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The Changing Role of Public Broadcasting System in the Television Markets

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For a number of decades European public televisions have been the main, if not the only protagonist of the supply of television programmes on our continent, assuming an important role in the culture industries of the different countries and carrying considerable weight in providing citizens with information. Organised as public monopolies, they are generally financed by licence fees although in the past few years the licence fee has taken the form of a tax for the possession of a television set, which serves de facto to finance the production of programmes.

Given the economic and institutional nature of public televisions, politics has always intervened in the definition of the informative content, via indirect measures such as fixing information standards or guidelines, via the direct nomination of the managers and operators, and also through more direct measures of censorship or promotion. These interventions have also taken the form of protecting the autonomy of cultural production from the possible risks of commercialisation of both the culture and information in a possible more marked advertising context.

Beginning in the seventies technological innovation, the growth and segmentation of demand from television viewers, but most of all from advertisers, has led to growth in the supply of television programmes, to the birth of new forms like pay television, the birth of new private operators and increasing forms of competition. This has happened in more or less the same way in all European countries, albeit with many national differences.

But in a context made more competitive by the increase in supply and the plurality of the operators, competitive forces do not necessarily lead to maximising public welfare which, unlike in traditional markets, cannot be defined by maximising the surplus of the consumer.

In fact the public property nature of television programmes, especially with regard to excludability, and the existence of high fixed costs regardless of the number of viewers have forced the industry to organise itself according to the commercial model where the object of the trade-off is not so much the programmes offered to the consumers as the attention of the consumers (naturally captured through the programmes) offered to the advertisers. Thus, if anything, an increase in competition leads to lowering the cost of advertising time for the firms and only indirectly affects consumers through the greater efficiency of the advertising market.

In the intermediate programme market the fact that they are offered to the viewers at zero cost prevents us from measuring the weight of their preferences: in fact regardless of the inclination of the demand curve the only pertinent datum is the point at which it meets the x-axis. The choices made by broadcasters to maximise the advertising revenue do not necessarily take into account the usefulness to consumers and their willingness to pay for the programmes. Naturally with the development of pay televisions this problem is partly resolved and programmes with a rigid and very inclined demand curve find space on these stations and are financed directly by the consumers.

In this new context public televisions reacted differently in their various national contexts, but they nevertheless had to compete in a competitive context and to redefine their scope without the institutional context always being appropriately redesigned.

The public television service and European public televisions have for some years been at the centre of a process of transition and in a phase of laborious redefinition of their role that proceeds within a confused, predominantly ideological, debate which is in any case very articulated and filters through to the single member states and the community as a whole.

The problems raised may be interconnected, but they are quite diverse and include the definition of the contents and contours of the public service, a reasonable structure for the television markets, the role and mission of public televisions in the light of the new competitive context, and the evolution of demand and technology.

The development paths of European public televisions show strong national peculiarities that depend on the characteristics of the different television markets and the institutional configuration, but they also have many common traits although we cannot say that there is any real European model.

In almost all major European countries public television has maintained an important position and sometimes even the leadership of the television market despite the obvious erosion of its market share by private operators. Moreover, a large part of the European televisions finance over half of their budgets by licence fees or other public resources.

On the other hand the spending for public television differs quite a lot and the mix of sources of financing is also organised differently from country to country.

The average revenue per inhabitant varies from the Euro 120 of Iceland to the Euro 20 of Greece. On the one hand it is normal to find small countries at the top of the list because due to scale economies in the television sector they have higher per capita costs, yet we also find the United Kingdom and Germany near the top with annual per capita revenues of Euro 103 and Euro 97, respectively. Italy and France are in the lower quartile with Euro 55 and Euro 49 respectively.

Naturally the different level of overall spending can vary according to the output supplied (number of channels), and the related services, or in proportion to the productivity of the resources employed which is presumably higher in countries where competitive pressure is stronger.

