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## **Press Release**

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### **Net piracy costs Polish economy millions**

**Warsaw, 16 April 2014 – The GDP losses caused by video piracy on the Internet are estimated at approximately PLN 700 million per year, and in 2018 this figure may reach twice the budget of the Ministry of Culture and National Heritage – claims a report entitled “Analysis of the impact of video content piracy upon the economy in Poland” drawn up by the consultancy firm PwC and commissioned by Stowarzyszenie Dystrybutorów Programów Telewizyjnych "Sygnał" (Association of Television Programmes Distributors). This is the first attempt to estimate the effect of media piracy on the Polish economy.**

*“We hope that our analysis will become a starting point for further actions in the area of social education and adjustment of Polish law to the digital reality and its effective enforcement,”* said Piotr Baranowski, partner and leader of the media and new technologies team at PwC. *“Several years ago Internet piracy involved only small groups of users. Today, it has become a universal phenomenon, and its negative impact on the economy is becoming increasingly visible. Unlicensed content access services are usually very well organised and geared toward generating financial gain. This sector of services has outgrown legal Internet services offering video content in Poland,”* he stressed.

#### **Scale of media piracy**

According to PwC’s estimates, twenty per cent of Poles use Internet services offering illegal access to video content – this represents nearly 30% of all Internet users and as many as 94% of persons seeking video content on the Internet. At the same time, most of those who watch video content on the Internet use both legal and illegal sources (73% among film viewers, 49% among serials viewers and 45% of those who watch sport coverage). Almost half of the respondents pay for access to video content from illegal sources, and their average declared expenditure is approximately PLN 14 per month. Most pirating services are also financed by advertisers.

Internet users spend the largest amount of time watching films from illegal sources (13 hours per month), and the least amount of time watching sport (3.5 hours per month). During the year, films from illegal sources are watched 400-500 million times, episodes of serials are watched 650-750 million times, and sport coverage is watched 150-180 million times.



*“In Poland, the scale of piracy is much greater than in the developed markets of Western Europe or the world. It is necessary to remember that the costs of this phenomenon are felt not only by the authors, but also by the State Treasury and the labour market. A similar scale of piracy per surfer can only be observed in Spain and Italy. The other end of the scale, where piracy enjoys relatively small popularity, is occupied by countries such as Germany, Great Britain and Japan, i.e. countries with stable economies and respect for the law and protection of private property” – explained Professor Witold Orłowski, chief economic adviser at PwC.*

### **Impact of piracy upon Polish economy**

According to PwC’s estimates, the GDP losses caused by video piracy on the Internet in 2013 amounted to PLN 500 – 700 million, representing 0.04% of Poland’s entire GDP. Direct losses to the State Treasury are estimated at PLN 170-250 million, which corresponds to 6-9% of the budget of the Ministry of Culture, or the total expenditures of the Ministry on theatres. Moreover, limiting access to illegal content could result in the creation of 6,000-6,500 jobs.

Assuming a *status quo* with regard to legislative solutions, level of education and civic attitudes towards media piracy, and observing the trends which are conducive to the growth of piracy in Poland, experts have estimated that the average annual growth of piracy in this country in the years 2013-2018 may reach between 29% and 54%. According to the moderate growth scenario, economic losses in 2018 would reach PLN 1.8 billion, and in a more pessimistic scenario they would exceed PLN 6.1 billion, i.e. twice the current budget of the Ministry of Culture and National Heritage.

### **Causes of piracy in Poland**

The reasons for using services offering illegal access most frequently cited by the respondents are: an extensive content offer (32%) and free access (26%). However, these declarations are often unrelated to the financial status of the users and may constitute an attempt to rationalise behaviours, and not the real reason for using illegal content circulation.

Poles are aware that downloading and disseminating pirated content is unlawful (77% answers). In addition, more than half of the respondents agree with the statement that piracy is unethical, as it deprives authors of their due remuneration. However, at the same time this manner of using video content is almost universal among the same respondents.

Users availing themselves of services offering illegal content access often have problems with distinguishing them from legal sources. Only 8% of the respondents were able to correctly identify services operating legally. At the same time, it would be difficult to consider the inability to make such distinction a major cause of piracy – in the group of respondents classified as aware and at the same declaring a wish to use only legal sources, the scale of piracy amounted to as much as 73%.

