Report of IFRRO Board to the AGM 2004

1. Introduction

The year 2003-2004 has been characterised by both reflective development and by lively activity within IFRRO. The objectives set by AGM 2003 Brussels have been largely achieved and new opportunities have been identified. IFRRO consolidated its position as a visible and vital negotiating partner in the sector of copyright. The number of joint projects and consultations that included IFRRO as a key player proves the increasing role of our organisation and the crystallisation of the principles under which IFRRO functions.

General Overview of the activities

The effervescence of IFRRO’s activity during the last 12 months was due to the maturing of the copyright legislation and of the accompanying infrastructures in many countries around the world, especially in Latin America and Asia, which permitted the establishment of rights holders’ organisations and in some cases of new Reproduction Rights Organisations.

However, IFRRO regards with great concern the low rhythm of these changes, reflected also in the small number of membership applications. Since last year’s AGM IFRRO has welcomed in its family only four new full RRO members and three associate members, a number that is still far below the need identified by rights holders. Therefore, the Board together with the chairs of the regional committees considers it one of its top priorities for the next year to approach more the rightsholders organisations and work out together more appropriate and original solutions for the creation of RROs.

The positive trend in the level of collection on the other hand was encouraging news. According to the statistic provided for IFRRO’s Annual Brochure, the total RRO Collections 2003-2004 reached 381.651.165 €, representing an increase of over 8% from the previous year. In the same time the collection of the Music Collecting Societies maintained a similar high level of income as last year.

The technological development continued to impact strongly on our sector of activity, RROs having produced systems of rights management that are increasing the precision and efficiency of their work and prove their desire to provide tailor made and fair solutions to the broadening array of business models used by rights holders.
and users. IFRRO responded positively and at all levels to this high technology
progress, by developing the dialogue with all stakeholders on DRMs related issues
and by supporting valuable research work of foundations such as the International
Digital object Identifier Foundation.

Furthermore we have witnessed a visible increase in the exchanges between
IFRRO’s members through the signature of a number of bi-lateral agreements.

Achievements 2004

The year that ended was in the Board’s view a year of consolidation of IFRRO’s
achievements and of laborious preparation for new projects.

- IFRRO strengthened its presence on the EU scene, by submitting valuable
  and opportune contributions in support of collective management to the
- Through permanent dialogue with all directorates of WIPO, IFRRO became
  one of the privileged partners for this organisation especially in the field of
  copyright education and awareness building, but also in the development
  work at regional level.
- The good management of the Development Fund’s procedures was
  translated into a record year in terms of new applications (over 20 new
  projects were approved by the Board during the period November 2003 –
  June 2004).
- Professionalising the internal services continued, with improvement in the
  financial discipline and transparency. New staff were added to the Secretariat
  team in order to ensure a good response to the ever increasing work load,
  while the IT system of the organisation has been entirely renewed.
- The philosophy of positioning IFRRO and communicating internally and
  externally has been the subject of lengthy drafting on the part of the
  Secretariat and of debates within the Board, which successfully introduced an
  integrated mission statement and action lines for its implementation.
- The Secretariat - in co-operation with the Board of Directors and with the
  Belgian Ministry of Justice - has finalised the new version of the Statutes of
  the organisation. The latest clarifications refer mainly to the decisional
  procedures and membership categories within the organisation.

Communication Policy

Since the AGM 2003 decision to allocate the largest part of IFRRO’s financial
reserve to developing an articulated Communication Policy, the IFRRO Board
together with the Secretariat is focussing on the development of a Business Plan
(see Annexe, IFRRO Business Plan 2004-2008) and a Communications Strategy
that would reflect the priorities set up in this Plan.

In parallel with the conceptual work of developing a coherent, relevant and realistic
Mission Statement for the organisation and of defining appropriate means for
achieving it, the Secretariat went ahead at a very high speed with concrete activities, such as:

1. Restructuring of the IT services of the organisation, so that it would be technically possible to host the new intra and internet services

2. Publishing of three new educational studies regarding collective management and reprography. Structured in the form of concentric modules, the three publications cover topics from the general collective management philosophy up to detailed management and organisational aspects of RROs across the world. The first publication (“From Artists to their Audience”) has been written and edited in cooperation with WIPO and CISAC as a living witness of the “strategic partnerships and alliances” policy established by IFRRO’s Board, while the other two are IFRRO’s own publications (Part I - Collective Management of Rights: Role and Models of Reproduction Rights Organisations; Part II - Functioning of Reproduction Rights Organisations).

Strategic Alliances. Co-operation Policy

Strengthening and building new strategic alliances with both governmental and non-governmental organisations sharing similar interests as IFRRO has been at the centre of the work of the Board and the Secretariat in 2004.