One item of income that varies considerably from country to country is the advertising revenue. There are televisions that practically don't have any, such as the BBC, NRK in Norway, SVT in Sweden or DR in Denmark, whereas for other televisions advertising provides a significant quota of total revenues (TVE 64%, Rai 47%). A study by McKinsey commissioned by the BBC speculated that there was a negative relationship between the incidence of advertising revenue and public service programming.

In all countries the television market is organised as a limited oligopoly where the single operators have strong economic and political bargaining powers and are capable of influencing the agenda of the institutional debate affecting them. In Italy the problem is made even more critical by the ownership of the leading private television company and by the traditional politicisation and parcelling-out of public television, as well as by the prevailing method of organising the deliberations on legal procedures related to the auditioning mechanisms, that are useful for mediating between opposing private interests, but ineffective in encouraging the creation and pursuance of a philosophy that is independent of the interests of the dominant economic operators.

The growth of the television markets, increased competition and the multiplication of supply have changed the role of public televisions and occasionally contributed to the crisis of the old monopolists. Furthermore the new organisation of the market has focussed attention on the licence fee which in most countries exists in the form of a tax for the possession a television set and the proceeds of which are used to finance public television. In a more open market where the strategies of competition are manifold and firms operate simultaneously in regulated and competitive markets, we are faced with the traditional problem of the possibility that the transfer is used by the public televisions as a form of cross-subsidisation to finance their entry and maintain a competitive position in competitive markets.

The debate on this subject is very heated. Back in 1994 a meeting of the Council of Europe on the subject of mass media indicated that the presence of independent and opportunely financed public television services should be considered essential to the functioning of the media in a

democratic society. On the basis of this the European parliament passed a resolution that asked for a cultural exception be applied to public televisions and for the licence fee not to be considered state aid, which distorts competition. On the other hand some appeals made to the commission by private operators centre on the improper economic aid that public televisions receive from licence fees and cross-subsidisation practices.

To give some order to the debate it is useful to begin with the definitions of a public service, analyse the reasons for the crisis in Europe, and analytically examine the different questions posed by the new context.

1.2. DEFINITIONS OF A PUBLIC TELEVISION SERVICE

From an analysis of the public television system in the major European countries a series of objectives can be identified that go back to the notion of public service: by this we mean identifying a series of contents and functions that should connote the functioning of a television system. Historically the notion of public service has been associated with the *raison d'être* and the explicit objectives that public channels should pursue. However, when contemplating which television system structures would be possible alternatives to the current regime, it is advisable to consider the components of the notion of public service separately from the fact that they are offered by one or more publicly owned channels. In this way we would, in fact, be able to tackle the crucial question of whether the objectives of public service can also be achieved with a differently structured television market where public channels are not the leading players.

We can trace the notion of public service to *five* principal requisites and objectives. Firstly the *types of programmes* that should be considered worthy of safeguarding are often suggested: these typically include educational, training and cultural programmes. The reasons that are usually put forward refer to the possibilities of television as a media for promoting education, public spirit, culture and the historic and national identity of the citizens. These values are naturally quite general and not very specific, and thus often allow the notion of public service to be extended to programmes that are only indirectly or vaguely linked to the aims mentioned above. Furthermore, as in the recent disputes over television rights for football matches, the notion of popular culture tends to include social and conventional phenomena that do not appear to be characteristic of a priority educational objective.

In addition to these categories of programmes defined in concrete terms, other objectives are also linked to the idea of public service that are more correctly definable as functional, since they are not described so much by an explicit formulation of a series of contents and types of programmes, as by an aim of access to the medium of television that it wants to promote. One of these is the possibility of offering *linguistic, religious, ethnic and cultural minorities a vehicle of expression*. The objective of *complete coverage* of the national territory so that all citizens may enjoy television programmes also responds to this non-discriminatory aim. Lastly, the possibility of using a powerful means of communication such as television for broadcasting *emergency programmes*, messages to the nation etc. once again comes under the functional objectives.

