise
- TES Hirewire monitors spending compared to response: this provides management information on where best to spend the recruitment advertising budget. It also provides an interface for candidates to submit applications online, and provides “cloud space” for schools to hold and review candidate data.

### What Car?

- What Car? is one of the leading print titles for drivers and car buyers. The What Car? website ([www.whatcar.com](http://www.whatcar.com)) includes blogs, videos, access to insurance quotes, information on company car tax, and much more. It is a formidable example of expansion beyond the print title, which nonetheless is central to the brand identity.

### SearchMedica ([www.searchmedica.co.uk](http://www.searchmedica.co.uk))

- Research showed that more than 50% of GPs were using Google during consultations with patients
- Information flagged up by Google is by definition popular but not always reliable – good results are presented alongside poor results, and relevant results alongside non-relevant results
- UBM, publisher of GP magazine Pulse, built – as a brand extension to Pulse – a tool for GPs to use that would bring back highly relevant results for them when searching the web during consultations (and at other times)
- SearchMedica is a ‘vertical search engine’ that searches only sites that are approved by Pulse’s team of editors.
- Widgets have been developed so the search tool can be integrated on the GPs desktop or in the web browser.

This introduction gives an idea of the extent to which magazine publishers are engaged in the digital revolution. Digital technology is part of the present and will be a larger part of the future. All magazine publishers engage by choice and by necessity. They increasingly view themselves as providers of content, rather than wedded to one (or more) platforms. The key requirement for UK plc is to sustain a vibrant content-producing industry which can inform and entertain the public in the UK and abroad, and which can use its creativity and innovation to continue the UK’s position as a leading creative economy, and as a major exporter of cultural goods.

## OVERVIEW OF RESPONSE

There is much to welcome in the Digital Britain Interim Report. Going through the five objectives on page 7:

- We support the upgrading and modernising of digital networks
- We support a dynamic investment climate for UK content – whether digital or non-digital. That climate can exist only if the producers of content can sustain business models which reward them for what they produce
- We support UK content for UK (and non-UK) users. News, comment and analysis depend, to an unrecognised extent, on the expertise and analytical capability of Business Media journalists
- We support access for all, and universal participation in the digital economy. Freely available access is not the same as free (i.e. unpaid) access: it needs to remain possible for content producers to charge for their content online as well as in bookshops or magazine stores
- The fifth objective is outside the scope of this response.

We also strongly support the statement on page 39 that ‘copyright is vital for our content and communications industries’, and the recognition of the need for a digital content protection framework. We agree that piracy and unlicensed copying are putting pressures on professional content (page 38) and that there are potentially serious implications for the future health and growth of the sector. In the text that follows, on page 38, there is no specific mention of licensing. The importance of the Copyright Licensing Agency and the Newspaper Licensing Agency in securing funds for the creative industries should be noted.

### Some caveats

- As noted, the distinction between **freely available access** and **free access** needs to be maintained. It has to remain possible for content producers to set out their stall online, and to require payment where they so choose: it is then up to the public to choose whether to buy. To expand on this point ...
- Content is available online in limitless amounts. Most of it is free; much of it is worthless or even pernicious. An informed society needs the continuing production of trusted and high-value content, and the producers and owners of content need to be rewarded. There is a real danger of a digital Gresham’s law, in which bad content drives out good – in that low value but free content will undercut the business models of high-value content producers
- The Interim Report talks about the ‘communications sector’, and – perhaps interchangeably – about the ‘digital information and communications sector’. Content is provided by the communications sector through a variety of means: analogue, digital, print, face to face. The infrastructure for digital transmission of content is essential (as is, for example, the postal system or the water supply system). The value, though, lies in the content (i.e. water pipes are no use without a supply of clean water). Digital transmission of content is an