Important relationships have been fostered, including the bond with WIPO, forged at the last AGM. This co-operation took new forms both at the level of the regional development work, as well as at the Intellectual Property Awareness level. Permanent and fruitful dialogue has been established with the key persons in the regional bureaus in WIPO and experts from both organisations are now closely working together in most countries.

IFRRO has played a role in influencing legislative development, not least in the EU where new legislation governing collecting societies seems certain.

Aware of the complexity of the issues debated and of the multitude of interests debated in the IPR field, IFRRO also established and strengthened the dialogue with other international and regional non-governmental organisations such as GESAC, CISAC, AIDAA, EVA, etc. Consultation on common positions and actions between IFRRO and these organisations became a common way of expressing and defending the interest of rights holders internationally, which was appreciated and influenced the policy makers and decision takers.

Bridges between groups of rights holders have been strengthened internally, particularly in areas such as DRMS, where opponents of collective management have sought to create tensions and divisions where in reality none exist. The centrality of rights holders within IFRRO has been re-affirmed accordingly. Regular and broad consultation with the interested stakeholders became the democratic trademark of the work of the Board and of the working groups of IFRRO.

Development Work
The tempo of development work has continued unabated. The new systems for approving and monitoring IFRRO’s investment in development projects, announced at the last AGM, have proved their worth. Over 200,000€ have been already spent or earmarked for almost 20 projects in 2004 relating to increasing awareness in all regions of the world and fostering RROs.

The success of these projects convinced the membership of the positive role of the Development Fund, a fact reflected also in the increase in the annual voluntary contributions to this Fund (2003-2004 was from this point of view a record year with contributions reaching 279,179 €).

The Board congratulates and thanks the membership for their contributions, but also makes them aware of the rapidly increasing demand and calls on the same spirit of solidarity with the emergent RROs also in the years to come.

The increased volume of demands for the Development Fund has raised a question of quality and consistency of the response. Therefore, concerned by the need of firming up the homogeneity of the message and work delivered under the Development Fund’s scheme, the Board decided to further produce a “Development Fund Kit for IFRRO’s Speakers” to be used in all circumstances linked to IFRRO’s development work.

The IFRRO secretariat has been strengthened in response to the diversity of exciting new challenges, by the establishment of the new role of Deputy Secretary General/Legal Adviser to support the Secretary General in her extensive duties. The role of the new person will mix the office running activities with research and analysis functions and with international representation work, especially in the South American, African and Asia Pacific regions.

2. Summary of Activities of Working Groups

Focus also continued to be put this year on the needs and means of RROs adaptation to the digital environment, in order to serve best the rightsholders’ interests.

Document delivery

The group concentrates on ensuring as far as possible that international document delivery is conducted at prices approved by the rights holders (creators and publishers) in the works concerned, rather than on national tariffs. The international application of national laws is often uncertain, and in many cases it is necessary to consider the laws of three countries: the country of supply, of reception and the country from which the work originated. As the next step the group will consider the possible creation of an internationally applicable database of rights holder approved prices for international document delivery. The acceptability and benefit of such a database has to be explored: would authors and publishers, document delivery
suppliers, customers and RROs welcome such a database? Legal issues like competition law and anti trust legislation have to be identified. A variety of technical issues like the cost/pay ratio for such a development have to be examined.

**Digital Issues**

Work has focussed upon: Digital Bilateral - Repertoire exchange; Information Exchange – how to appeal to publishers, acquiring digital rights, shared information on digital management of licensing/rights, etc; and Data Exchange. Other areas of discussion are the Plan for a Digital Issues Workshop for AGM, and an IFRRO-D.I. Website. Overarching themes are to maintain an economic perspective and to anticipate problems. Work has proceeded on developing a grid for rights and uses that could be used by RROs to describe their mandates and match their with those of others for purposes of bilateral agreements (later given to members of the Legal Issues Committee for their consideration).

**Legal Issues Committee**

The Committee has reviewed the legal and regulatory framework for digital bilateral agreements, and is still reviewing the Principles for Bilateral Agreements and drafting changes necessary to the existing Model Agreements, in consultation with the Digital Issues Working Group. The emerging consensus amongst the members of the Committee has been that further work on a common understanding of digital rights and uses (and the way they are described) needs to be carried on within IFRRO. Furthermore, while the existing principles for model agreements continue to be relevant to the digital world, they have to be adapted although questions marks remain on some issues.

**The Equipment Levy Forum**

Has also addressed the issues of levies adaptation to digital uses and very vigilantly issued appropriate consultations and reports to respond to misunderstandings still persisting among different stakeholders.

