

# THE EURALVA NEWSLETTER

## News from the European Alliance of Listeners' and Viewers' Associations November 2010

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### From the Editor

Dear Reader,

Here is the November 2010 edition of the EURALVA newsletter. I am also happy to welcome many new readers.

The first article in this issue is about the rise and fall of the proposal for a public service media fee in Finland. It shows how public - and political - opinion can change over time.

The next article describes different models of public service television, including their advantages and disadvantages, which was one of the themes at EURALVA's conference in Barcelona last month.

Another theme, which we explore in this issue, is how to measure communication and media in an era of digital convergence. We discussed this topic in September in Vilnius at a workshop organised by the Internet Governance Foundation.

Finally I would like to give some information about our organization. At its meeting in Barcelona, the Board of EURALVA decided to welcome two new member organisations, one from Italy, and another from Sweden. Both organisations subscribe to EURALVA's founding principles.

At the same meeting, I was honoured to be re-elected as President of EURALVA, while Iñigo Millán-Astray, the chairman of ICMedia in Spain, was elected to be our new Vice President. EURALVA's 2011 Conference will take place in Edinburgh, Scotland, and we shall announce more details in a forthcoming issue of this Newsletter.

You will receive the next issue of the newsletter in April 2011. If you have any comments or suggestions for the content of the newsletter please contact me by e-mail: [prebensorensen@bbsyd.dk](mailto:prebensorensen@bbsyd.dk)

Meanwhile you are also welcome to access our website at: [www.uralva.org](http://www.uralva.org)

**Preben Sørensen**

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## **The Rise and Fall in Finland of a Proposal for a Public Service Media Fee**

The television fee is currently the main source of funding YLE, the Finnish public service broadcasting organisation. Since the end of the operation of the licence fee in summer 2007, it has been almost the sole source of funding. In order to support YLE's role in managing digitalisation,

the television fee was raised by 11.3 per cent in 2002 and by a further 13 per cent in 2004. After that, the fee has grown annually in line with general inflation plus one per cent. In absolute terms the fee grew from 148.30 euros in 2001 to 224.30 euros in 2009. The number of valid, paid-for television fees reached its height in 2003 at 2.02 million, but the level has been gradually decreasing ever since, falling to 1.90 million in 2009.

In European terms, the level of the Finnish television fee approximately corresponds to the amount that German households pay for their public service broadcasting. In all other Nordic countries, as well as in Austria, the sum is bigger. This means there might still be some potential to raise the level of the television fee in Finland. The reason for insecurity about the future after that is the likely fall of households ready to pay an increasingly higher fee. The continuous decline of the number of paying households after the digital switchover has been a worrying signal. Another critical aspect of digitalisation is the increasing number of pay-TV services, which condition users to select only strictly customised closed services, instead of open generalist channels. Simply put, the number of services to be paid for out of pocket will make people more aware of their role as payers for all media services.

### **Agreement on Public Service Media Fee**

Such insecurity was the background to a task force, the Lintilä working group, which the Ministry of Transport and Communication set up in February 2008 to investigate YLE's public service remit and funding arrangements. The working group reported its conclusions and proposals in April 2009. The new and unique feature of Finnish reporting about the work of Lintilä group was the systematic nature of a coordinated newspaper campaign, which accelerated after the publication of the proposals. The scale of this reached a size and intensity seldom seen in Finnish broadcasting history.

The press campaign had two major themes. One focused on the character of the public service fee as a flat-rate tax independent of the use and ownership of receiving equipment. The other stressed the need for a stricter definition of YLE's remit. In their editorials and interviews, the representatives of the newspaper companies also emphasised an issue, which they had raised previously, in relation to YLE's most recent digital strategy, namely the development of YLE's Internet services at the regional level.

These themes were not completely new. For at least six years, the Finnish newspaper industry has been very critical towards both the current television fee system as well as towards YLE's efforts to expand its services from traditional radio and television broadcasting. In 2004, Hannu Syrjänen, the CEO of the *Sanoma* newspaper, seriously insisted that YLE should be kept out of the Internet and other new media services – even though YLE had been offering Internet services since the mid-1990s. Two years later, Syrjänen also suggested that YLE's licence-based funding should be replaced with tax funds directly from the state budget.

