

# Global watch on culture and digital trade

## **ONLINE STREAMERS: REGULATION ISSUES AND GEOECONOMIC EXPANSION**

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The December report begins with the debates over the Artificial Intelligence Act within the European Union (EU) and the perspective of developing a common rulebook for AI between the EU and the United States (US). The report also highlights the on-going discussions about online streaming regulation in Australia and Canada. The report emphasizes as well the struggle for subscribers involving several streaming platforms, such as Spotify, YouTube Music, Netflix, Disney Plus, and HBO Max. Then, the report turns to the geographical expansion of several video streamers in South Africa and Southeast Asia, as well as to new business plans, such as the investment from Amazon in theatrical film releases, the involvement of Netflix in live sports, and the discussions about the future of the French streaming service Salto.



## Regulation issues, digital trade and culture

### Debates over the Artificial Intelligence Act

The Artificial Intelligence Act is a new regulation proposed by the EU to introduce the first comprehensive legal framework for artificial intelligence (AI), centering on trust in AI. According to [William Fry](#), it is estimated that the legislation “will affect up to 35% of AI systems used in Europe, applying to everything from banking systems to emotional manipulation” and outlawing certain uses of AI. According to the Act, the AI systems will need to be transparent and explainable by design and the rules will be proportionate to the potential of AI systems to harm people or properties. One of the thorny issues is the definition of [AI](#) systems, which will make “the regulation future-proof, since this technology is still at a relatively early stage of development”. According to [Euractiv](#), the text defines the AI as a system, which should be able to: receive machine or human-based data; infer how to achieve a given set of goals using learning, reasoning or modelling; generate outputs in the form of content, predictions, recommendations or decisions influencing the real or virtual environment it interacts with, adding that “AI systems can be designed to operate with varying levels of autonomy”. The [Artificial Intelligence Act](#) was adopted by EU ministers at the Telecom meeting on [December 6](#).


In addition, the European Commission seeks to create a transatlantic space for trustworthy AI, providing to companies a single set of AI guidelines to follow. According to [Science Business](#), if the US and EU can agree on a common rulebook for AI, “it would become the de facto global standard, given the weight of the two economies”. Besides, the US and the EU plan to deliver a “joint roadmap” on AI during the third US-EU Trade and Technology Council meeting set in early December. Following this announcement, some industry groups expressed their concerns about the development of EU policy over AI. According to [Inside US Trade](#), the IBM’s head of international trade noted that “the US and the EU have different levels of tolerance for risk when it comes to issues like AI and, accordingly, will need to respect that level of risk approach that we both take”.

## **Cross-national struggle for level-playing field regulation**

According to the [Financial Review](#), mid-November, the federal government of Australia confirmed that it will impose Australian content quotas for streaming services, so that these players ensure on their platforms a certain amount annually of Australian audiovisual content, such as shows and films. Whereas national broadcasters, like Seven, Nine, and pay-tv operators have investment obligations toward national content, [global streaming services](#), such as Netflix, Amazon Prime Video, Disney Plus are not currently subject to local content requirements.

Federal Arts Minister Tony Burke stated that “we haven’t settled on the design be in no doubt, Australian content quotas, including for scripted dramas, are coming to this country”. The associations of the audiovisual sector, such as producers, screenwriters and directors, push for video streamers to be forced to spend up 20% of locally-generated revenue into national content. Finally, according to the [Guardian](#), the number of Australian dramas produced by video streamers has tripled in a year to 29 titles with a total budget of 446 million USD, outspending “free-to-air TV on making Australian drama for first time”. The free-to-air TV broadcasters, such as Seven, Nine, Ten, SBS and ABC offered new local dramas with a total budget of 208 million USD, but produced more hours of drama – 278 in total.