Remaining still in the field of digital impact on copyright works, the dialogue has also been much strengthened with the members of the visual arts. Their active creative contribution by translating the communication philosophy of IFRRO into attractive and easy visual forms was also highly appreciated.

**REGIONAL ACTIVITIES**

**Africa and Middle East**

The committee aimed to respond on behalf of IFRRO to appropriate requests for assistance in the field of copyright and neighbouring rights from rightsholders as well
as governments in the two regions. Continuing to deliver professional and swift assistance in support of the local authors and publishing industries remains an imperative objective for this committee, in the light of the massive unauthorised photocopying still being carried out in the region. In order to address this rampant piracy the committee has taken action at different levels, from lobbying local administrations with a view to amending copyright laws and establishing court mechanisms and procedures allowing for their proper enforcement, to supporting rights holders’ efforts to establish RROs, which could provide a practical solution to reduce the phenomenon.

Committee members have in 2003/2004 participated in and presented IFRRO at conferences organised by WIPO and national governments, and funding has been secured for several reprographic rights projects.

Committee members have assisted by providing advice on the organisation of rights holders, awareness activities, licensing efforts and legislative development in a number of countries, and have during 2003/2004 organised meetings, given presentations, conducted follow-up work etc. in almost 20 countries.

**European Group**

The European Group continued to carry out its dual function: representation and legislative aspects on one side and development work, on the other, through its newly established development branch – The European Development Working Group.

As far as the legislative aspects are concerned the European Group has been faced with one of the most challenging years, since the inception of the Information Society Directive, marked both by the launch of different legislative projects at the level of EU Institutions (e.g. Echerer report, EU Communication of Collective Management) and consultative initiatives (High Level Group on DRMS). IFRRO was present and active in all of these circumstances, presenting well balanced reports which were respectful of diversity to the concerned institutions and reinforced in all cases the principles of the basic respect for the rights owners’ rights in the field of intellectual property.

In the development sector, the main focus of the group’s activities in the period under review has been the development, planning and launch of the Berlin workshop for the new Member States of the European Union and some of the Accession Countries, also to be attended by countries within the EU having an interest in the topics featured on the agenda. At the time of writing this report, 37 delegates and 14 speakers from a total of 20 countries have accepted to attend the two-day workshop. In the coming year it is proposed to focus on the “next wave” of countries which are, or may become, candidates for EU membership.

**Asia Pacific Regional Committee**

Development in copyright legislation and practice were at the centre of the dialogue between IFRRO APC representatives and government and rightsholders
representatives in many countries of the region. Collective management is starting to gain shape in countries such as China and India and IFRRO’s representatives anticipate that in the near future new RRO members from these countries may join the organisation.

Regional approaches to collective management have also developed in the region, especially as far as Fiji and the Pacific Islands is concerned and will continue to remain a top priority for the entire organisation for the coming year.

The Asian region can report some notable success, such as in Hong Kong and Singapore, where the financial support of IFRRO bore fruit, the two national organisations having or intending to reimburse their Development Funds loan, as their business results are consistently positive.

**Latin American Committee**

One of the most dynamic committees of IFRRO, the Latin American Committee has witnessed and helped to build up a rapid network of RROs in the region. If in 2001 only two RROs could be found in the region, now eight such structures are running in Mexico, Argentina, Brazil, Colombia, Chile, Uruguay, Jamaica and Trinidad & Tobago. All these organisations are members of IFRRO.

In achieving this spectacular progress, the local rightsholders have found professional mentors in IFRRO’s team of experts, especially from CEDRO – Spain and the needed financial assistance from IFRRO’s Development Fund.

While several other countries may soon be able to report emerging RROs, such as Peru, Ecuador and Barbados, the obstacles, often caused by a difficult financial situation, make it difficult to establish even legal or statutory licences, while voluntary licences are a very remote objective “in countries with little or no respect for intellectual property and a problematic economic context”.

2. Finance

One of the main achievements of the last 24 months is the establishment of a modern and transparent financial system for the organisation, based upon and controlled under the Belgian accountancy rules.

The current and Development Fund accounts continue to be accounted for separately in IFRRO’s books. Since the approval by the Board of the detailed budget for the Communication Policy, a monthly management update will be presented to the Board also on this project. The Board, as entrusted by the AGM 2003 continues to keep a close eye on all expenditure for this policy and readjust it if and when necessary.

A set of clear financial guidelines have been made available on the intranet for all members that want to have a better understanding of the financial procedures of
IFRRO. Furthermore, in accordance with the new regulations on all international not-for-profit organisations now in force in Belgium, IFRRO adopted a new set of procedures and presentation of its annual Balance Sheet, so that we comply with the legal transparency rules.