By diverging since early 2000 from the critique by private television operators against the operation of the licence fee, the newspapers have been able actively to shape and mobilise public opinion for their own cause. They have commissioned opinion polls and organised seminars about the future role and funding of YLE. In December 2007, soon after the switch-off of analogue television, the newspaper *Aamulehti* – and later also *Helsingin Sanomat* – reported an opinion poll which the paper had commissioned, in which about 65 per cent of respondents supported the abolition of the television fee system, and preferred to replace it with funding from the state budget. Only 23 per cent would have kept the current system.

In October 2008, the newspapers discovered that the Lintilä working group was supposed to propose a household-based media fee to substitute for the current television fee. After this point, the criticism concentrated more on the idea of the new media fee than on the existing funding system. Very soon it was emphasised that the proposed new system would be unfair to people who do not currently have television sets. The CEO of *Sanoma News* and Mikael Pentikäinen, the chairman of the Finnish Newspapers Association, argued that YLE should be funded from the state budget and also suggested that in future, public service broadcasting in Finland should cease to be a YLE monopoly.

Given this context, it is interesting to observe that the Lintilä working group was actually able to reach an agreement, and to make a unanimous proposal, about a new *public service media fee*. The group included representatives from all Parliamentary groups, and that is why it was reasonable to anticipate that its proposals would be passed by the Parliament.

Unlike the present television fee, the new public service media fee was to be paid by all households regardless of whether they used any technical equipment to receive public service content or not. In addition, the fee would also have applied to enterprises and other organisations whose annual turnover exceeds 400,000 euros. Thanks to a larger pool of payers, it was proposed that the annual media fee for a household in 2011 would be about 175 €, which was about 22 per cent less than the current television fee of 224 €. The enterprises and other organizations would have paid a higher media fee (525 €), three times the amount for individual households.

The proposal was straightforward in its rationality, because there were absolutely no exemptions from paying the fee. The system was expected to raise 450 m€ annually, which is more than YLE's total 2009 budget of 415 m€. This was supposed to be sufficient to guarantee YLE's funding when the fee was introduced in 2011, at the same level as in 2008, as well as to cover all the expenses of the system.

It was no surprise that the Federation of the Finnish Media Industry immediately joined Mikael Pentikäinen, in opposing the proposal for a public service media fee, which it described as “a great disappointment to the private media sector”. It was “even worse than expected and tailor-made for YLE”. Both organisations warned quite eloquently that if the proposal were to be approved, it would strengthen the role of the state and the public sector in communications at the expense of diversity. The Federation of Finnish Enterprises also immediately rejected the proposal for a media fee – partly because many family businesses would have had to pay the fee both for the enterprise and for their private household.

The newspaper campaign, again presented the direct state funding of YLE's operations as an alternative to the current television fee, and to the planned public service media fee. It considered state funding to be the fairest system because of the progressive nature of taxation. It is tempting to conclude that the newspaper industry's proposal would most probably result in a gradual deterioration of public service funding, and a more restricted remit for YLE's operations.

The Lintilä working group had acknowledged the fairness of direct state funding, but pointed out several serious problems, as well. It could jeopardise the editorial independence of YLE and make it subject to short-term political conflicts. As a result, public service funding might become subject to continuous fluctuations. The working group noted also that the strength of the television fee in a competitive broadcasting environment, since it maintains the broadcaster's motivation to develop and maintain an intensive relationship with audiences, and that the same applied to the proposed public service media fee.

