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TRANSNATIONAL DEBATES TOWARD THE REGULATION OF ONLINE STREAMERS

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Analytical report, March 2023

The March report begins with the debates around the Connectivity Package within the European Union (EU) and the possible contribution of US tech firms, such as Google, Facebook or Netflix, to the financing of the European telecoms and internet infrastructure. The report also highlights the new policy plans from the Australian government to impose Australian content investment quotas on Netflix, Disney+, Prime Video and other international streamers. Besides, the report deals with the plurilateral e-commerce negotiations within the World Trade Organization (WTO). In addition, the report emphasizes the struggle for subscribers and geographical expansion among online platforms and then turns to new partnerships and business plans of transnational streaming services, focusing on Netflix, Disney+, Paramount+ and Spotify.

Regulation issues, digital trade and culture

EU Connectivity Package

End of February, the European Commission introduced propositions regarding a Connectivity Package, including measures to boost the rollout of high-capacity networks in Europe and a broad exploratory consultation on a reorganization about “the fair remuneration of the networks”. Internal Market Commissioner Thierry Breton explicitly mentioned that “high speed Internet requires high investments. That is why, in addition to facilitating network deployment in the short term, we are exploring the important question of who should pay for the next generation of connectivity infrastructure”. As such, for the European Commission, one of the main goals of the public consultation will be to launch an open dialogue with stakeholders “about the potential need for all players benefitting from the digital transformation to fairly contribute to the investments in connectivity infrastructure”. Here, the issue focuses on the “fair share” of US tech firms, such as Google, Facebook or Netflix, in the financing of the European telecoms and internet infrastructure – notably the roll-out of 5G and fibre cables -, insofar as these tech firms use a huge part of the online traffic. It is worth reminding that end of September 2022 big European telecoms, such as Deutsche Telekom, Telefonica, Vodafone, Orange, released a statement, which focuses on the energy crisis and EU climate change goals and called for a “fair contribution” from the largest traffic generators, such as Google, Netflix or Facebook, to the “sizeable costs they currently impose on European networks”.

On their side, the tech firms see this initiative as an Internet tax “that will undermine EU network neutrality rules to treat all users equally. This concern also comes from some civil society organizations, which address the potential implications on net neutrality, namely “the principle that internet service providers must provide access to all content at the same speed”. Besides, in October, the Body of European Regulators for Electronic Communications (BEREC) gave a negative opinion on this initiative, considering possible violations of the principle of net neutrality. BEREC stressed that “the internet has a proven ability to self-adapt to changing conditions, including increasing traffic volume and changing demand patterns” and pointed out that the platforms should optimize “data efficiency on their services via the appropriate technical choices, with the view of reducing their environmental footprint”. According to EURACTIV, the EU’s upcoming proposal to “make online content providers contribute to the cost of digital infrastructure will include the increasing volumes of data used by the metaverse and virtual worlds”.

Australian plans to impose investment quotas on streaming platforms

End of January, the Australian government unveiled plans to impose Australian content investment quotas on Netflix, Disney+, Prime Video and other international streamers. This initiative is part of the government's "Revive" National Cultural Policy, a five-year plan to revive and renew the wider cultural landscape, focusing on the country's arts, entertainment and cultural sector. According to Deadline, the investment quotas will be in place by 1 July 2024 and the required investment level will be set at 20%, even though this has not been confirmed and consultation with broadcasters and streamers will take place over the next six months to shape legislation. National broadcasters already have investment obligations and Foxtel, News Corp's pay-TV market leader, is required to dedicate 10% of its spending on drama channels into local production. According to ScreenDaily, the document acknowledged that "new streaming platforms are producing some high-quality Australian content. However, unlike free-to-air broadcasting services and subscription television, these services have no requirements to make Australian content available on their platforms. The ready availability of mass content produced in other countries, particularly the United States, risks drowning out the voices of Australian storytellers". Finally, according to the governmental plan, "Australians are now watching more content on streaming platforms than via traditional broadcasters and the local subscription video industry grew 50% in 2021 to 1.7 billion USD in total revenue".

E-commerce negotiations at the WTO

According to Inside US Trade, the participants in the plurilateral WTO e-commerce negotiations aim to wrap up the talks by the end of 2023, even though crucial issues, such as cross-border flows – remain outstanding. The total number of WTO members participating in the negotiations is 88, including the EU, the United States, China, Japan. The goal of the agreement will be to set high-standard rules for governing the digital economy. According to the WTO, during the February meetings, the participants focused on the non-discriminatory treatment of digital products.

