


PALGRAVE
HANDBOOKS

A collage of various European national flags flying against a clear blue sky. The flags include the flag of the Netherlands (top right), the flag of Italy (middle left), the flag of Spain (middle), the flag of Denmark (middle right), the flag of Greece (bottom left), and the flag of the United Kingdom (bottom center).

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Edited by Karen Donders,
Caroline Pauwels and Jan Loisen



15

Convergence and the Diversity of European Television Systems

André Lange¹

Introduction: The dual model and the relative harmonization of national systems

After World War II, television in Europe developed as national systems, with each country in charge of managing its broadcasting spectrum and having its own particular political organization as well as a population with specific cultural characteristics. In most European countries, television evolved in the context of a *de jure* and *de facto* monopoly of public bodies.

Following on from this initial model, the term 'dual model' was coined in the 1980s. It characterized the widespread television model in Western Europe based on the coexistence of a public sector, mainly justified by its public service remit, and a private sector initially made up of a limited number of general-interest channels. The process involving the introduction of competition, which was initiated in the UK in the mid-1950s, spread across Western Europe in the early 1980s. After the collapse of the so-called socialist regimes, the countries of Central and Eastern Europe followed at the beginning of the 1990s. In most European countries, this competition did not lead to the marginalization of public channels to such an extent that the European system became very similar to the one in the USA. On the contrary, the public sector, although weakened, still holds an important and unique position in national television systems. There is still a broad political consensus on the need for a public television service, a need acknowledged by the Council of Europe and the EU.

The aim of this chapter is to describe the main aspects of this 'fragmented dual model,' highlighting a number of stable factors and emerging trends. First, aspects that EU Member states have in common are discussed. Subsequently, some remaining differences between countries are addressed. Third, and keeping the above in mind, the current economic state of play of the television

sector is analyzed. I conclude with some observations linking EU media policy with the economic condition of its core sector – that is, television. The main relevance of this chapter lies in its basic explanation of key economic trends and policy choices at the national level that reinforce or counter these trends. It contributes specifically to this part on sector-specific legislation as legal initiatives on audiovisual media services (whether related to the update of the TWF Directive, copyright, spectrum policy, film funding, etc.) set out from the specific economic conditions of the sector. A good understanding of the economic situation will thus clarify the policy framework and vice versa.

Commonalities

A common legal framework

The organization of television systems remains the responsibility of states, with differing powers for subnational governments in the case of federal states (*Länder* in Germany, communities in Belgium and Spain, and the constituent countries of the UK). Nonetheless, all national television systems have a common minimum legal framework. In addition to the accession of all European states to the major treaties for the protection of freedom of expression (United Nations Charter, the European Convention on Human Rights) and cultural diversity (UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions), most European states have ratified the Council of Europe Convention on Transfrontier Television, which was adopted in 1989. Moreover, the states of the European Economic Area have transposed into their domestic law the provisions of the TWF Directive (adopted in 1989 and amended in 1997) and recently, with some delay, the provisions of the new AVMS Directive, which was adopted in December 2007 (see Chapter 17). In addition, in the EU and European Free Trade Association countries the application of competition law to broadcasting by the EC has also led – via a commission communication in 2001 (reviewed in 2009) on the application of the rules on state aid to the PBSs – to the laying down of rules with which states must comply in order to ensure that the funding of the public service does not distort competition (see Chapter 23). Similar rules on film funding exist as well.

Finally, various elements of EU policy in the telecommunications field have helped to speed up the development of distribution platforms and the digital switchover. On the one hand, the policy of deregulating telecommunications services has enabled telephone companies to position themselves in the consumer video transmission market in direct competition with cable distributors. On the other hand, the EC set 2012 as the date for switching off analogue terrestrial transmissions, thus helping to encourage the development of digital terrestrial television.

States have not lost their constitutional powers with regard to organizing their television system, but the European legal framework – especially in the EU – has contributed to harmonizing national models. Although government involvement in the structuring of the audiovisual landscapes is still significant in a number of countries (especially as far as public broadcasting policy is concerned), the expressed desire and the general trend consist in delegating a degree of regulatory power to regulatory authorities. The status, powers, methods and capacities of these bodies vary from one country to another but the existence of these authorities may by and large be regarded as one of the common features of the dual European model.

A growing number of distribution platforms, but growing competition concerns as well

One of the characteristics common to almost every European country is the rapid development of methods of transmitting the television signal and the growing number of pay-television platforms. Whereas at the beginning of the decade the distribution market underwent a period of concentration (the merger of competing satellite platforms in France, Italy and Spain and, in most countries, a concentration process in the cable sector), this market has experienced a period of deconcentration, made possible by the increasing number of Internet protocol television (IPTV) distribution platforms in the areas of pay digital terrestrial television, transmission to mobile telephones and, albeit to an extent still fairly marginal, web television.² In competition with those platforms are also the various modalities of distribution of audiovisual media services online (by channel aggregation software such as Zattoo, applications for smartphone, tablets, SmartTV, etc.) (Figure 15.1).

By the end of 2012, some 22 EU member states had completed the transition from analogue to digital terrestrial transmission. Switch-off should be complete in Greece, Poland and Bulgaria in 2013 and Hungary should switch off in 2014. According to the MAVISE database, at the end of 2012 the number of channels available on digital terrestrial television (DTT) networks in the EU member states included the following: 456 free national or international channels; 529 pay channels; and more than 1,000 local and regional channels. For the 39 countries of the European Audiovisual Observatory, the equivalent numbers are 514 free national or international; 700 pay; and more than 1,000 local and regional channels. Some 86 new terrestrial channels were launched in 2012 (following 56 in 2011 and 50 in 2010). Many of these were new local DTT licenses in Denmark. In 2013, 21 new local television channels will appear on the DTT networks in the UK, with a new multiplex expected to be completed that year. An exact number of local television-providing TNT services is difficult to obtain in countries such as Italy and Spain. The Italian networks have by far the most national channels, with the lowest offering available in Portugal.

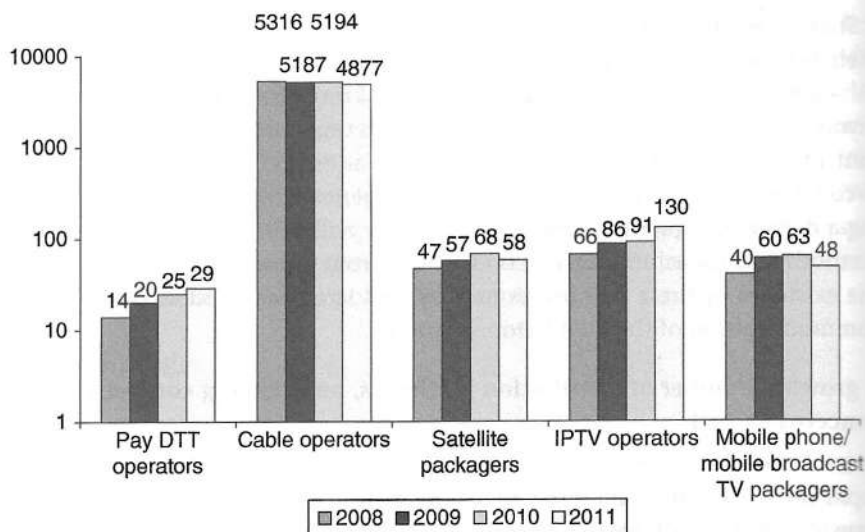


Figure 15.1 Number of television distribution platforms in the EU27 (2008–2011).

Source: European Audiovisual Observatory

Many countries rely on pay DTT for the provision of a variety of content. This is not, however, the case in the UK, France, Germany, Italy and Spain, where a large amount of free content is available.

There is increasing availability of high-definition television (HDTV) services on DTT platforms. Whereas at the end of 2009 HDTV was only available in two countries (France and the UK), by the end of 2012 there were HD channels on the DTT platforms in 22 European countries offering a combined total of more than 90 national DTT channels and 25 regional windows. Six new free-to-air HD channels were launched in France at the end of 2012.

Public service channels still hold an important position on free-to-air DTT platforms (one-third of channels available on them are public) but, logically, a less important position on pay-television platforms, where fewer than 10 per cent of channels are public. The types of channel differ a great deal depending on whether they form part of free-to-air or pay-DTT. There are obviously more national general-interest channels on free-to-air platforms, whereas paid packages contain a larger number of film and sports channels.

IPTV has also seen remarkable growth, with the number of operators rising from 68 at the end of 2008 to 90 a year later. This reflects the increase in competition in this sector in several countries. In 13 countries, at least four services are available (e.g., 6 in Sweden, 5 in France and Denmark, and 4 in the Netherlands, Bulgaria and Slovenia). There has also been a rise in the number of satellite packagers available in Europe, from 47 at the end of 2008 to 68 at the end of

2010. This can also be explained by the strong competition in some markets, such as in Hungary, Poland and Romania, where there are no fewer than five operators. However, various mergers or closures occurred in 2011 and at the end of the year the number of packagers had fallen to 58.

Although the provision of audiovisual media service (television or on-demand audiovisual services) is subject to a well-defined regulatory framework, the activities of distribution of audiovisual media services are, in most countries, not specified by positive regulations. Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services (Universal Service Directive) accepts that member states make mandatory for the distributors under their jurisdiction some reasonable must-carry obligations, for the transmission of specified radio and television broadcast channels and services, but it does not address the role of distributors as gatekeepers for private channels and the role they may play in implementing (or not) diversity in the offer of services. In the absence of specific provisions, the activities are only regulated by competition law, and therefore by decisions delivered in individual cases. The EC's competition services have taken action in various cases involving the merger of satellite platforms in Germany, Italy and Spain. In France, the merger in 2006 of the CanalSat and TPS platforms was subject to an agreement containing 49 undertakings imposed by the Ministry of Economic Affairs and placed under the supervision of the Competition Council (Conseil de la concurrence). The issue of compliance with competitive practices by the dominant players (the operators of satellite platforms as well as channel producers) is again and again the subject of complaints by independent channel providers and other distribution platforms. In the UK the regulator and the Office of Fair Trading have intervened on several occasions to monitor the activities of the dominant distributor BSkyB. The distributors' desire to ensure exclusivity on their thematic – especially sports – channels is a key aspect of this debate.