Even the defence of *pluralism* and the possibility of expressing different political opinions without discrimination can be included among the functional objectives of a public service in the broad sense, since due to its fundamental role in the functioning of a democratic system, generally speaking the defence of pluralism tends to assume a value of its own and a fundamental importance.

The first four objectives are expressed as the extension of the behaviour of a hypothetical private operator even if this aspect is not stressed if the definition is made in situations where there is an effective monopoly. For example territorial coverage, which in the Rai service contract currently extends to centres with at least 150 inhabitants, fixes a wider boundary than the choices of a firm that installs transmitters as long as the cost of an additional plant does not exceed the possible revenue generated by the plant through, for example, raising advertising tariffs. The same can be

said of programmes where the obligation to broadcast refers to those categories of programmes considered to be meritorious goods, which are not offered sufficiently in a competitive context. In fact imposing practices that are already adopted in a competitive system, or on the basis of cost-benefit calculations, as the objectives of a public service would merely be redundant. In this sense the obligations of a public service are laid down in economic terms as the additional costs to be borne compared to the choices that would have been made in the absence of the requirement.

In this interpretation the first four objectives give a profile of public service television that is linked to similar obligations of universal service in other sectors such as telecommunications or electricity supply. Here, too, there have been public monopolies with obligations to provide universal service where the logistic component (to provide everyone with the basic service) appears to be preponderant compared to the qualitative specification of the service offered.

In telecommunications the cost of the universal service was financed by internal cross-subsidisation during the monopoly, but with the opening up of the market the prevailing system operates by a system of compensation between the new entries, who are not subject to the obligations of universal service, and the ex-monopolist; in television, at least in the last ten to fifteen years, these supplementary services linked to the licence fee, if only in a superficial analysis, were considered a compensation for the obligations of public service, regardless of the legal procedure.

The total cost of these obligations, which obviously cannot be considered at their full cost but, as happens for example in telecommunications, by estimating the long term incremental costs, is far lower than the total receipts from licence fees, especially in the larger European countries. Unofficial estimates for Italy suggest this could be hundreds of millions euros, much less than the over one million euros of licence fee.

The evaluation of the fifth objective, the defence of pluralism, is more complex. This can be limited to the presence of contradictory opinions in newscasts and information programmes, or extended to a more general cultural pluralism where the choice of programmes is removed from the logic of the market and carried out according to a social agenda that includes the ideals of participation, social awareness, cultural growth and experimentation with new languages. In this light the important element of the public service is not so much the programmes themselves that are broadcast because they are meritorious, as the fact that they are chosen independently of any market logic. Even the programmes that would be included in the offer of a hypothetical or real private competitor would thus become part of the public service because they were not chosen as part of a process to produce an audience to sell to firms wanting to advertise.

It is clear that the delicate point in this declination of public service is the criteria effectively adopted, in place of the advertising market, for the selection of programmes. In fact the general principles such as the promotion of cultural programmes provide a reference frame, but they are not enough to manage in detail the single concrete choices. These can be made on the basis of explicit political/government directives (as in dictatorial regimes) or implicit ones (as in television systems that are parcelled-out) or according to the preferences and interests of the television professionals who decide, inevitably including their personal preferences, what is best for the viewing public.

In both cases it appears to be difficult to build a strong case for the public service with this line of reasoning. The only way seems to be anchoring legitimisation firmly to the role played by the viewing public as citizens (Foster, 1992). If linking the idea of public service to the idea of citizenship it is however necessary to guarantee to keep it free from the political authority of the State and from the discretion of the market (Raboy, 1997).

This means identifying concrete ways in which citizens can participate in defining the concrete contours of public service and in the effective choice of programming in order to limit both government tutelage and the liberty of professionals from the television industry.