- increasingly important means of transmission, but there is perhaps a danger of too close a focus on the transmission and not enough on the content
- Not central to this response, but there is a slight caveat over the phrase ‘low carbon knowledge economy’ (page 2). There is a carbon footprint from use of the internet, and the assumption that this is low is not necessarily secure<sup>9</sup>
  - At various points in the Interim Report, the phrases ‘digital economy’, ‘cultural economy’, and ‘content production sector’ are used. It is not always clear precisely how these terms are defined, and to what extent they may be used interchangeably
  - Some of the behavioural comments (for example on illegal sharing of content, page 39) seem to be specific to, or largely related to, illegal sharing, peer-to-peer, of audio-visual content. It would be wrong to ignore the threat to content producers of infringement of copyright by businesses. It would also be wrong to generalise outwards from (for example) illegal sharing of music tracks to embrace the much larger magazine industry, where different modes of behaviour apply. The ‘sea of unlawful activity’, described on page 40, is probably more turbulent for music publishers than for book or magazine publishers.

## MAJOR ISSUES

### 1. Copyright

**PPA welcomes the unequivocal recognition in the Interim Report that ‘Copyright is vital for the content and communications industries’. Reward for content in the digital age is essential to securing the continuing supply of high-value content.**

Increased use of digital technology is having a significant impact on the way in which magazine publishers compile and design their products and services, and subsequently publish and make them available to customers and individual consumers. It is important that publishers who invest in the creation of digital content are able to market and exploit it against the background of a **fundamentally stable regime** for copyright and other intellectual property rights. Without this the economics of digital content will be undermined to the detriment of the UK economy as a whole.

It is widely said that the expectation is that content online should be free. We believe that to be a serious overstatement. There is an expectation that the internet will provide huge amounts of free content. It is a non-sequitur, and is demonstrably wrong, to say that there is an expectation that every item of content on the internet will be free. If we take Business Media publishers as an example, it is commonplace for digests of articles to be available free, but for micro-payments to be required for the full text. That is a rational business model: the public see what is available, and make a choice of whether or not to buy. It is very similar to browsing in a bookshop or by a magazine rack: there is a chance to sample what is available and then purchase, or not purchase.

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<sup>9</sup> <http://googleblog.blogspot.com/2009/01/powering-google-search.html>

PPA recently responded to the UK Intellectual Property Office paper '**@the Future – Developing a Copyright Agenda for the 21<sup>st</sup> Century**'. In that response PPA made a number of observations concerning the relationship between an effective copyright regime and the development of digital content for the benefit of the UK economy. These included:

- Recognition in the **Gowers Review** that the Intellectual Property (IP) framework is fundamentally fit for purpose in the digital age is important for business confidence. Gowers' qualified endorsement that the IP system, including copyright, is fit for purpose in an era of globalisation, digitisation and increasing economic specialisation remains an important part of maintaining industry confidence to invest in and develop new online business models
- **The myth of complexity** - there is a myth that the underlying framework of copyright is too complex. Obtaining copyright protection under the existing copyright system is very cheap and simple with no barriers for anyone with creative skills; and applicable regardless of knowledge and financial standing
- Copyright in terms of its application to individual works is not complex. That is the great thing about copyright and something we as a society should seek to protect. The complexity arises from the need for certainty and fairness when introducing legislative exceptions to copyright - to prevent disproportionate detriment to those having their property rights restricted
- **Digital is not so different that you need to tear up the copyright rulebook.** IP law has proved itself to be flexible at accommodating new technology. However, the suggestion appears to be that digital is different in a way that demands a new copyright regime, without any real evidence of market failure. Licensing can support myriad uses of IP. Broad changes to the current finely balanced IP regime could lead to a two tier system whereby reduced protection *de facto* applicable to digital publishing would make it less attractive than traditional publishing
- **Digital developments** make it increasingly important for the Government to clearly distinguish 'the public', or specific sections of it – entitled to the benefit of any copyright exception or limitation – from 'the public' who comprise 'consumers' or likely licensees of a particular type of copyright work
- **Difficulties in enforcing rights** should not be interpreted to suggest that the underlying system of copyright is broken: this is not the case.

