PUBLIC SERVICE BROADCASTING - THE INTERNATIONAL DIMENSION

Introduction

1. It has not been possible to provide a composite picture of public service broadcasting on an international basis nor just across Europe, since information is either unavailable or has been collated in a number of different ways which rules out direct comparison. Nevertheless, this paper attempts to provide a snapshot of the current public service broadcasting regimes in a range of countries.

The position in Europe

2. The report of the Council of Europe's Parliamentary Assembly Committee on Culture, Science and Education identifies public service broadcasting as a vital element of democracy in Europe. Developments occurred in three main waves:

    a. public service broadcasting was originally born in 1926 with the BBC.

    b. In some other Western European countries, eg France and Italy, erstwhile state broadcasting organisations began to be transformed into public service broadcasters in the 1960s and 1970s, when sweeping social and political change had deprived direct state control and management of broadcasting of its legitimacy.

    c. In West Germany after World War II, Spain, Portugal and Greece in the 1970s and in Central and Eastern Europe after 1989, the emergence of the public service broadcasting was part and parcel of broader political change, typically transition to democracy after an authoritarian or totalitarian system.

3. Some features of public service broadcasting have remained constant over time, but the way it is defined, organised, structured and financed varies from country to country.

Funding

4. Most European public service broadcasters have a mixed funding system, although the proportions of revenue from particular sources vary widely (see table A1 below). The broadcasting fee is the traditional means of funding public service broadcasting and is often regarded as the most appropriate method. It exists in most European states – the exceptions are Spain, Luxembourg and Portugal. In the Netherlands, Parliament has decided to replace the traditional broadcasting licence fee with a special levy supplementary to income tax.

Table A1: Revenues of selected public service broadcasters – main sources of revenue. (selected countries; various dates; % of total revenue)

	BBC 2002	ZDF (Germany) 2001	ARD (Germany) 2001	FR2 (France) 2001	FR3 (France) 2001	RTVE (Spain) 2001	SVT (Spain) 2002	RTBF (Spain) 2001
A. PUBLIC FUNDS	74.6	84.9	82.9	57.6	68.4	8.7	93.0	62.5
of which: Broadcasting Fee	68.0	84.9	82.9	57.6	68.4	0	93.0	60.2
B. COMMERCIAL REVENUE	24.4	15.1	15.7	38.7	31.2	87.0	5.3	33.5
of which: Sale of programme rights	4.6	1.0	-	-	-	11.5	3.1	0.5
Advertising and Sponsorship	0	9.4	6.1	34.7	21.6	73.3	1.2	10.3
Merchandising	8.9	-	-	-	-	0.8	-	0.7
Pay TV	1.2	-	-	-	-	-	-	-
Other	9.7	4.7	9.6	4.0	9.5	1.4	1.0	1.0
C. OTHER REVENUE	0.9	0	0	3.7	0.4	4.3	1.7	4.1
TOTAL A+B+C	99.9	100	100	100	100	100	100	100.1

Source: Economy of the European audiovisual industry (2003) Yearbook, Vol.1.

Some examples of the way in which public service broadcasting operates in other countries

Australia

5. Australia has two national broadcasters: the Australian Broadcasting Corporation (ABC), a government-owned, non-commercial station, and the Special Broadcasting Service (SBS), a government-owned and part commercial station. ABC currently operates a free-to-air television service that includes:

- A national analogue television network;
- A digital television network;
- Digital multi-channel services;
- Local television in each State and Territory; and
- It has been active in developing sophisticated online services and experimenting with interactive media.

6. ABC is dependent upon direct and indirect appropriations of funds by Parliament. Over 81% of its normal activities are funded in this way. In

2002 ABC received $A755.7 million in Government appropriations and generated $A175. 8 million, mainly from the sale of goods and services.

7. In 2001-02 the Government committed to providing ABC with an additional $A17.8 million per annum over four years, the first real increase in funding for content since the mid 1980s. However, in May 2003, ABC was unable to convince the Government to increase substantially its appropriation to enable the development and maintenance of new programmes, particularly multi- channel and online services.

