

Achievable Vision of European Digital Renaissance

A submission for the European Commission's Public consultation on "Content Online"

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Europe is the cradle of civilization, Europe gave the world its current global culture and now it is on Europe to start a new era of creativity a new renaissance of human spirit.

It is well known that positive motivation is by its results far superior to negative motivation. Yet most aspects of our society are still build upon negative motivation; when speaking about digital content, all the widely implemented restrictive protection mechanisms or the sanctions for copyright infringements are a good example. Negativity will always be answered only with even more negativity. It's time for a fundamental shift in thinking.

Internet changes the way we work, we learn and even relax, effectively Internet changes the way we live. If we succeed in creating a positive pro-creative digital content distribution model, the affected digital natives will seed this new attitude towards all the other spheres of our society.

This paper will present a financially, legally and technically viable positive motivation based, creativity stimulating, digital distribution model that is in all aspects convenient for both the content creator and the client. Further, no great legislative changes need to be applied and the necessary technology already exists.

Concessionary TV and Radio Licenses or tax on empty media as DVDs and CDs are just a few examples on currently applied and legally bound payments that consumers need to pay to cover just the possibility of pirating content, even if they don't intend to do so. What have all these media in common? They are used to deliver content, but every year their popularity decreases as one completely different media takes their place. Internet - universal distribution medium. Interestingly, there is no tax on it so far and maybe it wouldn't be a so bad idea. Not a tax that would cover the possibility of piracy but a tax that would make piracy obsolete.

The most important thing on every distribution approach is how the money will be collected. Two possibilities exist, micropayments or so called "all-you-can-eat" models. Micropayments had never become a widely used method of selling content over the Internet, and probably never will be.¹ Further, it is important to remember that users prefer services that feel like free. Therefore a well designed "all-you-can-eat" model should be clearly the better option.

Examples of currently popular unlimited music services:

Rhapsody² - 12.99 USD/month, unlimited streams

Zune pass³ - 14.99 USD/month, unlimited downloads

1 <http://en.wikipedia.org/wiki/Micropayment>

2 http://learn.rhapsody.com/plans?src=rcom_foot

3 <http://www.zune.net/en-us/products/zunepass/default.htm>

Napster⁴ - 5 USD/month -> 5x download, unlimited streams

What about other types of content than music? The situation is a bit more complicated, currently there are several projects that aim to provide high quality video content online, for example hulu.com (only available in US) provides commercial-supported streaming video of TV shows and movies from NBC, Fox, ABC and many other networks and studios. But it seems it won't be a free service forever. At an industry conference on October 21, 2009, News Corporation Deputy Chairman Chase Carey stated that Hulu "needs to evolve to have a meaningful subscription model as part of its business" and that it would likely start charging for at least some content by 2010. Carey's comment jibes with other News Corp. heads, including Rupert Murdoch who has expressed a desire to charge for content with a number of on-line units.⁵

Let's take another well known example, the Netflix service⁶ charges 8.99 USD/month to watch unlimited streamed movies/TV shows plus 1 rented DVD out at-a-time that can be exchanged unlimited number of times without paying the shipping cost.

So, the situation in reality is not so different from the music industry.

How much would then an on-demand stream-only unlimited audio/video service cost if implemented EU-wide?

Looking at the profits of the mentioned companies it is a good business at their already low prices, this means such a service could be much cheaper than it already is, even more if done as a non-profit endeavor.

For example, Napster's fiscal year 2007 revenue was \$111.08 million USD of which more than 33 percent - \$36.83 million USD was its net income. Not bad for a 138 employee company which main product is a 5USD/month unlimited music downloads service.⁷

Netflix's Q4 2008 results are quite impressive too; with 9.4 million subscribers it made revenue of \$359.6 million USD. In Netflix's case the operation costs are high because of the next-day-home DVD shipments. Still, it made \$22.6 million USD net income.⁸

So, if run as a minimal operation costs, online, non-profit service and with all the collected funds directly transferred to content authors, at this hundreds-million subscriber levels the final per-user price could be rather symbolic.

What services does a government provide? We all pay social insurance, the government collects it and then somehow distributes where it is needed. For the good of the society.