PPA welcomes recognition in the Interim Digital Britain Report that the IPO © the Future debate will be considered as part of the final Digital Britain Report. We hope that the detailed analysis and comments which have been supplied in response to consultations following Gowers will also be taken into account to ensure that the wider debate supports evolution of the copyright regime, rather than provide for revolution which would put the UK in conflict with the International copyright law framework, and would damage investment in UK-created content. As stated in the PPA response to © the Future:

- **Expert analysis and trusted brands** will play an important part in ensuring that opportunities for the diverse presentation of information and knowledge are taken up and maximised within society. Nowhere is this more important than within the niche markets and specialist interest groups for whom many magazines are published. These niche markets (such as education) are vulnerable to unauthorised and illicit use of copyright material (and over-broadening of copyright exceptions) - reducing opportunities for rights owners to secure returns from business investment
- In looking to embrace the opportunities opened up by on-demand delivery through digital transmission, consumers and rights holders share many common objectives, involving affordable access to a wide range of content to satisfy effective demand for consumption across an ever-increasing number of delivery platforms and devices
- The successful use of new technologies embracing delivery platforms, electronic rights management systems, and technical protection measures will help to support these ambitions, stimulating new business models and creating opportunities for business to offer more choice to the consumer/citizen
- Illicit file-sharing is a serious challenge to the development of new online business models. This challenge must be effectively addressed if the work being undertaken to develop new models for securing economic returns for the operation of on-line services is not to be fatally undermined
- PPA remains concerned over ISP opposition to the co-regulatory solutions which have been raised in responses to the recent BERR consultation on legislative options to address illicit peer-to-peer (P2P) file-sharing. Whilst the Interim Report refers to the 'preferred' co-regulatory solution of BERR failing to gain widespread support, PPA believes that rights owners remain supportive of such a solution
- The voluntary Memorandum of Understanding between key stakeholders from the ISP industry, the content industries, OFCOM and the government (the MOU) laying out the foundations for a self-regulatory regime to address the issue of unlawful P2P file-sharing, is helpfully highlighted by the Interim Report as part of the way forward. But, as the MOU itself recognises, it is not and cannot be the complete solution: back-up legislative provisions are needed
- The back-up is needed to ensure that self-regulatory initiatives (exemplified by the MOU) ensure that unintended barriers to application of both civil and criminal rights vested in the owners of copyright works are removed
- It is important that those who develop and adhere to self-regulatory initiatives are not put at a commercial disadvantage by those who do not
- PPA members are developing new online services that secure returns from use which are not exclusively linked to advertising in the traditional sense. Subscription models for access to content, promotional uses, linking content with third party products and monitoring traffic and interest in particular types of content are all featured within new online business models.

## **2. Rights Agency**

**PPA supports the proposal to provide incentives for the legal use of copyright material and the preventing of unlawful use by consumers which infringes civil copyright law. However, it is not clear from the Interim Report that a Rights Agency is needed to secure these objectives.**

- There is considerable lack of clarity on the role and remit of such an Agency. The objectives are fine, but may not need an Agency to deliver them
- Existing copyright law is clear and simple. The straightforward approach is to improve enforcement of copyright law. As noted, unlawful peer-to-peer file-sharing impacts at different levels on different parts of the creative industries, so enforcement is more problematic in some areas than others
- Funding (Action 12), even if modest and proportionate, could, through ‘activity creep’, become immodest and disproportionate. There has to be considerable reservation, at the current level of detail, about this proposal
- We should say at this stage that we would **not** favour a system of copyright registration: any such system would be laborious and would put another administrative (and financial) load on producers of copyright material – and would tend to disadvantage smaller companies and individuals
- However, we are keen to have an open discussion on ways forward and to be involved in the progress that is certainly needed
- It is important to note that the current signatories to the Memorandum of Understanding are the film and music industries. It will be important to involve other parts of the creative industries in discussion of any mechanisms for education and enforcement
- A right to enforce should not become an obligation to enforce: the choice should rest with the rights-holder
- Any new mechanisms should not impair the current copyright system and its enforcement.

