Why the UK’s creative industries are better off in the EU

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The UK’s creative industries, which include films, music, television, video games and publishing, among other sectors, account for some of the most recognisable products exported by the country around the world. But how does EU membership affect these industries and what would the picture look like following a Brexit? **Sally Broughton Micova** *writes that EU membership provides a number of benefits to creative industries which could disappear if the UK votes to leave on 23 June.*

There are at least two main reasons why the UK’s creative industries are better off within the EU. First, the UK is a leader in and benefits greatly from being part of the EU’s single market for creative industry services. Second, UK companies and citizens are better protected in the global marketplace by being within the EU, as EU membership provides the means to collectively deal with competition from powerful global corporations.

The UK’s creative industries within the digital single market

The move towards a single market for audiovisual media production and distribution within the EU began in 1989, with the UK playing a key role in this move. It is currently governed primarily by the Audiovisual Media Services Directive (AVMSD) and, of course, EU competition rules. The aim of this directive, which is under revision, is to establish minimum standards and a “level playing field” for a common audiovisual production and distribution market. The basic idea is to encourage growth by creating economies of scale within the wider European market and encouraging cross-border co-operation.

It would be difficult to argue that a level playing field has been achieved. Broadcasters or producers whose home market for audience and advertising are the 1 million Estonian speakers or 2 million Slovenians are inherently not competing on the same level as the UK’s ITV or Germany’s RTL within the European market. There are clear winners in this not-so level playing field, and the UK is definitely one of them. This is one of the reasons, as Alison Harcourt found, that UK industry stakeholders are particularly concerned about the future shape of this EU market.

Creative industries and the EU: “There are clear winners in this not-so level playing field, and the UK is definitely one of them”. Free image / Pixabay.

The UK serves as the “country of origin” for over 1,000 cable and satellite channels broadcast in the rest of Europe. The UK is home to the European operations of several of the large global brands such as Discovery, Fox, and Disney, and to many other services, such as the British children’s channels that have large Nordic audiences or the ones for Europe’s numerous linguistic minorities. The principle of regulation only in the country of origin has been the keystone of the AVMSD, and allows such services to be based in the UK, even though their intended public and market might be elsewhere in Europe. These channels are regulated by the UK’s Ofcom and to varying degrees contribute to the UK economy.

The UK’s production sector has been one of the big winners within the EU, which is probably why 85% of the members of PACT, the sector’s trade association, support remaining in the EU. Aside from the benefits of serving television and other distribution channels within a wider market, the UK's producers are among the top beneficiaries of EU programmes aimed at boosting the sector. The EU has provided subsidies for film and other audiovisual production and distribution for over a decade in order to boost the international competitiveness of European production. Just in the first two years of the current Creative Europe programme, UK producers and cinema distribution companies and organisations received €40 million.

According to DCMS data, the UK's exports to Europe from the "film, TV, video, radio and photography" sector in 2013 were worth over £2.2 billion. That is £1 billion more than those to America, and the second largest contribution to the total exports from the UK creative industries (software and IT being one of the other sectors). The UK's television broadcasters have been experiencing steady growth in revenues since 2009, but Ofcom's 2015 market report show these have been levelling out a bit since 2013.

Though the evidence indicates that the UK is healthy and certainly leading within Europe, there are massive changes afoot. But the new forms of competition and the challenges these bring are also better dealt with collectively within the EU.

Facing the global (American) internet giants

Traditional linear broadcasting and cinema distribution now compete with various video-on-demand (VoD) and online streaming services for audiences and with a host of online services for sponsorship and advertising. Users of online services are also creating massive amounts of audiovisual content themselves and "broadcasting" their work online, sometimes generating significant revenues. In Ofcom's latest research on media use and attitudes, 32% of respondents cited YouTube as an important source of information… And then there is the "Netflix problem".

The European audiovisual observatory's recent report shows a rapid increase in take up subscription of video-on-demand services since 2012 in the EU. Almost half of consumer revenue from these subscriptions is generated in the UK, where more than 70% of the market is held by Netflix. The observatory's authors conclude that Netflix is still a complementary service, but whereas linear television viewing remains surprisingly stable across the rest of Europe, in the UK, where video-on-demand is strongest, it has decreased since 2011 by 22 minutes per day.

There are real concerns that the legacy players of Europe's audiovisual industries are at risk from this competition, and that those that have been the engines of audiovisual content production will not be able to maintain the level necessary to serve the needs of its citizens or compete globally. The European Commission's proposal for revisions to the AVMSD released on 25 May, would have video-on-demand providers such as Netflix and Amazon required to comply with the same rules for inclusion and investment in European original content that traditional media have to follow. If outside of the EU's rules, Netflix's powerful UK operations would not face such obligations.

National level authorities have appeared rather weak when it comes to dealing with large global media companies. The UK's competition authority waived through Amazon's takeover of the UK's Lovefilm in 2008, so instead of developing along the lines of US-based Netflix into a competitor in the video-on-demand market, it was dissolved into Amazon's numerous services within a few years. It is the EU's Competition Directorate that is going after Google for its domination of advertising markets, a crucial issue for UK media and other creative industries that depend on advertising.

Though this saga is still playing out, if the tax evasion issue is anything to go by, there is reason to believe that the EU will be more effective at combatting the unfair practices of the large global companies that affect the UK creative industries. The UK government's deal over taxes with Google was considered egregious by many, but the EU's competition authority has recently gone after the special tax arrangements enjoyed by Apple in Ireland and Amazon via Luxemburg as unfair competition.

Stronger within a European digital, creative market

The value of the creative and communication industries cannot be measured solely by calculating their contribution to GDP or export revenues because these industries also provide space for expression and debate, and for creativity and innovation to thrive. Ensuring that UK production thrives is not just about the jobs in that sector, but about allowing British culture and values to continue to be represented and negotiated.

If the domination of global giants like Google, Apple and Amazon is not held in check, how will there be space or for the media upon which society relies for information and expression to continue to sustain itself, or perhaps for the UK's creative talent to break into the marketplace with the next innovation? National governments will always be hindered by the need to do a deal with large global corporations for short-term gains in jobs or prestige – a headquarters here or there. Alone they also lack the capacity to find policy solutions for the new environment in which the creative industries are situated. Within the EU, this is already being done.

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