



Public service media in the information society



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**Report prepared for the Council of Europe's Group of Specialists
on Public Service Broadcasting in the Information Society (MC-S-PSB)
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Contents

1. **Introduction**, page 5

2. **“Les forces profondes” in the new media landscape**, page 7

The digital revolution,
page 8

Changes in the market:
Internationalisation and
concentration, page 9

The declining influence of
parliaments and
governments, page 12

User behaviour: from a
passive mass audience to

interactive individuals,
page 12

3. **Public service media: from a monopoly to a competitive market**, page 15

Arguments for public service
media: then and now,
page 15

Public service media in a
competitive international
market: Yes or no?, page 17

4. **Public service media: a pact with society**, page 19

5. **Objectives and obligations of public service media**, page 21

Enhancing social, political
and cultural cohesion,
page 22

Sustaining national culture
and democratic society,
page 22

Serving minority groups
and the individual citizen,
page 23

6. **The remit: public service media content and services**, page 24

High reach: A “sine qua
non” for Public Service,
page 24

Serving society and the
individual with distinctive

content and services,
page 25
“New Media” and the public
service remit, page 26

The dilemma of
distinctiveness versus reach,
page 28

7. **Organising the provision and distribution of public service media**, page 30

Cutting the public service
cake, page 30

Distributing the public
service obligations, page 32

The radical solution: get rid
of the public service media
institutions, page 33

Do we need a new kind of
public service media
organisation?, page 34

8. Public service governance, page 35

Tighter regulation and less
autonomy, page 36

Editorial independence,
page 36

The formal structures of
regulation and control,
page 37

9. Financing public media, page 41

Financing electronic media –
some general trends,
page 41

Funding public service
media: values and
principles, page 42

New challenges – and some
old ones returning with a
vengeance, page 42

EU regulation, page 45

10. Summary and conclusions, page 47

1. Introduction

Public Service Broadcasting has never in its 80-odd years of existence in Europe lived a quiet, undisputed life. In addition to the debate over programmes between the broadcasters and their listeners and viewers, all kinds of interested parties have raised their voices and participated in the often heated debate. Many of the themes - popular versus elitist, educational programmes versus entertainment and the degree of editorial autonomy *vis-à-vis* parliament and government, to mention just a few - have been on the agenda from the very beginning.

However, not all such issues and debates date back to the early days of broadcasting. Initially there was no significant doubt and discussion about the definition of public service and the justification of its existence. The *raison d'être* was not in dispute. To most Europeans, the role of public radio and television and the limits of its activities were self-evident; after all, it was the only provider of the radio and television channels they used several hours a day. Those working in radio and television also took the existence and remits of public broadcasting for granted to a degree close to being unhealthy.

That has all changed due largely to the emergence of competition from private, commercial media and the appearance of a genuine media market in Europe. Europeans discovered - to the surprise of many and to the dismay of others - that radio and television can be produced

and provided on a purely commercial footing. Some people even prefer the programming from private providers.

What makes the present-day European media market unique is its dual composition. While the private media sector is far greater than its public competitor in terms of revenues and channels, the public sector still holds a significant position measured in total viewing and listening time. While many observers 15 years ago predicted a further increase in private media and a consequent decline of public service media, in most European countries - with significant exceptions - we currently witness a revitalised public media sector. Due to healthy competition from private media, public corporations have defined their remit, focused their powers, modernised their programming schedules and production activities, and rationalised their operations.

This exceptional turn of events has probably contributed to the head-on attack on public broadcasting that was launched in 2004 in a White Paper entitled *Safeguarding the Future of the European Audiovisual Market: A White Paper on the Financing and Regulation of the Publicly Founded Broadcasters*. The document was presented by a powerful commercial lobby group consisting of the European Publishers Council, the Association for Commercial Television and the Association of European Radio. While the key criticism from this group used to be that public broadcasters were operating

inefficiently, misusing funds and only catering for the tastes of elitist minorities who provided the funding, the White Paper now accuses public broadcasters of being too successful and of misusing their leading position.