## **3. Net Neutrality**

**PPA believes that Net Neutrality is key to freely accessible content.**

PPA believes that Net Neutrality is crucial for a fair and level playing field to ensure universal access to all to information and that government should ensure that Net Neutrality is protected and that a content access class system does not develop.

Without a requirement for Net Neutrality, network operators, particularly at the delivery end of the network, will be free to accept payments to give priority to some content over other content, or to slow down or not allow delivery of content for which payment has not been made. This would create a digital content delivery (and possibly access) class system with the inevitable effect of increasing prices to consumers. It could also distort and/or limit the availability of content.

There is no suggestion that non-discriminatory traffic management should be prohibited (i.e. where the type and source of content is neutral but the size and timing is the determining factor).

It is also recognised that there are currently differential prices for size of broadband pipe (general speed of access) and for some content such as pay TV and Film content delivered via the internet. However, this pricing is transparent to the consumer and is not discriminatory as between content suppliers.

The danger of allowing access service suppliers to discriminate between similar content would become extreme where the access service supplier also produced content in competition with other producers of content.

#### **4. Second public service provider**

**The text dealing with a second public service provider of content is, in our view, the least well-argued section of the Interim Report. It is not clear whether the argument relates only to television or more widely. Convergence would mean the possibility of the argument, if initially limited to television, breaking through this boundary.**

The text seems to approach an assumption that publicly funded content is intrinsically more reliable than content delivered by the market – a questionable thesis. It also seems to assume a market need which is not demonstrated in the Interim Report. ‘Plural sources of informed, accurate and impartial news, as well as ... informed comments analysis’ are rightly seen as desirable. However:

- There is no exploration in the Interim Report of the respects in which current information provision is or may be deficient. (It may be that content from other reports is present by implication, for example the Ofcom Public Service Broadcasting review)
- There is no acknowledgment that a second public provider of information would impact on the business models of commercial providers of information – who, as noted, provide high-quality analysis and provide the basis for many hard news stories
- It is questionable whether plurality of information provision would be enhanced through a second publicly funded provider, because the outcome could be a reduction in the viability of commercial providers of information
- It is unclear why the public should be expected to fund information publicly delivered (through taxation) unless there is conclusive evidence of a market need and a market failure.

#### **DETAILED COMMENTS**

##### **Page 5: paragraphs 4 and 5**

The importance of plural sources of informed and accurate and impartial news, and informed comment and analysis (paragraph 4) is fully understood. We question the implication behind the statement ‘the market will always provide some of this content,

but we need to decide what else we require'. This implies a market failure, which is unproven. The reality is that the market – especially the business media sector – provides a vital element in informing the public and in analysing complex stories. This is not to detract in any way from broadcast and national press journalism. However, they understandably tend to operate a high level (i.e. giving the overview of a detailed story), whereas the specialist media have more scope to delve into the finer detail. The specialist media are important in providing the basis and underpinning for the high level news stories.

**Page 13: National Media Literacy Plan**

We support the aims of this proposal. PPA is itself heavily engaged in education and training (including accrediting media courses at UK universities through the Periodicals Training Council).

**Page 36: first sentence**

It is certainly true that digital technology has reduced the costs of distributing, storing and manipulating content. The cost of producing high-value content remains high – because of the investment in the people who produce it. The continued production of high-value UK content for the UK and for export is central to the UK's future competitiveness. This point is made elsewhere in the Interim Report: the reason for the comment here is that production of low value content is cheap, and, as noted, there is a risk that high-value content, expensive to produce, may be driven out by low value content.