8. The SBS is a free-to-air national multicultural and multilingual broadcaster, which transmits programmes in more than 60 languages. The SBS has had significant increased financial support over recent years. In 1998 the network received $A98 million from the Government and generated $A29 million from other sources, mainly advertising and sponsorship. In 2002 Government appropriation was $A127 million, an increase of nearly 30%. Revenue from other sources dropped marginally to $A27 million. Total operating expenses in 1998 were $A115 million compared with $A150 million in 2002.

Canada

9. Canadian broadcasting is one of the most complex and sophisticated broadcasting environments in the world. It broadcasts in two primary languages and offers a range of third language speciality channels, leading in the change to digital and supporting a large and very diverse public broadcaster, the Canadian Broadcasting Corporation (CBC).

10. CBC was created in 1936 and is today Canada's largest cultural institution. Its mandate is set out in the 1991 Broadcasting Act and it is also subject to the regulation of the Canadian Radio-Television Commission. CBC is mandated to cover Canadian stories reflecting the reality and diversity of Canada; inform Canadians about news and issues of relevance and interest; support Canadian arts and culture; build bridges among Canadians, between regions and the two linguistic communities of Canada. It is financed largely by Government appropriations which amounted to $C986.8 million in 2002.

11. Canadian private broadcasting relies mainly on advertising revenue and has shown a distinct weakening in recent years, but the entire Canadian broadcasting service is faced with serious issues as a result of audience fragmentation and increased costs. Collectively, profits before taxes have dropped from a high of $C541 million in 1995 to losses in both 2001 and 2002 of $C52 million and $C27 million respectively. This despite increasing revenue in the cable and satellite markets.

12. Public service broadcasting is funded via the Canadian Television Fund (CTF), which is a public/private partnership with an annual budget of around $C250 million. The Government of Canada, cable companies and direct-to-home satellite service providers support the Fund. It is an independent, non-profit corporation, governed by a Board of Directors. It supports Canadian programming in four categories – drama, children and youth, documentary and variety/performing arts. Applicants for the fund must either be independent production companies or private broadcaster affiliated

companies. The contributions to the fund in 2001 are set out in table 2 below:

Table A2: Contributions to CTF
($C millions)

Canadian Heritage	Cable companies	Telefilm Canada	DTH Satellite companies	Global TV	Total
100	67.4	45	32.5	1.2	246.1

13. For the financial years 2003-05 the Government has reduced by $C25 million each year its contribution to the fund. The fund is distributed under two programmes, the Licence Fee Programme and the Equity Investment Programme. Each fund is contestable and is split between English programmes (two thirds) and French programmes (one third).

Finland

14. The Finnish broadcasting system is organised into a three-level multiplex system and operates two state-owned, advertising free channels, YLE TV1 and YLE TV2. Their operating values are defined as:

- Public service ethics;
- Understanding of and esteem for the audience;
- Creative renewal;
- Efficiency and delegated leadership.

15. YLE is among the first public service broadcasters to invest in the digitalisation of the production and distribution of its programming on both radio and television. It is funded through a mix of the television licence fee and the operating licence fees paid by the commercial broadcasters on their revenue above 20 million Finn Marks. The television licence fee increased by 13% from January 2004 to Euro186.60 and there are to be annual increases in the television fee from 2005 linked to the rate of inflation. These increases are to compensate for a reduction in the fees from commercial broadcasters. The operating licence fee paid by the commercial broadcasters was reduced by 50% in July 2002 and no operating licence fees are to be paid by digital television operations for the period up to 2010.

France

16. France has three state channels with a range of programming on a par with the UK. These are:

- France 2, with a mandate to undertake television programming throughout the whole metropolitan territory;
- France 3, with a mandate to undertake television programming with a national or regional character throughout the whole of the metropolitan territory;

- La cinquieme, with a particular mandate to undertaken programming which promotes culture and learning;
- In addition, a publicly funded satellite channel, La Sept-ARTE, has a cultural and European programming remit.

