# Small Among Giants

## Television Broadcasting in Smaller Countries

Gregory Ferrell Lowe & Christian S. Nissen (eds.)

NORDICOM

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# Preface

Gregory Ferrell Lowe & Christian S. Nissen

In September 2007 the BBC rounded up an international group of 'the usual suspects' for a conference. Public broadcasters, policy makers and media researchers from Britain and beyond deliberated *Repositioning Public Service Broadcasting: The BBC Charter Renewal and its Global Aftermath*. Emphasising the 'global aftermath' hints at an important strand of conference discourse: *The BBC experience can be a model for public broadcasters in other countries*. Although a subtext initially, this became an explicit line of discussion when the premise was challenged by participants representing smaller countries in Europe.

There is within the continental broadcasting community a long and frequently fruitful tradition of looking across the Channel for inspiration. That is evident when governments and regulators (domestic as well as EU) are designing policies related to industry structures and the governance of public service broadcasting [PSB]. It is also evident when executive managers in both sectors of the broadcasting industry seek fresh possibilities for organisational restructuring or strategic renewal. As with many traditions this has often passed without critique. It is simply taken for granted that big countries with big markets and big operators are suitable for modelling, and that it is desirable to do this. This book questions that assumption and tries to answer a range of relevant questions on the basis of empirical research.

Can one realistically expect a media market in a country with a few million people to have the same opportunities as countries with many times the population? How reasonable is it to assume that a country with a GDP that is less than several trillions, or a per capita income that is half or less of a big, rich country's average, to have the same possibilities – or even all of the same needs? Is it rational to expect a public broadcaster in a small country operating with a fraction of the revenue and workforce of Britain's BBC, Germany's ZDF or America's major networks to even be able to copy their way of doing things? Is it wise to uncritically apply the same logic with the same structural expectations for media regulation and strategising to small countries with small populations, markets and languages? When conditions differ, best solutions will differ in turn.

The need for clarification is urgent because broadcasters and policymakers are increasingly stipulating that how things are organised and handled in the biggest media markets provide generalisable models for all markets. This carries the risk of false comfort by those seeking to devise some template with which to steer decision-making, both among broadcasters struggling with uncertainty in turbulent markets and regulators who want to reduce the arduous demands for adjudicating complaints about PSB causing market distortion. Although their pursuit is understandable, it risks false comfort because it relies mainly on an untested belief that broadcasting is broadcasting – that 'one size fits all'.

## The Research Project

These concerns was the catalyst for an international gathering of media researchers tasked with qualifying the hypothesis this book interrogates: *Size is of fundamental importance for understanding how broadcasting works, and why.* Our collaborators, each represented by a chapter, employ varying theoretical perspectives and methodological approaches to examine the complex nature of relevant phenomena. Despite diversity, which in our view enriches the results, we have all worked collaboratively to diagnose characteristic challenges and opportunities for television broadcasting in smaller countries.

The research and analyses presented in this book confronts the one-size-fits-all presumption. In the main, we conclude that in crucial respects this presumption is not valid – one-size policies do not fit all countries anymore than one-size strategies fit all companies. There are important differences between countries that hinge on dimensions related to size that affect how broadcasting companies, both public and private, are organised and operated, indeed that establish real limits in how they *can* be organised and operated. These practical realities deserve close attention when policymakers contemplate remits, remedies and regulations.

As so often in scientific research, a complex picture emerged from the examination of diverse strands of evidence. The resulting diagnosis points not only at differences between bigger and smaller countries, a core concern, but also at differences between smaller countries and between regions in Europe. Further complicating the picture is the increasingly transnational architecture of media industries and industry trade, along with comparatively enormous differences in the scale of operations in companies operating across several countries. The various conclusions reached by respective contributors point to a range of crucial factors, not all of which confirm the general hypothesis that governs this book – or at least not directly, although there is room for potential indirect effects, as some authors note.

Despite caveats, the body of research reported here does confirm the determinant importance of size in both *population* and *economy* in affecting the structure and health of television markets. We should expect a wealthy small country like Luxembourg to have a lot more going on than a poor small country like Moldavia. The complexity becomes still greater as one moves beyond exclusively market-oriented criteria to consider those *political and cultural factors* that inscribe the character of a media system in a particular socially and historically situated context. This is especially evident in comparing western and eastern Europe, but also northern and southern Europe – tasks that various authors undertake in this volume.

In the east commercial broadcasting wasn't even possible until after 1989, and then was embraced with such enthusiasm that in many cases there was a complete failure to exercise due diligence regarding regulations and licensing. Public broadcasting was not easily accommodated due to its association, or perhaps better to say disassociation, with state broadcasting. As a result, corporate transnationalisation in media industries had a field day. In comparison, northern Europe with its heritage rooted in the Nordic welfare state and strong protestant roots, has typically organised and funded the most dominant PSB systems anywhere in the world. Southern Europe, on the other hand, has been poorer and less convinced of this approach. In three of these countries a history of dictatorship (Greece, Portugal and Spain) has encouraged perspectives more akin to those in eastern Europe.

*Language* is another significant factor that must be factored in for analyses. Its affects can be beneficial or a liability, and in many case one finds some combination of the two. The relative strength of the television business in the Scandinavian countries is arguably explained to a large extent by the fact that they share a similar language, making it easier to cooperate for instance in exchanging television programmes and participating in joint development projects. Other examples are not as benign, however, as evident in the interrelation between neighbouring small and big countries that share a language, as is the case with Austria-Germany, Belgium-France, Ireland-UK, and Canada-USA – or Switzerland with France-Italy-Germany.

Finally, as hinted earlier, it should be noted that the operations of wealthy *transnational media corporations* affect media markets everywhere, and can't be usefully assessed only by looking at the population or market size of their home countries. One of the biggest and most successful companies in the format trade, Endemol, is legally of Dutch origin. This 'home address' allows it to be considered as a company based in a small country. But in fact Mediaset, the Italian conglomerate, owns Endemol today, which obviously changes the picture. Transnational media corporations require analysis beyond country size, which may be of only minor importance of its self but is keenly relevant when smaller countries can be bundled to create a regional or global market for these firms.

This more complex and nuanced treatment of size can be regarded as refuting our general hypothesis that country size is of general importance for devising appropriate media policies. As a matter of fact several chapters in this volume highlight variables that indicate the way television broadcasting is regulated is not primarily size-related. The 'maturity' of a country's political culture and its overall economic wealth are certainly crucial factors in categorising European countries in north-south as well as east-west comparisons.

On the other hand this more complex treatment confirms our warrant for counselling policymakers and media managers that trying to adopt templates from bigger countries may not only be unsuitable, but can be damaging. There is quite a lot that deserves deeper consideration when crafting domestic media policies, especially when the objective is to ensure not only that mandates are doable but also appropriate. The gloss often put on these matters when mandates are decided does an injustice to many. At the least one ought to dig into the evidence to ascertain the extent to which common assumptions that ground trends in media policy and corporate strategy are legitimate.

No one in this volume is arguing that policymakers or broadcast managers shouldn't look abroad for inspiration. They should, and very often must. In today's increasingly globalised media industries and cultures not doing so would be another variant of failing to exercise due diligence. But the research and analyses reported in this volume suggests there are many good reasons to interrogate whether it is reasonable to assume that any country can conform to dynamics that do not characterise its own internal conditions. This seems a sore spot among EU policymakers, and sometimes also domestic policymakers. Of course it is difficult to craft policies that accommodate diversity, complexity and variance. A key problem is that the outliers – the few comparatively big, rich and powerful countries – are seen as the preferred models precisely because they are big, rich and powerful. In scientific terms, however, they are in fact atypical – they are the aberrant cases and exceptions to the rule, rather than the norm. In that light seizing on these cases as exemplars can certainly distort the picture and skew analyses. One really has to wonder why there should be such evident surprise when whatever was being modelled on such a basis ends in failure? That is rather inevitable when "the differences that make a difference" are too often not understood – or actually even considered (to use a phrase popularised by the sociologist Gregory Bateson).

What's needed is analyses of empirical evidence that tries to answer a variety of questions that are obviously consequential for drafting policy and crafting strategy. How does the scale and scope of national economies influence operational conditions? How does the size and composition of a population establish parameters for audience formation? What are the practical effects on a smaller media market when there are competitive pressures from media situated in a larger neighbouring country, especially when the smaller country shares the language (or a close dialect) and even some cultural heritage? Are media markets in smaller countries impacted disproportionately by international media firms and contents, financial conditions and systemic requirements, or cost structures? How does the comparatively limited capacity of in-house production play out on TV screens in smaller markets compared with bigger markets? In what ways and to what extent do programme profiles in smaller market companies differ from larger market broadcasters? Are there generalisable characteristics concerning relations with governments and audiences when comparing smaller to bigger countries? Of course we can't hope to answer all of these questions in a single volume, and probably only a few with high certainty. But these are the kinds of questions we are trying to interrogate, to the extent possible within our own limitations.

While not wanting to downplay the usefulness of studying how things are handled among market leaders, especially given the state of flux and general uncertainty characteristic of media industries today, the research documented in this book strongly suggests that caution is warranted. *A model is only valid to the extent that the conditions accounting for its construction are comparatively similar in those other contexts where it is to be applied. In broadcasting, such applicability is very often not the case*. It is therefore highly problematic to assume that conditions and dynamics characterising countries with bigger populations and wealthier media markets are inherently appropriate patterns for countries with smaller populations and less wealthy media markets.

## Sizing up size

Conceptually one can distinguish between various facets of size. Facets that are typically important include territorial mass[1], industry size[2], military strength and/or presence, population size and/or density, market size and economy size[3]. Omitting the military[4] facet, most of the others can be argued

1. Territory can be measured as square miles or kilometers, but also or in combination with population density. Both have principle effect on the media system due to infrastructure requirements.
2. This is more problematic than at first glance because there are actually several media markets (radio, TV, web, content production, newspapers, magazines, etc), which in some ways overlap, or can be handled as an aggregate for analytical purposes, but in many respects can be discrete. We think the general point made in the paragraph is valid, however.
3. Economy can be measured in different ways, as well. The usual way is gross domestic product (GDP). But it is also measured in per-capita income and productivity, and sometimes according to household disposable income. It can also be adjusted for parity, as in the chapter by Robert G. Picard in this volume. Our purpose is not to discuss economic theory or dig into the nuances of measurement, although some of that is handled in the book to enhance clarity.
4. This is not to indicate that a military cannot influence the media – in many cases they are strongly influential. Rather our point is to argue that continuous effects on media are relatively limited to a few most widespread and typically fundamental national characteristics.

to have some continuous and fundamental influences on a country's media in systemic terms.

When conducting comparative research we must define when a country is considered large or small – i.e. establish criteria for categorising. We could use a criterion that focuses on population size, as for example in a recent special issue of the journal *Gazette* (Puppis et al 2009). In that issue researchers considered a country to be small if it has less than 15 million inhabitants. We could instead rely on a definition of smaller as those countries with less than 5 million inhabitants, the criterion selected by the Commonwealth Secretariat (2008). Some have even proposed that a population above 5 million should be considered large and only whose below 1,5 million as small – with everything in between considered medium (Ott 2000). There is no universally agreed criteria or definitions. Criteria used by different analysts vary according to which kinds of relationships are of primary research interest, and the cases they are scrutinising. Some have also critiqued the very notion that population size is a useful variable (e.g. Hallin 2009). But in general most agree that it is useful (Puppis et al 2009). Bon the research results reported in this book, we conclude that size is very relevant for media policy – particularly for broadcasting.

We have chosen 20 million inhabitants as our dividing line to distinguish between bigger and smaller countries. As discussed by Robert G. Picard in his contribution, we chose this figure because of requirements to achieve critical mass in TV as a medium and because this is in line with analysis conducted by the European Commission (2009). It is also proximate to recent research in comparative media policy (Puppis 2009). But we certainly agree that population size is but one of several size-related facets of importance. As mentioned already, two others that are especially treated are market size and general economic conditions. So although size is an admittedly ambiguous concept and can only usefully be applied in relative terms, it is most fruitful when applied systematically – as we attempt in this book.

In the literature on 'small and big' one also finds considerable variety in terminology describing the unit of analysis. In political science and studies about international politics, 'state' is most often used because that is the relevant actor for discussion about alliances, negotiations and conflicts. In cultural and linguistic studies 'nation' is generally considered more relevant because it focuses better on the complexion and interaction of factors that have a bearing on national identities. We have chosen 'countries' as our principal term because it is best for encompassing the broadest range of relevant variables under analyses across chapters, which look at varied dimensions of television broadcasting (media regulation, plus population size and market size, plus issues of language and culture, etc). But there are exceptions in this volume, as well, where one or another of the alternative terms is a better fit for a topic being treated by the respective author/s. When that makes the most sense for analysis and meaning, we of course approved the choice.

## Caveats

Although seemingly self-explanatory due to everyone's familiarity with radio and television, a recurrent complication in discussions about broadcasting is that each observer mainly understands what that is, and explains what it means, on the basis of lived experience in one or a very limited number of societies. This is of course pertinent for the researchers and editors of this book, as well.

Throughout the project the editors and authors have taken pains to remind each other of the idiosyncratic nature of our perceptions, and worked to remain self-critical. Of course some of our various dispositions are apparent, especially in treating public sector broadcasting. Most of our contributors have been involved with PSB in one way or another, sometimes for decades. Most are also from smaller countries and see the world from this vantage point. Both factors must colour our perspectives. On the other hand, considering that the book is mainly written in the European context and for an audience familiar with the role of public service broadcasting, and given the typical size and importance of PSB in many of our case countries, we could expect readers to take this into account when sifting through the results and considering the implications.

We have chosen to focus mainly on television. We acknowledge the vital role that radio plays in daily life for millions. Indeed, one editor and some contributors 'cut their teeth' in radio at the start of their careers. The issue was debated, and we agreed it is best here to focus on television because that is the locus of policy attention and thus the most pertinent area of study for this project. We concluded that radio deserves its own treatment and could not be fairly handled in a book of this size. Similarly, we have not focused primarily on so-called 'new media', which hasn't been new for quite some time, and again because broadcast television is a far more dominant factor in electronic media markets both in economic terms and as the focal point for policy and regulation. That said, our contributors were not 'forbidden' to discuss radio or the internet whenever these media were important for their respective analyses or argumentation.

Although the inspiration for the book grew out of discussions among various members of our research team in response to the BBC conference highlighted at the beginning, another important editorial decision was to expand the focus of analysis to both incorporate and juxtapose the two sectors that comprise the European dual television market. Thirty odd years after the dissolution of public monopoly in European television it is no longer useful to analyse, and is impossible to understand, what's happening in either the public service or the private commercial sectors without looking at their interaction. That is the essential dynamic governing developments in European broadcasting.

## Overview of the book

A book of this kind could be organised in various ways. A typical option in media studies is to arrange each contribution as a case study of one country and conclude with a chapter that attempts to summarise all the cases as a collective. That approach is less useful here because our purpose is to encourage comparative analyses to grasp at underlying dynamics. Of course none of the contributors are able to deal with any totality of the relevant universe of cases; each had to focus on some limited scope for analysis. But we all agreed to focus on issues rather than countries because that is more conducive to unravelling complexities and identifying dynamics, and we hope thereby to generate deeper than usual insights. To the extent that we have succeeded our readers should come away with a richer appreciation of nuances and with potentially higher degrees of generalisability.

The substance of this book treats the following issues:

1. The character of the market as a societal context
2. Financial conditions and resource availability
3. Contending supranational, national and regional interests
4. Content production and acquisition characteristics
5. Pivotal issues in media policy and regulation
6. The structure and dynamics of the market as an industrial system

We considered also a chapter on broadcast use and audience trends. It is a pertinent dimension and should be addressed, but every book has its limits and we decided to leave this area for others to develop, perhaps supported by some steps taken in this volume.

The research conducted in the production of the chapters was framed by two steering questions:

- How does a country remain in control of its own audiovisual destiny?
- How does it deal with challenges brought on by external media influences?

Each chapter investigates priority challenges in the respective areas of topical focus, working to summarise identified patterns. Of course no single collection of this size can provide comprehensive, definitive answers. But we think readers will come away with a firmer grasp of the issues and better possibilities for arriving at useful answers.

This book demonstrates a shared interest to support deliberations in media policy and strategic planning. Our effort has been focused on generating insights on the basis of evidence rather than making arguments on the basis of normative ideals. There is nothing wrong with normative ideals, indeed such are essential to properly consider the role and functions of media – i.e., their 'remit'. But that is not what this book sets out to be mainly about. For this reason we do not stipulate what media policy *ought* to be. Deciding that is a normative exercise best left to those responsible for directing and managing broadcast operations in each society. We think, however, that the contents of this book will be helpful to improved understanding of some practical reasons why and how size matters to broadcasting policy, for proposing and declining options in systemic modelling, and in considering options for operational development in every society grappling with these issues. Our collective goal is to make some useful contribution to the thinking that grounds policymaking and steers strategic planning among responsible agents working in each context to create a broadcasting system that is optimal for its distinctive conditions, while also recognising diverse needs and intentions.

Although many of our contributors, and the editors as well, have a shared history of involvement in PSB, we want to avoid taking any partisan stand. This book is neither for nor against PSB or commercial broadcasting; it does not promote a specific arrangement. The contents present evidence and pertinent discussion about what television broadcasting is, how it works as a function of its nature as a medium and variables keyed to size-related dimensions, and why that matters for those who must deliberate on the normative dimensions that are outside the focus of our investigations.

The editors and authors support all good faith efforts to craft the very best broadcasting system for each country's respective goals and needs, and recognise that what that means must be decided by those who are entrusted to make these decisions. Our work succeeds to the extent that readers come away agreeing that size must be accommodated in deliberations about how things are done, and with greater caution in presuming how they are done in one context may be suitable for modelling in other contexts. Of course resource limitations bound every decision and every responsible agent must legitimate how scarce resources will be used, and why in a particular configuration. We hope this book is helpful in efforts to manage that well by contributing to greater clarify about what is essential in media regulation today. This is especially important as a great deal of attention in this volume is devoted to explaining why some form of intervention in broadcasting is typical rather than exceptional. This is primarily because TV is a public good and has never only been about content; it has always been at least as much about *context*. This book works to establish more clearly than before why and how size matters for policy-making and in strategic planning. Content might be king; but context is the kingdom.

## *Chapter summaries*

In the introductory chapter, *Size Matters for TV Broadcasting Policy* by Gregory Ferrell Lowe, Christian Edelvold Berg and Christian S. Nissen, the authors set the scene by relating the perspective of this volume to earlier studies on small countries in varied social science disciplines. The special features of media markets are underscored, especially for television, both as a field of study and as an area for business strategy and regulation. The core variables (size of population, general economic conditions, and the character of television markets) are clarified and related to other important factors variously treated elsewhere in the book. These include, for example, the maturity of political systems, more general cultural value systems, and issues related to degrees of vulnerability and dependency. The chapter argues that size certainly matters in television broadcasting, but acknowledges good reasons to take other variables into account when looking at specific markets and working to explain the policies of particular actors.

In chapter two, *Broadcast Economics, Challenges of Scale, and Country Size*, Robert G. Picard explores how country size and the economics of broadcasting are related. He shows why scale issues create different conditions for broadcasters and how these affect structures, operations, and costs. He studies 31 European nations to demonstrate how size, financial resources, market structures and services, and content provision are related, and in consequence strengthening the conviction that for television broadcasting operations, size really matters.

In chapter three, titled *Sizing Up Size on TV Markets: Why David would Lose to Goliath*, Christian Edelvold Berg argues that every size of television market has characteristic dynamics that are more or less applicable everywhere, and that the explanation of key difference lies in “relative market leverage”, conceptualised as an expression of a market’s inability to allocate resources efficiently. He shows how this is the case due to conditions of imperfect competition and high potential for market failure in media goods. Quantitative analysis clarifies the availability of revenues in European television markets and investigates the relationship between population size and economy size to demonstrate how size influences market volume. He examines the relationship between size and the level of investment in originated TV content programming, and concludes with discussion about the importance of size to how TV markets are structured and how TV systems work.

Chapter four is a group effort steered by John D. Jackson with contributions from Yon Hsu, Geoffrey Lealand, Brian O’Neill, Michael Foley and Christian

Steininger. The chapter provides a good overview of *The Socio-Cultural Context of Media Markets*. Here 'size' is explicitly treated in relational terms. Considering the cases of Austria, Canada, Ireland, New Zealand and Taiwan, the authors explore media systems and their market components in relation to the broader social, political and cultural frameworks in which each case is located. They focus on the implications of size for dependency relations with their large neighbours (respectively Germany, the USA, the UK, Australia and China).

In chapter five, Josef Trappel examines *Structure and Dynamics: The Broadcasting Industry in Smaller Countries*. This chapter examines structural conditions and the performance of television broadcasters in smaller countries, arguing that television broadcasters in smaller countries have fewer business options than their counterparts in larger countries. He demonstrates how these restrictions affect their resources in terms of finances and personnel, and restrict their room of manoeuvre with regard to programming options. In smaller countries the TV industry is significantly similar to characteristics that describe highly concentrated media markets. The argument follows from the essential fact that smaller television broadcasters are confronted with economies of scale problems and, as a consequence, with conditions of vulnerability and dependency. The chapter ends in proposing areas of television governance in which smaller countries require different rules than those generally considered appropriate in larger countries.

Erik Nordahl Svendsen titles his contribution *From Sovereignty to Liberalisation: Media Policy in Small European Countries*. In chapter six he argues that in the early 20th century countries had cultural, sovereign goals when starting television, which account for a strong public service tradition in western Europe and state broadcasting in the east. With advances in the EU single market and the collapse of the USSR after 1989, all markets were liberalised and television became an increasingly transnational industry. This chapter interrogates performance in fulfilling EU demands for European Origination works (i.e. the 50% quota), concluding that it has not been legally respected or enforced. At the same time, it's clear that EU competition policy has been effectively used by private sector companies to raise the pressure on public broadcasters, which are of relatively great importance especially in small countries. The chapter demonstrates how European TV policy works against the interests of small countries.

The seventh chapter by Chris Hanretty investigates patterns in governance. Titled *The Governance of Broadcasters in Small Countries*, he assesses patterns in governance for both sectors in television broadcasting, public and private. He concludes that although issues of governance and control have often seemed more salient for public broadcasters, both sectors have issues with independence – from the government of the day in the case of PSB firms and from dominant shareholders in the case of private broadcasters. The chapter demonstrates tight links between the de jure (legal) independence that public broadcasters have, and de facto independence they enjoy. Hanretty finds that smallness is unrelated to either de jure or de facto independence. Rather, smallness affects the potential sources of attacks upon independence – and the experiences broadcasters can draw upon to defend themselves.

In chapter eight, *Broadcasting for Minorities in Big and Small Countries,* Tom Moring and Sebastian Godenhjelm conduct analysis around the idea that media production is shaped by society's general culture. In this chapter we find that media products not only have informational and 'consolidational' functions, but also confirm in each case some relatively peculiar and variable social and cultural order – a society's so-called general culture – where production practices are carried out. The authors present their findings under the rubric of a 'restitutional' function for TV broadcasting. Understanding the import of social and cultural order is among the biggest challenges that policy makers must face today.

In our final chapter, *Big Formats, Small Nations: Does Size Matter?*, Annette Hill and Jeanette Steemers combine political economy with audience analysis to generate insights about production in and between broadcast markets of varying size. The results deepen understanding of the relationship between media production and reception in bigger and smaller nations. The analysis indicates small countries are limited by the size of their domestic markets, the lack of sufficient resources to sustain more expensive entertainment shows, and the cheapness of overseas products such as reality entertainment formats (e.g. *X Factor* and the *Got Talent*_franchise). Even for those successful small producers, consolidation and integration within a globalised marketplace as part of a 'big country company' seems to be the destiny for the few who break out internationally.

## Acknowledgements

The editors would like to thank the authors for their patience in working on what has often been a moving target. Despite a clear orientation and agreed objectives from the beginning, the development of this book has been organic by necessity. As various chapters have gotten closer to completion we've needed to go back to earlier chapters and request further revision or reorientation. The authors have done good work and we deeply appreciate their commitment to the quality of results. We have also enjoyed this collaboration.

Editors and authors alike wish to thank the Media Management and Transformation Centre at the Jönköping International Business School for the funding and support that made the project possible. We especially thank Barbara Eklöf and Danielle Tarnhamn for handling the arrangements for our international meetings.

Finlly, we want to express our appreciation to NORDICOM for publishing the book, and moreover for being both highly professional and easy to work with in the editorial process.

Tampere, Finland and Copenhagen, Denmark, December 2010

*Gregory Ferrell Lowe   Christian S. Nissen*

# Size Matters for TV Broadcasting Policy

Gregory Ferrell Lowe, Christian Edelvold Berg
& Christian S. Nissen

As discussed in the preface, we consider country size a key determinant for any explanation of how television broadcasting is organised and works in comparative contexts. In this introduction we offer more detail to understand why we hold this view. This discussion has implications for media policy and company strategy. We begin with an overview of 'small state' theory, which grew to prominence during the Cold War. We then elaborate important features of particular relevance to the media environment, which need to be accounted for any useful articulation of policy pertaining to broadcasting systems. This chapter offers a close focus on elements of research reported in this volume found most important for defining "smallness" as having a decisive bearing on television broadcasting.

## Small countries as a specialised area of study

Today's interest in the particular, perhaps peculiar, dynamics of small countries is not new. Rather this can be understood as a reinvigoration of specialised studies that first bloomed during the Cold War. Interest at that time was rooted in political economy research and the concern was keyed to policy development in the era of sharpening bipolarity. Researchers wanted to understand the required conditions for smaller states to maintain independence in the epic struggle between the USA and the USSR. Various small states tilted more or less strongly towards one or the other side, with a significant group demanding recognition as "non-aligned" states. Consequently the focus of attention in discussions about size hinged on questions pertaining to power, or lack thereof, characterising small states when compared with the Superpowers and their cornerstone allies – typically also larger countries.

Although often measured as military capacity and economic resources, i.e. in things that could be quantified and counted (Morgenthau 1967), it became increasingly obvious that smallness was not an objective parameter. Analysts began to also take account a country's capability to apply its resources. The variable influences of proximate as well as historic cultural and social relations became increasingly pertinent, as well. Deepening understanding encouraged differentiation on the basis of weak***er*** and strong***er*** states as it was evident that size is relative, not absolute. As Rothstein observed (1968: 21):

> The question then is what characterises small powers as unique entities, as something other than merely weaker states? The answer, one presumes, must rest on an analysis of patterns of behaviour which remain the same for small powers, despite basic shifts in the international system.

His articulation was a fresh point of departure. The study of small states diversified into a broad range of variables and behavioural characteristics reported in a burgeoning collection of studies on international politics (Koehane 1969; Dosenrode 1993 &1997), political economy (Katzenstein 1985; Pedersen and Campbell 2006) and economics (Robinson 1960; Alesina and Spolaore 2003).

Fast-forwarding to the present day, we are by now faced with so many pertinent variables that the sheer complexity makes it difficult to achieve a manageable solution, and manageability is certainly necessary for achieve anything useful in comparative research. The Cold War ended long before the challenges inherent in settling this matter. Deciding the key variables is a work of on-going refinement and remains an enormous conceptual challenge, certainly one this book can't hope to resolve. Candidate variables especially include size of population, economic wealth measured in GNP or GDP, and territorial size. These must be weighted against less easily quantifiable factors, especially political culture, language, domestic social relations, and international influences.

Moreover, the structural context within which small states operate still has considerable influence on their relative status. That was evident earlier in military alliances such as NATO and the Warsw Pact, and equally today in economic systems that are pivotal in regulating trade such as the WTO and the EU Competition Authority. Small states aligning with larger 'powers' can gain a degree of influence or affluence disproportionate to their objective characteristics in isolation. Of course the opposite is also possible, and could be said about less highly developed countries in former colonies. The interrelations and permutations characterise one important school of developmental studies that conceptualise relations as a matter of "centre–periphery" dependencies. For example, Amin (1970) and Emmanuel (1972) argued that relatively small European countries continued to dominate most former colonies due to structural dependencies despite the fact that these countries often have larger geographical territories, bigger populations and more natural resources.

Thus any effort to categorise countries as small and large is devilishly difficult. The path taken is mainly determined by the focus of study. That is the case here, as well.

## Hybrids and intervention

It is clear that size is both a relative and a contested concept. There is a common sense understanding that size matters and that bigger often means more powerful. But there is only limited comparative empirical research about media systems and operations as a function of country size (Siegert 2006). Despite its evident importance for policy and strategy, size has been largely neglected here, seemingly due to the formidable conceptual difficulties in clarifying what it means for research purposes, and difficulty in agreeing on a standardised meaning also for policy purposes. As the chapter by Chris Hanretty demonstrates, most often we find non-significant differences between countries with regard to the affect of size considerations on policy formulation. New effort in recent years does address this lack, especially the work of Alesina and Spolaore (2003), and Puppis et al (2009). But the conundrum is not resolved. Our purpose here is not to treat size per se but to investigate how variables pertinent to size matter for operational conditions and practical requirements in TV broadcasting. Our interest is in how size equates both with opportunities and limitations in systemic terms – a specific matter of research interest.

This issue needs to be studied empirically to establish its importance for achieving systematic comparative study that can include countries of every size, as well as those with and without a same-language neighbour, especially where that neighbour is bigger and also, often, wealthier. This was a highlighted conclusion in the aforementioned recent journal issue devoted to research about small nations (Puppis, d'Haenens, Steinmaurer & Künzler 2009). According to the authors there, *"Only systematic cross-country research, considering big and small states with and without giant neighbours sharing the same language, will help us answer the question of how size matters"* (ibid: 110). We agree, but would add that such a framework is also needed for useful analysis *between* smaller countries.

When surveying the policy domain it's clear that even when size is accommodated as an important variable it is not typically treated on any empirical basis. That broadcasting markets are incapable of independently securing all the services needed by everyone is a well-rehearsed feature of policy discourse. The thesis of market failure grounds the legitimacy of state intervention in electronic media markets (see Peacock 1986; UNESCO 2005; and EP Motion 2009). This is evident in the 1997 Amsterdam Protocol on Public Service Broadcasting for EU Member States, which accords domestic government the competence to "confer, define and organise" the provision of public services in media for the nation. The Protocol legitimates principles that ground the 2009 Communication on Broadcasting issued by the European Commission regarding the application of state-aid rules to PSB firms. It is specifically noted in point 42 of the Communication that small member states have unique difficulties financing public service media [PSM] because the cost per inhabitant is higher than in countries with bigger populations, at least for comparatively wealthy member states. Even in the United States, the largest and wealthiest commercial media market, there is renewed debate about subsidising the newspaper industry in light of economic difficulties keyed to the recent recession (Downie & Schudson 2009).

Smaller European countries are especially important because they react distinctively to economic change, using flexible adjustment policies for industrial development that combine a general preference for liberalisation with a tendency to provide compensation. Christian Berg discusses this at some length in his chapter. Sometimes referred to as the 'Nordic model', but actually indicative of other countries to varying degrees as well, the objective is on the one hand to avoid protectionist policies (that often characterise policy in large liberal countries) and, on the other, to encourage structural transformation of statist traditions. This distributes market dependencies widely instead of focusing such on discrete markets. Rather than going full sail in one go, the smaller countries of Europe evidence a political will to preserve continuity through incremental adjustment to wider trends via ad hoc measures, improvisation and intervention. This is not done to constrain liberalisation, which on the contrary is generally preferred today as it is understood to be an essential pre-condition for rising prosperity. Rather the reason is to govern dynamics inherent in liberalisation, which needs to accommodate variable needs under local conditions.

In his work on the political economy of nations, Peter J. Katzenstein suggested that country size affects both degrees of economic openness and the character of political administration. Systematic differences should be expected when comparing bigger and smaller countries. But even among smaller countries, Katzenstein identified comparative differences between 'liberal corporatism' in Switzerland, Belgium and the Netherlands and 'social corporatism' in Austria, Norway and Denmark. In his analysis, Sweden represented some combination of the two (and we could probably add Finland, as well)[1]. At heart, the difference is reflected in where and how small European states adapt to economic change. His contrast hinged on the global adaptation and private compensation of liberal corporatism, compared with the national adaption and public compensation characteristic of social corporatism. Katzenstein (1985: 134-135) concluded:

> Flexible industrial adjustments are not a uni-dimensional response to changing market conditions or political pressures. Instead, as I have shown, democratic corporatism has two variants, one liberal and the other social. Both variants respond to the economic as well as the political requirements of adjustment. Liberal corporatism accepts market-driven change but makes political gestures necessary to keep disadvantaged industry segments, firms,

1. For a useful introduction to Katzenstein's thinking on liberal corporatism and social corporatism, see http://www.tidsskrift.dk/visning.jsp?markup=&print=no&id=95546. See also Katzenstein 1985: 105.

> or regions integrated in an overarching consensus. Social corporatism seeks to cushion change within the limits that markets permit…. Although liberal corporatism prizes efficiency more highly than equity, and social corporatism prefers equity to efficiency, both preferences are constrained by the shackles of democratic corporatism and the logic of markets.

One consequence when applied to media markets, especially TV broadcasting, is that smaller European countries have typically created hybrid arrangements in efforts to slow the speed of growth in competition with international commercial television channels. They have not actually tried to stem such growth per se. This was first evident in efforts to manage the speed of competition growth in radio markets through adjustment by incremental experimentation and developing regulation that unfolded in steps. In our view this is a reasonable approach. It is also understandable given fears of growing instability in domestic media systems, especially the potential erosion of domestic production subsequent to the *Television without Frontiers* directive that was issued by the European Commission in the late 1989. That directive required harmonising national laws regarding broadcast licensing. Although the declared objective was to "ensure the free movement of broadcasting services within the internal market", the practical impact has been dramatic grown in commercial TV operations in Europe – and growth rather than decline in the presence of American origination content (see the chapter by Erik Nordahl Svendsen).

EU member states have complied with the directive, but in smaller countries measures were often taken to ensure viability in the domestic programme supply. In Finland, as a typical example in this case, it was understood that transnational commercial corporations would not produce much programming in Finnish. Even Swedish is a bit of a stretch, and mainly viable when viewed as a regional language that quite a few speak in neighbouring countries. Moreover, even Finnish commercial television companies, mainly owned today by international firms largely based in Sweden, have acquired the lion's share of their programming from international trade originating in the USA and the UK. Only the national public service broadcaster, YLE, has consistently programmed the bulk of output in Finnish and about matters of specific local importance (i.e. current affairs). This explains the hybrid approach more generally in smaller countries, and should be recognised as a significant attribute of Europe's dual market structure in broadcasting.

It is equally important to observe that patterns in system development are different in southern Europe, historically characterised by higher acceptance of commercial funding even for PSB and with less concern about potentially negative affects of private competition on domestic supply. This may be changing, as first evident in France[2] and now Spain, with similar discussions

2. The effort to eliminate advertising from French PSB may not succeed as envisioned by the government of President Sarkozy. See the report by Whitehead 2010.

underway in Norway and Portugal (EBU 2009). At any rate, the historic pattern makes sense when remembering that some countries in the west (Spain, Portugal and Greece) have recent histories of state broadcasting associated with dictatorships, as typically also the case in much of Eastern Europe. In such contexts the private sector has been viewed as an antidote to oppressive legacies in broadcasting.

Meanwhile, the financial situation for public broadcasting in some Western European countries that depend on license fee revenue has become increasingly uncertain. Political complications have ended, for now at least, efforts to pass a proposed change from a TV-based fee to a more comprehensive media-based fee in Finland, for example (for a useful overview see Ala-Fossi & Hujanen 2010). Recent reports indicate the BBC was forced to compromise its financial situation to protect income generated by the fee from viewers age 75+. To keep that share of income the government is requiring the BBC to take added financial responsibilities for the World Service as well as S4C in Wales, and to achieve reductions amounting to about 16% of their budget over the next four years (Martinson 2010). Moreover, the growing popularity of various mechanisms for regulating PSB is, in affect, hobbling efforts to develop these companies into PSM firms, as evident in the drive for ex ante mechanisms (e.g. the 2005 Public Value Test in the UK and the 2008 Three-Step Model in Germany). Demands for similar procedures are percolating in an increasing number of EU member states. Instability in European TV broadcasting is evident in the financial status of broadcasters in the private commercial sector, as well. In this sector margins have declined as a result of over-leveraging during the boom years, and since 2008 to under performing advertising markets as companies drew down in the face of declining sales and growing deficits.

Protective measures for domestic markets have not only been taken in smaller countries; many bigger European countries have similarly acted to protect or nurture (depending on one's perspective) domestic production. That has been characteristic in France where language and culture are always the stuff of politics. But in fact most states have made varying arrangements to cope with the impact of deregulation, convergence, consolidation and digitalisation, which are together fuelling globalization in media industries. It is important to understand that as markets, all states are not equal. The degree of competition varies, and also the degree of attractiveness for investment. The main point argued here is that size has policy implications as a relative feature for most countries, at least in Europe, as a function of being larger and/or smaller in comparative terms. Commercial broadcasting can't accommodate the ample provision of some desired services, and this is what legitimates state intervention[3]. This is the generalisable conclusion of two influential reports, as important

3. There is a theoretical line of argument concerning this based on the attributes of programmes as public goods and merit goods.

examples, despite their respective assessments of different scales of analysis and bookending a twenty-year period of operational practice (Peacock 1986; UNESCO 2005). Key conclusions suggest:

1. The market cannot be expected to provide a wide variety of programmes, especially domestic informational and educational programmes, because they are unprofitable for commercial business;
2. The cost of establishing and maintaining a system of universal coverage is unattractive for commercially funded media because it is more profitable to focus on highly urbanised areas where population is dense;
3. Regional and local services, especially news, are expensive to provision and very often have been loss leaders in commercial broadcasting;
4. Minority services are often too expensive to provision, especially in small countries, either because the population is not big enough in absolute terms to attract advertisers, or because the population doesn't have sufficient disposable income to make advertising to them worthwhile;
5. Domestic media are necessary not only for strengthening national cultures and identities, but moreover for encouraging their on-going development.

Thus, intervention in broadcasting markets continues in most countries, a preference rooted in perceptions that it is in the 'public interest' to provide specific goods and services that benefit society as a whole and beyond the narrower self-interests of individual consumers (McQuail 1992). In this way policymakers take the effects of size into account, even if mainly perceived in terms of market conditions. It is widely understood that market size influences conditions and the conduct of companies by establishing parameters for profitability. The kinds of regulation and the comparative degree of public investment in media vary as an affect of size. If left unregulated the market will act differently than when regulated, as has been clearly evident in the United States in the period since the Reagan presidency launched a deregulatory drive that was cemented during the Clinton presidency. It has been similarly clear that wherever there is a strong public broadcaster the market behaves differently than under conditions where there is a weak PSB presence, or none at all.

## Grappling with similarities and distinctions in broadcasting

Broadcasting has general characteristics that are a function of the platform as a technology and in its financial parameters (see the chapter by Robert G. Picard). For example, terrestrial broadcasting requires the use of frequency spectrum, which is a limited resource. Even with increased efficiency there is not yet, and never well be, enough spectrum space for everyone to have a personal TV channel. This is the central reason that a licence is required to have a TV channel, and why television operators have typically been mandated with more obligations than newspapers. That example suffices to illustrate the technological dimension. Regarding financial parameters, the digitalisation of broadcasting technology requires a scale of investment that accounts for many countries deciding the costs must be at least partly covered by the state or by telecom operators, and in quite a few European countries for stipulations that PSB operators are obligated to make significant investments.

One should also consider the relationship between content and finance. All programmes feature some format structure. The rights to use a successful format are expensive in today's highly competitive markets. Moreover, different genres have distinctive cost structures and production process requirements. Producing news programmes is different from producing drama programmes, even though both are expensive. It is easier, however, to offset the cost of successful drama production than daily news production because there is only the most limited after-market for news while drama products can enjoy long shelf lives and benefit from windowing strategies. The means of funding the two types of content also vary, and more or less in the same ways in most countries. Co-production is increasingly characteristic to spread the risk and maintain quality as costs rise, and importing formats that have been successful elsewhere is common practice today – another way of reducing risk, as well as cost (see the chapter by Annette Hill and Jeanette Steemers). Most news organisations, however, bear high internal costs for coverage and it is more difficult to co-produce, although collaboration and content sharing agreements are on the increase – again, mainly for economic reasons. Despite differences, all genres of television programming have comparatively high degrees of demand uncertainty. This means broadcasters can't know for certain how successful anything they offer will be in a competitive market, and moreover that something which is popular today may not be popular tomorrow (DeFillippi 2009).

General similarities in the medium as such should not blur crucial distinctions. How broadcasting is organised, funded and mandated is quite varied for both practical and intentional reasons, a point recognised by the Amsterdam Protocol for PSB, but really applicable more generally to the regulation and operation of broadcasting systems. To use an obvious example, the structure of broadcasting in the United States and Europe feature fundamental differences both in ideas about media and in the intentions that are considered essential. The American market is an overwhelmingly commercialised system that is, for the most part, privately owned, locally licensed and highly networked. Public broadcasting came to the USA only in the 1960s. Contrast this with Europe where a TV 'market' was non-existent (except in Luxembourg) until quite recently. Until the mid to late 1980s broadcasting (also in radio) was organised as a PSB monopoly in most of Western Europe and as state broadcasting in the former Soviet countries – as well as those under dictatorships in the West. Today, the European media system is a competitive market featuring a dual structure, and in that alone still provides a stark contrast with the rest of the world. How media markets are organised, managed, mandated and operated differs in ways that are fundamental (for example license fee funding versus advertising revenue) and proportionate (for example how many channels can be funded by the available resource base). To assume that one policy fits all, or one model is suitable everywhere, is simple minded.

Contextual history must also be kept in mind when discussing what broadcasting means and how it is organised in different countries. In the early days of radio no one was sure how to regard its potential (Barnouw 1966). Economic and social conditions in Europe encouraged a public service orientation and television was built on the foundation earlier laid in radio. In just the same way American TV was built on the foundation laid in radio there, and with very different systemic properties. The expense later involved with launching TV in Europe accounts in part for early development in European commercial broadcasting (in the UK and Finland in the mid-1950s). This is not to imply that developing television was easy even for the companies that were experienced in radio. It required significant investments in new technology and building bigger and more complex facilities, developing new skills and talents (for example set design and lighting), and the reorganisation of company structures and routines. But television everywhere enjoyed a 'path dependency' in that it was mainly built on the chassis of existent systems in terms of production (companies), reception (audiences) and in methods for its financing.

Similarly, and more or less everywhere in the early days, governments were unsure how to regard the potential of radio. There was great interest in its potential social impact and effects, for good and ill. Contextual factors played a significant role in channelling regulatory and systemic preferences – in determining the path that would account for dependencies. The rise of fascism in the West and communism in the East, both of which featured imperial designs, encouraged European policy-makers to consider radio broadcasting too influential to treat as an ordinary consumer good. Americans essentially agreed that radio had an extraordinary capacity for shaping social life and perceptions, but given characteristic distrust for government control they thought it better to assign radio to the private sector. Thus, contradictory trends account for different orientations, but indicate as well that social, political and cultural tensions everywhere played a decisive role in the determination of systems, arrangements and relations. Decisions taken have never only been practical, but always also ideological (see the chapter by Jackson et al).

## Systemic, contextual, unique, commodified and variable

There are important understandings about broadcasting that thread through the chapters that follow, even when not always treated explicitly. First, we all agree that broadcasting must be understood in *systemic* terms. Broadcasting is, above all, a mass medium and it has social affects. Second, we all agree that how it has been organised and for which essential purposes are *contextual*. There is little practical value in treating broadcasting as though it were somehow independent either from the larger industrial context and co-related infrastructure, or from the socio-cultural context that accounts for how its roles and functions are defined. The systemic character of broadcasting explains important commonalities, especially economies of scale and sunk costs, while contextual features explain much of the variability and even peculiarities in comparative cases.

Third, we all agree that broadcasting is in crucial respects a *unique* industry. Of course there is much that is not unique. Broadcasting is a professionalised practice producing goods for markets, and every company must decide how to invest limited resources to at least maintain and also hopefully grow market share. Broadcasting is an increasingly globalized industry with transnational conglomerates impacting how things are done, and what is made available, more or less everywhere. In many respects broadcasting is no different from any other industry, and certainly its management and operation have much in common with other media industries. But that is only half the story and not always the most important half. Broadcasting is unique in being among the handful of industries that typically enjoy constitutional protections in democratic states. Moreover, broadcasting is subject to licensing agreements, typically for restricted periods that require review and renewal, because it is entrusted with social obligations that are considered important at the broadest levels – often as a 'universal' right for citizens. A TV programme is not a toaster.

Moreover, it has long been understood that broadcasting has great potential for *social and cultural impact* – that mediated effects are associated with consuming its products. Even though causality is difficult to prove, few would argue that television content doesn't shape perspectives and shade perceptions. Until the 1980s it was generally agreed that broadcasting has social responsibilities as a result, even in the United States where regulatory policy had long held that broadcasting should serve "the public interest, convenience and necessity" – a requirement that was dumped during the Reagan presidency where faith in "the magic of the marketplace" became the new orthodoxy. In Europe the social responsibility requirements for broadcasting continue for the public service sector, but are much weaker and more variable for the private commercial sector. This hints at a fourth aspect we all agree on: how broadcasting is organised, handled and mandated is at least as *variable* as it is uniform.

Finally, everyone agrees that wherever television has a commercial role and its programming functions as a *commodity*. This is determinant in establishing the way programmes are conceptualised, prioritised, produced, distributed and consumed, as a factor of how programming is financed (Lowe 2009). The cost of producing and distributing a programme is independent of the number of viewers that watch it. Holding geography constant, this means that it costs as much to broadcast to five million, five thousand or five. But of course the size of viewership has a direct bearing on per capita costs, and thus on systemic potential. There is less revenue available from five people than five million. The number of viewers establishes market parameters that are decisive for calculating the profit potential of programmes as commodities, which in turn has a decisive bearing on what is produced, and how much (see the chapter by Trappel).

These features collectively challenge the ambitions of smaller countries in producing domestic programming. Taken together with the historic argument of market failure for public goods, it's clear why states intervene in media markets – especially smaller states. Not doing so results in forms of distortion that are less often recognised and discussed than market distortion today. It is arguably the case that smaller states must take approaches to regulating and legislating TV markets that are quite different from their larger counterparts – even in some ways oppositional to how things are done in bigger countries or wealthier economies (see the chapter by Christian Berg).

## Degrees of Vulnerability and Dependency

Size is of central importance to a useful understanding of how conditions and structures differ between countries. One of the most important size factors distinguishing most smaller countries, if not all, is the degree to which it is vulnerable, as well as dependent, on other countries as a function of population size, and that as a key determinant of market size (the other being gross domestic product, i.e. the general economic condition).

Assessing the literature in both general studies about small states and the work related specifically to media, five factors have the strongest influence in distinguishing media arrangements in bigger versus smaller countries: a) Vulnerability, b) Dependency, c) Adaption, d) Competitiveness and e) Cohesion[4] (Azar 1975; Alapuro 1985; Alesina & Spolaore 1997, 2003 & 2005, with Wacziarg 2004; Katzenstein 1985). Our specific interest in this volume lies in an effort to cultivate better understandings of how and why smaller countries are different in comparison with bigger countries, and by implication why bigger countries may not furnish appropriate models for smaller countries. The

4. An imprecise term, but generally alluding to conditions of homogeneity or heterogeneity that are important for maintaining that degree of unity that is necessary for peace and prosperity, while also respecting the value of diversity.

two factors of particular importance with regard to the subject of this book are *vulnerability* and *dependency* because these relate directly to market size and resource limitations (Trappel & Meier 1992; Puppis 2009).

We have some problems with the semantic implications because both of these terms have a negative orientation in the sense that few today would consider being vulnerable a positive thing, and dependence is associated with addictions. We debated using other terms, for example 'permeability' and 'accommodation'. In the end we decided to continue with the commonly used for the sake of clarity as a function of familiarity and because these terms are used by the authors.

Smaller countries have smaller markets but, as mentioned earlier, the costs for operation and programming tend to be as high as in bigger countries (less the number of operators, obviously, and also depending on the volume of original versus imported programming). There are less people to pay for broadcast services and so the cost per capita can only be higher. This condition poses a unique dilemma for smaller countries. On the one hand smaller countries must be more flexible and adapt to international conditions, while on the other they must be more steadfast in the will to support domestic production.

Smaller markets only rarely determine the tide of affairs. They are most often on the 'receiving end' of international pressures. So they must adapt even while resisting pressures to adopt. They are compelled to tailor responses to supranational trends in policy or transitional forms of incorporation, especially conglomeration. Accommodation very often requires striking a balance between competitive fairness to address international requirements and operational necessities to contextualise for domestic conditions. If a smaller country isn't able to adjust to broad trends it risks undermining its own international competitiveness, but if rendered unable to support domestic interests it risks much more than that.

Large markets are better able to withstand international pressures, indeed they are positioned in many cases to have direct influence on what becomes an international pressure in the first place. They are not invulnerable, but certainly far less vulnerable to external pressures and shocks (Katzenstein 1985; Jensen & Campbell 2006). Bigger countries with large markets are more often the source rather than the recipient of international content in media. It has long been noted that American television and radio channels feature small amounts of programming originating elsewhere, and that what is broadcast from abroad is mainly from other English-speaking countries. It will be interesting to see if growth in programming from Latin America may change the pattern given the growing Spanish-language minority that is positioned to become a majority in the future (*Reshaping Politics* 2010).

The twin characteristics of higher vulnerability and dependency can be traced to 1) lack of self-sufficiency in media content provision and 2) adherence to an open economy. The same does not apply in smaller countries with closed economies. State intervention via regulation of media markets is justified on grounds that are usually some mixture of media's centrality today in the provision of services considered crucial to a society's cultural, social and democratic functions, and therefore as a variety of 'self-defence' to correct market failures

## *How to understand 'content'*

In market terms, broadcast content are public goods. This means they are non-rival in consumption and, when free-to-air, non-excludable. One person's use of some content does not limit another person's use of the same content. Thus, media content is not 'consumed' as that notion is generally understood because its use is not depleted – in fact 'network effects' can mean that it grows value the more widely and often it used (accessed, viewed, read, heard, etc). The problem from a small market perspective is that the cost for first-copy production is the same as in large markets, but without the same potential for the rate of returns-to-scale enjoyed there because the population is smaller. Electronic media content, as with many other types of media content including books and films, are characterised by increasing return to scale as a function of market size in space or time, or both. Thus, a programme (or series) may produce increasing profits by reaching more people across space at the time of broadcast (via higher revenues from advertising or subscription, or both), or by reaching more people over time (via syndication and windowing strategies).

The characteristic difficulty with electronic media content, in fact with nearly all media content, is that margin can't be guaranteed. These are typically 'hit industries' where one or two blockbusters not only cover the losses incurred by many failures, but account for the lion's share of profits. Like book publishing, cinema and recording industries, TV is based on economies of failure. The costs for making professional broadcast content have high sunk costs (therefore not including homemade content broadcast via YouTube and the like). A broadcasting company in a larger market with a turnover of several billion euros obviously has far greater capacity to produce many drama series that can create at least one hit than a broadcasting company in a smaller market with a turnover of several million euros, which may be able to produce only a handful when all the other genres must also be produced concurrently. Of course one must also account for the fact that the cost for production tends to be greater in bigger markets due to more competition for scarce resource and with higher stakes. An example might be helpful.

When Christian Nissen (the third author of this chapter) was Director General of DR, the cost to acquire broadcasting rights for one hour of the American series *Beverly Hills 90210* was roughly $14,000 USD. Compare this with the cost to produce one hour of domestic Danish drama at a similar level of product quality: $550,000 USD, roughly 40 times higher. Although the example is dated, the practice is as true today; if anything the cost differential can be even higher as a function of rising prices due to increasing scarcity of content given growth in the number of channels and hours of broadcasting to be filled. The point, however, is that the cost to produce a programme or series is all in the first copy. The revenues from international sales is "new money" on top of whatever is generated in the domestic market, and often used to finance new production. But for a Scandinavian series produced in the national language of one home market, international sales are obviously very limited and even when possible would only cover a fraction of the costs.

Because audiovisual products are not only economic goods but also cultural products, their export market varies considerably. Smaller countries suffer much higher limitations on average, with the exception of those that have been able to successfully specialise in formats where the concept is sold for reproduction with versioning to fit the local context (e.g. Endemol). Bigger countries enjoy a two-fold advantage: they have the capacity to produce a higher volume of original production, and they have a larger market in which to sell it – in many cases also enormous, even global, secondary international markets. All of this explains why it is important to accommodate differences in public expenditure on broadcast media as a function of size in view of available revenue. Purism in free market philosophy does neither science nor society fair service in these matters.

Smaller countries tend to be smaller markets and cannot support as many companies. This accounts for higher concentration in smaller markets, which can again legitimate increased levels of regulatory intervention. Without that it can easily be the case that conglomerated companies with broader markets, deeper pockets, and greater inventory could inundate a small country market.

Of course high quality programming is costly wherever it is produced, and by whichever company. And guarantees of quality are no guarantee of profitability. Bigger market companies nonetheless have greater opportunities to spread costs, lower risks, and increase revenue streams. This happens in part internally when a company can produce more products and expect that at least one will be a hit, and also because foreign direct investment is more likely for bigger market firms. This is not to imply that business is easier for bigger market firms. Although market size might be larger and total resource availability higher, this typically also entails more competitors fighting for share. Business is not necessarily easier, but it is different – and that is the central point we are driving at here.

## *Implications of language*

As briefly noted, smaller markets have lower potential to attract commercial funding than bigger markets, especially when broadcasting in smaller countries accommodates a distinctive national language. Production of programming for a minority audience in a specific language and cultural setting, whether a minority internally or in comparative global terms, is proportionately higher due to less variable sunk costs. It also very often attracts little investment interest because returns-to-scale are marginal at best. At worst, the costs can never be recouped. The practical problem is compounded when larger market sources, particularly America's robust industries, are able to offer popular programming with high technical quality at significantly lower prices than the cost of own-production or co-production. This was illustrated in the example earlier. International after-broadcast markets are the sauce on the pudding for those firms. This potential is strongly keyed to English as "the language of international advantage" (Collins 1990).