In many studies of mass media and television the defence of pluralism and the freedom of the market are considered the principal essence of the public service and the historical reason that led to the creation of the European radio monopolies in opposition to the United States' market-based model. When faced with such a powerful means of communication European governments opted for direct control in order to prevent abuse from individuals or, in the case of dictatorships, it being used as a propaganda tool.

We have already shown elsewhere (Gambaro, Silva, 1992; Gambaro, Ricciardi, 1997) that the birth of the European monopolies also had profound economic motivations. In many countries radio stations start as private concerns and public intervention is in the form of support for sectors in crisis. In fact in Europe the smaller size of firms manufacturing radios means that initial investments in developing the market are slower and smaller, while the weakness of the producers of consumer goods and the predomination of wholesalers in the distribution system reduces the demand for advertising space, thus preventing the virtuous circle so typical of the development of radio on the United States market. The intervention of the European states was not so much in favour of the radio operators, who were then too weak to obtain any support, as in favour of the manufacturers of radios (the powerful electromechanical industries) who could not sell their radios without a programmes industry and demanded public intervention in order to combat future foreign competition and to defend employment. In television broadcasting, which was developed after World War II, institutional radio models were maintained both in Europe and the United States and the same operators managed the two markets financing the costly development of television with the profits from their radio activities.

It is no coincidence that the end of the public monopoly in the various countries did not correspond to social and communicative dynamics, like for example the end of the war or 1968, as would be logical if we followed the first interpretation, but instead to the development of the demand for advertising from the producers of consumer goods when there was an acceleration in the nationalisation and regionalisation of the market and modern forms of distribution were developed, in the United Kingdom in the fifties, in France between the sixties and seventies, in Italy in the eighties. Increasing the concentration of the markets and having geographically wider markets at their disposal, producers needed to communicate directly with their end-customers to defend their shares of added value and profits competing on the intermediate market by means of brand fidelity rather than price.

1.3. SIGNS OF AND REASONS FOR THE CRISIS IN PUBLIC TELEVISION

In the past fifteen years the development of the television markets, technological innovation, the convergence processes and the evolution of supply and demand have caused a crisis for many public televisions and for the very idea of public service television.

The main reasons for the crisis in public television were:

a) the reduction in the rate of growth of revenue from licence fees to levels lower than the increase in costs. The increase in the revenue from licence fees is given by the multiplication of the licence fee charge by the rate of penetration. While a nominal increase in licence fee closely follows inflation, the effective increase in the revenue of public radio-television operators grew at very sustained rates for a long time thanks to the subsequent waves of broadcasting of radio, black and white television and then colour television. Once saturation point had been reached in the broadcasting of colour television (in Italy this happened in the mid-eighties) the only room for increased revenue was by recovering evaded fees and through the nominal increase in the licence fee which could not be very different from the rate of inflation for political and consensus reasons. On the other hand the programming costs, the principal costs of a television, were not subject to any significant reductions due to increases in productivity, so the public televisions found themselves

having to find new revenue through advertising, intermediate markets for programmes, pay-TV or extraordinary public contributions.

b) the incidence of licence fees on the total revenue of European televisions fell from 45% in 1987 to 25% in 1998 because of the increased receipts from advertising and, above all, from pay-TV. Naturally receipts from licence fees have risen in absolute terms, but not as fast as the global growth of the market that is fuelled by both increased advertising and the explosion of pay-TV. Therefore the position of the licence fee in total revenue tends to become progressively marginal. If on the one hand this trend makes the issue of the licence fee less critical, the presence of other flourishing forms of financing calls into question the need for the licence fee to sustain supply and the market.

c) the number of channels has increased exponentially, due to the segmentation of supply and to the globalisation of some niche markets (news and music), enormously enlarging the choice available to the viewing public. In advanced contexts with the availability of cable and satellite it is not unusual for a single viewer to have a choice of between 15-20 channels with peaks of 100-200 (for example with Direct TV). The increase has also been sizeable at a continental level. In Europe in 1980 there were a total of 40 television channels, but by 1998 there were 200 different channels. In the new context, categories targeting specific audiences that in the past complemented the supply of public televisions (as opposed to a more commercial choice of programmes for the mass audience by the commercial broadcasters) have currently been made available by supply systems that do not require subsidies. On the one hand this fact narrows down categories that are the exclusive dominion of the public televisions to a marginal fringe and, on the other, it forces them to concentrate more on mass audience programmes thus losing part of their specific character.