*“The survey results show that the declared reasons for using services providing illegal content access depend only to a small degree on the income of the respondent’s household. Persons declaring a good or very good financial situation also indicated lack of payment as one of the main reasons for using illicit sources” – commented Piotr Baranowski, partner at PwC.*

### **Legal environment**

Effective protection of intellectual property and counteracting unfair practices of service providers benefiting from illegal distribution of video content is hampered mainly due to legal loopholes, far-reaching exclusions of the liability of certain entities or imprecise legal definitions (e.g. the definition of permitted use as, among others, sharing resources with friends, creates abuse possibilities in the era



of social portals), registration of services abroad, placing servers outside the territory of our country or the scattering of entities, typical of pirate activity. Provisions of Polish copyright laws were formulated in the “analogue reality” and do not provide effective protection of the interests of authors and rights holders in the “digital reality”, which offers much greater possibilities.

*“The dynamically growing area of virtual activity requires legal regulations to allow proper balancing and protection of the equitable interests of individual entities functioning in it. Meanwhile, the law lags behind technological progress, and the existing regulations do not always enable the resolution of problems occurring in the digital reality, which has long exceeded the assumptions adopted when designing such institutions like permitted private use,”* commented Anna Kobyłańska, attorney at PwC Legal.

### **Proposed solutions**

Looking at the causes of piracy, the complexity of the business models used by services allowing illegal access, and the current legal status in the area of intellectual property protection, we can clearly see that effectively combating Internet video piracy is a highly complicated task.

*“Due to the complexity of the phenomenon it is necessary to take actions aimed at informing users of Internet services and to show alternatives in the form of legal sources, as well as to tighten the system of legal regulations and penalise violations. The key issue is the alleviation of the negative impact of this phenomenon upon the economy. Therefore, it is necessary to enact solutions aimed against dishonest service providers, which will make it more difficult for them to derive financial benefits from their pirating activities. This means co-operation with entities which currently enable the financing of pirating activities, such as banks, mobile operators and advertisers,”* said Piotr Baranowski, partner at PwC.

The solutions proposed in the “*Analysis of the impact of video content piracy upon the economy in Poland*” include, among others:

- conducting a wide civic campaign aimed at creating awareness of the dishonesty and harmfulness of piracy;
- developing a recognisable sign accompanying legal sources;
- facilitating access to video content and indicating one, transparent source of information on the legal forms of video content access in the Internet with a useful search engine covering legal services;
- adjusting Polish law to the digital reality and its consistent enforcement, conducting information campaigns on piracy, addressed to entities co-operating with illegal services, including advertisers, media houses, financial agents;
- increasing the offer of video content available in legal Internet services.

### **Information on the survey**

The report entitled “*Analysis of the impact of video content piracy upon the economy in Poland*” was drawn up by PwC and commissioned by Stowarzyszenie Dystrybutorów Programów Telewizyjnych SYGNAŁ. The work on the report lasted from October 2013 until January 2014.

### **Information on PwC**

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### **Information on Stowarzyszenie SYGNAŁ**

SDPT SYGNAŁ is an organisation promoting the protection of intellectual property, including the rights of broadcasters, distributors, licensors and consumers of television programmes and other multimedia content. The Association was formed in w 2001. Currently, its members are 22 firms operating in the media sector. They are: A+E Networks, BBC Worldwide Polska, CANAL+ Cyfrowy, Cyfrowy Polsat, Discovery Polska, FOX International Channels Poland, HBO Polska, Irdeto, ITI Neovision, Kino Polska TV, Murator SA, NAGRA, Orange, Redefine, Sony Pictures Television, Telewizja Polsat, Turner Broadcasting System Poland, TVN, Uniwersal Networks International, Viacom International Media Networks Northern Europe, Viasat World, The Walt Disney Company (Polska).

The Association achieves its goals by organising training courses (it has conducted over 250 courses for 15,000 law enforcement representatives, including police officers from the Economic Crimes Departments, prosecutor's offices and police academies), education campaigns, surveys and analyses.

### **Additional information:**

Survey conducted by PwC, commissioned by  **SYGNAŁ**

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