Commercial firms will not produce certain goods whenever the market is too small to generate profits, which is very often the case when dealing with minority language markets for media – regardless of the type of content (see the chapter by Moring and Godenhjelm). This was recognised in the 2001 EC Communication on State Aid for PSB: "Smaller member states may have to collect the necessary funds, if costs of the public service are, ceteris paribus higher … similar difficulties may also be encountered when public service broadcasting is addressed to linguistic minorities or to local needs".[5] Size has policy implications in broadcasting. Market concentration is a particular difficulty for smaller markets where domestic capacity can only sustain a few competitors. There is a certain threshold of required investment to get involved in production, which is a crucial factor in barriers to entry (Albarran 2002; Gal 2003; Hoshkins et al 2004; Knee et al 2009). Market size is a factor in market strength, and language is an important variable in determining total market size for media content.

The way small countries react to dependency relations differs, depending on historic traditions, prevailing values and contemporary conditions (Hallin 2009). Smaller countries with large same-language neighbours are a special case as they are not able to use all the strategies employed by smaller countries with different-language neighbours. Thus, smaller countries under relatively bounded minority language conditions have been able to better guarantee, to a reasonable degree, domestic production in electronic media markets through a combination of language and regulatory measures. This has certainly been the case in the Nordic region (Lund & Berg 2009). When studying share for countries with same-language large neighbours like Austria, Ireland and Switzerland we find indications of a much higher degree of foreign television penetration. To take another example, the smaller countries in Eastern Europe that share Slavic languages tend to have higher rates of foreign TV penetration.

5. A similar wording is also in the draft for the 2009 Communication on Broadcasting in Article 42: "The Commission will also take into account the difficulty some smaller Member States may have to collect the necessary funds, if costs per inhabitant of the public service are, *ceteris paribus*, higher while equally considering potential concerns of other media in these Member States". The addition of the later clause is a significant acknowledgement of the economic interests of commercial operators.

Smaller countries in shared-language areas thus face unique challenges due to cross-border audiences and viewing patterns. This makes different strategies necessary than in less vulnerable nations[6], especially when the public service sector in these countries depend in part on advertisement revenue.[7]

## Clarifying the variables

Testing for patterns begins with clarifying the variables used to measure the dynamics of whatever is being scrutinised. In our case the patterns we are after are mainly co-relations rather than causal factors. The result of mass media research over decades consistently demonstrates that effects are strongly conditional and highly varied. There is too much complexity in social systems, and the diverse participations of media, to be certain about causality. In this book we identify three variables related to size that we find most relevant both for explaining patterns of similarity and accounting for differences when assessing how broadcasting is organised and operated across countries:

I. *Total population*. The total population of a country establishes the scope of its media market in the most comprehensive terms. This, in turn, has direct implications regarding the scale of available funding, however that is acquired – e.g. from license fees by individuals or households, advertising revenue, or various forms of subscription (monthly, pay-per-view, etc). That, in turn, has a strong bearing on the size and prosperity of media industries as a function of the volume of what can be produced and on what basis. In the analyses offered in this volume, total population has been selected as the primary independent variable. To provide a common reference, the categorical divide was set at 20 million inhabitants as the upper limit for smallness.

II. *General economic conditions*. These conditions largely determine the volume of revenues available for broadcasting production and distribution. The importance of this has become glaringly evident since 2008 when economic recession caused steep declines in advertising revenue and

6. There is no lack in foreign channels penetrating every media market in Western societies, and many others besides. Even a cursory examination of the MAVISE database from European Audiovisual Observatory shows this clearly. It applies as much to bigger as smaller country markets, when judged relatively. The difference is in the choices that respective audiences have regarding the volume and character of domestic provision and the relative impact of foreign channel offerings. In small country media markets the number of domestic channels is far less, and the number of foreign channels much higher.

7. Dependence on advertisement revenue for PSB firms has both beneficial and adverse effects. It does help establish the advertising market and is good for marketing on the whole. But when undertaken, PSB operators risk crowding out private commercial operators, a cause of cumulative complaints filed with regulatory authorities. Although companies giving up that revenue stream risk increasing the resources available to their foreign media competitors in domestic markets, we think the non-commercial profile is still the best option for securing the social legitimacy of the public service sector and encouraging fair practice in a dual market structure.

consumer expenditures. The general economic conditions of a country, even in the best of times, has a decisive role in determining the kinds of programming a broadcaster is able to provide, both in quality and quantity, how much of which genres are produced in-house and bought externally, how much co-production is necessary, how many channels and of what kinds can be offered, and on what basis, and how prosperous broadcasting can be as an industry. In this book, general economic conditions comprise the secondary independent variable.

III. *Television market*. Because this book mainly focuses on television, TV market size is our primary dependent variable. This is an especially important consideration regarding the distinctive features and dynamics of television broadcasting in comparative terms.

These three variables form the general 'equation' underlying the studies in this volume. We argue that the character of domestic media markets (their size, the players and their business models, the public involvement/intervention and so forth) are dependent – to an important extend – on the size of the countries (populations) and their general economic conditions. There are distinctions, however, in respective chapters:

i. The "primary independent variable" (population size) is used as the basic tool to identify smaller countries. But as discussed in a following section and in several of the chapters, a number of cases make it necessary to take into account additional parameters including, especially, national minorities and language communities. The chapter by Moring and Godenhjelm is especially pertintent. Also the relative aspect of population size must be remembered. A country like Canada is big compared with the Netherlands but can also be considered small in a television environment when compared with its US neighbour.

ii. The "secondary independent variable" (general economic conditions) can be understood as a necessary parameter because it facilitates differentiating between rich and poor countries, which is imperative for explaining what's happening in a particular marketplace. Depending on the focused area of study, it can likewise be necessary to consider other independent variables (in whatever order). If for instance public intervention is the subject (i.e. an element of the dependent variables) one will have to consider the character of the political system, its maturity, historic background, traditions and distinctive ways of working. The chapters by Erik Nordahl Svendsen and by John Jackson and his colleagues are pertinent.

iii. The "primary dependent variable" (television market) needed to be developed further in some cases. Due to the growing internationalisation of the television industry – both in terms of ownership and distribution of channels, programmes and formats – media markets are no longer as directly related to country of origin. Although the size of home markets still plays a very significant role, their penetration by companies in neighbouring countries or as transnational operators is by now keenly important. These considerations are especially important in the chapter by Annette Hill and Jeanette Steemers.

Although we have worked as editors, and indeed as a group, to establish parameters that are pertinent to everyone and should create the unity necessary to arrive at something more useful than separate case study contributions, we have accepted that each treatment merits the latitude necessary to treat the assigned topic usefully. There is diversity as well as unity in the way supplemental variables are used by contributors. Each contributor was asked to focus on some particular aspect of the size condition as a composite of factors. In each case, the focus of analysis determines the factors of essential importance, and these are understandably not always uniform across contributions.

Selected methodology also varies, for similar reasons. Some contributors rely mainly on quantitative data and statistics, while others rely mainly on qualitative data with interviews. The editors took a flexible position here, as well, encouraging each author or group of co-authors to use the best data available for their area of research focus, and to apply the best standards of scholarly rigour in methods and analyses.

## Why and how size matters in television broadcasting

Size clearly does matter and in many ways when assessing the conditions, dynamics and needs for broadcasting systems in smaller countries with smaller populations and markets compared with bigger countries with bigger populations and markets. Size matters especially with regard to externalities, in economic terms. The literature is clear on this matter and evidence examined in the chapters that follow confirms this.

This book argues that the conditions for securing domestic provision in broadcast services are different in smaller and bigger countries. Table 1 summarises aspects of key importance addressed in this chapter, and contextualises the chapters that follow.

To summarise, it is clear that countries with smaller populations have less overall resource available for broadcasting and higher per capita production costs. It is also clear, with limited exceptions mainly for English-speaking countries, that revenue streams are smaller both for domestic sales and international trade in media goods. Furthermore, smaller countries have more problems guaranteeing the supply of domestic production. A primary problem is the smaller universe comprising the domestic industry. Bigger market countries

Table 1. Comparing bigger and smaller countries

| | Bigger country | Potential effect of size | Smaller country |
|---|---|---|---|
| **Trade** | **High**<br>**Low** | Degree of self-sufficiency<br>Dependence on international trade in media products | **Low**<br>**High** |
| **International Influence** | **High** | Weight in international policy deliberations relevant to media, e.g. trade issues in WTO, GATT, etc | **Low**<br>(Problems in capability to resist pressures to open domestic AV-markets) |
| **External shocks** | **Greater** | Capacity to influence or offset effects from international political and economic fluctuations, and thus resistance to external shocks and capacity to influence the development of solutions. | **Lower** |
| **Economies of scale** | **Higher** | Potential to benefit from economics of scale influencing per capita costs in media production.<br>Potential for exporting media goods | **Lower**<br>(being limited by smaller audiences and advertising markets). Revenues flowing to foreign media companies |
| **Diversity** | **Higher** | Degree of diversity due to market size, total revenues, and potential for return-on-investment (ROI), and thus new investment in media markets, especially when lightly regulated. | **Lower**<br>(The main concerns are not diversity in programmes overall, but rather in domestic productions). |
| **Competition** | **Higher** | Competitiveness in TV markets and potential for profitable niche channels, especially in pay-TV. | **Lower**<br>(Higher industry concentration and greater difficulty in overcoming entry barriers. More often keenly targeted by foreign channels as part of some regional market for them (e.g. the Scandinavian market). |
| **Public goods** | **Higher** | Potential for provisioning public goods efficiently due to total resource base. | **Lower**<br>(with higher per capita costs due to high fixed costs for TV provision) |

not only have the capacity to produce far more, they also have greater possibilities that the commercial market will produce informational and cultural programmes even for minority audiences because those are sizeable in absolute terms when compared with the audience available for such products and services in smaller market countries. Because TV has a voracious appetite this means smaller country markets typically feature higher proportions of imported goods. Thus, smaller countries often must secure domestic programming by subsidising the industry in content production.

Smaller countries also have far less potential to influence what happens internationally and must more often adapt their markets and policies to cope with international influences. This creates particular problems keyed to higher dependency and vulnerability, which encourage different strategies for coping with such influences. Smaller countries with free market economies are especially vulnerable to foreign penetration by media content, and also in ownership. They must more finely balance commitments to free market economics and domestic cultural, social and political needs. This explains why smaller countries have higher interest in, indeed greater need for, regulation of media markets. Of course this need is not exclusive to smaller markets, or even to media. As Eric Lonergan recently observed (2009: 45): "It is obvious that markets only function to serve us well if there is a well-planned framework in which they operate, and in many circumstances of human organisation markets are inappropriate and their effects detrimental".

Smaller markets will often require more rigorous enforcement measures because market failure is a proportionately higher potential risk, and its consequences proportionately higher as well, due to the more limited number of domestic competitors and resources (of all kinds, but especially in revenue and audiences). Bigger countries and markets have far greater latitude for deregulation because the potential for detrimental results are proportionately much lower – although never absent entirely.

Smaller markets also face problems in the adequate provision of diversity, not necessarily in terms of channels (which tend to be high everywhere due to satellite and cable delivery of foreign programming), but in terms of domestic programme supply. Smaller markets almost always require subsidies to guarantee adequate provision of broadcast content that is domestically produced and proportionately fair in distribution of services for the population, not only as a whole but also in its several parts.

Smaller countries may also face economic problems in media as a function of speaking minority languages in global market terms. This sword has two edges, one that is beneficial in the potential of a unique language to mediate *against* excessive influences from foreign content in media, especially when properly regulated. On the other hand a smaller country will often have difficulty (or impossibility, really) to produce higher quality content across genres and at *a sufficient volume* to satisfy domestic demand. This language issue is especially important when considering smaller countries that border bigger countries sharing a common language. They clearly risk being a secondary market for their large neighbours' media activities, with all the expected concerns, fears and realities with regard to weakening domestic cultures. That is perhaps overstated in many cases given that domestic cultures in general show a strength and depth that flies in the face of this. But it is certainly not overstated with regard to weakening domestic audiovisual culture, which is today an essential dimension of any shared social condition.

On the whole and overall, we have concluded that the differences between television broadcasting in bigger and smaller countries are significant. That is evident when assessing general market conditions, the operational environment of television systems, that status of other media corporations in their strategic designs and operations, policies preferred by governments and regulators in markets of varying size, and in the supply characteristics of programme content on TV screens. At the same time, it should clear that investigation reveals a fascinating picture of true complexity and great diversity in comparisons of bigger and smaller countries, as well as between smaller countries and across diverse regions. It is not possible to draw any clean, crisp lines. That is precisely why policy makers are needed in the first place. If it could all be handled on some automated basis there would be no need for human judgment. We hope the contents of this volume suggest dimensions of essential importance for making wise judgments, the quality of which will be seen in policy designs. This book will have done useful service if readers concur in the end that size matters for TV broadcasting policy because one size does not fit all cases.

# Appendix 1.

Three categories of countries listed by their populations in millions

| | | | | | |
|---|---|---|---|---|---|
| **Some micro countries < 0,2 mio.** | | | | | |
| Vatican | 0,001 | Liechtenstein | 0,033 | Ile of Man | 0,08 |
| Gibraltar | 0,003 | Monaco | 0,034 | Andorra | 0,1 |
| San Marino | 0,03 | | | | |
| **Some smaller countries > 0,3 < 20 mio.** | | | | | |
| Iceland | 0,3 | Lithuania | 3,4 | Switzerland | 7,4 |
| Malta | 0,4 | Bosnia- Herzegovina | 3,9 | Bulgaria | 7,8 |
| Luxembourg | 0,5 | Ireland | 4,1 | Austria | 8,1 |
| Montenegro | 0,7 | Moldova | 4,2 | Azerbaijan | 8,3 |
| Cyprus | 0,8 | New Zealand | 4,2 | Sweden | 9,0 |
| Estonia | 1,3 | Croatia | 4,4 | Belarus | 9,8 |
| Macedonia | 2,0 | Georgia | 4,5 | Serbia | 10,0 |
| Slovenia | 2,0 | Norway | 4,6 | Hungary | 10,1 |
| Kosovo/UNMIK | 2,1 | Finland | 5,2 | Czech republic | 10,2 |
| Latvia | 2,3 | Denmark | 5,4 | Belgium | 10,4 |
| Albania | 3,2 | Slovakia | 5,4 | Portugal | 10,5 |
| Armenia | 3,2 | Israel | 6,8 | Greece | 11,0 |
| | | | | Netherlands | 16,3 |
| **Some larger countries > 20 mio.** | | | | | |
| Australia | 21,3 | Ukraine | 47,4 | Germany | 82,6 |
| Romania | 21,7 | Italy | 57,8 | Japan | 127,7 |
| Canada | 31,9 | United Kingdom | 59,7 | Mexico | 107,7 |
| Poland | 38,2 | France | 60,0 | Russian federation | 144,1 |
| Spain | 42,5 | Turkey | 71,3 | USA | 304,5 |

*Note:* The numbers of population size should be qualified/updated for instance by checking in the CIA World Factbook, see: https://www.cia.gov/library/publications/the-world-factbook/rankorder/2119rank.html listing 237 countries.

# Broadcast Economics, Challenges of Scale, and Country Size

Robert G. Picard

This chapter explores the relationship between country size and the economics of broadcasting. It reveals why issues of scale create different conditions for broadcasters and how these affect the structures, operations, and costs of broadcasting. Based on a study of 31 European countries, it demonstrates how a variety of factors are connected, and why size influences the type of broadcasting system and content available in a given country. These factors include: population size, financial resources, market structures, and content and services provision.

The very term 'broadcasting' integrates the concept of size with the idea of communicating to a large (broad) audience. It is by nature a mass medium designed to reach aggregated audiences on a mass scale. Because it does not involve distribution of a physical product the cost structures of broadcasting – that is, the costs incurred and their significance to overall operations in a firm or industry (see Picard 2010) – produce savings that are not possible for other media such as newspapers, magazines, books, CDs, and DVDs. The cost structures of broadcasting create efficiencies that are directly related to scale

This book is concerned with differences that broadcasters encounter as a function of size in two aspects: 1) the total audience available in sheer numbers at the nation-state level, and 2) the size of a country's economy. This signals the importance of studying broadcasting economics as a fundamental determinant of systems and their characteristic dynamics. This chapter addresses that.

The conceptual foundation of broadcasting as a mass medium with advantages cost structures and a unique economic basis, and the operational requirements for effective broadcasting, are central issues and raise important questions about whether there are threshold requirements to realise certain benefits from broadcasting. This chapter seeks to provide useful answers by focusing empirical investigation to determine whether there are significant differences between smaller and larger countries that affect the kinds of broadcasting services they provide and the scope and nature of those services.

We begin with the premise that the size of the "mass" that broadcasting can serve matters to the possibilities for broadcasting as a system. If the mass is large then the per capita costs for providing services will be lower than if the mass is small. This is why scale is so important to establishing the medium in operational and systemic terms. Broadcasters in large countries are able to achieve economies of scale in broadcast operations that aren't possible for smaller countries because they have more people, and hence bigger audiences overall. They often also have more financial resources (e.g. Germany and the UK in Europe). Smaller countries can't typically support as many domestic public service or commercial broadcast channels (both in radio and television), usually have less local and regional broadcasting stations, fewer television producers, and less domestic programming. Country size is the central issue treated in this book because of presumed effects of scale on the content of broadcasting, and in determining the structures and financial resource availability for broadcasting.

## Measures of country size

In considering size in broadcasting, the first issue that must be addressed is whether the concept of size is used as a descriptor or as a variable. When used as a variable it is primarily for investigation that relies on positivistic social science measurements (i.e.. statistical analysis); when used as a definition, it is mainly to partition cases by creating mutually exclusive categories (i.e. each case fits in only one category). In this chapter we use size as a variable and conduct statistical analysis to determine what is and is not significant in comparative terms.

As discussed in the introductory chapter, determinations of country size are made for a variety of purposes and definitions vary widely. This occurs because size may or may not be a relevant indicator for a particular study and because the impact of population size does vary, depending upon the issue being considered. Population size is not directly related to wealth, for example. Countries such as Brunei, Kuwait, and United Arab Emirates are small but among the wealthiest in the world today. On the other hand, and importantly for this book, the size of a country certainly affects its media capability, capacity, and possibilities. Smaller countries typically have fewer media firms, a more limited range of media types, and less domestic content production than larger ones. This occurs because of economic factors inherent in media operation that create thresholds of size required to effectively support print, broadcast, and other media activities. The issue of thresholds is fundamental to the issues treated in this book and is explicitly examined in the research reported in this chapter.

This raises two questions of signal importance: 1) what is small?; and 2) what measure is employed to determine size? These are important questions because a nation's size can be measured in many ways, three of which are most common – geographical area, population volume, or economic activity.

## *Geographic size*

What constitutes a small country in geographic terms is in fact disputed. Countries range in size from the Vatican City at 0.2 square miles to Russia at 6.6 million square miles. In statistical analyses, some geographers consider small to be any country falling below the median while others prefer to classify a country as small if it is at least one standard deviation below the mean. In general, countries are considered microstates if their geographic area is less than 200 square miles.

Although complicated and actually rather fascinating, in considering issues related to broadcasting services geographic area can't be treated as a primary indicator because it is not related to the critical mass needed to support broadcasting enterprises. Australia, for instance, is geographically much larger than Germany (slightly less than the size of the America's 'Lower 48' states combined), but supports far fewer broadcasting enterprises. Within Europe, countries such as Sweden and Finland are relatively large in terms of surface area but their broadcasting industries are constrained by population sizes. Large countries in geographic terms, such as France, Germany, and Spain, have large broadcasting industries with many operators that provide nationwide service and many others providing more discrete services for specific regions and municipalities.

Of course geographic area does have effects on broadcasting. The territory affects costs via the size and complexity of the necessary transmission infrastructure to serve the country as a whole and in respective localities, however defined. Moreover, geography also affects costs because it is more difficult and expensive to serve highly mountainous territories than relatively flat territories because more transmitters and repeaters are necessary maintain signal integrity that is easily blocked by natural obstructions (mountains, peaks and ridges). Finally, services to large territories with low population density certainly increase the cost per viewer. It is cheaper to serve urban audiences because population density creates advantages cost thresholds. This is everywhere evident in the fact that there are far more channels in big cities and conurbation areas than in rural areas or the 'outback' of a large territory.

## *Population size*

The ability of countries (as well as regions and municipalities) to support broadcasting industries is related to population because the costs of service and economies of scale provide advantages to countries with larger populations.

Worldwide, countries range in population size from 783 in Vatican City to 1.3 billion in China (United Nations 2005). Definitions of what constitutes a small country based on population also vary; again, there is no standard or generally accepted level. As with the earlier arena of study, some demographers consider small to be any country below the median while others prefer to classify a country as small if it is at least one standard deviation below the mean. Still others use cut off points created and justified for specific purposes.

In media analyses, small countries are often considered as those with populations below 20 million because of critical mass requirements for effective operation. The 2009 study on media pluralism for the European Commission used 20 million inhabitants as the dividing line between large and small countries (European Commission 2009). A recent review of media regulation in small European states used a figure of 18 million population as the cut off – which appears to be based on where a statistical gap appears in population figures for EU member states (Puppis 2009). Given that our analyses in this book are focused on media, we decided to use 20 million as our dividing line in determining what counts as a small country.

All things being equal, larger population countries would be expected to offer more broadcasting channels and hours of programming than smaller countries. In the real world, however, the wealth of a country also plays a role in the provision of services.

### *Economic size*

Because media require financial resources, countries with larger economies should be able to support more media operators and channels. This factor has a determinant role in the financing of broadcasting and affects the scope of resources available for both public service and commercial broadcasting.

The traditional measure of economic output is gross domestic product [GDP]. Worldwide and calculated in U.S. dollars, this figure ranges from $10 million in Tuvalu (an island in Pacific Polynesia) to $14 trillion in the United States (United States Central Intelligence Agency 2008). Most use the mean as the dividing line between large and small countries. When making direct comparisons among countries, economists typically prefer to use either GDP per capita or GDP per capita adjusted for purchasing power parity (especially when comparing countries with widely disparate economies). In 2008 the GDP per capita in the 27 countries comprising the European Union was €23,500 (Eurostat 2008 Yearbook). For analysis within the EU, we can thus consider those below that average as having lower GDP and those above as having higher GDP.

All things being equal one would expect wealthier nations to have more resources to devote to providing and acquiring broadcasting services. However, because population is a factor in domestic production, one would expect that small countries, even wealthy ones, would face constraints on services produced. Thus it was clear from the outset that analyses for this book would need to use both population and wealth for assessing the impact of size on TV broadcasting.

## Implications of economic characteristics

As noted in the beginning of this chapter, to address the question of whether domestic size matters in broadcasting will require attending to the economic characteristics of broadcasting as a medium, and how that is affected by scale.

Cost characteristics of the industry include moderate fixed costs – that is, costs that do not change in the short-term regardless of the amount of product that is produced. For broadcasters the fixed costs include facilities, equipment, infrastructure costs, personnel and operating costs necessary to maintain basic operations – and high programme production costs (Noll, Peck and McGowan 1973; Owen, Beebe and Manning Jr. 1974; Owen and Wildman 1992). TV has open technology standards and supply, which results in equipment costs that don't vary significantly from country to country, except as scale of operations increase (or as a function of taxation codes and rates). The costs for equipment have long created strong financial pressures on broadcasters, and technology development has required significant reinvestments in the past two decades because of the conversion from analogue to digital production, the introduction of HDTV, and the requirement to build digital transmission infrastructure.

Cost forces and structures, along with available revenue, are determined by the underlying economics of the industry (Picard 2010). In commercial broadcasting the average revenue per viewer – the amount of money left over after costs are covered, expressed in terms of the margin resulting from each viewer or listener, is relatively stable regardless of audience size. But the actual and average programme cost per viewer tends to rise as audience size increases because more investment is needed in higher quality offerings to attract audiences as more channels compete for attention. Large successful channels create high barriers to entry, meaning it is hard for a newcomer to unseat them because they already large audiences who may have attachments to their programmes and experience with their channel, already tend to have attractive programming, and enjoy better economies of scale. All of that gives them competitive advantages over new entrant channels.

As everyone knows, competition in TV broadcasting has grown sharply since the mid-1980s – especially in Europe after liberalisation took hold in consequence of the *Television without Frontiers* directive. Today the market characteristics of broadcasting include a high oversupply of channels and programming. This oversupply is created by the combined availability of domestic channels, foreign channels, and multiple transmission platforms (terrestrial, cable and satellite channels). This was not at all characteristic in the early days of broadcasting when spectrum was a scarcity. The amount that could be used for TV broadcasting was limited by both technological capability, but was also restricted by governments who needed spectrum for other important functions (especially defence applications). Before development and advances in alternative distribution systems there was no realistic possibility for the volume and range of channels media consumers enjoy today.

In terms of hours of programming provided, by now no individual in any competitive, mature media market can view all the hours provided by all the operators – and increasingly not even a fraction of the total. The sheer volume provided to choose from far exceeds the finite natural limit of 24-hours in a day. Of course much of this additional programming is not original but rather is syndicated, of foreign origination, and many channels feature a lot of repeat programmes (especially themed channels).

Broadcasting is relatively unique because of non-rivalry in consumption. This means that content use by one media consumer does not preclude its use by others. There is also wide variance in the amount of consumption by day and time of day. Individuals also vary in the amount of radio to which they listen and the amount of television they view. All of these factors create unique cost realities for broadcasters. Because costs for facilities, equipment, and operations are relatively fixed, economies of scale in service are related to audience size. The average cost for serving viewers (that is, cost per viewer) decreases as audience size rises and, crucially for this book, *vice versa*: costs per viewer increase as population size decreases. An advantage for size occurs because there is no marginal cost – that is, no additional extra cost per person – for serving a larger number of viewers. Consequently, the cost is more or less the same whether the programme is viewed by 1 million or by 1 viewer. The fixed and variable costs remain essentially the same, thus making larger audiences more *efficient*.

As the number of broadcasters (and cable/satellite channels) increase, audiences fragment and the average financial resources available to each broadcaster in the market are reduced. This forces managers of broadcast enterprises to control other costs. The three most controllable costs involve the number of broadcast hours (total hours of broadcasting operations), the hours of programme production (how much of the volume is originated content, which is more expensive than importation), and genres of production (the costs vary for different types of programmes, e.g. news versus drama). These understandably become the focus of cost control and create incentives for broadcasters to rely on externally syndicated production for much of their programming.

The consequences of these factors are 1) that a typical threshold level of costs must be borne by the operator, whether broadcasters are serving smaller or larger countries, and this is significant for operators in smaller countries because there are fewer potential listeners or viewers available; and 2) the average cost for serving audiences will be higher in smaller than larger countries. Thus, in terms of provision one should expect that countries with smaller populations or less financial resource availability will – on average – be expected to broadcast fewer hours, produce less original programming, avoid expensive genres, and acquire more syndicated programming from external producers. As the number of broadcasters increase in a country, the average resources available for programming each additional channel will decline, leading again to reduced production of original programming by each operator and the acquisition of more syndicated programming from other producers, as well as the avoidance of expensive genres.

Because of these underlying economic and cost characteristics, managers of broadcasting companies tend pursue strategies to maximise their audience in terms of programme share at peak hours and in average daily share. Whenever advertising revenue must be secured by broadcasters, whether commercial or public service, there is need not only to maximise audience by day part but also to maximise average income per viewer and average income per programme. This encourages making programme choices that privilege serving those demographic segments that are most attractive to advertisers. These strategies are important because as audience size diminishes the benefits of scale diminishes with it, and the average cost per viewer rises.

That is why one crucial benefit of licence fees and channel subscriptions is the provision of relatively stable incomes that permit better financial planning and programme cost allocation: the overall average income per viewer is fixed.

## An exploration of size and broadcasting

Empirical study was undertaken to examine the extent to which the theoretical expectations and predictions discussed above are actual in the real world. The rest of the chapter reports findings from this co-relation study comparing smaller and larger countries across specified factors to generate useful insights for understanding how broadcasting works in systemic terms. Factors included in the study are:

- Population size
- Financial resources in GDP per capita
- Advertising expenditure per capita
- Number of public service and commercial radio and TV channels (market structure)
- PSB radio and TV operating revenues
- Commercial television operating revenues

- Content provision according to the hours of domestic TV production
- Audience shares for the top 4 TV firms and for the top 4 radio firms

Data for 31 European countries were available for study. The data were gathered from three sources: Eurostat (2008), the World Advertising Research Centre (WARC 2009), and the European Audiovisual Observatory (EAO 2009).

The study used population size and wealth as measures of size. The countries ranged in population size from 320,543 for Iceland to 82 million for Germany. Twenty-four countries were below the 20-million size threshold. GDP per capita was measured in euros and ranged from €39,700 in Bulgaria to €174,900 in Ireland, with an average of €94,312.

Financial resources available for broadcasting were measured by advertising expenditures, licence fee revenue, total PSB revenue, and commercial television revenue. Advertising expenditures per capita were measured in U.S. dollars and ranged from \$63.30 in Bulgaria to \$528 in Norway, with an average of \$241. The television license fee ranged from €13 in Romania to €294 in Denmark. Total PSB TV and radio revenue ranged from €26 million in Lithuania to €8,241 million in Germany, with an average of \$1,258 million. Commercial television operating revenues ranged from €28 million in Estonia to €4,208 million in Germany, with an average of \$886 million.

Market structure was measured by a concentration ratio keyed to the number of public and private channels. The concentration ratio was comprised of the audience shares for the top 4 channels combined, and ranged from 50% in the Netherlands to 86% in Malta and Portugal, with an average of 69%. The number of nationwide public television channels ranged from 1 in Bulgaria to 21 in the United Kingdom, with an average of 5. The number of nationwide private television channels ranged from 1 in Denmark and Ireland to 72 in Italy, with an average of 11.

Content provision was measured by hours of broadcasting and percentage of domestic production for entertainment programming. The hours of broadcast programming ranged from 3,724 in Norway to 62,761 in Germany, with an average of 15,870. Domestic production was measured as a percentage of feature films, TV films, short films, series, soaps and animation programming produced in and for each country and ranged from 2% in Switzerland to 29% in France, with an average of 11%.

The data were subjected to co-relation (correlation) analysis (Table 1) and interpreted using the 5-level interpretative guide suggested by Guilford (1956: 145)[1]. Relationships with a score below .40, that is, those with only slight or low co-relation were rejected.

In what follows we treat the findings for each factor in turn.

1. 1) < .20 = slight co-relation, almost negligible relationship; 2) .20 to .40 = low co-relation, definite but small relationship; 3) .40 to .70 = moderate co-relation, substantial relationship; 4) .70 to .90 = high co-relation, marked relationship; 5) > .90 = very high co-relation, very dependable relationship.

**Table 1.** Co-relation results

| | Population | GDP /capita | Ad Expend. /capita | Aud. Share 4 Channels | # Public Channels | # Private Channels | PSB Revenues | Com. TV Revenues | Hours Programming | % Domestic Production | Licence Fee |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Population | 1 | | | | | | | | | | |
| GDP per Capita | 0,149710657 | 1 | | | | | | | | | |
| Advertising Expenditures per Capita | 0,114842461 | 0,899522993 | 1 | | | | | | | | |
| Audience Share for top 4 Channels | -0,205288707 | -0,306009546 | -0,325947279 | 1 | | | | | | | |
| # Nationwide Public Terrestrial Channels | 0,525137141 | 0,343198953 | 0,456876394 | -0,143983379 | 1 | | | | | | |
| # Nationwide Private TV channels | 0,625845423 | 0,179266543 | 0,160981273 | -0,063805231 | 0,697049367 | 1 | | | | | |
| PSB TV and Radio Operating Revenues | 0,913539361 | 0,376158248 | 0,318035307 | -0,282763961 | 0,526349844 | 0,526663292 | 1 | | | | |
| Commercial TV Operating Revenues | 0,961597558 | 0,358152633 | 0,28451157 | -0,265521622 | 0,681214693 | 0,65985289 | 0,953835649 | 1 | | | |
| Hours of programming Broadcast | 0,698508463 | -0,375268113 | -0,294446206 | 0,117769943 | 0,409064356 | 0,362292832 | 0,665428557 | 0,58829243 | 1 | | |
| % Domestic Production | 0,790374305 | -0,548961677 | -0,646232574 | 0,326016583 | 0,275789603 | 0,510187263 | 0,567716847 | 0,697386908 | 0,731962044 | 1 | |
| Licence Fee | -0,1312261 | 0,711603386 | 0,809565638 | 0,011833391 | 0,232300759 | -0,052526868 | 0,188355128 | 0,114213874 | -0,283060454 | -0,52015074 | 1 |

## *Size findings*

Four findings relating to population size were found important in the research. Population has a very highly positive co-relation (revealing a very dependable relationship) with operating revenues of PSB radio and television and with commercial television operating revenues. Population has a highly positive co-relation (showing a marked relationship) with the percentage of domestically produced feature films, TV films, short films, series, soaps and animation programmes. Finally, population has a moderate positive co-relation (indicating a substantial relationship) with the number of nationwide public and private terrestrial channels.

These findings indicate that broadcasters in smaller states have fewer channels, lower revenues for both public and private broadcasters, and broadcast a lower percentage of domestic programming than larger countries. These findings meet our theoretical expectations based on broadcast economics relative to size.

When wealth is used as a size indicator, three significant findings are important. GDP per capita has a very highly positive co-relation (showing a very dependable relationship) with advertising expenditures per capita, and a highly positive co-relation (indicating a marked relationship) with higher licence fees. Second, GDP per capita has a moderate negative co-relation (revealing a substantial relationship) with the percentage of domestically produced feature films, TV films, short films, series, soaps and animation programming.

These findings indicate that broadcasters in smaller economies (evidenced by lower GDP per capita) have lower advertising expenditures per capita and lower license fee levels than wealthier countries, and that they broadcast a higher percentage of domestic programming than wealthier countries. The first two findings confirm our theoretical expectations. The finding that countries with lower GDP per capita produce a higher percentage of domestic entertainment programming is interesting because it defies expectations. One would normally expect that countries with lower financial resources would produce less original programming in order to reduce costs. The reason for the finding is unclear but it may be that broadcasters in these countries choose not to use their resources to purchase inexpensive programming from abroad but prefer to make more inexpensive programmes domestically.

## *Financial resources findings*

Resources provided by advertising were co-related with three other variables. Advertising expenditures per capita have a highly positive co-relation (showing a marked relationship) with licence fee levels, and a moderate positive co-relation (revealing a substantial relationship) with the number of nationwide public terrestrial channels. Advertising expenditures per capita also have a moderate negative co-relation (indicating a substantial relationship) with the percentage of domestically produced feature films, TV films, short films, series, soaps and animation programmes.

The co-relation between higher advertising expenditures per capita and higher license fees explains the earlier finding that higher levels of wealth were related to higher advertising expenditures per capita and higher licence fee. This makes sense in economic terms because firms and residents in the countries would have higher capacity to pay.

The findings that advertising expenditures per capita are related to the number of public television channels but not to the number of commercial channels is surprising. One would expect a relationship also with the number of commercial channels. Although the reasons are not clear from this study, the fact that the majority of public service broadcasters now accept some advertising may be affecting this result.

Revenues of public broadcasters were co-related with three variables, as well. Public television and radio operating revenues had very highly positive co-relation (showing a very dependable relationship) with commercial TV operating revenues, and public television and radio operating revenues have a moderate positive co-relation (revealing a substantial relationship) with the total hours of programming broadcast, as well as the per cent of domestically produced feature films, TV films, short films, series, soaps and animation broadcast.

Commercial television revenues are co-related with the amount and type of content that is broadcast. Commercial TV revenues had a moderate positive co-relation (indicating a substantial relationship) with the number of hours of broadcast programming, and with the per cent of domestically produced feature films, TV films, short films, series, soaps and animation programming.

These findings relating to public and commercial revenues indicate that countries with well-developed and well-funded public service broadcasters tend to have better funded commercial broadcasters as well. Moreover, the higher levels of domestic production in entertainment programming are also co-related with better funding for both public service and commercial broadcasters.

These finding are in line with theoretical expectations that larger volumes of available resources leads to more domestic production and programming. The high relationship between public broadcasting and commercial broadcasting revenues indicates that as resources for one grow so, too, do resources for another. This result can be affected by the fact that the majority of public broadcasters now accept advertising, but it may also be affected by the choices of policy makers seeking to provide more resources through licence fees and/or seeking to secure additional revenues in markets where larger resources are available for commercial operations.

The results reveal that countries where lower levels of public and commercial revenues are characteristic, lower levels of domestic production in entertainment programming are typical. These findings are in line with theoretical expectations in broadcast economics.

### *Market structure and services findings*

Concentration of audience share had no moderate or higher relations with any of the variables. Thus, leading broadcasters obtaining larger shares of the available audience were not related to country size, financial resources, market structure, or content provision factors. Some might take this to indicate that language and other cultural factors play a greater role in programme attractiveness. However, the lack of relation to amount of domestic production calls this into question and the reason for the result is not evident from this study.

The number of channels in a country was co-related with services provided. The number of nationwide public terrestrial television channels had a moderate co-relation (indicating a substantial relationship) with the number of nationwide private television channels, commercial TV operating revenues, and per cent of domestically produced feature films, TV films, short films, series, soaps and animation programmes. The number of nationwide private terrestrial channels had moderate positive co-relation (revealing a substantial relationship) with public TV and radio operating revenues, commercial TV operating revenues, and hours of programming broadcast.

These findings underscore the financial resource findings. There is a relationship between financial resource availability and both more services from both sectors, public service and commercial, as well as with higher levels of domestic entertainment programming. The findings are consistent with theoretical expectations based on broadcast economics.

### *Content provision findings*

The hours of programming broadcast have a high positive co-relation (revealing a marked relationship) with the per cent of domestically produced feature films, TV films, short films, series, soaps and animation programming, and a moderate positive co-relation (showing a substantial relationship) with the number of public service channels. On the other hand, the per cent of domestic feature films, TV films, short films, series, soaps and animation programming has a moderate negative co-relation (indicating a substantial relationship) with licence fees.

These findings indicate that higher levels of broadcast hours in a country are associated with higher domestic production, and that countries with lower licence fees have a higher percentage of domestic production. The findings related to hours broadcast and higher domestic production is in line with theoretical expectations of broadcast economics. The finding that countries with lower license fees have higher amounts of domestic production in broadcast is unforeseen and conflicts with economic and broadcast economic expectations. This finding appears somewhat related to the early unexpected finding that countries with lower GDP produce more domestic content. Although not clear from this study, it may indicate a preference for spending the limited resources domestically even if inexpensive foreign programming is available.

## Conclusions

This study of uses co-relation analysis for empirical investigation of variables related to size in terms of both population and wealth. Clear relationships are revealed between size (in population and GDP/capita) and the number of broadcasting stations, volume of available resources, and scale of domestic production. Caution is warranted because co-relation does not reveal causation in any identified relationships. As demonstrated, however, the relationships we've uncovered meet most of the theoretical expectations keyed to issues of scale in broadcast economics. The exception is the finding that higher domestic content provision is associated with smaller countries in terms of wealth. It is nevertheless quite clear that size matters to revenues, services available and domestic production (Table 2).

**Table 2.** Explanation of size findings

| Size measured by population size | Size measured by GDP size |
|---|---|
| Smaller nations have… | Smaller nations have… |
| Lower advertising expenditures per capita (fewer financial resources) | Lower advertising expenditures per capita (fewer financial resources) |
| Lower licence fees (fewer financial resources) | Lower licence fees (fewer financial resources) |
| Larger proportion of domestic programming than wealthier nations (less importation)* | Larger proportion of domestic programming than wealthier nations (less importation)* |

* Unexpected finding

The unforeseen finding that countries with lower licence fees, lower GDP, and lower revenue for public and private broadcasting nonetheless provide a larger percentage of domestic productions is particularly interesting. Although it cannot be proven from the data and analysis used here, a good possibility is that because there are fewer channels domestic content is emphasised. It would be logical to expect that as the number of commercial channels increase there is a tendency to see more imported syndicated programming as a consequence of cost savings measures.

The findings also make it clear that strength of financial resources is directly related to industry structure and performance (Table 3).

**Table 3.** Explanation of financial resource/Market structure findings

| |
|---|
| Greater financial resources produce more public and private broadcast channels |
| Greater financial resources increase revenues of public and private broadcasters |
| Greater financial resources and industry revenues increase number of hours broadcast and greater domestic production |

This chapter has shown that from the economic standpoint, size certainly does matter. It is highly relevant as an influence on resources, capabilities, economic viability and the capacity for national broadcast provision. This being the case, *one cannot have the same expectations for broadcasting in smaller countries as in larger countries and one must recognize that similar policies will not equally viable or effective in countries of different size*.

The implication is that media policy makers should be wary when looking to larger countries as exemplars of desirable broadcast systems at home, or as appropriate templates for guidance on domestic policy development. Instead, optimal broadcasting policies are those that are developed to account for the specificities of domestic economic, structural, and resource conditions.

The results also indicate that standard indicators of top-4 (and top-8) firms used in analysis of consolidation and concentration are not particularly germane to media markets because there is a natural concentration due to economic conditions that typically produces less major firms in both smaller *and* larger countries. This would seem to indicate that more media-specific policy rather than general competition policy is likely warranted in the broadcasting sector.

Thus, it is clear in this analysis of empirical data from 31 European countries that broadcasting in the EU (at least) is definitely *not* the same across countries. The size of the country, both in population and wealth, is a key factor, in addition to historical, political, and cultural factors. In short, size matters because it has a determinant bearing on the possibilities and potential outcomes for every broadcasting system.

# Sizing Up Size on TV Markets

## *Why David would Lose to Goliath*

Christian Edelvold Berg

This chapter[1] argues that every size of television market has characteristic dynamics that are more or less applicable everywhere, and that the explanation of key difference lies in relative market leverage[2]. This can be conceptualised as an expression of the market's inability to allocate resources efficiently, which is the case generally in media markets due to conditions of imperfect competition and higher potential for market failure in media goods. In this chapter I assume that size matters for both performance and policy in TV markets, and focus attention on how it influences market conditions. I approach the task by examining difference in market volume and domestic programming between smaller and larger markets. In line with the book's premise, I utilise both population size and economy size. Interest is especially focused on the interaction between types of size.

We begin with quantitative analysis to clarify available revenues in respective television markets. This establishes TV market volume and is the result of combining the three primary streams of funding for television: public subsidy, advertising and subscription. I rely on statistical regression to investigate the relationship between population size and economy size to see how size influences market volume. The findings are substantiated by descriptive statistics.

Secondly, I study whether size influences the level of investment in domestic TV content. That is handled by investigating the volume of originated programming, defined as all programming that is commissioned by domestic operators rather than acquired from the international market. This is useful for

1. This chapter is a significantly reduced version of a section in my forthcoming doctoral thesis at the Copenhagen Business School. When published, readers will find more detailed descriptions and analysis there.
2. The definition of size applied in the regression analysis is not categorised but scaled, the reason being that return to scale should respectively increase and decrease relative to population and economy size. The larger the market the more efficiently it should be able to provision services. This points to a linear relationship, with an important exception. When assessing public subsidy it becomes more a question of political choice regarding the scale and scope of market intervention rather than size per se. Large markets, however, have the potential to provide higher levels of subsidy, although there is no guarantee this will be utilised. When using the term categorised size, we apply a relevant definition for large market and large Economy via GDP PPP pr. Capita 24.216,8 US $, all other instances being considered small.

identifying the relationship between the two primary size variables (population and economy) on the expenditure for originated content. The same statistical techniques are applied.

Thirdly, I substantiate the claim that size of population and size of economy interact. This is useful for establishing how size influences TV market volume and expenditure on originated content both individually and through interaction. Both the size of the population and the economy are important because they influence the critical mass of the market. The larger the market the more revenue should be available on the one hand, and the more that cost can be spread on the other. I argue that the provisioning of domestic content is influenced by size due to the logic of collective funding and increasing returns to scale.

The chapter begins with the essential argument, followed by three sections where the relationships of interest are investigated. The first of those sections focuses on why there should be a difference. That is followed by empirical evidence about TV market volume, which shows differences in co-relation with the size variables. The evidence for difference based on expenditure on originated content is demonstrated in both statistical and descriptive forms. This leads to the presentation and testing of four varieties of size. The chapter concludes with discussion about the importance of size to how TV markets are structured and how TV systems work.

## Why size differently influences smaller and larger TV markets

Although it is certainly the case that smaller and larger TV markets have similar characteristics as a result of how broadcasting technology works, there are significant differences in the dynamics that characterise comparative contexts. These differences are caused by variation in market volume and supply. This suggests the importance of market leverage: differences in the dynamics accounting for variation in smaller markets are due to the market's inability to leverage the critical mass necessary to provision media content goods, where cost of production is independent of consumption. In short, it costs as much to make a programme for a few people as for a multitude because costs are fixed, in large part. This is especially pertinent to the dynamics of smaller markets because less ability to leverage must limit the potential for achieving higher efficiencies related to scale.[3]

3. Efficient scale in small markets requires relatively high levels of market share, evident in high degrees of market concentration. Especially in the situation where advertising and subscription revenue are garnered by international owners or investors, the distinctly domestic aspects of a TV market are correspondingly weakened. When taking into consideration digitization, this problem may actually worsen – if not in terms of channel supply or overall content supply, then at least in the level of domestic content supply.

The argument is based on an assumption: It is in the joint interests of both the state and consumers to secure domestically produced content because audiovisual representation has a crucial role in contemporary national cultures. The cultures that characterise a people as a nation, both in their distinctions and connections, are produced and must be continually reproduced. A complex interaction between preservation and incorporation is everywhere obvious, and increasingly today this is related to influences from abroad via the impact of globalisation. This is not always a peaceful, easy-going process, but rather frequently characterised by clashes over values and identities – both inside domestic cultures and in response to external cultures. Domestic content distils and represents these cultural dynamics in various generic formulations, including humour, news, drama and current affairs – really, in every genre as the concept of "working through" clarifies (Ellis 1999). For matters related to cultural identities, self-perceptions and perspectives on the world, and every collective routine of social practice in societies today, domestic originated television content plays crucial roles.

For smaller markets this is problematic because domestic programming is typically unable to produce sufficiency across all types of genres in amount or quality, or both. The market is materially too small to support that. Domestic companies in smaller markets therefore face generalisable difficulties in being unable to reach the efficiency of scale required to produce all the contents that are needed.

This situation fuels a related tendency. Mass media require some form of collective funding because production cost is independent of consumption.[4] Because content is expensive to produce content but cheap to purchase, there is incentive to buy tested formats, popular series, hit motion pictures, and other media goods because this lowers uncertainty in attracting viewers. Risk of market failure and lack of incentives are governing principles in determining a market's lack of original domestic content.[5]

This complexity is explained by difficulties related to the nature of media content as public goods, as well as in economic theory where increasing returns to scale explains how the cost of production is independent of consumption. This situation produces typical challenges in securing sufficiency in original domestic content:

4. Even in cases of subscription funding, if lacking the critical mass to facilitate production there can be no guarantee of sufficient revenue to secure the content necessary to satisfy either consumer or public interests. The greater the number of subscribers the further cost is spread due to the intrinsic character of broadcast properties as non-rivalry goods.
5. Public subsidy is therefore a viable way to secure the level of provisioning desired in media content by a particular market. But this does not necessarily mean size will determine the level of public subsidy because that is inherently a political decision and always hinges, to a high degree, on the agreed legitimacy of market intervention.

1. The non-rivalry characteristic of media content (meaning the same content can be consumed by more than one person at no added cost) with high potential for non-excludability[6];
2. Increasing returns to scale because the cost of production is independent of consumption (meaning that most of the costs are sunk in producing the first copy, with duplication being fairly cheap);
3. Higher levels of efficiency in scale caused by the collective funding function, especially important for smaller markets (meaning that domestic broadcasters depend on single markets while multi-national corporations [MNC] are able to distribute the same channel or content – dubbed or subtitled – to several markets at once, making it much easier to realise efficiency in scale).

The logic of the argument suggests a range of hypotheses that will be explored. Taken together these imply an increased vulnerability and dependency of smaller media markets on foreign productions. I rely on abbreviations to represent the key concepts:

- Media content characteristics – MCC
- Non-rivalry in consumption – NRIC
- Non-excludability – NE
- Excludability – E
- Increasing returns to scale – IRS
- Minimum efficient scale – MES

In the context of television markets:

MCC = NRIC + either NE or E ↓

\+ IRS ↓

High MES level ↓

We expect small media markets to be more vulnerable and dependent than large markets due to increased difficulty in establishing a commercially viable domestic market as a consequence of market failures ↓

Small TV market volume is less than Large TV market volume ↓

Small TV markets have less expenditure on originated content than Large TV markets ↓

Small and large markets share general characteristics caused by TV as a medium, but managing with the entailed dynamics is more challenging for small TV markets in provisioning original domestic media content due to less market volume and lower commercial incentive. ↓

The level of Population and Economy therefore influence the relative market leverage of volume and provisioning, both individually and through interaction.

6. I argue that domestic content while potentially non-excludable, is for the primary market audience. We can argue that culture and language almost by definition will act as excluding factors which influence what and where the firm can acquire productions for domestic audiences.

Smaller and larger media markets certainly share challenges that are inherent for broadcasting, and other forms of mass media (especially newspapers) for that matter. These create considerable difficulties in ensuring adequacy in the public service dimensions of media, long accepted as being of essential importance in the EU and other mature democracies (at least) because media are necessary for serving the democratic, cultural and social needs of respective societies. It has also long been accepted that smaller countries share relatively unique challenges in being subject to significantly higher degrees of vulnerability to and dependency on foreign-originated content. This legitimates varying amounts of policy intervention that are intended to correct deficiencies. This is a familiar premise in numerous reports (see for example Peacock 1986; the Amsterdam Protocol of 1997; UNESCO 2005). This is also in line with provisions in the Communication on Broadcasting issued by the European Commission regarding the application of State aid rules to public service broadcasting (2009, no.42), where it is explicitly noted that smaller member states face real limitations in being able to finance public services in media due to the higher cost per inhabitant.

The market in and of its self cannot be expected to provision the full variety of desired programmes, especially in smaller countries with their reduced volumes of domestic resources. To this we can add the even greater problems in doing so with regard to informational and educational programmes that are not typically profitable for commercial business. In practice this means that while the relative costs for a one-hour production are relatively the same in Germany and Denmark, for example, the main difference lies in the number of people available to co-finance production, as well as the relative wealth of the respective societies (an issue that becomes especially pointed, for instance, in certain countries in Eastern and Central Europe today). As a function of population size alone, Danes must pay more per capita than Germans if they want to enjoy the full range of media goods that are typically considered necessary for democracy, society and culture.

The background to this discussion hinges on the notion of a public interest in providing specific media goods and services to society as a whole, and which are inherently beyond the more particular tastes of an individual consumer (McQuail 1992). This implies the importance of accounting for differences in the volume of public expenditure on media as a factor of available revenue. Of course the commercial sector has an understandable interest in establishing common markets and promoting free trade. The potential of export markets does significantly increase business opportunity. But it is equally understandable that in smaller markets policymakers have an interest that is quite reasonable to ensure the viability of domestic audiovisual production in all the varied genres of content and media products necessary to the well-being of the societies for which they are responsible, and to which they must be accountable. The fact that it is understandable on both sides accounts for continuing disagreement between the EU and US over policy in television trade (among other things). The US claims that the EU violated GATT agreement in formulating policies that require some percentage of European originated works in the totality of programme output in member states (e.g. in the Television without Frontiers directive from 1989 that was recently amended in 2007 as the Audiovisual Media Services directive). For more about all these policy concerns see the chapter by Erik Nordahl Svendsen.

EU legislation since the mid-1980s has facilitated the establishment of the dual system of public and private broadcasting sectors competing in Europe, and facilitating a strong commercial media sector that is now able to compete in scale and scope across Europe. This has undeniably benefitted diversity in content and pluralism in provision. Although under fierce attack today, public subsidy has factually been essential to ensuring that competition is robust for markets where it would otherwise collapse due to problems inherent with economies of scale inside and across European media markets. Ironically, however, EU policy is today limiting the competence of state policy to handle media matters, matters that have undeniable importance for both historical and cultural interests as well as efficacy in the performance of competition. The evidence points to very different conclusion than the noisy contrary claims about public subsidy creating 'unfairness' in conditions of competition.

Here we are dealing with material limitations and necessities caused by differing levels of market leverage potential in variously sized markets, which affect abilities to provision domestic public services in media. Despite claims of market distortion and the desire for some universally applicable template to fairly steer media policy in respective member states, variability in market conditions means that what might counts as distortion in one country could not be fairly be considered as such in another country. There is no universal best practice. Rather, policy in each member state must take account of all the particularities and traits of each respective television market, even if the medium as a technology has inherent characteristics that create commonly shared challenges – as noted earlier. There is a case to be made that in the struggle between commercial and cultural interests, which is certainly evident in EU media policies, what has been taking shape in recent years appears tailored more for catering to the interests of the large member states with their inherent advantages than for the small member states with their inherent disadvantages. Complexity in markets is not, apparently, something the EU is all that competent to deal with.

## The sample and analysis

The sample for studying the relationship between size, TV market volume and expenditure on originated content is complicated. Non-European markets could not be included for analysis due to lack of comparability in the kinds of data collected, and how it is collated in different countries and regions. There are especially severe limitations regarding the expenditure on originated content. The markets I have been able to include are presented in the Table 1.

**Table 1.** Sample divided by categorised state size

| | | | | POPCAT Small | POPCAT Large |
|---|---|---|---|---|---|
| | | | N | 22 | 13 |
| **TV market volume** | ECONCAT | Small | 12 | Bulgaria, Croatia, Estonia, Hungary, Latvia, Lithuania, Slovakia, Portugal | Poland, Romania, Turkey, Ukraine Australia, Canada, |
| | | Large | 23 | Austria, Belgium, Cyprus, Czech Republic, Denmark, Finland, Greece, Ireland, Netherlands, New Zealand, Norway, Slovenia, Sweden, Switzerland | France, Germany, Italy, Japan, Spain, UK |

| | | | N | POPCAT Small | POPCAT Large |
|---|---|---|---|---|---|
| | | | | 19 | 17 |
| **Expenditure on originated content** | ECONCAT | Small | 9 | Bulgaria, Estonia, Hungary, Latvia, Lithuania, Slovakia, Portugal | Poland, Romania |
| | | Large | 17 | Austria, Belgium, Cyprus, Czech Republic, Denmark, Finland, Greece, Ireland, Netherlands, Norway, Slovenia, Sweden | France, Germany, Italy, Spain, UK |

*Source:* Own depiction/model

The sample of TV market volume is based on quantitative data collected for 35 markets and constructed on the basis of the three main revenue streams. The sources vary. The data on subscription revenue were collected from Screen Digest; TV advertisement revenue is derived from the World association of Newspapers (2008), and using the Euromonitor database for corrections and exchange rates; the public revenue[7] is derived from a combination of published information from regulators and public broadcasters – although there are exceptions as data for Japan, the USA, Greece and Cyprus were derived from Screen Digest, and information about New Zealand is derived from accounts published by New Zealand On Air, including the Maori channel; for Canada the information was collected from CBC financial accounts. The expenditure on originated content for a smaller subset of 26 markets is based on quantitative data from Oliver & Ohlbaum Associates (2009) focused on originated content as measured by market expenditure in 2006-2007. Originated content is under-

7. For public revenue the decision has been to include radio revenue in the figure because this is inseparable in the data for most markets where all PSB is handled by a single company. For markets such as Sweden and Romania where the figures are divided I had to therefore aggregate them to achieve comparable figures necessary for analysis.

stood as content commissioned instead of acquired (these do not include the revenue, for instance, on sports rights, but do include expenditure for news).