Although the working party's proposal for a new fee originally had a rather neutral name, the newspapers now argued that because all the money collected were to be given to YLE, it would in practice be a *YLE fee*. And because there were no exemptions, it would rather be like a tax than just a fee. The tax-like nature of the proposed media fee was also soon noted by a group of researchers at the Helsinki School of Economics. They compared it to the unsuccessful poll tax proposal in the UK. A former Foreign Minister of Finland and an influential Social Democratic Member of Parliament, Erkki Tuomioja, made a similar comparison in his public blog and suggested that a better alternative for the media fee proposal should be found before YLE was made as a scapegoat for inventing a new unfair tax.

The newspapers' critique of the proposals by the Lintilä working group symbolized the convergent media environment that has made newspapers and YLE competitors in the same platforms. But the recent debate on the public service media fee also demonstrates that the social and political construction of support for public service media has changed in Finland. In this context, one of the most interesting aspects of the recent debate was that, at least in the beginning, newspapers did not really succeed in recruiting critical support from the political elite.

However, within a month from the publication of the proposal for a media fee, the Finnish newspaper industry obtained new allies from perhaps somewhat unexpected direction. Although the proposal for a media fee had meant a lower fee for an individual household, the Finnish Consumers' Association stated that a lump sum media fee with no exemptions was simply unfair. Moreover, in May 2009, both the Left Youth of Finland, the youth league of the former communist party, and the youth organization of the conservative National Coalition Party (NCP) decided to oppose the media fee. The Finnish Centre Youth took a similar stand later in October.

All these political youth organizations were acting against the official stand of their respective Parliamentary groups – and the Social Democratic Student Union had suggested funding YLE from the state budget already in January 2008. Another blow came from the Finnish Competition Authority, which stated, in its official comment to the Ministry of Communications, that it preferred funding from the state budget, rather than the proposal for a media fee.

The overall political climate in Finland had changed in May 2008, when it was discovered that many Members of Parliament had taken money from various companies and businessmen during the parliamentary elections of 2007, without reporting these payments as the law required. The whole scandal began when Timo Kalli, the chair of the Centre Party parliamentary group, stated in a YLE current affairs programme, that he was not going to report his election funding because there were no sanctions for not reporting it. By June 2009, the corruption scandal was raising its head again. This time, Matti Vanhanen, the Prime Minister from the Centre Party, defended himself against accusations of lying over the financing arrangements of the Centre Party during the election campaign.

Almost at the same time in June 2009, Suvi Lindén, the Minister of Communications, finally came out and publicly supported the working group's proposal. She had waited until the Ministry had received all the comments on the proposal for a media fee from about 80 different organisations and interest groups – a process which took several weeks. Only then did she form an opinion on the issue and made it public. But the key Minister's personal support for the proposal for a media fee was by no means ever very strong or spontaneous.

### **A Political Bone of Contention**

In mid-August 2009, another opinion poll which was commissioned by the Finnish Newspapers Association, showed that 62 per cent of respondents resisted the idea of a flat-rate public service media fee. When compared to the earlier poll commissioned by *Aamulehti* in 2007, it seems that the

newspaper companies had succeeded in re-directing the (often latent) critique of the Finnish people against the current television fee system against any kind of flat-rate fee for YLE's funding.

On the other hand, the same opinion poll indicated that most people might be ready to pay the fee if it was lower than the proposed 175 euros per household. In September 2009, the Prime Minister involved himself in the debate over the proposal for a media fee, on at least on two different levels. First of all, Vanhanen publicly suggested that it should be possible to get an exemption from the fee by providing a written statement about not using YLE services for any means of communication. This suggestion was supposed to help people with very low incomes to avoid the media fee by rejecting YLE's services, but it did not receive much support.

Only two weeks later, YLE made the so far most serious claims of corruption against the Prime Minister. According to the YLE programme, Vanhanen had received building materials from a construction company without any payment. According to YLE, they had been preparing this story already for over a year – and for some reason they had only just decided to air it, although the story still relied on only one, anonymous source. The chairman of the Centre Party Parliamentary group, Timo Kalli, was so angry and upset about this move that almost immediately he called for the resignation of Mikael Jungner, YLE's CEO. He, on his part, had strongly defended YLE and the proposal for a media fee in the on-going debate against the newspaper industry.