According to the Financial Report, the assets of the organisations have increased from 1,151,376 € in 2002-2003 to 1,464,572,79 € in 2003-2004.

The general financial health of the organisation remains very good, with the current expenses for the year ended well within the budget approved by the AGM 2004.

Slight over budget costs in some expense lines have nevertheless been noticed and approved by the Board in the category of external fees, (due to the need to engage the legal services of a law firm for the verification of IFRRO’s Statutes) and of personnel costs, due to hiring supplementary temporary staff.

At the end of the financial year a surplus of 72,230 € has been recorded, which is lower than the one of the precedent year. This surplus will add to the overall reserve.

The current operational reserve of the organisation amounts as of today to 433,070 €. This amount is formed from the accumulated operational reserve of last of an amount of 360,840 € plus this year surplus of 72,230 €.

Out of this reserve, 194,000 € remains earmarked for the overall Communication Policy (original amount for Communication Policy was 200,000 €, out of which 6,000 € have already been paid in 2004).

The financial forecast demonstrates that the remaining reserve of 239,070 € will be finished within 3-4 years if the membership fees remain unchanged.

The Development Fund contributions reached a record volume this year, although the Board would like to see a larger range of contributors, which would reflect a higher sense of solidarity and importance for the work carried out under this special assistance fund. The increase in the number of applications under the Development Fund (11 new projects funded or to be funded only in 2004 and 9 projects approved in 2003) proves the viability of this Fund and calls for a higher participation of all members.

A new bookkeeping software programme was put in place starting with July 2004 – Win Books – which will give a clearer picture and stricter follow up of all incoming and outgoing invoices; i.e. an individual numbering system, plus a scanning facility for archiving of invoices.

The Board will also consider as a priority an investment fund that could bring the organisation more means to implement the mandate with which it was entrusted. The Board expects that the investment scheme will cover at least partially the foreseeable deficit of the organisation, due to the increase in staff and activities. It also recommends that a new fees structure is put in place starting with 2005-2006, which will take into account this activity increase.
The Board took note in proposing the new fees scheme that no such increase, not even to cover the inflation rate, has taken place since Cape Town AGM in 2002.

3. Future

If 2004 dwelt under the sign of diplomatic consolidation and international communication, 2005 is seen by the Board as a year of internal quality action, ranging from better communication to encouragement of RROs establishment worldwide and improvement of Development Fund impact.

At the same time, IFRRO counts on strengthening its highly valued international position gained lately and extending it to other institutions and regions, not well covered by the activity until now, i.e. ASEAN, MERCOSUR, and UNESCO. The Strategic partnerships will continue to be built not only within the public/private alliances, but also with other rights holders’ organisations, businesses and interests groups.

Helping the membership to understand and work effectively in the world of digital challenges is also highly placed on next year’s agenda. Homogenisation and improvement of practice, exchange of information on best practices, providing new and effective business models and technical solutions to queries from membership will be focal matters on the Board’s priority list.

The Board together with the Secretariat also commit to maintaining the recently established standards of quality administration and accountancy and full transparency towards the membership with regard to the managerial and financial policies of the organisation. Continuing to put in place and improve the communication tools so that distance becomes an obsolete term in the inter-RROs dialogue is also one of the action points on which the Board will continue to concentrate in accordance with the Secretariat.

Finally, education and awareness are core values especially of the communication of the organisation, which will be covered and promoted through adequate IFRRO materials and events.

Therefore, the key issues for IFRRO over the next one to three years as envisaged by the Board, and as defined in the Business Plan, are in summary as follows:

1. To develop and promulgate a clear statement of IFRRO’s mission, emphasising the complementarity of collective management to the core business of rights holders, and stressing the encouragement of creativity and the facilitation of access through effective centralised management services, based upon secure foundations of transparency, and accountability; the mission statement to be underpinned with a declaration of core values relating to IFRRO as an organisation and to its members.

2. To provide systematic and proactive support for the creation and development of RROs worldwide.
3. To develop the aims and means of information communication between IFRRO and its members, and between member organisations themselves, in order to consolidate and strengthen the reputation of IFRRO and to promote the work of RROs, and to provide a framework in which to develop programmes of education for key audiences.

4. To project IFRRO in an international role, shaping governments’ opinions on copyright and administration, and fostering RROs worldwide.

5. To encourage the development of appropriate and inter-operable international norms and standards for the effective management of rights, thereby reflecting the priorities of rights holders and of other groups of stakeholders in the collective management sphere.

Conclusion

The Board thanks the Secretariat, the Chairs of the committees and working groups and the membership itself for a successful and productive year, and commends this report to the AGM.

Peter Shepherd
President