### *Empirical evidence on the influence of size on TV market volume*

I argue there is a relation between total market size and the available revenue in the television market. If true, we should therefore be able to identify an effect of size on TV market volume. We have earlier argued in such a way as to expect this effect should be positive due to characteristics of media content as public goods, and the challenges of non-rivalry in consumption and minimum efficient scale in combination with increasing return to scale. To test this, I applied an OLS regression analysis respectively for both population size and economy size on TV market volume. As the number of observations is limited to 35, we must be cautious about conclusions. On the other hand, the sample includes the vast majority of EU member states as well as Japan and the USA, so there should be fairly validity for the European context at least. This analysis is a first step to ascertain whether the expected relationship is statistically significant.

The results for population and economy size in relation to TV market volume indicate the regression is robust in explaining variation[8]. Both dimensions of size show strong relationships.

The assumed relationship between size and TV market volume is substantiated. However, we are left with a picture suggesting that for TV market volume, the economy has more impact than population size.[9] While Poland is large when measured by population, when measured by economy it is relatively small. This is a good contrast, for instance, with the Danish market that is rather the opposite. This points to the relative character of size where a small population with a relative large economy can, in principle, invest a similar amount of revenue as a market with a large population but a small economy. This also substantiates the reason for statistical deviation between media markets in former Soviet states. In summary, the model is statistically significant with the coefficient of determination showing a strong positive relationship between the variables.

This confirms the first step in our statistical analysis of size and supports our discussion about the difficulties that small markets have in lacking sufficiency of size (in one or both dimensions) to provision public services in media. They simply cost more per capita due to the public good characteristics of media content. The increasing returns to scale combined with a difficulty in reaching efficiency leads to higher potential for market failure in domestically produced content. This is especially the case in smaller markets.

8. The explanatory strength varies between adj. $r(34) = .764$, $p < .001$ for population and adj. $r(34) = .952$, $p < .001$ for economy.
9. Our sample size did not allow for multiple regression analysis containing both variables because of omitted population due to inter-correlation, but the relative small and large relationship does appear to be important.

**Table 2.** Regression statistics[1] on the relation between population and economy size on the TV market volume[2]

| | Sample without the USA | | Sample with the USA | |
|---|---|---|---|---|
| | **Population** | **Economy** | **Population** | **Economy** |
| Coefficient (OLS) | 154,459 *** | 0,006 *** | 281,356 *** | 0,009 *** |
| SE | 14,885 | 0,000 | 15,741 | 0,000 |
| t-statistic | 10,377 | 25,074 | 17,874 | 37,896 |
| Constant | -308,935 | -138,690 | -2962,525 | |
| SE | 561,130 | 243,926 | 992,351 | -136,410 |
| t-statistic | -0,551 | -0,569 | -2,985 | -2,952 |
| Observations | 34 | 34 | 35 | 35 |
| Adjusted R2 | 0,764 | 0,952 | 0,904 | 0,978 |
| R2 | 0,771 | 0,950 | 0,906 | 0,977 |
| F statistic[3] | 107,677 | 628,690 | 319,475 | 1436,143 |
| Prob > F | 0,000 | 0,000 | 0,000 | 0,000 |
| Durbin-Watson[4] | 1,663 | 2,103 | 1,871 | 1,706 |

*** (**) [*] denote significance at p < 0.01, (p < 0.05), [p < 0.1].

1. This needs further analysis on the hypothesized relationship between POP, ECO and TV MV can be written like this: Regression: Y = + βX + , equal to TV MV = + βPOP + & equal to TV MV = + βECO +
Where = The constant term (the MS with a population or economy of zero), β = The effect of increased PS or ES in terms of 1mn on MS in mn. Euro (the coefficient of the independent variable), = The error function, that other factors influence MS (non-observed/non-observable factors).

2. Using the method of stepwise forward in the regression analysis led to the omitting of population, therefore I have performed two separate analysis of these, in short economy appear as the variable explaining most of the variance.

3. The t-test being 107,67 and 628,690 is different from Zero. Beta coefficients refers to the change in the slope of the line, meaning the change in market size based on change in population (under the function of MS = + βP).

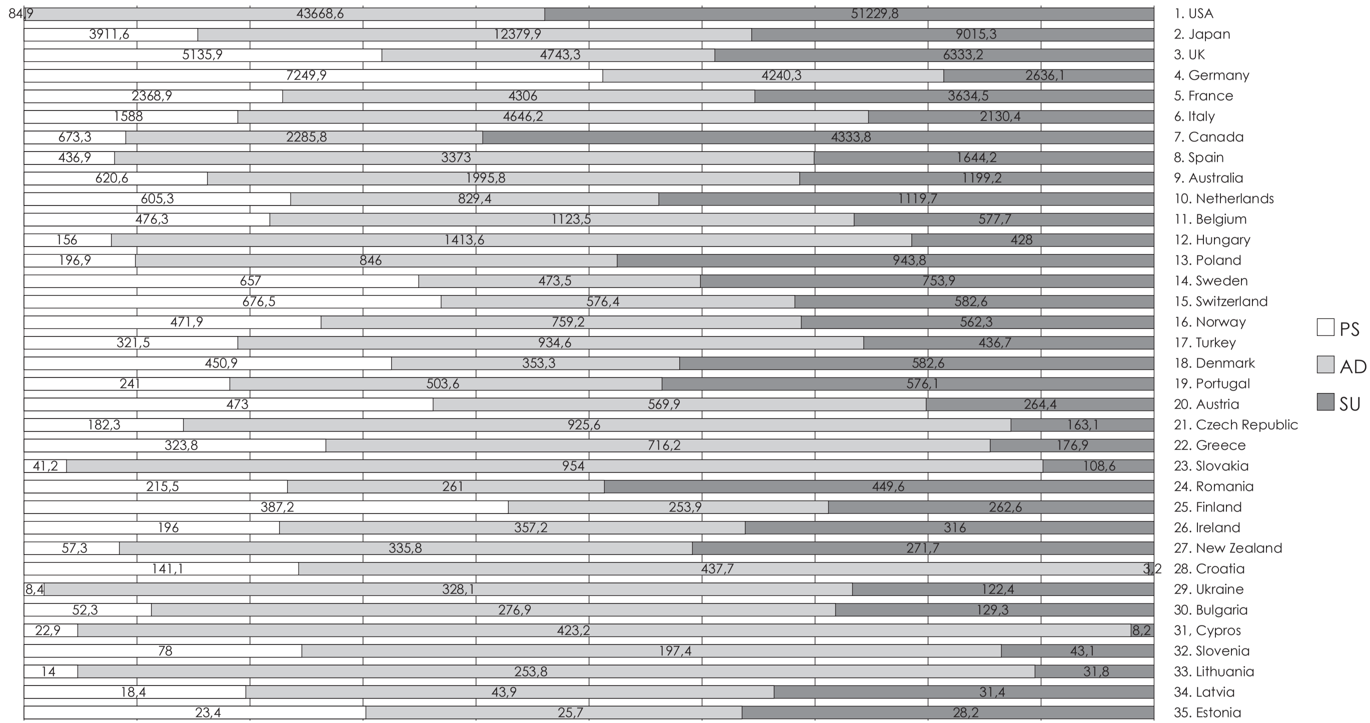
4. Furthermore, we can reject that the data is auto correlated as the values are within the range of 1,5-2.5 and thus assume independence of observations.

## *Market volume distribution by type*

In this section of analysis we examine the distribution of revenue in the individual markets. Our purpose is to identify the differences between these markets regarding the distribution of the three types of revenue (subsidy, advertising and subscription).

The figure shows the distribution of revenue sources in millions of euros for those markets included in the analysis. In aggregated terms, the smallest market is Estonia with €77,3 million. The next smallest are also Baltic markets, Latvia with €93,7 million and Lithuania with €299,6 million. The overwhelming market leader is the USA with advertising revenue of €43.668 million and subscription revenue of €51.229 million, nearly rivalling the whole of aggregated EU markets. The second largest market is Japan with €29.218 million, in total. These two markets represent both the largest populations and economies in the sample. To make a useful comparison between the USA and the EU therefore requires pooling all of the data on Europe. Aggregating the revenue for the five largest EU markets still only comes to about 50% of the total for the USA. The third largest market in the world, and the largest in Europe, is the

**Figure 1.** TV market volume by type of revenue in millions of euros € ordered by largest volume[1]




1. The table has been constructed using data from the following sources, for advertisement revenue a combination of World association of Newspapers annual publication in combination with the Euromonitor database for exchange rates and corrections, the figure representing the method of calculating this in the individual markets. The subscription revenue is from the Screen Digest Television intelligence database representing the individual domestic market figures. The public revenue is from a combination of sources where annual reports of financial figures in combination with Screen Digest and controlled using EBU figures. Furthermore, in markets where public radio companies are independent, their public subsidy has been included in the calculations to ensure comparability, the only market where this is not the case is the US – this is not to been perceived as a major skewing, but rather a relatively small bias. The inclusion of public radio revenue was to secure that the markets with separate companies did not fall below the level of similar markets, where television and radio are combined. Separate ranking tables of the individual revenue types are in available in appendix 1A-1D.

*Source:* Screen Digest, WAN and GMID

UK followed by Germany, France and Italy. The middle markets are largely comprised of Nordic states along with Switzerland and Austria, but there are large population markets with weak economies such as Poland. It is interesting to observe the diversity of revenue levels across markets. It's clear that respective individual markets rely on different proportions for funding from the three revenue streams.

In fact, analysis reveals that most markets apply public subsidy to some degree. But the level is quite different for several smaller population markets, which apply public subsidy to a higher degree in order to reach a higher market volume. Moreover, this is done mainly via PSB. Public subsidisation and subscription revenue play major roles in some markets, as well. But what seems of greatest importance to media companies is that the diversity of revenue has varying risk reduction potential in relation to wider fluctuations of domestic and regional economies. European markets in general have small populations in comparative terms, and thus even in large economy markets like Germany and the UK public subsidy plays a strong role in supporting domestic audiovisual production. We should also observe that the markets with the largest advertising revenue are among those with the strongest private commercial media companies. It is fair to say that most markets are small in comparison with giants like the USA and Japan.

**Table 3.** TV market volume descriptive statistics in millions of euros € divided by public, advertisement and subscription on categorized state size

| | | Without the US | | | | With US figures[1] | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Categories** | | PS | AD | SU | Total | PS | AD | SU | Total |
| Mean | | 837 | 1534 | 1174 | 3545 | 816 | 2737 | 2604 | 6157 |
| Median | | 323 | 646 | 443 | 1354 | 322 | 716 | 450 | 1387 |
| POPCAT | Small mean | 261 | 537 | 319 | 1117 | | | | |
| | Small median | 189 | 456 | 264 | 1160 | | | | |
| ECOCAT | Small mean | 119 | 523 | 274 | 916 | | | | |
| | Small median | 97 | 383 | 126 | 754 | | | | |
| POPCAT | Large mean | 1894 | 3362 | 2740 | 7996 | 1755 | 6462 | 6470 | 14687 |
| | Large median | 647 | 2829 | 1887 | 6374 | 621 | 3373 | 2130 | 7293 |
| ECOCAT | Large mean | 1229 | 2085 | 1664 | 4978 | 1140 | 3752 | 3684 | 8576 |
| | Large median | 475 | 794 | 583 | 1860 | 472 | 794 | 583 | 1860 |

1. Due to the US effect, the tables below will include data with and without the numbers from the US. First we will look into total revenue and then revenue per capita.

There is a lot of variance between the figures, even without the USA included. The average for advertising revenue in large population markets is €3.362 billion, while average subscription is €2.740 billion and public funding averages €1.894 billion. That adds up to a total of €7.996 billion on average. In small population markets the averages are much smaller: €537 million for advertising, €319 million for subscription, €261 million for public revenue, for a total averaging €1.117 billion. On average, then, small market populations have roughly one-third the total available for bigger population markets.

The comparison is as informative when comparing on the basis of economy size. Large economy markets have an average of €2.085 billion for advertising, €1.664 billion for subscription, €1.229 billion for public revenue, and a total on average of €4.974 billion. In contrast, small economy markets average €523 million for advertisement, €274 million for subscription, €119 million for public revenue, and a total of slightly less than one billion at €916 million on average. The difference is in fact more pronounced as smaller market economies have only about one-quarter of the revenues that large market economies enjoy. Studying per capita differences between smaller and larger markets makes variation on both accounts even more evident.

**Table 4.** Relative TV market volume in euros € per capita on categorized size

| | | Without the US | | | | With US figures | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Categories** | | PS | AD | SU | Total | PS | AD | SU | Total |
| Mean | | 35 | 83 | 46 | 164 | 34 | 85 | 49 | 168 |
| Median | | 28 | 73 | 37 | 158 | 27 | 75 | 37 | 158 |
| POPCAT | Small mean | 38 | 98 | 44 | 180 | | | | |
| | Small median | 30 | 76 | 37 | 158 | | | | |
| ECOCAT | Small mean | 11 | 56 | 19 | 86 | | | | |
| | Small median | 8 | 29 | 19 | 59 | | | | |
| POPCAT | Large mean | 29 | 56 | 48 | 133 | 27 | 63 | 58 | 147 |
| | Large median | 24 | 70 | 37 | 155 | 20 | 70 | 37 | 168 |
| ECOCAT | Large mean | 48 | 98 | 60 | 206 | 46 | 100 | 65 | 211 |
| | Large median | 39 | 78 | 58 | 177 | 39 | 78 | 59 | 182 |

On average, small population markets on average have €38 of public revenue per individual, €98 for advertising, and €44 in subscription, for a total of €180 in per capita expenditure. In contrast, large population markets on average have €29 of public revenue per individual, €56 for advertising, and €48 in subscription, for a total of €133 in per capita expenditure. From a summary perspective this means that on average small population markets have a higher per capita expenditure than large markets. This is precisely what we should expect according to the logic of non-rival goods that characterise media content: provided that the same relative level of provision is steady, the cost divided among participants cause the per capita cost to drop in markets with the bigger populations because the costs are spread more broadly.

What about the effects of economy size? Smaller economy markets on average have €11 of public revenue per individual, €56 for advertising, and €19 in subscriptions, for a total of €86 in per capita expenditure. In comparison, the large economy markets on average have €48 of public revenue per individual, €98 for advertising, €60 in subscription, for a total of €206 in per capita expenditure. The pattern is somewhat different because the larger economy markets have more total available revenue while the smaller economy markets have less. People can spend more on media because they have more overall to begin with. What we can argue, then, is that the general economy levels for larger economy countries mean they have more revenue and can finance higher levels of provision.

What we see in the per capita figures indicates, as well, that collective funding of public subsidy and advertising, generally spread across a broader number of persons, is in line with theory because the per capita figures are lowest in large markets. However, subscription revenue, being a business model where encryption functions as a method of artificially changing the non-excludable characteristic of public goods into excludable club good characteristics where consumers pay for access, indicate that this could change – depending on pay platform development[10]. But, as we see, the level of expenditure on services with either club or public good characteristics is anyway lower in large population markets based on subsidy and ads per capita, which is interesting considering the difference in relation to subscription. This either indicates that encryption makes a difference, or that large markets with more resources have invested in building platforms to a higher degree than small markets – or possibly both. Also as assumed, smaller population markets have relatively higher proportionate expenditure on media than large population markets. This is in line with the public goods hypothesis suggestion that domestic content is important in terms of securing services with democratic, cultural and social merit[11].

Studying the figures of the totals compared with the relative amounts of public expenditure illustrates a diverse picture, reflecting political preferences in smaller and larger markets. Public subsidy is revenue allocated politically and is not, per se, related to the size of a population – even though large markets have the potential and do tend to allocate more than small markets in most developed economies. Large markets including Germany, Japan, the UK, Italy and France are in the Top 5 in this respect, and Canada as well as Australia are all in the Top10 (see Figure 1)[12]. Public expenditure is an expression of political will manifest in terms of how governments choose to deal with media goods either as merit goods or in terms of market failure.

There is no doubt that size matters for TV market volume. Population size and economy size have both been shown to have significant, instrumental influences on the availability of resources for TV broadcasting, and the per capita costs for its provision. Of course factors beyond size also matter, as

10. It is important to remember that subscription also functions as a club good because there are packages (tiers) instead of free channel choice.
11. The difficulty is that the services are not available. If all available content is imported and there is no domestic content, then the market must be evaluated differently.
12. In principle small markets could subsidise more than large, but it would of course represent a higher percentage of their GDP to do so.

indicated. The level of subscription revenue is dependent on the penetration of pay television, and the level of public subsidy is dependent on the political interest to intervene, as well as historical and cultural concerns establishing path-dependency. Advertising revenue is dependent on the level of turnover of companies in combination with their interest in TV advertising. So although the aggregated levels of population and economy size are significant factors, there are several underlying mechanisms in play.

We can now focus attention on the influence of size as a determinant of originated production of domestic content.

## *Evidence on the influence of size on expenditure on originated content*

Our hypothesis is that size is of importance to scale economies, meaning that due to the relationships already demonstrated we expect to see a strong positive co-relation between population and economy size on the levels of investment in originated content. If proven correct, this will substantiate an argument that difference in state circumstances that are conditioned by the relative variation of size in populations and economies does lead to differences in the ability to provision public media services. To test the relationship we will again apply OLS regression to the relationship between the dependent variable (expenditure on originated content) against the independent variables (economy size and population size). The 26 markets comprising our sample is again relatively limited in global terms, but sufficient to substantiate the relationship for European policy concerns. The reasoning behind the assumed linearity is that the

**Table 5.** Regression statistics for Expenditure on originated content

| | Expenditure on originated content[1] | |
|---|---|---|
| | **Population** | **Economy** |
| Coefficient (OLS) | 47,356*** | 0,002*** |
| SE | 4,568 | 0,000 |
| t-statistic | 10,364 | 19,174 |
| Constant | -183,201 | -94,426 |
| SE | 135,295 | 73,459 |
| t-statistic | -1,354 | -1,285 |
| Observations | 26 | 26 |
| Adjusted R2 | ,810 | 0,936 |
| R2 | ,817 | 0,939 |
| F statistic | 107,422 | 367,650 |
| Prob > F | 0,000 | 0,000 |
| Durbin-Watson | 1,226 | 1,762 |

*** (**) [*] denote significance at p < 0.01, (p < 0.05), [p < 0.1].

1. Using a multiple regression analysis is not viable, as applying the method of stepwise forward in the regression analysis led to the omitting of population, therefore I have performed two separate analysis of these, in short economy appear as the variable explaining most of the variance.

larger the market, the more able it is to provision such goods. We assume that size influences the level of expenditure on originated content. This requires analysis of the hypothesised relationship between size regressed on expenditure for originated content.

The regression confirms our expectation: Every additional one million in either population or economy sizes influences the level of expenditure on originated content. The figures indicate that size in a European context has convincing explanatory strength[13]. The larger these variables, the more market leverage and, consequently, the higher the level of expenditure on originated content. The findings verify our hypothesis on the relationship between size and originated content, and are precisely as expected in economic theory. Population and economy size help establish the framework conditions for market volume, as earlier indicated in this analysis, and thus secure conditions for commercial broadcast activity in allowing utilisation of economies of scale.

It is especially important to understand that private commercial companies are able to utilise economies of scale across markets, while public broadcasters are confined to function in the home domestic market, thereby necessarily limiting their capabilities to utilise proximate economies of scale. This makes sense, given the general scarcity of talent and resources that correspondingly limit the scope of what is possible in domestic production. Very often, as well, a considerable portion of available resources must be invested in news and current affairs programmes because these are so highly relevant to the public service mandate, but for such programming the export potential is extremely low in smaller markets with unique languages. Large market conditions establish more viable frames for commercial activity even here because it becomes more feasible to achieve economies of scale also because their languages tend to be spoken abroad. Smaller markets thus function as subsidiaries where the larger production companies find it attractive to gain market entry or to set up ventures that allow them to better utilise economies of scale largely already achieved elsewhere. In general it is fair to say that smaller states can only realistically counter some of these challenges by relying on PSB, i.e. by investing public revenue in public media. Obviously this will not counter everything, nor should it in the interests of pluralism. Moreover, even when more successful than on average it can't produce perfect competitive conditions. On the other hand, no media system anywhere under any conditions has yet produced perfect competition.

There is a surprise when studying the affects of size on expenditure on originated content [EOC], however. We expected to find less revenue was spent on new domestic content in large markets on a per capita basis. This was not the case.

13. Population regressed on EOC give an adj. $r(26) = .810$, $p < .001$ and where economy regressed on EOC give an adj. $r(26) = .936$, $p < .001$.

**Table 6.** Expenditure on originated content descriptive statistics

| | | POPCAT | | ECOCAT | |
|---|---|---|---|---|---|
| | | Total in € mn | € per Capita[1] | Total in € mn | € per Capita |
| Small | Mean | 226,5 | 31,0 | 118,6 | 10,8 |
| | Median | 262,0 | 24,1 | 73,0 | 9,6 |
| | N | 19 | 19 | 9 | 9 |
| Large | Mean | 2092,9 | 33,9 | 1040,9 | 42,9 |
| | Median | 1669,0 | 30,3 | 360,0 | 37,6 |
| | N | 7 | 7 | 17 | 17 |
| Total | Mean | 721,7 | 31,8 | | |
| | Median | 278,5 | 28,8 | | |
| | N | 26 | 26 | | |

1. The per capita calculations are based on population per 1st of January 2007

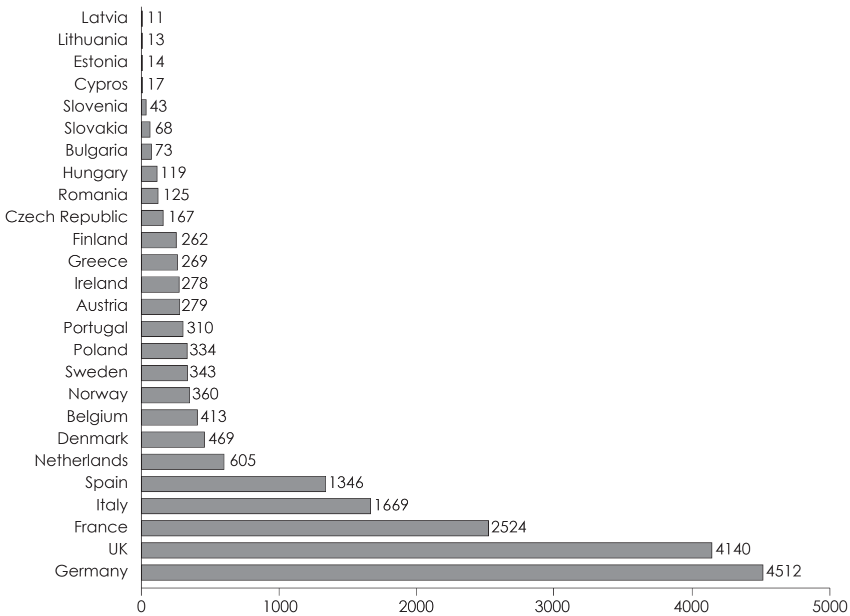
There is indeed a slightly higher expenditure per capita in large population markets (at nearly €34 versus €31) than in small population markets. Of course when aggregated a difference of nearly €3 per capita can amount to a large amount in absolute terms. But in analytical terms, the figures do not differ substantially. However, the results indicate significant differences in the level of expenditure on originated content when we instead compare on the basis of economy size. In large economy markets the expenditure per capita is nearly €43 for large economy countries but only about €11 in small economy markets. This indicates that larger markets have significantly higher rates of domestic content production because they can afford that.

This is of course not the picture in the total figures, where small population markets represent EOC for €226,5 million, while large represent expenditure for €2092,9 million. For small economy markets a similar picture can be identified, where small economy markets invest €118,6 million compared with €1040,9 million in large economy markets. (€360 million is the mean figure for large economy. This will be discussed further by showing individual market figures).

From a political decision-making perspective, we can argue that for small markets it is beneficial to conceptualise a state as a type of club that shares common cultural affiliations and language community traits. Even while television content does have the characteristics of public goods, when we incorporate language and culture dimensions, they become club goods in a sense. The purpose of originated content is to secure the welfare of the club: its historic cultural identities, unique languages, and internal interests in local news and debate that are crucial for the club to be a healthy democracy, economy and society. This is very often problematic, however, for smaller market countries – as demonstrated in Figure 2.

The figure shows that small markets are quite challenged. The markets with the highest public subsidy also have the highest levels of expenditure on originated content, with Germany and the UK each having a level of expenditure

**Figure 2.** Expenditure on originated content in gross millions of euros €



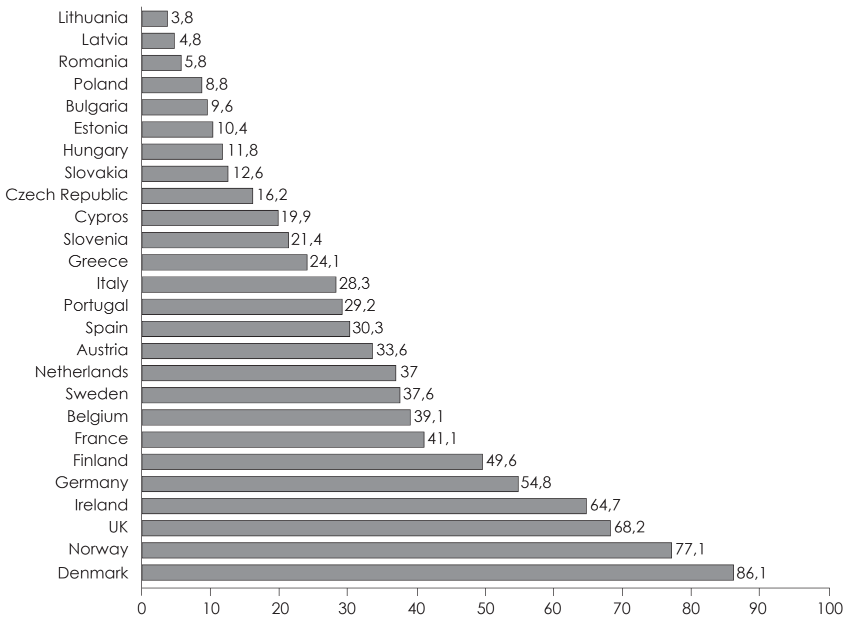

*Source:* Oliver & Ohlbaum performance.

roughly as great as the expenditure on originated programming for all the 21 smaller markets in aggregate (Latvia through the Netherlands = 4.572). The challenge of minimum efficient scale (MES) is formidable indeed for small market countries to secure a healthy diversity of domestic content. The big TV market volume of large market countries enables them not only to secure far more domestic content and more easily, but also to export to small markets – especially to those which have some affinity culturally (e.g. Germany to Austria, Britain to Ireland, etc.).

The per capita figures illustrate rather dramatically that it costs relatively little for big market countries to produce so much more originated content compared with small market countries. Per capita expenditure confirms our expectation that public subsidy is the crucial influence determining the level of originated content. In the light of this data, it seems clear that small market countries are able to sidestep typical difficulties associated with media market and content good characteristics through public subsidising and/or regulatory measures[14].

14. When studying the higher than average figures for level of expenditure on originated content, the TV market ecology and regulatory conditions appear to be quite beneficial for securing such content. Where we find the highest per capita rates there is correlation with a dual or even triple system model (i.e. private + public and also community media) that has been supported and regulated by the state. This becomes especially visible in the Danish model where all the main television companies invest in originated programming to attract audience. This is discussed in some detail in the forthcoming doctoral dissertation.

**Figure 3.** Expenditure on originated content per capita in € 2006/2007




*Source:* Oliver & Ohlbaum performance, own calculations based on national statistics on population collected by Euromonitor.

The evidence is conclusive: market size does impact the level of provisioning for originated content. However, there are differences among the small states and markets in their ability to provision, with the main difference reflected in per capita figures. The result is not always purely a matter of market economics, but rather indicates the importance of political choices via the affordance of subsidy.

## *Empirical evidence for the four varieties of size*

So far we have been able to validate assumed relationships between the continuous size variables (population and economy) and TV market volume, as well as the impact on expenditure for originated content. Analysis of smaller and larger markets reveal differences in levels of available revenue for the TV market, and how that affects the provision of domestic content. Market intervention through public subsidy for originated content appears to be quite important, even crucial, for determining the level of such provision in individual markets of all countries in Europe, and especially important for smaller market countries. In this light, public broadcasters arguably have a more significant role in the markets for securing domestic content right across Europe, which is only a comparatively large market in the aggregate. The PSB sector functions as a buffer against different modes of market failure, especially in the smaller markets. What remains to be assessed are varieties of size based on the categorisation in our typology (see Table 9 below), with a focus on the extent to which leverage is different between markets depending of the relative scale of sizes.

Our main point hinges on the factor of market leverage. This is relevant due to industry conditions where high fixed cost combine with recurring need for fresh investment in new domestic production. This is where scarcity in the absolute volume of available talent comes into play because that is a crucial input for capacity to train creative personnel. Where there is a smaller talent pool and also a small financial base, this amounts to a double whammy – there are two scarcities, making the domestic market less commercially viable due to lack of incentives. Both aspects of market leverage constitute the critical mass needed to justify joint investments by reducing risk on the one hand and increasing commercial incentive on the other.

**Table 7.** Size revisited

| | Economy | |
|---|---|---|
| **Population** | **Small** | **Large** |
| **Small** | - , - | - , + |
| **Large** | + , - | + , + |

*Source:* Own depiction.

In Table 7 we are utilising the four types of size devised for analysis in this chapter. Each type has different degrees of market leverage. We can conceptualise the challenges posed by size based on similarity and difference in the markets.

- Type 1 markets have smaller populations and poorer economy conditions (-,-). This market type has the lowest potential leverage because the population is relatively small, which limits potential for spreading costs, and it has low economy potential due to smaller market volume, which typically results in less originated content.
- Type 2 markets have smaller populations but richer economy conditions (-,+). This market type has the same small 'club' characteristics as Type 1 markets, but the commercial market potential is greater due to wealthier economic conditions overall. This condition also enables greater latitude for political intervention in the provision of subsidy. The economic conditions enhance the potential for originated content.
- Type 3 markets have larger populations with poorer economy conditions (+,-). This market type has a big 'club' to draw on, which enhances potential for commercial investment and public subsidy despite relatively

small economies. Typically these markets can provide more originated content than Type 1 markets, and perhaps as much as Type 2 markets – although that is not guaranteed.

- Type 4 markets have both larger populations and richer economy conditions (+,+). This market type has a big club and a lot of money, both of which make such countries highly attractive for commercial investment and highly enabled to provide public subsidy. As a result they typically enjoy the most robust market for originated content.

To substantiate the model, I conducted multivariate general linear model analysis using the categorised size variables (POPCAT and ECONCAT) to study the relationship. This was done on the dependent variables (TV market volume and expenditure on originated content – EOC). First the multivariate tests were conducted, followed by the test-between-subjects function and finally summarising statistics to assess the overall model[15]. This multivariate general linear model with economy size (small, large) and population size (small, large) identified an effect on continuous dependent variables TV market volume and Expenditure on originated content[16]. The results indicate an interaction effect between POPCAT and ECONCAT on TV market volume and expenditure on originated content[17]. This indicates that we statistically have identified an effect of leverage based on the four types proposed in the model.

There is a statistically significant effect in assessing the relative impact of population and economy. The respectively large population and economy markets

15. We have identified that size influence TV market volume and the level of expenditure on originated content; with this we establish categories of small-large interaction between POPCAT and ECONCAT where we intend to test the influence of size. We have tested the significance of the effects by applying four multivariate tests on the with-subjects effects to indicate if they are equally rated, this has been done using Wilk's Lambda ($\Lambda$). All four tests are significant, $\Lambda$ is significant for POPCAT with a $\Lambda$ value of .323 and its associated F and p values, $F(2, 21) = 22$, $p < .001$, $\eta P2 = .677$ and for ECOCAT with a $\Lambda$ value of .348 and the associated values $F(2, 21) = 19{,}6$, $p < .001$, $\eta P2 = .651$. On all accounts we can reject the null hypothesis and conclude that TV MV and EOC change with the size variables. Studying the interaction effects of POPCAT*ECOCAT we see a $\Lambda$ of .410 with corresponding F and p values of $F(2, 21) = 15{,}1$ $p < .001$, $\eta P2 = .590$. We can reject the null hypothesis and conclude that there is interaction between the variables as expected by our model. We have identified effects of the dependent variables on the categorized size variables, and can with this we can conclude the each effect is significant for the dependent variables and move on the identification of the effect.

16. The model is significant for the dependent variable TV MV with $F(3, 22) = 44{,}9$, $p < .001$, $\eta P2 = .860$ and for EOC with $F(3, 22) = 23{,}8$, $p < .001$, $\eta P2 = .765$. The individual size factors had effects for POPCAT indicated effects on TVM with $F(1, 25) = 40{,}2$, $p < .001$, $\eta P2 = .646$ and for EOC with $F(1, 22) = 20{,}0$, $p < .001$, $\eta P2 = .476$. ECOCAT indicated effects on TVM with $F(1, 22) = 38{,}2$, $p < .001$, $\eta P2 = .635$ and for EOC with $F(1, 22) = 21{,}9$ $p < .001$, $\eta P2 = .499$. What is revealed are main effects of the categorized size, which is qualified by the interactions between POPCAT and ECOCAT on TVMV with $F(1, 22) = 28{,}9$, $p < .001$, $\eta P2 = .568$ and for EOC with $F(1, 22) = 15{,}9$, $p = .001$, $\eta P2 = .421$. All interactions have sufficient observed power, understood as the change of a study having a significant effect, i.e. $\geq .80$, to ascertain that chances for type II error is sufficiently low for identifying non-significance by the F test.

17. The partial Eta Squared indicates the degree of variance in the dependents explained by the independents, meaning that the partial Eta-square figures ($\eta P2$) here is a measure of effect size which for our model of size indicate a relative strong model fit with adjusted R squares figures respectively for TV MV effect .840 and EOC effect at .733. This indicates that what we have identified is an effect of categorized size variables and the interaction between the categorized size variables on TV MV and the level of EOC.

exhibit higher levels of TV market volume as well as expenditure on originated content, while respectively small population and economy markets exhibit less TV market volume and expenditure on originated content. Importantly for the model, there is a positive and statistically significant interaction effect between population and economy; the combination affects the scale of TV market volume and expenditure on originated content. As for the varieties of size, the results show interaction effects between the categorized size variables. This analysis doesn't say which policy solutions are best for which individual markets, of course. That is a matter for political deliberation and deciding on the basis of social preferences. It says that all markets are not equal, and strongly refutes the policy preference currently in vogue that a one-size-fits-all framework is appropriate.

The problem in general lies in the fundamental effects of population size and economy size. A small market faces different challenges if it must simultaneously deal with a small population and a small economy, e.g. Latvia. The parameters and possibilities are quite different from the situation in a large market where there is simultaneously a big population and a big economy, e.g. Germany. The degrees of freedom are better for small market countries that have bigger economies, like Norway. EU policy makers do a grave disservice to the needs of member states when they fail to properly take into account the comparative degrees of differences in difficulty in provisioning originated media content under respective conditions. Of course it is understandable that policy makers would like to simplify processes and procedures, and that these also simplify their lives and work. But in fact they have not been elected or nominated to handle the simple matters. The subsidiarity principle inherently implies that the simpler things should be handled closer to home. The higher one ascends in the policymaking apparatus the more complex and complicated the issues that must be tackled. The desire for simplification is fine to the extent that it is about ensuring fairness, but it verges on being simple-minded when it results in policies that demonstrate insensitivity to variance in material conditions, and limits domestic competence to handle local matters with appropriate sensitivity to realities on the ground – culturally and socially, as well as economically. An argument that makes sense for the commercial media sector as a whole or in a particular type of market environment is not inherently right in all cases or under every condition. The exercise of wisdom is important to the appropriate execution of the policymaker's obligations.

## Conclusion

Size has been overlooked, even ignored, as a significant factor for addressing the challenges that face television markets in Europe (at least, and probably also beyond). This is a grave oversight in the construction of media policies, especially worrisome because the trends indicate a growing lack of appreciation for market differences in the drive for market harmonisation. Small and large states alike face complex challenges in managing as well as developing television markets, especially in securing adequate provision of originated content. Whenever the club that is interested in a genre of content or kind of service is not large enough or rich enough to attract sufficient commercial investment, it can only be secured by policy intervention. Securing very often requires subsidy, as the evidence clearly shows in markets of every type and size. Although media industries are certainly in a period when old business models aren't working well and demands for change in the interests of economic viability are understandable, this does not alter the fact that many and specific genres are still needed and at a certain quality. This is especially important for informational and cultural programming that is for smaller groups.

We have tested the influence of size empirically in three ways; first by TV market volume, secondly by expenditure on originated TV content, and thirdly by testing the relative importance of size in our four varieties of size. The regression analysis of size on TV market volume revealed a significant statistical relationship between population and economy in relation to market volume. This has relevance from a policy perspective. The emphasis in Europe continues to be based on securing a single market, which emphasises competition rules. But it's also the case that European policy is a bit schizophrenic in that individual member states are supposed to focus on securing media services that attend to the democratic, cultural and social needs of host societies, but handling these has often created dilemmas for competition policy.

We also need to keep firmly in mind the fact that European countries are all relatively small in comparison with the truly big countries, especially the USA. We must combine all EU member states to only just manage approximate size. Thus, it is not actually surprising that managing to compete with American product has required high levels of subsidisation. It's ironic that such subsidy would be under attack by commercial operators in Europe when a premise of Television without Frontiers was to grow European competitiveness with American media products, given that TWF provided the opening for developing commercial television in Europe.

The regression analysis revealed a significant statistical relationship between population and economy size in relation to the level of expenditure on originated content. In media, everyone helps to pay the cost for content and can receive some approximately equal amount of the goods. This means, however, that when there are fewer people to pay for the content then the provision must either be of smaller scale or at reduced quality. This is the result of non-rivalry in consumption where the cost of production is independent of consumption. In this way large markets are more able to provision higher levels of expenditure on originated content, and at the same time also represent the highest levels of public subsidisation. This is especially evident for the UK and Germany, and differs quite a lot from markets such as Poland and Romania.

Analysis also revealed the influence of size on the basis of relative importance as this depends on size variety. We found statistically significant effects for the categorised size variables on both TV market volume and expenditure on originated content, and moreover the interaction between the categorised size variables supported the validity of the proposed model. This suggests that the most appropriate perspective reckons with distinctive challenges that respective markets face, in combination with variability in political interest as expressed by public subsidy and regulatory measures, as well as more general historic and cultural traditions in these markets. As argued in the introductory chapter, one size of policy doesn't fit all size of markets.

Of course TWF (and presumably now also AVMSD) has helped establish European broadcasting as an integrated market, and this has benefitted the development of many companies that are able to utilise economies of scale to function more efficiently. But this has also certainly challenged particular market types with a level of competition they cannot easily withstand, and in fact can only cope with adequately by erecting certain barriers of entry. We are not intending to imply that current European media legislation doesn't allow for consideration of distinctive needs of different member state markets. This is possible for instance under Article 107(3) (d) of the Treaty, which allows state aid on the basis of cultural considerations, as for instance to promote cultural diversity. But most often this is not applied to media per se, especially mass media, which are treated more along the lines of traditional manufacturing and service industries. Taking this into account, then, EU policy has both merits and de-merits, so to say, which reveals a peculiar kind of schizophrenia as suggested earlier.

The short conclusion of this chapter is that size matters in defining the level of market volume and originated content. The tested relationships have been verified as statistically significant, confirming our hypotheses. We have also established the importance of subsidised and regulated television markets for the competitive interests of states faced with significant competition from external sources. Further, we have substantiated that the four varieties of size are significant in identifying differences in the interaction of the categorised size variables. This indicates that when one discusses size he or she should take into account not only the relative level or population but also the level of economic development vis a vis per capita purchasing power. Also notable is that the level of political intervention in media markets clearly impacts the level of TV market volume and expenditure on originated content through public subsidy, and that this is especially the case in the economically strong markets.

The model has policy implications for media market regulation. Policymakers should take into account the differences that size make on system parameters and operational possibilities. The individual state should, from an EU perspective, be allowed to take into account particularities in their domestic markets, allowing for more independence in state policy based on material characteristics. EU media policy has helped establish conditions that have made it feasible to secure growth across borders, enabling the broadcasting industry to prosper by utilising economies of scale and scope. That is well and good. But this does not mean that the interests of big media corporations are identical with the interests of respective member states. To the contrary, there are often identified conditions where cultural concerns are opposed to and by commercial concerns, and where large media corporations deploy strategies that can be favourable in some cases and detrimental in others. This, however, requires further research with that particular focus and is not a topic of investigation in this study. Other chapters in this volume have done more with that aspect.

As seen in descriptive statistics, US market volume is larger than the combined EU market in terms of available revenue. At the same time, the originated production in Europe is far more segmented across member states, with several barriers to entry that hamper efficiency in the smaller markets, and which must also compete with content produced in the bigger, wealthier European markets (primarily the UK and Germany). Moreover, the UK also has commercial PSB operators, i.e., not only the BBC but also Channel 4 and ITV. For its part, Germany has a robust regional PSB system in ARD. We therefore need to recognize that Europe doesn't have one dual system, but rather some diversity of dual systems.

Finally, the influence of public funding in Europe has secured considerable originated content in many markets, certainly more evident than what has been originated by the commercial sector alone. This has been especially significant in facilitating the potential of the smaller markets to offset challenges keyed to lack of critical mass. Even for the larger markets, which are still rather small in comparison to the USA, public subsidy has done much to sustain their production industries and to increase the competitiveness of their market – shrill claims to the contrary not withstanding. The Big 5 markets in Europe represent the majority of expenditure on originated content (about three-quarters) of the total[18]. Thus, it is undeniably the fact that public funding is the cornerstone for securing originated European content. It's difficult to see any realistic 'exit strategy' that would not have calamitous affects in the face of increasingly sharp and effective international competition.

The overall implications of this research can be summarised:

1. Markets are not the same, but rather often quite different due to differences in domestic conditions. This deeply challenges European legislation to

18. Based on the Oliver & Ohlbaum Associates (2009) analysis.

evolve policies that are appropriate for application that properly address the respective interests of every size of member state.

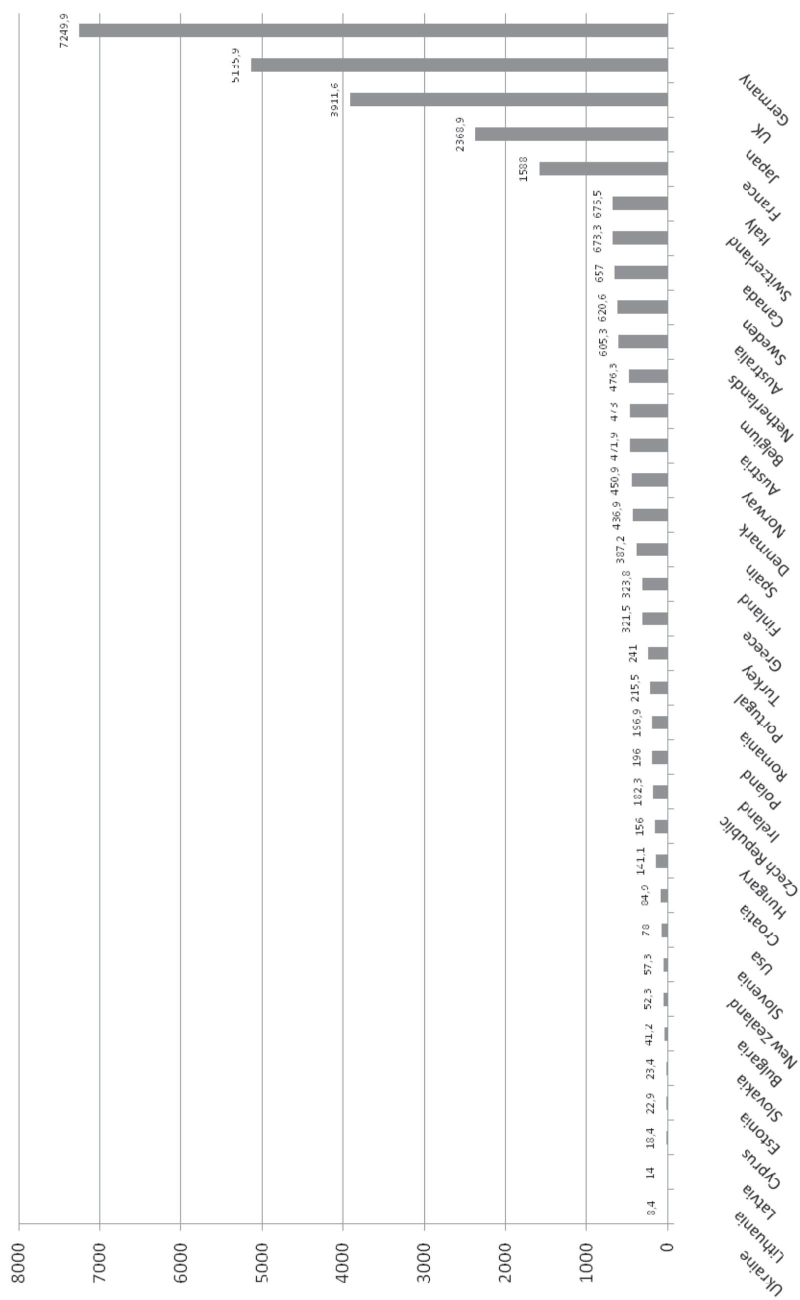
2. Media companies in bigger states that are able to utilise large market scale benefits are reaping the benefits of EU policies today, while those in smaller states are mainly facing keener challenges, especially their PSB operators. These can't enjoy the same scale advantages because they are limited to domestic markets and entrusted with the specific purpose of securing domestic production.
3. Currently EU media policy mainly benefits member states that have both large population and economy markets, while member states with small population and economy markets suffer the most adverse effects of various trends, including deregulation and stricter governance on matters of subsidy.
4. No one-size-fits-all policy is a best option for Europe as a whole because in matters of media, it is not (and might never be) exclusively a single market. In media, at least, Europe is a union of numerous single markets, each with their own distinctive conditions, needs and interests. There can't be unity without accommodating diversity.
5. EU media policy that is oriented to benefit the interests of media industry in larger and wealthier member states will likely have detrimental impact by limiting the options for smaller state policy responses.
6. Political intervention through public subsidy is of cornerstone importance for securing domestic production throughout Europe.
7. PSB operators are the best instruments currently available for securing adequate domestic production in both small and large domestic markets. There is nothing so far to suggest that PSB is replaceable or substitutable.
8. Key differences between small and large markets are accounted for by the public media sector because it does the best job of offsetting scarcity.

The question raised in this analysis is whether the media should be treated as an 'ordinary business', no different from industries that toasters or pencils? If the answer acknowledges there are significant differences, then a one-size policy is not appropriate for a multi-sized Europe. Personally, the analysis leads me to conclude that it is far from any ordinary business, despite having business interests and an important role in business generally. Media are distinctive in that both market and content good characteristics create imperfect conditions for competition, and limit investment in original production as a result of uncertainty of profitability. This is clearly, especially the case in smaller markets. Political intervention in the European television market is an important remedy to problems in securing adequate originated production, although of course different conditions warrant different policy strategies and designs.

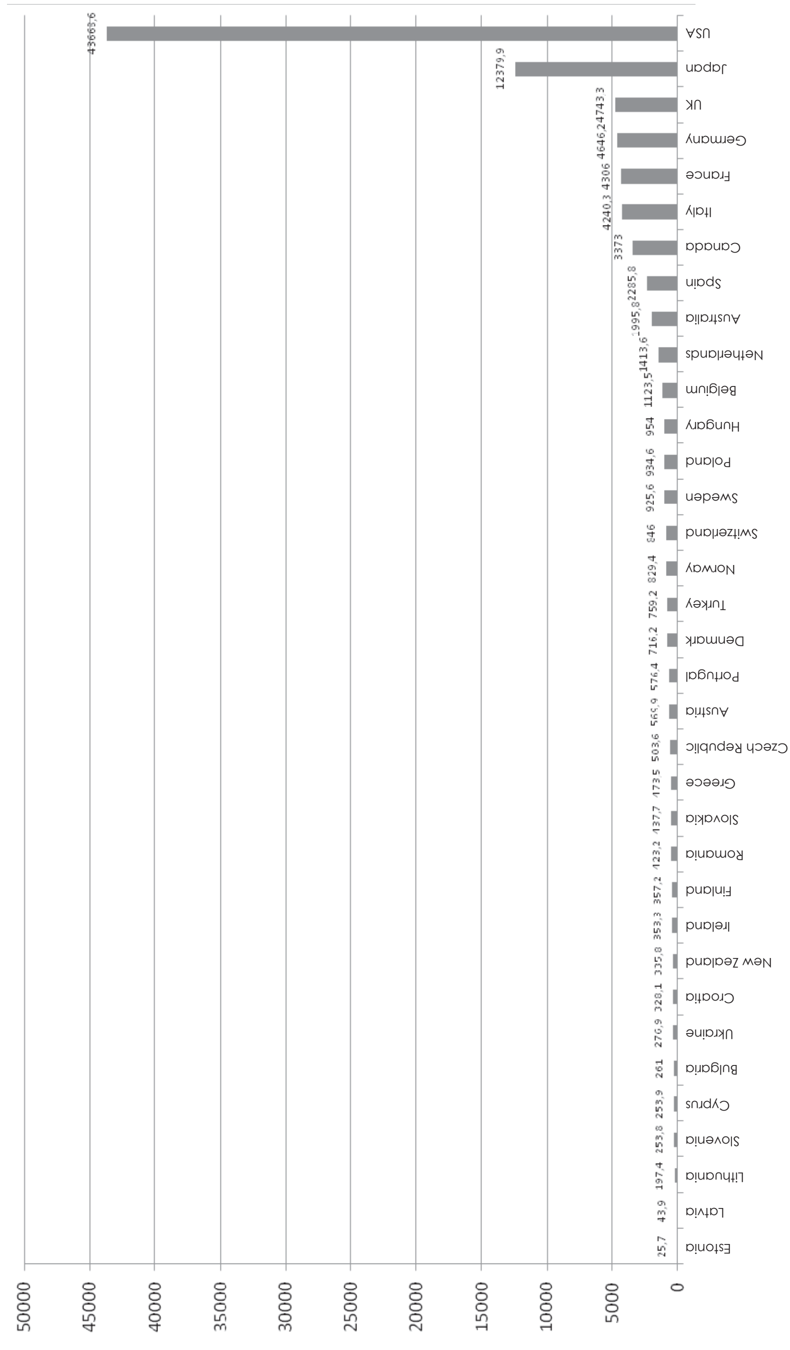
That there is no one-size-fits-all policy doesn't mean that member states should do anything they please; accountability demands transparency and benefits from constructive friction. The level of originated media content depends on relative market leverage in combination with the level of public subsidy and regulatory measures governing the market. While common challenges based in market and content good characteristics affect large and small markets similarly, they clearly have different degrees of market leverage. This analysis provides an empirically based way to perceive size, one that takes into account the variability of markets as a function of size in various dimensions. Only considerable qualitative research in each respective market can answer many of the questions that remain important, which speak importantly to the reasons, affordances and utilities of domestic arrangements. But this study takes a good step in establishing the necessity for policy makers to make TV broadcasting policy that accounts for differences based on size characteristics.