In Canada, the Senate is now debating on the broadcasting legislation (Online Streaming Act) of the liberal government – known as Bill C-11 – that aims to adapt the country’s broadcasting policy to the new challenges coming from online streamers and give powers to Canada’s broadcasting regulator – the Canadian Radio-television and Telecommunications Commission ([CRTC](#)) - toward online streaming. The [Senate](#) has been studying Bill C-11 since the end of June 2022. In mid-December, the [Standing Senate Committee on Transport and Communications](#), submitted a report marking the completion of its clause-by-clause study. The Senate, and then the House of Commons, will continue their work after the holidays. It is worth reminding that [Bill C-11](#) was introduced in the House of Commons in February 2022 and was adopted at third reading in June 2022.



Regarding the content rules toward social media included in the bill, Ian Scott, the CRTC chair, stated that “the CRTC is not, has not, and will not be trying to direct what consumers watch”, adding that any regulatory obligations put on online platforms would be subject to public consultation first. In addition, following some concerns regarding the impact of the new legislation about user-generated content, Canadian Heritage Minister Pablo Rodriguez pointed out that the bill “is about platforms, it is not about users”, arguing that the bill is meant to “protect Canadian culture, deliver more choice to Canadians, meet the needs of minority-language communities and bring regulation of the industry into the 21st century”.

## **Worldwide activities of online platforms**

### **Global struggle for subscribers**

By 1 October, Disney+ subscribers totalled 164.2 million, with a 12.1 million gain during the July-September quarter. In the third quarter, Disney+ got more than 10 million subscribers from outside the US and Canada, showing the global attractiveness of the streaming platform. Overall, Disney's streaming services, which include Disney+, Hulu and ESPN+, has surpassed 235 million global subscribers, up from 221.1 million subscribers at the end of the previous semester. ESPN+ and Hulu totalled 24.3 and 47.2 million subscribers, respectively, by 1 October. By comparison, Netflix now has 223.09 million subscribers worldwide and got 2.41 million subscribers in the third quarter of 2022.

During the same period, Warner Bros. Discovery's streaming services, which include HBO Max and Discovery+, saw a rise to nearly 95 million combined streaming subscriptions, by adding 2.8 million streaming customers in the third quarter. The main share of subscribers came from international markets, where Warner Bros. Discovery added about 2.3 million users for an international base of 41.4 million subscribers outside the US and Canada. Besides, the company aims to unify the HBO Max and Discovery+ into one service and the target date is spring 2023 for the launch of the merged platform in the US.



Regarding the music sector, [Spotify](#) totalled 456 million active users, including 195 million paid subscribers across 183 markets. Total monthly users and paid subscribers grew respectively by 20% and 13% year over year. Having more than 80 million tracks available to users to stream and investing in audiobooks and podcasts, [Spotify](#) remains the largest streaming audio service in reported subscribers compared to other global audio services, such as Apple Music, YouTube Music and Amazon. Finally, according to [Variety](#), in a rapid growth surge, YouTube's Music and Premium services now have more than 80 million paying subscribers combined, a growth of 30 million subscribers from the 50 million the company announced in September 2021.

### **New business plans**

[Amazon](#), the world's largest online retailer, plans to spend 1 billion USD a year on theatrical film releases and to make between 12 and 15 movies for movie theaters each year. According to [CNBC](#), the movie theater industry lacks of film content and this commitment from Amazon seems to be "a confidence booster for the industry". It is worth noting that earlier this year, Amazon acquired the movie maker MGM studios for 8.45 billion USD, expanding the company's media business.

In addition, according to [Reuters](#), Netflix plans to invest in live sports broadcasting and it has recently "bid for the streaming rights for sports leagues", such as the ATP tennis tour for some European countries, cycling competitions or the World Surf League. According to the [Wall Street Journal](#), Netflix considers buying lower-profile leagues, like tennis and surfing, to avoid the mounting costs of bidding for sports rights.

Finally, according to [Variety](#), Salto, the French streaming service launched in 2020 co-owned by the three French media operators TF1, M6 and France Télévisions, could "either changes hands or shut down in the near future". End of November 2022, the two commercial channels TF1 and M6, which hold together 33.33% in [Salto](#), decided to sell their stakes, leaving the streaming service without two of its three parent operators. Salto, seen as a national alternative to Netflix and other global streamers, includes catch-up content from 19 different channels belonging to the three media operators.