In France, the Canal+ and France Télécom groups have had to answer a series of complaints before the French Competition Authority (Autorité de la concurrence) since 2009 concerning the exclusive nature of the coverage on Sport (a channel produced by Orange) and of the thematic channels produced by the Canal+ group. In its opinion of 7 July 2009, the authority criticized the exclusivity of Orange's sports content and the Canal+ group's dominant position on the pay-television market. In the case of Orange, the authority detected the establishment of a 'double exclusivity' model, comprising both exclusive distribution through subscription to the actual television service and exclusive transport and access, requiring subscription to the Internet service provider's triple-play service in order to view the content in question. The authority examined both the advantages and the risks involved with this model. While the pay-television market might be opened up, which appears

to be desirable, the high-speed and ultra-high-speed broadband market would probably be sealed off, which is very worrying in view of the roll-out of fibre-optic networks – especially if such a model is imitated by other operators and becomes widespread. The authority also wished to see greater transparency regarding the exclusivity premium paid by the Vivendi subsidiary in order to ensure that it is the only broadcaster to transmit certain thematic channels, as part of its CanalSat package. According to the authority, the aim is, first, to check that the premium paid does not lead to an ‘abuse of a dominant position’ and, second, to enable Internet service providers to include in their offerings channels that they cannot access today due to a lack of market transparency. A report to the prime minister concluded by pointing out the difficulty in enacting regulations and the need for an ongoing dialogue between the players in order to maintain balanced competition.

In the UK, Ofcom decided on 31 March 2010 that BSkyB was limiting competition and placing the consumer at a disadvantage through its policy of restricting the distribution of Sky Sports 1 and 2. This means that these two channels will have to be offered to competing television packagers at a wholesale price set by Ofcom and in HD quality. The regulatory authority’s approval of Sky’s request to access digital terrestrial distribution was made conditional on Sky making these channels available on the wholesale market.

In Italy there was a similar conflict. The players involved were the Italian television group Mediaset, which is controlled by the former prime minister, Silvio Berlusconi, and operates on the pay-DTT market, and the Sky Italia package, which belongs to Rupert Murdoch’s News Corp. While Sky Italia asked the EC for permission to be able to operate on the pay-DTT market, Mediaset asked the International Chamber of Commerce (ICC) for a decision obliging Sky Italia to sell it the rights to transmit the football World Cup. Mediaset did not doubt Sky’s right to transmit the 2010 event but Berlusconi’s group also wanted to be able to broadcast it to its pay-DTT channels’ subscribers. In February 2012 the ICC Court of Arbitration rejected Mediaset’s claim.

The rapid rise in the number of channels

In all European countries the development of distribution infrastructure (cable, satellite, digital terrestrial television and IPTV) has brought about an increase in the number of thematic and ‘mini-generalist’ channels. In most countries, news channels (public or private) as well as entertainment, sports, music, teleshopping and film channels have been set up alongside public or private general-interest channels. In the large countries, the range available also includes thematic channels devoted to culture, travel, lifestyle, and cultural and religious minorities, as well as channels that show repeats of television fiction programs and a varying number of regional and local channels and adult channels. The opening up of national markets to foreign channels brought about by

the Convention on Transfrontier Television and the TWF Directive also enables viewers to receive the main channels of neighbouring countries as well as a growing number of pan-European or international channels.

According to the European Audiovisual Observatory's MAVISE database, at the end of 2011 more than 7,613 television channels were established in the EU. If account is taken of non-European channels, more than 8,600 channels are available on European viewers' screens. Of the 7,613 European channels, 44 per cent are regional or local, 37 per cent are national and 18.6 per cent are established in one country but targeting one or several others (Figure 15.2).³

If the geographical origin of European channels (not including regional and local) is taken into consideration, the UK is well ahead, with 1,359 channels identified there in 2011. However, 738 that is, more than half of the channels established in the UK – broadcast to other European countries, including the many language versions of such channels as Disney Cinemagic, Viasat Explorer and so on. This may be considered to be the result of the UK being a natural place for affiliates of US media conglomerates for their activities in Europe, the presence of the leading teleport European company Arqiva and the 'ease to do business policy' defined by the UK authorities during Margaret Thatcher's

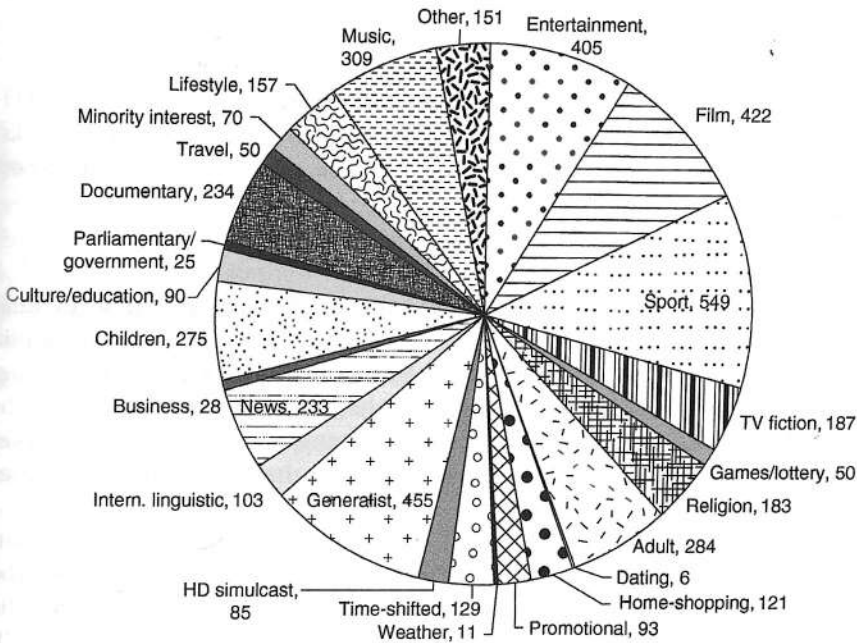


Figure 15.2 Television channels by genre available in 30 European countries (EU + Croatia, the former Yugoslav Republic of Macedonia and Turkey) – December 2011.

Source: European Audiovisual Observatory

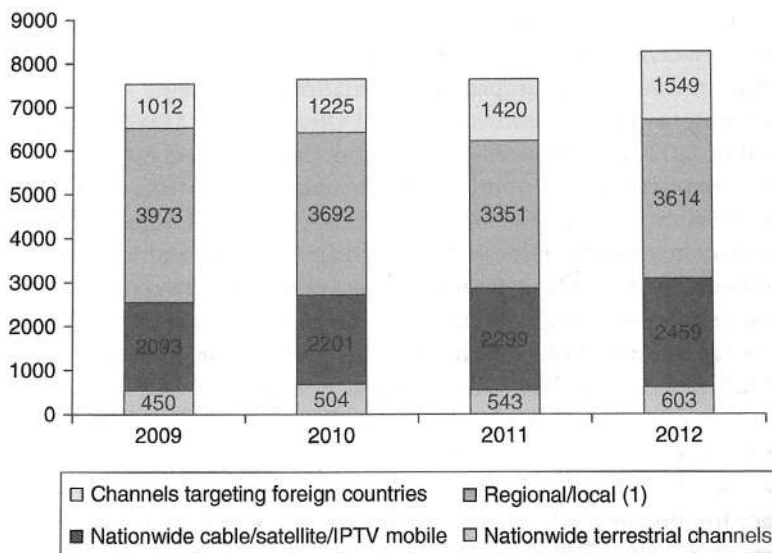


Figure 15.3 Number of channels established in the EU (2009–2012).

*The number of local and regional channels has some instability due to approximations and progressive tuning.

Source: European Audiovisual Observatory

government, including a rapid procedure of registration for satellite television channels, minimal requirements for the promotion of European works, light monitoring, fiscal incentives for investment into production and so on (Figure 15.3).

Audience fragmentation

The consequence of this increase in the number of channels is that the dual model, which was initially seen as competition between two or three public service and two or three private channels, has turned into a number of fragmented systems. Leaving aside Germany (where the roll-out of cable brought about diversity of competition from the 1990s onwards), the audience market share of the five leading channels plummeted in the big European countries between 2000 and 2009 (Table 15.1).

This audience fragmentation is all the more noteworthy as it has taken place against a background of increasing competition between television, the Internet and mobile telephones, which have also become a medium for the transmission of audiovisual images. There are as yet no '3-screen' studies available in Europe similar to those that are provided by Nielsen in the USA, which would enable a comparison on a uniform methodological basis of the viewing of audiovisual images on television, computer and mobile telephone screens.

Table 15.1 Daily television audience market shares of the five main channels

	2000	2009	2011
Italy	81.3	70.4	50.4
Poland	84.4	71.4	64.4
France	89.1	68.5	62.6
Spain	78.3	61.2	52.0
Germany	55.0	54.7	54.9
UK	83.5	57.8	52.7

Source: European Audiovisual Observatory.

Overall, however, the decline in individual television viewing time should not be overestimated. For the period 2006–2009, annual average individual viewing time remained static or rose in 21 national markets and only went down in 11. It declined the most in Belgium (amounting to 3 per cent in both the Flemish and Walloon communities). However, the fall in average television viewing time due to a rise in the use of the Internet is more pronounced in the younger age groups. For example, the average daily consumption in Germany in 2010 in the case of the population over 14 years of age was 230 minutes for television and 83 for the Internet, whereas television viewing time in the 14–29 age group was only 151 minutes compared with 144 minutes for the Internet.⁴

Concentration of television audience market share by television groups

The fragmentation of the audience does not mean that market concentration around leading television groups has changed dramatically. There is no legal European definition of 'a television group,' but there is no great difficulty in identifying groups through the analysis of ownership structure, which is in general well documented. Using daily national audience market share for measuring the concentration of the television market has various theoretical and practical limits that should be considered when comparing the figures.

First, it may be suggested that the national daily audience market share is a pertinent indicator for measuring the 'relevant market' that competition authorities analyze in investigating a television market.⁵ Various questions should be considered:

- Is investigating a national market the correct geographical approach? The fact that a group is operating channels in various countries may give it a specific strength in negotiating rights with program providers. In particular, the audience market shares of the thematic services provided by US conglomerates are relatively small from a national markets perspective. However, cumulated at the European level they are all but negligible.

- Is the daily audience market share of all channels available in a country a real pertinent market? That market may be subdivided into free and paying channels, channels by genre, channels for a specific target group and so on.
- Is the all-day audience the correct group to consider? Market shares may be very different during the whole day or during prime-time only.

Second, the comprehensiveness of available data differs from country to country. In some countries the data at our disposal can be considered to be comprehensive (i.e., we can analyze 100 per cent of the audience), but in most of the countries the category 'others' may be very important (between 25 per cent and 33 per cent of the audience). Various reasons, both technical and contractual, can explain those gaps, which generally concern the small channels and not the leading ones. However, the accumulation of tiny audiences of various thematic channels provided by a group may, once cumulated, be substantial. In the case of non-comprehensive coverage, the market shares and rate of concentration should be considered as a minimum.

Third, the level of concentration of the daily national audience market share is not necessarily the best indicator for measuring the quality of pluralism and cultural diversity. One can observe, for example, that the level of concentration measured by the cumulated daily audience market shares of the four leading groups is higher in countries where public broadcasters still have a leading position with regard to audience market shares. The fact that public broadcasters are better providers of pluralism and diversity is, of course, up for discussion. That discussion should be based on a programs and editorial policies analysis, however, not only a simple calculation of audience market shares (Table 15.2).