# Appendix

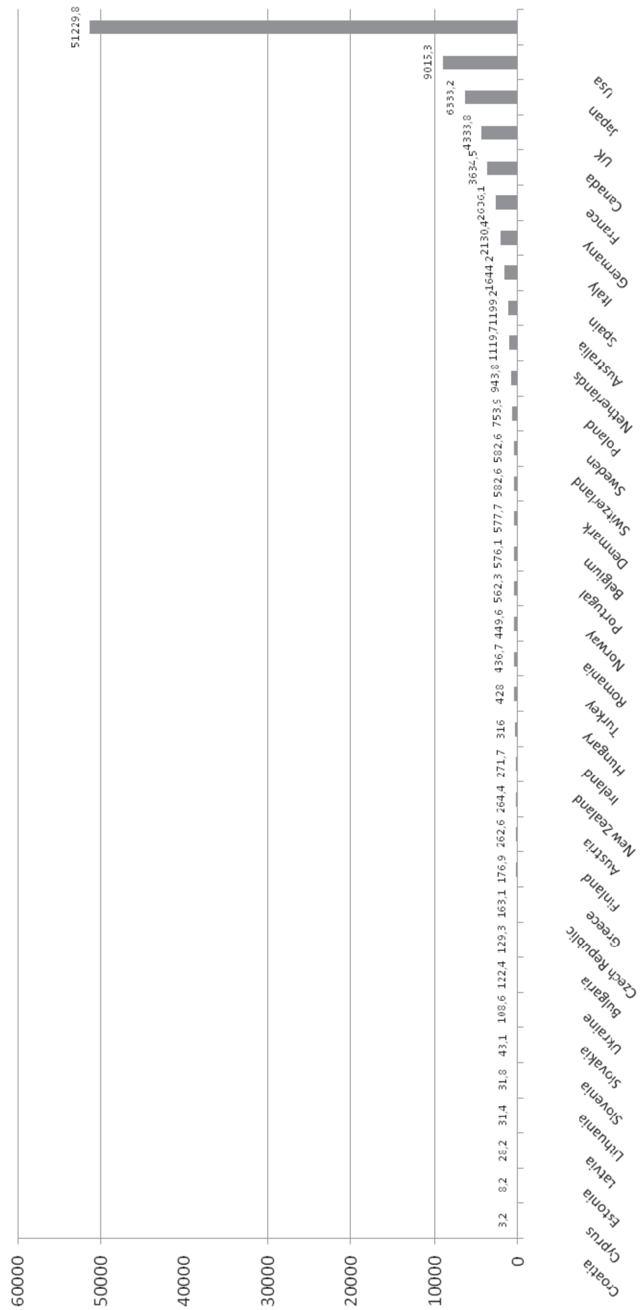
**Appendix 1A. Public subsidy in millions of euros €**



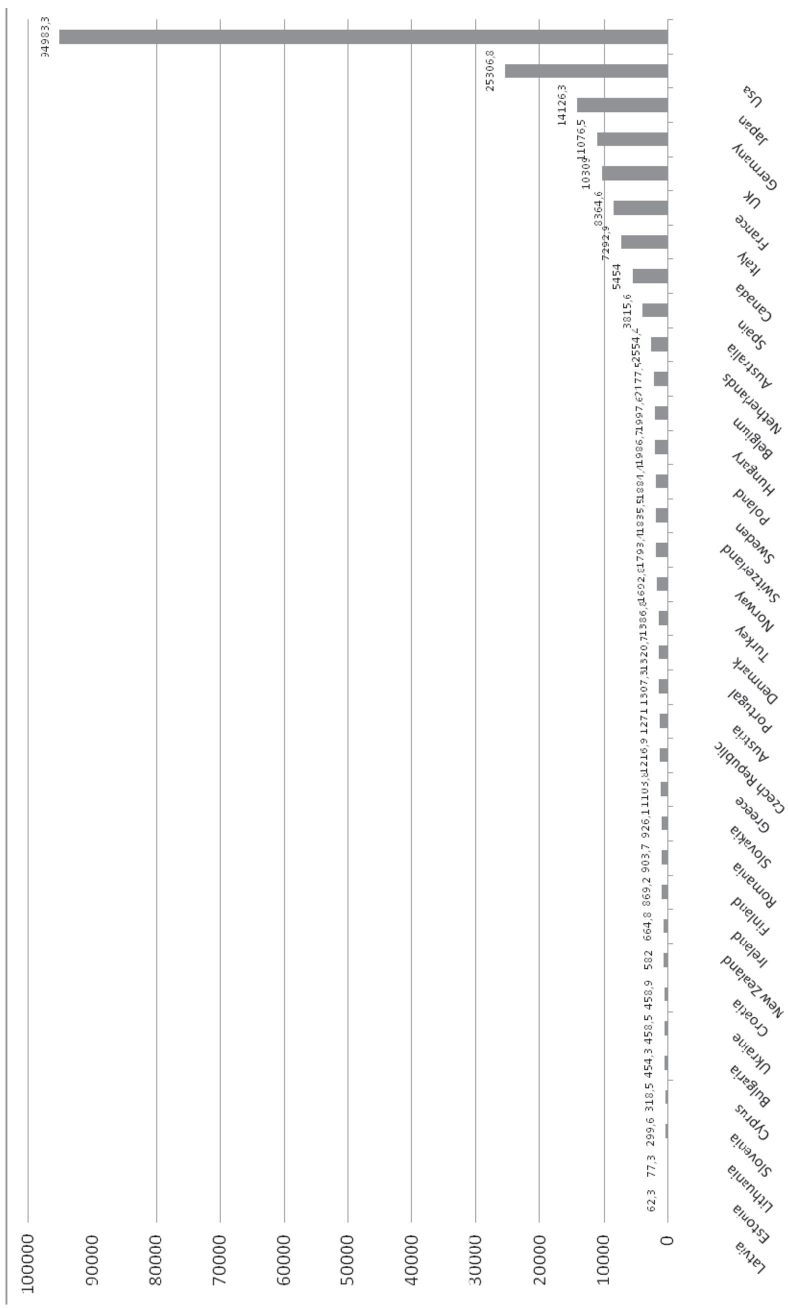
**Appendix 1B.** Advertisement revenue in millions of euros €



**Appendix 1C.** Subscription revenue in million €



**Appendix 1D.** Total TV market revenue in million €



**Appendix 2C.** General linear model Multivariate tests of the relationship between the independent and dependent variables

| Effect | | Value | F | Hypothesis df | Error df | Sig. | Partial Eta Squared | Noncent. Parameter | Observed Power[1] |
|---|---|---|---|---|---|---|---|---|---|
| Intercept | Pillai's Trace | ,837 | 53,864 [a] | 2,000 | 21,000 | ,000 | ,837 | 107,728 | 1,000 |
| | Wilks' Lambda | ,163 | 53,864 [a] | 2,000 | 21,000 | ,000 | ,837 | 107,728 | 1,000 |
| | Hotelling's Trace | 5,130 | 53,864 [a] | 2,000 | 21,000 | ,000 | ,837 | 107,728 | 1,000 |
| | Roy's Largest Root | 5,130 | 53,864 [a] | 2,000 | 21,000 | ,000 | ,837 | 107,728 | 1,000 |
| POPCAT | Pillai's Trace | ,677 | 22,041 [a] | 2,000 | 21,000 | ,000 | ,677 | 43,081 | 1,000 |
| | Wilks' Lambda | ,323 | 22,041 [a] | 2,000 | 21,000 | ,000 | ,677 | 43,081 | 1,000 |
| | Hotelling's Trace | 2,099 | 22,041 [a] | 2,000 | 21,000 | ,000 | ,677 | 43,081 | 1,000 |
| | Roy's Largest Root | 2,099 | 22,041 [a] | 2,000 | 21,000 | ,000 | ,677 | 43,081 | 1,000 |
| ECOCAT | Pillai's Trace | ,652 | 19,650 [a] | 2,000 | 21,000 | ,000 | ,652 | 39,300 | 1,000 |
| | Wilks' Lambda | ,348 | 19,650 [a] | 2,000 | 21,000 | ,000 | ,652 | 39,300 | 1,000 |
| | Hotelling's Trace | 1,871 | 19,650 [a] | 2,000 | 21,000 | ,000 | ,652 | 39,300 | 1,000 |
| | Roy's Largest Root | 1,871 | 19,650 [a] | 2,000 | 21,000 | ,000 | ,652 | 39,300 | 1,000 |
| POPCAT * ECOCAT | Pillai's Trace | ,590 | 15,111 [a] | 2,000 | 21,000 | ,000 | ,590 | 30,222 | ,997 |
| | Wilks' Lambda | ,410 | 15,111 [a] | 2,000 | 21,000 | ,000 | ,590 | 30,222 | ,997 |
| | Hotelling's Trace | 1,439 | 15,111 [a] | 2,000 | 21,000 | ,000 | ,590 | 30,222 | ,997 |
| | Roy's Largest Root | 1,439 | 15,111 [a] | 2,000 | 21,000 | ,000 | ,590 | 30,222 | ,997 |

a. Exact statistic / b. Design: Intercept + Size + Size3 + Size * Size3.

1. Computed using alpha = ,05

**Appendix 2D.** General linear model Tests of Between-Subjects Effects

| Source | Dependent Variable | Type III Sum of Squares | df | Mean Square | F | Sig. | Partial Eta Squared[1] | Noncent. Parameter | Obs. Power[2] |
|---|---|---|---|---|---|---|---|---|---|
| Corrected Model | TV MV | 3,078E8 | 3 | 1,026E8 | 44,911 | ,000 | ,860 | 134,732 | 1,000 |
| | EOC | 2,795E7 | 3 | 9306135,604 | 23,849 | ,000 | ,765 | 71,620 | 1,000 |
| Intercept | TV MV | 1,947E8 | 1 | 1,947E8 | 85,215 | ,000 | ,795 | 85,215 | 1,000 |
| | EOC | 1,283E7 | 1 | 1,283E7 | 32,869 | ,000 | ,599 | 32,789 | 1,000 |
| POPCAT | TV MV | 9,174E7 | 1 | 9,174E7 | 40,160 | ,000 | ,646 | 40,160 | 1,000 |
| | EOC | 7805551,841 | 1 | 7805551,841 | 20,003 | ,000 | ,476 | 20,057 | ,990 |
| ECOCAT | TV MV | 8,735E7 | 1 | 8,735E7 | 38,238 | ,000 | ,635 | 38,238 | 1,000 |
| | EOC | 8549192,427 | 1 | 8549192,427 | 21,909 | ,000 | ,499 | 21,965 | ,994 |
| POPCAT * ECOCAT | TV MV | 6,611E7 | 1 | 6,611E7 | 28,940 | ,000 | ,568 | 28,940 | ,999 |
| | EOC | 6237039,250 | 1 | 6237039,250 | 15,984 | ,001 | ,421 | 15,929 | ,968 |
| Error | TV MV | 5,026E7 | 22 | 2284319,195 | | | | | |
| | EOC | 8584641,074 | 22 | 390210,958 | | | | | |
| Total | TV MV | 5,669E8 | 26 | | | | | | |
| | EOC | 5,004E7 | 26 | | | | | | |
| Corrected Total | TV MV | 3,580E8 | 25 | | | | | | |
| | EOC | 3,650E7 | 25 | | | | | | |

1. The partial eta square is a nonlinear similar to the R-square in the regressions above

2. Computed using alpha = ,05

# The Socio-Cultural Context of Broadcasting Markets

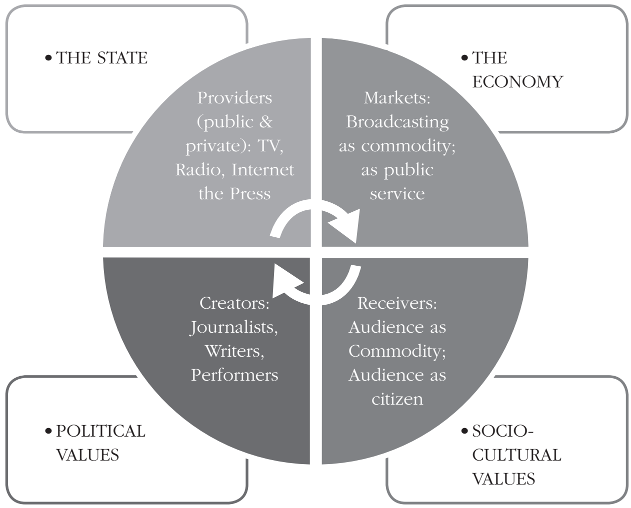
John D. Jackson
with
Yon Hsu (on Taiwan), Geoffrey Lealand (on New Zealand), Brian O'Neill & Michael Foley (on Ireland) & Christian Steininger (on Austria)

Markets as social institutions vary considerably across national boundaries in response to the particular historical and socio-cultural contexts in which they are located. In this respect media markets in relatively small countries may well develop in response to the dominant social, cultural and economic links with their larger, more powerful neighbours in addition to local conditions. In the process public services rest uneasily beside commodity markets such that public services too are rapidly converted into commodities. Furthermore, broadcasting systems, which are preoccupied with the divergence between market and non-market goods, are likely to be implicated in negotiations between national identity and economic imperatives.

Accordingly, broadcasting in small countries, neither more nor less than in large ones, requires an appreciation of the properties of media as subsystems within the larger social system of which they are a part. To understand media systems and their market components in relation to a broader social, political and cultural framework requires a set of conceptual tools that can capture market structures and practices as interacting elements within media subsystems, on the one hand, and in relation to the larger social system on the other. Figure 1 portrays this complexity.

A media subsystem and its composite interacting elements (creators, providers, markets and receivers) is shaped by and shapes existing political and legal institutions (the state), socio-cultural and political values (ideology), and methods of exchange and ways of deploying labour and matériel (the economy). For example, television and press decisions to select, broadcast and print certain events over others may strongly influence or be influenced by political action and public values. However, the representation of broadcasting organisations as a system can be taken only so far. Implied is the presence of some system that is established, orderly and predictable. And so it is, but only in a very limited way. Disorder accompanies order; the urge to rearrange the relations inherent in the parts and to institute totally new relations is always

**Figure 1.** The media system as a social institution




at hand and constantly seeking to tear apart instituted systems. Providers compete for audiences construed as commodities in the advertising business. Journalists seek to control their output but are held back by editorial constraint prescribed by publishers and owners of media corporations. Community radio and citizen journalism undermine the hold of corporate and state broadcasters and professional journalism. Social internet sites undermine established commercial sites. The system, though recognisable as a set of social relations operating in established economic, political and ideological environments, is in a constant state of flux.

At a more general level, any one of the major elements may dominate according to time, place and circumstance. With respect to circumstance, for example, the economic element *tends* to dominate in the organisation of commercial broadcasting while the state *tends* to dominate the organisation of public broadcasting. One might expect that the extent to which a state is economically and culturally dependent on a neighbouring state will have some influence on the way in which broadcasting is organised. Media organisations in a dependent state may well yield to the principal media organisations in their more powerful neighbouring state.

The objective of this chapter is to explore broadcasting activity with an emphasis on the socio-cultural context within which media markets develop in smaller countries. We do not intend to isolate size as an independent variable but rather to seek insights encouraging future comparative analyses both between small states and between small and large states. Pursuing this objective requires keeping in mind that the matrix of political, socio-cultural and economic processes varies from country to country, although the literature does suggest the possible presence of commonalities among smaller countries in a variety of size indicators: population, density, geography, or global economic and political power (Puppis, d'Haenens, Steinmaurer and Künzler 2009).

Addressing the issue of size is the first task. Next we will consider some typologies used in the literature to examine the political-economy of broadcasting. This, in turn, provides a baseline for the construction of a model incorporating the state, the economy and political and social values on the one hand and selected broadcasting parameters on the other. This produces a heuristic device that is useful for examining broadcasting systems in five selected states. Table 1 lists the selected states by population size and density. Note the dramatic differences, but also consider the key similarity among these five states: *each borders a powerful state and each shares a major language with that neighbour.*

**Table 1.** Selected states by population size and density

| STATE | POPULATION | POPULATION DENSITY |
|---|---|---|
| Austria | 8.4 million | 99.8/sq. km. |
| Canada | 33.4 million | 3.4/sq. km.[1] |
| Ireland | 4.2 million | 56/sq. km. |
| New Zealand | 4.4 million | 16/sq. km. |
| Taiwan | 23.2 million | 639/sq. km. |

1. The 3.4 individuals per square kilometer cover a vast territory. The Northern regions cover 39% of the area of Canada but include only 0.3% of the population. The vast majority of Canadians live within 100 kilometers of the United States border. Canada's 33 metropolitan census areas, all close to the U.S. border, when combined yield a population density of 238 per square kilometer.

In part this selection was made to move beyond the European Union, the setting toward which most studies of small states have, of late, been addressed. However, the selection was principally influenced by a shared language and location rather than size per se. The selection was based on the fact that each faces a large and powerful neighbour, with whom it more or less shares a common language. Relative rather than absolute size holds when we contrast Canada to the United States, New Zealand to Australia, Ireland to the United Kingdom, Austria to Germany and Taiwan to China.

## The problem of size

Size matters, as demonstrated in the chapter by Christian Berg. Reviewing the literature it's also clear that size has multiple possibilities and dimensions. Noting that "all small states have common problems", Thorhallsson (2000: 10) proposes population size, geographical size, and GDP as characteristics distinguishing small from large states. In his study of the media market in Austria, Steinmaurer opts for relative regional and global political power (Austria vs. Germany), common language and relative size; Germany is "roughly 10 times larger" (2009: 78). Grisold compared newspaper markets in Ireland and Austria and defined small states as those with a "big more powerful neighbour" where the same language is spoken (1996: 485). In a collection of conference papers published during the revival of the small states problematique in the mid-eighties under the title, *Small States in Europe and Dependence*, numerical definitions of size were for the most part avoided but the implied definition points to the significance of dependence (Höll 1983). Steinmaurer (2009) incorporates dependence and a common language in his definition of "smallness".

Thus and apart from sheer size itself, two conditions stand out in the literature: *dependence* (economic and/or political) and sharing a *language* with a more powerful neighbour (in effect, cultural dependence insofar as language carries a speaker's worldview). Our selections for analysis in the present study (Austria, Canada, Ireland, New Zealand and Taiwan) are all situated in close proximity to powerful neighbours that share a common language, and each is at least somewhat economically dependent on that neighbour. The reader should note that neither Canada nor Taiwan meet the "20 million" threshold referred to in the introduction to this work. Nevertheless, both, as well as the remaining three, are small states *relative* to their immediate neighbour with whom they share varying but important cultural as well as economic dependence. So even though the numerical threshold is not met in all of our case study sites, the dynamics and principles for analysis hold for the purposes of the research reported in this volume.

## In search of a model

Keeping in mind that markets are complex social institutions linked to state bureaucracies and the political and socio-cultural life of societies, models that take into account – or at least imply – an awareness of such connections are of keen interest. Colin Leys proposed four elements to assess the politics of the marketplace: (1) the role of the State; (2) the power of industry associations and lobbyists; (3) structural power (e.g. the ability of one industry or cluster of industries to dominate a market); and (4) networks of elites or the "social embeddedness of the market" in question (2001: 86). Although his model features no specific reference to small states or broadcasting, it points to a set of dimensions that reveal key nodes and connections between the state and economic, political and socio-cultural elements. Three dimensions of note emerge from this typology: (1) *the political*, in the sense of the mode of governance; (2) *the economic*, in the sense of corporate control of markets; and (3) *the social*, in the sense of interlocking elites.

Three other works employ models for media analyses in which economic and political dimensions are brought into play. Picard (1985: 6) used a model to organise observations on the economics of the press. The five-point model he proposed focuses on “patterns of intervention [which] presumably reveal underlying political and economic policies”. In their analysis of non-western media, Curran and Park (2000:12-13) posed the following questions: “(1) how do media relate to the power structure of society; (2) what influences the media and where does control…lie; (3) how has the media influenced society; [and] (4) what effect has media globalization and new media had…?” To usefully respond to these questions they constructed a typology keyed to political systems (democratic or authoritarian) and economic systems (neoliberal or regulated). Hallin and Mancini (2004: 30-31) proposed an influential heuristic in their comparative analysis of media systems, suggesting three “models of media systems” that incorporate political and economic elements along with methods of governance.

## A model proposed

We are inclined to select value orientations that, among other structural elements of social systems, suggest the presence of a shared symbolic system. This can be understood as a device for the articulation of general cultural, social and political traditions with media subsystems (following Parsons 1951: 12). Society-wide or general value orientations also provide a reference point from which various parameters of subsystems may be ascertained (Parsons 1961: 38-39; see also Luhmann 1995: 317-319). Curran and Park (2000) and Picard (1985) referred to above adopt, in one way or another, political and economic value orientations as reference points for their analyses. Succinctly put, values lead to “preferences in choosing between alternatives for action” (Friedrichs 1968: 113; Luhmann 1995: 577). Returning to Figure 1, we require a model that will permit us to link value orientations at the system level with the parameters of broadcasting at the subsystem level.

We begin this quest by noting that states have two major functions. First, the state legitimates society as a whole in the eyes of its population – the composite of its social, cultural, and economic properties as a system. Second, in capitalist societies the state buttresses markets and capital accumulation with sector subsidies, bailouts, negotiating trade opportunities, and the like. Public services, such as health care, transportation and public broadcasting, serve in turn to help legitimate the state. Negotiating trade pacts, subsidising media industries and providing a regulatory regime favourable to private broadcasters promote capital accumulation. In any particular country it is a question of emphasis regarding the relative priorities, and states are challenged with the need to maintain some balance (often delicate) between the two functions. But it is certainly true that states do shift emphasis over time and in response to changing contexts. From a market perspective such a shift may move a society away from privileging pubic goods and services towards favouring private goods and services, or vice versa. Private goods and services are relatively exclusive in the sense that price and disposable income determine access to a high degree, while public goods and services are relatively inclusive, even encouraging access for all.

It should be added that legitimation practices indirectly support capital accumulation. A public health care plan reduces corporate labour costs. American automotive companies have readily relocated in Canada because, among other things, these costs are significantly less of a burden under a public system. And of course actions designed to support capital accumulation may indirectly contribute to the legitimation function, as well. Private broadcasters that provide local news and information programming and current affairs talk shows certainly contribute to the legitimation of their existence and the state.

Following Macpherson (1962) it is useful to note, then, that within a socio-cultural domain normative emphases may underscore either a *possessive individualism* at the core of accumulation, or a sense of *collective responsibility* (stewardship) at the core of societal legitimation. Possessive individualism highlights the principals of self-reliance, independence and consumption. Collective responsibility and stewardship flips the coin, placing emphasis on interdependence, community, and the common weal. Of course, private goods/public goods and individualism/stewardship are neither polar opposites nor a dualism. The relation is properly dialectical with the interactive elements constantly seeking but never reaching any final synthesis.

With all of this in mind, we suggest two types of value orientations, combining political, economic and social elements:

> *A Classical Liberal or Neo-conservative* orientation in which political values emphasise capital accumulation; economic emphasis is on private goods and services with a competitive marketplace economy, and socio-cultural emphasis is on possessive individualism with a comparatively low value placed on stewardship.
>
> *A Contemporary Liberal or Welfare State* orientation in which political values emphasise legitimation functions; economic emphasis is on public non-market services and on intervention as an act of stewardship, and socio-cultural emphasis is on collective responsibility and a high level of stewardship.

Each type points to an *emphasis* and should not be understood as an either/or schema. Moreover, insofar as each type is the antithesis of the other, one would expect that at any selected time movement would be in one direction or the other, from one or the other position, straining towards a synthesis – which will not be finally achieved.

Over the last few years Canada, Austria, Ireland and New Zealand show evidence of moving from an earlier emphasis on a contemporary liberal orientation toward a neo-conservative orientation. In contrast, Taiwan has remained at the neo-conservative end of the spectrum without evidence of much movement. Taiwan has maintained its social and political distance from China and consciously opposed socialism along with China's position on Taiwan's national integrity. This demonstrates that the emphasis is never only economic, however important or bedrock that is to a particular system (such as the USA and the EU), but always also strongly political and socio-cultural.

The next step is to isolate certain defining characteristics or parameters of broadcasting to permit linkage between values orientations at the general systems level and broadcasting at the media subsystem level. The following are relevant to this inquiry:

- The significance of national identity
- The extent of public funding
- The extent of private or commercial funding
- Regulatory regime bias

Drawing on this, Table 2 points to a set of hypotheses as possible links, and intended to set a framework in place for evaluating broadcasting in the five selected countries. In the next section we assess each of the five selected cases using this framework.

**Table 2.** Parameters by Value Orientations

| Broadcasting Parameters | Classical Liberal ("neo-conservative") Orientations | Contemporary Liberal ("welfare state") Orientations |
|---|---|---|
| National Identity | Low significance | High significance |
| Public Funding (State funding, licensing) | Low | High (Audiences as citizens; stress on national identity) |
| Private Funding (commercial support, advertising, market shares) | High (Audiences as commodities; stress on consumer identity) | Low |
| Regulatory Regime Bias | Toward Private Broadcasting | Toward Public Broadcasting |

## *Austria*

In Austria, the mass media are generally subject to a dual regime – a mixture of economic and constitutional elements – under which the public service sector is subject to greater traditional, legal regulations and the private sector to more pointed commercial constraints. Austria's broadcasting history has been significantly influenced by Germany, and even more so now as the international interdependence of the mass media becomes ever more complex. The giant-next-door effect means that Germany as the big neighbour transfers more communications into the smaller state than vice versa (Steininger and Woelke 2007). This not only characterises the history of the Austrian media system, but also its media policy. Austria shares a language and a border with Germany. Not surprisingly, channels broadcasting into Austria from Germany claim considerable shares of their TV audiences.

The history of media institutions in Austria is discontinuous and has long been subject to external influences. Saxer (2005) points to four historic factors as being mainly responsible for this fact: 1) the demise of the Austro-Hungarian monarchy, 2) monopolisation by the National Socialists, 3) occupation by the Allies following World War II, and 4) the late national quest for autonomy. The second half of the twentieth century was characterised by a fossilisation of audiovisual policies. Austria reacted to the existence and the resulting dependency on (among others, German) arbitration outside its own national territory with an extreme corporate dogma, which favoured audiovisual fossilisation in the form of a strong, barely challenged, national, public broadcasting monopoly called ORF (*Österreichischer Rundfunk).* That ORF has typically acted in ways that evidence closeness to their government rather than as an independent media institution deserves notice. While most other West European countries dualised the domestic broadcasting system, this process has been very slow in Austria – even resisted as the analysis by Eric Nordahl Svendsen (in this volume) demonstates.

The first step in opening the Austrian audiovisual market to competition was taken in 1993 after a verdict by the European Court of Human Rights judged that ORF, as a monopoly provider, violated the freedom of speech rights as this is defined in Article 10 of the European Convention on Human Rights. As a result, regional radio licences were issued. Since the nationwide liberalisation of broadcasting markets (television since 2001, radio from 1998 onwards), Austrian public broadcasting television (in particular) has been competing against other Austrian and also German providers, which are completely financed by advertising and are oriented towards maximising profits. Public broadcasting, on the other hand, is financed mainly by licence fees but also partly through advertising.

A public broadcasting company provides services of socio-economic interest and receives compensation for costs arising from this obligation. But where PSB also has commercial operations it is for the European Commission to ensure that the sector does not use the compensation they receive to finance commercial activities, which adversely affects privately financed providers and distorts market competition. Although the structure and remit for public service broadcasting is a national competence, as a result of EU membership each broadcasting company is subject to the broader agreements in the single market definition of private goods or "economic good" (cf. Steininger and Woelke 2008). Saxer (2005: 131) describes this tension accurately: "Arguably, the cultural autonomy of EU members remains unimpaired in regards to the institutional organisation of their public-service broadcasters. Nonetheless, this autonomy is faced with an increasing economic counter-weight in the form of EU membership and the general commercialisation of media systems, in particular."

The fact that Austria is a small state affects its media system because cross-border radio and television programmes from Germany are widely available. Furthermore, as a result of the small domestic market as a whole, audience, advertising, information and event markets are also small in co-related fashion. Lower levels of resource availability in capital, know-how and talent pools are also co-related with small state status. These criteria often cause media in smaller countries such as Austria to become dependent on decisions in media policy taken by bigger neighbours. Thus the dependencies accumulate and deepen the further one goes in analysis.

## *Canada*

Broadcasting began in Canada, as in the United States, as a commercial enterprise during the 1920's. During the late 20's and into the depression of the 30's, Canadian political circles increasingly placed a high value on creating and maintaining a strong national identity relative to the United States – and the UK. To combat what was becoming an overwhelming onslaught from U.S. broadcasters, Canadian public broadcasting was established at the local level in Edmonton and Winnipeg and in a string of local production units across the country that were owned and operated by the Canadian National Railways (CNR), a Crown corporation operating stations in Halifax, Montreal, Winnipeg and Vancouver. The purpose was to provide entertainment and news for their transcontinental passengers. The CNR operated competitively along-side the Canadian Pacific Railway, a privately owned corporation. This points to a characteristic feature of the Canadian social system: there has always been a private / public mix inscribing "National Policy" since the country's Confederation in 1867. Public or Crown Corporations were common in transportation, communications and resource extraction.

Political values embedded in the National Policy stressed legitimation functions as Canada acted to define its self as a distinctive nation vis-à-vis the large neighbour influences of the United States. Simultaneously national policies in transportation, financial services, communications and immigration acted to link resources mainly situated in the western provinces with manufacturing mainly located in eastern provinces in lieu of powerful north/south economic ties with the United States. As for broadcasting, private and public broadcasting continue to exist side by side in a state of constant tension.

The Canadian Radio/Television Commission [CRTC] is the regulatory agency, and is ultimately responsible to Parliament. Broadcasting regulations have assumed that frequencies are public property, and that controls should be applied to public and private broadcasters alike. Regulations have intended to incorporate private broadcasters in the national identity project assigned to broadcasting overall, and especially the public provider. Thus, regulations also encourage Canadian production and dissemination.

Between 1930-1932 the formation of a national public broadcaster created tension between regional and national interests. A newly chartered Canadian Broadcasting Company [CBC] absorbed the former CNR local stations along with established provincial public broadcasters in western Canada. This tension has persisted as CBC policy constantly shifted interests away from and then back to regional broadcasting. Private broadcasters have tended to occupy the regional vacuum, although this is becoming more problematic in a current battle for control between cable, satellite and over-air broadcasters. Another tension, common to any Canada-wide project was between Québec (French language dominant) and the rest of Canada (English language dominant). This tension was resolved early on with the creation of two language services: the CBC (English) and the Société Radio Canada (SRC), each one broadcasting across the country.

More recently three provincial public broadcasters have entered the scene: Télé-Québec, TV Ontario and The Knowledge Network (British Columbia). All three feature a mixed funding model, being supported by Provincial government financing, direct public support and some discreet advertising. The CBC/SRC is a Crown corporation reporting to Parliament and supported by Federal funds and advertising. During the 2008-2009 year the parliamentary appropriations amounted to 60% of revenues and advertising accounted for 20%. The remaining 20% came from a variety of other services. The advertising revenue budget was down considerably as a result of the 2007-2008 recession that has led to severe cost cutting and the insertion of more American prime time programs in the TV line-up.[1]

Canada's 33.4 million people are mainly located along the border with the United States with a population of 309.2 million. Of course the two countries share a common language (with the exception of Québec where its language affords some protection for both media and cultural agencies). The USA is the largest producer of media products in English and Canadians have always had ready access to most of that – and for which they have tended to show some preference. Public broadcasting, along with other national projects in film and music, were created to slow the pace of what was considered an

1. See, www.cbc.radio-canada/annualreports/2008-2009 accessed 14 June 2010.

advancing cultural juggernaut from the south. But the competition is by no means all from the USA. Domestically the CBC faces large commercial media corporations with international reach: CanWest (currently selling national and overseas assets under bankruptcy control), BCE, TorStar, Shaw, Rogers, BCE and Québecor – variously operating cable and satellite services, TV and radio stations, newspapers, publishing houses and digital services.

Canadian content regulations apply to radio and television. Media programme subsidies (Canadian Media Fund) and foreign ownership regulations are the major weapons used to battle against US media encroachment. The current content requirement is 55%, but reduced from an earlier 60%. There are concerns that the present move by the Federal Government to liberalise foreign ownership rules in the telecom sector will spread to the broadcasting sector. Overall, there is slippage toward deregulation and a reduction of support for the CBC and cultural activities in general. Globalization of media organizations, the rapidly increasing improvement in and use of digital technologies, and threats made within the rules of the North American Free Trade Agreement [NAFTA] all serve to put institutional attempts to apply national controls on the Canadian media market in jeopardy. The slippage toward neo-conservatism has quickened the pace toward a collapse of distinctively Canadian media systems.

## *Ireland*

Ireland's small nation status has been a major factor in the development of its media system. Its size and relatively open society character, however, does not mean that Ireland's media organisation is defined only through dependence on larger, more dominant structures. A number of counter strategies illustrate patterns of integration at a transnational level that cut across the traditional notion of dominance and dependence.

Historically, Ireland is overshadowed by United Kingdom, its big neighbour with a population of 61.3 million. Six of the 32 counties on the island of Ireland are within the United Kingdom, and have a devolved government and a different legal and regulatory environment for media compared with the Republic of Ireland. The official language is Irish, or Gaeilge. However, the country is practically, predominantly English-speaking. English is the language of all mainstream media and daily affairs and Irish is only spoken as an everyday language by a small number of communities along the west coast. Government-supported initiatives have led to an increase in support for the language in education, in government, and in the media, and a number of important national media services are now available in the Irish language.

Despite proximity to the United Kingdom with its large, complex and mature media environment, arguably ranking second globally after the USA, Ireland retains a prosperous and (for its size) diverse media market. Ireland's public service broadcaster, Radio Telifis Éireann [RTÉ], has dominated broadcasting in Ireland since the 1920s. Even in today's more competitive environment it continues to do so. It has mixed funding with a license fee and advertising. RTÉ operates two national television services: RTÉ 1 and 2. There is a third public service broadcasting channel in the Irish-language called Telefís na Gaeilge [TG4]. Apart from the public service broadcaster, TG4, indigenous competition for RTÉ television comes from TV3, a private, commercial, and generalist television channel.

The year 2006 saw the start up of three additional commercial television channels: 1) a sports channel; 2) a general entertainment channel, Channel 6, which has since been re-branded by its parent company TV3 as 3e; and 3) the Dublin City Channel, on cable television. They have since been joined by other 'city' channels for Cork, Galway and Waterford. Three community channels have also been licensed. In total the regulator has licensed 14 television services. Even before RTÉ television was established in 1960, people living on the east coast of Ireland or near the border with Northern Ireland were able to receive British television, especially the BBC. In terms of channel share of viewing, in 2009 the two RTÉ channels were the most popular with close to a 40% market share.

The competitive environment in which national television operates is made all the more complex with the growth of digital services and the impending switchover to digital transmission (Corcoran 2002). Dependence on external service providers to launch digital television services has been a concern in Irish broadcasting policy. The market has moved rapidly towards the uptake of digital platforms, which in Ireland has meant cable and satellite operators. RTÉ will operate a national multiplex for digital terrestrial television from 2010, but in a market where commercial rivals have already spent years building market share. This obviously puts the national broadcaster in a compromised position in the emerging digital media space.

To the extent that it has been formalised in legislation and pursued through government and regulatory initiatives, Irish media policy has been concerned with the development of the sector, largely through the growth of the private independent sector, while ensuring that Irish broadcasting services were the preferred option for Irish viewers and listeners. Regulatory, licensing and spectrum planning arrangements have for over twenty years been geared to the development of a healthy, commercially-funded local radio industry, first, followed by the introduction of national and local television services to complement the historically dominant public service broadcaster (Spaink et al 2004). Media policy since the late 1980s has been characterised by a strong belief in the market and, at times, an uneasy relationship between the national public broadcaster and a government keen to reduce its influence.

Late in 2009 the new Broadcasting Act came into force. It established the new Broadcasting Authority of Ireland that has replaced the previous Broadcasting Commission of Ireland, hitherto responsible for licensing independent commercial radio and television. The new authority is responsible for all broadcasting, including RTÉ. It will license independent, commercial broadcasters, examine ownership issues, and manage a complaints procedure. However it is its role in public service broadcasting that has caused the most controversy. There is concern that the new Authority, heir to a previous regulator that never had a public service remit of any kind, has now assumed such control over the sector as a whole. There are fears of a far more constrained role for public broadcasting.

## *New Zealand*

The short history of this small South Pacific nation has generated a highly complex situation in media industries, broadcasting in particular. What has happened here is both an echo of wider trends and a prefiguring of shifts and re-alignments in other parts of the world. It has also been keen on developing strategies and structures that can rightly be considered as local solutions to local problems.

In the nineteenth century New Zealand was widely regarded as 'the social laboratory of the world' at the vanguard of policy (social welfare) and emancipation. New Zealand is famously the first country to give women the vote. In the late twentieth century and into the twenty-first century, New Zealand can no longer be regarded as such a shining example of social progressiveness, although some exception is perhaps in order for its anti-nuclear and immigration policies. But New Zealand has embraced with enthusiasm an ideology of change many would regard as anti-progressive.

This shift is particularly visible with respect to the ownership and purpose of media in this society. The deregulation and over-heated free market ideology of the 1990s accelerated a situation where the New Zealand broadcasting environment was declared "the most deregulated in the world…extremely permissive by world standards".[2] In fact a primary characteristic of New Zealand broadcasting is regular and relentless change. Indeed, such inconstancy can be regarded as a constant.

Unfortunately poor decision-making has also been a constant. In 1998, for example, Television New Zealand sold its Natural History production house to Twentieth Century Fox, a subsidiary of the News Corp global empire. In the ensuing years, Natural History New Zealand has grown into a globally-oriented and highly profitable enterprise with annual profits exceeding those of Television New Zealand [TVNZ] in 2009.This was not a rare example of poor decision-making; there have been many others in the past twenty years as broadcasting (television, in particular) has lurched between the poles of unabashed commercialism and an older public service ethos.

2. A New Broadcasting Policy for New Zealand. A discussion paper published by the Screen Producers and Directors Association. Wellington, July 1966, 6.

Despite inconstancy, there has always been a case for mixed television in New Zealand. From the earliest days of New Zealand television (the 50th anniversary of the first official transmission was June 2010), one finds a balancing act between a fee-based funding model (annual license fee) and a commercial model (advertising) characteristic of the system. In subsequent decades funding of television increasingly gravitated towards commercial imperatives with TVNZ now receiving over 90% of its revenue from advertising, and thus competing for this income with private, commercial free-to-air [FTA] channels and the dominant pay-TV Sky service.

In 2010 New Zealand has a particular and quite peculiar mix of television structures. There are residual elements of public broadcasting objectives in the state-owned TVNZ with its two channels, but because it is also designated a Crown-Owned Company [CROC], it is obliged to return a healthy annual dividend to the government. The three-term Labour administration (1999-2009) attempted to shift the company back to clearer public service objectives, which included introducing the TVNZ Charter. But with the return of a right-leaning National/ACT/Maori Party coalition in November 2009 the Charter was abandoned and commercial imperatives again hold sway. As Peter Thompson explains, "as TVNZ's failure to deliver its public Charter outcomes while depending on commercial revenue for 90% of its income demonstrates, commercial broadcasters operate under significant constraints that make the delivery of quality content and public service largely impossible" (Thompson 2010).

Sky Network Television, the dominant pay-TV provider, now reaches 46% of New Zealand households, with up to a quarter share of the total audience. There is another connection to News Corp in that it owns 44% of the majority shareholder, Independent News Limited. And so it owns rights to premium sports events (rugby, in particular) and has extended its hold on the New Zealand mediascape through the acquisition of the FTA channel called Prime. Other FTA channels have been bought and sold by overseas interests, with G.R. Holdings from the UK acquiring a majority ownership in TV3 and C4 recently. This mix of channels (Sky provides more than 80 pay channels) struggles for audience in a population of just over four million New Zealanders, and in a market where advertising revenue is in a slump due to the combined effects of a global recession and competition from other media.

That's the bad news. The good news is that the decline in television viewing for FTA channels has flattened and, in some cases, viewing has increased. The two-channel FTA Maori Television Service, which might properly be called a public service provider, is funded by the state with a modicum of advertising. It continues to attract respectable audience shares and critical approval for innovative programming and language support. Locally produced drama series such as *Outrageous Fortune* (also sold as a format to the USA and the UK), and serial dramas such as *Shortland Street*, together with news and current affairs, continue to dominate ratings for FTA television.

The two Freeview channels, TVNZ6 and TVNZ7, continue to attract discriminating audiences with their mix of locally produced content and overseas documentaries, although there is uncertainty about their state-derived funding beyond 2012. The funding agency New Zealand On Air continues to play a critical role in funding vulnerable genres (children's, special interest, and documentaries) for the local market, receiving $NZ127 million in 2008-2009, and allocating 64% of this to television productions. On a smaller scale another funding agency, Te Mangai Paho, allocates up to $NZ20 million annually specifically for Maori language or Maori interest programming.

These agencies and interventions can be regarded as attempts to ameliorate the real or perceived shortcomings of a totally commercial television system. New Zealand On Air is a residual safeguard put in place at a time when deregulation of broadcasting hit its stride. The others are more recent additions to the mediascape and largely put in place during the period when there was a more public service-friendly government. But given that every new government has chosen to reshape broadcasting according to its own philosophy (or ideology), with TVNZ usually being the sacrificial victim, television in New Zealand faces more changes. The current government has declared that TVNZ will not be sold off in the current term (until November 2012), but has been noticeably silent about what might happen if they get elected for another term.

## *Taiwan*

Taiwan is located close to the People's Republic of China, one of the largest countries in the world, and shares Mandarin as the official language. Under the "one China policy" Taiwan is not recognised as a fully-fledged independent nation-state, nor does it have a seat in the United Nations. Being positioned by the Chinese government as a renegade province, Taiwan is constantly marginalised in diplomacy. Its peripheral status further singles out its 'smallness' in international politics.

Taiwan is nevertheless an island that heavily depends on international trade and has established itself as one of the newly industrialised, semi-peripheral countries. In addition, Taiwanese investors have profited from the geographical, cultural and linguistic proximity to China and have played a key role in leading China into the world of capitalism. Nonetheless, although financial, human, and technological resources are being transferred from Taiwan to China, Taiwan fears that China threatens its competitive edge in the global economy. Finally, and importantly, as long as China does not relinquish its policy of invading Taiwan as a final solution to political division, it must remain a military threat and considered as a potential enemy. It was only in 2008 that direct links for postal services, transportation, and telecommunications were established between the two sides. At the point of this writing, no direct broadcasting channels are yet open except in limited and controlled places like hotels where Chinese tourists stay in Taiwan, or in Taiwanese investors' private homes in China.

This is the complex background against which the Taiwanese people articulate questions about Chinese cultural affinity or encroachment via media channels and products. First, Taiwanese broadcasting policy in relation to China largely depends on the leading political parties' view of the neighbouring power. Under the leadership of the Democratic Progressive Party [DPP] (2000-2008) China was imagined as the foe. The DPP stressed Taiwan's autonomy, and inclined toward both *de facto* and *de jure* Taiwanese independence. Coupled with the fear of political and military encroachments, the DPP antagonised China's paternalistic, nationalist outlook. Consequently, the DPP did not permit the entrance of Phoenix satellite TV into Taiwan. This Hong-Kong based company, partially owned by News Corp, developed an affinity with Chinese political leaders and its programming is popular in China.

Taiwan was earlier able to view broadcasting from a Chinese Central Television [CCTV] satellite channel geared to overseas markets. Under DPP leadership this channel, which broadcast in English, gradually disappeared from much of Taiwanese cable programming. The DPP equally imagined China as an opponent in the satellite broadcasting market. Chien-San Feng (2007) pointed out that the DPP government was eager to establish a competitive English-language channel, Taiwan Macroview TV (Taiwan Mac), for international audiences in order to showcase Taiwan. Legislators vetoed the idea because the proposed budget for this non-Chinese channel was more than double that of the public broadcaster, Taiwan Public Television Service [TPS].

Tensions across the Taiwan Strait have softened since the Kumingtang [KMT] party was returned to power in a 2008 election. As KMT takes a friendlier approach to China, dialogue has been re-established and negotiations about mutual broadcasting are now on the table. Despite the fact that most Taiwanese media owners are eager to establish access to the enormous population and markets in China, no concrete agreement has been reached as yet. Regardless of changes in official policy, non-official exchanges and media co-production in financial, human and technological resources, ranging from soap operas, popular songs and cinema, to large media events, are taking place. In these cases self-censorship is imposed on both sides to avoid government intervention. Bypassing political and ideological issues also maximises market potential. Media products that circulate across the Taiwan Strait are meant to entertain, and engage audiences as consumers, not as citizens.

Commercial interests and entertainment programming are not only peculiar to media products circulated across the Taiwan Strait, however, but have been a primary consideration for domestic channels since the debut of Taiwanese broadcasting history in the 1960s. Lee Chin Chuan (2004) argued that there existed a strong bureaucratic-commercial complex characterised by entertainment programming for profit, and by media discourse control, language use and ideology was established for maintaining the *status quo* of the authoritarian regime and state-capitalist development. Twenty-five years of democratic struggle helped to free broadcasting channels, however, and various television and radio stations are now more inclined towards different political parties and views.

But over the past two decades an excessive neo-conservatism has also marked the Taiwanese broadcasting system. Public broadcasting is marginalised in Taiwan. Since its establishment in 1999 the TPS has received only a very limited budget of less than $50 million USD to serve a population of 23 million. In contrast, the Canadian public broadcasting budget is $540 million USD to serve a population of 30 million Canadians. A recent regrouping of public broadcasting channels combined the original TPS, Taiwan Indigenous TV [TITV], Hakka TV, Taiwan Mac, and CTS. While the TPS continues to receive $50 million USD per year, the TITV, Hakka, and Taiwan Mac receive a total budget of $76 million USD. Legislators in Taiwan do not support budget increases or license fees to maintain the public broadcasting system. While being underfunded, government agencies are responsible for indigenous, Hakka and overseas Chinese affairs.

## Conclusion

We set out to demonstrate that broadcasting markets in relatively small and dependent states develop their systemic properties not only with regard to local conditions, but also in response to the social, cultural and economic ties they have with larger, more powerful neighbours as a feature of these conditions. Size was defined in terms of dependency in three dimensions, political, economic and cultural. We took markets to be one element in a complex of interacting elements within media subsystems. Our decision to use dependency as a selective device was not investigated as a variable but rather as a way to examine certain properties within and between selected small countries – Austria, Canada, Ireland, New Zealand and Taiwan, each of which has been shown to be more or less dependent upon a proximate, more powerful neighbour with whom they share a common language.

Austria, Ireland and New Zealand are small by any definition; Canada and Taiwan are larger but all five are clearly dependent states. All are struggling with the public/private broadcasting balance in situations where public broadcasting acquires a national identity function relative to powerful neighbours. Private broadcasting does assume public service and identity functions, but in the main it acts as a major carrier of programming from each state's powerful neighbour. This is the case with Austria, Canada and Ireland. New Zealanders do not appear to rely as heavily on their closest foreign broadcaster for information and entertainment. However, similar to the others, New Zealand broadcasting continues to respond to global socio-economic forces. Taiwan too is responding to global forces, but contrary to the other four cases its antagonistic/dependent relation with mainly China has yielded a highly protective system.

Our story is one of states struggling to offset the heavy media hand of their immediate neighbours, as well as global political and economic forces. Media organisation in Austria responded to the national socialist movement and later Allied occupation during the 40's; Canada responded to its divorce from British influence at the end of World War I and its subsequent quest to differentiate itself from the United States; Ireland responded to its long history of conflict with Britain; New Zealand is constantly in the shadow of Australia, the UK and the United States; and Taiwan's situation indicates a complicated set of factors that on the one hand leads to an attempt to distance itself from China's socialism to seek universal recognition as a sovereign, independent nation, while at the same time the importance of trade, culture and political relations with China create considerable complexity.

We began our analysis with an elaboration of the proposition that broadcasting in small and large countries alike requires an appreciation of the organisation of media as subsystems within a larger social system of which they are a part. Providers, creators, receivers and markets are subject to interactive elements of media subsystems. In turn, media subsystems interact with the state, the economy, and political and socio-cultural values as determinant elements in a comprehensive social system. With this in mind we advanced two types of value orientations – the classical liberal or neo-conservative set and the contemporary liberal or welfare state set – to summarise and capture the elements of larger social systems. The next step was to propose a set of broadcasting parameters as a way of capturing media subsystems. This yielded a cross-classification of value orientations and broadcasting parameters, generating a set of hypotheses designed to explore changes in broadcasting as a consequence of changes in overall social systems.

Regarding value orientations, Canada and Austria, the former under the influence of the NAFTA and the latter under the influence of the EU, show a decided move toward neo-conservative value orientations. Ireland, also within the European Union, demonstrates a similar trend, even more pronounced. New Zealand exhibits a pattern of see sawing back and forth, but tends overall toward the neo-conservative. Taiwan is solidly located in the neo-conservative paradigm.

International trade pacts moved Canada, Austria and Ireland toward neo-conservative positions such that these three not only respond to powerful neighbours, but to global economic and political forces as well. International interdependence in media and programme markets are becoming more prominent and complex. Taiwan's media policies respond rather quickly to party changes in government, and it is much the same in New Zealand. Taiwanese policy is strongly tilted toward preventing media dominance by China. New Zealand, like Austria, Canada and Ireland, is sensitive to global economic and political changes, though much less than the former three to its larger neighbour. Following our brief coverage of each of the selected states, we might explore the extent to which we can elaborate or, perhaps, reject the hypotheses proposed in Table 2.

## *National identity*

Within the framework of neo-conservative value orientations, commercial broadcasting may be viewed as economic activity in the "national interest". But this must be also understood in contrast to broadcasting as a mechanism for creating and enhancing particular national cultures where policy decisions may well run contrary to commercial interests. The definition of broadcasting as a "heritage institution", as part of the creative activity of a people, is more likely to occur under contemporary liberal orientations. We see this at work at several levels among our selected countries. Both Ireland and Austria find themselves immersed in controversies with the EU over a conflict of definitions: is broadcasting a commercial enterprise or a national cultural institution? Canada as a NAFTA member finds itself in a similar position.

This drift toward broadcasting as solely a commercial activity is not entirely due to outside pressures. Internal changes in orientations are evident in each of the selected states and that supports drifting toward the commercial imperative. The tension between national identity and commercial objectives is in fact a constant in all five selections. Internal changes in value orientations since the 1990's have led to a shift away from national, cultural objectives toward commercial objectives in four of the five selections. Taiwan is the exception. Moreover, Austria, Canada, and Ireland experienced heavy use of channels originating from big neighbours across their respective borders, further weakening national identity objectives. New Zealand broadcasting, though less impacted by its neighbour, defined its broadcasting industry as an instrument for national cultural identity. The degree to which that has been maintained is open to debate. Taiwan is an interesting exception. The hostile relations between Taiwan and China have acted as the major force shaping broadcasting policy, combined with a marginalisation of public broadcasting.

## *Private/public funding*

Advertising has always been the major source of revenue for commercial broadcasters, and is now becoming an important source for public broadcasters.

This is a significant change; one that began in earnest during the 1990's and has continued into the present with increasing emphasis. Governments began reducing their support of public broadcasting as the shift from contemporary liberal to neo-conservative values gained momentum. The significance of the shift is readily observed in changes in audience perception. The reliance on ratings as the primary basis for determining both policy and programming changes the perceptions of audiences from that of citizen to that of commodity.

### *Regulatory bias and discourse*

The regulatory regime in four of the five selections, Taiwan again the exception, suggests some resistance to the effects of changes in value orientations. Indeed, in all five cases regulations have tended to direct broadcasting policies toward issues of national identity while simultaneously slowly moving toward a concept of "free competition". Although it is important to observe that here, too, new regulations have tended to favour the private sector and, to some extent, forced the public sector to assume the role of competitor. Phrases like "national identity", "national institutions", and "national culture" are less heard today than "competition", "advertising" and "ratings". Global corporations have become significant actors in broadcasting nearly everywhere, in many cases the dominant actors.

### *Concluding comment*

The selected countries all exhibited commonalities arising from their economic and cultural dependence on larger neighbours and/or transnational trends in policy or industry. Each responded with a regulatory regime designed to maintain control and reinforce national identity. In these cases broadcasting regulations are relational; that is, in addition to responding to local political/cultural/social value orientations, they were designed to address cultural intrusion from their neighbours. Broadcasting in relatively small and dependent countries is responding to at least two, and in some cases three, larger systems: their proximate larger and more powerful neighbour just across the border (all five selections in varying degrees); international trade pacts (Austria, Canada and Ireland); and internal shifts in value orientations. From the perspective of broadcasting policy design, all three lines of dependency deserve deeper consideration and need to be addressed.

# Structure and Dynamics

## *The Television Broadcasting Industry in Smaller Countries*

Josef Trappel

This chapter examines structural conditions and the performance of television broadcasters in smaller countries. We argue that television broadcasters in smaller countries have fewer business options than their counterparts in larger countries. These restrictions affect their resources in terms of finances and personnel, and restrict their room of manoeuvre with regard to programming options. In smaller countries this industry is significantly similar to characteristics that describe highly concentrated media markets. The argument follows from the essential fact that smaller television broadcasters are confronted with economies of scale problems and, as a consequence, with conditions of vulnerability and dependency. The chapter ends in proposing areas of television governance in which smaller countries require different rules than those generally considered appropriate in larger countries.

## Four structural specificities in the TV broadcasting industry

The options for selection are nearly overwhelming when checking into any decent hotel and turning on the television. In many places there are literally hundreds of channels at the traveller's disposal, most comprising an array of internationally recognised brands including BBC World, CNN International, Al Jazeera, CNBC, and more just among news channels, let alone all the other genres. Depending on the country, there are likely to be television channels in diverse languages to serve the preferences of particular travellers, as well as numerous channels of local origin. It is fair to say that in general there is abundance in the television supply available nearly everywhere, regardless of country size. The market in provides more choice than any individual consumer could use, or digest.

What the traveller cannot see – what needs additional information – is the industry structure behind and underneath the visible screen. Hotel television doesn't typically reflect the national broadcasting landscape to any extend that we could consider a valid, reliable indication of local conditions. Rather it reflects some selected package of channels delivered mainly by satellite and/or cable systems. The national television supply is always much narrower and is determined by industry structures. To better understand the differences in national television landscapes, and respective domestic constraints, it is necessary to examine industry structures and their dynamics.

A quick and naïve look at the numbers of television channels available in various countries will not suffice for usefully understanding the broadcasting landscape. At first sight, the number of television channels is evidently quite high, even spectacularly so, regardless of the size of the country under observation. When all television stations are taken together – national, regional and local, general interest and special interest – a diverse picture emerges in many countries. Table 1 shows selected smaller and larger countries in Europe and lists main and secondary television channels, both public service and private commercial. In most of the western European countries, one of the main public service television channels is in the market leading position, exceptions are French Wallonia (Belgium), Portugal, Spain and Sweden. In Sweden, however, SVT 1 attracted almost as much audience than market leader TV 4 (2008). In most of the Central and Eastern European countries listed in the table, private commercial television channels are in the leading position, Poland being the exception to the rule.

There is no evident difference between East and West, or between smaller and larger countries, in the overall number of available television channels. With three exceptions, public service and private commercial television broadcasters of reasonable size (meaning with a market share of 10% or more) are competing. Regarding the exception, there are no private commercial television broadcasters with a reasonable market share competing with the public service broadcaster in Austria, Ireland and Switzerland (Denmark being a case apart). This is not a coincidence. Each of these countries share a language with a big neighbour and channel spill over (in some cases also targeting) from abroad is high in their respective audience ratings.

Moreover, in all the sampled countries except Ireland there is a large number of secondary channels and highly diverse audiences or 'target groups'. We find that public service channels often mainly provide general interest programmes for regional audiences, and that a multitude of private television broadcasters address local and regional audiences with special interest programmes (sports, news, children, adult, business, entertainment, fashion/lifestyle, to name a few). Many secondary television channels are very small and plenty are available only via the internet.