Although there seemed to be an exceptional degree of tension between the Finnish political elite and YLE at the beginning of October 2009, the cabinet parties were still able to agree on continuing the preparations for the reform of YLE's financing and control system. At this stage, at least all cabinet ministers supported the proposal for a media fee. At the same time, Aamulehti reported a new survey among the Members of Parliament, which suggested that about 40 Members of Parliament were actually against the so called YLE-fee.

Later that month, Prime Minister Vanhanen started feeling that YLE was systematically trying to topple him by constantly broadcasting contradictory information and altered accusations about corruption. He stated that he was ready to fight for his position as Prime Minister and the chairman of the Centre Party. Only two months later, however, Vanhanen announced in December, that by the time of the next Party Conference in June 2010, he would step down both as the party leader and Prime Minister. Later he announced that he would also leave the Parliament to become the CEO of the Finnish Family Firms Association.

Vanhanen was not the only central political figure and participant in the media fee debate to leave his post before decisions about the YLE financing reform were agreed. In February 2010, YLE's Board of Directors decided to replace Mikael Jungner with Lauri Kivinen, the Head of Corporate Affairs at Nokia Siemens Networks, as the new CEO for YLE.

New social networking tools in the Internet can be used for all kinds of purposes, and by March 2010 the opponents of the proposal for a media fee had created several virtual communities to express their opinions. The largest one was a Facebook group called *Total revolt against the YLE-fee*<sup>31</sup> which had over 100.000 members, but there were at least three other large Facebook groups with over 20 000 members against the proposal for a media fee, or "YLE-tax". There were also other web-based initiatives, like at least two separate petitions against the media fee.

Minister Lindén continued to support the proposal for a media fee publicly - until 11 March 2010, when she made a very sharp U-turn, and announced that she would not bring the proposal for a media fee before the current Parliament, but would rather leave it to be presented by the next

Government after the general elections of 2011. Her formal reason for putting on the brakes was a disagreement over the new model for the YLE administration and control between the government and the Social Democratic Party.

In addition, Lindén now argued that a flat-rate annual fee was unfair for low income households and that she personally was in favour of financing YLE from the state budget- in contradiction to all her previous statements about the media fee and the financing of YLE. . Later, she explained that her decision to withdraw the proposal for a media fee was mainly meant to protect the future of YLE. She was concerned about the massive number of comments opposing the media fee from ordinary citizens, and she argued that no public service institution could survive for long on such an unpopular funding system.

Lindén's unexpected announcement also opened a window of opportunity for the Social Democratic Party to play some high-profile opposition politics. Later on that same day, the group leader, Eero Heinäluoma, claimed that that SDP now considered budget financing as the best alternative for YLE's funding instead of the media fee – a proposal which, until then, they had strongly supported.

### **Parliamentary Groups**

In the following week, the leaders of the various parliamentary groups made serious efforts to find an agreement on the models for YLE's financing and administration, but without results. However, a couple of weeks later in April, they were able to agree on the level of YLE's financing from 2012 onwards. YLE was promised an annual funding of 480 m€ to provide for all of its current services.

### **Discussion and Conclusions**

Despite its promising start, the proposal for a public service media fee clearly ended up as a political fiasco. Who should be blamed for ruining this initiative? If only one person was to blame (or praise, depending on one's point of view), the favourite candidate is Minister Lindén, who should have had the power to continue with the plan which was originally supported by all main parties in the Parliament. However, it seems that by making an imposing U-turn instead of supporting an unpopular media fee, she was able to improve her personal position in the following general elections. This applies to the Social Democratic Party which may also have had other tactical reasons to start opposing YLE's administration reform and the proposal for a media fee. However, instead of blaming certain Finnish individuals or groups for the collapse of the proposal for a media fee, in order to understand these events properly, we should try to see them in a wider international and ideological context. It is obvious that the disagreements and tension between the newspapers and a public service media organization over the remit and funding of public service is not just a Finnish curiosity, but a part of a wider process.