Continuing diversity though

The convergence of national systems, which has been greatly facilitated by EU policies, does not equal the disappearance of specific national features. Each national market reserves its own individuality based on factors such as institutional history, cultural and linguistic characteristics, economic and social developments, and the general make-up of distribution and transmission systems. Carrying out painstaking empirical descriptive work only allows for a deeper understanding of the diversity of these models, making over-hasty statistical comparisons and efforts to draw general conclusions suspect.

Sociodemographic characteristics

The first distinctive element of national markets is clearly their size (in terms of number of inhabitants and economic resources), and this has a direct impact on the extent to which systems are self-sufficient. The big countries

Table 15.2 Television daily audience market share (percentages) of the four leading television groups (2011)

The sign > indicates that the figure is a minimum, when market share for small thematic channels or foreign channels are not available

Market shares of public broadcasting group are indicated in bold	Market shares of the four leading groups					Total	Total
	Non-identified market shares	1	2	3	4	Three leading groups	Four leading groups
Sweden	0.0	34.8	28.9	19.5	8.7	83.2	91.9
Finland	9.0	44.3	>27.7	>14.5	3.0	>86.5	>89.5
Germany (1)	3.8	>27.2	>26.5	>20.7	>14.5	74.4	88.9
Czech Republic	9.3	33.7	27.0	22.0	5.5	82.7	88.2
Italy	7.1	40.2	>36.8	>6.1	4.1	83.1	87.2
Norway	1.6	>41.1	>25.7	11.2	8.5	>78	>86.5
Denmark	5.4	39.7	28.4	>9.6	>7.0	>77.7	84.7
Belgium (Flemish Community)	16.7	41.8	>24.6	10.2	4.0	>80.6	>84.0
Portugal	16.6	27.2	26.8	26.7	3.3	80.7	84.0
Poland	2.9	36.5	24.3	20.1	2.3	80.9	83.2
Netherlands (2)	12.0	>33.7	>27.6	16.6	>4.6	>77.9	>82.5
UK	0.0	36.9	23.2	11.7	10.2	71.8	82.0
Croatia	17.8	30.1	27.7	>21.5	2.0	>79.3	>81.3
Swiss (Italian speaking)	18.8	35.8	22.6	20.1	1.5	78.5	80.0
Belgium (French Community)	12.4	>27.6	20.5	>17.2	13.3	>65.3	>78.6
Bulgaria	10.8	44.4	21.1	8.4	3.9	73.9	77.8
France (all television households) (3)	12.1	29.9	>29.1	>14.2	>3.9	>73.2	>76.1
p.m. France (cable, satellite, IPTV households) (4)	1.4	29.9	25.3	15.7	11.7	70.9	82.6

Table 15.2 (Continued)

The sign > indicates that the figure is a minimum, when market share for small thematic channels or foreign channels are not available

Market shares of public broadcasting group are indicated in bold	Market shares of the four leading groups					Total	Total
	Non-identified market shares	1	2	3	4	Three leading groups	Four leading groups
Austria	9.5	37.5	>17.1	>10.7	>8.9	>65.3	>74.2
Slovenia	1.8	37.9	26.9	6.60	2.6	71.4	74.0
Spain (4)	0.0	>25	22.7	>17.1	>7.9	>64.8	>72.7
Slovakia	28.1	34	23.8	12.2	1.9	70.0	71.9
Cyprus (5)	20.7	20.8	17.4	17.0	16.6	55.2	71.8
Estonia (3)	18.6	19.4	18.5	17.8	11.4	55.7	67.1
Swiss (German speaking)	18.7	31.6	>15.5	11.1	8.4	>58.2	>66.6
Swiss (French speaking)	25.7	28.7	15.9	12.8	>8.2	57.4	>65.6
Greece	11.6	>20	17.0	13.3	13.1	>50.3	>63.4
Hungary	12.2	29.8	19.7	11.9	>4.9	>61.4	>66.3
Lithuania (2)	24.9	>24.4	17.7	11.3	8.4	>53.4	>61.9
Russia	11.4	>19.9	>16.8	>14.3	>7.6	51.0	58.6
Latvia (6)	29.1	>16.6	>16.1	12.9	11.3	>45.6	>56.9
Ireland	29.6	31.7	13.9	>6.9	>4.2	>52.5	>56.7
Former Yugoslav Republic of Macedonia	30.9	22.2	14.8	9.7	7.9	46.7	54.6
Romania	2.7	21.5	18.5	7.6	6.3	47.6	53.9
Luxembourg (2009/2010)	33.7	>27.3	>11.0	>8.7	>6.4	>47.0	>53.4

Source: European Audiovisual Observatory.

(Germany, the UK, France, Spain, Italy, Poland and – outside the EU – Russia and Turkey) are characterized by their relative self-sufficiency. They are able to finance a significant number of general-interest, regional and local, and thematic channels and *de facto* limit the importance of foreign channels on their domestic market. The situation of the small countries is more varied: in Western Europe, countries such as Belgium, Luxembourg, the Netherlands, Ireland, Austria and Switzerland had a large proportion of households with a cable connection or satellite reception very early on – usually from the 1970s. These countries have thus long been confronted on their national market with the presence of channels broadcasting in their big neighbours – channels that viewers often find more appealing. From the 1990s onwards, the Scandinavian countries also had to contend with the prominence of private broadcasters, which were established in the UK but targeted their national market with dedicated channels. More peripheral markets protected by language, such as Portugal, Greece and Finland, have been much less affected by this competition from abroad. After their democratic transition, the small Central and Eastern European countries were relatively protected as a result of their language and the slower rate of development of their reception capacities. However, for ten years now, these markets have been systematically targeted by major US groups' thematic channels that are established in the UK, Hungary or the Czech Republic.

The second distinctive element is the progress made on providing households with the equipment required for multichannel (analogue and, especially, digital) reception. This equipment is clearly a decisive factor with regard to audience fragmentation and the weakening position of incumbent channels. At the end of 2010, the penetration rate of digital multichannel equipment was more than 80 per cent in ten countries. However, a multichannel universe can also exist through analogue cable: as a result of the high penetration rate of analogue cable and satellite reception, more than 90 per cent of households also have multichannel television in Belgium, the Netherlands, Germany, Switzerland, Austria and Slovakia.

A third distinctive element is the importance of average individual viewing time. It is difficult to identify the factors that determine its actual duration, which varies from less than three hours a day in Switzerland, Austria, Norway, Finland, Denmark, Belgium's Flemish community and Cyprus, to more than three hours in Poland, Romania, Croatia, Hungary, Greece and Macedonia.

Policies on the organization of audiovisual systems

In addition to these diverse social-demographic characteristics of television reception, there are many different methods of organizing audiovisual systems. In our opinion, three criteria for distinguishing between policies are important: the varying support given to the PBS, methods employed for the regionalization

and decentralization of television systems, and the varying political will to impose binding rules on regulating relations between the different players.

The policy for supporting the public service

The varying support given to PSB may be assessed according to various indicators. The most important one – which we will not discuss here as it belongs to the field of political commentary – concerns the status of the heads of public agencies and the methods of appointing them. Numerous recent examples have shown that the appointment of the directors of public service broadcasters and the editorial freedom of the public channels are still controversial issues. Ingrid Deltenre, director general of the EBU, referred to this problem as follows:

For some years now, we have seen the politicization of the public broadcasting service. [...] In many countries, there is a considerable turnover among the controllers of public-service channels for political reasons, and this has an impact on programme quality.⁶

The independence of the PBS and the governance of public broadcasting organizations have come under scrutiny by an international public organization, the Organization for Security and Co-operation in Europe. According to a resolution adopted on 25 November 2010 by the European Parliament,⁷ ‘public broadcasters in some Member States are confronted with major problems jeopardising their political independence, their viability and even their financial basis.’ The resolution called on the member states to ‘end political interference regarding the content of services offered by public broadcasters,’ adding that ‘respect for European standards on freedom of expression, media pluralism and the independence, remit and funding of public service media’ should be a priority for all member states. Parliament suggests that the European Audiovisual Observatory should analyze how the member states have applied these standards and insists that member states should be held ‘accountable for failing to fulfil these commitments.’ Member states were urged ‘to provide appropriate, proportionate and stable funding for public service media’ to enable them to fulfil their remit, and to guarantee their political and economic independence.

On 15 February 2012 the Council of Europe’s Committee of Ministers adopted a declaration and a recommendation urging member states to ‘renew and adapt the governance framework for public service media to the modern communication environment.’⁸

Methodological issues in comparing funding of the public broadcasters

A comparison of the funding of the public sector in European countries calls for a great deal of methodological caution. The EC’s assessment mentioned above

presupposes that the 'public service remit' is clearly and precisely defined, and that a clear and appropriate distinction is drawn between public and non-public service activities. The separation of accounts between these two spheres is normally already required at the national level in order to ensure transparency and accountability when using public funds. The transparency requirements in the financial relations between public authorities and public undertakings, and within undertakings granted special or exclusive rights or entrusted with the operation of a service of general economic interest, are set out in Directive 80/723/EEC. However, the separation of accounts desired by the EC for public service and commercial activities does not in practice involve the systematic creation of separate undertakings. For this reason, European statistical comparisons should be made with respect to the public sectors and include all activities instead of only public service activities. It should be noted that certain private broadcasters (ITV in the UK, RTL Letzbürger in the Grand Duchy of Luxembourg) may have public service remits but these are only of marginal significance in their program schedule. In the Netherlands, most public service remits are given to associations that are subject to private law and are coordinated by a public body, the Nederlandse Publieke Omroep (Netherlands Public Broadcasting (NPO)).

In our opinion the key principle with regard to comparisons is that they should cover the methods of funding of all public undertakings and not only simply compare the funding of the main undertakings. An analysis of the funding of the public broadcasting sector at the European level poses various problems that result not only from the heterogeneous nature of the organization of PSB and the varying importance of public undertakings' commercial activities but also from the degree of detail provided by companies when publishing data on the type of income making up their turnover.

For example, a comparison between the budget of France-Télévisions and that of the BBC, which is frequently made in political debate, has little methodological relevance. First, the BBC's field of activities includes radio programs, BBC Parliament and the corporation's international services, and activities of this nature in France are the responsibility of Radio France, RFI, Canal France International, LCP-Assemblée nationale and La Chaîne Sénat, TV5 Monde and France 24, all of which (like La Sept-ARTE) should be included in the comparison. Second, the UK public sector not only includes the BBC but also the Channel 4 Group (which is publicly owned and has a service public remit, although its funding is strictly commercial), the Welsh-language channel S4C and the British Forces Broadcasting Service. It should also be noted that the BBC is in charge of collecting the license fee and of the management of its archives, activities for which France-Télévisions is not responsible (Table 15.3).