Internet piracy is like a drug, it reached pandemic levels long ago. It is very easy to become addicted, all the content easily and seemingly freely available. Makes people want more until they reach a state where piracy seems absolutely a normal part of everyday life, all the moral barriers fall. People do not look on it as on stealing, they do not feel like doing something wrong. Maybe mankind wasn't ready for the possibilities Internet represents, anyway, this situation was caused

4 <http://free.napster.com/subscribe/>

5 <http://en.wikipedia.org/wiki/Hulu.com>

6 <http://www.netflix.com/>

7 http://en.wikipedia.org/wiki/Napster_%28pay_service%29

8 <http://www.slideshare.net/earningsreport/netflix-q4-2008-financial-results>

by the society itself and now the same society needs to fix it. Numerous attempts to stop this development have been made but none of them with sustainable results. Therefore we ask, why should we fight against what seems so natural?

Instead of trying at all costs to change the public opinion on piracy with different media campaigns and legal actions against suspected pirates, the true potential of this development should be positively exploited. The human curiosity, the urge to explore and experience is what drives creativity and the whole mankind forward. Exactly as with the social system, government should take care of a fair digital content distribution model, where the money would be collected from every Internet connection and shared amongst the content creators on a transparent and universally accepted logic. A system where every citizen would have the right to unlimitedly access all the audio/video content ever created, on-demand. Further, every citizen would have the right to publish his content to this distribution system and make money directly and transparently. The equal right to access, share and make money on the content. Such a system would not only make piracy obsolete, guarantee a fair income for content creators but also stimulate creativity of the whole population. We call it the Internet Creativity Tax.

The idea of the parallel with the social system lies in the responsibility of the government to do what is best for the whole society. Not fight against the natural development but solve the problem once and for all. Some may argue that the cultural and creative sectors generate a turnover of more than € 650 billion annually, contributes to 2.6% of the EU's GDP and employs more than 3% of the EU work force⁹; and that the Internet Creativity Tax could never cope with that. Even that there is currently more than 312 million Internet connections in the EU¹⁰. The idea is to keep the Tax as low as possible, so that most people won't even realize it. It is true that some company's profits will drop, but it is important that such a system would be run directly by the government so that a fair approach to all citizens is guaranteed. As only a fair system can result in a digital distribution model where piracy is an unknown word and making money on own creativity is easy and straightforward.

All the money collected from the tax would need to be shared based on all the factors available and that are:

- Author's self valuation
- User's volunatious valuation
- Popularity statistics

Every Internet connected device can be clearly identified, no authentication is required from the user. Every device would get an equal stake of points for the given time interval – one month. For example let's say one point per device per day. The system would monitor the activity of the device, what content has been accessed from it. The user would be able to vote on the quality of the accessed content. Also, every author when adding the content to the system would need to select exactly what category it falls in and what price it has. The system would recommend some possible values to the author from its statistical database and keep the price in relevant intervals. At the end of month the points for every device would be shared amongst the accessed content, also the user's quality valuation would be saved. The points for every content would be counted and the authors self valuation would be compared to the users voting. These results would be then summed for all the content in the system and fictional / real money ratio (based on the funds

9 http://ec.europa.eu/avpolicy/docs/other_actions/col_2009/reflection_paper.pdf

10 <http://www.internetworldstats.com/stats9.htm>

collected from the tax) would be calculated. From these results the exact amount of money for every content author can be determined.

The presented system is not limited to audio/video content only; the progress in application streaming technologies has made it possible to provide any software as an on demand service without even the possibility of piracy to occur. Internet Creativity Tax could then, if kept in reasonable low prices, support the whole Software and Gaming market.

More traditional media like books or newspaper are moving towards digital distribution. There are many problems in this particular media, for example Google with its Book Search digitizes copyrighted works unless explicitly told not to do so. Clearly not all authors are happy with such approach. The presented system would be able to distribute these types of content too and provide their authors with direct income.

From the technical point of view, the system would need to be an extremely user-friendly multi-platform on demand streaming web service.¹¹ Decentralization of the streaming servers would be needed to avoid high costs, this could be done for example utilizing stream proxying and caching.¹²

This paper showed that "all-you-can-eat" models like Napster or Netflix are a profitable business even if their deployment is currently very limited. Their success motivated us to develop the idea of Internet Creativity Tax that could be understood as an EU-wide non-profit transparent fair-share digital distribution model. It would enable every user to legally and unlimitedly access copyrighted content for a fixed Tax paid with the ISP's monthly payment. All the collected funds would be then shared amongst the content creators based on a universally accepted algorithm that uses statistical data, user feedback and authors self evaluation as parameters. The unlimited content access would inspire the population, add the possibility to easily and uncomplicatedly earn money on own creativity and the result is a digital renaissance.

11 <http://videoserver.cnl.sk/>

12 <http://p2p.cnl.tuke.sk/node/3>