17. The main regulatory body for public broadcasting is the Conseil Superieur de l'Audiovisuel (CSA). The notion of public service broadcasting is still very strong in France. The main elements of the public service mandate are contained in Article 1 of the 1986 law relating to the freedom of communication. This provides, amongst other things, for the CSA to guarantee the independence and impartiality of public service broadcasting and to ensure that all broadcasting promotes quality and diversity programming, national audio-visual production and the French language and culture. Many of the public service obligations established by the 1986 law are imposed on both private and state-funded broadcasters. Television Francaise 1 (TF1), a public channel which was privatised in 1986 and remains the leading channel is subject to particularly stringent public service obligations.

18. A number of other public service obligations relate only to national programming companies. These include respect for pluralism, special duties relating to broadcasting during election campaigns, promotion of orchestras and choirs, a general educational, social and cultural mission, the conservation and exploitation of national audio-visual archives, a duty to broadcast parliamentary debates and messages by political parties, unions and professional bodies, and a duty to carry religious programmes on a Sunday.

19. The primary source of funding for public service broadcasting is the licence fee, which accounts for approximately 70% of total revenues. The vast majority of the remaining revenue comes from a combination of advertising and sponsorship of programmes. Parliament sets the licence fee each year and also approves the distribution of this fee amongst various public companies.

20. There are stringent rules on the use of advertising. An overall amount that may be raised from advertising has been set by Parliament since 1987. A number of provisions in the 1986 Law restrict the content of advertisements or subject it to government control. Article 14 of the 1986 Law forbids political advertising, while Article 73 states cinematographic works may not be interrupted by advertising and Article 48 limits the amount of advertising e.g. France 2 is limited to an average of 6 minutes an hour and a maximum of 12 minutes per hour, while France 3 has restrictions of five and ten minutes respectively.

Germany

21. Germany has a mixed funding system, including a licence fee, for the two state broadcasters ARD and ZDF. Around 30% of their income is derived from advertising and sponsorship. In the mid 1990s ARD and ZDF's joint share of total advertising revenue fell 39% due to increased competition for advertising - and restrictions on advertising slots (ie not after 8.00pm). Subsequently performance suffered in key areas. Much cheaper and more

mainstream programmes were introduced to peak time schedules to drive up advertising revenues – leading to a higher overall proportion of repeats.

Ireland

22. Radio Telefis Eireann (RTE) is the Irish national public service broadcasting organisation – classified as a statutory corporation. RTE runs two principal television channels and continues to run the Irish language channel although the Broadcasting Act 2001 announced its separation.

23. Ireland is probably one of the most competitive media markets in Europe. The increase in access to cable/satellite over the past five years has seen a disproportionate increase in viewing numbers. Despite this, RTE maintain a relatively high share across its channels compared with other medium sized public broadcasters in Europe. Some 45.3% of all peak time television watched in Irish homes last year was on RTE, but its audience share has been in decline since 1998.

24. The last few years have been turbulent for RTE. There has been intensifying competition for audience and policy shifts in terms of its broadcast mandate and funding. Since 2001 it has been asked to clarify its financial and cultural performance as well as justify its licence fee spend. The broadcasting licence fee has traditionally augmented the finances of RTE and the fee was raised in December 2002 to Euro150. While the indexing of the licence fee ensures a degree of protection from political interference, it also signals the Government's insistence that RTE operates within its means. At the same time as the licence fee increase was announced, a Licence Innovation Fund was set up - valued at Euro7-8 million - to be allocated to social, historical and public service programmes for broadcast on any free-to-air channel (RTE may apply). This has been described as an Arts Council of the Air, where ideas are pitched for development money.

New Zealand

25. From the outset public service broadcasting in New Zealand had been funded through a mixed funding system - advertising and licence fee – paid direct to the Broadcasting Corporation of New Zealand (BCNZ). The Corporation offered two television channels and both took advertisements from their inception with the proportion of total revenue derived from advertising <u>increasing</u> over the years. By 1984 around 85% of the BCNZ's revenue was commercial.

26. Broadcasting had traditionally operated in a highly regulated environment, but with a new Government in power with an agenda designed to enforce the principles of the free market, a deregulation package for broadcasting was drawn-up in 1988. The package had three main components:

- Opening up the airwaves to competition;
- BCNZ was restructured to create a state-owned enterprise – Television New Zealand Ltd (TVNZ) - to be run on a commercial basis; and

- The social objectives of broadcasting (public service objectives) were to be separated from commercial objectives and met through a system of publicly funded grants to be administered through a Broadcasting Commission.

