



## **WITSA STATEMENT LEVIES**

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### **Introduction**

Levies were introduced in the 1960s by a number of countries as a way to compensate rights holders for the potential loss of income due to home copying with analog devices. A set amount of money was added to the purchase price of designated equipment and media such as video and audiocassettes. These “collections” would then be given to national “Collecting Societies” that would distribute the money to artists and performers in accordance with established formulae.

As the digital technology has evolved, some countries have begun to apply levies to digital equipment such as computers and other devices. Collecting Societies, and others, are proposing substantial levies be applied to newer digital equipment such as PCs.

### **About WITSA**

WITSA is a consortium of 50 information technology (IT) industry associations from economies around the world. WITSA members represent over 90 percent of the world IT market. As the global voice of the IT industry, WITSA is dedicated to:

- advocating policies that advance the industry’s growth and development;
- facilitating international trade and investment in IT products and services;
- strengthening WITSA’s national industry associations through the sharing of knowledge, experience, and critical information.

## **Discussion**

Levies have many disadvantages. Since they apply to all purchases of designated products, they discriminate against the purchaser who does not make unauthorized copies. Thus, they are a very imperfect solution.

Some countries, particularly in the EU, have proposed applying levies to PCs. However, in the case of PCs, more than 80% of the market today is for business applications, not individual consumer purchases. By far the largest share is incorporated into medium to large-scale networked environments where non-business downloading is discouraged and generally contrary to established company policy. Applying levies to business PCs is a totally unjustified boon to collecting societies and simply raises the cost of the product for all users.

Increased costs for computer equipment not only dampens direct investment, but also deprives the buyer of the secondary benefits achieved through the use of information technology. The amount of money being paid in levies could be more appropriately applied to increased investment in information technology and the concomitant productivity enhancements from that investment.

Levies also cause geographic market distortions by increasing the cost of products discriminatorily for purchasers in countries that apply them. Since there is considerable disparity between countries that use levies and the amount that each charges, levies encourage the purchase of products where they are either not applied or are minimal. Levies may actually depress markets for products when they are applied.

Because levies are applied differently in different geographic regions, they increase the administrative burden on manufacturers and retailers, increasing the cost of products still further. Some countries apply levies to certain products while others may apply them to different products. Some countries add a fixed sum to designated items while others apply a percentage of the sales price. Still other countries use other criteria such as the amount of storage in the device to calculate the levy amount. This complexity again translates to higher prices for the consumer.

The worldwide nature of the web makes it virtually impossible to limit the content available for copying to the country applying the levy. The content becomes available for all without additional payment to the artist. In a worldwide digital context, levies are not a good substitute for other measures.

Today, digital technology provides more appropriate solutions as alternatives to levies that benefit both purchasers and rights holders. Varying measures such

as Digital Rights Management (DRM) techniques are becoming available that eliminate unauthorized copying and insure an artist receives proper compensation for the use of his or her works. Such measures thus provide a compelling solution for managing unauthorized copying and insuring legitimate and accurate payments to rights holders. These types of techniques are a better alternative to levies as they are specifically targeted to users, provide accurate payment for actual use, reduce the administrative burden, prevent unauthorized use, and are cost effective.

One thing is certain: the rights-holder should not be able to apply both Digital Rights Management techniques, that are becoming increasingly more available, to content and receive compensation through a system of levies on IT equipment.

### **Recommendation**

WITSA opposes levies on digital equipment and blank digital recording media as a means of compensating rights holders for copying of their works as being economically unsound, discriminatory, untargeted, costly, and unnecessarily administratively complex. WITSA supports the exploration of technical protection measures to prevent unauthorized copying or other digital technologies as an alternative form of compensation for legitimate personal use. In addition, WITSA encourages governments to ensure proper accountability and transparency of levy schemes that remain in existence.