Digital technologies provide for higher efficiency in spectrum usage and DVB-T, DVB-S and DVB-C (digital video broadcasting terrestrial, via satellite

**Table 1.** Number of television channels in selected smaller and larger countries (2008)

| **Smaller countries** | Population (mio) | Main* public service channels | Main* private commercial channels | Secondary* public service channels | Secondary* private commercial channels |
|---|---|---|---|---|---|
| Austria | 9.4 | **ORF 1**, ORF 2 | none | ORF Sport Plus, ORF 1 HD | > 25; i.a. ATV, Puls 4, Servus TV, Sky (pay), regional channels |
| Belgium | 10.8 | **VRT Eén**<br>RTBF La Une | VTM<br>**RTL-TVI** | Ketnet<br>RTBF La Deux | > 25; i.a. Prime, TV Brussel, Tele Bruxelles, VT4, regional channels |
| Bulgaria | 7.6 | BNT 1 | **bTV**<br>Nova TV | BNT Sat, regional public service channels | > 25; i.a. TV 3, TV 7, regional channels |
| Czech Republic | 10.5 | Czech TV 1 | **Nova TV**<br>Prima TV | CT 4 Sport<br>CT 24 (news) | > 25; i.a. Nova Sport, Nova Cinema, Prima Cool, R1 |
| Denmark | 5.5 | **TV 2**<br>DR 1 | none | (plans) DR K, DR HD, DR Romasjang | > 25;<br>i.a. TV 3, TV3+, Kanal 5 |
| Finland | 5.3 | **YLE TV 1**<br>YLE TV 2 | MTV 3 | YLE Teema,<br>YLE FST 5 | > 25;<br>i.a. Nelonen, Sub, JIM |
| Hungary | 10.0 | M 1 | **RTL Klub**<br>TV 2 | M 2<br>Duna TV | > 25;<br>i.a. Mindig TV |
| Ireland | 4.5 | **RTÉ 1**, RTÉ 2, RTÉ 3 | none | TG 4, RTE News now | < 25; Setanta Sports, 3e, regional channels |
| Netherlands | 16.5 | **Ned 1** | RTL 4, SBS 6 | Ned 2, Ned 3; 12 digital special-interest channels | > 25; i.a. NET5, RTL7, RTL5, Veronica, Misdaated |
| Portugal | 10.6 | RTP 1 | **TVI**, SIC | RTP 2, RTP N, RTP internacional | > 25; i.a. Sport TV, TV1 24, SIC Noticias |
| Slovak Republic | 5.4 | STV 1 | **TV Markiza**,<br>TV Joj | STV 2, STV 3 | > 25; i.a. TA3, Joj Plus, regional channels |
| Slovenia | 2.0 | TVS 1 | **Pop TV**,<br>Kanal A | i.a. regional public service channels | > 25; i.a. TV 3, Info TV, PeTV, Pop TV, regional channels |
| Sweden | 9.3 | SVT 1, SVT 2 | **TV 4** | SVT Extra, SVT HD, SVT World, SVTB | > 25; i.a. TV3, TV6, Kanal 5, Canal+ (pay) |
| Switzerland | 7.3 | **SF 1, TSR 1**, **TSI 1** | none | SF info | > 25;<br>i.a. 3+, Tele Züri, Teleclub (pay) |

**Table 1.** Cont.

| **Larger-countries** | Popu-lation (mio) | Main* public service channels | Main* private commercial channels | Secondary* public service channels | Secondary* private commercial channels |
|---|---|---|---|---|---|
| France | 64.4 | France 2<br>France 3 | **TF1**<br>M6 | France 24 | > 25; i.a. Canal+ (pay), TMC, W9, Gulli |
| Germany | 82.2 | **ARD**, ZDF | RTL, Sat 1, ProSieben | regional public service channels | > 25;<br>i.a. VOX, n-TV, N24, Sky (pay) |
| Italy | 60.0 | **RAI Uno**, RAI Due, RAI Tre | Canale 5<br>Italia 1,<br>Rete 4 | Raitalia, RAI 4, RAI Storia, RAI Scuola | > 25;<br>Sky Italia (pay),<br>La 7 |
| Poland | 38.1 | **TVP1**, TVP2 | TVN, Polsat | i.a. TVP Sport, TVP HD, TVP Info | > 25;<br>i.a. Canal+ Polska, Polsat |
| Romania | 21.5 | none | **Pro TV** | TVR 1, TVR 2, TVR Info | > 25; i.a. Antena 1, Acasa TV, Realita-tea TV |
| Spain | 45.8 | TVE<br>La Primera | **Telecinco**<br>Antena 3 | TVE La 2 | > 25; i.a.Cuatro, La Sexta, regional channels |
| United Kingdom | 61.6 | **BBC 1**<br>Channel 4 | ITV 1, Sky (pay) | i.a. BBC 2, BBC 3, BBC 4, BBC News 24, BBC HD, BBC regional | > 25; i.a. ITV 2, ITV3, ITV 4, Discovery Channel, Disney, ESPN, Five, Gold, Nickelodeon |

* Main channels = channels with a market shares of 10% or above; Secondary channels = channels with a market share lower than 10%.

In bold font = the leading channel in the audience market.

*Source:* Author's compilation based on the MAVICE database of the European Audiovisual Observatory (with market share classification based on data from 2008).

and via cable) enable more broadcasters to distribute programming than ever before. What digital technology cannot change, however, are the structural constraints embedded in industry specificities. Viewed from a purely economic perspective, the following are among the most important structural constraints:

- Availability of resources
- Economies of scale and scope
- First copy cost
- Public good characteristics

These generalisable characteristics of media markets are well described in the literature (see the chapter by Christian Berg in this volume; furthermore see also Albarran 2002 and 2010; Doyle 2002a; Owers et al. 2004; Picard 1989).

Availability of resources is one of the most powerful predictors determining broadcasting industry structure. There are essential two components. The first of these is availability of financial resources in respective markets. The cumulative investments of advertisers in television programme sponsorship and spot advertisements, as well as the sum of license fee revenue from paying households (or the corresponding amount of money collected and delivered by government agencies), together with other sources of revenues such as direct payment by subscription, determine the total market value. As Gillian Doyle observed: "Large markets can support many media suppliers and the scale of their audiences will be sufficient to encourage strategies of audience segmentation through which many 'minorities' will be supplied with specialized output. (…) By contrast, the total resources available for media provision in a small market may be less than those available for even a minority in a larger market" (2002b: 17)

The second basic component is the availability of personnel resources in terms of professional staff, talent and creativity. Personnel resources are subject to a wide variety of influencing factors such as education and further training, the perceived attractiveness of a career in the industry, the size and openness of the labour market in television, the availability of an audiovisual production industry, etc. Availability of resources crucially depends on market size. Of course this might not be to any totalising degree: smaller markets might provide excellent conditions for growing talent and might also top up limited financial resources by attracting capital from industrial sources abroad. But the possibilities do not offset the point that there are finite limits set by the size of the population in a given market.

Both Christian Berg and Robert Picard (in this volume) rightly highlight the fact that broadcasters from smaller countries have, in many cases, similar cost requirements for television programming as broadcasters from larger countries – often enough, even the same costs. News, current affairs programmes and talk shows are examples of broadcasting genres that have relatively fixed costs, regardless of the market size. This means it costs *x* amount to produce a programme of this type regardless of where it is made or by whom. But in proportionate terms, broadcasters from smaller countries can only draw down resources derived from a much smaller number of homes, license fee payers and/or advertisers. This disproportion is comparatively unfavourable for television broadcasters from smaller countries. Compensation for lower revenues is unavailable in most cases, which means broadcasters from smaller countries significant complications in adjusting their cost to revenues. This poses restrictions that are often impossible to get around, for example having far fewer foreign correspondents for international coverage in television news, less resources to adapt international programmes to domestic standards or preferences, less personnel for programme development, as well as less competitive salaries for qualified managers, to name but a few.

In some cases this disadvantage can be of more limited relevance if national, regional or local broadcasters are required to compete directly with foreign channels. The signal exception and crucial exception, however, is smaller countries that share a language with a large neighbour. Wherever that is the case it means that domestic channels must compete directly, and thus the disadvantage becomes pronounced. This exception characterises many cases: Switzerland (Germany, France and Italy), Austria (Germany), Belgium (France), Ireland (United Kingdom), New Zealand (Australia), Taiwan (China) and Canada (United States).

Turning attention to the second structural constraint, as with all forms of mass media television broadcasting is characterised by economies of scale and scope. This is well-travelled ground in media scholarship, as noted earlier. The attribute differentiates mass media from many other goods and services. In advertising supported and subscription based broadcasting, market size as measured in number of viewers (or households) indirectly determines the amount of money a broadcaster will be able to generate. It imposes a 'ceiling', so to say. But there is also the threshold side of this equation: economies of scale mean that once mass distribution is achieved additional viewers can be sold as commodities for higher prices without incurring higher costs for reaching them. It costs no more to serve one million than 100 with the same signal in a coverage area. Similarly for cable and satellite television, additional subscribers contribute their fees at no extra cost for these broadcasters. This implies, however, that the bigger the market the greater the availability of additional resources for accumulation without co-related increases in costs, whereas smaller markets simply can't generate the same volume of resources – and this puts broadcasters confined to those markets at a comparative disadvantage in nearly every competitive aspect.

Economies of scope are achieved when broadcasters are able to integrate operations along the value chain. The value chain notion was popularised by Michael E. Porter (1998). He suggested that efficiency can be assessed by examining the several interdependent components in the production and distribution of products, which together succeed (or fail) to increase the net value (i.e. added value) of each component. Economies of scope are best achieved via vertical integration, when one company controls all the components – amounting in practice to end-to-end ownership. In media this provides opportunity, for example, to generate multiple revenue streams as the product is versioned across media platforms and, at best, also has merchandising value.

Economies of scale and scope generally improve with increasing market size and/or decreasing levels of competition. Clearly this puts domestic broadcasters in smaller countries at a significant disadvantage because they have far less opportunity to profit from these economy characteristics than those located in larger countries. International broadcasters further complicate the situation as they are able to benefit from both forms of economy by operating across markets, especially common in smaller countries.

Closely connected with economies of scale and scope is the third structural constraint, first-copy cost. As with other forms of mass media, television broadcasters incur high up-front costs for producing the first copy of a programme. The notion is an analogy with the newspaper publishing business. All the costs are in producing the first copy. Every additional copy sold lowers the cost per unit, and eventually accrues as profits. In broadcasting it means either every additional home that tunes in to watch, or that signs up to subscribe. As with the two already treated, this structural constraint applies no matter the size of the market – i.e. to smaller and larger broadcasters alike. But this means, by implication, that broadcasters in smaller markets must bear higher total costs because they have less households to tune in or subscribe to. The exception would be any broadcaster able to escape the inherent domestic constraints by capitalising on a world market for selling its original television programmes. Most small market broadcasters don't have great possibilities there, and generally also have mother tongues that are not English or another big language family (e.g. Mandarin Chinese).

Finally, the economic specificity of the public good characteristic of television is of great importance to the development of mass media in general, and broadcasting in particular. There are two essential economic features of public goods: non-rivalry in consumption and non-excludability of consumers. Television transmitted over cable, satellite and by terrestrial means can be received by all of those consumers equipped with the appropriate reception device. Of course excludability is possible for subscription services, and so accounts for the 'tier' strategies characteristic of satellite and cable operators. But free-to-air terrestrial television doesn't have this option, and that accounts for the bulk of domestic production in smaller markets. Non-rivalry would apply to all channels, regardless of payment and delivery approach. Consumption of a programme by one viewer does not prevent any other viewer from watching the same programme at the same time. Consequently, television is properly described as a public good according to both measures. Broadcasters from larger or smaller countries do not differ much with regard to this media industry specificity.

In short, then, when seen as a process in its entirety from content creation and aggregation through distribution, the structure of television broadcasting is determined by economic specificities. As other chapters in this volume demonstrate it is not *only* about that, but it as clearly is *at least* about that.

## Liberties and constraints

With the preceding specificities in mind, we can turn our attention to a closer examination of differences between the television industry in smaller and larger countries – our emphasis in this part of the chapter.

For the purpose of this book, smaller countries have been defined as having a population of less than 20 million. This static definition includes the large majority of member countries of the European Union, and also applies to a variety of countries worldwide. The question now is if the smallness of domestic markets shapes the television broadcasting industry, and if so then how. The answers are important for establishing the relevant factors that shape this industry in smaller countries when we compare with larger countries.

In line with earlier work on media development in small states (see Puppis 2009; Siegert 2006; Meier and Trappel 1992; Trappel 1991), three arguments are discussed here:

1. TV broadcasting industries in smaller countries enjoy less managerial and editorial options than their counterparts in larger countries.
2. TV broadcasting industries in smaller countries have structures that are similar to highly concentrated broadcasting markets. Dominant features observed in markets controlled by only few media conglomerates can equally and regularly be found in smaller countries.
3. TV broadcasting industries in smaller states are vulnerable and depend critically on decisions taken by actors outside broadcasting competition. Therefore, the industry in smaller states especially requires adequate governance.

These arguments are not to imply that the TV broadcasting industry in larger countries is generally better off than in smaller countries. Some broadcasters in smaller countries are highly successful in many relevant dimensions: audience reach, market share and profitability. Size as such is not a valid predictor for industry success. But small size in the broadcasting industry inherently means that certain strategic choices must be excluded by management from the outset, and will encourage corporate behaviour that is driven by ex ante market co-ordination rather than market competition.

### *Smaller countries, fewer options*

Regardless of the type of television broadcasting under scrutiny, whether a general interest channel or a special-interest news or sports channel, programme choice is more limited for broadcasters targeting smaller countries. The options for creating and running a special interest channel are particularly dependent on total market size. All of the larger European countries have a broad spectrum of special interest television channels, typically including news, business, sports, music, and channels for children. These broadcasters have generally been able to successfully locate themselves within a market niche that is wide enough to support the running costs for the channel at a profit. Some such operations are explicitly intended to cross borders, including for example Euronews, Eurosport and BBC World – as well as signals originating from further afield, such as BloombergTV from the USA. Moreover, many of these channels are delivered at an international scale in a variety of languages (e.g. Euronews and Eurosport). Others are more national in market orientation, such as the news channel N24 in Germany or Sky Sports in the United Kingdom.

There are fewer examples of special interest television channels offering genuine domestic content that references national current affairs in smaller countries. Low budget television channels are far more active in these more local or regional areas. There are fewer business opportunities for national (or international) special interest channels. In Switzerland, for example, several attempts have been undertaken to establish a business television channel. One might think this should stand a fair chance of success given the country's prominence in international banking. But all of these investments have failed economically either in the planning stage or collapsed mere months after launching operations. A good example is the European Business Channel in 1990 (Meier and Saxer 1992: 234). Another example is from Denmark where a national sports pay-TV channel was launched without success in 1997, closing shop later in the same year (Mortensen 2004: 46).

The switchover to digital television distribution since 2005 to 2007 (approximate because switchover schedules vary widely in Europe), together with new legal rules, have enabled broadcasters in smaller countries to set up new channels. As a rule these do not carry so much domestic content, however, or as much news and current affairs programming. Instead they tend to establish small market niches and offer low cost programmes, very often imported. Finland and Flanders are good examples for this recent boom in niche television channels (see de Bens 2007: 77; Jyrkiäinen 2007: 103). Their economic viability and sustainability has been severely tested during the recent economic crisis that hit advertising spending hard in 2009 and 2010.

Apart from the obvious reason of having too few people watching special interest programs in smaller countries to convince the local advertising industry to make use of these channels for getting the attention of audiences, the high fixed cost for running a decent newsroom during large parts of the day have typically been considered to be high barriers to market entry. Aukse Bal€ytien€ confirms this in her assessment of the Baltic states where she argues that "for smaller markets, a particular concern is the availability of resources to support the production by domestic media groups of original content as opposed to imported production" (2009: 135).

There are important economic implications in this industry structure. Smaller countries cannot provide a home market of sufficient scale to attract or encourage television entrepreneurs willing to invest in infrastructure, personnel and skills development. The critical mass for developing a sizeable television industry simply can't be met, thus rendering smaller countries into 'blind spots' for television industry development. National demand for the television programme industry, for studio services and for the development of a specialised labour markets need for such development in television must remain small when only a few television broadcasters manage to survive for a longer period. Thus, entrepreneurial options are far more limited in smaller countries.

Private television, in most cases best described as commercial advertising-financed businesses, is generally exposed to a large number of uncertainties. Advertising doesn't provide such channels with a reliable flow of revenue because it is highly reactive with general economic conditions. New modalities of advertising, in particular related to the internet, leads to even more uncertainty – and instability. In such circumstances, rational entrepreneurial behaviour suggests it is wiser to divert investment into other outlets and diverse options. The advantages of scale (discussed earlier) for broadcasters in larger countries are simply unavailable for diversification in different types of broadcasting operations in smaller countries. For private commercial television operators, smaller countries offer only riskier investments than larger countries with a their greater variety of diversification options.

What works quite successfully, in contrast to special interest channels, are national television channels – and for smaller countries most of these are in fact organised as public service media (e.g. ORF in Austria, RTE in Ireland, SRG/SSR in Switzerland). Of course some of them are private commercial stations (e.g. VTM in Belgium, RTL4 in the Netherlands, TV4 in Sweden), and some are organised as hybrid models that combine (in different formulations) public service and commercial orientations – especially characteristic in the Scandinavian countries (e.g. TV2 in Denmark). But having more than two competing general interest television channels per country is the exception rather than the rule among smaller countries, apart from smallish low budget channels at the local level. In the new EU member states of Central and Eastern Europe, a similar pattern has emerged. Bulgaria, the Czech Republic, Hungary, the Slovak Republic and Slovenia all feature structures where there is competition between a market leading private company (in many cases controlled by an international corporation, such as Central European Media Enterprise) and an incumbent public service operator, typically however with a history in state broadcasting (i.e. not originally grounded in the PSB ethos).

The emerging industrial structure reported here, characterised by a very limited number of general interest television broadcasters and a decent number of small scale and low budget local television channels, neither provides for full scale market competition nor for economies of scale and scope. Television industry structure in smaller countries is characterised by a small number of corporate actors, with far more limited business opportunities, and accordingly curtailed future market perspectives.

## *Television industry concentration: Disadvantage for smaller countries*

A small number of corporate actors is the main characteristic of highly concentrated markets in general. To understand better the television industry in smaller countries it is therefore worthwhile to apply findings from contemporary media concentration research to the television industry in smaller countries.

Werner A. Meier (2007: 86ff) discussed a number of characteristics in highly concentrated media markets. A selection of these findings can be applied to the television industry in smaller countries, which reveals their structural similarity to highly concentrated media markets.

### 1. Limited number of powerful providers

As a rule, a small circle of powerful owners controls the television industry in small countries. Apart from public service broadcasters, which are regulated by law and supervised via parliamentary oversight in most cases, there are few examples of independent ownership. On the contrary, in most cases a very few cross-media corporations run private sector television channels. Let's look at a few telling examples.

MTV3 in Finland is part of the second large newspaper publishing group, Alma Media, who is also a minority shareholder in Sweden's TV4. This channel is controlled by Sweden's largest publisher, Bonnier, who also owns one-third of Alma Media in Finland (Österlund-Karinkanta 2004).

In Central and Eastern Europe, the Central European Media Enterprise [CME] is an American-owned corporation that controls significant shares invested in television in several countries including Bulgaria (Nova TV), the Czech Republic (Nova TV), the Slovak Republic (TV Markiza), Slovenia (Pop TV; Kanal A) and Romania (Pro TV; Acasa TV). In Ireland, to take one more example, only two actors dominate the national television arena: the public service operator, RTE, and the UK-dominated private channel called TV3.

A similar pattern is found in larger countries: The television industry in France, Italy and Spain can in each case be described as a duopoly of public service broadcasters in competition with one large private commercial conglomerate that is *diagonally concentrated* – TF1 and Bouygues in France, and Silvio Berlusconi's Mediaset/Fininvest controlling Canale 5, Italia 1 and Rete 4 in Italy, and Telecino in Spain). Europe's largest market, Germany, has private commercial television dominated by two rival groups, RTL (Bertelsmann) and ProSiebenSat.1 (since 2006 owned by financial investors KKR and Permira). Thus, television as such has reached a stage in its industrial development where both in smaller and larger countries markets are divided among a very limited number of corporate actors and a large number of very small secondary providers.

## 2. Restricted consumer choice

Media concentration theory suggests that highly concentrated media markets restrict consumers' choices. Smaller countries' television industry appears similarly less diverse in its programme offer than what is typically available for larger countries. As discussed above, relevant special interest channels are less frequently offered in smaller countries and the general array of television channels is more limited. This is of concern in particular with regard to national and regional news and current affairs programs. Entertainment is less restrictive due to more access being commonly afforded by foreign satellite channels, but also in particular in smaller countries sharing a language with a large neighbour country. Very often foreign channels targeting domestic audiences in same-language territories mainly provide entertainment programming rather than news and information services, or current affairs programming. However, in both segments (news and entertainment) a critical issue is the frequency and capability of television broadcasters to both produce and distribute programmes that reference the daily social life of the targeted population in smaller countries. World news and merely adapted reality-TV formats do not meet this requirement.

## 3. High barriers to market entry

Barriers to market entry are established by market actors who wish to keep new competitors out of the market. Economic theory considers product pricing and marketing cost as relevant barriers to market entry. Both factors can deliberately be manipulated to keep the expenses required for any new entrant high. Although market entry for general interest television channels is difficult in any country due to saturated markets and limited resources, smaller countries are particularly vulnerable to high market entry barriers. Over the last two decades new and relevant television actors were established almost exclusively in Central and Eastern European countries, while in Western Europe only television channels of secondary importance have been newly established. The barriers to market entry are simply too high to surmount in smaller countries with smaller markets.

### 4. Restricted journalists' choices

Media concentration research demonstrates that journalists are confronted with fewer employment options in highly concentrated media markets. For a healthy, vibrant news industry able to properly serve the diverse needs of a democracy, it is of particular importance that journalists have the option of changing employers in situations where journalistic work produces conflicts of interest. For example, a journalist with the bit in his or her teeth on corporate fraud may be unable to publish the story in a channel that relies on that corporation for a significant proportion of its advertising revenue. The only way to get the story published is to change employers, moving to an outlet that is less or not at all beholden there. Smaller countries with fewer television operators contain much higher risks for critical and investigative journalists than larger countries with more outlets, and thus greater employment opportunities. In Germany, for example, current affairs journalists may change between the two national public service broadcasters (ARD and ZDF), move to a robust independent regional infrastructure, or even to one of the two large private broadcasting groups. In Austria, in contrast, there simply is *no* option for investigative broadcast journalists apart from the public service operator. Even in less polarised smaller countries such restrictions in employment options are far more severe than in large countries.

### 5. Homogeneous journalistic working practices

The homogenisation of norms and working practices in journalism is reducing incentives to compete in terms of both quality and innovation. Drawing from Schumpeterian innovation theory, television markets can be expected to provide a maximum of innovation only when there is a need for different business practices and enough room for new market entrants. As he suggested decades ago, this secures a "process of creative destruction" (Schumpeter [1942] 1976: 81). Such opportunity is severely constrained in smaller markets due to high barriers to market entry. Duopolistic market conditions, where just two main actors can thrive, impedes to the establishment of new television channels with creative ideas and fresh concepts. Larger countries are in a similar position, of course (in light of earlier discussion about conglomeration), but their prospective is certainly more favourable. The large size of the total Italian audience market is more promising for any effort to establish a new television channel (e.g. La Siete) against the resistance of the established duopoly of RAI and Mediaset than would be the case for the limited market size in a country such as Ireland or Portugal.

The scarcity of innovation in smaller countries leads to homogenization of norms and working practices within journalism. The point of reference remains steady and static, being less exposed to new ideas. Of course, television broadcasters in small countries closely observe business developments in other countries, but the requirement to implement new working practices is less urgent.

## 6. Decline of critical monitoring

Similar to other sections of the media, the television industry is governed (or should be governed) by high standards of self-regulation. While one essential sector in smaller and larger European countries alike, at least in the West, is subject to public control (public service media), the private commercial sector is mainly governed by self-regulation. European norms for trans-frontier television that equally apply to television broadcasters in any EU member states with distribution signals that cross national borders have been increasingly relaxed, and recent trends suggest that national rules are also increasingly based on EU directives, especially now the new audiovisual media services directive (2007/65/EC; formerly, TWF). Self-regulation is therefore of already high and increasing relevance to corporate and media governance in the television industry. In smaller states self-regulation rules are typically negotiated among that small number of industry actors noted earlier. Civil society can hardly expect a balanced, or at least non-biased, outcome of negotiations under these conditions. Larger states with representatives from more television companies are better placed to condone stricter and less biased self-regulation rules. This argument is, however, hard to verify empirically. Self-regulation is often determined informally and established rules are subject to frequent changes. What can be demonstrated in cases with only few corporate actors is much less strictness in monitoring competitors, including the observation of self-regulation rules.

## 7. Exposure to take-over

National corporations in concentrated markets are critically exposed to takeovers by potential investors. This characteristic of highly concentrated media markets is a result of general industry and competition dynamics. Monopolies (or duopolies) represent valuable business opportunities for investors. While such duopolies can be found in both smaller and larger states, the cost for any take-over is much less in smaller states while expected margins are often at least as attractive as in larger states. Therefore, highly concentrated television markets where there is only one private commercial corporation presents an attractive acquisition target for investors, especially today among international conglomerates. While such business operations are risky in larger countries, the financial risk entailed for investment in smaller countries is comparatively lower and easier to accept. The take-over of ProSiebenSat.1 in Germany by the financial investors KKR and Permira in 2006 exposed those investors to very high risks. Indeed, shares dramatically lost value in the following years, with severe consequences for investors and the affected television channels that were subsequently forced to cut costs. In contrast, television investments in smaller countries in Central and Eastern Europe worked well.

The current economic crisis has hindered acquisition in the television industry in Europe, but we can expect that to be temporary. Moreover, there is an imbalance in foreign investment in television between smaller and larger countries. While there are numerous examples of television corporations established in larger countries that are keen invest in smaller (and larger) countries (e.g. RTL/Bertelsmann from Germany in Belgium, Hungary and the Netherlands; German ProSiebenSat.1 group in Hungary, the Netherlands and Sweden; US-based CME in Bulgaria, Czech Republic, Slovak Republic, Slovenia and Romania; Mediaset from Italy in Spain), there are *no* examples of television corporations from smaller countries invest in larger countries.

This non-exhaustive list of characteristics illustrates the central argument of this chapter: that smaller countries are more exposed to the negative effects of television market concentration than larger countries, although ownership concentration is present in the larger markets as well. Although concentration characterises all market sizes today, the disadvantages disproportionately accumulate in smaller television markets.

## Vulnerability, dependence and governance

Television industries established in smaller states appear to be vulnerable and dependent. Vulnerability refers to the limited sovereignty of television broadcasters in smaller sates both with regard to programme choice and ownership (cf. Puppis 2009: 11). Firstly, television broadcasters in smaller countries are confronted with programmes and formats that were developed in and for larger markets. Game shows, television series and other formats are developed to suit the preferences of large markets, which are the main customers also for global trade. Broadcasters from smaller markets must either adapt such international formats for the national realities at the same (high) cost as larger TV broadcasters or, alternatively, broadcast such material unaltered at lower cost. See the chapter in this volume by Annette Hill and Jeanette Steemers for useful discussion.

Secondly, smaller markets sharing a common language with a larger neighbouring country are confronted with television programmes originating in that country but transmitted into the smaller market. Such transnational broadcasting is welcome for growing programme diversity, but is less desirable with regard to sovereignty and culture.

Thirdly, smaller countries with far less comparative resources are constantly vulnerable to take-overs by wealthy foreign companies, thus reducing sovereignty in decision-making for the smaller country as well. As illustrated above, decisions about television programming and structures in many of the countries in Central and Eastern Europe have been taken over by corporations established outside these countries. Todd Chambers (2003: 45) used the term "absentee owners" to describe the pattern (although in a different television context). Such owners are absent from the social, economic and political realities of domestic populations, and are inclined to pursue different priorities and to employ different decision motifs than those who are personally exposed to the social consequences of their decisions. Such absentee-owners make the television industry in smaller countries still more vulnerable.

Moreover, decisions on how the television industry in smaller countries is organised are to a large extend taken over by outside actors and local authorities have quite limited options for influencing decisions. Probably the most important decision concerns the internal (domestic) market order. As demonstrated earlier, smaller countries cannot *afford* to sustain a no-holds-barred market model based on pure competition rules. Scarce resources simply do not allow this option. Nonetheless, smaller countries today increasingly find themselves vulnerable to the supranational regulations on television industry structure that are applied to larger countries with much bigger, and often wealthier, markets.

This imbalance and the dependence it creates has become increasingly evident in comparisons between smaller and larger countries. Let's remember that the number of main television channels (market share of 10% or above) is considerably fewer in smaller countries. Market competition with its promises for internal checks and balances can't be achieved in the TV industries of smaller countries. Instead of Adam Smith's heralded *invisible hand,* the hand of the market in smaller countries is highly visible: dominant market players control commercial television activities in highly concentrated markets, generally with only one company commissioned to set the standards – namely the public service provider. Of course the UK complicates the picture with its incorporation of commercial PSB companies (Channels 4 and 5), but recent economic problems suggest that the degree to which these hybrids will be held to public service standards is in decline.

Although there are no convincing arguments that competitive television markets in larger countries provide the best achievable quality and the most relevant contents, there is no doubt that in smaller markets an entirely market-based approach has so far failed to deliver the goods. Smaller countries deliberately and with good reason insist on measures to prevent market deficiencies and market failure. Today, however, such measures can only be applied only to the extent that the relevant supranational framework permits this, such as the rules established by the European Union. Smaller states are hardly ever able to influence such fundamental decisions, as demonstrated in this volume by the chapter from Erik Nordahl Svendsen. At least their capacity for influence is meagre compared to the negotiating power wielded by large states. Consequently, smaller states depend on rules designed to suit the preferences of larger states. This doesn't always or necessarily imply a disadvantage for smaller states, but it certainly reduces self-determination in the television field.

EU competition policy rules that are applied to television, for example, do not – and following the institutional setting actually cannot – take into account the specificities of smaller markets where competition doesn't work the same way or to the same extent due to smaller size characteristics. Despite this it has become evident that smaller television markets are under permanent scrutiny by the European Commission regarding state aid rules, and mainly due to an endless series of complaints filed by commercial media operators for their own self-interested reasons. It is only very recently that the EC acknowledged that smaller states might actually be different. In its Broadcasting Communication 2009 the Commission suggested with regard to state aid rules and public finances of public service media that "the Commission will also take into account the difficulty some smaller Member States may have to collect the necessary funds, if costs per inhabitant of the public service are, ceteris paribus, higher…" (European Commission 2009: para. 42).

The question arises, then, whether smaller states *require different rules* in order to provide their populations with the best possible television service – with services that are appropriate to their distinctive comparative needs. Factors keyed to size, resource abundance, vulnerability and dependency for doing television in smaller states together suggest that an approach to governance is needed that would accommodate adequate tailoring (or versioning) to respect the legitimate needs and distinctive comparative interests of smaller member states. This ought to be taken on as a developmental frontier for governance rules explicitly addressed to television broadcasting in smaller states by supranational authorities.

Denis McQuail has suggested using the term governance "to describe the overall set of laws, regulations, rules and conventions which serve the purpose of control in the general interest, including that of media industries" (2005: 234). He distinguishes formal from informal, and internal from external, elements in media governance. In the context of television governance in smaller states McQuail's systematic order is helpful to address fields where action is merited:

First and foremost, *formal and external* governance is required to deal with the conflict of interest between the requirements of market and competition on the one hand and high levels of media ownership concentration and market failure on the other. Domestic regulation cannot change market conditions in smaller states. But formal and external rules could be applied that would make all television operators, public and private, accountable to a shared set of goals at some general standard for society, e.g. with democratic principles and diversity requirements. Such rules would not only define acceptable levels of media concentration (including cross-media concentration), but also *formal and internal* governance rules. All television broadcasters would thereby necessarily adhere to a set of obligations for internal conduct, for standards of programming, in staff recruitment, in guidelines for programme acquisition, for principles of collaboration with national programme producers, for ensuring the independence of newsrooms from undue influence (internal and external), etc. All of this is supremely relevant for and in smaller states with necessarily higher concentrated television markets.

Another aspect of formal and external governance concerns the role and performance of public service television broadcasters in smaller states. These broadcasters are essential to balancing between the commercial interests of private television and the public interests of civil society. In smaller states the relative importance of public service broadcasters is higher due to the small number of relevant competitors. Formal and internal governance rules should clearly define the obligations and the remit for public service television. In return, revenue sources should be defined and assured for a suitable period of time.

A third aspect of formal and external governance lies in the importance of a clear separation of power between television broadcasters, government agencies, and economic forces. Due to the smaller size of their societies, the necessary and essential distance between television and those wielding power in both government and markets deserves consideration. Temptations to illegitimately influence television coverage can be more likely in smaller states with stronger corporate ties between political, industrial and media actors than in larger states. Empirical research is uncertain here, as the chapter by Chris Hanretty demonstrates. More is needed to confirm or disprove this assumption.

*Informal and external* governance refers to the continuous public debate about television in smaller states, and that mainly means discourse about threats to and opportunities for its development. This debate is essential for arriving at a shared understanding of the roles and functions of television broadcasting in contemporary societies. Again, this debate is of more relevance in smaller states because of the scarcity that is characteristic of television supply. Television's role in society should be defined by a public debate rather than by vested interests. The scale of available resources in small markets simply does not permit fair and robust services for minorities if handled on a purely competitive basis. This is another pressing reason that public debate about television broadcasting and its roles is essential.

Finally, informal and internal governance refers to conduct within television organisations. This field is least accessible for, and least exposed to, public control. But that is essential for ensuring adequacy and fairness in television system performance. Television programming is the result of collective efforts by a large variety of people engaged with many aspects of its production and distribution. The better and clearer the informal and internal codes of conduct, and the more rigorously observed, the better the programme output that can be expected. This factor obviously applies equally to small and large states.

## Conclusions

The television industry in smaller countries is in a delicate position. Vulnerable and dependent on external decisions, its point of reference remains the civil society requirements of the national population. Television can still be considered what James Curran calls "core media" for society (2007: 39). As such, television "should sustain a culture of 'civil democracy' designed to promote conciliation and compromise. (…) Core media should also promote conciliation by supporting the rituals and procedures of the democratic system" (ibid.: 40). Television in smaller countries can live up to this requirement only if structural conditions are accommodated and structural requirements are met. These include a high level of accountability for industrial television actors – public and private – a sufficient level of financial resources, and a set of governance rules that respect the distinctions of smaller states. Rules governing markets and competition alone will not fully comply with these requirements because market failure and deficiencies continue to threaten the capacity of this core media sector to be a well-functioning structure. Achieving that requires an adequate set of appropriate media policy measures.

# From Sovereignty to Liberalisation
## *Media Policy in Small European Countries*

Erik Nordahl Svendsen

The importance of size affecting conditions for television broadcasting is stipulated in the introductory chapter, and variously treated in this volume. Of course other contextual factors are important, and in this chapter we sharpen the focus on history and politics. These are vital for understanding how broadcasting is organised and operated in a country, whatever its size. Here we investigate media politics in European countries, and later in the European Union particularly (largely presented here as an historic sequence). We hypothesise that a country will give its citizens television at the point when resources allow that, and that television policy always has some national cultural aims. We are interested to understand what accounts for how broadcasting is organised and mandated, and especially which options were selected by different countries. We are working to understand how TV broadcasting strategies can be usefully characterised, and to know if strategies differ in small countries in any systematic way.

Since its inauguration in most of Europe in the 1950s, and persisting until roughly 1989 consequent to the Television without Frontiers directive (TWF) from the European Union (EU), strategy in television policy was exclusively a national, sovereign issue. This was the case no matter the country size, and despite variance in economic and political conditions. There have always been questions about how to introduce television, on what basis and with which arrangements, and later about how to add more channels. Debate about the relative benefits of adding more channels as public or private offers has been characteristic. Until the late 1970s most of Europe favoured adding more public channels. This began to change in 1980s, and with accelerating speed after TWF in the West and the collapse of the Soviet Union in the East. TV policy was rapidly liberalised and transnationalised in Europe. One characteristic effect has been increasing transmission of channels from neighbouring countries and cross-national ownership, both of which have had particular impact in smaller countries. This was supposed to benefit European audiovisual culture by fertilising development in home production to counter the growing presence dominance of American audiovisual products. In fact it has mainly stimulated a further and dramatic increase in American presence, first in content and later in ownership.

In this chapter analysis focuses on how national television strategies have responded, proposing two options in generalisable terms. Some countries evidence a *balancing strategy* between public and private sectors, while others favour a *consolidation strategy* in public television. This leads to deeper analysis of the present position of public service television, both in terms of revenue and viewing. That is especially relevant to understanding the strength and importance of public television in smaller countries today. Further, we investigate how different states have dealt with private commercial television and the transnationalisation associated with it. Here we are especially interested in performance regarding the 50% quota requirement stipulated for European works by the European Commission [EC], and EU competition policy in relation to public broadcasters.

Analysing the data and assessing historical elements lead us to conclude that history and politics are at least as important as market size for explaining the television situation in a country. Moreover, we contend that the politics of media liberalisation have opened smaller countries to the impact of big media corporations that enjoy far greater economies of scale and to such an extent that national market size is likely to be of far less importance in the future than has been the case historically. In our view, the data would suggest that the future of television is likely to increasingly privilege a transnational concept.

We begin with constructing a typology of countries to facilitate analysis of the data. In line with the overall proposition of this chapter, the typology combines market size with a historical, contextual dimension. We begin with the historical sketch.

## Historical sketch

The general history of Europe certainly affected the organisation of radio broadcasting in the 1920s, which conditioned arrangements for the development of television. Arguably the greatest legacy from the Golden Age of Radio in Europe is the concept and approach generally characterised as 'public service broadcasting' [PSB]. This approach defined the structure and objectives of broadcasting in Western Europe (gradually, of course). The political division of Europe after the Second World War deeply affected the organisation of television. In Western Europe public TV became a cultural element of the welfare state and liberal democracy, while in Eastern Europe broadcasting became part of the state apparatus controlled by the Communist party.

The year 1950 was significant in this regard. Two organisations were launched that year: the EBU in the West and OIRT in the East. There was considerable diversity even in the West among EBU members, however. Not every country that was accepted as a member practiced democracy. Dictatorships prevailed in Portugal and Spain, and Greece was under military rule. The PSB approach was imposed, to an important degree, on West Germany by the Allied powers – especially Britain and with America's blessing. Television in the west was not generally organised or operated as a private enterprise, although in some countries noted here it wouldn't qualify as genuine public service broadcasting either.

The general pattern and the variance both serve to demonstrate that structuring television was almost entirely a domestic affair for governments of respective nation-states to decide. It was also that for technical reasons: TV signals did not travel very far. As with radio before it, television was positioned as a tool for nation building in a continent devastated by war, and especially understood as a means for uniting rural and urban populations, as well as diverse provinces. During the 1980s this began to change with the introduction of satellite broadcasting. In market terms, the European Economic Community (forerunner of the EU) was growing in this period, incorporating the new democracies in southern Europe as they shook off post-war dictatorships. With the Single European Act that was agreed in 1986, the era of closed national television systems ended. The TWF directive in 1989 mandated the free reception of signals on minimal conditions. There were rules limiting the amount of advertising, requiring that at least 50 % of content on any channel must be European works [EW], and provisions for the protection of minors. The objectives were to create a common advertising market and stimulate a common European audiovisual market to compete with American media industry. At best it was hoped that pan-European TV would facilitate some shared sense of European identity. This aspiration was naïve from the start (Schlesinger 1993: 6-17). As we shall see, the net result did not hinder growth of American content but in fact helped facilitate an escalation of that[1] – especially in small markets. In 1991 the Euromedia Research group did a content analysis of 53 channels and concluded:

> It is undoubtedly in the cultural interest of European nations, as well as of Europe as a whole, to recognize that the dominant economic and industrial logics that motivated commercialization of television and the rapid development of new communication technologies in the 1980's have had the cultural consequence of supporting neither nationally based production nor European production, but rather, of massively supporting Hollywood. Because of

1. "It is possible to argue that EU media policy is bringing about the opposite of what it states it is trying to achieve. Rather than promoting Europeanness, the strategy of liberalization is creating more commercial channels, which are dependent on American programming. Americanization may be the unintended consequence of Television without frontiers in Europe" (Kevin Williams, quoted in Terzis, 2007, p. 454). I will add it is even more so if the TWF-directive is not respected by big member states, regulating channels broadcasting to small states, as we shall see later.

> American dominance, Europeans should be alarmed at the growing uniformity of TV fare, which is frequently at the cost of their own cultural identity. It is a major challenge to European TV stations, commercial as well as public service, to fight this continuing American 'cultural' invasion.[2]

This perspective grounds our approach in this chapter, and particularly in light of our interest in the smaller country context. The year 1989 was thus a turning point for television in Western Europe, and moreover for television in Eastern Europe after the Berlin Wall came down in November. In the early 1990s Eastern Europe abandoned the communist model and (re-)introduced capitalism and democracy (of varying kinds and to different degrees, of course). This happened peacefully everywhere except in the former Yugoslavia. By 2005 most former Soviet countries were members of the Council of Europe (and its European Convention on Transfrontier Television) and then or later of the European Union. In their national transformations television underwent two parallel changes. Privately owned and commercially financed stations were allowed, and the former state television companies were redefined as public service broadcasters. This latter change was often the most difficult, with persistent political interference reported.[3] As part of this process, former OIRT-members joined the EBU in 1993.

## Typology of big, small, old and new democracies

This historical sketch grounds a typology characterising European countries by associating population size[4] with TV markets. The typology divides EU member states into four categories:

1. Big countries (over 20 million) with a longer experience of democracy, mature PSB and a higher level of income (Big West)
2. Big countries (over 20 million) in transition to the situation characterising the first category (Big East)
3. Smaller countries (1-20 million) with a longer experience of democracy, mature PSB and a higher level of income (Small West)
4. Smaller countries (1-20 million) in transition to the situation characterising the third category (Small East)

The "longer democratic tradition" criterion primarily distinguishes Western countries from those in the East, but also pertains to distinguishing some Mediterranean countries (Portugal, Spain and Greece) in terms of "Systemic Parallelism".

2. Els De Bens, Mary Kelly and Marit Bakke (1992), p. 98.
3. Television across Europe (2009).
4. In practise only countries with data in EAO's Statistical Yearbook 2008 are included, end even some of them are too small to be taken into account.

This may position them as being closer to the “transition countries” of Eastern Europe as described by Karol Jakubowicz.[5] Transition countries lack any real history with PSB and Jakubowicz thinks that is unlikely to be mended. At the same time, and in many cases instead, the introduction of private television was done quickly and without critical thought.

**Table 1.** Typology of members or candidates to EU/EFTA, excluding countries with a population less than one million

| Population > 1 million | Politically/economically developed | Transition countries |
|---|---|---|
| Big countries | 1. (Big West)<br>Spain<br>Italy (*)<br>United Kingdom*<br>France*<br>Germany* | 2. (Big East)<br>Romania<br>Poland<br>Turkey |
| Small countries<br>(less than 20 million inhabitants) | 3. (Small West)<br>Ireland+<br>Norway<br>Finland<br>Denmark<br>Switzerland+++<br>Austria+<br>Sweden<br>Belgium+<br>Portugal<br>Greece<br>Netherland<br>(Luxembourg)++ | 4. (Small East)<br>Estonia+<br>Slovenia<br>Latvia+<br>Lithuania+<br>Croatia<br>Slovakia<br>Bulgaria<br>Hungary<br>Czech republic |

+= (partly) sharing language with big neighbours,* = sharing language with small neighbours

This categorisation is parsimonious and will ground the research questions that steer the rest of the chapter. The objective is to ascertain whether the development and conditions of TV in these countries feature similarity in patterns that are determined more by the size of the country or by political-economic traditions. We will develop answers by looking to find if Small West and Small East are more closely related because they are smaller than Big West and Big East, or if instead Small West is closer to Big West and Small East to Big East because they share democratic traditions and are at some parallel level of economic status. Moreover, if Small West is different from Small East, we will look for evidence that Small West may not be the same as Big West primarily because of size. The countries included in each category are not presumed to be homogenous. The point is to facilitate analytical comparisons that can answer the research objective. We shall begin analysis by looking to see when the various countries included in the typology launched the two types of tele-

5. The term ”transition country” indicates a transition to democracy after an authoritarian or totalitarian system, see: Karol Jakubowicz (2007) p. 17.

vision broadcasting. The objective in this first analytical pass is to determine whether there are generalisable patterns indicating preferred strategies, which as hinted in the opening paragraph we believe to have uncovered (balancing versus consolidation).

## National strategies of media politics

Nearly all of the countries in Europe launched television as some form of state enterprise in the 1950s. Of course we need to be careful how we understand that term because broadcasting in the West was distinctively not oriented to be any form of state broadcasting – as was the case in the East. But the fact remains that in most of these countries television was largely financed by public money and regulated by governmental agency. Licensing of private commercial channels began with radio in the mid-1980s and continued through the 1990s, by which time it was also happening in television. Beneath this general pattern of similarity one finds important variations that cast light on some of the forces and dynamics explaining the development of television in different countries, also according to their size. While all of the free and democratic European countries except Luxembourg began with public service television, the next step in system development diverged, demonstrating two directions. One option was a *balance* strategy. In this approach the second channel was licensed as a private sector offer because the first channel was the public offer. The other option was a strategy of *consolidation*. In this approach the country added more public channels before opening the system only later to private sector ownership. Which countries chose which strategy, when and why?

Table 2 provides some useful answers, using the typology to plot the years for the launch of public channels and private, free to air terrestrial television channels that were made available nationwide[6]. The table also shows the number of public channels that were established before the launch of the first private channel.

The Big West countries were the first (as a group) to introduce public television and later were also first in adding private television. On average, they introduced public television at least one decade before the other three categories managed this. The introduction of private television varies widely in Big West countries, however, often by multiple decades. Even in Small West countries the process spans nearly 15 years. And one Small West country (Switzerland) has not introduced private television to this day (also not an EU member, and

6. The analysis is limited to nationwide terrestrial channels because this is the most significant and top level of media politics, and because the number and functions of local/regional channels or cable channels vary even more between European countries. Satellite channels from other countries are left out in this first analysis, since they are not decided by the country itself. We come back to these important channels later in other analysis.

**Table 2.** Launch years for public and private TV, with number of public channels established before the introduction of private TV

| | Start of public TV | No of public channels before private start | Start of private TV | | Start of public TV | No of public channels before private start | Start of private TV |
|---|---|---|---|---|---|---|---|
| **Big West** | | | | **Big East** | | | |
| (Average) | 1947 | | 1978 | (Average) | 1959 | | 1992 |
| United Kingdom | 1936 | 1 | 1955 | Romania | 1957 | 2 | 1993 |
| France | 1935 | 3 -> 2 | 1987 | Poland | 1952 | 2 | 1992 |
| Germany | 1954 | 3 | 1984 | Turkey | 1968 | 4 | 1991 |
| Italy | 1954 | 2 | 1974 | | | | |
| Spain | 1956 | 2 | 1990 | | | | |
| **Small West** | | | | **Small East** | | | |
| (Average) | 1957 | | 1993 | (Average) | 1956 | 1 | 1995 |
| Ireland | 1961 | 2 | 1998 | Estonia | 1955 | 2 | 1993 |
| Norway | 1960 | 1 | 1992 | Latvia | 1954 | 1 | 1996 |
| Finland | 1957 | 2 [0] | 1989 [1957] | Lithuania | 1957 | 2 | 1992 |
| Sweden | 1956 | 2 | 1992 | Check republic | 1953 | 2 | 1993 |
| Denmark | 1951 | 3 | 1997 | Slovakia | 1958 | 2 -> 1 | 1991 |
| Netherland | 1951 | 3 | 1995 | Hungary | 1957 | 2 | 1997 |
| Belgium (fr) | 1953 | 1 | 1987 | Slovenia | 1958 | 2 | 1991 |
| Belgium (vl) | 1960 | 1 | 1989 | Croatia | 1956 | 1 | 2000 |
| Austria | 1955 | 2 | 2003 | Bulgaria | 1959 | | 2000 |
| Switzerland | 1958 | 2 | None | | | | |
| Portugal | 1957 | 2 | 1992 | | | | |
| Greece | 1966 | 1 | 1989 | | | | |

*Source:* European Audiovisual Observatory (Mavise) and a few extra informants.

thus not subject to TWF or other EC directives). The prevalence of choosing to add more public channels before the launch of private TV indicates efforts to first secure PSB.

Big East and Small East countries evidence less variation in the launch years for both public and private television. This is obviously because of communism, and in the later instance consequent to its collapse. But it is important to observe that the consolidation of public television is the rule for all four categories. The balancing strategy was first used in the UK, and soon afterwards in Finland (after a fashion). After a long hiatus, so to say (from the mid-1950s), Belgium was the first to launch private television in the 1980s. In all three cases the launch included mandates for private commercial channels to fulfil public service obligations. That is a similarity between Big West and Small West countries. The balancing strategy is evident in Big East and Small East countries as well after the collapse of the Soviet Union. But there the new private channels were not mandated with public service obligations. The analysis strongly suggests that historical, political and cultural factors were more important for explaining TV policy strategy than market size. In the interests of conclusiveness we need examine the cases in some detail with regard to the strategic preference for balance or consolidation.

## *The balancing strategy*

In countries where the second channel was private, the overall picture shows only slight variation in the start-up year both for public and private TV. Britain is clearly the vanguard. Britain launched public television (BBC) before the Second World War and launched the first private channel in 1955 (ITV). Regarding the launch of private television, Luxembourg was also active in the period with the launce of RTL 9 into France. At that time many countries had not even started public television yet.

Today all European countries endorse a "dual system" in broadcasting where public and private sectors compete – although as we shall see later the duality is by no means equal in all countries. But here our interest is to see how some countries choose the balancing strategy from the outset. After ITV was launched, and even with some public service obligations, the BBC found itself in trouble with competition for audiences (although not yet for money). The balance was restored with the launch of a second BBC channel in 1964, and this was rebalanced in turn with the introduction of Channel 4 in 1982.

France, another Big West country, also pursued a balancing strategy, although in its own uniquely French way. Having first consolidated French public television by establishing three channels (1935, 1963, 1972) balance was sought by selling off the oldest and biggest channel to the private sector, TF1 in 1987. (Although Canal+ was operational since 1984, it is a pay-TV channel and can't be included in this typology for analysis).

The balancing strategy inspired the Nordic countries to develop their versions of a "hybrid model". Norway copied Britain on a smaller scale and many years later (1992). Its second channel was a private station with soft public service obligations. This model was also used in Denmark (1988) earlier, but with the state as owner and in the beginning (until 2004) with mixed funding. In Sweden the balancing strategy was used after 1992, but only a long time after public sector SVT launched a second channel (1969). Finland "integrated the balance" from the start of television and was second only to Britain in launching a private company in 1957, called Mainos Television (translation: Commercial Television). MTV was in a subordinate position to the public operator, however, because YLE owned both TV channels. MTV sold commercials and bought transmission time, mainly in prime time. This arrangement lasted until 1989. The public channels in Finland, Norway, Denmark and Sweden followed the British model of funding public broadcasting exclusively by license fees, which persists today, although YLE realised about 20% of its annual budget from fees paid by MTV prior to the dissolution of that arrangement (after 1993 MTV got it own channel, now called MTV3 – i.e. the third channel). The balancing strategy with has been clearer here than most other countries. Elsewhere the public channels have depended in part (often large) on advertising revenue, and thus feature a mixed funding model.

In Belgium the balancing strategy led to the second Wallonian channel being private. Two years later a hybrid channel was launched in the Flemish territory, VTM (1989). It was "required to provide a balanced and diverse set of programmes that should consist of a mix of information, education and entertainment."[7] The public stations only got their second channels after the launch of these private competitors.

Greece was late in starting television (1966). When private stations were allowed from 1989 any sense of balance quickly collapsed because, after dreadful years of military dictatorship, there was no real support for public channels which were associated with state broadcasting. Five or six private stations developed commercial TV for a decade before the public station, ERT, received its second channel (1999).

Among the Small East countries, the Baltic states balanced their TV markets quickly. In Estonia and Lithuania with only one public channel each, several foreign channels were operational soon after independence. Latvia had 1½ public channels – I use the half because the second only broadcast about four hours per day. But there, as well, private stations were quickly welcomed. Of the Baltic states only Estonia demanded any public service obligations (requiring that news account for 5% of airtime). It was much the same in the southeast with Bulgaria (no programme obligations). Hungary took the French route to privatisation, although with the transmitters of the second public channel rather than the channel itself, which was continued only via satellite reception. Hungary demanded 20 minutes of news and some "public programmes" in primetime hours.[8] With few exceptions, then, the Small East countries never considered the new private stations as "hybrid" channels. The dominant private sector operators, like Nova in the Czech Republic, got rid of the few obligations that were originally mandated within several years. To be fair, the markets probably could not carry the weight of such obligations in those contexts: "The media went from communist control to capitalist freedom, but advertising revenue only expanded from a very low base; this was capitalism without much capital."[9]

Despite its effectiveness, the balancing strategy can create problems as well, especially in small countries. The hybrid model in the Nordic countries and Belgium was a controlled version of balance and introduced only after many years of public service monopoly. It developed because of pressures created by new technologies (satellite/cable) that supported demands for more indigenous TV output as a counterbalance to the growing presence of foreign channels. At the same time it opened broadcasting to the influence and pressures of advertising needed for business operations. In the transition countries we've treated

7. L. d'Haenens, F. Antoine and F. Sayes (2009), p. 55.
8. Television across Europe (2005), p. 175.
9. Jeremy Tunstal (2007), p. 70.

here, and in Greece where public service was new and fragile, the balance in a sense became quickly imbalanced, tipping very strongly in favour of the private sector. These channels have not normally had programme obligations, and the little that was initially mandated is largely abandoned by now. As we shall later see, these countries today have the weakest public TV of all.

### *The strategy of consolidation*

If Britain is the vanguard of balance through liberalisation, Germany is the vanguard of consolidated public TV. Although the German system was inspired by Hugh Green in the 1950s, who was later a Director General of the BBC, German television in the 1950s followed a unique path. By constitutional law broadcasting became the province of the Länder (federal states). The Länder joined to form ARD (TV 1) and later to launch of the second public channel, ZDF (TV 2). Besides these two national public channels, most Länder launched regional public stations during the 1960s. This resulted in an enormous public TV system[10] built without concessions to private broadcasting or any attempt at counterbalancing. This persisted until 1984 when two channels, one foreign (RTL) and one domestic (Sat 1), broke the public sector monopoly.

Similarly in Italy and in Spain there were two public channels before private television was allowed, although private TV came comparatively early in Italy (1974) and late in Spain (1990). The Big East countries, Poland and Romania, also established two public channels before the introduction of private channels. One of the Small West countries, Portugal, did the same. Although I have presented these as countries representing a consolidation strategy, the broadcasting system has been heavily politicised in all these countries.[11]

Among the Small West countries the Netherlands is an outstanding example of consolidation strategy. PSB was given three channels (1951, 1964 and 1988), and there were continuous attempts to control private broadcasting from foreign countries down the years. The Netherlands only licensed its first private station in 1995. On the other hand, there was always considerable variety in the Dutch strategy founded on a unique notion of ideological “pillars”, which led to the formation of associations and a variety of programming and channels for pluralistic purposes.