d) technological innovation and the convergence and globalisation of the information industries have progressively broken down the boundaries between traditionally separate industries such as television, telecommunications and information technology, encouraging a process of consolidation, acquisitions and alliances that prompts all television operators, both public and private, to redefine their respective roles and reposition themselves. In this process, however, public televisions risk losing their specificity especially if this is defined not so much as a list of certain categories of programmes broadcast, rather as a sort of organisational genetic code which ensures that the informative choices are not made according to the logic of the market, but according to the supposedly superior logic of social welfare and the participation of the citizens. If they do not follow the line of alliances and international integration European public televisions risk being marginalized from the market and from the process of concentration; but if they do, how can their specificity with the economic and regulatory peculiarities deriving from it (including the licence fee) be valid in sectors such as telecommunications, pay-TV and interactive services, that are reasonably competitive and in any case distant from the original activity for which these institutional peculiarities were devised.

e) in many European countries the development of commercial televisions coincided with a crisis in public televisions that were marginalized both in terms of viewership and advertising. Italy is one of the few contexts, perhaps the only one, in which public television has successfully resisted attack from commercial television, maintaining its leadership in viewer ratings. In France the two remaining public channels carry little weight, and the same is true in the Netherlands. Even the legendary BBC has lost its leadership of the viewer ratings and while it maintains a strong identity, the case of the BBC would require a more detailed discussion of the superficial references that circulate in the Italian debate. The reasons for those crises are many and often contingent, but in general they can be attributed to a certain bureaucratic rigidity, a rigid cost structure, the inability to adapt to the evolution of the market and of demand, and the political control to which these televisions are often subjected. The decline in audience ratings has often been linked to a financial crisis that involved extraordinary financing and recapitalisation interventions. However a vicious circle begins: in fact marginalisation in the viewership takes away from public television its character of universality and its ideological and technical characterisation as a good paid for by all

the citizens and catering for all the citizens, at the same time making extraordinary financing support more critical also from a political and consensual point of view. Moreover since television viewers freely choose which programmes they watch, the decline in viewer ratings raises doubts as to whether public television suits the tastes of the citizens. In this case there is still room for meritorious programmes, that is those that society considers useful and which are available even though the consumers are only minority groups. This is legitimate and important ground, but definitely minor in comparison to the centrality of the monopoly. Furthermore the choice to supply worthy goods such as cultural programmes, plays, research programmes, just to name a few, has important transfer effects between different categories of citizens. This type of programme is watched and preferred by educated citizens, with a high level of schooling and above average income, but they are paid for by the licence fee that has strong regressive characteristics, that is, it carries more weight for those with low incomes than for those with higher incomes. There is therefore a transfer of services and wealth among the more needy section of the population, the poorest, who often have a limited cultural consumption and who will willingly watch the evening soap opera, in favour of the relatively privileged section of the population, from both an economic and cultural point of view, who enjoy the cultural services at a subsidised price (free of charge in this case). Naturally we must not forget that it is useful to make meritorious goods available free of charge as a way of promoting culture, hoping that they will subsequently proliferate, but neither must we forget the transfer effects of the public choices made.

While legitimisation is more difficult in countries where public televisions have lost their share of viewers, it is easier to divide support and defence interventions; paradoxically where public television has successful viewer ratings, like in Italy, the problem of legitimacy does not arise, but the problem of the competitive position is more critical, that is the relationship between resources received, output reasonably ascribable to the duties of public service, and cross-subsidisation with other activities in competition. In fact their success with the public indicates that in these contexts the reference markets for public television and for commercial televisions overlap and there are high substitution levels.