In order to measure the significance of public funding in the EU, we have examined the accounts of 85 companies under public control, including those

Table 15.3 Breakdown of revenues (percentages) of public broadcasting organizations in Europe (EUR 27) (2010)

Country	Channels		Million euros				per cent			
			Public revenues	Commercial revenues	Other revenues	Total	Public revenues	Commercial revenues	Other revenues	Total
AT	ORF	R+TV	581.0	390.3	0.0	971.2	59.8	40.2	0.0	100.0
BE	RTBF	R+TV	211.8	63.6	19.2	294.6	71.9	21.6	6.5	100.0
	VRT	R+TV	303.2	137.3	12.4	452.9	66.9	30.3	2.7	100.0
	BRF	R+TV	5.4	0.7	0.4	6.3	85.7	11.1	6.3	100.0
	Total		520.4	201.6	32.0	753.8	69.0	26.7	4.2	100.0
BG	BNT (2009)	TV	37.8	3.4	0.0	41.1	92.0	8.3	0.0	100.0
	BNR	R	24.6	0.4	0.5	25.5	96.5	1.6	2.0	100.0
	Total (prov.)		62.4	3.8	0.5	66.6	93.7	5.7	0.8	100.0
CY	CyBC	R+TV	38.9	5.9	0.2	45.0	86.4	13.1	0.4	100.0
CZ	CT	TV	231.2	41.6	14.6	287.4	80.4	14.5	5.1	100.0
	CR	R	80.9	4.3	2.9	88.0	91.9	4.9	3.3	100.0
	Total		312.1	45.9	17.5	375.4	83.1	12.2	4.7	100.0
DE	ARD	TV+R	5,390.9	773.1	97.6	6,261.6	86.1	12.3	1.6	100.0
	ZDF	TV	1,742.9	287.5	-64.4	1,965.9	88.7	14.6	-3.3	100.0
	Deutsche Welle	TV+R	291.4	9.8	0.2	301.2	96.7	3.3	0.1	100.0
	Deutschlandradio	R	192.4	13.7	3.5	209.6	91.8	6.5	1.7	100.0
	Total	TV+R	7,617.6	1,084.1	36.9	8,738.3	87.2	12.4	0.4	100.0

DK	DR	TV+R	465.7	-	49.0	514.8	90.5	-	9.5	100.0
	TV2 (cons.)	TV	-	275.8	10.5	286.3	-	96.3	3.7	100.0
	Total		465.7	275.8	59.5	801.1	58.1	34.4	7.4	100.0
EE	Total (ERR)	TV+R	24.4	2.6	1.3	28.4	85.9	9.2	4.6	100.0
ES	RTVE	TV+R	1,110.0	15.1	10.0	1,136.4	97.7	1.3	0.9	100.0
	Autonomicas (est.)	TV+R	738.9	207.2	-	946.1	78.1	21.9	-	100.0
	Total (est.)		1,848.9	222.3	10.0	2,082.5	88.8	10.7	0.5	100.0
FI	Total (YLE)	TV+R	398.4	0.0	21.7	420.1	94.8	0.0	5.2	100.0
FR	France Télévisions	TV	2,472.7	664.0	119.6	3,256.4	75.9	20.4	3.7	100.0
	Arte France	TV	228.9	7.2	7.5	243.6	94.0	3.0	3.1	100.0
	Audiovisuel extérieur de la France	TV+R	240.1	6.7	12.3	259.2	92.6	2.6	4.7	100.0
	Chaîne parlementaire AP	TV	16.5	-	-	16.5	100.0	-	-	100.0
	Chaîne parlementaire Sénat	TV	15.3	-	-	15.3	100.0	-	-	100.0
	Radio France	R	549.6	63.7	18.6	631.9	87.0	10.1	2.9	100.0
	Total		3,523.1	741.6	158.0	4,422.9	79.7	16.8	3.6	100.0

Table 15.3 (Continued)

Country	Channels		Million euros				per cent			
			Public revenues	Commercial revenues	Other revenues	Total	Public revenues	Commercial revenues	Other revenues	Total
GB	BBC Group	TV + R	4,420.5	1,419.0	181.5	6,021.0	73.4	23.6	3.0	100.0
	Channel 4 Group	TV	-	1,095.7		1,095.7	-	100.0	0.0	100.0
	S4C	TV	119.2	3.1	-	122.3	97.5	2.5		100.0
	Services Sound and Vision Corporation (est.)	TV + R	44.6	-	-	44.6	100.0			100.0
	Total		4,584.3	2,517.8	181.5	7,283.6	62.9	34.6	2.5	100.0
GR	Total (ERT)	TV + R	352.4	28.9	4.7	386.0	91.3	7.5	1.2	100.0
HU	Magyar Televízió	TV	66.2	12.1	1.7	79.9	82.9	15.1	2.1	100.0
	Duna (2009)	TV	33.0	2.4	-	35.4	93.2	6.8		100.0
	Magyar Rádió	R	44.8	4.5	6.3	55.6	80.6	8.1	11.3	100.0
	Total		144.0	19.0	8.0	170.9	84.3	11.1	4.7	100.0
IE	Total (RTE)	TV + R	196.0	175.7	0.0	371.7	52.7	47.3	0.0	100.0
IT	Total (RAI)	TV + R	1,771.7	1,259.0	9.2	3,039.9	58.3	41.4	0.3	100.0
LT	Total (LRT)	TV + R	10.2	4.6	2.4	17.2	59.3	26.7	14.0	100.0
LU	Total (Chaîne parlementaire)	TV	0.6	0.0	0.0	0.6	100.0			100.0

LV	LTV	TV	10.0	4.4	1.2	15.6	64.1	28.2	7.7	100.0
	LR	R	5.6	1.1	0.1	6.8	82.4	16.2	1.5	100.0
	Total		15.6	5.5	1.3	22.4	69.6	24.6	5.8	100.0
MT	Total (PBS)	TV+R	2.2	6.0	0.0	8.2	26.8	73.2	0.0	100.0
NL	NPO	TV+R	771.3	85.9		857.2	90.0	10.0	0.0	100.0
	NRW (est.)	TV+R	46.4		0.9	47.3	98.1	0.0	1.9	100.0
	Total		817.7	85.9	0.9	904.5	90.4	9.5	0.1	100.0
PL	TVP	TV	61.9	356.7	38.9	457.5	13.5	78.0	8.5	100.0
	PR (2009)	R	43.7	15.5	2.1	61.3	71.3	25.3	3.4	100.0
	Total (prov.)		105.6	372.2	41.0	518.8	20.4	71.7	7.9	100.0
PT	Total (RTP)	TV+R	230.6	75.8	2.2	308.6	74.7	24.6	0.7	100.0
RO	TVR	TV	113.4	17.3	2.7	133.4	85.0	13.0	2.0	100.0
	SRR	R	91.7	1.0	1.6	94.3	97.2	1.1	1.7	100.0
	Total	TV+R	205.1	18.3	4.3	227.7	90.1	8.0	1.9	100.0
SE	SVT	TV	431.9	0.0	31.7	463.5	93.2	0.0	6.8	100.0
	SR	R	262.4	0.0	6.5	269.1	97.5	0.0	2.4	100.0
	UR	TV+R	37.8	0.0	2.0	39.8	95.0	0.0	5.0	100.0
	Total		732.1	0.0	40.2	772.4	94.8	0.0	5.2	100.0
SI	Total (RTVSLO)	TV+R	95.2	20.5	7.3	123.0	77.4	16.7	5.9	100.0
SK	STV (2009)	TV	63.3	7.3	0.4	71.0	89.2	10.3	0.6	100.0
	SR	R	27.3	1.8	0.9	30.0	91.0	6.0	3.0	100.0
	Total (prov.)		90.6	9.1	1.3	101.0	89.7	9.0	1.3	100.0
EUR 27	Total		24,746.8	7,572.2	641.9	32,961.8	75.1	23.0	1.9	100.0

Source: European Audiovisual Observatory.

without a public service remit whose activities and revenues are solely commercial. For the purpose of this analysis, we have as far as possible taken into consideration the consolidated accounts of the groups (in particular the BBC, Channel 4, France Télévisions, RAI and RTVE), insofar as they best reflect the diversity of income received. It is essential to take radio broadcasters and regional companies into consideration in order to permit a comparison between public systems consisting mainly of broadcasters that combine both radio and television (e.g., Gruppo RAI in Italy) on the one hand and fragmented systems (such as those in Germany, France, Spain and the UK) on the other.

The total revenues of the public broadcasting sector in the EU (27 member states) rose from €31.8 billion in 2006 to €32.4 billion in 2010. In 2010, public revenue was €24.7 billion, or 75.1 per cent of the total.

The traditional means of funding PSB is still the license fee levied on reception devices (including PCs in the case of Germany). A number of countries and regions (the Netherlands, Hungary, Belgium's Flemish community and the Brussels-Capital Region) have abandoned the license fee and replaced it with a direct subsidy, while an 'audiovisual contribution' has been introduced in Portugal. A system of direct subsidies also exists in Spain and most Central and Eastern European countries. In Greece, Cyprus and Turkey the public contribution comes from a levy on the electricity bill. In the majority of countries, advertising also finances PSB, the only exceptions being Sweden, Finland and Norway. In the UK and Denmark, the main public broadcasters, the BBC and DR, do not participate in the advertising market, although the secondary broadcasters, Channel 4 and TV2, respectively, are exclusively financed by commercial revenues (advertising and subscriptions to thematic channels). Some public companies (BBC Worldwide, the Film4 part of the Channel 4 Group, the former RAISAT, now integrated into Gruppo RAI) have a presence on the pay-TV market, permission for which is expressly denied by law for German public broadcasters.

A comparison of the structure of the funding of PSB reveals that among the large countries in the EU, Spain (in respect of which we would like to have more details regarding most of the public broadcasters in the Autonomous Communities) has the system most dependent on public revenues (88.8 per cent of the total income of public entities in 2010). In Germany it was 87.2 per cent, in France 79.7 per cent, in the UK 62.9 per cent and in Italy 58.3 per cent, while in Poland the proportion of public funding was only 20.4 per cent of total income that year. Although the systems are very different, France and the UK had broadly similar proportions of public funding (69.4 per cent and 66.4 per cent, respectively, in 2006) before the French reform of 2009. That reform and the strengthening of the commercial funding of the BBC Group led to a widening gap: in 2009 – when France Télévisions admittedly received a one-off

grant – the proportion of public funding in France was up to 79.9 per cent and fell to 62.7 per cent in the UK.

