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European pictures of health

Despite the onslaught of multichannel TV, publicly-funded broadcasters are holding their own – for now – but the environment is about to shift again

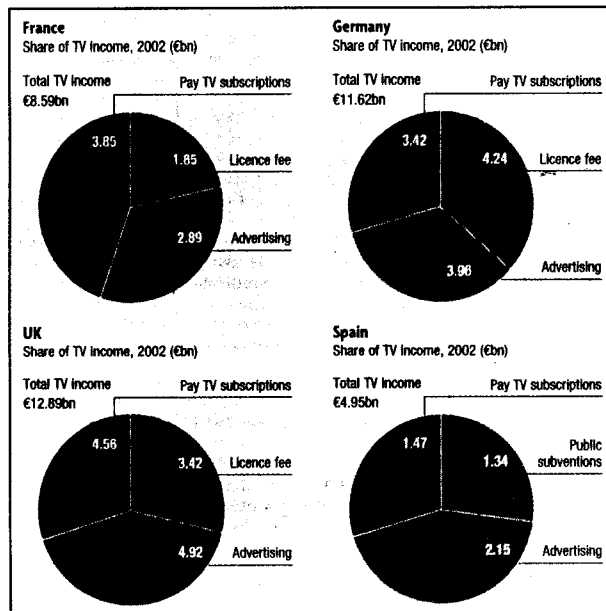
THREATS TO THE LICENCE FEE? Accusations of unfair competition? Demands for reformed regulation? We could as easily be in Germany, France or Spain as the UK. Despite fears about the impact of multichannel TV, the publicly-funded broadcasters such as France Télévisions, Spain's RTVE or Germany's ZDF and ARD emerged mainly as winners from the decade, 1993-2002.

A report by the Istituto Italiano per l'Industria Culturale and published by Screen Digest in the UK suggests why:

- **Funding.** Between 1998 and 2002, licence-fee revenue grew by a compound annual growth rate of 9.1 per cent in France compared with an average rise of 4.2 per cent in French TV advertising. The same trend is seen in Germany (4.4 per cent versus almost zero in advertising), and in Britain, (5.4 per cent as against 1.7 per cent).
- **Diversification.** With increased cash, public broadcasters have invested in new channels, while commercial TV broadcasters tend to have only one or two.
- **Audiences.** The publicly-funded sector typically retains audience share of at least close to 40 per cent. Regional and overtly public service programming has struck particular chords with viewers in France and Spain.

Two shadows now loom under the watchful eye of the European Commission and its policy on curbing unfair state aid. First, reviews of broadcasters' financing are underway in Spain, Germany and the UK. Second, changes are afoot to regulation which supporters see as necessary to modernise public broadcasters and opponents see as encroaching on broadcasters' independence from government. The key dilemma is summarised by Jo Groebel of the European Institute for the Media: "To justify licence fees, they [public service broadcasters] must reach maximum audiences. When they do that, private broadcasters complain."

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France

FRANCE TELEVISIONS, owner of France 2, France 3 and France 5, suffered a potential setback three years ago. New legislation reduced the advertising it could air from 12 to eight minutes per hour. The blow came at a time of growing competition from subscription channels such as M6, and from commercial terrestrial behemoth TF1.

But moves were already afoot to get the broadcaster on to a sounder financial footing with the creation of a public holding company, incorporating France 2, France 3 and France 5 (previously known as La Cinquième), all of which had been operating separately.

Overheads were cut and management streamlined, with the result that net debt has fallen from E245m at the end of 1999 to E109.6m in 2003. Heavy losses have turned into a net profit of E14.2m in 2003. France Télévisions grew its advertising by 4.9 per cent last year to E710m.

In terms of audience share, France Télévisions managed to increase its total audience share up a point to 40.2 per cent between 1993 and 2002. It has proven far more resilient to the relatively new subscription services than TF1, which lost 8.4 percentage points during the period – the second worst performer of the major European broadcasters (ITV lost 15.9 percentage points during the same period).

One reason commonly cited for France Télévisions' robust showing is a distinctive programming policy. It has steered clear of many of the reality-TV formats taken up by commercial channels. Instead, there has been a greater focus on regional and local fare, news and

current affairs magazines, high-quality fiction, and documentaries. Over the decade, France 5 – which shares frequencies with the high-brow Franco-German joint venture channel, Arte, has increased its all-day audience share by 3.1 per cent, according to the IsCult/Screen Digest report. France 3, which has several regional programming "windows" during the day, has upped its share by 1.8 per cent.

Angelo Zaccone Teodosi, director of IsCult, and co-author of the report, says: "Public service broadcasters across Europe have been helped by the complementary offerings of two or more channels and by the provision of local and regional information which is something you don't find on private television channels."

This approach reflects a very strict and rigorously policed remit for each of the three channels. For example, France 5 is tasked with promoting knowledge, culture and employment, and devotes as much as 80 per cent of its schedule to documentaries and current affairs magazines.

These criteria are actively enforced by the Conseil Supérieur de l'Audiovisuel, the French regulator. The latter acts as guardian of programme quality and the expression of political pluralism on all French TV channels, whether public or private, as well as appointing the French equivalent of the director-general.

The French model of a single regulator for television is being closely watched in Spain, where the new government has vowed to shake up broadcasting. It has also been much discussed as future possibility in the UK, with Ofcom seen – not uncontroversially – as the prime candidate for this role.