Worldwide activities of online platforms

Geographic expansion and struggle for subscribers

The streaming company Netflix has decided to lower prices in more than 30 countries as it seeks to attract more subscribers. Prices have been cut in several countries in Asia, Europe, Latin America, sub-Saharan Africa and the Middle East, including Indonesia, Thailand, Croatia, Bulgaria, Venezuela, Iran and Kenya. Instead, prices remain the same in key Netflix markets such as the US, UK, Canada, Germany, France, India, Mexico, and Brazil. More specifically, in the sub-Saharan region of Africa, the Netflix mobile plan costs about 3 USD and is designed to “be accessible to a larger segment of population”. It is worth noting that video-on-demand subscriptions in Africa are projected to hit 13.7 million in 2027, up from 4.89 million at the end of 2021. As the Wall Street Journal mentioned, “Netflix has lowered the cost of its service, as it tries to appeal to customers who have an ever-growing list of streaming options”, by seeking to make Netflix more competitive against other regional streaming services. For instance, in sub-Saharan region of Africa, Showmax, owned by South African media giant MultiChoice, operates in all 50 countries of the region and was the first streaming service on the continent to offer mobile-only subscription plan.

Disney+ lost a net 2.8 million subscribers in the last three months of 2022 and the subscriber base of the streaming service decreased for the first time since the company launched in November 2019. Disney+ has now 161.8 million subscribers globally compared with 164.2 million subscribers last quarter. The majority of these losses were in India, as Disney lost the cricket streaming rights to Indian Premier League. Besides, the Disney streaming Hulu gained 0.8 million in the last quarter to stand at 48.0 million and Disney’s ESPN+ gained 0.6 million standing at 24.9 million. In addition, Disney will eliminate 7 000 jobs with layoffs affecting 3.2% of its global workforce.

Finally, Spotify became the first music streaming service to surpass 200 million paid subscribers. According to The Verge, Spotify’s number of premium subscribers increased to 205 million as of 31 December, representing a 14% increase year-on-year. Spotify’s monthly active users reach 489 million, a 20% rise. This number includes the subscribers using the ad-supported tier. At the same time, Spotify announced layoffs affecting 6% of its workforce, around 600 employees.

New partnerships and business plans

According to TechCrunch, end of February Spotify launched a new Artificial Intelligence (AI) feature called “DJ” to better “personalize the music listening experience for its users”. Similar to a radio, the new feature will queue up music based on user’s musical tastes and listening history and at the same time will deliver an AI-powered spoken commentary about the tracks and artists, using a “stunningly realistic voice”. As The Verge mentioned, the “DJ” feature uses “a synthesized voice to provide a personalized radio listening experience”. It is the first time that Spotify uses generative AI through OpenAI (the company behind ChatGPT). According to Spotify, the new feature is “a generative, expressive and realistic AI DJ that delivers a personalized lineup of music and commentary to each user, for all those times you don’t know exactly what you want to hear”. The version of DJ is rolling out in English for Spotify Premium users in the US and Canada.

According to Variety, Showtime will be integrated to the streaming service Paramount+, resulting in a rebranding of the pay TV channel to “Paramount+ With Showtime”. Showtime is an US premium television network owned by Paramount Media Networks. As such, Showtime’s content will be integrated into the Paramount’s streaming service and Paramount’s originals will be joining the Showtime’s linear offering. According to Paramount, Paramount+ will become “the definitive multiplatform brand in the streaming space – and the first of its kind to integrate streaming linear content in this way”. As CNBC pointed out, “the moves comes as media companies work to make their streaming businesses profitable”. In November, Paramount reported that Paramount+ had 46 million customers.

Additional readings for the March report:

ChatGPT is a data privacy nightmare. If you’ve ever posted online, you ought to be concerned, *The Conversation*, 8 February 2023, Link.

Cultural industries have been captured by billionaires – a new book considers what we can do about it, *The Conversation*, 23 November 2022, Link.

Indicative sources :

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- EU Commission moves to link 'fair share' debate with the metaverse, *EURACTIV*, 10 January 2023, Link.
- Australia to impose local content streaming quotas by mid-2024, *ScreenDaily*, 30 January 2023, Link.
- WTO e-commerce participants aim to conclude talks by end of year, *Inside US Trade*, 27 February 2023, Link.
- Netflix slashes subscription fees in select African countries, *Business Insider Africa*, 22 February 2023, Link.
- Netflix cuts subscriptions prices in over 30 countries, *The Wall Street Journal*, 23 February 2023, Link.
- Africa is our home: fighting off global rivals like Netflix African SVODs tout tailor-made local strategies, *Variety*, 2 February 2023, Link.
- Spotify is first music streaming service to surpass 200M paid subscribers, *The Verge*, 31 January 2023, Link.
- Spotify launches DJ, a new feature offering personalized music with AI-powered commentary, *TechCrunch*, 22 February 2023, Link.
- Showtime to combine with Paramount+, rebrand with new name, *CNBC*, 30 January 2023, Link.

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