Other Small West countries with consolidation strategies are Ireland, Austria and Switzerland. These are all smaller countries with big neighbours sharing a language. Perhaps it is not surprising, then, that these countries awarded second channels to public companies and kept out private stations as long as possible. We will come back to the transborder situation. Although we earlier treated

10. The public system commands 59 % of the TV-revenue in Germany. In no other country with over 20 million inhabitants is over 40% of total TV-revenue in the hands of public TV. This partly demonstrates the high costs of the federal system. See table 3 below.
11. Hallin and Mancini (2004).

Sweden and Denmark under the balancing approach due to their use of hybrid models in the introduction of private television, Sweden consolidated PSB early when SVT was given the second channel (1969) and Denmark kept its hybrid TV 2 in public ownership even if outside its traditional PSB company, DR.

In the Small East, Czechoslovakia had two public channels, and continued with them after the country was divided. Slovenia and Croatia had consolidated public TV with two channels each, as well. Not surprisingly, these four Small East countries are the only ones with a public share of viewing over 20% today (Table 3 below).

The consolidation strategy has proven effective for national television under different circumstances: Germany, the Netherlands, parts of Scandinavia, transborder competition countries (e.g. Austria and Ireland) and small transition countries (e.g. Czech Republic and Slovenia) all introduced second and even third public channels before private television. The reason is keyed to the operational possibilities for developing more advanced programming strategies via profiling than is possible with only one mainstream channel. The small countries who instead chose to balance the broadcasting system by introducing the second channel as a private station had no chance in the short term of launching a second public channel, or of controlling private competitors through soft public service mandates. This lesson was learned the hard way. When small countries want to use television to achieve national cultural aims, the results of this analysis clearly support the view that the strategy of consolidation is the better choice.

## Television provision by a country, for a culture, on a market

Both country and state are relevant geographical entities for an examination of television. We've seen relevance of the former in the treatment of findings derived from the typology, and the later is demonstrated by variations in policy. But television is about other things as well, and crucially so. Broadcasting is intimately related to culture, variously defined but especially including language, and it is at the same time a commodity in a market environment. Linguistic culture, and more besides but also dependent on that, is often bigger than the state. Today the market in broadcast media is bigger than the state, since television content is traded on a world market (see the chapter in this volume by Hill and Steemers). A market can cover all states sharing and comprising an approximate culture. The four Big West countries – Germany, France, Italy and Britain – have languages that are spoken as mother tongues (of course with differences in dialect, etc) with smaller neighbouring countries. This is indicated in the typology with the plus sign (+) beside the country name. We shall keep an eye open to these relationships.

How a smaller country will react in TV policy to sharing a language and culture with a big neighbour is not clear. One view suggests that audiences simply use TV from the big neighbour as a way to save money, increase choice, and enjoy communality. A contrary perspective suggests that reactions may be hostile rather than welcoming, as people may feel their sovereignty and independence are threatened. A third view emphasises the instrumental importance of resources keyed to the wider market environment – advertising, subscriptions and even talent face external competition from the big neighbour. It is clear that people as audiences want to have a variety of free choice options when watching television, but at the same time they want to be served by forms of television primarily about and from their home country and cultures. The state must find ways to balance these paradoxical wants and needs. Due to economies of scale, sustaining PSB is a necessity rather than a luxury. Small countries try to strike that balance in some effective way. To this point in our analysis we have mainly looked at TV strategy from the perspective of how the system is structured. Here we turn attention specifically to how different countries position public television in their policy strategies.

In Small West countries PSB was protected for decades, while in Small East countries private stations were invited to establish themselves as quickly as possible after 1989. How is this reflected in the strength of PSB when comparing the smaller countries comprising these two categories? Answers can be found in assessing the choices respective audiences make, as measured by share of viewing, and in their economic strength on their home markets, which reflect politically decided conditions for PSB and competitors. The later can be measured by assessing the PSB share of total TV-revenue.[12] Sources for the share of revenue are not very consistent, however, and more research is needed on this important subject. Therefore the indicator at present can only be taken as a useful estimate.

In all small countries the public proportion of revenue is higher than in big countries. Small West countries have strong PSB operators as evident in their shares for both audiences and revenue. Audience shares are quite close to the shares enjoyed by Big West operators (38% vs. 43%), while PSB's share of revenue is much higher in Small West than Big West countries (54% vs. 39%). The most likely explanation is that big countries have big markets that generate resources sufficient to support both a strong public sector and a robust private

12. EAO Yearbook 2008 Vol. 1. Revenue proportion calculated from table T.1.Country.1 and/or T.1.Country.2, It means the summarised operating revenues of the TV companies, even if the channels are established in a different country. It also means no distinctions between commercial income and public income from license fee etc. The net-revenue of German advertising windows to Switzerland (174 million CHF, against 365 million CHF of advertising on SRG) and Austria (183 million Euro, against 351 million Euro of advertising on ORF) are included in the markets of the small countries (Source: mediareports prognosis 2009). The total revenue may be to high, since some companies like British Sky also encompass distribution services. The EAO Yearbook 2008 Vol. 2 p. 148 presents the public stations' relation between audience share and share of public funding. It shows no clear correlation.

**Table 3.** PSB's slice of audience share and total revenue (license fee funding plus advertising)

| Pct. | Public share | | | Public share | |
|---|---|---|---|---|---|
| | Of viewing | Of revenue | | Of viewing | Of revenue |
| **Big West** (Average) | **43** | **39** | **Big East** (Average) | **32** | **33** |
| United Kingdom | 50 | 32 | Romania | 17 | 30 |
| France | 37 | 38 | Poland | 47 | 36 |
| Germany | 48 | 59 | Turkey | 23 | ?? |
| Italy | 42 | 32 | | | |
| Spain | 37 | 28 | | | |
| **Small West** (Average) | **38** | **54** | **Small East** (Average) | | |
| | | | (excl. Croatia) | **21** | **41** |
| Ireland | 40 | 77 | Estonia | 16 | 33 |
| Norway | 41 | 41 | Latvia | 15 | 36 |
| Finland | 43 | 50 | Lithuania | 14 | 45 |
| Sweden[1] | 36 | 25 (38) | Czech republic | 32 | 39 |
| Denmark[2] | 72 | 64 | Slovakia | 23 | 55 |
| Netherland | 31 | 45 | Hungary | 17 | 26 |
| Belgium (fr) | 21 | 56 | Slovenia | 32 | 71 |
| Belgium (vl) | 40 | 68 | Croatia | 49 | ?? |
| Austria | 44 | 77 | Bulgaria | 15 | 24 |
| Switzerland | 34 | 90 | | | |
| Portugal | 29 | 31 | | | |
| Greece | 16 | 27 | | | |

1. In Sweden the PSB (SVT) is only TV. If SR (the radio PSB) is included, the PSB share of revenue is 38 %.

2. Denmark is an odd case: TV2 is a public station, completely financed by advertising. The station gets no state aid, but is still owned by the state as long as several EU-court cases are pending, and therefore this station (5½ channels) with a share of viewing of 40 % and 27 % of total revenue is categorized as public. It explains the extreme position of Denmark in all the tables.

sector in television broadcasting. The Small West countries reserve more of their proportionate revenue for the public stations and this seems to work rather well in terms of securing audience share.

Defensive strategies vary partly as a function of language in transborder television. The presence of German private channels, some with commercial windows, has encouraged Switzerland not to open nationwide, private television yet. Even a PSB operator as well financed as SRG has a viewing share of only 34% as a result of transborder competition from German operators. Caught in the same dilemma Austria was rather forced by the European courts to allow (a so far meagre) private TV presence. The viewing share for ORF is much better, however, and still 44%. In the Nordic countries private TV was introduced both by the state via licensing hybrid stations and by satellite transmission. The general wealth of these small countries seems sufficient to sustain both sectors, and their broadcasting markets are more protected due to non-international languages.

But in many Small West countries private sector competition originates outside the country and comes as "spill over" keyed to a shared language. Private channels may also amount to local branches of big international conglomerates.

In all three situations the private stations only contribute modestly to production of domestic programmes. Greece is the outlier because there private television has been strongly favoured and PSB only got a second channel very late in the game (as discussed earlier).

The Small East countries devote about the same proportion of revenue to public television as the Big West and Big East countries, but which is much less than in the Small West countries. Even though the proportion is similar, the actual quantity varies as a function of comparative economic conditions. Audience shares are rather poor, with most having less than a 20% share. Croatia is the exception with a share of 49% and largely because it consolidated PSB before introducing private sector competition (see Table 1). The explanation for poor results in PSB viewing in Small East countries may be related to problems of quality in both programming and management, although the small income in absolute terms is certainly a major factor. One really can't make attractive television on a shoestring budget these days. But a company can important polished and popular programming from abroad on the cheap.

This analysis deepens understanding of the practical implications of the TV strategies earlier considered, and again demonstrates that political and historic factors are very important for explaining the organisation of television in small countries – certainly more explanatory than small market size alone can account for.

Turning attention now to private and foreign-origination television, it's certainly true that fulfilling the wishes of people in any domestic setting today can't be done only with national PSB channels. Audiences want to have choices between kinds of channels and types of programmes. How are countries coping? First we must analyse the strategies of small countries in this field. By focusing on the regulatory options taken by each country we can discern patterns of competition as the share of viewing in three parts:[13]

1. Share for publicly owned, national channels
2. Share for private terrestrial or satellite stations established in the country
3. Share for foreign stations (spill-over or satellite).

By legislative force the state can regulate terrestrial broadcasting, and determine the balance between PSB and private stations. The state can't do this regarding the influx of foreign channels. Put differently, a state can either keep the private stations in the country by licensing domestic operators with favourable conditions, or it must accept that such provision will come from other countries offering better conditions.

13. Source for public share is EAO Yearbook 2008, vol. 2, p. 147. The next cells are from the national chapters in vol. 1 and less precise, because the table often ends in a group with "other channel", which maybe should be placed in other categories. The main picture is not disturbed.

For Big West countries television is not an international phenomenon internally. It might be that with regard to exporting programmes, but all viewing is for domestic channels (Italy is an exception). The competition is domestic and between public and private operators. Private television is indigenous, although often with foreign ownership to varying degrees. But foreign stations find much less opportunity in the Big West countries, while at the same time their domestic private TV companies have less incentive to establish channels in other countries directed at the home market. This inward focus is quite nearly the definition of what it means to be a big country market. The irony, as discussed later, is that some Big West countries are bases for private channels directed to Small West and/or Small East countries, with the later manifesting a stance we might describe as "be our guests".

The three Big East countries are heterogonous. Turkey is a largely self-sufficient country similar to Big West countries, while Poland and Romania are relatively weak for big countries in the sense that foreign channels capture shares of viewing in the 20-30% range.

The Small West countries have markets comprised of three components: 1) public stations, 2) private stations (incl. satellites within the country) and 3) foreign stations (either as spill over, including from public stations in neighbouring countries, or channels delivered by satellite). Although on average the three components play roughly the same role, the conditions and political strategies are very different when comparing these countries.

At the one end of the spectrum we can position Greece and Portugal after the fall of dictatorships. These Small West countries have allowed robust growth in the private sector and don't much support their public stations, either financially or politically. The next three Small West countries (Finland, Flemish Belgium, and Norway) have strong private, indigenous stations (termed hybrid stations above) and only modest foreign TV. None of these countries share their language (culture) with a big neighbour. Flemish is not the same as Dutch, and the three Dutch public channels only have a share of 3,8% in Flemish Belgium. Although Netherlands is a neighbour, it's not a big one. This stance can be described as *"keep them in"* because they strive to develop domestic private operators, stimulate domestic programme production, and regulate the private sector largely by the same rules that apply to PSB.

The next several countries have more private television from foreign channels than domestic stations. Some of the strongest channels in Sweden originate from London, as in the Netherlands with Luxembourg. For Sweden and the Netherlands, these foreign channels are results of economic strategies employed by the private stations, facilitated by the TWF-directive. Both Sweden and Netherlands have argued for years that some of the private channels from Britain or Luxembourg ought to be under their jurisdiction. This stance can be characterised as a *"bring them back"* strategy.

The third strategy for handling private TV among Small West countries can be deemed a *"keep them out"* stance because the state gives (almost) no or only very late access for private stations, and almost all private sector viewing is for foreign channels. This describes the situation in Ireland, French Belgium, Austria, Denmark and Switzerland. Excepting Denmark,[14] these are small countries with one or more dominant neighbours sharing a language. In Ireland the British channels arrive both as spill over and by satellite, for Switzerland and Austria the source is Germany (which also competes for advertising revenue in the market by selling advertising in "windows" as mentioned above). For French speaking Belgium, spill over competition is from France and Luxembourg, and to such a degree that there's been no great interest in starting private channels.

These Small West countries have the same basic conditions: They are small wealthy countries with mature democracies and deeply rooted traditions in PSB. But their specific conditions vary greatly, as especially evident in language cultures, which has a decisive impact on their strategic stance regarding the private sector in broadcasting. This produces different policies, here characterised as trying to keep them in, keep them out, or getting them back.

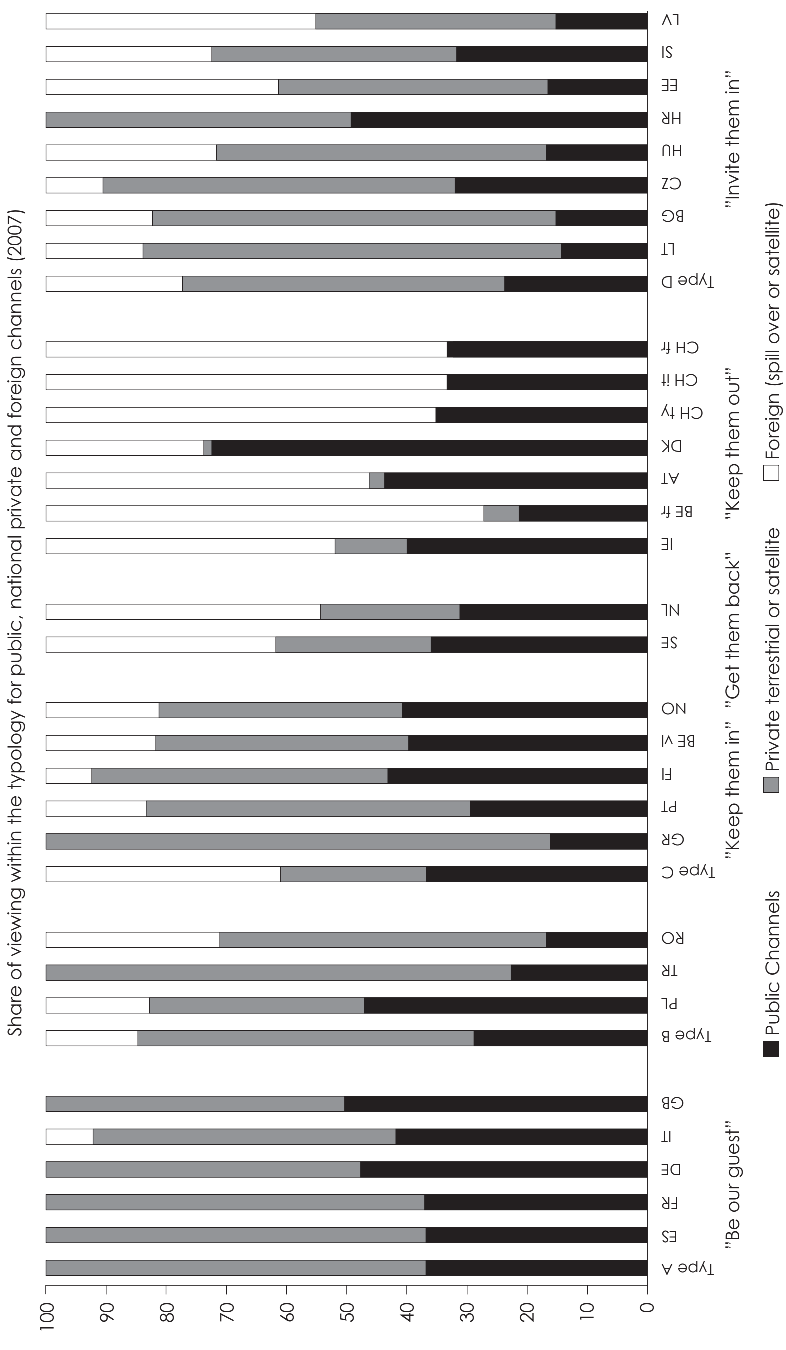
Finally, we note that the Small East countries all opened investment markets for private companies during the 1990s, a strategy that more or less combines "keeping them in" with what I'll call *"inviting them in"*. Among the leading companies with stations established in several Small East countries are CME from the USA, RTL from Luxembourg/Germany, Pro Sieben/SBS from Germany, and MTG from Sweden.[15] Thus it should be clear that how private television is handled is also only partly a matter of market size. The big rich countries mainly feature domestic private television while the smaller countries – both richer and poorer – evidence different strategies depending as much or more on other factors. Some of this is related to cultural protectionism, when the small country is rich enough to afford that, and in other cases to efforts to grow a market and economic prosperity in the first place. In each case, however, politics makes the real difference in determining the basic conditions.

## The open market – by satellite: Making rules and keeping them?

The TWF-directive mandates a single market in the European television industry. Companies registered in any member state are accorded the right to establish operations anywhere inside the EU and must not be discriminated against when exporting services across member state borders. In return these

14. Denmark will belong to the first subgroup ("keep them in") if TV 2 is finally privatized.
15. Association for Commercial Television (2008).

**Chart 1.** Strategic stance regarding private television operators



companies are obligated to devote a majority of their schedules to programming of European origin:

> Article 4.1. Member States shall ensure where practicable and by appropriate means, that broadcasters reserve for European works […] a majority proportion of their transmission time, excluding the time appointed to news, sports events, games, advertising and teletext services. This proportion, having regard to the broadcaster's informational, educational, cultural and entertainment responsibilities to its viewing public should be achieved progressively, on the basis of suitable criteria.

While the freedom to establish and transmit across borders is strictly enforced, this 'demand' for works of European origination is so elastic as to be practically compromised from the start: "where practicable", when "appropriate" and "progressively" on the basis of whatever can be construed as "suitable" decision-making criteria. According to an official study conducted for the European Commission, using "where practicable" in national regulation is not the decisive factor for how much European works one finds on a channel; the market size seems to be more important[16]. At any rate, the quota for EW was a political compromise from the start, brought forward by France, and the Commission made it quite clear that failure to comply would not be sufficient grounds for bringing a member state to court.[17] A judgement later issued by the European Court of Justice ruled that Article 4 (EW) and Article 5 (Independent works) has no weight:

> A television broadcaster comes under the jurisdiction of the Member State in which it is established. The origin of programmes broadcast by the television broadcaster or their conformity with Articles 4 and 5 of the Directive are irrelevant in determining the Member State having jurisdiction over such a broadcaster […] a Member State may not oppose the retransmission on its territory of broadcasts of a television broadcaster over which another Member State has jurisdiction when those broadcasts do not conform with the requirements of Articles 4 and 5 of the Directive (C -14/96).

The freedom to establish has been robustly used, as demonstrated in Table 4 that reports the number of TV channels established in major states and directed to smaller states. The quota requirement is another thing entirely, as we'll come back to shortly.

It's important to understand that "country of origin" is merely a legal term for jurisdiction, and not a cultural category. The 27 European countries transmit 667 TV channels to other parts of Europe[18]. Only a few of these channels are "within

16. Study…2009, p. 180.
17. Hirsch, M. and V. G. Petersen (1992) p. 46.
18. Only 549 of the 667 channels are targeted to the same 27 individual countries; some channels are directed to "Europe" (17) or groups of countries, like "Nordic countries" (8) or "Baltic countries" (7) or to other single countries like for instance Russia (33).

**Table 4.** Number of channels directed to other European countries

| Number of channels | From (country) "export" (to Europe) | To (country) "import" (from Europe) | Difference, "balance of trade": Surplus or deficit? | Relative difference |
|---|---|---|---|---|
| United Kingdom | **380** | 24 | 356 | 0,88 |
| Sweden | **71** | 33 | 38 | 0,37 |
| France | **46** | 37 | 9 | 0,11 |
| Italy | **33** | 27 | 6 | 0,10 |
| Hungary | **31** | 41 | -10 | -0,14 |
| Luxembourg | **31** | 0 | 31 | 1,00 |
| Germany | **20** | 32 | -12 | -0,23 |
| Spain | **13** | 18 | -5 | -0,16 |
| Netherlands | **12** | 24 | -12 | -0,33 |
| Austria | **5** | 8 | -3 | -0,23 |
| Czech Republic | **5** | 25 | -20 | -0,67 |
| Turkey | **5** | 13 | -8 | -0,44 |
| Romania | **4** | 31 | -27 | -0,77 |
| Belgium | **2** | 5 | -3 | -0,43 |
| Lithuania | **2** | 1 | 1 | 0,33 |
| Portugal | **2** | 36 | -34 | -0,89 |
| Finland | **1** | 38 | -37 | -0,95 |
| Greece | **1** | 3 | -2 | -0,50 |
| Ireland | **1** | 12 | -11 | -0,85 |
| Latvia | **1** | 4 | -3 | -0,60 |
| Slovakia | **1** | 4 | -3 | -0,60 |
| Bulgaria | **0** | 19 | -19 | -1,00 |
| Denmark | **0** | 39 | -39 | -1,00 |
| Estonia | **0** | 9 | -9 | -1,00 |
| Croatia | **0** | 9 | -9 | -1,00 |
| Poland | **0** | 55 | -55 | -1,00 |
| Slovenia | **0** | 2 | -2 | -1,00 |
| 27 countries | **667** | 549 | 118 | 0,10 |

*Source:* EAO: Mavise database. Excluding channels to own country or to countries outside Europe

the culture". Britain clearly dominants, and by an enormous margin, transmitting 380 channels to other European countries – over half of the total. The transition countries in Eastern Europe receive 189 of these British channels and the Nordic countries get 61 channels. The companies behind these offers are typically from the USA (Disney, Time/Warner, Sony, Discovery, MTV) or Britain (BBC, Flextech, Newscorp), and feature domesticated versions of the same content broadcast in their home markets. In London we also find companies from other European countries including Viasat (Sweden) and Prosieben/SBS (Germany), directing their channels to small countries. We will designate all this type as *Re-flagged chan-*

*nels*, borrowing terminology from international shipping practices where a ship from a particular country gets itself re-flagged as though from another country in order to get around some rules that would otherwise constrain operations.

Luxembourg only transmits 31 channels, but with their handful of RTL-channels they enjoy significant market shares in Wallonia (26%) and the Netherlands (24% share). The five channels broadcasting from Luxembourg to France, and the three to Germany, are niche channels, however, with little impact in these big markets.

Sweden is the Nordic centre for international distribution, mainly from MTG-channels and versions of Canal+ which are broadcast to other Nordic and Baltic countries. But Sweden also receives many channels, mainly from Britain. Hungary has the same double role in Eastern Europe.

Germany originates seven channels targeting Austria and seven also for Switzerland. These count as being "within the culture" because they share a common language and create strong competition for the indigenous PSB stations in the two smaller countries. As discussed earlier, this explains their resistance to opening space for private channels, or at least their hesitance.

## *Re-flagged channels*

Now we return to our discussion about the quota for European works, which is set at 50%. In a sense that is supposed to be the price that imported channels are expected to pay in return for the opportunity to do business in the country of reception. If a channel does not fulfil the quota and instead uses programmes originating elsewhere, and that usually means America, then it should by rights be construed as engaging in unfair competition. It is certainly unfair for exclusively domestic public service channels, which as a rule adhere to the law and always feature over 50% in European works. Little or nothing is mentioned about this in discussions about PSB distorting markets and creating an unfair playing field, which rather smacks of hypocrisy.

When a channel does not comply with Article 4 (about EW), the member state (country of origin) is asked to explain the reason for this to the European Commission competition authority. The Commission categorises explanations under eight headings that are listed below[19].

1. Programme orientation and special-interest nature of the channel
2. Higher costs of European programmes
3. Subsidiaries of non-EU companies
4. Groups of channels belonging to the same broadcaster achieve the required proportions when taken together, but not individually

19. Commission of the European Union (2008), pp. 15-17. The next report (2010) confirms the reasons.

5. Progress achieved since the last status ('non-slip-back' clause)
6. The recent nature of the channel (it takes some time to….)
7. Specific market conditions during the reference period (like Olympics)
8. Low audiovisual production capacity or restricted language area (small country)

Only explanations 5,6 and 8 are supposed to be approved by the Commission as acceptable explanations for failure to comply.

The consideration for small markets (number 8) is certainly not pertinent to Britain. Reviewing the facts one would think they have quite a lot of explaining to do: Britain's regulatory authority, Ofcom, reported 342 channels in 2006[20]. Of the total 158 (46 %) devoted less than 50% of transmission time to European works. The most common explanation given by Ofcom was "difficulty in finding European programmes at competitive prices" (number 2 above). The European Commission rejected this explanation: "Given the objective of Article 4 to foster the European audiovisual media industry, this reason cannot be taken into account." Despite this, the EC then praised Britain for having stabilised the *average* result at around 53% and noted that for terrestrial channels in Britain the overall proportion of European works was 87%. Britain implements the directive with higher quotas for its own terrestrial channels, but only "where practicable" for its many satellite channels. It is not surprising they would implement this at home because it supports growth and profitability of their audiovisual industries that export to a world market, and especially in Europe.

In a nutshell, this shows the two-faced character of Britain, the dominant distributor in European television programming. With the BBC and private sector quality stations Britain is taken to be a standard for many and much smaller countries that point to the British case as if it were ideal and can be modelled. But British authorities allow Ofcom to turn a blind eye to the hundreds of American and other channels that are blunt about why they don't include European programmes: They are too expensive. In this Ofcom arguably demonstrates disrespect for the cultural dimension of the TWF directive. In the Netherlands and Hungary the authorities fine their channels if they don't comply. Not so in Britain with its much greater size, influence and wealth. One wonders what would happen if Ofcom did the same – or even tried?

Examining some of the smaller countries mainly on the receiving end of the stick is instructive for seeing which channels don't comply and what the

20. The 342 channels include channels to Britain only, with 380 channels in Table 4 above only for export. The explanation is the growth of channels during the three years from 2006 to 2009 For 2008 Ofcom reported about 417 channels of which 225 channels (54 %) did not comply. So the situation has worsened, not improved.

explanations are, if any.[21] Initially the EC concentrated on channels with a viewing share over 3%. Eventually realising that fragmentation of audiences is a real problem, this approach was abandoned in the 2008 report. In Table 5 below we have collected information on four aspects of importance to the task:

1. Audience data in the reception country, which is needed to evaluate whether the channel is important in the market
2. Country of jurisdiction, also called "origin" although the channels are normally not receivable in the country of origin but only externally
3. Data on European works reported to the EC by the country of origin
4. Type of explanation (by number category as reported above) offered to account for underperformance.

Unfortunately the report to the Commission is only biannual so it is not always up to date regarding trend in the specialisation of channels within single (domestic) markets.

Note that in all but one case the explanations offered are not among those that are supposed to be accepted by the EC (the exception being the case of Estonia with Sweden's Silver channel). Most often the explanation is related to profit margins. Explanation number two accounts for 15 of the total, a bit less than half. Worse yet, 12 of the total (about one-third) don't offer any explanation at all. This is the height of arrogance, in my view.

In Austria around 10% of viewing time is claimed by German channels that programme less than 50% EW, but organise special advertising specifically targeting the Austrian market. Switzerland evidences a similar situation with over 11% viewing of German channels that programme too little EW. Of course Switzerland is not a member of EU and therefore not "protected" by the TWF-Directive. But the example holds, regardless of political affiliations.

Portugal is targeted by three satellite channels from Spain, all without clear identification of authorisation and fail to report quota results to the EC. The Netherlands is hit by underperforming channels from both the UK and Luxembourg. This makes their strategy of "getting them back" even more understandable. In Estonia one finds other countries of origin, namely Sweden and Italy, not effectively controlling their satellite channels. In Denmark 13% of viewing is devoted to UK-owned channels with less than 50% EW. Note that Viasat's main channel, TV 3, is versioned for different Scandinavian countries but always with less than 50% EW and also different market shares (Denmark 22% EW and 5,3% share; Norway 17% EW, 5,2% share; Sweden 21% EW, 9,3% share).

21. The interest here is to study the small countries as "victims" of the big countries due to lack of rigour in regulation, therefore we ignore the cases where (small) countries ignore the non-compliance of their own national channels. Details for instance on Denmark can be found in Commission of the European Union (2008).

**Table 5.** Some channels not complying to the 50% European Works, their market share in the receiving country and the explanation given to the Commission

| Country of reception | Channel | Country of origin | share of viewing 2007 | EW % 2006 | Explanation |
|---|---|---|---|---|---|
| Austria | Kabel 1 | DE | 2,5 | 26 | 1 – Films |
| Austria | RTL 2 | DE | 2,6 | 43 | None |
| Austria | Super RTL | DE | 3 | 33 | 1 – childrens |
| Austria | VOX | DE | 3,9 | 45 | None |
| Belgium (Valloon) | Club RTL | LUX | 4,8 | 42 | 1 – cartoons |
| Denmark | TV 3 DK | UK | 5,3 | 22 | 2 |
| Denmark | Kanal 5 DK | UK | 2,6 | 8 | None |
| Denmark | TV 3+ | UK | 3,7 | 25 | None |
| Denmark | Discovery DK (Nordic) | UK | 1,3 | 43 | 2 |
| Denmark | Cartoon network (Nordic) | UK | 1,2 | 30 | 2 |
| Hungary | Discovery Channel (CEE) | UK | 0,8 | 45 | 2 |
| Hungary | National Geographic (CEE) | UK | 1 | 44 | 2 |
| Hungary | Cartoon Netwok (EMEA) | UK | 1,4 | 21 | 2 |
| Hungary | Hallmark (CEE) | UK | 0,7 | 19 | 2 |
| Hungary | AXN (Europe) | UK | 0,6 | 9 | 2 |
| Norway | TV 3 Norway | UK | 5,2 | 17 | 2 |
| Norway | Discovery Nordic | UK | 1,4 | 43 | 2 |
| Norway | Disney Nordic | UK | 2 | 30 | 1 – 3 |
| Sweden | TV 3 Sweden | UK | 9,3 | 21 | 2 |
| Sweden | Kanal 5 | UK | 8,2 | 18 | None |
| Sweden | TV 6 | UK | 4,5 | 35 | None |
| Switzerland, (Germansp) | Kabel Eins | DE | 2,2 | 26 | 1 |
| Switzerland, (Germansp) | MTV | DE | 0,6 | 30 | 1 |
| Switzerland, (Germansp) | RTL 2 | DE | 2,7 | 43 | None |
| Switzerland, (Germansp) | Super RTL | DE | 2,8 | 33 | 1 |
| Switzerland, (Germansp) | VOX | DE | 3,5 | 45 | None |
| Portugal | Panda | ES not identified | 2,6 | ?? | ?? |
| Portugal | Hollywood | ES not identified | 1,6 | ?? | ?? |
| Portugal | Odisseia | ES not identified | 1 | ?? | ?? |
| Netherlands | RTL 8 | LUX | 0,7 | 46 | None |
| Netherlands | Discovery (Benelux)) | UK | 1,7 | 44 | 2 |
| Netherlands | National Geograhic Channel NL | UK | 0,8 | 40 | 2 |
| Netherlands | Nickelodeon (Europe) | UK | 2,1 | 26 | 2 |
| Estonia | Fox Crime | IT | ?? | 31 | None |
| Estonia | Fox Life | IT | ?? | 38 | None |
| Estonia | TV 1000 Classic | SE | ?? | 10 | None |
| Estonia | Silver | SE | ?? | 48 | 5 |

The proportion of European works is to a high degree explained by the difference between private and public ownership, irrespective of country size. The official study for the Commission found that on average PSB operators have very high degrees of EW (78%), while subscription channels offer about 33% – again far below the 50% requirement.[22]

## *Frustration over Jurisdiction*

During a May 2005 review of the TWF directive in the run-up to passage of an updated version called the Audiovisual Media Services directive (AVMS 2007), eleven smaller countries expressed concern over the way the principle of ‘country of origin’ works: Austria, Belgium, Czech Republic, Estonia, Ireland, Latvia, the Netherlands, Poland, Slovenia and Sweden. In a letter to their fellow member states submitted in the Council of the European Union, these countries requested the EC should deal more with the issue of jurisdiction in the review process. The concerned countries positioned the ‘country of origin’ principle as the basis for assessment, but also noted that receiving countries have the right to protest if, for instance, protection of minors or the list of national sports matches are involved. As a general principle they observed:

Broadcasting is an important feature of the cultural landscape. Given the impact of broadcasting, its indispensable role in the social, democratic and cultural life of our societies and the importance of preserving cultural diversity, one cannot regard broadcasting as a solely economic activity or service. Indeed the promotion of cultural and linguistic diversity is one of the key principles underpinning the Directive.[23]

The Swedish government wrote to the Commission again on 9 December 2005, this time on behalf of 13 smaller member states after Malta and Portugal had signed on their support.

The AVMS directive was unanimously accepted in October 2007[24]. The small countries earned some concessions. They have the right to press their complaint directly to the country of origin and can argue for circumvention with respect to “the general public interest” of the receiving country. It “includes inter alia, rules on the protection of consumers, the protection of minors and cultural policy.”[25] The Commission is required to react within three months and may decide that the reasons are not compatible with the Treaty. In the end it will be up to the European Court of Justice to sort out whether the new directive gives small countries better guarantees for avoiding victimisation by TV corporations from big – or small – countries. Sad to say, but breaking the quota for European works is still not considered an infringement circumventing the Treaty.

22. Study…2009, p. 173.
23. Brussels 13 May 2005, Doc. Nr 8806/5. http://register.consilium.europa.eu/servlet/driver?page=Advanced&typ=&lang=DA&fc=REGAISDA&srm=25&md=100&ssf=DATE_DOCUMENT+DESC&cmsid=639.
24. Directive 2007/65/EC , Official Journal L 332, 18/12/2007.
25. AVMS directive Recital 32, which has a new wording compared to the Recital 44 of the TWF-directive, but probably no different meaning.

## Competition policy and state aid to PSB

The EU is premised on the principle of creating a single market, which means a base on economic relations and development. That framework grounds directives mandating the free flow of international TV within the EU, which as we have seen mainly means from big countries to small countries. The PSB companies are the exception, and increasingly the target of attacks by private sector lobbies. PSB operators are domestic electronic media, live mainly from state aid in various forms, and serve to counterbalance the general trends treated in this chapter – even to offset problems associated with the free flow of what amount to cultural goods and services. In the European Union PSB is legitimated in the Amsterdam protocol (1997) that states: "the system of public broadcasting in the Member States is directly related to the democratic, social and cultural needs of each society".[26] The Commission later defined the boundaries for PSB more clearly with the Broadcasting Communication in 2001.[27] To minimise the impact of state subsidies on competition, the Commission requires that member states define the scope of the public service remit and limit the amount of state aid to the actual costs of the public service.

This treatment of PSB is rooted in the general ban on state aid articulated in Article 87 (1) of the Treaty and the exemption for services of general economic interest in Article 86 (2), which includes PSB. The "cultural exemption" in Article 87 (3) (d), however, does not apply to broadcasting – strange as that seems. Broadcasting is not considered as culture in the narrow sense to which that article applies, even though a single TV programme or film can qualify as culture.[28]

The Broadcasting Communication 2001 was allegedly drafted to respect the concerns of the smaller member countries: "The Commission will also take into account the difficulty some smaller Member States may have to collect the necessary funds, if costs per inhabitant of the public service are, ceteris paribus, higher" (Article 62). In a note the EC added: "Similar difficulties may also be encountered when public service broadcasting is addressed to linguistic minorities or to local needs." Despite the article and note, in none of the twenty cases about state aid decided since 1999 has the Commission based *any*

26. Protocol on the system of public broadcasting in the Member States, Official Journal, C 340/109. Note that the letter from the 13 small countries about jurisdiction (note 23 above) used the same phrase.
27. Communication from the Commission on the application of State aid rules to public service broadcasting , Official Journal C 320, 15/11/2001.
28. In the cultural area the Commission has accepted many schemes of support for media and readily so in smaller countries, also by taking the general aim of diversity into account (Treaty Article 151 (1): The Community shall contribute to the flowering of the cultures of the Member States, while respecting their cultural and regional diversity and at the same time bringing the common cultural heritage to the fore). Based on this cultural exemption, the Commission allows up to 50 % state aid to cultural films and audiovisual programmes (Communication on cinematographic and other audiovisual works, COM/2001/0534 final). This scheme has been used mainly by small countries (for instance: Ireland, Denmark, Slovenia, Czech Republic) or provinces in big countries like Spain or Germany. Although this way to support national, cultural programmes of all sorts – except news, which are related to 'democratic', not 'cultural' aims – may be an advantage to small countries, we must keep in mind, that the amounts are small and each scheme is only for a limited time.

decision on the size of the market.[29] This restraint is critical because PSB plays a relatively much greater role in the Small West countries than in Big West or all East countries – as demonstrated earlier in this chapter.

It is also important to observe that all cases about state aid have so far only been registered about PSB in the Big West and Small West countries. No complaints have been registered against PSB in any size Eastern state. The complaints have been lodged by private TV companies, usually in collaboration with their Association of Commercial Television in Europe (ACT). They don't have any need to complain about PSB in the eastern countries because it is so weak to begin with, and there the conditions for private television are extremely liberal. But for the Small West countries where PSB is relatively big and more popular, limiting its development potential is their best opportunity to grow market share quickly and cheaply – i.e. by rolling back the incumbent, which in these countries are mainly PSB operators. The ramifications can be quite serious for these countries, and not only for their PSB providers – certainly more serious than for big countries where market volume offers ample resource for both PSB and private media companies. Ironically, however, the complaints against state aid for the public media sector most often come from the private "re-flagged" companies based in big countries like the UK and Germany – the very companies that do not *themselves* comply with quota requirements for European works. The whiff of hypocrisy is pungent here. Their strategy is self-serving and has nothing actually to do with anything other than profits: If they can break PSB in the big countries then PSB in the small countries is far more vulnerable and with less room to maneuver because they have far less influence and resources to lobby with in the first place.

When the Commission issued the new Communication on Broadcasting in July 2009,[30] there was suddenly much activity around the article about small countries – now Article 42. A new clause was added (emphasised in italics): "The Commission will also take into account the difficulty some smaller Member States may have to collect the necessary funds, if costs per inhabitant of the public service are, ceteris paribus, higher, *while equally considering potential concerns of other media in these Member States"*. The new sentence has an interesting history. In the first draft presented in November 2008 this Article (then number 62) was absent. In the next draft from April 2009 it was back, but without the clause. The concerns of private commercial media were not incorporated with the quoted clause until the final version in July 2009 (now Article 42). What happened?

The answer becomes clear when reviewing the response of private media organisations to the April draft. ACT wrote: "First, that much is made by pub-

29. A list of all cases is available at http://ec.europa.eu/competition/sectors/media/cases.html.
30. Communication from the Commission on the application of State aid rules to public service broadcasting, Official Journal C 257 , 27/10/2009.

casters of the alleged difficulties facing public broadcasters in smaller linguistic markets. But this point could equally be made of commercial broadcasters – ACT member companies active in smaller linguistic regions have successfully adapted their cost base to meet their market reality and their publicly-funded competitors must not be free of the obligation to do the same."[31] One very effective way members of ACT (including the transnational operators such as RTL, MTG and SBS) achieved such remarkable results is by adapting their cost base by using lots of American programming instead of the more expensive European works they are obliged to provide (at least 50%). It is surely ironic to observe that their best advice for PSB is to "adapt their cost base" too. Far beyond market distortion there is surely some logic distortion in all of this. Such senseless advice is simply not an option for PSB operators, even if some might want to pursue that path. If they tried one can be certain that regulators would pounce on any violation, undoubtedly in part as a response to yet more complaints lodged by the ACT and its members, to make sure they fulfil their remit.

The other significant reply to the April draft came from ENPA, the European Newspaper Publishers Association. ENPA seemed to think the Commission was adopting a new provision about smaller member states and strongly opposed that. ENPA strongly preferred the provision be deleted, but short of that they proposed a new sentence should be added: "also considering the particular situation of commercial broadcasters and newspaper publishers on the relevant market and potential negative effects that State aid to public service broadcasters could have on them and their opportunities for development of new business models". This is all but certainly where the Commission got the inspiration for the final clause emphasised in the quote above – and in the very last days before publishing the Communication.

We have dealt with this in detail because of its obvious importance to the private media industry as they have devoted so much time and expense lobbying the clause. The private sector appears to be arming themselves for a new round of complaints about state aid to PSB in small countries – laying a groundwork they can build on. The detail is also useful to illustrate the role of lobbies and compromises in the policy process, indicating aspects that really have little or nothing to do with size even when the results have serious implications for size-related factors – and even when small countries (a majority by number) complained that what was happening wasn't fair or helpful.

The most debated issue in the new Communication was that the Commission strongly advised a "public value test" [PVT] for PSB's new activities (mainly online, and thus actually efforts to roll back PSM). The United Kingdom inaugurated this system as a way of handling concerns about the BBC, often accused

31. The contributions to the consultation (7.04-8.05.2009) are available at: http://ec.europa.eu/competition/consultations/2009_broadcasting_review/index.html.

of using its enormous size and brand power to overwhelm private operators there.[32] PVT has two assessment components: 1) a public value assessment (will this serve democratic, social or cultural needs?), and 2) a market impact assessment (will the negative effect on competition outweigh potential public benefits?).

The Communication demands that member states develop some similar and systematic process for value assessment with public consultations (Article 84) and a market impact assessment (Article 88). It is doubtful whether the Commission has the right to demand this from the member states, as by Treaty law states have the competence to decide on the domestic public service remit. But efforts to comply are already underway, and we can expect that putting this kind of system in place will be an added burden on already stressed administrative resources in most small countries. The cost of a single PVT test in Britain has been in the double-digit millions of pounds. Aware of this, the Commission has accepted that tests may be conducted with less exhaustive rigour in some smaller countries, like Belgium and Ireland.[33]

While the first state aid cases were raised by private companies complaining about subsidies, the recent trend is for complaints about the activities of PSB on the internet and in other new media (e.g. mobile). So it is really an effort to exclude PSB from any realistic potential to become PSM. Now newspaper publishers are getting more involved because much in their development strategies relies increasingly on harnessing opportunity in new media to offset loses in the old one. They are keen on PVT because it offers an already accepted route to curtail the drive for PSM that may hinder their self-interested objectives. And they tend to focus directly on the smaller member states, as well, because newspapers are still more domestic than international. So although the general competition policy of the EU does not take market size into account, it clearly is a factor in assessing which lobbies are involved with which complaints in which countries, and for which essential reasons. The clause about small markets in the Broadcasting Communication has not been used, and may never be. Even so, it was recently watered down when referring to "other media" at the initiative of private sector publishers. That can only increase the dangers of vulnerability for small countries, especially where PSB is of great importance not only in broadcasting but, moreover, in the development of public services online. The sheer burden of proof in responding to these cases and, in the future, implementing PVT is a challenge of formidable dimensions.

32. The BBC Trust is responsible for the test: http://www.bbc.co.uk/bbctrust/about/how_we_govern/new_services/index.shtml.
33. See state aid decisions about Belgium (E 8/2206) and Ireland (E 4/2005).

## Conclusion

European history with PSB is indigenous and differs across regions. Western and Eastern countries have different historical experiences and, correspondingly, different levels of resources and perspectives on values. It is no surprise they feature different media policies in turn. Similarly, southern Europe is quite different in many ways compared with northern Europe, and unsurprising that media policies differ as a result. Obviously size matters for how broadcasting is organised and mandated in a country. Big countries and companies have more resources and powers than small ones. Despite the differences, we have noted important similarities among small countries. In the endeavour to nourish vulnerable national cultures these countries share a common interest that is in many ways oppositional when compared with big countries, which are often neighbours and may be part of the problem from a small country perspective. That is especially clear when treating the impact of company size, for example. The small countries try to defend their national cultures, more or less against the odds, which is a central justification for PSB in those countries.

But this chapter makes it quite clear that size is not the only factor, and may not even be the most important with regard to policy and the dynamics involved in making that. There are important differences between small countries, as well, and not only between big and small. Small Western countries have had as strong a PSB structure as the Big Western countries because they've been able to afford it (so far, at least) and they've had political traditions that enabled it. The Small Eastern or transition countries have been in a different situation and have invited private stations to develop their audiovisual and advertising markets. The internal, national policies for media development in the small countries of Europe tend to be more different than similar, on the whole. That is an important observation that may counsel against efforts to 'harmonise' media policy across states. When histories are different, resource bases are different, languages are different, value structures are different, and internal relations are different, why, exactly, would media policies seeking to ignore – even to erase – differences be expected to succeed?

The common interest among small states became clear when we introduced the transnational perspective with foreign television. Foreign TV is not relevant for big countries but is clearly decisive for small ones. As demonstrated, Small Western countries react with different strategies in efforts to keep the foreign presence in their audiovisual space, and culture, within some reasonable limits. Sometimes this involves keeping them out, and sometimes bringing them back under domestic control. The path taken depends on various factors, including nationality of neighbours and the behaviour of private companies, as well as general historical preferences rooted in value structures and also resource parameters. The Small Eastern or transition countries have less room for manoeuvre, or have opened their markets as a matter of principle due to years of authoritarian state control that has encouraged a less suspicious embrace of liberal philosophy – even seeing that as a source of liberation.

Despite differences between states, the single market and the TWF directive have underlined the common interest of small countries. Small western and eastern states were united in the attempt to modify the consequences of the freedom to establish private commercial television after 2005, with even one big country joining (Poland). We argue that the free flow of TV should be conditioned by the demand for 50% European works, as already legally enacted, but further that the law should be enforced on the private sector just as firmly as it has been on the public sector. As we have seen in practice, however, it does not work like that. Foreign channels with significant market shares operating in small countries get along with much less than 50%, breaking the law with impunity. Indeed, they profit from ignoring the law. In that way they cause injury by fostering unfair competition in small, vulnerable media systems – and on their public companies in particular; the very companies and sector *they* accuse of distorting markets and causing an unfair playing field.

It is important to note that the countries of origin are not negligent. They honestly report the facts to the Commission. But they most often either offer no reason for ignoring the quota law, or seek to excuse violations by pleading that it costs too much to do the right thing. The Commission responds with words that encourage those supporting the quote system, but which in practice don't amount to anything. They can't do much about these infractions. It's a paper tiger because this was politically declared from the start as something that would not be legally binding, despite being a law. Unfortunately the cultural effects are obvious: the proportion of American programming that the TWF directive was supposed to restrain by stimulating a European production industry and audiovisual culture has exploded rather than withered, as especially evident on channels in all the small states. If the big states also accept many US programmes there is reason to think it more acceptable because they enjoy a much greater range of domestic alternatives and can better afford to produce more.

The other arm of EU regulation in the field of broadcasting is the competition policy, especially the regulation on state aid. This is still in development and the Court of Justice has so far defended the sovereign right of member states to define the PSB remit as a domestic competence. But the Commission's primary responsibility is defending the Treaty, and so the EC must proof any complaint about state aid to PSB. Every proofing requires threading the needle between Article 87 and Article 86, which the Commission in July 2009 has detailed in the call for PVT systems. This fight is not really with the Commission, but rather with the big, private media companies who harass member states for allowing their PSB companies to do what these corporations consider far too much, mainly because it limits their possibilities for unfettered dominance and expansionary strategies. Because PSB companies are proportionately bigger in the small richer markets and weaker in the small poorer markets, where the privates have a free hand anyway, they have concentrated their attacks on PSB in the West – where the money is. The growing focus on the small countries was clear in their lobbying for the new Communication where the clause on special concerns for small markets was diluted in the final draft.

Has the typology that grounds this chapter been confirmed? The typology is confirmed in the sense that two dimensions are demonstrated as having empirical reality. Television was historically established first in the western part of Europe according to the public service model, in both small and big countries. In the east the PSB model was only an option after 1989, and the position of the sector is generally much, much weaker and not nearly as popular as the private commercial sector. This reality underlines the decisive, determinant weight of political and cultural factors from the beginning, and continuing.

Although size has not been as important historically, it seems fair to conclude that it is becoming more important in the context of the EU single market where small countries are increasingly more vulnerable. Transnational companies are directly investing in the eastern countries, while in the west they are working mainly by satellite from bases in liberal host countries. This avoids costly demands for domestic content quotas and public service obligations.

We expect that in the long run the peculiar history of European broadcasting in the 20$^{th}$ century will be retired and that the effects of the size of countries, companies and resources will come to dominate. Market liberalism will certainly rule if the populations and politicians of small states forget lessons learned the hard way in their unique and related historical experiences. If that happens, the TV strategies of small, open countries will be best understood by looking at big companies as their antagonists rather than at big states.

We suspect that policies and regulation of media in small countries will find it increasingly difficult to protect and develop independence in audiovisual policy and culture. European policymakers really should consider far more deeply than they have so far whether the single market necessarily means a *homogenous* market. Would that provide any advantage for small countries trying to resist a take-over by outside channels and companies? The evidence suggests the opposite, in fact, as we survey the prevalence of American programmes today in European TV channels.

For their part, media policy research needs to focus on the transnational character of the single market and avoid the practice of relying on classic country-by-country analyses, which very often don't connect or add up to anything generalisable. The most fruitful questions may arise when the approach is reversed: Europe *never* had a shared, common TV culture. The single market project has invited private companies to try to create one. And they appear to be winning in their battle against PSB. They have certainly been persistent. The biggest obstacles to complete dominance have been stubborn domestic PSB providers. But the private sector has learned how to leverage the EU competition rules and judication system to weaken PSB by chipping away at its resource base, limiting its scope for development, using their news channels to harass and ridicule PSB, and taking advantage of deep pockets to court favour. In domestic policy analyses one should keep an eye on whether governments in member states argue that the EU is infringing their prerogatives for PSB. This is vitally important if TV is still to be important for national culture in the future.

# The Governance of Broadcasters in Small Countries

Chris Hanretty

'Governance' is one of many social science concepts defined in numerous, often incompatible ways, and which can be applied to bodies of vastly differing dimensions – from small agrarian communities (Ostrom 1990) to global network infrastructure. Part of its usefulness results from the fact that governance covers both political and market activities. 'Corporate governance' is shorthand for how companies are led, overseen, and audited, both internally and externally. When applied to political organisations, 'governance' is often used as if it were synonymous with 'government'. In this chapter, I take advantage of the elasticity of this term, and discuss the governance of both public and private broadcasters.

Although the two types of broadcaster share similar concerns, I concentrate on the more political aspects of the governance of public broadcasters and the more market-oriented aspects of the governance of commercial broadcasters. In doing so I neglect the market-oriented aspects of public broadcasters, and, to some extent, the political role of private broadcasters. These aspects are also important: public broadcasters continue to hold 'disproportionate' audience shares in their respective television markets (Picard 2002); and media entrepreneurs – either understood as individual Citizens Kane or understood collectively – invariably wield political influence whether they admit it or not. I also choose to dedicate more space to public broadcasters because they are public institutions. Public broadcasters have governance structures which are relatively specific about the obligations of certain groups of actors – national governments, parliaments, audit courts, and so on. Consequently, certain aspects of PSB governance can be readily compared across countries. The same is not always true of the governance of private media companies: I therefore concentrate on one unwritten and constantly changing aspect of the governance of private companies, namely ownership structure.

As with the other chapters in this collection, my particular interest is the governance of broadcasters in small countries – or rather, I look at aspects of the governance of public and private broadcasters in general to see whether that differs between big and small countries (as defined for this project). I give reasons why we should expect broadcasters in smaller countries to differ in key aspects of their governance. Ultimately, however, I find that key governance features differ little between countries, regardless of size. In broad terms, public broadcasters have the same distance from government in small countries as in big countries, whether one considers the formal legislation that governs these broadcasters or how that formal legislation is translated into practice. The ownership structure of private broadcasters also looks similar in small and big countries. These are 'negative findings' only in the clinical or academic sense. Whether the findings are negative or positive for society is a different issue. The finding, for example, that the level of public broadcasters' formal and actual independence from government does not vary significantly between small and big countries undercuts a common argument in many classic works of political science that smaller countries are more virtuous (assuming of course that PSB independence is a virtue). Viewed differently, this finding suggests that smallness does not condemn any country to a particular pattern of governance, and that there is therefore room for careful institutional engineering.

### *A note about smallness in the present application*

As other contributors to this volume have noted, 'smallness' is complicated. It can be perceived or actual; demographic, geographic, ethnographic or linguistic. Here I am almost always talking about countries that have small populations. I also often assume that smallness and bigness are matters of degree, and that if there is any relationship between smallness and independence then it should be a straightforward linear and additive relationship. Broadcasters in countries with populations of three million will be *x* amount more independent than broadcasters in countries with populations of two million, who in turn will be *x* amount more independent than broadcasters in countries with populations of one million. That assumption doesn't always hold. In some cases – figures 1 and 2 for example – it is easier to see a relationship by taking the logarithm of the population.

## Governance of public broadcasters

Public broadcasters – those which aim to broadcast a wide range of socially useful content, which are partly or wholly funded by state revenues or special state-sanctioned taxes, and whose boards are directly or indirectly appointed by state agencies – are not part of the state but operate at arms' length from it. That relationship differs from country to country, and in some the relationship between the public broadcaster and the state is perilously close. It is revealing that the Italian public broadcaster, Rai, is often described as the 'televisione di stato', or state television in Italy. But public broadcasters normally operate in a murky zone that is neither part of the government proper, nor of civil society, nor of the market.The term 'governance' is therefore very appropriate for this context.

Borrowing from RAW Rhodes, we can describe the 'governance' of public broadcasters as encompassing the interdependent and repeated interactions between the state and the broadcaster, each understood as autonomous within its own sphere. These interactions have both their formal and 'real' elements. The formal elements are concentrated in the legal texts which established the broadcaster, which guarantee its continued operation, and stipulate, for example, what the state is obliged to provide the broadcaster, and what the broadcaster is obliged to provide in return. Although these elements have become less legalistic in recent years (Coppens and Saeys 2006), an undue concentration on the black-letter provisions of these laws is ultimately extremely stultifying for everyone except lawyers. Indeed, this is part of the reason why the term 'governance' has become so popular: it draws attention to how these provisions are cashed out in terms of interactions between the state and the broadcaster.