1.4. SOME ECONOMIC IMPLICATIONS OF THE PRESENCE OF PUBLIC TELEVISIONS IN MIXED MARKETS

The process of liberalising the television markets and the entry of new operators and new services have aggravated some of the problems mentioned above. From the economic point of view the most important problems arising from the simultaneous presence of subsidised public operators and private operators on the same market are the possible distortions in competitiveness, the phenomena of cross-subsidisation (especially to enter new markets), and the possible distortions in the markets both up and downstream. The more the markets of the public and private operators overlap, the more these problems are aggravated, that is they compete on the same ground where there is a high replaceability rate among clients, both viewers and advertisers. When there is a greater separation between the markets the problems are diluted and the problem of financing the public television companies is not so closely mixed up with the functioning of the television and communication markets, but it is reduced to a problem of allocation of public resources compared with other alternative uses. The separation may be the result of an explicit institutional bill as in the United Kingdom where the BBC lives purely off licence fees and private television purely off advertising, or be the fruit of competitive evolution as in France, or be linked to the consolidated sensitivity of both the political establishment and the communications industry as happens in a number of countries in Northern Europe.

In a period of technological turbulence and uncertainty about the development paths, the intervention of public televisions on new markets with a role of promoting technology can have contradictory effects.

A public television with discretionary resources (not provided by competitive markets) can allocate them for promoting new technology, for example producing programmes for a new format or for new standards or a new means of transmission. In this way it creates externalities and encourages the launch of development, a mechanism that can be useful in situations where there are strong network economies. However, by doing this any private companies that want to enter the new sector are ousted from the market by the low cost or gratuitous supply of the public television. Furthermore the process of selecting new technologies can be changed by the effect of promoting a less efficient or futureless technology. In short the overall effects are very uncertain and also depend on how far the criteria of choice and selection of the public television are linked to more general stances of industrial politics and conscious planning of a national development path, a position that varies enormously from country to country within Europe.

In the Italian debate on the structure of the television market one often tends not to expand upon the role of the licence fee because its receipt would constitute an indispensable resource for the survival of the television system, guaranteeing the provision of a greater quantity of television services to citizen viewers. Starting from the current resources it is claimed that doing away with the licence fee would mean reducing the number of television channels. The reasoning is not so simple. In fact a sizeable share of the public transfers are transformed into an increase in surpluses for the scarce intermediate factors, especially for film and sports rights, and fees for artistic personnel.

In a reasonably competitive market where public television operates alongside private televisions with viewers and programmes that overlap to a great extent, televisions compete upstream on intermediate markets for the scarce factors, i.e. those capable of ensuring success and maximising the audience. The offer of stars, events and successful programmes is quite rigid because although there are no technical barriers to becoming a presenter, having a personality that is capable of catalysing the audience is the fruit of a mixture of largely unforeseeable factors and abilities. Consequently if there is competition, televisions raise the price of the factors upstream until they cancel the audience surplus and the revenue that these factors produce fuelling the surplus of those factors of production. If one of the televisions has additional income not directly and unequivocally linked to specific functions that generate distinct costs, it will be willing to spend more in these auctions and it will boost the price of factors upstream. Naturally this also happens if another operator makes higher bids: this in fact discounts in advance the greater spending power of the public operator.

Neither should one be misled by the temporal evolution of price of rights. When there was a monopoly both American films and sports events cost less. In fact a monopsonist (unique buyer) enjoys considerable market power because he is the only outlet and has no interest in fuelling the surplus of factors upstream, and so he buys at their fall-back price. However when the market becomes competitive the existence of public transfers raises the price of factors upstream to a higher level than in a situation where there is no additional public financing.

In theory in this situation the private operators are at a disadvantage because either they follow the surge in factor prices up to a level that is not profitable for them, or they lose the best programmes and thus lose their viewer market. The fact that in this situation private firms manage to achieve large profits, often above average, gives a measure, also in monetary terms, of the X-inefficiency of the ex monopolists of television.