It is interesting to compare the level of public funding received by European broadcasters with their position on the daily audience market. A breakdown enables various categories of public broadcaster to be identified:

- Broadcasters that receive all or most of their income in the form of public funding and have substantial market shares: this is the case with most Nordic broadcasters as well as the BBC and ARD. This category of broadcaster can cite their good audience figures to justify their public funding.
- Broadcasters that receive a considerable amount of commercial funding and have significant market shares: RAI, TVE and Poland's TVP. These broadcasters are often accused of giving in to commercial considerations with regard to their programming, and thus departing from the public service remit. The public funding that they receive is described by competitors as having little justification, which, in turn, continually sparks the privatization debate.
- Broadcasters in small countries which receive considerable public funding but have relatively poor audience shares. They tend to defend their legitimacy by citing their role in the defence of culture and the national language.
- Minor public broadcasters. These either receive considerable public funding and have a presence on the subsidiary broadcasting market (ARTE and, to a lesser extent, ZDF) or are fully commercially funded but have a presence in the subsidiary market (Channel 4 in the UK and TV2 in Denmark).

With 70.7 per cent public funding and a 33.3 per cent audience market share, France Télévisions was in an intermediate position between the first and second categories in 2008. The aim of the decision of the former president, Sarkozy, was clearly to bring the public broadcaster closer to the first category. It is still too early to assess whether this objective can be achieved in the medium term. In 2009 the proportion of public funding rose to 79.9 per cent but the audience market share fell to 31.3 per cent. Severe cutting was announced regarding the budget for 2013, and the financing by a levy on telecommunications operators introduced by the 2009 reform remains under threat as the EC is examining the legality of the principle.

Regionalization policies

Another distinctive feature, mainly of the big countries, is the way in which the regionalization or decentralization of television systems is organized. In the case of public broadcasters, even after various phases of decentralization, the BBC, RAI, RTVE and France-Télévisions are still highly centralized bodies with regional headquarters and windows on the second or third channel. On the

other hand, Germany's ARD is based on the collaboration between eight regional broadcasters that produce a nationwide channel, three thematic channels and, individually, national general-interest channels, with local windows in some cases. In Spain, in addition to the regional windows of TVE, each Autonomous Community has a public broadcaster that produces one or two general-interest channels and, in some cases, thematic channels. As far as the private sector is concerned, the initial regional structure of ITV in the UK has been rendered much less important by the merger of most of the regional companies – which were initially under separate ownership – into ITV plc, and by the big reduction in the number of regional news programs. The local private television stations in France remain limited in number and in a weak financial position.

Policies for regulating relations between broadcasters and producers

National policies on television broadcasting may also be characterized by the different degrees to which relations between broadcasters and producers of audiovisual programs or cinema films are regulated.

Articles 4 and 5 of the TWF Directive have established a common framework in this area. In order to encourage the production and distribution of European television programs, member states must ensure whenever possible that television broadcasters reserve a majority proportion of their transmission time for European works – excluding the time appointed to news, sports events, games, advertising, teletext and teleshopping services (Article 4). Broadcasters must also reserve at least 10 per cent of their transmission time or 10 per cent of their programming budget for European works originating from independent producers (Article 5). The member states have established monitoring arrangements that vary in their degree of stringency, with France, the French community in Belgium and the community of Catalonia no doubt having the strictest rules in this regard. Similar principles are incorporated into the new AVMS Directive, and the EC published in September 2012 the first report on the promotion of European works on EU television and on-demand services, for the period 2009–2010.⁹

Some states have fairly precise regulations on broadcasters' obligations with regard to investing in independent productions (e.g., the UK (only for the terrestrial channels), France, Belgium's French community, Spain, Italy, Portugal and Poland). In most other countries, these obligations are worded in very general terms for public broadcasters and no obligations are laid down for independent broadcasters.

Levies are set on channel revenues or obligations are imposed on broadcasters to invest in film production in France, Italy, Portugal, Poland and Belgium's French community. In Spain, the private channels have obtained a ruling that obligations to invest in film production are in breach of the

constitution, while cinema exhibitors in Germany have obtained an administrative court ruling acknowledging that they are victims of unequal treatment since the levy payable to fund productions is compulsory for them but voluntary in the case of broadcasters. As a consequence, a new law in July 2010 made it compulsory for broadcasters to make contributions commensurate with the importance of the films in their programming schedules. In the Nordic countries as well as in the UK and Central and Eastern European countries, broadcasters' contributions to film production, either in the form of an investment or by contributing to an aid fund, are on a voluntary basis without any explicit regulatory intervention by the authorities.

The economic situation of the sector

Aggregate data

It is not easy to produce a comparative economic analysis of the television channel production sector in Europe. Various obstacles account for this: the heterogeneous nature of the systems of organization, of accounting systems and of publication obligations, as well as the large number of microcompanies. The biggest obstacle is no doubt linked to the production of channels by companies that are also involved in the distribution of third-party channels. A breakdown of the revenues of companies such as BSkyB and Sky Italia, or of the Canal+ division of the Vivendi Group, according to the provision and distribution of channels is by no means clear-cut. This lack of transparency is compounded by the relative inadequacy of national and European statistical data collection. It was, for example, not until 2008 that the Council of Ministers of the EU made it compulsory for member states to collect company data for the audiovisual sector. The first results published (for 2008) are, moreover, far from satisfactory from the point of view of completeness and methodological clarity.

The European Audiovisual Observatory has for the past ten years tried to fill these gaps in the national and European statistical systems by providing partial statistical synopses, drawn up on the basis of unconsolidated financial information published by companies (and collected in the AMADEUS central accounting database) and information collected by the EU from its members. This collection contains a number of gaps itself, as it does not take account of the operators of small regional and local stations nor of a number of producers of thematic channels that do not publish their accounts (Figures 15.4–15.8 and Tables 15.4–15.8).

Since the 2009 edition, companies whose turnover is considered to come mainly from distribution rather than channel production have also been excluded from the synopsis. Subject to these reservations, we feel confident that the statistical analyses provided (covering a number of companies varying between 702 in 2006 and 655 in 2010, with a peak of 726 in 2008) give a fairly

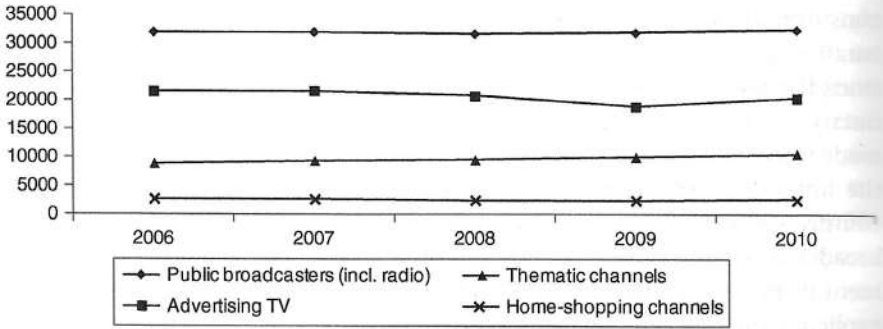


Figure 15.4 The economic situation of the different categories of broadcasting company in the EU (2006–2010): operating revenue.
Source: European Audiovisual Observatory

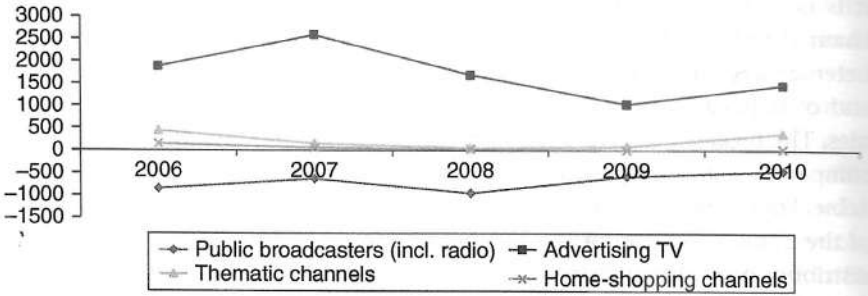


Figure 15.5 The economic situation of the different categories of broadcasting company in the EU (2006–2010): profit (loss) for period.
Source: European Audiovisual Observatory

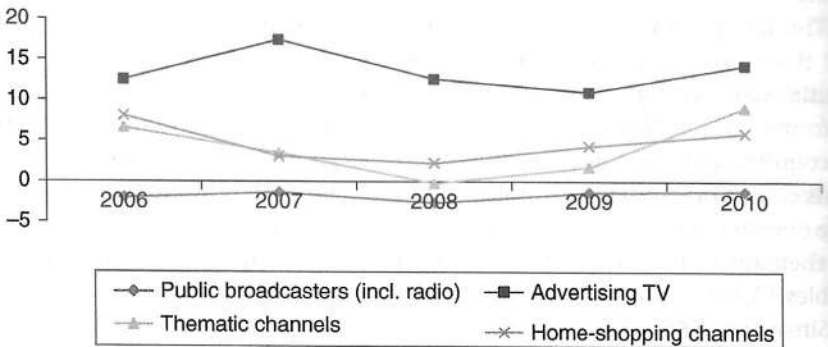


Figure 15.6 The economic situation of the different categories of broadcasting company in the EU (2006–2010): profit margin.
Source: European Audiovisual Observatory

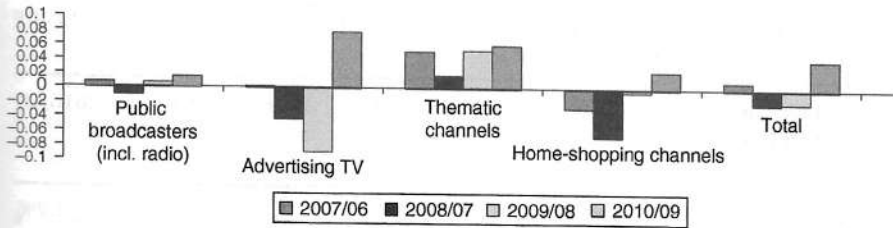


Figure 15.7 The economic situation of the different categories of broadcasting company in the EU (2006–2010): growth of operating revenue.

Source: European Audiovisual Observatory

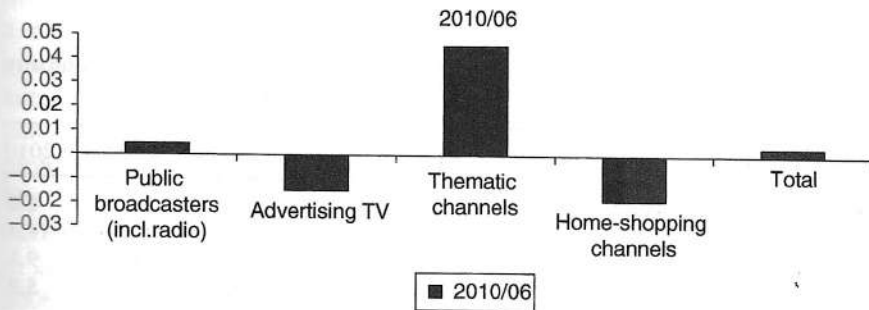


Figure 15.8 The economic situation of the different categories of broadcasting company in the EU (2006–2010): average yearly growth of operating revenue.