One way of examining the governance of public broadcasters in small and large countries would be to run through a set of interactions – say, all those interactions concerning the licence fee, all those concerning new operations, all parliamentary hearings and committee meetings, and so on. Indeed, later in this chapter I look at one aspect of governance in particular, namely whether national legislatures are involved in appointing members of the public broadcaster's board. I would suggest, however, that it is more helpful to consider all of these aspects as part of the broadcaster's *independence from politics*. The independence of public broadcasters from politics is one of the two classic issues in public broadcasting.[1] It is a classic issue because of perpetual tension between politicians' desire to secure better coverage from the broadcaster (which often enjoys a considerable influence on the reporting of current affairs), and the role those politicians play in granting the broadcaster the funds and the institutional support needed to continue operating. It's an issue that benefits from analysis through the lens of governance precisely because it has both formal and real elements.

We can describe the independence of the broadcaster in real, or *de facto* terms, as concerning "the degree to which PSB employees take day-to-day decisions about their output or the output of subordinates, without receiving and acting on the basis of instructions, threats, or other inducement from politicians, or the anticipation thereof; or considering whether the interests of those politicians would be harmed by particular choices about output" (Hanretty 2010). If politicians are constantly ringing up news-desk editors to

1. The other is the degree to which public broadcasters crowd out free market activity.

have running orders changed, then the broadcaster is not at all independent. Correspondingly, we can describe the formal or *de jure* independence as the degree to which the law or laws governing the broadcaster give politicians the formal means to sanction or reward the by appointing or dismissing board members, altering the broadcaster's funding, or scheduling extra committee hearings on the broadcaster's work.

The relationship between these two aspects of independence is by no means straightforward. Some organisations maintain a high degree of de facto independence despite laws that, in appearance, would permit politicians any number of opportunities to interfere in the broadcaster's work. Conversely, some organisations have low degrees of de facto independence despite laws that would seem to give the broadcaster a number of guarantees against political interference. As a result, we need to check whether smallness affects either, both, or neither of these aspects of independence.

## What's smallness got to do with it?

There is a surprisingly large literature on the effects of country size on the characteristics of the polity. This tradition dates back to Plato and Aristotle, both of whom discussed the size of the ideal polity. Both believed that democracy was only possible in cities with a limited population. Their positions were, admittedly, quite extreme: Plato believed that the optimal population for a democracy was around 5,040 full citizens – i.e. excluding women, children, slaves and freedmen (Plato 1926, Book V). Similarly, Montesquieu believed that only democracies with relatively small populations would be able to follow the 'public good'. Large republics, for him, lacked the 'fellow' feeling present in small republics. Consequently the average citizen's perception of the common good would be diluted as it passed through the population (de Montesquieu 1989, Book VIII). These arguments were typically based on organic metaphors or abstract considerations about individuals' capacity to sympathise with other individuals whom they had never met. Yet more recently, Robert Dahl and Edward Tufte examined the effect of country size on 'citizen effectiveness' and found that indeed citizens are less effective in larger states (Dahl and Tufte 1973). These pessimistic conclusions about large republics have been challenged. In the Federalist Papers (Hamilton et al. 2003) James Madison argued that small republics were at greater risk of being captured by a single faction that could suddenly rise to prominence. In large republics, converse, even should a single faction enjoy a sudden swelling of support it would have to anyway work much harder and longer to capture the levers of power.

These arguments might seem abstruse, but they help us to understand the complexity surrounding the issue of public broadcaster independence. Public service broadcasters are embedded in the polities they must serve. Consequently, characteristics of the polity – high trust, or high factionalism – should be expected in those relationships that govern the broadcaster. If small countries are virtuous democracies populated by civic-minded individuals, and if an independent media is a civic virtue displayed by such societies, then we should expect that public broadcasters in smaller countries are more independent of politics, both in formal terms and in terms of their day-to-day activities. Conversely, if small countries are subject to capture by motivated factions, then we could expect public broadcasters to be captured by those factions as well, and consequently less independent of politics. This link might not be straightforward, however. Politics structures a lot of the work of public broadcasters, but it does not explain everything. There are of course other structural features to consider: the state of the media market in each country, the cultural base in the country, general economic conditions, and so on. Equally, we cannot ignore the role of agency – many public broadcasters owe their current rude health to charismatic chief executives who have moulded the broadcaster in their image, or at least moulded the broadcaster so as to follow their precepts. I will return to such factors towards the end.

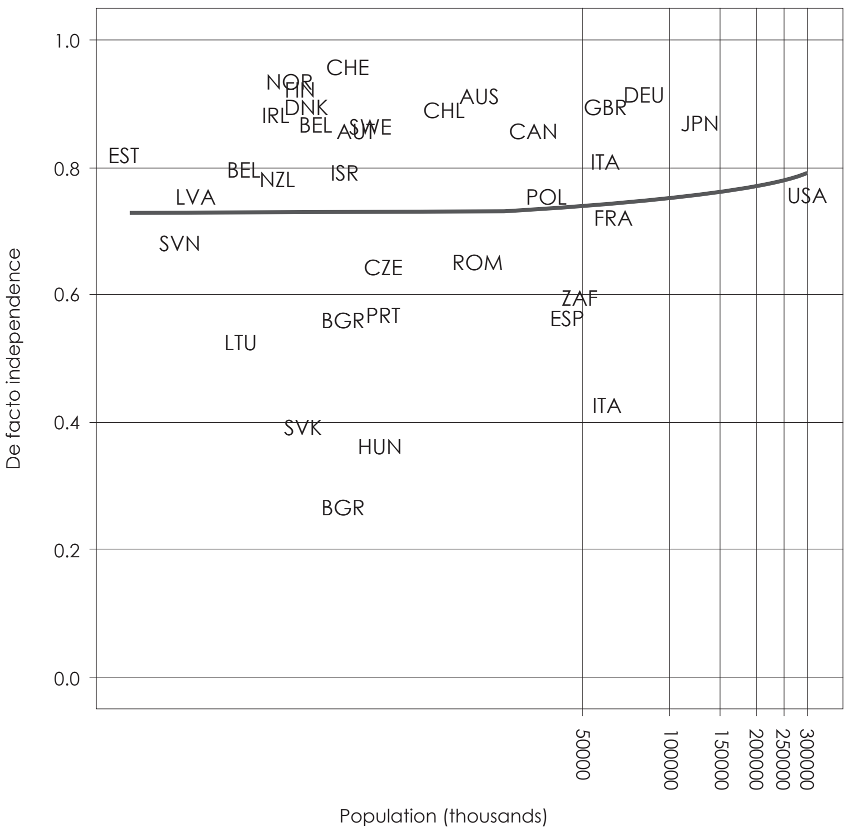
## Smallness and independence

To measure the degree of formal independence given to the broadcaster, I have elsewhere developed an index of formal independence (Hanretty 2010). This index has several items dealing with the method by which board members and the chief executive are appointed, their tenure in office, the ease with which they can be removed, and whether they can be re-appointed. There are also items concerning the method of funding, and how often the broadcaster is called upon to account for its activities to the legislature and executive respectively. These items have been chosen because they are all features found in the legislative acts establishing public broadcasters, and because they are all means through which politicians can influence or pressure the broadcaster. Each of the different responses to these items is scored evenly on a scale from zero to one, with higher scores indicating greater (formal) independence.

These scores can be reviewed in Table 1. The data was gathered for 36 different broadcasters, the majority of which are in Europe. The scores for the relevant items are then averaged together to give an overall measure of how independent the broadcaster is, purely based on the features of its legislation. Broadcasters with high degrees of formal independence include the German, Danish, and Portuguese broadcasters; broadcasters with low degrees of formal independence include the Canadian, New Zealand, and Israeli broadcasters.

When these scores are plotted against country population we find almost no relationship between the smallness of a country and the formal independence granted to its public broadcaster. This is true whether one looks at the population of the country as is or taking the log of the population which helps remove the distorting effect of countries with much larger populations (see Figure 1).

**Figure 1.**




Countries with a bigger population grant their public broadcasters slightly less formal independence than countries with smaller populations, which would tally with our view of small countries being more virtuous and more content to devolve true authority. However the relationship is substantively negligible, and in any case is not statistically significant. Put differently, if we were to plot the population of each country against the degree of formal independence it gives its broadcaster, and then draw a line of best fit between all the points, we would be faced with a flat line. It's difficult to make a strong case that the governance of public broadcasters differs between small and big countries –

at least as far as this crucial aspect of formal independence vis-à-vis politics is concerned.

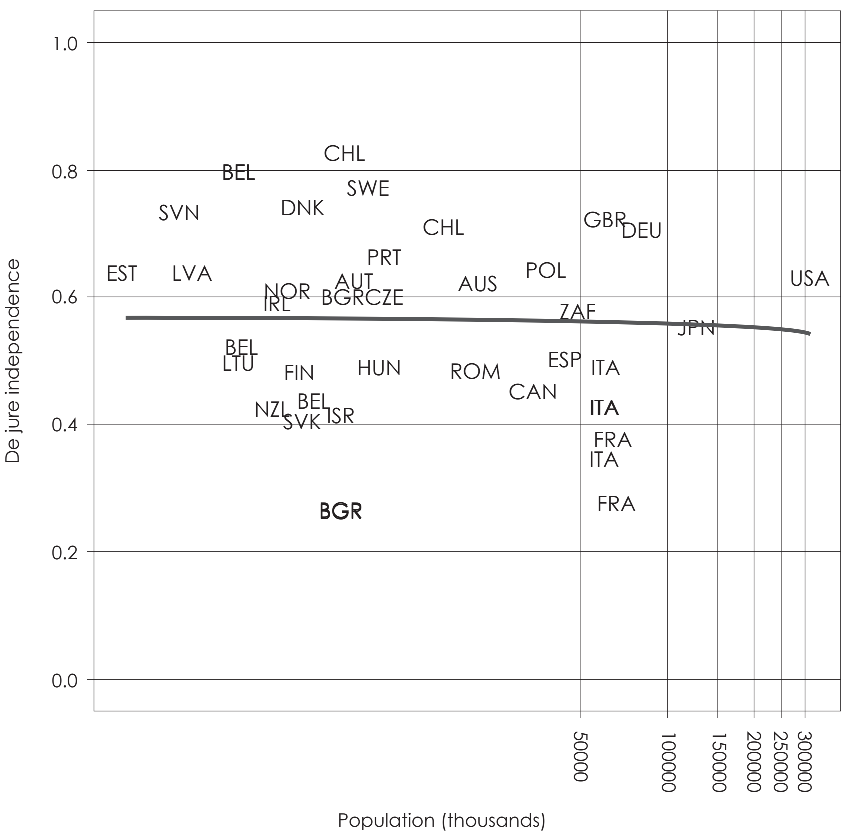
Although there is no evidence to suggest that formal independence is affected by country size, might country size affect the *de facto* independence of broadcasters? This was actually one of the first systematic hypotheses examined regarding the independence of public service broadcasters. Eva Etzioni-Halevy in her book, *National Broadcasting under Siege* (Etzioni-Halevy 1987), had two hypotheses. First, she argued that countries with partisan bureaucracies (as opposed to professionalised, meritocratic bureaucracies) would have less independent broadcasters because they could not draw on the experience of a non-partisan (and hence independent) bureaucracy. Second, she argued that broadcasters in smaller countries would be less independent, other things being equal, than broadcasters in larger countries. Since Etzioni-Halevy ultimately found no major differences in independence between these broadcasters, the role of country size was left unexplored. But it is rather easy to reconstruct her reasoning: Each society needs an elite to fill a certain number of posts within a society; small societies have relatively few people to fill a relatively rigid number of posts; these people are likely to encounter one another in numerous contexts; and by encountering each other will likely form relationships which go beyond what is set down in law or by practice. These relationships can only hurt the broadcaster because politicians (that most élite of élites) will call on their acquaintances within the broadcaster to favour their interests.

When one considers individual small countries this reasoning can seem convincing. It is worth noting that almost every polity, big or small, has some term for referring to that small circle of politically connected individuals who populate the media and political elites. Britons talk about the 'Westminster village', Americans talk about what goes on 'inside the Beltway' (which becomes inside the Queensway for Canadians), and Estonians talk about what happens on Toompea. So this hypothesis is provocative and needs testing.

To deal with these aspects of independence in a systematic way we must invent measures for abstract concepts like de facto independence. I gathered data on the chief executives of the same 36 broadcasters for which I had previously gathered information on formal independence. For each broadcaster I calculated two things: first, the reciprocal of the average tenure of directors-general or chief executives of the broadcaster in years (so that higher figures indicated more frequent turnover), and second, the percentage of government changes which were followed, within six months, by a change in the director-general or chief executive of the broadcaster. I reasoned that where incoming governments or legislatures frequently force out directors-general, the public broadcaster is likely to be less independent from politics; and where changes of director-general are frequent (for whatever reason) the broadcaster is less likely to be able to defend themselves from political interference. By taking an average of these two figures one can arrive at a reasonable proxy for measuring how much de facto independence each public broadcaster has. Broadcasters with high de facto independence include the BBC, ZDF, and the Swiss broadcaster SRG-SSR. Broadcasters with low de facto independence include Italian broadcaster Rai, the Hungarian broadcaster MTV, and the Slovakian broadcaster RTV-SLO.

Here too, however, there is little evidence that the size of a country affects the degree of independence that the public broadcaster there has (see Figure 2).

**Figure 2.**




In contrast to our findings on formal independence, there is a very small positive relationship between population and the degree of independence the broadcaster has, but again this relationship is not statistically significant and in substantive terms doesn't really matter.

We have examined the simple bivariate relationship between the size of countries and the degree of independence (de jure and de facto) their broadcasters have, and found no real relationship at all. It might be the case that there is a relationship out there complicated by confounding factors. In the original research which produced these measures of de facto and de jure independence I tried to model de facto independence and included two other explanatory factors (or covariates) alongside the degree of de jure independence: the size of the market for news, measured in terms of per capita circulation of newspapers, and whether or not the country had formerly been under Communist rule earlier. The size of the market for news is, in turn, a shorthand way of referring to two other developments that gain speed as the market for news increases: journalists' professionalisation project and the development of press agencies. Both are powerful factors in establishing norms about journalistic content, how it is produced, and how it is not produced (i.e., without the input of politicians).

All of these developments happen to have a marked geographic distribution: countries in southern Europe tend to have smaller markets for news just as they also have fewer major and long-established press agencies and journalists' associations. Although it is not the very fact of being in the north or south that explains this pattern, these factors do cluster geographically to give us a baseline expectation of how independent the public broadcaster will be. This baseline may subsequently be improved upon or made worse, depending on the degree of de jure independence possessed by the broadcaster.

This model explains about half of the variation in de facto independence. When we add the size of a country to our model, however, we don't explain any more variation and the effect of population is not statistically significant. So even with the best model of de facto independence available at this time, the size of a country doesn't offer any explanation about the degree of independence for a public broadcaster.

Of course these are statistical findings and may not always be convincing. It is open to us to say that whilst there is no overall effect of population on a broadcaster's independence, the history of broadcasting in a particular small country shows us that there, at least, size did have an effect, even if it has no effect elsewhere. Or we might suppose that size has quite opposite effects in very large countries and very small countries, which cancel each other out. Finally, it might be that whilst the size of a country has no direct effect, it does affect other factors that in turn affect independence. I examine this possibility in the last section of this chapter.

## Smallness and other aspects of governance

If the smallness of a polity – understood as the population of that country – is unrelated to both the de jure and de facto independence of the public broadcaster in that country, perhaps there are links between the size of a country and particular aspects of the governance of the public broadcaster? One particularly intriguing aspect of the governance of the public broadcaster is the method by which the top ranks of managers are appointed, and in particular whether organs like the board of the public broadcaster are appointed by the executive or the legislature branches of democratic governments. In my index of de jure independence I assumed that appointment by both the legislature and the executive should be scored more highly (i.e., more 'independently') than appoint by the legislature alone; and further assumed that appointment by the legislature alone should be scored more highly than appointment by the executive only.

This ordering comes directly from the literature on central bank independence and is questionable. There are good reasons to suppose that appointment methods which involve both the executive and the legislature will result in more independence for the broadcaster based on the assumption that where multiple actors must agree to appoint an individual, that individual will, in all likelihood, be less beholden to any particular actor. There are, however, few good reasons for supposing that appointment by the legislature would result in more independence than appointment by the executive branch. Each appointment method involves a different source of interference, but in many European countries the same sets of political parties would be involved. One may even make an argument that appointment by the legislature, being more public, makes it more difficult for non-political individuals to be appointed since they are unlikely to excite party or group politicians enough to lobby on their behalf. Consequently groups of politically well-connected appointees may be nominated as part of a package deal (see Hanretty 2009: 71-95).

Even if appointment methods are unrelated to independence, they might still be important. Consider two PSB companies with the same degree of (de facto) independence from politics. One of these has a board appointed by the government; the other has a board appointed by the legislature. In the first case we presume that threats to the broadcaster's independence are more likely to come from the government, whilst threats to the second broadcaster's independence will come from parliamentary committees and/or influential backbenchers. Thus, even if the organ by which board members are appointed has no overall effect on independence, it might nevertheless be indicative of the *source* of political pressure on the broadcaster. Public broadcasters whose boards are appointed by parliament may choose to spend more time assuaging the concerns of influential legislators rather than ministers or ministerial aides.

We can use data gathered by Steven Fish and Matthew Kroenig to look at parliamentary power and parliamentary involvement in appointment. Fish and Kroenig (2009) collected data on the concrete powers enjoyed by legislatures around the world, including the power to appoint directors of public media companies. They also calculated the overall power of each legislature. Once again, the empirical evidence reveals no real link between the population of a country and the governance structure of its public broadcaster. Smaller countries are not more likely to involve parliament in appointing the boards of their public broadcasters. This is true irrespective of whether we focus on all of the 158 countries covered by Fish and Kroenig, or only focus on the same 36 countries used in my analyses reported above.

At the same time, however, there is a modicum of evidence to suggest that, considering just the 36 countries used in my analysis, parliament tends to be more important the smaller the population of a country. Consequently, public broadcasters in smaller countries who wish to remain independent might have to spend more time dealing with potential threats to their independence from influential committee members instead of potential threats from junior ministers.

## Smallness and learning

It seems, therefore, that smallness has very little to do with the governance of public broadcasters. These findings can be qualified. As suggested earlier it does matter how one measures smallness and simply because it doesn't matter on aggregate doesn't mean it has no effect in a particular case. Or there may be no effect of smallness on PSB governance because other factors have a more determinate influence. In terms of legislation, political scientists have shown that governments devolve more power to organisations like public broadcasters when governments of opposite political persuasions turn over rapidly. Thus if a left-leaning government is replaced by a right-leaning one, only to be replaced again within the space of a decade, then organisations like PSBs would likely be granted more independence in legislation. Yet despite Madison's warnings about the ease by which one dominant faction can acquire and maintain power in a small republic, rates of government turnover do not seem to vary between big and small countries; smallness doesn't capture this effect.

Equally, as far as the de facto independence of broadcasters is concerned, I have suggested that the size of the market for news plays a much larger role (alongside, obviously the degree of de jure independence). Here, however, the assumption that the state is the most important unit breaks down. States are not coextensive with markets, nor are populations equivalent to consumer bases. In linguistically divided societies – and, as the Estonian experience demonstrates, even small states are not immune to linguistic division – one state may have multiple media markets divided by language. Or, in societies with homolingual neighbours, the market may span multiple states. Although this may not be true, indeed it might never be true, for the market in content it is much more likely to be true for media market inputs: capital, labour, technology, and know-how.

By returning to a principle noted by so many of the contributors to this volume – that smallness has multiple dimensions – we can consider one way in which the governance of PSB companies in small states might be affected by size, even if this leaves no aggregate pattern. That way is via imitation – either unconscious in which case we would more naturally talk of mimicry, or conscious in which case we might either still talk of imitation or, depending on the audience, follow best practice. There is a body of literature suggesting that small states are more open to policy innovation, and also to policy learning. This might be an artefact: larger federal states already have a myriad of policies at the federal level that they can learn from. Such 'laboratories for democracy' are not often available to smaller states (though Switzerland is a notable exception), and so the putative openness of small states to policy innovations might merely result from the absence of options within the country. Nevertheless, we might find that certain aspects of PSB governance more often migrate to smaller countries.

I would like to give two examples of how public broadcasters in smaller countries might learn practices which bolster their independence, or which change their governance in broader ways. The first example comes from a small country that learned from a much larger homolingual neighbour when it was setting up its own public broadcaster: the Republic of Ireland where the source of innovation was the British Broadcasting Corporation. RTÉ and its predecessor organisations, 2RN and Radio Eireann, relied on the BBC for labour: the first BBC Director-General, John Reith, sat on the station's first interview board. One of RTÉ's most important directors of television, Maurice Gorham, was a former BBC employee. The BBC supplied 2RN with news broadcasts in its early years. And many of the key documents in RTÉ's history, and in its relationship with the state, used language that is redolent of language used in the BBC Royal Charter and the BBC's Editorial Guidelines. Ultimately, RTÉ was able to repay the favour: when RTÉ's promise to self-regulate its news coverage of the IRA and Sinn Féin led to the government removing a statutory ban, the case for similar restrictions on coverage in the UK was greatly weakened.

Of course not every small broadcaster is situated so close geographically, culturally, and linguistically to a broadcaster as internationally recognised as the BBC. Equally, this situation of a broadcaster in a small country learning from its larger neighbour may be misleading because it suggests that all learning is unidirectional (although we have demonstrated interactive influences in the example above). A second example of policy learning is among Scandinavian broadcasters, all of whom operate in small countries and who, with the exception of the Finns, are not quite homolingual, although often mutually intelligible. The network of contacts between these broadcasters does occasionally lead to transplants of ideas from one context to another.

I should stress that policy learning is a neutral phenomenon. There is no guarantee that learnt policies or innovations in governance will not be harmful. We find an example of this between two large states: the Italian broadcaster Rai in the late 90s decided to borrow the practice of assigning screen time between the government, the legislative majority, and the legislative minority, in roughly equal proportion, from the French *Conseil Superieur de l'Audiovisuel*. This rule of three-thirds, as it was known, was not terribly successful, however: it both bound news editors and gave them a crutch, allowing them to disattend from individual programme standards. It was abandoned a couple of years after its introduction. The worst-case scenario for policy learning is where a broadcaster operating in a small country has no homolingual neighbours of any size whose experience can be drawn upon. This broadcaster would therefore be small twice over: in a small sized country and in a small language community. Beneficial policy learning would thus have to come from membership in, and links with, peak organizations like the European Broadcasting Union [EBU].

## Governance of commercial broadcasters

The governance of commercial broadcasters is different in that it cannot be so easily reduced to independence from the state or its politicians. Because we're dealing with a private sector, by definition politicians are not so intimately involved in their activities. True, these broadcasters must obey rules on broadcasting but that's not a very pointed form of interaction. The governance of private broadcasters may still be related to the broadcaster's independence from politics, however. Of the two broad issues to consider only one, that is the ownership structure of the company, is relevant here. The other issue, board structure, is in very many cases determined (or strongly suggested) by company law in each country, and the available literature suggests that the choice of a unitary board or a dual board structure involving a separation between management and supervisory functions likely has no conclusive effect on either financial performance (Dalton et al. 1998) or legality (Kesner et al. 1986). Thus it is unlikely to have a conclusive effect on a broadcaster's relationship with politics.

Ownership structure, however, has more often been linked to political influence over the media – either through the actions of major shareholders who are keen to avoid negative political repercussions or through capture by politically active shareholders. Media firms are known to have more concentrated ownership structures than other firms (Demsetz and Lehn 1985), perhaps because majority stakes in media outlets deliver not only material benefits in the form of dividends and stock value, but also intangible benefits in terms of steering the national debate. The popular image of corporate media owners is almost invariably negative: network executives, typically pressured by the ultimate owners of the network, are depicted as pressuring courageous journalists to quash stories which are uncomfortable for their corporate parents (George Clooney's rose-tinted portrayal of Edward Murrow, *Goodnight and Good Luck*, fits this category). This influence is not always political – it may be 'merely' commercial, as when General Electric spiked a number of negative stories on NBC concerning nuclear power, an industry in which General Electric was invested. But we may say, moderately, that the negative impact of concentrated ownership structure is stronger in the media market than in other markets.

For quite separate reasons companies in smaller countries typically have access to smaller stock markets, higher capital costs, and thus a more concentrated ownership structure (Pedersen and Thomsen 1997). There is a danger that media companies in small markets will be subject to a double hit: their ownership structure will be more concentrated because they operate in the media, and because they operate in a small country. This will not affect multinationals, or companies that trade in overseas stock markets. Nevertheless, there is the potential for private broadcasters in smaller countries to be more subject to capture by powerful corporate or political patrons.

Despite these theoretical risks, there doesn't seem to be any obvious connection between media companies in small countries and a concentrated ownership structure. Bureau van Dijk's *Amadeus* database includes information on the ownership structure of thousands of public and private companies across Europe, including summary information on what they describe as the 'independence' of each company from shareholders. Companies with single shareholders with a majority stake in the company score the lowest; companies with no single shareholder owning more than 25% score highest. The rationale is that companies with a single controlling shareholder will be much more subject to pressure from that shareholder, in particular pressure to drive coverage a particular way rather than either making coverage which maximises audiences or which follows professional norms.

I therefore gathered data on the 512 public and private companies operating in media markets across the EU27, in order to test whether media companies in smaller countries are more likely to have dominant shareholders. Again I found the relationship is almost flat: although companies in larger countries are slightly more likely to have a diverse ownership structure, this finding is not statistically significant. There may of course be developments more difficult to discern somewhere beneath the surface. The *Amadeus* database only contains ownership information on a limited number of companies; it may be that many of the smaller companies (in smaller markets) have a more concentrated ownership. Equally, information on current ownership structure does not preclude that future politically-minded entrepreneurs might choose to invest in media companies.

## Conclusion

Smallness in the narrow sense used here as country size in terms of population seems to have little to do with the governance of either public or private broadcasters. Smaller countries are not more likely to give their public broadcasters greater independence, in either de jure or de facto terms, and this is true whether or not one controls for other relevant factors. There is slight evidence to suggest that broadcasters in smaller countries are more likely to be appointed by legislatures rather than the executive branch, which would suggest that public broadcasting managers in these countries should try to spend more time on managing their relationship with influential legislators than junior ministers. There is no evidence to suggest that private media companies in smaller markets have a more concentrated ownership structure of the kind that might facilitate political influence.

There are, however, reasons to think that small countries might be better placed to learn lessons from their neighbours than larger countries. In these kinds of relationships other aspects of smallness – the smallness of a language community or a media market – do tend to play a role. Consequently, broadcasters in small but well-connected countries may enjoy a comparative advantage in governance not held by broadcasters in larger countries.

# Broadcasting for Minorities in Big and Small Countries

Tom Moring & Sebastian Godenhjelm

In this chapter we argue that just as public broadcasting is a public good characterised as non-excludable and non-rival in consumption, language is similarly a public good. Moreover, just as the production of public service broadcasting [PSB] for minor markets must withstand pressurising competition in services coming from big markets, similarly the production of services for small language groups is under pressure due to the influence of scale as a primary size-related factor in domestic settings. In short, many of the issues treated in other chapters focusing on the national-international dimension are approximated within national contexts with regard to broadcasting for majority and minority language groups. Using a case study approach, our focus is on situations where broadcasting is offered to a particular audience in a different language than what is spoken as the predominant national language.

Our studies show that broadcasting for minorities in big and small countries is less a question of size of the country than of political will. Size of the market matters, but broadcasting for minorities is dependent on public service also in cases where the minority is relatively big. Minorities display a preference for locally produced broadcasting in their language and, where possible, broadcasting from neighbouring countries in the minority language is highly significant. Our studies also show that the development of new broadcasting technology has in some cases created obstacles for transborder broadcasting, which needs to be addressed at both state and EU level.

As characteristic for anything that qualifies as a public good, the proportionate size of a population does not as such reduce the need for each individual to be fully served. In media this is especially important with regard to necessary services in one's mother tongue. The international instruments pertaining to this field have generally accepted the principle that audience size is a valid argument for provisioning different tiers or levels of service. In everyday practice there is also variation in broadcasting policies that treat minority groups of similar size quite differently in comparative contexts. It's important to understand at the outset that such differences are irrespective of the size of the hosting country.[1] Both policy and practice condone different levels of service for minority language groups; there are no standardised, mandatory rules about this.

Although this area of research is keenly important given concerns about the dynamics of globalisation, the body of literature on minority language media is still relatively thin (see Moring & Dunbar 2008). It is clear, however, that the totality of media supply in most countries tends to undermine rather than strengthen the position of language minorities. The dominance of media in the majority language, and the growing trend to import channels as well as content from international media markets where the predominant language is English, account for increasing difficulty in maintaining a competitive supply in minority languages. The situation has encouraged the notion that broadcasting for small language communities has a 'restitutionary' function (Dunbar & Moring 2008; see also Kymlicka 1995); here the purpose of broadcasting is to compensate minority cultures for loss in the media domain and to support minority languages in the context of daily life where this is contested by supranational and national competition. This chapter presents examples that predominantly – but to various degrees – are based on public service broadcasting.

Attuned to the focus of the book, we investigate whether the size of the country determines how states provision broadcasting for minorities residing in their territories. Does the size of a minority population determine the level of service that is offered, or is this more a matter of political choice irrespective of size? How do bigger countries and smaller countries serve cross-border minorities in situations where new media technologies have been introduced, especially digital television? Has this changed the conditions under which transborder flows emerge and are accessible to minorities in neighbouring countries? We are interested in the consequences of introducing digital broadcasting. Has it increased services for minority language populations, or has it caused new problems through encryption of signals that stop service delivery at the borders of a country?

In our discussion about policy obligations for handling broadcasting at the intersection of market and country size, the service provisions for regional audiences within countries form a special case that we also address. There are some international instruments that regulate this field in Europe, although only a few and not always validated by state governments. Maintained by the Council of Europe, the United Nations, and the Organisation for Security and Co-operation in Europe, these instruments are particularly aimed at encouraging appropriate minority language broadcasting services in national and regional settings. Although some countries have chosen to adhere to these instruments,

1. We follow the terminology described in the introductory chapter, referring to *country* as the general term whereas using the terms *nation* or *state* in references to policies and related agreements.

many have not; and those that have vary quite a lot regarding the level of services they offer minority audiences. Thus, one finds a great variety of solutions for the 50 million or so speakers of national minority languages within EU member-states. In addition, there is a multitude of migrant minorities that are not covered by international agreements in this field.

The cases considered in this chapter were chosen with the typology characterising between bigger and smaller countries formulated by Christian Berg in chapter three. We look at eight cases in seven countries, four of which are comparatively big (Italy, Spain UK and Germany) and three of which are relatively small (Finland[2] Denmark, and the Netherlands). Across these countries broadcasting in minority languages is provided in different ways, as we will see. In three cases (German in Italy, Swedish in Ostrobothnian Finland and Danish in Germany) the minority language populations can access spill-over programming in their respective language from channels that cross the borders between kin-states (or kinship-states), meaning states sharing a border where the language of transition is a minority language on one side but the dominant language on the other side. In three cases there are no bordering kin-states (Catalan in Spain; Welsh in UK and Frisian in the Netherlands). In two cases, there are limited kin-state services available, though not free to air (Swedish in Southern Finland[3] and German in Denmark).

All the minorities treated in this chapter are, through various arrangements, covered by radio and television in their respective mother languages. Thus, it needs to be clear that the situations assessed are not representative of the general situation in Europe where most of the approximately 50 traditionally spoken minority languages do not have access to a television channel in their mother language, and where a multitude of migrant languages must depend on global satellite channels and, perhaps, some programmes on local radio. Of course some have no broadcasting services at all. This chapter takes a benchmarking approach. We are looking at a relatively privileged group of minorities to study how the availability of public broadcasting service varies across countries as a function of investment in services particularly targeted to language minorities, and where pertinent also how the existence of services from kin-states affect the situation.

2. It should be noted that Swedish in Finland is not a minority language but one of two national languages, by constitutional law. Swedish speakers do, however, constitute a minority of the population as they constitute less than 6 percent of the population.
3. Ostrobothnia on the Finnish west coast and Uusimaa in Southern Finland can be distinguished in this regard. Ostrobothnia by tradition has had access to spill-over broadcasting from Sweden, later maintained and reinforced by special arrangements, whereas Southern Finland has not had such access but has received a compilation of programmes domestically produced by the public service broadcaster SVT from Sweden. Today, at a cost, broadcasting from Sweden is available also in Southern Finland on some cable networks, and the compilation of domestic public service programmes is available on air for those who purchase a decoding card. This arrangement has, however, not encouraged wide viewing of television from Sweden in Southern Finland.

## Supranational obligations regarding media production for their minorities

The current regulatory regime for minority issues in the European Union dates back to problems arising from the First World War. In the post-war division of Europe into a variety of new nation states an obvious problem was that not all distinct groups were large, compact or strong enough to be granted an independent state of their own. As the Yiddish linguist Max Weinreich is reputedly said, "a language is a dialect with an army and navy". Also, in many cases state borders divided areas where the population is some mixture of two nations, creating bilingual areas on either or both sides of the new border. These situations produced the phenomenon here referred to as minorities with kinship-states.

Immediately after the war there were efforts to form a regulatory regime for minority populations, but it only came to fruition in the last decades of the 20th century (Kymlicka 1995), and even then only with international rules pertaining to what is often referred to as *autochthonous* (or national) minorities – meaning minorities with a traditional presence in the region where they live. In the broader picture of the formation of integrated Europe, this limitation is of course problematic as Europe has been moulded and remoulded throughout its conflicted history by population movements for various reasons. This movement continues within EU and its member states today, in fact (see Cormack & Hourigan 2007; Salovaara-Moring & Moring 2010).

Today there are international instruments to help ensure the beneficial treatment of minorities in the European Union, including also access to broadcasting services in minority languages. Moreover, a body of 'soft law' has gradually formed that has encouraged a great many European states to ratify pertinent international conventions. Minorities in states that have not ratified such conventions, and also in cases where more recent mobility have also created new minorities, these instruments are taken as international benchmarks. The contents of the main instruments in this field are briefly summarised in Box 1 below.

The European Union as such has not agreed on formal regulations with regard to broadcasting for minority audiences within member states. Regulations pertaining to national minorities and minority languages are mainly in the principles of non-discrimination and respect for cultural, religious and linguistic diversity, both established in the Charter of Fundamental Rights of the European Union, Articles 21 and 22. The EU's non-involvement in this field is based on the principle of subsidiarity, which is applied to minority policies in general. The sentiments expressed in the Audiovisual Media Services Directive are positively disposed to trans-frontier exchange (formerly known as Television without Frontiers). Whilst the directive introduced basic principles

**Box 1.** International policy instruments for broadcasting

**International instruments for protecting minority language broadcasting**
At the level of soft law, three bodies in particular carry instruments that include obligations for minorities residing in European states: the United Nations (UN), the Council of Europe (CoE) and Organization for Security and Co-operation in Europe (OSCE). A particular feature of these soft-law instruments is that they all pertain to minorities with a traditional background in the state where they live; thus there are no specific quotas or content requirements that would regulate media for migrant minorities. Also the European Broadcasting Union has principles that foster broadcasting to minority audiences.

**United Nations**
UN approved a Declaration on the Rights of Indigenous Peoples 2007. This declaration grants rights to culture and media for indigenous people. However, it has the status of a recommendation and is not monitored.

**Council of Europe**
The Council of Europe has two instruments that specifically require services to minority groups or in regional or minority languages.

The Framework Convention for the Protection of National Minorities is in force in more than 40 states. Its article 9 includes provisions for the right of national minorities to their own media.

The European Charter for Regional or Minority Languages is in force in 25 states. Its article 11 includes a menu of provisions regarding radio and television broadcasting. In states that carry out a public service mission, the undertakings range from ensuring the creation of at least one radio station and one television channel in the regional or minority language to making adequate provision so that all broadcasters offer programmes in the regional or minority languages. Similar undertakings are proposed also regarding commercial broadcasting. The Charter aims at guaranteeing freedom of direct reception of radio and television broadcasts from neighboring countries in minority languages, and requires states not to oppose the retransmission of such radio and television broadcasts. Furthermore, the Charter encourages production and distribution of audio and audiovisual works in the regional or minority languages.

**Organization for Security and Co-operation in Europe**
The High Commissioner for the Protection of National Minorities of the Organization for Security and Co-operation in Europe (OSCE) has issued two recommendations that are based on existing international law and soft-law. Both these instruments have a character of policy guidelines, based on other international instruments, such as the Oslo Recommendations Regarding the Linguistic Rights of National Minorities from 1998 and the Guidelines on the use of Minority Languages in the Broadcast Media from 2003.

**European Broadcasting Union**
According to the European Broadcasting Union (EBU) membership conditions members of the EBU are under an obligation to provide varied and balanced programming for all sections of the population, including programmes catering for special/minority interests of various sections of the public, irrespective of the ratio of programme cost to audience. According to the EBU Statutes, programmes catering for special/minority interests must reflect the linguistic, cultural and religious diversity of the national audience, constitute an integral feature of the schedule, and must be broadcast at times of day when the target audience can reasonably be expected to be watching or listening.

regarding the free movement of television programmes in Europe's internal market, and stipulated quote requirements for broadcasting 'whenever possible and practical', in fact transmission time does not typically afford 50% in European works.

But there are, in principle at least, some binding EU regulations. In contrast, the international instruments that cover policies in regard to minorities in different EU member states are, given the lack of effective sanctions, relatively much weaker yet. Whilst policy documents that relate to broadcasting for minorities do provide an internationally established normative framework within which states may chose to operate, states may also chose not to adhere to any of these principles in the field of broadcasting, which characterises the situation in France and Greece, and many of the former Soviet states (see Grin et al. 2003).

A observation of generalisable importance is that media markets in Europe do not provide broadcasting services to minorities in the absence of public service broadcasting, except in the rare case where the minority language audience is sufficiently large to comprise an attractive market in its own right.[4] The only case where this potential could exist that we find inside the EU is Catalonia with more than four million speakers of Catalan. In certain cases, as *TV Breizh* in France, the argument of serving the minority has been used to solicit approval for a license to broadcast, but in practice the transmissions have been predominantly for other purposes (Guyot 2007: 39).

## Essential issues related to minority needs and obligations

As noted at the outset, language and broadcasting are public goods. In practice, however, providing full broadcasting service for minority language audiences is not always doable. In reality we find a variety of approaches with sometimes more and often less services. One approach to address the issues of supply and use in minority language media features the concepts of ‘institutional and functional completeness’, both of which are measured as a level. *Institutional completeness* means the extent to which a country provides media services for a minority (language) group. *Functional completeness* means the extent to which the group leans on these services in its media use.

Ideally, a complete broadcasting supply would allow the minority to fulfil all the pertinent requirements of its culture for the minority to be self-sustaining in this regard. In the literature on services to minorities in general and media services in particular (Grin et al. 2003, Moring & Husband 2007, Moring & Dunbar 2008) it is customary to look at policies from three different aspects: 1) what is the supply, 2) which is the demand, and 3) how do use patterns emerge in the light of supply and demand? In parallel with research on the vitality of different minorities (see Moring & Husband 2009), these aspects are seen as institutional support (supply), preferences (demand) and functional completeness (use). As a background to understanding the importance of media to language, we need to take the discussion on supply and demand aspects of media provision in the context of regional or minority language usage a bit further.

4. C.f., the Mercator Media web site, http://www.mercator-central.org/ (22.4.2010).

## *The supply of broadcasting*

Institutional backing for language is a necessary but insufficient prerequisite for media to serve a restitutionary function for regional or minority languages (Kymlicka 1995). It is important to note that different types of media, including newspapers, radio, television, the Internet and mobile services, each serve somewhat different communication purposes. People don't use radio in precisely the same ways or for all the same gratifications they find in television or in newspapers. The various media are also used most often in different dayparts (Moring 2007). Radio, for example, is most used in the mornings and mid-afternoons ('drivetime', as the Americans define this, although in the Nordic countries most radio listening still takes place in the homes). Over time the use of radio has in many instances been identified as an important vehicle for the development (and then the maintenance) of a standardised spoken language (Grin et al. 2003) – in the USA, for example, this has been accounted for the spread of a 'Midwestern' accent. Among all minority media, radio stations have so far had a leading position with respect to availability in minority languages because of the medium's relative cost-effectiveness.[5]

Television programming is by far the most expensive medium to maintain, especially on a broad scale and daily basis. It is, however, of the utmost importance for a regional or minority language to have a reasonable presence on television because it is the most frequently used in most countries. Television has a vital role in cultivating the community's image, not only as this reflect inwards on the community's view of itself but also reaching out to the broader majority community. Subtitling techniques have in many instances been effectively used to maximise the impact of television broadcasts in regional or minority languages within society at large. Television is particularly effective as a vehicle for the establishment of cultural relations with other groups in a country with multiple languages. Television is also a particularly important carrier of media content from neighbouring countries where the regional or minority language is predominant (i.e. the kin-state).

Where the supply of programmes for the minority is sparse, and especially when scheduled in slots within a channel that operates in the majority language or as a collect platform for many minorities, the placement of items presented in the language tends to become a crucial problem. Often broadcasts in a minority language are scheduled for fringe hours that are less attractive for broad viewing or listening. Very early or very late slots reduce the possibilities for a minority audience to attend these programmes. On the other hand, scheduling such programmes at highly competitive peak hours may also be a problem if the bilingual part of the audience finds the competing programmes more attractive.

5. C.f., the Mercator Media web site, http://www.mercator-central.org/.

The role of new technologies in helping resolve this tangle is still ambiguous. It is evident that the Internet (both stationary and mobile platforms) will have a huge impact eventually, but of what kind/s and in which condition/s is unclear for now. It is safe to say, however, that these platforms are obviously different from broadcasting media and it is not very likely that they will substitute for broadcasting; quite the opposite, we see cross-media effects emerging where for example patterns in the use of television apparently transfer to patterns of use for the Internet.[6]

## *Aspects of demand*

In assessing demand for broadcasting services within minority audiences, it is critical to understand the importance of a rich and varied supply. The demand for broadcasting among any audience group includes not only daily news in the mother language and about its self-interested community, but also other programme genres offered in all the various media, such as youth programmes and different types of popular content like drama and comedy (Moring & Dunbar 2008). This wider range of needed services is rarely met for minority audiences, however, particularly where domestic production is not complemented by access to kin-state supply. Thus, part of the demand for broadcasting tends to be fulfilled through the use of contents in the majority language.

From a demands perspective, a language would always require the support of full and comprehensive media services on all platforms and genres. From a practical perspective, international standards allow for adjustment to lower levels of supply to accommodate various constraints mainly related to required investment to facilitate fulfilment (ibid). That said, it is certainly arguable that states should do all they are able to do to make the most effective use of all the means available to support minorities and their languages, including arrangements involving offerings available in neighbouring countries. As argued above, such arrangements would be of an important, though complementary, character.

It is natural that minority audiences, even when being well served in their mother languages, will turn to other outlets for some things in varying proportions – either in the majority language or other languages offered in today's increasingly global media environment. But wherever reasonable demands are met in regard to broadcast quantity, quality and generic diversity, audiences would be expected to show a marked preference for the use of media in their own language. If this condition (the *strict preference condition*, as discussed by Grin et al. 2003) is not met, or only weakly met, it will be of little use to make further investments in services to a minority. However, only in very few

6. This observation has been presented by Laszlo Vincze in his ongoing research, as presented with permission in Moring and Godenhjelm (2010) and also on Moring et al. (forthcoming).

cases is the *ceteris paribus* condition of equal supply to minorities actually met. An asymmetric supply inherently disadvantages the minority and leads to more fragmented use patterns among minority audiences because they so often can't find a *complete* but only a *complementary* broadcasting supply in their own language.

## *Aspects of use*

Where media services include a complete array of media platforms (e.g. newspapers, radio, television, the web) and genres (programmes for older and younger people, with news and information as well as entertainment programmes) the prerequisite for functional completeness is met. But even in situations where broadcasting supply in a minority language is institutionally complete, or next to complete (such as we find in Catalonia for Catalan, in South Tyrol for German, in Wales for Welsh, or in Finland for Swedish) it would be normal to find bilingual speakers using a large proportion of media in the majority language. This is not a problem in itself, and on the contrary can be understood as beneficial in the potential for fostering good relations between groups within and between societies. In those situations where a language coexists in a positive relation with other languages it can be considered quite normal that bilingual or multilingual speakers use media across a spectrum of languages. It does, however, become a problem where the use of media in the majority language is caused by a lack of quality minority language media due, for example, to a lack of resources.

Linguists use terms related to *domain loss* and *domain expansion*, which refer to the domains in people's lives where a language is normally used (Laurén et al. 2008). In this context the lack of attractive programmes directed for a young audience in the minority language, for example, would foster a domain loss in use of the language through media among them. On the other hand, it has been shown (Grin et al. 2003) that an investment in, for example, youth format radio in a minority language can bring back a lost audience generation, thus compensating for the influx of global formats that tend to promote uniform media behaviour among young people. In such cases, there is a potential for a domain expansion, or domain re-conquest, reversing earlier patterns of domain loss for the language.

## *Aspects of space*

The provision of media services to minority audiences is dependent on aspects of their territorial organisation (Patten 2003: 299-305). All types of market-based media services may emerge in minority languages within federal states or territorial divisions where the minority locally forms a viable market that is sufficiently dense. However, in situations where the minority is dispersed and also locally marginalised, even numerous minority populations may find it impossible to maintain market-based media services. Also different types of media require different conditions in this regard. Newspapers are particularly sensitive to distance, whereas radio and television broadcasting more easily can be developed to cover large territories. But advertising markets tend to seek population centres and find it most cost effective to buy space in the major outlets, usually leaving minority audiences aside even where relatively big markets could be found (Moring & Salmi 1998).

In international parlance, different and complementary aspects of media-related functions are frequent. Such include the "right to share", the "right to be heard", and the "right to be understood" (Downing & Husband 2005). In some instances, media offerings may be predominantly translations of whatever is provided for the majority language population, with little specific relevance for the speakers of the minority language community. In such cases the media supply is 'for' or perhaps 'about' the community using the language, but not 'from' or 'of' that community. The particular interests of minority groups would require their point of view be represented and taken into account in the content of such broadcasts, in which case services are based in the community and speak from and of the community itself. This is not really possible for a mainly international service and thus can normally only be domestically produced. This does not exclude the added value of transborder supply from kin-states where the language is used by a majority of the population and the supply of broadcasting services, consequently, are more complete. In the light of the needs for any community to formulate itself in order to be able to deliberate within a society about issues that are relevant to all and need to be decided in some collective democratic fashion, this does not substitute broadcasting that serves the local needs.

When looking at Europe from the point of view of supply factors, demand factors, use factors and factors relating to the organisation of space, we find several different types of solutions with ambitions to address the problems of how to best offer broadcasting in minority languages. As we shall see in the following section, the differences are evidently related to cultural contextualisation (kin-state or not kin-state), size, composition and density of the minority itself; whereas differences are less evidently related to the size of the hosting country.

## Similarities and differences in smaller versus bigger countries

The eight cases discussed in this part of the chapter are all cases where minority languages are served – more or less generously – by radio and television broadcasting. As noted, to clarify problems associated with offering broadcast services to minorities in different contexts we selected eight cases. Four present broadcasting within a bigger country, and four within a smaller country, and as also noted the cases include variation in the availability of kin-state broadcasting (Table 1).

**Table 1.** A summary of the cases

| Minority language | Variables | | | |
|---|---|---|---|---|
| | **Minority size** | **Minority´s regional weight** | **Availability of kin-state broadcasting** | **Language regime** |
| **German in South Tyrol** | 350 000/60 milj.<br>0.6 %<br>in Italy | 350 000/500 000<br>70 %<br>in South Tyrol | Free | Official language in the province |
| **Danish in Germany** | 50 000/82 milj.<br>0.06 %<br>in Germany | 50 000/3 milj.<br>1.6 %<br>in Schleswig-Holstein | Limited availability | No official status (Bilateral agreement) |
| **Catalan in Spain** | 4.3 milj./46 milj.<br>9.3 %<br>in Spain | 2.4 milj./7.3 milj.<br>33 %<br>in Catalonia | Not available | Co-official language |
| **Welsh in the UK** | 588 000/61 milj.<br>1 %<br>in the UK | 588 000/2.9 milj.<br>20 %<br>in Wales | Not available | Official language in Wales |
| **Swedish in Finland** | 290 000/5.3 milj.<br>5.4 %<br>in Finland[1] | Southern Finland<br>7.3% | On demand | National language |
| | | Ostrobotnia<br>50.9 %[2] | Free[3] | National language |
| **German in Denmark** | 12-15 000/5.5 milj.<br>0.01-0.02 %<br>in Denmark | 12-15 000/260 000<br>5-6 %<br>in Sønderjylland | Free | No official status (Bilateral agre-ement) |
| **Frisian in the Nether-lands** | 474 000/16.5 milj.<br>2.9%<br>in the Netherlands | 474 000/643 000 milj.<br>74 %<br>in Friesland | Not available | Second official language |

1. *Source:* Befolkningsregistercentralen, 2010.

2. *Source:* Kommunförbundet, 2010.

3. Functionally it is equivalent to free viewing although a small fee is required to cover costs for technical transmission.

To clarify the geographic locations for our eight cases, we drafted a map (Figure 1). The cases we have selected for analysis are found in different parts of Europe, representing different contexts in terms of media landscape and political cultures. However, most of these cases (all within the EU) feature a minority served by domestically produced daily television services. In addition to those cases that we have studied here, television services in the form of a separate channel can be found, for example, also in the Basque country in Spain, in Ireland for Irish, and in Scotland for Gaelic. As situations vary, strict comparisons are not meaningful. However, the cases provide a basis for benchmarking and furnish examples of practices to inform policies in this field.

**Figure 1.**

The map portrays the location – in white – of the eight regions with minority language broadcasting that are discussed in this chapter: In big countries South Tyrol in Italy, Wales in the UK and Catalonia in Spain, in small countries Ostrothnia and Uusimaa in Finland, Friesland in the Netherlands and Aabenraa in Southern Denmark

## *Public service broadcasting for minorities in big countries*

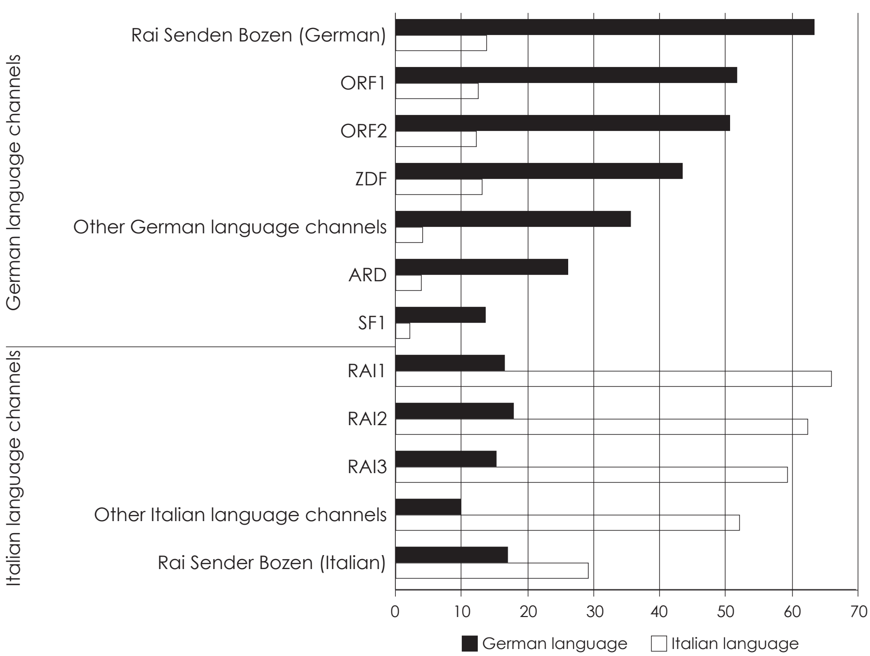
### German speakers in South Tyrol

One of the most generously equipped media landscapes for a minority is in the South Tyrol region in northern Italy. The German speaking population consists of approximately 350.000 German language speakers, or 0.6 percent of the total Italian population with a regional weight of around 70 percent in the Trentino-Alto Adige province. German is an official language in the region, and in South Tyrol is actually growing. It is also obviously the majority language in several kin-states. The media landscape for the German-speaking minority in South Tyrol can be regarded as complete both from an institutional and a functional perspective. This minority has access to several TV and radio channels, as well as printed and internet-based media.

The German-speaking population has a particular status in this autonomous province. The language enjoys strong policy backing from regional authorities. The most significant TV broadcasting comes from a local PSB television station, RAI Sender Bozen, and from cross-border TV broadcasting by Rundfunkt-Anstalt-Südtyrol RAS. The RAI channel broadcasts two to three hours of German language programmes per day, and its most popular day show (*Tagesschau*) features coverage of local news and events. The programme attracts a significant portion of all viewers every day, even though they have access to a wide variety of other channels.

The publicly owned company, RAS, enables border-crossing media from the neighbouring German speaking countries. The technical solutions and a quite particular arrangement regarding copyright issues enable RAS to provide access to a multitude of different TV and radio channels to the province free of charge. The arrangements are based on a special agreement to include broadcasts for South Tyrol in copyright agreements within the neighbouring countries. This arrangement excludes retransmission of major sports events, however, the copyright issues of which have not been resolved.

**Figure 2.** Viewers by channel among speakers of different languages in South Tyrol (daily reach %)




*Source:* ASTAT, 2005.

The German language in South Tyrol is thus served by a well functioning media landscape both in terms of transborder media supply and locally produced media supply. Although the region enjoys an exceptional supply of transborder media, the most popular content is nonetheless locally produced. This emphasises the need not only for media in one's own language but also about one's own language community and culture.

However, the situation in South Tyrol has led to a clear division between speakers of German and speakers of Italian in the region, where the two language groups remain separated despite of geographic proximity. This division is evident in media consumption; the minority demand among German speakers is primarily directed towards German language media, whilst the Italian-speaking population's demand is primarily directed towards Italian language media. The exception, as noted earlier, is the local RAI station (Figure 2). Media use is therefore also to a great extent *language exclusive*. The extent to which the German language in South Tyrol represents an average minority language per se can therefore be questioned, to some degree at least. This does not exclude the fact that the solutions adapted in South Tyrol can be regarded as an ideal case in terms of minority language media. But it must be observed that the economic investments in locally produced television in German in South Tyrol is not bigger than in some of the small countries we have also been studying (e.g. Finland and the Netherlands); the unique situation occurs mainly as a result of a combination of the local and transborder supply, as well as loyal viewers due to the strong cohesion of the language group.