From a strictly commercial standpoint, the two sectors have become direct rivals to each other at a time when it is becoming more and more difficult to sustain also the new expanded services on the basis of earlier economic models. These challenges for newspapers caused by digitalization and convergence, as well as that for traditional-style license-fee broadcasting systems are practically the same throughout Europe. That is also why the arguments of the newspaper publishers do not represent struggles in a purely domestic market, but is co-ordinated and orchestrated on the European level by organizations like the European Newspaper Publishers Association (ENPA) and the European Publishers Council, as the direct involvement of the EPC in the Finnish debate well indicates.

Media convergence is not just a difficult process of accommodating new technologies by existing media industries, but also introduces a new media ideology: “a way of thinking that facilitates the operation of neo-liberal global markets” This ideology is used to justify the inevitability of

increasing the expansion of business, and the rationalization and concentration of ownership. Moreover, all this is changing the ability of media organisations to sustain democracy.

In general, a democratic form of governance needs several well-resourced media organisations – not just one – to keep the authorities and public officials accountable for their decisions. In a very interesting twist, this was also one of the main arguments of some Finnish newspaper editors against the proposal for a media fee. They argued that a relatively independent public service media organisation with a more stable funding system would actually decrease media diversity and freedom of speech – and thus be a threat to democracy!

In addition, one of the most interesting features of the recent Finnish debate about the proposal for a media fee is that the possible effects of state budget financing on the editorial independence of YLE were practically a non-issue. Hardly anybody outside the Lintilä working group seemed to be worried about the idea of strengthening direct government control over the public service media organization through a direct budget funding - and in this way advocating practices which were more typical to authoritarian political systems than for example to any of Finland's Nordic neighbours.

At least one reason for this ambivalence might be that Finnish people in general have a pragmatic approach to democracy; they appreciate more the results than the formalities of the democratic governance. Another interesting aspect is how strongly most political youth organisations disagreed with the official policies of their own parties over the media fee, and ended up supporting the basically commercial interests of the Finnish newspaper industry.

The most likely reason for this was because of the unpopularity of the proposal for a media fee proposal among the youth. Television fee has never been too popular among the young people, and it is no wonder that an idea of being unable to avoid the fee legally was considered as unfair. This assumption about a generational political gap in relation to the proposal for a media fee is supported by the rise of the unofficial opposition groups inside social media, especially on Facebook, which is also very popular among young Finnish adults. At the same time, it should be noted that most political youth organizations were by no means opposing YLE and public service media as such, but only the new and “socially more unfair” funding proposal.

Finally, it is very interesting and somewhat surprising that the proposal for a media fee was so passionately opposed in Finland, because in practice it was only about replacing one tax-like flat-rate payment system with another. The critical differences from the current license-fee system were firstly, the proposal to charge the fee whether you were able to receive the content or not; and secondly, not to allow any possibility to avoid the obligation to pay it. . It seems these were also the main weaknesses of the original proposal. First of all, from the collector's point it is rational and cost-effective not to allow any exemptions, but this also makes the flat-rate fee look very insensitive, and in some cases even unfair - especially in a country where even speeding tickets are income-related.

Moreover, by totally breaking the link between the *possibility to receive* the broadcast content and *obliging every household to pay* a flat-rate fee might also mark the difference between what is economically rational and what is socially acceptable. In addition, many people – even politicians – may have had difficulties to understand why there should be a separate system for collecting only one tax-like fee for a single purpose. It would have been better if all the arguments for proposing such a special new tax system should have been much more thoroughly explained and justified, for example by appealing to the need for sustaining a supply of strong domestic media content in an increasingly globalised media environment.