Source: European audiovisual observatory

Table 15.4 The economic situation of the different categories of broadcasting company in the EU (2006–2010): operating revenue

Operating revenue (million euros)	2006	2007	2008	2009	2010	2010/09
Public broadcasters (incl. radio)	31,775	32,013	31,676	31,884	32,368	1.5%
Advertising television	21,598	21,655	20,711	18,864	20,342	7.8%
Thematic channels	8,863	9,317	9,484	9,990	10,592	6.0%
Home shopping channels	2,635	2,564	2,393	2,384	2,442	2.4%
Total	64,872	65,549	64,264	63,122	65,744	4.2%

Source: European Audiovisual Observatory.

Table 15.5 The economic situation of the different categories of broadcasting company in the EU (2006–2010): profit (loss) for period

Profit (loss) for period (million euros)	2006	2007	2008	2009	2010	2010/09
Public broadcasters (including radio)	-852	-634	-950	-577	-451.9	-21.7%
Advertising television	1,885	2,589	1,693	1,039	1,461	40.7%
Thematic channels	443	155	49	94	388	315.3%
Home shopping channels	150	63	36	10	25	140.8%
Total	1,627	2,173	827	565	1,422	151.6%

Source: European Audiovisual Observatory.

Table 15.6 The economic situation of the different categories of broadcasting company in the EU (2006–2010): profit margin

Profit margin (percentage)	2006	2007	2008	2009	2010
Public broadcasters (including radio)	-2.0	-1.3	-2.6	-1.3	-1.2
Advertising television	12.6	17.4	12.6	11.0	14.3
Thematic channels	6.6	3.5	-0.2	1.7	9.1
Home-shopping channels	8.1	3.1	2.2	4.3	5.9
Total	4.5	5.6	3.2	3.2	4.5

Source: European Audiovisual Observatory.

Table 15.7 The economic situation of the different categories of broadcasting company in the EU (2006–2010): growth of operating revenue

Growth of operating revenue (percentage)	335	287	251	223
Public broadcasters (including radio)	0.7	-1.1	0.7	1.5
Advertising television	0.3	-4.4	-8.9	7.8
Thematic channels	5.1	1.8	5.3	6.0
Home-shopping channels	-2.7	-6.7	-0.4	2.4
Total	1.0	-2.0	-1.8	4.2

Source: European Audiovisual Observatory.

precise picture of this area of activity in the EU. Companies have been divided into four categories:

- public companies (including radio companies) (e.g., BBC Home Service, France Télévisions, RAI and ZDF);

- companies whose main activity is the production of general-interest channels funded by advertising (e.g., Reti Televisive Italiani, TF1, RTL Television GmbH and ITV Broadcasting Ltd);
- companies whose main activity is the production of thematic or 'mini-generalist' channels (e.g., Canal+, Discovery Communications Europe Ltd., Eurosport and Satellite Information Services);
- home-shopping companies (QVC Deutschland, QVC UK, Home Shopping Europe GmbH and Sit-Up Ltd).

The public sector particularly affected by the recession

The public sector has been particularly affected by the recession. Public companies' total revenues fell by €36.2 billion in 2004 to €31.4 billion in 2008. More than half of the 82 public broadcasters in the EU finished 2008 with a net deficit. The total deficit of this group amounted to €966 million, a significant proportion of which was sustained by companies in Spain's autonomous communities. This can be explained by the fact that these companies only enter revenues from their commercial activities as income in their profit and loss account, with grants taking the form of a capital contribution. The biggest deficits among national bodies were recorded by Austria's ORF (€104.4 million in 2008 and €65.8 million in 2009), ARD (€100.9 million in 2008), France Télévisions (€78.4 million in 2008), RTVE (€70.2 million in 2008 and €47.1 million in 2010), ZDF (€36.7 million in 2008 and €23.5 million in 2010), Portugal's RTP (€36.1 million in 2008, €6.1 million in 2009 and €24.2 million in 2010), Greece's ERT (€24 million in 2007, €3.1 million in 2008 and €18.2 million in 2009), RAI (€7 million in 2008, €61.8 million in 2009 and €98.2 million in 2010) and Romania's TVR (€13.6 million in 2008, €11.4 million in 2009 and €37.8 million in 2009). Some companies (RTVE, ARD, NPO and France Télévisions) put their finances back on an even keel in 2009 and 2010 but the new recession in 2011 and 2012 created new financial alerts for most of the public broadcasters. On the other hand, the BBC

Table 15.8 The economic situation of the different categories of broadcasting company in the EU (2006–2010): average yearly growth of operating revenue

Average yearly growth of operating revenue (percentage)	2010/6
Public broadcasters (including radio)	0.5
Advertising television	-1.5
Thematic channels	4.6
Home-shopping channels	-1.9
Total	0.3

Source: European Audiovisual Observatory.

Group is in good health, with a net profit of €262.7 million in 2008/2009 and of €536.8 million in 2009/2010, which can be explained by its stable public funding, the virtual doubling of its commercial revenues in 2009/2010 and a significant reduction in its staff complement (down from 27,264 in 2005 to 22,861 in 2010).

The large private groups

The European scene is characterized by a small number of large private pan-European groups (Figure 15.9 and Table 15.9).

The consolidated revenues of the 12 main television groups comprise income not only from actual broadcasting but also from other activities. Seven of these groups (British Sky Broadcasting, Groupe CANAL+, Mediaset, Prisa/Sogecable, Modern Times Group, Sky Deutschland and TVN) are both channel providers

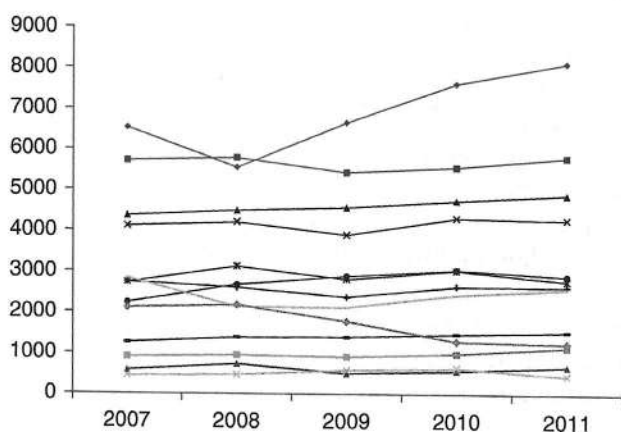


Figure 15.9 Consolidated revenues of the main private television groups in Europe (2007–2011) (million euros).

Source: European Audiovisual Observatory

Table 15.9 Consolidated revenues of the main private television groups in Europe (2007–2011) (million euros)

	Country	2007	2008	2009	2010	2011	2011/2010
British Sky Broadcasting Ltd (1)	GB	6,517	5,537	6,630	7,581	8,073	6.5%
RTL Group	LU	5,707	5,774	5,410	5,532	5,765	4.2%
Vivendi (Groupe Canal Plus)	FR	4,363	4,481	4,553	4,712	4,857	3.1%
Gruppo Mediaset	IT	4,105	4,199	3,883	4,293	4,250	-1.0%
ProSiebenSat.1 Media AG	DE	2,727	3,117	2,798	3,012	2,756	-8.5%
continued operations (2)	DE	-	-	-	2,600	2,756	6.0%
Sky Italia (3)	IT	2,234	2,669	2,877	3,032	2,876	-5.1%
Groupe TF1	FR	2,739	2,595	2,365	2,622	2,620	-0.1%
ITV plc	GB	2,833	2,125	2,112	2,418	2,557	5.7%
Modern Times Group	SE	1,257	1,378	1,382	1,456	1,512	3.9%
continued operations (4)				1,205	1,456	1,512	3.9%
Prisa-Unitad Audiovisual (Canal+ Spain)	ES	2,106	2,169	1,771	1,281	1,229	-4.1%
Sky Deutschland AG	DE	902	941	902	977	1,139	16.6%
Central European Media Enterprises	BM	570	724	498	556	668	20.1%
TVN S.A.	PL	434	461	578	627	443	-29.3%
continued operations (5)					486	443	-8.7%
Total		36,495	36,170	35,582	41,184	41,944	1.8%
continued operations					37,545	38,744	3.2%

Table 15.9 (Continued)

	Country	2007	2008	2009	2010	2011	2011/2010
<i>In national currencies</i>							
	Currency	2007	2008	2009	2010	2011	0.0%
British Sky Broadcasting Ltd (calendar year)	GBP	4,789	5,095	5,631	6,325	6,765	7.0%
ITV (2)	GBP	2,082	2,029	1,879	2,064	2,140	3.7%
Modern Times Group	SEK	11,351	13,166	14,173	13,101	13,473	2.8%
continued operations (1)	SEK			12,427	13,101	13,473	2.8%
TVN S.A.	PLN	1,555	1,900	2,391	2,491	1,960	-21.3%
continued operations	PLN				1,925	1,960	1.8%
Central European Media Enterprises	USD	838	1,020	714	737	865	17.4%

Source: European Audiovisual Observatory.

(1) Calendar year and not fiscal year.

(2) 2010 pro forma (estimated) to take account of sales of Belgian and Dutch assets.

(3) As at 30 June.

(4) In 2010, Modern Times Group has deconsolidated its former retail subsidiary CDON.

(5) Following an agreement with Canal+ Group in December 2011 on the merger of the platform 'n' (ITI Neovision Group) and Cyfra +, the revenues activities of ITI Neovision Group are presented as discontinued in TVN S.A. consolidated accounts.

and operators of distribution platforms. All of these groups are involved in the production of general-interest and thematic channels and most of them also in program production. Seven of them (BSkyB, RTL Group, Groupe CANAL+, Mediaset, ProSiebenSat.1 Media AG, TF1 and the Modern Times Group) operate pay-video-on-demand services. The RTL Group, CANAL+ and TF1 produce and distribute video. BSKyB has successfully established itself as a broadband access provider and, in 2012, took control of the Swiss company Acetrax, one of the leading video-on-demand film services for SmartTV.

This diversification of activities is no doubt one of the key factors in weathering the crisis. It has enabled BSKyB to increase its turnover during the recession period, whereas those groups completely or mostly dependent on the advertising market have generally recorded significant declines, which reached as much as -30 per cent in the case of Central European Media Enterprises, the Bermuda-registered US group that operates around 30 television channels in Central and Eastern Europe. This explains why groups that have historically had a strong presence in the advertising market, such as Mediaset and ProSiebenSat.1 Media, are trying to strengthen their presence in the pay-television market.