In practice the resources raised through licence fees are only transformed in part into better television services, and in part (the exact quota varies according to the degree of competition on the final and intermediate markets and to the elasticity of the supply of intermediate factors) they simply become a greater surplus for the holders of the sports rights and film rights and for the artistic personnel. In other words, if the licence fee were lifted the effect would not only be a proportional reduction in the television services supplied, but also a reduction in the surpluses mentioned.

Also in this case it is useful to stress the direction of the transfers of wealth. To a considerable extent a regressive tax, which is a greater burden on lower income groups, finances sports clubs and other remunerations for footballers, the profits of the Hollywood film moguls and the high fees of personalities from the entertainment world for whom the different works compete.

5. EVOLUTION OF THE REGULATIONS

In acknowledgement of the process of convergence that has been taking place over the past decade, the package of directives on telecommunications approved by the European Community in 2001 and currently being adopted by member states, formulates a new regulatory framework for electronic communication networks and services of a unitary nature that include both telecommunications and television.

The regulatory framework does not, however apply to the contents that are still regulated by the directives of 1989 and 1997.

This stance probably has two origins: on the one hand it pragmatically acknowledges the opposition of the European Parliament and, above all, of the Member States, on the subject of cultural industries and of the nature of competition in this context, on the other it is linked to a vision of convergence where the different industries involved come closer to the organisational model of telecommunications. Here the separation of the contents and the means of transport has always been a distinctive element, borrowed in turn from the organisation of the rail and maritime transport systems.

This separation is only partially suited to the industrial organisation and competitive specificity of the television industry.

It is possible, and perfectly plausible, for the media and television industries to be organised with a separation between the transport network and the contents, but to date the opposite has generally happened and this influences the evolutionary possibilities and the behaviour of the firms. In the media industries in many cases the contents and the transport are combined products that are difficult to separate, while the economic dynamics typical of the contents influence the competitive character of the audiovisual industry and the creation of dominant positions, considerably more than distribution networks do.

Following the developments that are underway in telecommunications, the directives as a whole are biased towards the antitrust-type ex post regulation rather than the ex ante. If this trend were confirmed for the television sector, it would be a wide-ranging change given that the whole sector, and not only the public televisions component, is currently characterised by a regulatory approach where both the economic and extra-economic objectives are pursued more through the administrative specification of behaviours and the constitution of control organisms, than by promoting competition.

Despite the fact that the directive framework specifies that the norms are not applicable to the contents of the television programmes, given the close link in the television sector between the phase of the creation of the programmes and that of their broadcasting, it appears to be inevitable that in the long run some elements of public televisions will be challenged by a regulatory stance that veers towards the promotion of competition.

In particular the licence fee, which to a important degree finances European public televisions, can be justified only if the duties of public service are accurately defined, also from the economic point of view, and explicitly separated from competitive markets. Although the package of directives is constructed mainly on the experience of telecommunications and all in all makes little direct reference to the television market, in particular in the area of pay television and with reference to the development of digital terrestrial television, it seems likely that once the new regulatory framework is consolidated, it will be difficult not to extend the principles of transparency in financing, of the concrete evaluation of the services provided, of non-distortion of the competition, including the audiovisual competition, to television companies and also to public televisions.

This extension will become increasingly urgent as public televisions enter the market with commercial initiatives, both in their original market and in new markets, concretely posing the problem of cross-subsidy.