## Marko Ala-Fossi and Taisto Hujanen

*Condensed from Ala-Fossi, M & T. Hujanen, "The Rise and Fall of Public Service Media Fee Proposal in Finland". Working Papers of the Institute for Broadcasting Economics at the University of Cologne. No. 269. [<http://www.rundfunk-institut.uni-koeln.de/institut/pdfs/26910.pdf>]*

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### Different Models of Public Service Television Advantages and Disadvantages

I have changed the title of my talk in order to talk about "Public Service Television", rather than "Public Television." Why the change? The answer is simple. As an alliance of organisations representing listeners and viewers, EURALVA is not interested in who owns the television station. But we are interested in whether public television serves our interests as citizens. The USSR and its satellites established public television organisations during the Cold War, but they served the Government and the Communist Party, not the public; and in Western Europe, General de Gaulle considered that public television should be "the Government in the Dining Room". Do we want state propaganda? No thank you!

Within the European Union, on the other hand, the dominant model has been commercial television, in which it is the advertisers, and now those organisations which finance programmes through sponsorship or product placement, which pay the television companies to promote their products and services. Commercial television companies aim to be as popular as possible, and even though their fortunes declined during the recent financial recession, they have now turned the corner.

According to a press release which was issued by the European Commission on 13 September, the revenues of Europe's private television groups are now up to pre-recession levels. In Italy, the revenues of the MediaSet Group during the first half of 2009 were 1.4% higher than those for 2007. In Portugal, the revenues of the TVN Group were 5.3% higher than those for 2007, although in Spain, the revenues of the Prisa group continued to fall, reaching a mere 75.5% of its 2007 levels.

Under the provision of the European Union's Amsterdam Treaty, however, public service broadcasters are allowed to receive State aid, as well as commercial revenues, because they allegedly served "the democratic, social and cultural needs of society." A fine phrase indeed! But as we say in England, "fine words butter no parsnips." Or to use another food-based homily, "the proof of the pudding is in the eating". That is to say, the justification of both the existence of State aid, and its value for money to licence payers and to taxpayers, must lie in the programmes produced for audiences by the public service broadcasters.

#### Modifying the financial support

The economic recession has started to modify the financial support which individual Member States provide to public service broadcasters, however. In the United Kingdom, the BBC has received generous public funding, partly because the Government charged the BBC with the responsibility of ensuring that by 2012 every television viewer had switched from an analogue to a digital receiving set.<sup>1</sup> On the other hand, the state aid for public service broadcasters in Hungary and a number of other small central European countries has been reduced to an unacceptable level, a fact which has

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<sup>1</sup> Since this paper was given, the BBC has accepted the UK Government's fiat that from 2012 the Corporation should receive what is effectively a 16% cut in its broadcasting revenues, by accepting substantial additional financial and administrative responsibilities without an increase in its total revenues.

been noted by the European Parliament in its recent resolution on public service broadcasting.

Other Western European Governments have adopted a different approach by looking elsewhere for funds to support their public service broadcasters. During the last year, therefore, we have seen four decisions on the funding of public service broadcasting by the European Commission. All four have been based on the criteria outlined in the Commission's 2009 Communication on the allocation of State aid to public service broadcasting. These decisions have affected the method of funding four of Europe's public service broadcasters: ORF in Austria, the Dutch public service broadcasters, RTVE in Spain, and *France Televisions* in France.

In all four of its decisions, the Commission has adopted a common approach. It has rejected the principle of hypothecation, that is to say any proposals to establish a direct link between the moneys raised by the proposed new taxes and the State aid revenues which are allocated to the relevant public service broadcaster.

On the one hand, the Directorate-general for Competition in the European Commission – has declined to rule on the legality of the taxes which individual Member States, such as France and Spain, intend to impose on their domestic telecommunication services, or on new commercial broadcasting services. France has now agreed to provide the additional funds for *France Televisions* out of the national budget. And in the case of Spain, the legality of its proposed new taxes will be decided after an investigation which will be carried out by the Information Society services of the Commission.

On the other hand, the Competition Commission has also insisted that each Member state fulfils three inter-related criteria in relation to its public service broadcaster. These are that:

- In all four Member States, the financing of the public service broadcaster is to be limited to that which is necessary to fulfil its public service mission
- In the cases of Austria and the Netherlands, while having regard to the broad discretion allowed to individual Member States, they must provide a clear statement of the broadcaster's public service mission; and
- In the case of Austria, it must give citizens and stakeholders the opportunity to comment on the ORF's plans for new media offers.