In 2008 the 12 groups taken together posted a total net loss of €914 million. Only four groups recorded net losses but ITV plc had a net loss of €2.7 billion, due to an exceptional amortization of its goodwill.¹⁰ In 2009, only three of the 12 groups posted a net loss (Sky Deutschland, the Modern Times Group and Central European Media Enterprises). The net profit of all of the groups taken together was €1.5 billion, which was significantly below the figure for 2007 (€2.7 billion). The groups have generally reduced their operating costs, especially their payroll,¹¹ to offset the drop in revenues. For Gruppo Mediaset, ProSiebenSat.1 Media AG, Sky Italia, Prisa (owner of Canal+ España) and the Polish TVN, 2011 was a new recession year. The growing use of the Internet, the rise of thematic channels and of channels set up with the launch of DTT, as well as the increasing use of online video services funded by advertising, are forcing the major groups to consider entering into closer relations with their competitors, diversify their sources of revenue and disposing of their less profitable channels. The RTL Group sold the UK's Channel Five in July 2010. ProSiebenSat.1 Media has disinvested by selling part of the SBS assets (in particular in Belgium and the Netherlands). In Spain, the market was faced by a concentration with Mediaset taking over the Spanish channel Cuatro, and Antenna 3 and La Sexta merging their activities. In France, the Vivendi Group (Canal+) was authorized in September 2012 to take over the the Bolloré Group's channel Direct 8, opening up the possibility of competing with the TF1 and M6 group on the market of free terrestrial television. In Central and Eastern Europe, CME sold its Ukrainian channel and News Corp. sold the Bulgarian channel bTV, while in 2012 an important concentration was authorized on the Lithuanian market.

The crisis on the advertising market and its implications for the television groups' strategy

According to estimates made by the European Audiovisual Observatory, advertising accounted for one-third of the revenues of television companies in the EU in 2006. In this context, the recession on the advertising market that accompanied the recession in 2008–2009 has seriously affected the revenues not only of the private channels but also of most of the public companies.

According to estimates made by the World Advertising Research Center (WARC), advertising investment in the main European markets fell by 4.4 per cent in 2008. Audiovisual media were affected in various ways: television advertising expenditure dropped by 10.9 per cent and radio advertising by 9 per cent, while Internet advertising grew by 5.7 per cent, which was a much lower rise than in the previous year (14.3 per cent). In the case of the decline in television advertising expenditure, the countries most affected were Spain (–23.4 per cent), Greece (–20.3 per cent), Ireland (–14.6 per cent), the UK (–14.4 per cent) and Denmark (–14.1 per cent). Poland is the only country studied by WARC where television advertising expenditure remained static (0.3 per cent).

Most of the groups traditionally funded by advertising have diversified towards the provision of paid thematic channels and are strengthening their Internet presence by setting up catch-up television services, their aim being not to abandon the benefits accruing from the growth of this market to the 'pure players.' In France, in 2009, the video websites of TF1 succeeded in reaching third place in terms of unique viewers behind YouTube and Dailymotion. In the UK, the video websites of the ITV group more than doubled their audience between February 2009 and February 2010. In Germany, the websites of ProSiebenSat.1 Media and the RTL Group were in third and fourth place among the video websites, respectively. In August 2010, the two groups announced the launch of a joint Internet platform based on the Hulu model, but this project was later rejected by the competition authority – pointing once again at the important relation between legal provisions and emerging initiatives in the market.

The providers of thematic channels

The rise in the number of distribution platforms and the greater capacity of the distribution networks have led to a considerable increase in the number of thematic channels (including 'minigeneralist' channels and those specializing in films) and to the creation of companies whose main activity is the provision of channels of this type. There were more than a 1,000 in the EU in 2010, one-third of them based in the UK (Table 15.10).

These companies, which are currently experiencing strong growth, are difficult to study since their channel-production activities may be short-lived. Firms

Table 15.10 The ten leading European thematic television companies (2006–2010)

	Companies	Country	Group	Channels	2003	2004	2005	2006	2007	2008	2009	2010	2010/09
1	Canal Plus (cons.)	FR	Vivendi	Canal+, Canal+ channels, Foot+, Rugby+, etc.		1,551.0	1,578.0	1,612.0	1,740.0	1,813.0	1,775.0	1,787.0	0.7%
2	Discovery Communications Europe	GB	Discovery Communications Inc.	Discovery Channels	n.a.	46.6	71.9	114.2	328.8	293.7	396.7	424.7	7.1%
3	Eurosport	FR	TF1	Eurosport	374.3	386.6	370.9	253.1	275.3	318.3	315.5	360.8	14.4%
4	Satellite Information Services (Holdings) Ltd	GB	Ladbroskes	Racing UK	164.6	170.9	182.9	203.6	199.9	207.9	222.8	288.5	29.5%
5	C More Entertainment	SE	TV4/Telenor	Canal+ channels	n.a.	194.8	208.7	232.6	232.7	211.7	240.8	277.8	15.4%
6	Turner Entertainment Networks International	GB	Time-Warner	TCM, Cartoon Network	130.0	159.0	201.9	202.7	223.5	224.6	241.3	272.7	13.0%
7	Turner Broadcasting System Europe	GB	Time-Warner	CNN International	146.5	170.2	203.5	214.5	229.4	223.5	233.7	238.8	2.2%
8	Fox International Channels Italy	IT	New Corp.	Fox Italia, Fox Crime, ...	~	24.3	53.7	87.9	124.4	152.7	171.9	184.7	7.4%
9	ESPN (Europe, Middle east, Africa) Ltd	GB		ESPN	-	-	-	-	-	5.2	61.7	178.4	189.1%
10	Super RTL Disney Fernsehen	DE	RTL Group/Disney	Super RTL	123.8	136.4	154.1	162.6	168.0	171.5	155.9	172.3	10.5%

Source: European Audiovisual Observatory.

in this group are often very small in size and do not systematically publish their accounts. Within this group one also finds many subsidiaries of the major international groups (US, Japanese and European), as well as telecommunications companies, cable operators and firms operating in other sectors (automobile, food, retailing, banking, etc). They all provide channels, in many cases of a promotional nature, devoted to subjects closely associated with their activities or to sports clubs, political parties, ethnic or cultural associations and so on.

The operating profit of these companies amounted to €8.9 billion in 2006 and rose to €10.6 billion in 2010. Of the various categories of channel provider, this is the one that experienced the strongest average annual growth in the period 2006–2010 (4.6 per cent growth versus 1.5 per cent decline in the case of the providers of traditional advertising channels, and 0.5 per cent growth in the case of the public broadcasters). Generally financed by revenues from subscriptions and advertising, these companies seem to have coped with the 2008–2009 recession better than others. The overall category remained profitable during the recession, albeit that the ratio of return on shareholders' funds decreased from 31.4 per cent in 2006 to 9 per cent in 2008, and less than 8 per cent in the following years.

Providers of teleshopping channels

Teleshopping made its first appearance in the USA and Italy at the end of the 1970s and spread across Europe in the 1990s, either as part of the program schedules of private general-interest channels or as channels in their own right. Some 40 companies share this market. The main firms are under the control of US groups (QVC, owned by the Liberty Media Corporation, in Germany and the UK, and, in Germany and Italy, HSE24, which belongs to the US group HSN) or of European groups (e.g., Mediashopping, which is part of the Mediaset group; M6 Boutiques, which belongs to the M6 group; Canal Club, which is operated by Sogecable; El Corte Inglés). In 2008 the RTL Group sold the channel RTL Shop, which was then renamed Channel 21 Shop.

The operating revenues of the providers of teleshopping channels in the EU reached their peak at €2.6 billion in 2007. Then these companies went through a relative recession in 2008 and 2009, probably due to the competition from online sales, and stabilized in 2010. Their profit margin also went down from 8.1 per cent in 2006 to 2.2 per cent in 2008, with a recovery in 2009 (4.1 per cent) and 2010 (5.9 per cent) (Table 15.11).

Program production and circulation

Until the 1980s, television companies combined program production, scheduling and distribution in most cases. The major public channels and the UK channel ITV had their own studios and were therefore able to turn out 'heavy-weight' productions themselves, especially fiction. ZDF, followed by Channel

Table 15.11 Operating revenues of ten leading television home-shopping companies in Europe (2006–2010) (million euros)

Rank	Company	television Channels	Country	2003	2004	2005	2006	2007	2008	2009	2010	2010/09
1	QVC Deutschland GmbH (cons.) (est.)	QVC Deutschland	DE	401.2	542.8	629.4	706.6	624.5	680.3	672.0	719.0	7.0%
2	QVC	QVC – The Shopping Channel	GB	319.0	375.9	445.6	493.9	479.9	376.7	411.8	453.3	10.1%
3	Home Shopping Europe GmbH	Home Shopping Europe	DE	304.6	275.0	305.1	312.5	320.0	352.6	379.2	n.a.	n.a.
4	Sit-Up Ltd	Sit-Up	GB	168.0	293.3	348.3	336.0	322.7	251.7	191.7	173.0	–9.8%
5	Ideal Shopping Direct PLC	Ideal World TV	GB	62.4	85.6	115.6	127.8	131.4	99.1	116.2	137.3	18.2%
6	Home Shopping Service (HSS)	Best of Shopping	FR	86.4	99.0	105.5	113.8	123.4	127.1	123.6	121.2	–1.9%
7	1-2-3.TV GmbH	1-2-3 TV	DE			32.5	66.4	78.2	87.5	93.5	98.5	5.3%
8	Channel 21 GmbH (est.)	Channel 21 Shop (formerly RTL Shop)	DE	94.5	82.9	90.9	100.1	84.8	n.a.	82.5	89.0	7.9%
9	Telemarket S.P.A.	Telemarket	IT	72.9	83.5	102.6	65.3	88.4	69.9	67.2	63.4	–5.7%
10	M6 Boutique La Chafne	M6 Boutique	FR	10.0	9.9	12.0	16.6	27.4	34.7	36.2	36.8	1.7%

Unconsolidated operating revenues (million euros).

Include also companies providing film pay-television premium services and 'minigeneralist channels'

Source: European Audiovisual Observatory.

4 in the UK, departed from this model by outsourcing production to independent producers. In the 1980s, the main private broadcasters (Fininvest in Italy, the RTL Group, the ProSiebenSat.1 Media group, BSKyB, etc.) built their expansion on the mass distribution of programs imported from the USA. By setting channels the objective of transmitting 50 per cent of programs of European origin and 15 per cent of independent origin, the TWF Directive of 1989 tried to foster the emergence of a genuine European program industry with relative independence from the broadcasters.