**Page 39: 'at a price they are willing to pay'**

The fuller quotation is 'respond to consumers' desire to access content in the time and manner they want, allowing them to use it how they want, and at a price they are willing to pay'. All content providers wish to get their content to the market. Equally, business models require content providers to be rewarded. In a market economy, prices are typically set by the producer, with the consumer making the choice to buy, or not to buy. If the consumer chooses not to buy, producers have the choice of lowering their prices to attract more purchasers. The text on page 39 can be read as implying that prices should be set online by the consumer – with the possible implication that the consumer will take the content unlawfully if the price does not match the consumer's willingness to pay. That would be a very severe market distortion. If we take the example of a bookshop, there is a vast range of content available for purchase. Much of it is available at a price within the reach of most people. Consumers in a bookshop realise that they cannot buy the entire shop, and have to make rational choices of which titles they purchase. The online environment provides large amounts of free content (the analogy is with free newspapers), but some content is charged for. The normal market disciplines need to apply, in that the consumer chooses whether or not to buy what is on offer.

**Page 40: ‘rights holders must find new partners’**

This statement comes out of nowhere, and is not explained. A compulsion on rights holders (implied by the word ‘must’) to find new partners would be a distortion of the market.

**Page 41: ‘a growing expectation that content can be found and shared for free’**

As noted, the expectation that the internet will provide large amounts of free content should not be confused with an expectation that all content on the internet should be free. Nor should freely available content be confused with free content. There is a danger that the very specific example of sharing music tracks will (wrongly) be taken as the paradigm for all digital content. We would also note that consumer expectations are distinct from consumer rights, and that this distinction needs to be maintained.

**Summary and conclusions**

The UK magazine and business media industry provides one of the strongest examples of innovative adaptation to a multi-media and digital world. We support universal access to the benefits of new technology, and an educational strategy to enable appreciation and use of the benefits. Copyright remains key to the business models of producers of content. The magazine industry operates across a range of platforms, and its content needs to be protected across all platforms. The multi-media engagement of the magazine industry gives examples of a range of business models: we are at the heart of the digital transition, and are willing and eager to engage with the discussions as they move forward.

**Jonathan Shephard**  
**Chief Executive, PPA**  
**12<sup>th</sup> March 2009**

## FURTHER CASE STUDIES

### Building Design

- Building Design runs a virtual trade fair every year for the recruitment of architects by architectural practices
- The virtual fair runs "live" over three days. Booths are "manned" by people (avatars) from the architectural practice who are available through instant messaging to interact with the graduates
- The fair provides a platform for streaming media: video presentations, webinars and audio slide shows.

### Autotrader

- Published weekly in 12 regional editions
- 189,077 print copies sold per week (ABC Dec 08)
- 1.38 million readers (NRS Jan-Dec 2007)
- Website launched in 1996
- 700m page impressions per month (ABCe March 2008)
- 10m monthly unique users (ABCe March 2008)

### Monkey ([www.monkeymag.co.uk](http://www.monkeymag.co.uk))

- Monkey magazine launched in November 2006 as a digital-only edition with embedded rich media (videos and audio), emailed weekly to registered database of users
- ABCe audited circulation of 283,541 (Oct 2008) copies per week. Readers are able to cut and copy any part of the magazine and send it to their friends
- The average reader is a 24-year-old male, who spends 50 minutes per week reading Monkey. 65% don't read any other men's magazines (Source: Reader Survey, Sep 2007)
- Monkey takes existing press display advertising and enhances it with either Flash animation or complete audio and video. Alternatively, readers can insert HD trailers into press activity
- Monkey claims that click-through rates are up to 275% higher than traditional digital advertising

### The Economist

- [www.economist.com](http://www.economist.com) goes beyond the print title, with 787 audio and video clips.

### Building magazine

- This leading title for the construction industry has webinars (web-based seminars); virtual fairs; online and interactive events; digital editions; blogs, etc.

### WGSN World Global Style Network ([www.wgsn.com](http://www.wgsn.com))

- This is a high value subscription data tool for the fashion industry (buyers and creatives)
- It emerged from and complements the print title, Drapers Record
- WGSN provides text alongside video from the latest fashion shows. It includes primary research by a team of 100 based in the world's fashion capitals
- WGSN allows subscribers to ask questions and set tasks for the research team

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