Thus: no over-compensation, a clear public service mission, and proper public consultation are becoming the three key criteria for the allocation of State aid to public service broadcasters. These are also essential steps towards achieving EURALVA's policy of establishing in each European Member State a "circle of trust" between public service broadcasters, national governments and listeners and viewers. As yet, however, there is no guarantee that public service broadcasters must receive sufficient funds to fulfil their public service mission. The Commission's only position, in this regard, is that public service broadcasters must not be over-compensated when they compete with their commercial rivals.

But we also live in a fast-changing world, in which electronic signals can be relayed on-line as well as over the air. In fact, State aid for public service broadcasters covers two distinct activities. These are

- The production, purchase and scheduling of programmes which can be broadcast; and
- The broadcasting of those programmes in a form which listeners and viewers can receive on their receiving equipment.

### **The "Catch-up" Services**

But today, both public service and commercial broadcasters are already starting to make their programmes available on-line, often through "catch-up" services which allow the listener or viewer

to watch them after they have been transmitted over the air. At the beginning of 2009, about a third of Europe's seven hundred video-on-demand services came from television companies, both commercial and public service.

As I argued in a recent issue of the *EURALVA Newsletter*, The progressive switch from over-the-air broadcasting to online delivery changes the economic relations between public service broadcasters and their listeners and viewers in three main ways:

- State aid for public service broadcasting does not pay for the online transmission of a radio or television programmes
- Online transmission no longer guarantees a universally and freely accessible service for all households
- The European Commission's rules governing the allocation of State aid for broadband roll-out are based on different criteria to those for broadcast transmissions.

Finally, as Internet traffic increases, largely through the establishment of video-on-demand services, for which television companies already create a substantial demand, Europe will have to follow America in addressing the issue of net neutrality. That is to say, whether to allow the telecoms operators to establish first and second class services, in which broadband subscribers who pay a premium rate will be able to access their video programmes, including television programmes, more quickly and more easily than those who only pay the standard rate.

We live in fast-changing times, in which the traditional model of delivering television programmes to all viewers over the air may, or may not, survive. The models for the future are already in flux.

**Vincent Porter**

*(Speech at the EURALVA/TAC Conference in Barcelona, 15 October 2010)*

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## **How to measure Communication and Media in an Era of Digital Convergence**

In studying resource provision in the media field, one naturally looks at where the money comes from (e.g. public/state or commercial sources) and where it is invested. The purpose of this is to establish some understanding of the 'fitness' of a given relationship between provision and consumption.

Yes, but on the consumption side, I consider it is equally important to look carefully at the relationship between media habits and media needs. As far as needs are concerned, one obviously has to be conscious of the dangers of being paternalistic, prescriptive or generalizing in offering definitions. Equally it is clear that media habits (in more concrete terms, usage) do not truly and fully follow media needs - although they influence the provision of resources through the laws of demand and supply - and they are themselves influenced by the practicalities of content availability, such as the price of products and services, or media literacy. The consumer is not invariably king, and can indeed become victim.

The situation therefore is a dynamic one - in socio-economic and socio-cultural terms. These dynamics can lead to contentious (I hesitate to use the word 'unfair') outcomes in terms of actual media provision for population groups: This is why investment, costs and benefit categories need to be sub-divided for research purposes. For example, in the digital age, there can be 'outlier' citizen-consumers- determined by age, class or other factors - who may derive relatively little use or benefit from investment in certain sorts of platforms,, which offer opportunities for participation,

whether in live or recorded programmes, linear or non-linear format, 'universally broadcast' or on-demand content. How realistically and credibly, therefore, can judgments be made about the 'quality' and 'value' of particular programmes, content strands or information streams, with relation to audiences generally, or to particular groups?