27. Looking to the future, contestable funding was seen to offer a number of advantages over the continuation of the licence fee:

- Competitive neutrality and greater competition between broadcasters;
- The state broadcaster need not be disadvantaged by the costs of carrying certain programmes which other broadcasters did not face;
- The clear targeting of assistance to particular social groups;
- Flexibility in mechanisms for delivery of public service programmes; and
- Costs kept down as it is a "top-up" system. Few programmes are completely non-commercial and advertising revenue where available can be topped up with grant funding.

28. In the event the licence fee continued in force for several more years before being abolished in 1999. NZ On Air, a statutory body established to allocate funding to achieve social objectives in broadcasting, was given the power to collect the licence fee. Total funding increased from $NZ71 million in 1990 to $NZ90 million in 1994 as a result of a determined campaign to get more people to pay their licence fee – by 1997 compliance had reached 95%. Once the licence fee was abolished and there was a move to direct government funding, there was a further modest increase in funding levels of some $NZ6 million. The amount of public funding for broadcasting is an ongoing issue – almost all funding (85%) is allocated to individual producers rather than the broadcasters.

29. There are currently three main government-funding streams:

- Direct government funding for Te Mangai Paho (TMP), for Maori programming ($NZ55 million in 2003);
- Direct government funding for NZ ON Air ($NZ59 million allocated to television in 2003); and
- Direct government funding for TVNZ ($NZ10,7 million in 2003).

30. In 2000 a report commissioned by the New Zealand Television Broadcasters Council found that the amount of public money New Zealand spends on television per capita is amongst the lowest in the western world – NZ$12 in New Zealand, compared to NZ$45 in Australia and NZ$144 in the UK. While in 2000, a Canadian Report found that out of the 25 OECD countries, New Zealand was second from bottom, above the USA, in terms of public funding for public broadcasting as a percentage of GDP.

31. There are ongoing issues regarding what TVNZ should be spending its direct funding on, indeed, TVNZ has called for all public funding for mainstream television to be channelled to its own coffers. Although TVNZ has a charter setting out its responsibilities, it has not yet been implemented and all funding systems are under review due to the ad hoc system of multiple funding doors. NZ On Air commissioned a study in 2001 to examine some of the options available to it as pay television became more dominant.

However, New Zealand is behind other countries in the transition to digital. There is no digital free-to-air offering as yet and although TVNZ may launch a suite of digital channels similar to the BBC model, such channels may attract only niche audiences. It is important that publicly-funded programmes go where its target audience are.

Portugal

32. Portugal's Public Service Broadcaster (RTP) is grant and advertising funded. RTP has faced strong competition since market liberalisation in 1992 and its share of the developing advertising market has declined markedly in recent years, leading to an unstable overall revenue position for the broadcaster. As a consequence, RTP developed a more commercial programme mix in an attempt to compete head to head with advertising rivals. RTP's mixed funding system led both to audience share erosion and evidence of a dilution of distinctive public service programming. Steps are being taken to stabilise its share at a lower base and to refocus its channels around a more distinctive public service proposition.

United States

The American broadcasting model is a fully commercial, market dominated operation with only a small element covering public services, which is 50% funded from government sources, but which has only a limited audience. The Federal Communications Commission (FCC) regulates television broadcasting including the allocation of licences and the amount of advertising aimed at children that may be shown (in TV programmes aimed at children aged 12 and under, advertising may not exceed 10.5 minutes an hour at weekends and 12 minutes an hour on weekdays). The FCC's responsibilities also include a public interest mandate, but although the number of broadcasting stations and other media has proliferated over the past 20 years, market forces have not necessarily generated the kind of quality, non-commercial programming that the FCC favours, rules therefore remain in place regarding children's educational programming, local news and public affairs. Many local television stations are affiliated to one of three national networks (ABC, CBS and NBC), which supply them with programming in return for a share of advertising revenues.

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