## Danish speakers in Germany

Looking at the situation of Danish speakers in northern Germany, we see a different picture. This minority lives in and around the Flensburg region located at the border between Denmark and Germany. So the Danish language community in northern Germany has a small kin-state (Denmark) just across the border. The minority consists of approximately 50,000 Danish speakers, well under one percent of the total German population. It has a regional weight of around 1.6 percent. The Danish language is regarded in Germany as a minority language and protected by a bilateral agreement with Denmark. The agreement primarily covers print media, but to some extent includes transborder television.

The media landscape for the Danish-speaking minority in Germany can be regarded as incomplete both from institutional and functional media perspectives. In northern Germany there is a bilingual daily newspaper that mainly serves the Danish-speaking population. There is also a quite marginal locally produced amount of television, internet and radio supply. But there are significant problems regarding access to PSB television in Danish. Only a portion of the Danish speakers living on the German side of the border is covered by spillover from terrestrial digital broadcasting. Access to the public service broadcasts via satellite provided by Danmarks Radio [DR] is restricted by encryption due to problems associated with copyright protection. The government of Schleswig-Holstein has offered a terrestrial channel to Denmark for relay-broadcasting, but DR has not accepted the offer due to copyright problems. Cable networks operating with analogue technique carry the DR channels, but this issue has not been solved for digital cable networks.

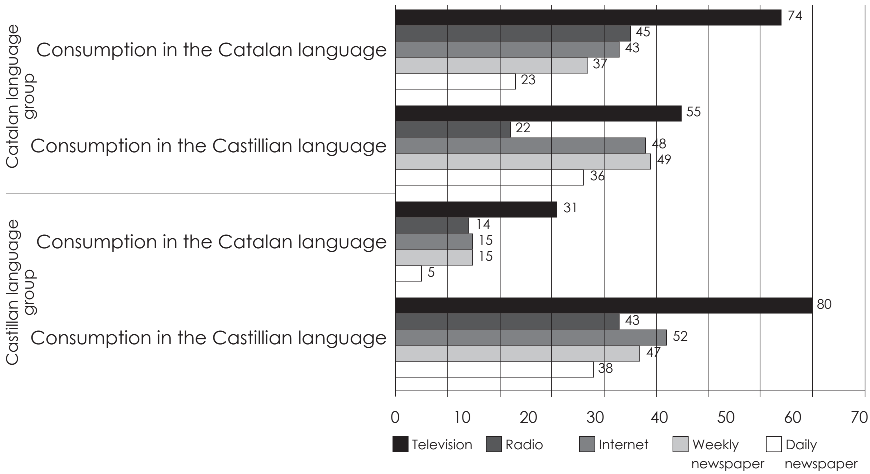
Many Danish speakers in the region therefore receive a limited supply of TV-programmes from Denmark, and the situation has deteriorated with the introduction of digital television. This case illustrates problems associated with language minorities living in big countries at the border of small kin-states, especially how broadcasting from a small country is associated with more problems than broadcasting from a big country.

## Catalan speakers in Spain

For assessing the situation for minorities in big countries that do not have kin-states providing transborder services, we selected Catalonia in Spain. This language group does not consider itself a minority, but rather sees Catalan as a regional language. This is a special case also because the minority is numerous. However, in its competition with the Castilian spoken by the majority throughout Spain, the situation of the Catalan language is contested. Situated in southeastern Spain, the Catalonian language group consists of approximately 4.6 million speakers, or nine percent of the total Spanish population. In the region, approximately 33 percent speak Catalan. The Catalan language is a co-official language in Catalonia. We here regard it as a language without a kin-state although Catalan is the official language of the small adjoining country of Andorra in the Pyrenees mountains – itself the sixth smallest country in Europe. So there is not a lot of transborder supply from Andorra.

The media landscape for the Catalan-speaking minority in Spain can be regarded as complete both from an institutional and a functional perspective. Television and radio broadcasting in Catalan is focused on the region, where in contradiction to the national level advertising revenues can still be generated in support of public service broadcasting in the minority language (this right to advertise has also been defended from the point of view of the presence of Catalan language in advertising, as the public service broadcaster is the only broadcaster that broadcasts exclusively in Catalan language). In a Spanish context this arrangement has been accepted as necessary to secure the funding base necessary for regional broadcasting (Moring & Godenhjelm 2010). The minority language is fostered by new children's channels explicitly intended to grow skills in Catalan among children of migrants. There is a considerable influx of migration from Latin America as an audience living in Catalonia. The number of Catalan speakers is also big enough to attract some private commercial broadcasting.

**Figure 3.** Use of media in Catalan and Castilian language among speakers of the two languages in Catalonia (reach, %)




*Source: El Barómetre de la Communicació*, 2008

As an example of a language without a nation state, the Catalan-speaking minority illustrates something of an ideal case. The size of the minority language audience has created a demand that is catered to in all types of media, to varying but important degrees, of interest also to commercial broadcasters. However, even in these extraordinary circumstances PSB has maintained a leading role in the provision of services in the Catalan language, and is supported by extraordinary arrangements to secure a sufficient funding base for this. The population in Catalonia is predominantly bilingual and therefore to a great extent use media in both Catalan and Castilian.

Whilst this is also the case regarding the majority language Castilian-speaking population, among whom about one-third of the population views Catalan language TV broadcasts, the situation is typically asymmetric to the benefit of the majority language (Figure 3). This is not necessarily only an effect of media supply; it may be affected by asymmetry in language skills if speakers of Catalan are bilingual to a greater extent than speakers of Castilian.

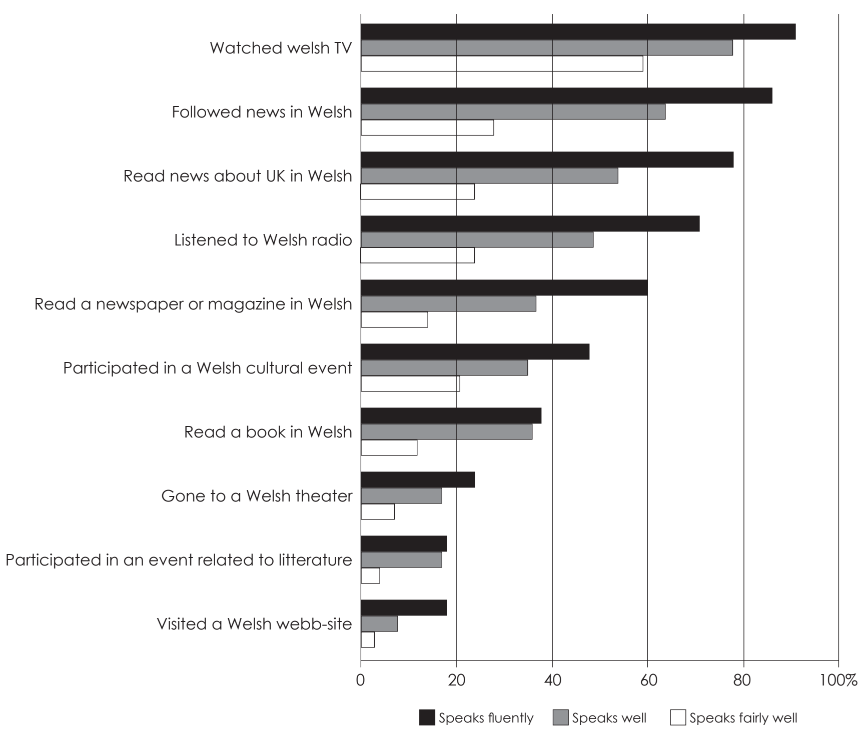
## Welsh speakers in the UK

Turning to a small minority without support from a kin-state in a big country, we can look at broadcasting in Wales. Situated in the western part of the United Kingdom, the Welsh language group consists of approximately 588.000

Welsh speakers, or roughly one percent of the total UK population. About 20 percent of the regional population speak Welsh, which is an official language in Wales. The media landscape for the Welsh-speaking minority lacks a daily newspaper, but for broadcasting it can be regarded as institutionally complete. The minority has access to its own Welsh-language TV channel called S4C, its own distinctive radio channels, and print as well as internet-based media. However, as we shall find, only in regard to television within the core group of Welsh speakers is the use of media close to functionally complete. Welsh is mainly used as a second language, and although big efforts by both the public sector institutions, mainly the Welsh Language Board and educational institutions, the Welsh language is rarely spoken at home. This is also reflected in the use of Welsh media, regarded as a complement to English language media.

S4C is a publicly funded TV channel that operates in close cooperation with BBC Wales. In addition to state funding, it can generate extra income via advertising revenues, which in turn are primarily used to benefit non-Welsh speakers by providing subtitles in English. This TV channel presents an interesting case in terms of rights to broadcast sporting events such as play in

**Figure 4.** Media use and social participation in Welsh among people with different levels of language skills (%)




*Source: Beaufort Research*, 2005)

the Rugby Union. Due to its size and broadcasting with a Welsh commentary, S4C can buy broadcasting rights at a lower price and thus enjoys a favourable competitive advantage compared with larger TV stations. This feature helps the channel reach an audience that would otherwise not be interested in Welsh programming because sporting events gather a significant amount of viewers among the majority language speakers even though the commentary is in Welsh.

In international comparison, the television supply in the Welsh language enjoys a uniquely high level of funding. It can be concluded that the level of funding has, indeed, proven its worth in terms of a high level of reach particularly for Welsh television among viewers with different levels of language skills (Figure 4). The present media landscape in Wales thus illustrates the potential benefits that public service provision has not only for minority language speakers but for majority language speakers as well. It also indicates that media usage is guided by content quality rather than quantity. The Welsh language TV station has recently been faced with the threat of major cutbacks in funding which might lead to future changes in its operations (*Guardian* 20.10.2010)[7]. As it stands now, the case of Welsh language media in the UK illustrates how minority language media can operate without support from a kin-state. It also illustrates how essential public media provision can be for a small minority language to survive; and it further provides a case where a big country can decide to share out considerable resources to support a relatively small minority, this not being the case in many other big countries in Europe such as France and Germany.

## *Public service broadcasting for minorities in small countries*

### Swedish speakers in Finland

Finland is a particular case as a small country with two national languages (Finnish and Swedish) that are accorded equality by constitutional law. This of course affects everything that is language related, and thus also broadcasting. The Finnish broadcasting company (YLE) is expected to "…treat in its broadcasting Finnish-speaking and Swedish-speaking citizens on equal grounds…" (Act on Yleisradio Oy. Section 7). The Swedish-speaking population in Finland is mostly located in the far south (Uusimaa province) and northwest (Ostrobothnia province) of Finland. The population consists of approximately 290.000 Swedish speakers, or 5,4 percent of the total Finnish population with a regional weight of 7,3 percent in Southern Finland and 50,9 percent in western Finland.

The Swedish media landscape in Finland is institutionally next-to complete. There are eight daily newspapers, two PSB radio channels (one mainstream channel, called Radio Vega, and a second for young people, called Radio X3M),

7. Guardian 20.10.2010, S4C's budget to fall by a quarter over four years. BBC to take over most of the responsibility for funding the Welsh-language broadcaster from the DCMS in 2013. [Available: http://www.guardian.co.uk/media/2010/oct/20/s4c-budget-cuts-bbc] (10.12.2010).

and a dedicated TV channel (FST5) with daily broadcasts covering the entire prime time. Whilst Swedish is a national language in Finland, due to its marginal proportion of the total population it is de facto in a minority position. The Swedish language has a kin-state (Sweden), but the extent to which the Swedish culture in Finland leans on the kin-state relation differs considerably between the predominantly bilingual south (Uusimaa) and the western coast (Ostrobothnia) where there are much closer relations with Sweden, and in earlier years a traditional presence of analogue spillover broadcasting on radio and television.

In Ostrobothnia relay stations increasing the coverage for television programmes from Sweden were set up during the era of analogue broadcasting (before August 2007). Arrangements allowing distribution of the full contents of all major television channels from Sweden are continued in the digital era. A relay station network for direct on-the-air access was set up at low cost for this audience. This arrangement was made possible by a special agreement with broadcasters in Sweden. In Uusimaa a compilation of programmes produced by the public service broadcaster in Sweden (SVT) was available free to air until the digital switchover, but is now only available for monthly subscription[8] that requires a decryption card.

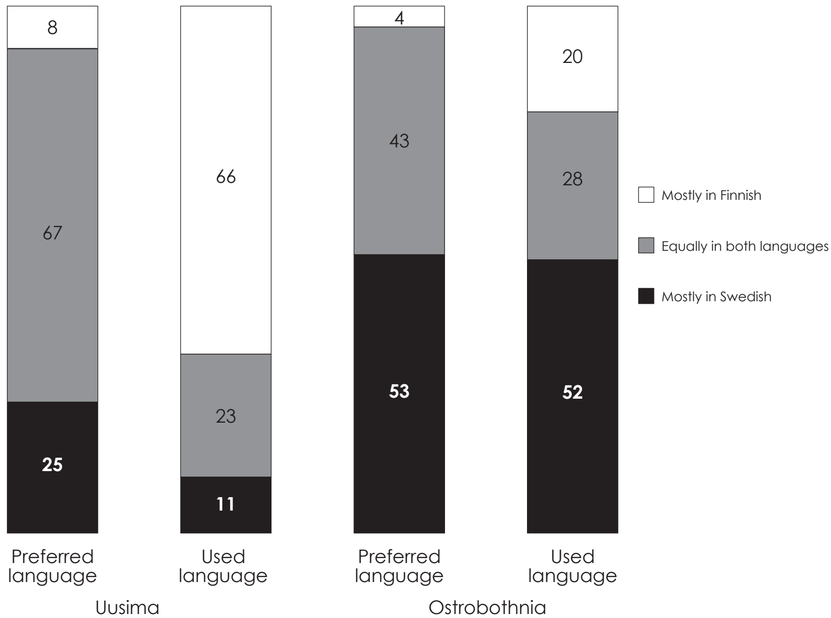
Among Swedish-speaking Finns, the weekly reach of FST5 is around 60-70 percent (Finnpanel 2009). This domestically produced Swedish-language channel produced by YLE (FST5) has proven to be *the* crucial medium for the language minority to reach the majority population, as well: a recent survey among Finnish-language speakers shows that almost 70 percent sometimes follow Swedish media via FST5. Television is the most important medium among the population; 56 percent say they follow FST5 and 6 percent say they follow television channels from Sweden (TNS-Gallup 2009, N=1142). Thus, for the Finnish population the contact to Swedish language television almost exclusively occurs through the domestic public service channel.

In contrast, among Swedish speakers in Ostrobothnia programmes from Sweden dominate viewing while in southern Uusimaa the more limited service has never attracted much interest among predominantly bilingual speakers. Thus, in terms of functional completeness in broadcasting, we see two quite different landscapes in Finland (Figure 5). Interestingly, the preferences for language do not differ dramatically between southern Finland and Ostrobothnia, whereas the actual behaviour does. This signals that also in predominantly bilingual southern Finland, the strict preference condition is met. The problem relates to supply, and the actual media use would look different if full access to kin-state broadcasting from Sweden was available.

A second interesting observation is that the viewing of the domestic television channel FST5 is almost equally popular in Uusimaa and Ostrobothnia. The difference in viewing pattern emerges mainly from a different choice of com-

8. In the Capital Region cable television network the cost was circa 14 Euro per month in 2010.

**Figure 5.** Preferences for television language and actual language use among Swedish speakers in Southern Finland (Uusimaa) and the West Coast (Ostrobothnia). (N=703) (%)




*Source:* TNS-Gallup 2009)

mercial contents. In Ostrobothnia Swedish speakers chose TV4 from Sweden, while in southern Finland they chose the Finnish commercial channel MTV3.

Swedish television in Finland receives dramatically less funding than Welsh television in the UK (approximately 20 percent at current financing levels 2010). This case demonstrates that television services catering for the needs of minorities can be – and have been – made available also in small countries. Moreover, as in Wales and South Tyrol, this case yet again demonstrates the relevance of domestically (locally) produced television supply in the minority language to bridge between the language communities. The differences observed between media use among Swedish-language speakers in southern Finland and Ostrobothnia provides further evidence of the importance of unhindered transmission of kin-state broadcasting.

## German speakers in Denmark

Despite being a small minority in a small country, the German-speaking minority in Denmark is extensively served by transborder radio and television broadcasting. The German-speaking minority is mainly located along the border between Germany and Denmark. Exact details regarding the amount of these speakers vary, but it can be estimated at something between 12.000 and 15.000, representing well under one percent of the total Danish population. The regional weight of this minority is estimated at something between 5-6 percent. The German language in Denmark is regarded as a minority language guided by the previously mentioned bilateral agreement between the two states.

In contrast to the situated presented earlier regarding Danish-language television supply in Germany, German-language television in Denmark is not encrypted. This allows for relatively free access to German television programming. This case provides a useful example, paralleling South Tyrol, of how minorities close to big kin-states suffer less from copyright restrictions than minorities related to small kin-states. Whilst the transborder access to German media is large, the media landscape can, however, be regarded as incomplete from both institutional and functional perspectives.

There is a regional daily newspaper in German and small scale internet and radio media services produced in the region. But there is almost no locally produced broadcasting supply for this minority. In this situation, and with a growing supply of Danish and also English-language television, the German audience has to a significant extent abandoned German language television and is partly in a process of assimilating into the Danish majority (see Moring and Godenhjelm 2010). Thus, this case provides an example of how lack of locally produced broadcasting supply, even in the presence of extensive kin-state supply from a big country, may contribute to a negative development of the minority and its related culture.

### Frisian speakers in the Netherlands

Friesland in the Netherlands is an example of a small country that, through an arrangement of combined funding (public funding from the state and the region; in addition to some advertising revenues) offers PSB radio and television in a minority language. The Frisian language is spoken by approximately 470.000 people, most of whom live in the province of Friesland. This is 2,9 percent of the total population in the Netherlands, and 74 percent of the population in the region. Frisian enjoys the status of second official language, which requires provisions of a full range of services in Frisian.

Whilst there are groups of speakers of Frisian speakers also in Germany (the total size of which is estimated to be about 10.000 speakers and a total of 30.000 who understand the language), Frisian is not supported by a kin-state. In terms of media supply, in the Netherlands this is much richer than in Germany.[9] Thus, Frisian language and culture is in practice dependent of media supply provided in the Netherlands.

9. For details, see the monitoring reports of the Charter, available: [Available: www.coe.int/t/dg4/education/minlang/Report/Default_en.asp] (1.12.2010).

From an institutional perspective, the supply of broadcasting in the Frisian language (provided by Omrop Fryslân) is relatively complete. The total budget of Omrop Fryslân amounts to about one-tenth of the budget of Welsh television in UK. With this, the company offers a radio station that broadcasts 17 hours a day, and a television station broadcasting 2 hours daily. The rest of the media landscape is rather weak; newspapers use some Frisian and publish articles in the language, and there is an extensive literature in the language. But in terms of daily media supply there is a predominant dependence on PSB and related web services. Thus, this case provides an example of a small minority in a small country that is served by a relatively rich broadcasting supply, in a situation where neither the market nor a kin-state provide media services.

## Conclusions

In this chapter, we have studied examples of broadcasting services for minorities in select European countries, and across a rather good range of regional locations. Our main question, following the theme of this book, relates to how size affects broadcasting. In this case the focus has led us to investigate numerous minorities in both larger and smaller countries. Moreover, the topic of this chapter has encouraged focusing not only on the size of the country that hosts the minority, but also on the size of a relevant neighbour, here called kin-state. The similarities and differences we identified may not be entirely expected. Regarding the size of the hosting country, we know from the literature that many big countries do not cater for broadcasting to minorities. But we did find that one of the big countries (UK) has equipped one of its minorities (Welsh) with a particularly well-funded television channel that has made a difference for this minority, not only in how it reaches Welsh-speakers but also in how it is able to cross the language barrier between populations. For the policy maker this points to the essential fact that money matters in this field as in all others, and that only funded policies are likely to produce desired results.

In another big country, Italy, we found that domestically produced broadcasting wins over even very rich kin-state broadcasting. In South Tyrol it is the regionally produced German-language channel that engages the audience most strongly, whilst the transborder supply from surrounding countries serve to enrich the German media landscape further and make it functionally complete for this audience.

We have also presented examples from small countries that support their minorities with less costly yet effective broadcasting services. The Frisian speakers in the Netherlands are among the few European minorities that are served by a daily domestically produced broadcasting service. For this language, radio and television broadcasting are essential mass medium in support of the language's daily use

For Swedish-speaking Finns, broadcasting services vary – demonstrating important nuances and variation even within a single country. In Uusimaa the services resemble those of a country without a kin-state while in Ostrobothnia the transborder influx from Sweden is considerable. This case allowed us to study differences in preference and use patterns. We found that preferences are quite stable. Whilst the south is predominantly bilingual and Ostrobothnia more unilingually Swedish, it is nonetheless clear that preferences for television services in Swedish are almost identical in both regions. The unhindered access in Ostrobothnia to kin-state broadcasting from Sweden has led to a functionally complete media use in this region, whereas the use is complementary in southern Finland. Based on this example, the policymaker may consider the fact that also predominantly bilingual minorities may fulfil what we here have called the *strict preference condition*: if relevant services with competitive quality are available, the minority will prefer to use them. The Finnish case also, in the context of a small country, shows how a domestically produced television channel may involve the interest from the minority and at the same time bridge between language groups, something of considerable importance for prosperity and peace.

In cases where there are no domestically produced broadcasting services available in minority languages, the supply across borders is particularly crucial. Two minorities on either side of a shared border between Germany and Denmark provide examples of how the size of the neighbouring country matters. In Denmark access to German language broadcasting is good. Germany, as a big country and market, has a broadcasting policy that allows for transmitting contents more widely, and especially regionally, without encryption. In contrast, adherence to variable copyright regulations often means that small states must encrypt their signals – and thus are at a comparative disadvantage. In the digital age this has introduced a sharper border between these countries as many Danish speakers in Germany are not willing to pay for access to channels they earlier viewed without surcharge.

In South Tyrol in Italy and in Ostrobothnia in Finland, copyright related problems have been solved through special agreements between the countries with their broadcasters. Policymakers would likely benefit from study of such arrangements in cases where transborder services to minorities have been hindered rather than improved by digitisation. We also see this as one particularly relevant policy field where the EU could helpfully secure common policies to benefit more members in member states.

A final reflection is that irrespective of country size or the size of a language minority, in all cases we have studied PSB operators are key players in securing an adequacy of services for minorities and regional cultures. This is factually the case even in Catalonia where the minority is of a population size that exceeds many of the smaller European countries. Even in an institutionally rich media landscape offering a good supply of contents in the Catalan language, we find effects caused by asymmetry that typically reflect negatively on the position of a minority: Catalan speakers use Spanish media more than vice versa. And there is a general acceptance that regional PSB broadcasting, such as in the Catalan language and contrary to national broadcasters, should have the right to broadcast advertisements in order not to lose competitiveness in a increased competitive market. Thus, issues related to the appropriateness of different approaches and mixtures of funding require a more nuanced treatment than seems to be preferred among many policymakers today, given the trends in ex ante legislation.

Does size matter in the aspects being treated in this chapter? Yes, it absolutely matters. But it is vital to understand that *policy matters more*. In bigger and smaller countries, and for bigger and smaller minorities, broadcasting services vary more according to the will and activity of policy makers in establishing principles and solving problems related to size, among much else, than only in terms of any mechanical relationship to size. If our effort to cultivate a deeper appreciation of the richness of practice in broadcast provision for all the varied and lively populations that comprise the people of Europe has been grasped, this chapter has done a fair service. If the substance encourages efforts to craft solutions that are appropriate in varying contexts with differing circumstances, this chapter will have achieved its greater purpose.

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# Big Formats, Small Nations

## *Does Size Matter?*

Annette Hill & Jeanette Steemers

> *It is not that the small countries follow on from the big countries. Everyone wants to start. But the biggest are the key springers of the business.* (Gary Carter, FremantleMedia)

At a time of perceived crisis in contemporary broadcasting, some commentators claim we are witnessing the mutation of television from a universally available medium consumed "within the home, addressed to a national audience" into something more fragmented, smaller and "radically privatized" (Turner & Tay 2009: 1). Although our traditional understanding of television may be unravelling with the proliferation of new platforms and modes of consumption, television entertainment formats appear to represent something reassuringly familiar and at the same time new. In the first instance entertainment formats continue to be acquired and adapted by big and small nations alike because of the large audiences these media events garner. In the second formats represent both a creative and commercial response to the challenges facing television broadcasting in multimedia environments to engage audiences in a much more participatory way. This chapter investigates what accounts for the success of entertainment formats in relation to two aspects where the size of a country may have an impact: namely production and reception.

First the chapter investigates how the flow of format trade works in relation to larger and smaller European markets where, in theory, formats can be made to measure and thus work well regardless of production cultures. Larger players are mainly based in larger countries and have often taken the lead in developing more expensive high profile reality entertainment shows. The issue to be treated is the extent to which lucrative and larger scale primetime studio-based entertainment formats can also emerge from smaller territories, and as opposed to cheaper factual entertainment or game show formats for less lucrative slots (typically daytime and early evening). This distinction is important. Although primetime entertainment formats accounted for less than 6% of format episodes exported globally between 2006 and 2008 (Frapa 2009: 21), in Europe they accounted for 64% of spending on formats – e.g. *Pop Idol* and *Deal or No Deal* (Attentional 2009: 60). This chapter investigates the extent to which players in small nations can function as key actors in the global format business.

Second, this chapter considers audiences and reality entertainment formats by investigating why programmes like *X Factor* (Syco) are so successful across large and small nations worldwide. The case study of FremantleMedia is useful for exploring two themes: 1) risk management in the format business and 2) the idea of international formats as made to measure for small nations. Given the case and industry issues of key focus, we confine analysis to Europe. Combining political economy and audience analysis, the chapter generates insights about production in and between broadcast markets of varying size. In this we aim to deepen understanding of the relationship between media production and reception in big and small nations.

## Format trade

One outstanding feature of television programme trade in recent years has been the growth in formats as producers and broadcasters seek the cost benefits of global production and distribution. According to a report by industry analysts Oliver and Ohlbaum (2007: 3), global TV formats accounted for 10-15% of peak time schedules across Europe in 2007, and 20% (€3bn) of all non-news content spend. International formats were expected to take as much as a 40% share of peak time schedules in the future (ibid: 5). Moreover, according to the format trade body, Frapa (2009: 8), the global value of the production volume generated by traded formats grew from €6.4bn in 2006 to €9.3bn in 2008. Of course this trade in formats is not new and can be traced back to the earliest days of television, and even before that to radio. Yet one notable characteristic of this trend since the 1990s has been the extent to which *some* smaller nations have emerged as players and exporters alongside players based in larger countries.

Historically the United States has dominated global trade in finished programming. Indeed, broadcasters in most European territories have a trade deficit with the US because they acquire substantial amounts of American feature films and television series which are available at low cost and thus efficient for filling round-the-clock channel schedules (Attentional et al. 2009: 148; Steemers 2004; EAO 2002). According to the Television Research Partnership (2008: 20), the US accounted for 76% of the global trade in finished programmes in 2007 (59,600 hours), followed by Britain with a 7% share.

But in the format trade business American dominance is not nearly as strong. The same study by Oliver and Ohlbaum (2007: 19) found the US in second place with a 13% share of global formats by source, ahead of the Netherlands

(9%) by a fair margin but trailing far behind the UK's impressive 43% share.[1] But it's certainly important to observe that the Netherlands was the third largest exporter of formats in 2009 in number of formats, hours of adaptations, and exported episodes (Frapa 2009: 13-15). Sweden is an emerging player, although Britain exports more formats than Sweden, Norway, Denmark, the Netherlands and Germany combined (ibid: 101). It is worth noting that while some smaller, richer countries export a few formats, as with Sweden, they are in fact net importers (Waller 2006a). According to Frapa, between 2006 and 2008 the Netherlands (64 imports; 35 exports) and Sweden (39 imports; 22 exports) imported more formats than they exported. Compare this with the UK which imported 37 formats but exported 146 (Frapa 2009: 11). In fact four countries accounted for over 75% of exported episodes (Frapa, 2009: 14): the UK (15,981 hours), the USA (13,485), the Netherlands (9,364) and Argentina (6,877).

It is perhaps encouraging to note that small European countries with minority languages (the Netherlands and Sweden) have managed to break into the international marketplace as originators of formats (Waisbord 2004: 361). Indeed some small countries do rather better at exporting formats than exporting more dramas which are more culturally-specific. But to what extent is market size a key factor in determining success? It is true that larger transnational corporations like UK-based FremantleMedia are keen to secure shows from 'emerging territories' outside Britain and America (Rushton 2010). According to Tony Cohen, FremantleMedia Chief Executive "The prejudices about where things come from are all melting away. 'Is it good or is it not good?' is the only question [now], not 'Where did it come from?'" (cited in Rushton 2010). Indeed investment in format ideas can be lower than for more complex drama projects, and it does not really matter where a format idea originates. Creatives in small countries come up with ideas too. However a key factor is global implementation, which does, as we shall see later, tend to imply consolidation in order to compete on the global stage. As Waisbord suggested, in the long term the cards are stacked against smaller countries and smaller producers: "Although the pool of global exporters has expanded beyond traditional Hollywood studios as industries matured, companies based in big and wealthy countries have better chances to become global exporters" (2004: 362) simply because they have more resources to translate their hit shows globally.

Format exports by some small countries do run counter to an oversimplified view of media imperialism because smaller countries *do* occasionally achieve international success, even in America which is one of the most culturally resistant yet commercially lucrative overseas markets. The most notable of these is the Dutch company Endemol, originator of *Big Brother, Deal or No*

1. A similar study by the Television Research Partnership gave the UK a 53% share of format airtime and 52% of titles in 2007. The Netherlands accounted for 18% of format hours and 9% of titles; and the US accounted for 14% of format air time and 19% of titles (2008: 28)

*Deal,* and *Wipeout*). To be fair, however, one should note that the Spanish company, Telefonica, owned the majority shares until 2007 and today Endemol is co-owned by Berlusconi's Mediaset, America's Goldman-Sachs and founder John de Mol (Ashton 2010). So even when a company from a smaller country is successful, that doesn't mean it will remain a small country company. We will come back to this later.

Some of the success that various players enjoy in format trade seems to be a factor of cultural proximity between different countries – what Sinclair, Jacka and Cunningham (1996) called 'geolinguistic regions'. They concluded that countries are more likely to exchange programmes if they share cultural, linguistic and historical ties. Thus Britain tends to get preferential access to the American market because of a shared language (Collins 1989). Within Scandinavia there is cultural proximity, a geolinguistic region, and a tradition of working co-operatively that provides a platform for exchanging formats there. This has allowed companies to strengthen their expertise in adapting shows to take account of different cultural values and traditions (Frapa 2009: 91; Attentional et al. 2009: 148).

Shifting focus from exports to imports one could argue that formats help to reinforce the idea that smaller countries are 'producing' home-grown content to satisfy cultural and political objectives even if the formats are acquired from transnational corporations based in larger countries (Moran 1998: 22-3). For smaller countries formats can reduce the financial pressures of development, as more of the risk is taken on by independent producers which are compensated by the retention of secondary, overseas and ancillary rights (Oliver and Ohlbaum 2007: 25). Even with relatively 'closed adaptations' there is still some scope for "omission, inclusion, substitution or permutation" (Moran 2009a: 46). The adaptations help to satisfy local preferences and cultural sensibilities and therefore maintain audience attention (Njus 2009: 125). These changes may focus on the obvious, such as the choice of host or question topics, but can also extend to the vibrancy of colours on screen, the length of the show, and slight adaptations to game rules, programme structure or set design to match the prevailing television culture of each country (ibid).

This works as long as the overall integrity of the brand is not damaged because "the ideal format has to be global, but it has to look local" (Jarvis 2010). The general assumption is that given a choice most people prefer whatever seems like home grown entertainment (see Morley and Robins 1989; O'Regan 1993; Sinclair, Jacka and Cunningham 1996; Larkey 2009). In this respect Straubhaar suggested the issue is 'cultural proximity', the idea that audiences prefer programming and content that "is closest or most proximate to their own culture" (2000: 202). Similarly from an economic perspective, Hoskins and Mirus suggested the notion of 'cultural discount', the idea that cultural differences relating to style, values, belief, institutions and behavioural patterns will limit the appeal of foreign programmes (1988). Formats have the potential to overcome this cultural discount and achieve cultural proximity precisely because they are adapted to local preferences (Lantsch et al 2009).

The "glocalisation" (Robertson 1995) of formats, involving globalising, regionalising and localising forces, is "a commercial strategy to maximise profit" (Waisbord and Jalfin 2009: 57). In this sense formats are also one outcome of globalising tendencies where transnational companies customise their formats, channels and products to appeal to differentiated local markets and maximise revenues. At the same time formats allow local media producers in smaller countries to "draw on the codes and conventions...of the global popular to stamp their own product, channel, distribution network as professional, competitive and attractive to [domestic] audiences and, more importantly, to advertisers who sell transnational products" (Boyd-Barrett 1997: 16; see also Waisbord and Jalfin 2009: 57-58).

## Reasons for the success of formats

> 'Size doesn't matter, at least not for this country [the Netherlands]' (Frapa, 2009: 81)

One can argue that country size is but one factor in the global format business, and that is certainly true. There is a strong case for the argument that "media policies, funding, market competition and broadcast history…shape local production" as much as "national social cultural particularities" (Jensen 2009: 165). Increasing demand for formats with an established track record elsewhere is keyed to the fact that such content is less risk-laden and less costly than original programming (Waller 2006a; Oliver and Ohlbaum 2007: 3). Broadcasters like entertainment formats because they are less risky than other kinds of content, especially important in an economically unstable environment. Growth has been driven by the rise of multi-channel television. In this sense smaller countries function as testing grounds for new ideas. Risk-averse US networks, for example, can outsource much of their risk-taking to producers and networks in Britain, the Netherlands, Scandinavia, Japan and New Zealand, using performance in these territories as a basis for making their own decisions for launch (Oliver and Ohlbaum 2007: 16; TBI 2010a: 10)

This begs the question: why are some countries more prepared to take risks? Both Britain and the Netherlands, the first a larger country and the second a smaller one, have been significant exporters of formats while larger European territories such as Germany, France, Italy and Spain have been among the greatest importers (Oliver and Ohlbaum 2007; Frapa 2009). This would suggest they are more risk averse. One way to pinpoint the factors determining export propensity, and success, is to ascertain what countries that are successful in formats such as the UK, the Netherlands and Sweden have in common (Waller 2007; Oliver and Ohlbaum 2007).

First, successful format exporters in Europe tend to have a vibrant independent production sector that is "bedrock" for development and grows experience in navigating the international marketplace (Jarvis 2010). But a vibrant production sector is not enough. The sector has to be sufficiently 'incentivised' to take risks and develop new formats because they are allowed to retain the rights to exploit these in overseas and ancillary markets. This is where British producers have benefited from a transfer of rights away from broadcasters to content makers since the 2003 Communications Act. They have also benefited from quotas that require broadcasters to commission 25% of their output from independent suppliers. Similarly the Dutch independent production sector has become strong because it has retained rights (Frapa 2009: also Oliver and Ohlbaum 2007: 11). The historically fragmented nature of Dutch public service broadcasting also encouraged independent suppliers over many years to supply a broadcasting system used to commissioning as well as to originating content in-house. This stands in stark contrast to Germany, Italy and Spain where independent producers have fared less well in format production and distribution. In Germany's case this is because broadcasters do not pay for the development of formats, and if they do they prefer to retain rights (Biernat 2010).

Second, the successful origination of formats depends on a competitive broadcasting sector, which in the case of Britain, the Netherlands and Sweden encompasses strong public service as well as commercial outlets that are willing to invest in new ideas and trial them. In Britain public service broadcasters will invest in development (Jarvis 2010), unlike their German counterparts. According to Frapa, public service broadcasters in the Netherlands originate or commission 53% of all new formats "demonstrating impressively that it is not only up to private networks to foster creativity" (Frapa 2009: 80). This suggests that entertainment is still an important part of the public service remit, promoting innovation and investment in domestic content and providing a showcase for overseas buyers. However, most format commissioning within Europe is by commercial broadcasters who invest about 10% of their programming budgets in formatted programming that is mainly developed elsewhere, compared to only 0-3% similarly invested by publicly funded broadcasters (Attentional 2009: 13). But the key point is that some broadcasters with public service remits in countries like the Netherlands, Scandinavia and Britain are willing to invest in developing new home grown formats rather than buying them in. This is because public funding makes them less focused on audience share and more open to risk-taking (Attentional 2009: 306).

Third there must be a tradition of making reality and factual entertainment shows for peak viewing hours (Waller 2007), which can then be most readily adapted for overseas markets. In the case of formats this means the ability to generate and develop many ideas quickly for the international marketplace. It also depends on generating the expertise necessary to translate these ideas to other settings (Moran 2009: 44).

Thus, being small is not a disadvantage for countries like the Netherlands and Sweden because of these success factors. Clearly, then, format trade is not only down to size. Like Britain, a larger competitor, the Netherlands and Sweden have a number of key independent producers who have access to a sufficient number of domestic outlets that are willing to experiment with new ideas. There is a history of developing formats for different parts of the schedule, resulting in a depth of expertise about how to translate these to other territories. Importantly, in both countries there has been demand from public service media as well as commercial outlets. In contrast, many of the smaller markets in Europe are "still reliant on tried and tested formats from the larger nations and, with very little overall export activity, have little incentive to drive growth in formats that could potentially be sold in the international market" (Attentional 2009: 317). Under such conditions smaller nations have been far more active in the import rather than the export trade.

## Who are the real winners in the format business?

In terms of format development and trade, size of a country is less relevant than the ability of companies to operate on a transnational basis as "global content networks" (Waller 2006a). This enables rolling out the larger more complex 'shiny-floor' reality entertainment shows efficiently and quickly across different territories (Waller 2007). Size in this case is no longer the issue, as explained by Colin Jarvis at BBC Worldwide:

> To be honest there isn't so much difference … In the past you would have had difficulties with some of the equipment. You would have had difficulties with the personnel, the expertise of various production people. And you would have had difficulties with budgets in the sense of the amount people will pay for television. But in the last few years, all of that has found a level. And successful formats no matter how big or small, they kind of traverse all of the markets because technical expertise now is easily accessible and available and trainable (Jarvis 2010)

This transferability underpins the strategy of those major companies that have built their success on cornerstone properties such as *Pop Idol* (19/FremantleMedia) *Big Brother* (Endemol), *Test the Nation* (Eyeworks) and *Dancing with the Stars/Strictly Come Dancing* (BBC Worldwide). The largest, most successful properties mainly come from large international producers, usually in Britain and America, with the expertise and resources to roll out a format quickly and efficiently across many countries.

Where the format business was once focused on small companies licensing properties to third parties, the business has now consolidated into more "vertically integrated giants with production arms in multiple territories" (C21 2010a). These companies are intent on retaining their intellectual property, "controlling the brand" (Jarvis 2010) and using established formats to open new markets that secure the overseas revenues necessary for growth at scale (C21 2010b; Oliver and Ohlbaum 2007: 3). This has also impacted smaller countries because it is characterised by a rise in consolidation and acquisitions.

In the Netherlands the top six independent producer groups already accounted for 75% of the independent production sector in 2007 (Oliver and Ohlbaum 2007: 12). In recent years, however, foreign rivals from large countries have acquired key players. So, for example, Endemol has been owned by an investment group since 2007, led by Goldman Sachs, Mediacinco and Cyrte. It has also expanded its operations beyond the Netherlands through subsidiaries and co-ventures around the world, including Latin America and the Middle East. With a population of only 16.5 million the Netherlands is also home to other leading format players. Several of these were similarly acquired by larger transnational companies: 2waytraffic (acquired by Sony Pictures Entertainment in 2008), IDTV (acquired by UK-based All3Media in 2003), and Blue Circle (owned by FremantleMedia).

Similarly Sweden with a population of only 9 million has punched above its weight, producing 78 international versions of 40 original formats between 2006 and 2008 (Frapa 2009: 85). These included *The Farm* and *The Bar,* originated by Strix, part of Sweden's Modern Times Group. Strix was the company that licensed the first production of *Survivor* (Planet 24, now Castaway), which became *Expedition Robinson* in Scandinavia. Like the Netherlands, the independent production sector in Scandinavia was already highly consolidated with four producers (Strix, Zodiak, Metronome, and Nordisk) accounting for 60% of all TV productions in 2006 (Waller 2006b). The market has since become still more consolidated with the acquisition of Blu in Denmark by the UK's FremantleMedia in 2005. Dutch-based Eyeworks (*Test the Nation*) has acquired companies in Denmark (Easy Film) and Sweden (ProduktionsBolaget and Nova TV). Silverback in Sweden was acquired in 2008 by the UK's ITV. Metronome Film and Television was incorporated into the UK-based Shine Group in 2009. Agostini, which is based in Italy, acquired Zodiak Entertainment in 2008. For larger transnational companies the Scandinavian market offers an opportunity to expand the scope of their global content and test new ideas ahead of a launch in the bigger, costlier markets – especially the UK or the USA (C21 2009). This in itself raises a set of questions about the home base of local companies that are acquired by companies located in larger countries.

In summary, success in formats is not only an outcome of country size but is more connected to the ability of companies to operate globally, which secures the capacity to roll out ideas quickly. Ideas for new formats can come from anywhere, including small countries. Yet any format player with serious global pretensions needs to depart from the model of simply licensing their ideas for a fee (through a distributor or on their own) to local producers or a global producer. The largest and most successful players participate in production through local subsidiaries or co-production partnerships. They build and maintain their brands across countries, nurturing long-term relationships with local broadcasters (Waller 2006c). In this way companies benefit from licensing and production fees, and can control the production and distribution of their creations much more effectively (Frapa 2009: 18; C21 2010b).

## Audiences of Entertainment Formats

The question of size and reasons for success in the previous section are taken up here through an extended analysis of formats as cultural and social experiences. The intention is to combine political economic analysis of the format trade across big and small nations with critical theories regarding risk and knowledge. What makes entertainment formats a success with audiences has been the subject of speculation for a decade, since the phenomenon of *Who Wants to Be a Millionaire?* (Celador, now Sony 2waytraffic), *Survivor* (Castaway Television) and *Big Brother* (Endemol) changed the face of television. Peter Bazalgette said these reality formats started a billion dollar game (2005). The story of formats is therefore not only about economic success but also about how these big shiny floor shows represent a cultural phenomenon. A case study of FremantleMedia offers insights into the success of these shows. Douglas Wood (2010), former Head of Audience Research at Fremantle UK (now Head of Research at Shine), commented on *Got Talent* (Syco and Fremantle):

> It was up 40 per cent last year, how do you explain this phenomenon? What shocked me during the week before the *Got Talent* final I had these conversations everywhere about the show, like with my grandmother, and I thought 'you are watching *Got Talent* – that's amazing!' It replaced the weather as something to chat about.

Such a cultural phenomenon is not limited to Britain or America but is apparent in big, medium and small nations worldwide. As Wood noted, "it is very rare that these shows don't work. I have never come across a case where we have launched a format in a small country and it hasn't worked. Ninety nine per cent of the time it works" (2010). Figuring out why these shows work is the million-dollar question.

## *Risk evaluation*

One reason for the success of entertainment formats is related to risk. The rise of reality TV coincided with the rise of a 'risk society', to use a framework popularised by Ulrich Beck (1992). According to this German sociologist, people live with real and symbolic risks to health and life expectancy. These risks are associated with modernisation. The perception of risk becomes key to understanding how people manage different types of threats, such as the perception of risks from car travel as opposed to aeroplanes. It is often noted that the public is far more worried about flying than driving despite the fact that they are statistically at far higher risk when driving. In the sociology of risk researchers have identified strategies for risk evaluation and management (see Palmlund 1992). This can include the management of visible risks such as dangers to health, or livelihood, and the less visible such as moral risk.

Reality TV is a feral genre (Hill 2007). The genre is like a nature experiment gone wild, where the introduction of a new species takes over a habitat and is resistant to re-containment. Many cultural commentators have criticised reality TV for being a moral risk – trash TV for the masses. It has also been perceived as a cultural risk, contaminating local production with imported formats. This perception of reality TV as a real and symbolic threat to quality TV and national values is one way of evaluating a feral genre. But it's also important to understand that television is a risky business and reality TV is a way of managing risk through the introduction of a strong and virulent genre. In this way we can see negative and positive perceptions of reality TV as economic and cultural risks. Different ways of evaluating risk become significant to understanding the phenomenon of formats. International producers in the format trade can be cultural risk producers, as some critics suggest, or from the point of view of broadcasters they can be risk takers in the development of formats, and at the same time risk containers, strategically evaluating and managing cultural and economic risks in media environments.

From an industry perspective reality entertainment formats are a necessary risk in an economically challenging market – necessary because audiences like them. It's a style of television that mixes different genres to create hybrids, such as a variety show with singing and dancing and a game show with competition and voting. Reality TV reinvents itself on a rolling basis. At the same time this is a genre that attracts audiences who want to see themselves as cultural risk takers – trying out one new show, dropping another. This makes for an unstable audience that like to watch a constantly changing genre. To make a successful reality format means a production company has to be a both a risk taker and a controller of risk. There will be failures. Rob Clark, President of Worldwide Entertainment at Fremantle pointed out: "These shows are thought through. They are finely tuned. They are not written down on the back of an envelope" (2010). From the failures a finely tuned format may emerge; that is the format that circulates worldwide as a low risk product in a high risk industry with products aimed at a fickle audience.

In this sense, the risk factor certainly relates to matters of size. The players willing to take risks have changed over the past decade as the business has evolved. A common explanation for the success of reality TV in the 1990s was that shows like *Airport* (BBC) were cheap to make compared to drama and, as importantly, they rated highly with audiences. Even at then this was an easy explanation for a complex phenomenon (see Hill 2005 amongst others). Nevertheless, the relatively lower economic risks of reality TV (as opposed to soap opera, for example), combined with independent production quotas, meant that smaller producers and smaller nations could garner success from big reality series. We saw in the previous section how the Netherlands and Sweden have both performed well in the format trade. As the trend in reality shows shifted from lifestyle experiment to talent, however, the opportunities for smaller players reduced as the scale and expense of these live-event shows increased. At present, the statistics indicate English language countries are dominating. As the roll out of these formats continues apace, the key players become the cultural and economic risk managers that other companies and countries trust to produce hit shows.

The rollout of an entertainment format to different regions and countries follows a discernable pattern, as mentioned previously. This geographic pattern is not only about geo-linguistic regions and cultural proximity, but also about the *perception of risk*. According to Rob Clark (2010) "there is a minimisation of risk at a regional level". If a format works well in Britain and America that doesn't mean it will work in Asia. Other countries need to trust that a format can work in a similar culture or region. For example, the reality dating format, *Farmer Wants a Wife*, (Fremantle and Associated Press) had a rollout that worked across a large, a medium and a small European nation first. Clark (2010) explains: "There were three things which happened to make it a success. It went to Britain and had a great launch. It was formatted in Belgium. By giving it a structure it minimised the risk because all of a sudden there was a pattern to follow. And it went to Holland and was a huge hit".

The perception of risk was further reduced as *Farmer Wants a Wife* was transformed into a reality format and rolled out across Western Europe, then to Southern and Eastern Europe, before breaking out to Australia. Thus, formats are not only about selling but also about understanding how to evaluate and manage cultural risks. Freemantle certainly understands this. Douglas Wood (2010) comments: "The rest of the world looks to the UK and US as a source of formats. This has changed over the past five years. If a format launches on a Sunday night in the UK I know by Monday morning I will get calls from France, Spain, and Italy for example, saying send us the ratings for this format now".

When a format launches successfully in the UK the risks are attenuated for other broadcasters and smaller nations. Gary Carter (2010) notes: "TV is expensive in the first series. Once you have done it once, you understand how to make it leanly and that is the other benefit to the licensing broadcaster. They buy on the basis of comfort and justification because of track record. They can see it very clearly. They don't have to imagine it".

What broadcasters in other big and small nations look for is not only the finely-tuned format but also risk management in action.

## *Made to Measure*

Another reason for the success of entertainment formats is that shows like *X Factor* are formats that adjust to local environments. In Albert Moran's research on the format trade he called this flexibility in production "open versus closed formats" (2009). An open format is customised to suit a specific international region or country. An analogy with fashion is useful, however, as a format like *X Factor* is not so much open or closed as made to measure for a broadcaster and their audience. The format is like a designer suit – you pay for their expert eye, knowledge of cloth and form, and their instinctive sense of how a good suit feels just right. The suit is made to measure in the way small adjustments make it fit better. But the design, what you are paying for, remains the same.

As in fashion there are only a handful of producers that make it to the top in the format industry. Clark (2010) comments on the clustering of production talent for formats: "In theory anyone can join. In practice there are lots of barriers, and it is better to hook up with a Big Daddy company who will promote and market and give it love and attention and put the money behind it to go international." These Big Daddy companies manage real and perceived threats associated with formats with regard to legal matters, production, marketing and distribution issues within the format chain. They also offer needed skills in how to make a quality format designed for mass audiences and publics worldwide. As Clark (2010) says, "It is not the pony end of independent production. You must have systems to roll out formats as quickly as you can without compromising on the quality. We make it look easy, but it isn't". In the same way that fashion lovers can tell one designer suit from another, from an industry perspective there are shows that have the look and feel of one of the format houses. For Clark (2010) it is important that "you always know a Fremantle programme, there is a certain sheen and gloss and quality to it".

A successful made to measure format from Fremantle is first and foremost one that sticks with its original design. Other broadcasters from smaller production environments are buying the look and feel of a specific format that already has a gloss to it. Clark's job at Fremantle is to make sure that local producers know the format is a made to measure product: "The worst producer in the world is one that knows better than the format. You don't want that person. If something is successful all over the world why would you want to change it? Ninety nine times out of a hundred it won't make it any better".

When Fremantle sells a format to other regions and nations they sell a show that can fit any broadcaster, with minor alterations. Vasha Wallace (2010), Senior Vice President of Format Acquisitions Worldwide, noted that "the way we market the format is always the same. It is always the essence of the show. *Lets Dance* (Whizz Kidd) is about celebrity iconic dances. *Hole in the Wall* (Fuiji) is about people falling in the water. Keep to the essence, what makes it a success".

Fremantle has flying producers who work with local broadcasters and regional production companies to ensure a format has a good chance of success. From a production perspective, the scale of a local production environment is not about the size of the nation and its population but rather the wealth of a production culture and its knowledge base. The previous section noted how Scandinavian countries were perceived within the industry as having good production bases with skilled workers and access to sophisticated technology. Eastern European countries must work harder to acquire such knowledge and skills, usually with much less money. When a flying producer goes to Serbia with *Got Talent*, the system at Fremantle ensures it looks the same as *America's Got Talent* – including the graphics, title, and music. The format system means *Serbia's Got Talent* immediately "associates itself with the biggest show on earth, it brands it that way and gives it class" (Clark 2010). The system of the 'format bible' puts in place the foundation stones – the set, auditions, casting, judges – and the flying producers back this up with workshops where they pass on knowledge from one production culture to another. Research on *Norwegian Idol*, for example, showed precisely this balancing act of conserving the bible whilst incorporating small variations in the local scripts (Njus 2009).

This made to measure approach can be seen in the way *Got Talent* works in Sweden. Blu is a Scandinavian production company that is owned by Fremantle. The Managing Director of Blu Sweden is Claus Leinstedt, former Head of Production for Strix and responsible for reality formats such *The Farm* and *The Bar*. The broadcaster of *Sweden Talang* (TV4) have bought the format and the production skills and talent of Blu and its Big Daddy company. *Got Talent* is a format that suits Sweden and needs few local alterations. According to Leinstedt (2010) Swedish audiences tend to like British shows because of a cultural affinity between these nations. He explains:

> *Got Talent* should have the same look as the UK version because we think it is perfect. … We have a smaller crew, smaller set design. We have less editing hours, we do casting in another way. It is impossible for us to have a couple of thousand people in the audience, so we use smaller venues... We are used to this way of working in Sweden. We know how to make things work for

> less. It is hard to get the quality of the UK show, so we have to find smart ways and use creative producers who make it look as good for less money.

Leinstedt (2010) understands "what is good about a format is that you can watch the idea" and see how it will work with some adjustment in another culture and production environment.

To summarise, the question of why entertainment formats are so successful with audiences raises several issues. Broadcasters like entertainment formats because they are perceived as low risk products in an economically unstable media environment. These formats mainly come from large international producers who know how to manage the perception of risk in a cultural industry. They produce a finely tuned format that broadcasters and local producers can see in action at a launch, usually in Britain or America, and subsequent roll out to other regions and countries. The visible reduction of cultural and economic risks through the successful launch of a format leads to increased trust in a small group of international producers. The format is made to suit other production cultures through minor alterations. This made to measure approach ensures broadcasters buy a well-designed format that local producers can adjust with few major problems. The relationship between the format producer and local producer is explicitly handled through formal structures and systems, such as the use of a bible and flying producers, and it is also implicitly handled through knowledge of how a format works for local audiences. The combination of risk management and flexible format production make Big Daddy companies like Fremantle "key springers", as Gary Carter put it, in the global entertainment race.

## Conclusion

In the case of formats certainly size matters, but how and why reveals nuances and complexities that are changing and merit better understanding. Ten to fifteen years ago the size of a country was less important because good ideas can come from anywhere. Yet as the format industry has grown into big business, size has become paramount. The format industry has been successful in some small, rich countries like the Netherlands and Sweden (Attentional 2009: 62). Although they have languages not widely spoken elsewhere, they have managed to break into international markets. In 2008 in terms of exported formats per million inhabitants, episodes exported per million of population, and the amount of production costs generated per million of population, the Netherlands and Sweden were reasonably successful on the global stage (Frapa 2009). Global presence, however, has only been maintained by consolidation into larger transnational concerns, capable of rolling out programmes quickly on an international stage. What is also noticeable is that in the main the larger more expensive prime-time 'shiny floor' shows, which are more commercially rewarding, tend to originate with transnational companies in larger countries like the UK. Such countries have the resources to experiment with more costly formats (TBI 2010b), and can extend that expertise to the all-important US market as well (White 2010: 36-39). Size does matter in relation to companies and the type of large-scale format they are promoting. The research reported here demonstrates that although size may not have always mattered as much in the past, it has become increasingly significant in the past ten years – and should be expected to be at least as important in the years ahead.

In the end, small countries are limited by the smallness of their domestic markets, the lack of sufficient resources to sustain more expensive entertainment shows, and the cheapness of overseas products, including reality entertainment formats, which serve as bankers for larger 'superindies'. As small countries they continue to be limited by a restricted range of producers, fewer viewers / consumers, and less advertising or licence fee revenues; all of that even while the costs of production remain high, whatever the size of the market. Even for those few that break out internationally from small countries of origin, the trends suggest that ultimately consolidation and integration within a globalised marketplace will make them part of big country companies.

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