Against this background,

- Is there an identifiable decision-making or benchmarking process for 'rating' need and adjusting the provision of resources?
- Can consensus be established among stakeholders about appropriate indicators?
- Or is everything just 'up in the air' and 'down to the market'?
- What can reasonably be expected not just of the regulators but of the elites - both in politics and business - who set the parameters of regulatory action?
- What are the respective roles of (a) solid data and (b) policy priorities in establishing the existence and extent of public need, and then responding to, and implementing it?

### **The impact of technological convergence**

- How well understood, in this context, is the impact of technological convergence - which may be differential in relation to different socio-economic user groups?
- What would be the methodology for researching this?
- In an increasingly global communications environment, how important is it to align - if not the actual institutions - then the media decision-making values in different countries?
- If not actual consistency, can compatibility at least be achieved?

I consider that the emphasis should be on collecting, presenting and evaluating information that will be helpful and relevant to the ordinary man and woman in the street, and also information of value for civil society at all such as:

(a) Annual capital expenditure (per head or per household) spent on listening or viewing equipment. This should include TV and radio sets, and computers for accessing on-line TV

(b) Annual consumption costs of electricity - or whatever power source - to run this equipment, plus, if possible, capital depreciation costs.

(c) Annual costs to access TV and radio services. This should include TV licence costs for public service broadcasts, and subscription costs for subscription TV services. In addition these will need to include costs incurred in order to subscribe to broadband telecommunication services, although in practice it may not be possible to distinguish between the costs incurred for electronic communication services, and costs incurred to watch on-line radio and TV services.

(d) Beyond this, there are costs incurred by viewers to watch pay-per-view services. In one sense, these are a sub-set of subscription costs (which may be further divided into basic rate subscription costs and premium rate subscription costs) and pay per view costs, which are likely to be introduced as a means of paying for video-on-demand services. On the other hand, cable companies and others use a measure entitled "average revenue per user", which averages out these costs across their network. Thus, this is not a direct measure of consumer expenditures for different levels of service, but rather a measurement of rate of return on the company's capital investment. Some private companies may also claim that this measure is commercially confidential, but the same cannot be said for public service broadcasters. The former might have to be estimated by a form of sampling technique therefore whereas the latter might be obtained relatively cheaply.

(e) "Commercial communication" revenues for TV and radio services, both broadcast and on-line, should ideally, be subdivided into revenues from advertising, from programme sponsorship and

from product placement. It may also be necessary to subdivide these further - especially with the existence of the Eurozone - into revenues from domestic companies, and revenues from non-domestic companies.

(f) Beyond any costs incurred, we also need to know about the time spent by listeners and viewers in accessing audiovisual services. Broadcasters currently seem to measure total time spent watching TV, or listening to radio, but we shall now have to add time spent watching online services. Some of these will be catch-up TV services, but we also need to know time spent watching video-on-demand services.

At this point we also ought to consider including the time spent watching DVDs or listening to CDs, as these are also taking a share of the viewers or listeners' day, and as the audiovisual market becomes increasingly fragmented. These leisure activities increasingly compete with online services for our attention. But nor should we limit this discussion to offline activities, as in most people's life the time spent using online services increasingly competes with that spent using off-line services.

(g) Beyond this, there are questions about how individual viewers divide their time between individual TV channels. Broadcasters distinguish between audience share and audience reach (for example the percentage of the audience reached during the course of a week.) It should be possible for broadcasters to monitor this issue electronically, although it may raise privacy issues if they do.

(h) Furthermore, there is the issue of which regulatory body will be responsible for all of these services. It should be possible here to establish a degree of correlation for the regulatory body which monitors the activities of audiovisual services, such as video-on-demand, and the body which collects the data on the use of each of these services by listeners and viewers. Some regulatory bodies already do this by a formal monitoring procedure, others ask service provider to keep audiotapes or videotapes of their programmes for a period of – let us say - six months after their first broadcast.

Finally, I must also underline the importance of supporting and ensuring that the public service channels get every opportunity, both legally and financially, to stay - and to develop on all audiovisual platforms, as is permitted in the latest EU Communication from the European Commission about State aid for public service broadcasting. .

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