## Geographical expansion of online streamers

Netflix remains the most popular video-on-demand service in South Africa, followed by Amazon Prime Video and the national player Showmax. According to [Fortress](#), Netflix's share represents around 31% of the South African market, while the share of Prime Video and Showmax reach 28% and 25% of the market, respectively. In addition, the public broadcaster South African Broadcasting Corporation ([SABC](#)) has recently launched its own online service SABC+, which includes 19 radio stations and three free-to-air television channels. It has already invested over R1 billion (58 million USD) in the last fiscal year in content creation for boosting its streaming service. SABC group CEO Madoda Mxakwe stressed that "no broadcaster in this country can rival the SABC when it comes to content". SABC+ will also air archived content, including news shows, soccer matches, documentaries and soaps.

In addition, according to [Variety](#), in Southeast Asia, Netflix led the video-on-demand market and accounted for 42% of video viewing in the five Southeast Asian markets – Singapore, Indonesia, Thailand, the Philippines and Malaysia - covered by a new report from Media Partners Asia. Netflix is followed by the regional player Viu with 13% of video viewing and Chinese Tencent's WeTV with 10%. Regarding the content origin, around 38% of video viewership is for Korean-made content, ahead of the 22% recorded for US content and 13% for Chinese content.

Finally, according to the [Hollywood Reporter](#), thanks to the number of streaming services offering foreign programming, the share of non-US titles viewed by American audiences in the US has more than doubled, from less than 8% in 2018 to more than 16% in 2021. Whip Media, a US company for worldwide content licensing, stressed that global streamers today focus on non-US content: some 38% of new Netflix shows in development are in a language other than English and nearly one-quarter of Disney+ content is non-English.



It is worth noting that the increase of spending on local-language shows also seems to be due to new regulations toward investment obligations for video streamers. As such, the reviewed European Audiovisual Media Services Directive ([AVMSD](#)), adopted in November 2018, includes obligations for providers of on-demand audiovisual services to respect a quota of 30% for European works in their catalogues. In addition, according to the revised AVMSD, where member states require linear broadcasters and video-on-demand providers to contribute financially to the production of European and national film contents, they may require these broadcasters and providers targeting audiences in their territories but established in other member states to make such a financial contribution. The latter should be related to the turnover generated in the country, where the audience is targeted.

#### **Additional readings for the December report:**

- Netflix show brings back Blockbuster, but some brands should stay dead, *The Conversation*, 24 November 2022, [Link](#).
- Disney Tries Mixing Streaming with Shopping, *The New York Times*, 1 November 2022, [Link](#).
- How streamer investment and a revamped public funding mechanism are driving Mexico's production scene, *ScreenDaily*, 22 September 2022, [Link](#).

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- EU hopes to build aligned guidelines on artificial intelligence with the US, *Science Business*, 22 November 2022, [Link](#).
- The other reason Amazon is bringing Neighbours back, *Financial Review*, 18 November 2022, [Link](#).
- The Online Streaming Act in the Senate, *Senate of Canada*, 18 November 2022, [Link](#).
- Disney+ adds 12.1 million subscribers to cross 164 million worldwide ahead of ad-tier launch, *Variety*, 8 November 2022, [Link](#).
- How Spotify stayed No 1 in streaming audio even with Apple, YouTube and Amazon aiming for it, *CNBC*, 10 November 2022, [Link](#).
- Amazon plans to invest 1 billion USD a year in movies for theaters, *Bloomberg*, 23 November 2022, [Link](#).
- Netflix explores investing in live sports, bids for streaming rights – WSJ, *Reuters*, 8 November 2022, [Link](#).
- French streamer Salto in Turmoil: TF1, M6, two of three parent companies to sell their stakes, *Variety*, 21 November 2022, [Link](#).
- Americans are watching more international TV than ever before, *The Hollywood Reporter*, 20 November 2022, [Link](#).

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