More than 20 years after the implementation of the first directive, it is difficult to produce a detailed assessment. The production market and the market for European audiovisual rights is still relatively opaque, the reasons being both a lack of transparency (the MPAA still refuses to publish its data on the revenues, by types of right, generated by the Hollywood studios in the various regions of the world) and difficulties of a more technical nature, such as the different accounting practices employed by broadcasters (Figure 15.10 and Table 15.12).

The studies by the research group Eurofiction, which have unfortunately been interrupted, have shown that the number of hours of previously unreleased national television fiction (television films, series and serials) broadcast unencrypted by the main channels in the five big Western European countries rose from 4,120 in 1996 to 5,883 in 2001 before falling back to 5,513 in 2004. During this period, Germany and the UK were the two main producers in terms of the number of hours. Spain emerged at the end of the 1990s as the third biggest producer in terms of the number of hours, but with the production

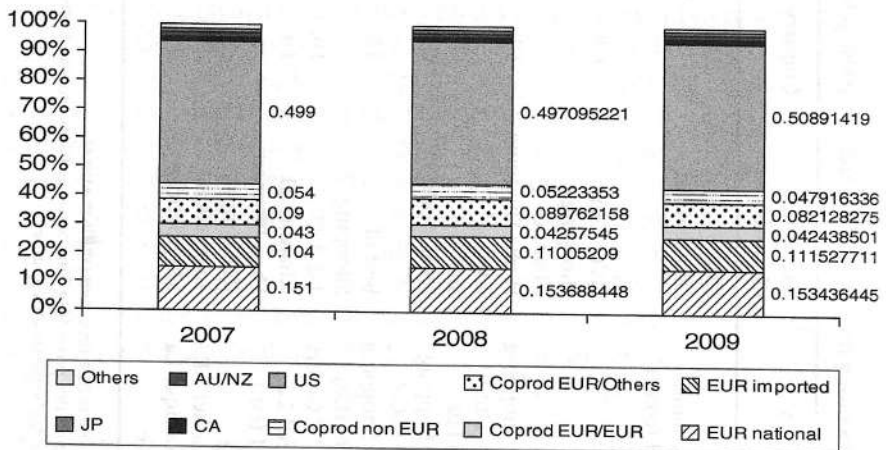


Figure 15.10 Origin of feature films, television films, short films, series and soaps and animation broadcast by television channels in 15 European countries (2007–2009) (in per cent of the number of hours of fiction broadcast).

Source: European audiovisual observatory, based on data from INFOMEDIA

Table 15.12 Origin of feature films, television films, short films, series and soaps and animation broadcast by television channels in 15 European countries (2009)

	Number of channels in the sample	Volume of fiction (hours)								
		Total	National	EU non nat (1)	Total EUR (including national)	Non EUR	National	EU non nat (1)	Total EUR (including national)	Non EUR
Advertising channels	40	145,475	12,351	22,001	34,352	111,123	8.5%	15.1%	23.6%	76.4%
Pay-television film channels	23	146,181	11,660	40,341	52,001	94,180	8.0%	27.6%	35.6%	64.4%
Public service channels	47	122,358	32,412	44,983	77,395	44,963	26.5%	36.8%	63.3%	36.7%
Thematic channels	27	157,349	29,781	28,035	57,816	99,533	18.9%	17.8%	36.7%	63.3%
Total	137	571,363	86,204	135,360	221,564	349,799	15.1%	23.7%	38.8%	61.2%

(1) Including European and mixed co-productions

Source: European Audiovisual Observatory, based on data from INFOMEDIA

of 'lightweight' programs in the form of sitcoms. During the same period, the production of fiction also increased in Italy but remained relatively static in France.

The analysis published by the European Audiovisual Observatory¹² of the origin of fiction programs (television films, series and soaps, animation, and feature-length and short films) broadcast in 2009 by 133 channels in 15 European countries shows that the market continues to be dominated by US programs. These make up 50.9 per cent of the total, to which must be added 4.8 per cent of international co-productions without European partners and mainly involving US producers. The proportion of non-European works (i.e., mainly from the USA) is greater than in the programming of advertising-funded private channels (73.6 per cent against 75 per cent in 2007), the programming of paid film channels (62.8 per cent against 60.1 per cent in 2007) and the programming of other thematic channels (63 per cent in 2008 against 65.4 per cent in 2007). Non-European fiction only makes up a minority of the programming in the case of the public channels (38.1 per cent in 2008 against 40.5 per cent in 2007). The 'series and soaps' category is the one most dominated by non-European programs (63 per cent in 2008 against 64.9 per cent in 2007).

The Eurofiction studies and the statistical analyses produced by the European Audiovisual Observatory show the relative failure of the plan put forward in the mid-1980s to set up a European fiction market enabling European producers to benefit from economies of scale permitted by the internal market. As there is no genuine market for European works, since the beginning of the decade we have seen the emergence of a market of *formats*, with formulae for success tested in one country and subsequently adapted in others.

The absence of a genuine European fiction market is illustrated by the small number of pan-European production groups. There are in fact only three groups with a European dimension:

- The Content Division of the RTL Group (turnover of €1.3 billion in 2010) comprises a host of companies in ten European countries, including UFA Film und TV Produktion GmbH, Fremantle Media (mainly made up of the program assets of the former Thames Television) and various Grundy companies specializing in entertainment programs.
- The Endemol group (operating revenue of €1.2 billion in 2010) was set up in the Netherlands in 1994 and has developed due to the successes of its reality-show formats, which are marketed by its subsidiaries. It was taken over in 2000 by the Spanish telecommunications group Telefónica and was sold in May 2007 to a consortium led by Silvio Berlusconi's Mediaset group.
- Set up more recently, the Zodiak Entertainment Group (estimated turnover of €430 million in 2010) is the result of an initiative by the Italian publishing group De Agostini, which owns the Italian company Magnolia

and has gradually bought such companies as Zodiak Television AB (Sweden), Marathon (France), Kanakna (Belgium) and the RDF Media Group (UK). In 2010 the group consisted of 30 companies in 18 countries.

The other groups of significant size are mainly national in scope: Imagina Media Audiovisual in Spain, Shine Ltd (launched by Elisabeth Murdoch and then taken over by News Corp., her father's group), All3 Media Holdings and ITV Studios in the UK, and Lagardère, Telfrance, Groupe TF1 and Carrere Group in France, the latter placed into court-ordered liquidation in December 2010.

Conclusion: Television programming soon a thing of the past?

The recession that hit the world market in 2008–2009 significantly affected the European television market. Although 2010 and 2011 revenues indicated a marked recovery, the two years of crisis have revealed the television sector's considerable dependence on the general economy, since advertising and public-sector revenues have been affected. Consumer expenditure on subscriptions to paid services has suffered less from the recession (a phenomenon also seen in the case of spending on cinema tickets or purchases of video media). The new recession at the end of 2011 and during 2012 confirms this weakness. It is clear that the ability of television groups – public or private – to survive and develop depends on their skill in diversifying their activities and sources of funding.

The question of funding will probably continue to play a key role in the years to come, but it arises in a new context: the many distribution platforms and on-demand services are forcing broadcasters to deal with a growing number of players that have positioned themselves as middlemen between them and their viewers. In addition, the video-based social networking websites (YouTube, Daily Motion, etc.) or websites that include video (Myspace, Facebook, etc.) and the success of Hulu in the USA are forcing broadcasters to formulate strong strategies for their Internet presence. In the future, broadcasters will no longer be able simply to offer catch-up television services on their own websites but will either have to reach agreement with YouTube (as RAI is doing with some success in Italy, for example) or join forces to provide joint platforms (e.g., the YouView scheme in the UK and Hbbtv in Germany and France). The growing importance of over-the-top (OTT) services and the arrival of SmartTV (meaning that the television set will increasingly become the screen for a great variety of audiovisual services) constitute new threats for classical broadcasters.

The current challenge facing broadcasters is to be able to have a 'three-screen' presence (television, PC and mobile) and at the same time offer traditional linear programming as well as catalogues for consumption on demand. It remains to be seen what will become of their role, their individuality and their ability to order programs when consumption on demand exceeds that of traditional

television. The assumption that television programming as such will disappear is not new – it has in fact been made since the 1970s – but its relevance is becoming increasingly apparent.

Notes

1. With the collaboration of Florence Hartmann and Deirdre Kevin, analysts at the European Audiovisual Observatory.
2. On the development of the legal framework applying to television, see in particular Digital Television, IRIS Plus, European Audiovisual Observatory, 2010. For detailed statistical data on the methods of receiving television, see the European Audiovisual Observatory's *Yearbook 2012*, vol.1, Television in 38 European States, Strasbourg, 2012.
3. For details, see the MAVISE database (<http://mavise.obs.coe.int>) and European Audiovisual Observatory, *Yearbook 2011*, vol. 2, pp. 121–137.
4. Source: ARD/ZDF, Langzeitstudie Massenkommunikation, 2010.
5. For a discussion on the concept of 'relevant market' to be defined to assess concentration in the media sector, see Converged Markets – Converged Power? Regulation and Case Law, IRIS Special, European Audiovisual Observatory, Strasbourg, January 2013.
6. 'Télévision publique: l'UER dénonce les coupes budgétaires et la politisation,' *Le Matin*, 21 April 2010.
7. European Parliament press release, 25 November 2010.
8. Declaration of the Committee of Ministers on Public Service Media Governance <https://wcd.coe.int/ViewDoc.jsp?id=1908241&Site=CM&BackColorInternet=C3C3C3&BackColorIntranet=EDB021&BackColorLogged=F5D383>; Recommendation CM/Rec(2012) of the Committee of Ministers to member states on public service media governance: <https://wcd.coe.int/ViewDoc.jsp?id=1908265&Site=CM&BackColorInternet=C3C3C3&BackColorIntranet=EDB021&BackColorLogged=F5D383>.
83. Documents of the preparatory work by the ad hoc Advisory Group on Public Service Media Governance (MC-S-PG) can be found here: http://www.coe.int/t/dghl/standardsetting/media/mc-s-pg/default_EN.asp
9. First report on the promotion of European works on EU television and on-demand services for the period 2009–2010 – COM (2012)522, 24 September 2012. http://ec.europa.eu/avpolicy/reg/tvwf/implementation/promotion/index_en.htm. According to the EC, 'the average share of European works shown on EU TV channels continued to increase during the reporting period, to achieve 63.8% in 2009 and 64.3% in 2010.'
10. The concept of goodwill refers to the strategic value of a company and is the financial equivalent of its reputation, know-how and business performance. It measures the company's intangible assets.
11. The consolidated data for the payroll costs are published by only five of the groups concerned. Between 2008 and 2009, these groups had a 4.1 per cent reduction in payroll costs.
12. For more details, see the 'Programming' section of *Yearbook 2012*, vol. 2, European Audiovisual Observatory, Strasbourg, 2012.