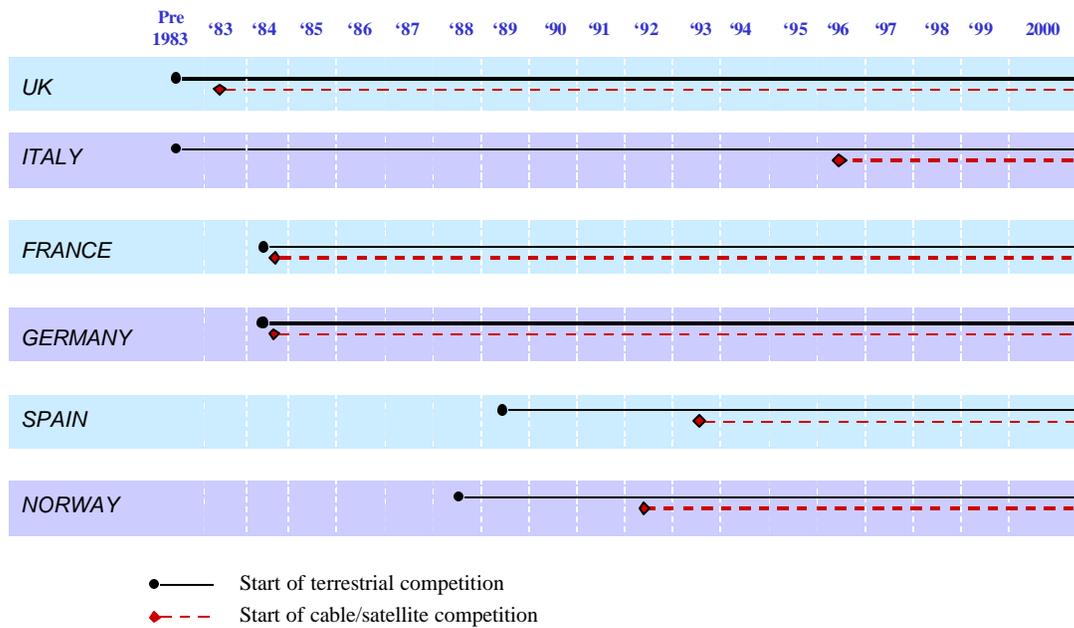
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AVERAGE REVENUE PER CAPITA OF THE PUBLIC BROADCASTING SYSTEMS (2000) - EUR/HABITANT

	Aids / Grants	Licence fee	Other public income	Advertising	Sponsorship	Sales of Programmes	Merchandising	Pay-tv	Other commercial revenues	Others	TOTAL
SWISS	1,9	98,2		44,3		5,1			7		156,5
DENMARK		78,7		27,5	0,2	1,1	1,1		6,6		115,2
UK	6,7	60,7	0,2	18,1	0	5,6	8	0,6	2,7	1	103,7
GERMANY	3,9	73,6		8,1	0,3	0,4			10,1	0,8	97,2
FRANCE	2,3	34,4		11,9	0,2	0,7		0,3	4,2	1,8	55,8
ITALY	0,1	22,7	1,2	19,2	1,4	2,6		0,7	0,5	0,8	49,2
GREECE	0,7		18,3	2							20,9

PBS HAVE FACED COMMERCIAL COMPETITION FOR VARYING LENGTH OF TIME



PROFIT MARGIN (%) OF PUBLIC TELEVISION COMPANIES (1995-2000)

	1995	1996	1997	1998	1999	2000
GERMANY	-0,6	-2,84	5,88	1,67	-0,37	-2,5
SPAIN	-10,41	-10,14	-8,42	-16,22	-25,36	-27,76
FRANCE	2,49	-0,51	2,53	0,43	-1,47	0,71
UNITED KINGDOM	4,36	3,33	1,29	2,62	1,45	1,59
ITALY	4,08	8,04	8,7	7,14	6,76	4,53

AUDIENCE EROSION HAS CONTINUED OVER TIME

	1991-1994	1994-1997	1997-2001
UK BBC	-1,3	-0,5	-0,6
ITALY RAI	-1,9	+1,5	-1,2
FRANCE F2	+5,5	-1,6	-1,1
GERMANY ARD	-11,0	+0,7	ND
SPAIN RTVE	-13,1	-4,0	-0,8