

Switch to Digital TV Stirs Up Debate

Any remaining analog television sets in Europe will be switched off permanently by the European Commission on April 3, 2010. The move brings the perennial debate over funding of public television into sharp focus. This was the main topic discussed at IESE's 2nd Annual Audiovisual Workshop at the school's Barcelona campus on Nov. 27, 2008.



From left to right: Lieven Vermaele, Xavier Vives, Patricia Galvin, Helen Woods and Matteo Maggiore.

The countdown to the analog television blackout is ticking: the European Commission has set the deadline of April 3, 2010 for member states to complete the switchover to digital terrestrial television (DTT). The new technology provides a greater number of channels and better picture and sound quality. On top of that, viewers can enjoy interactive services where provided.

One of the main disadvantages for viewers is the need to install new equipment (set top box). But for the European Union's state and public TV operators, the switchover brings far greater headaches than the hassle of buying new apparatus. For TV operators and regulators, the analog TV blackout brings the perennial

debate over funding of public television into sharp focus.

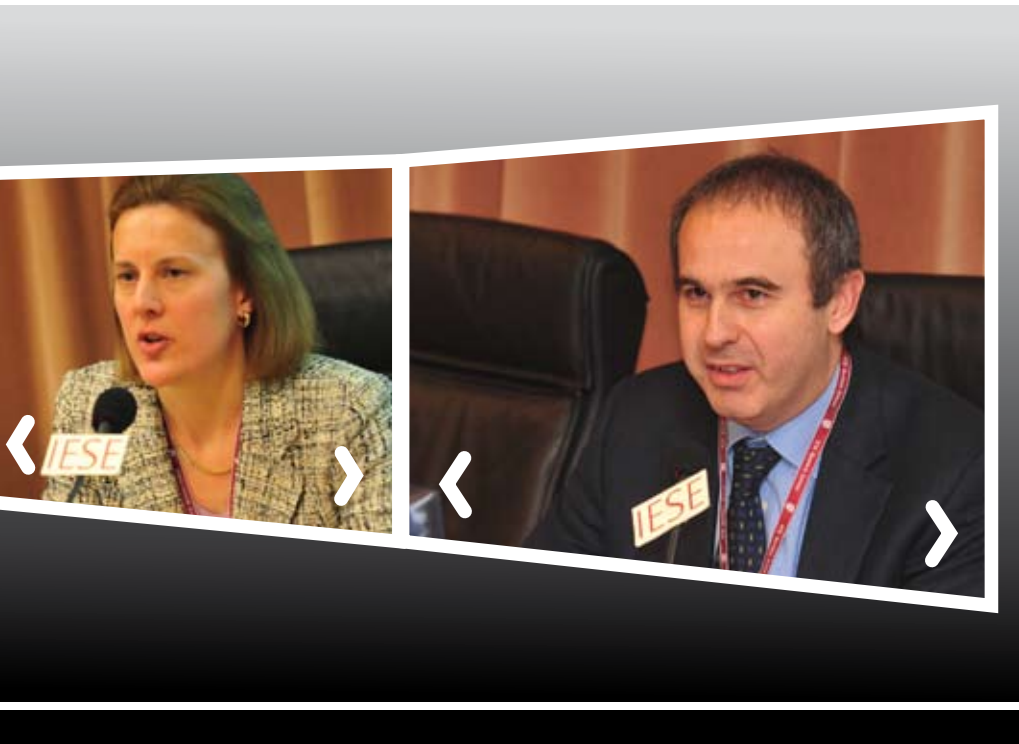
This was the over-arching theme at IESE's 2nd Annual Audiovisual Workshop, held at the school's Barcelona campus on Nov. 27, 2008. IESE Prof. Xavier Vives, academic director of the school's Public Private Sector Research Center (SP-SP), coordinated the event along with Joaquim Triadù, vice-president of SP-SP and partner in the law firm **Garrigues**.

The crux is that DTT is likely to result in a further fragmentation of audiences as new, specialist channels are launched. Some question whether the advertising cake will expand at the same rate or instead be sliced more thinly.

According to a Study of Opinions of Trends in the Audiovisual Sector by Time Consultants for IESE's SP-SP research center in 2008, over two-thirds of the respondents believe that advertising will remain the main source of revenue for these new private digital channels in Spain. But in many European countries, public TV channels receive a mix of government funding and advertising revenue.

So if the cake is to be sliced more thinly, some 60 percent of private TV operators participating in IESE's survey believe that Spain's state television should be funded exclusively by public funds. The government appears to recognize the dichotomy: at the end of 2008, it announced that **Televisión Española (TVE)**, the country's

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public service broadcaster should reduce advertising time by a quarter in just over a year's time.

License to broadcast

In one sense, the U.K. model has side-stepped this argument in that the **BBC's** terrestrial television channels carry no commercial advertising. Instead, TV viewers pay a Pounds 151.83 license fee for access to the **BBC's** domestic broadcasting services. Despite that, Matteo Maggiore, the **BBC's** controller of international policy, told workshop participants the debate on the **BBC's** funding is rife and "everything is up in the air." The main reason is that, while the TV license nominally grants access to **BBC** services, in reality it is a fee levied for owning

a TV set. Commercial TV operators in the U.K. argue that they do not receive a proportion of the funding corresponding to their audience figures. On top of that, they point out that the **BBC** uses breaks in programming to advertise other services such as its radio stations or its specialist channel for young children, CBeebies.

The support of specialist channels such as CBeebies adds another dimension to the debate. The **BBC's** *raison d'être* is to inform, educate and entertain, not to respond to free market principles. Advertising to young children faces strict regulations, which hampers advertising revenue as the principle source of funding for children's programming. As a result, public service broadcasters argue that only they

can assume the cost of producing high-quality children's TV.

One man's meat

Another aspect of this same debate is the question over what defines public service broadcasting. Spain's Union of Commercial Television Operators published a report in October 2008 stating that 40 percent of **Corporación de Radio y Televisión Española's (RTVE)** output was not public service broadcasting (PSB).

In the U.K., the independent competition authority, **Ofcom**, regulates all players in the communications arena, from TV operators to telecommunications companies. Patricia Galvin, a principal in **Ofcom's** international division, told the event's participants that the authority rigorously represents the interest of consumers.

"One of the things we have to examine is whether PSB is a good thing or a legacy thing," she said. "We believe that PSB can be an asset for viewers, in that it provides quality indigenous productions. If profit is the only concern, quality will go down," Galvin said.

The **BBC's** Maggiore had stronger words for suggestions that the U.K. government wean the **BBC** off public funding and force it to live and die by the sword of free market principles. The recent upheaval in global financial markets has punched holes in the conviction that markets will always provide. "Markets fail, that is clear," he said. "There is a belief that markets will deliver – no they don't," he stated.

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