Joel Robuchon and Edouard Loubet make France 3's *Bon appetit, bien sur* (above) and below, a still from a France 3 programme on the tuna business



Germany

ARD AND ZDF, the German public broadcasters, are under sustained fire from commercial rivals. The last financial deal in 2001, which ends this year, saw the licence fee increase by about 12 per cent to €16.15 a month. This brought revenues at ARD and ZDF to a hefty annual €4.8bn and €1.5bn respectively, and wiped out heavy losses. ARD and ZDF are also allowed some advertising – a maximum of 20 minutes a day before 8pm on weekdays only – which brings an additional combined €250m a year. Although representing a small fraction of the total TV advertising market, ARD and ZDF are a thorn in the side of commercial television, given the advertising downturn in Germany in recent years.

As the market has recovered, commercial rivals have once again seized on what they see as unfair competition.

RTL Group, the country's largest free-to-air commercial broadcaster, is among those calling for a ban on advertising and sponsorship on the two public service broadcasters. ARD and ZDF are also under pressure to come up with cost-saving measures.

A group of regional states or *Länder*, which have influence over national broadcasting fees paid by all radio and TV users, want to rationalise the likes of Arte, a joint venture with France, and 3Sat, the German-Austrian-Swiss operation.

Most analysts believe ARD and ZDF are unlikely to see the licence fee rise any faster than 6 per cent, or by around €1 a month, in the next four-year settlement period.

Johanna Fell, from the Bavarian media authority, says: "There's growing awareness that PSBs are too well-funded and dwindling tolerance

for lack of financial accountability. If ARD and ZDF want more money, licence-fee payers would really like to know what exactly this is for."

Viktor Berger at ZDF says: "It is politically popular in Germany at the moment to show that you are not going to be giving money to public service broadcasters."

There has already been a regulatory clampdown on ARD and ZDF's online activities, following complaints from the commercial sector that competition was being distorted. As a result, the publicly-funded channels had to cut spending on online activities, which have to be strictly programme-related. This is in stark contrast to BBC Online, which has a fairly free range of both funding and output. (This might change after publication of the ongoing review of the BBC's online service, particularly as regards the corporation's freedom to invest in local online material).



ZDF's *Heute-Journal*, presented by Dr Claus Kleber (above)

Pompeii – the Last Day (below), a co-production between BBC Worldwide and German public broadcaster ARD

seven-channel free digital bouquet called, respectively, ARD Digital and ZDF Vision. Both packages include four thematic channels that are jointly operated, including Phoenix, a channel dedicated to information, Kika, a children's channel, and cultural channels Arte and 3Sat.

Of course the public broadcasters can call on powerful allies, but as ZDF's Berger argues, they will have to get used to a tougher future where governments are keen to be seen as even-handed between public and private sectors.



Spain

RTVE, WHICH ENCOMPASSES the Radio Nacional de España as well as Televisión Española, stands in stark contrast to its publicly-funded peers across the continent.

As much as 90 per cent of its financing comes from commercial activities – chiefly advertising – and less than 10 per cent from direct and indirect public subsidies.

TVE, which operates two channels, TVE-1 and La 2, has the lion's share of the country's TV advertising revenue with 31.4 per cent of the total or €674.6m in 2002. This compares with 27.3 per cent at Telecinco and 25.5 per cent at Antena 3.

In the same year, TVE which airs avowedly commercial fare such as *Operación Triunfo*, the Spanish version of *Fame Academy*, and original dramas and soaps, was also ahead of its commercial rivals in terms of audiences with a combined 32.4 per cent audience share. Rivals Telecinco and Antena 3 accounted for about 20 per cent each.

Still, over the 10-year period to 2002, TVE-1 lost 5.9 percentage points of all-day audience share. (This was the second-worst performance among publicly-funded channels across Europe after BBC1, which lost 6.5 percentage points during the same time period.) The biggest commercial rivals in Spain, Telecinco and Antena 3 lost 1.2 and 0.9 percentage points respectively. In Spain, it has been the regional programmers – the *autonómicas* – which have been the only real winners during the decade in terms of audience share.

In Spain as in other countries, there have been calls for the state broadcaster to exit the advertising sector.

Ross Biggam, director-general of the Association of Commercial Television in Europe, says: "In the

new digital economy where advertising is spread across more channels, the old dual system is looking increasingly unsustainable."

But RTVE has long argued that the level of its subsidy, through state grants rather than a licence fee, is insufficient to cover its operating costs. To plug the deficit that ballooned soon after the arrival of commercial rivals, RTVE has been relying on state-guaranteed loans. This has allowed it to accumulate debt of around €6.9bn. The new Spanish prime minister, Jose Luis Zapatero, has pledged to carry out a wide-ranging reform of RTVE and the regional public networks (*autonómicas*).

Options mooted include a return to the licence-fee system, which was abolished in 1965 and/or a partial or total reduction of advertising income. As for the debt, things remain unclear, although Sepi, the state holding company that controls RTVE, may assume part of it.

Spain, along with Italy, was singled out by a recent European Parliament report because of fears over a culture of political interference in hiring and firing at TVE and

in Italy, Rai. Zapatero has pledged to make public television independent from political influence, following years of complaints about the heavy-handed involvement of previous governments. Part of this push would see a change in the way TVE's director-general is appointed,

currently by the Spanish government. A five-strong committee of academics dubbed *consejo de sabios* has been given nine months to come up with recommendations on reforms to the public media that will form the basis of a new radio and television law.

Operación Triunfo III – the Spanish version of Fame Academy – and drama Ana y los siete air on RTVE