The White Paper was aimed at the European Union or, to be more specific, the competition authorities of the European Commission. The Commission, by the way, also comes under heavy fire in the White Paper for its inability to curb the excesses of the public media sector. The relevance of this argument is debatable. From the perspective of the public broadcasters it seems as if the Directorate-General for Competition in recent years has been taking a new and hard-line stance on public broadcasting, raising ever more detailed questions and initiating interventions in the activities and finances of public broadcasters.

The European Union "coin" has another face. In the Amsterdam Protocol and articles in the draft constitution based on it there are manifestations of both an understanding of, and clear support for, the tenets of public media and its role in sustaining cultural diversity and democracy. Similarly, there are clear statements that the authority to define the role and limits of public broadcasting rests with the national authorities of each member of the European Union.

If we then go on to examine the position of the European governments and parliaments *vis-à-vis* public media, we encounter a com-

plex and, in many ways, self-contradictory picture. At a general level very few, if any, national political authorities deny the importance of public service media. On the contrary, the list of statements supporting its existence, its editorial independence and the need for sufficient public funding is endless. But on closer examination there are, however, significant differences. There are also disturbing examples of public broadcasters that have been neglected or marginalised by their public masters and who see themselves as the victims of huge international media corporations. There have been drastic cuts in the budgets of some public corporations, and very disturbing examples of direct political intervention in, and restrictions of, their editorial autonomy that have become public knowledge.

While there is every good reason to be alarmed by these attempts to undermine public service broadcasting, both the debate and criticism must surely be welcomed as healthy signs of the importance of public broadcasting. Furthermore, they are clear indications of how significant a role public broadcasting plays in the everyday life of European citizens, its importance in democratic, political debate, its editorial strength and managerial performance. But this debate should not only be seen as a positive recognition and vindication of public broadcasting. Looking closer at the debate one cannot escape the impression that public broadcasters and their supporters have very good reasons to take an active part. This could lead to an

awareness of the need for a comprehensive reappraisal of the principles upon which public service broadcasting is based and the slaughtering of more than one holy cow.

Finally, the emergence and impact of new digital technology as the cornerstone of the new information society needs to be stressed. We are currently witnessing what is the beginning of a new era, which in coming years will revolutionise the whole media business and completely change public and private communication in all European societies. It cannot be stressed enough that "going digital" is much more than just replacing analogue production and distribution technology with digital equivalents. Going digital will alter the workflows of programme production and require new competencies of staff. It will open up a whole range of new media services to the public. Digital technology has the potential of bringing new freedom of choice to individual members of the audience. However, it will also give rise to a renewed debate on media concentration and the whole idea of public media serving society, not to mention even more fundamental changes in the way we look upon ourselves as citizens as being something different and distinct from being consumers.

These issues and developments underpinned the decision of the Steering Committee on the Media and New Communication Services (CDMC) of the Council of Europe to set up a Group of Specialists on Public Service Broadcasting in the Information Society (MC-S-PSB).

This document is a working paper, written at the request of MC-S-PSB. Its main purpose is to describe some of the key developments and trends in media, and to address the long list of challenging and often controversial issues confronting Public Service Broadcasting in coming years. A telling example of the profound nature of this change is the term *broadcasting* itself and its changing connotations. From its origins as a broad term covering communicative activity it is in the process of becoming merely a technical term for one of a number of distribution methods and technologies used by media companies. To avoid the risk of "Public Service Broadcasting" (PSB) being interpreted in this narrow sense of traditional terminology in this report it will be termed "Public Service Media" (PSM).

What the report lacks in clear-cut answers will hopefully be compensated for by its plenitude of difficult and provoking questions. Many of them have been formulated and discussed in the course of fruitful debates with colleagues in media and academia and with members of the commissioning Group of Specialists of the Council of Europe. I am much indebted to all of them, but assume full and sole responsibility for the result. Special thanks should be addressed to Peter Looms who has ploughed through the manuscript and helped me both in substance and language.

*Christian S. Nissen, Copenhagen,
November 2005*

2. “Les forces profondes” in the new media landscape

Since its beginning some 80 years ago, broadcasting in Europe has undergone an exceptional development. From individual, national radio channels with only a few hours of daily programming to the multi-channel systems of today where radio and television are broadcast 24 hours a day to listeners and viewers all over the continent. Broadcasting has evolved from a public monopoly to the current “duopoly”, where public broadcasters live side-by-side and compete with an ever-growing number of private, commercial media corporations.

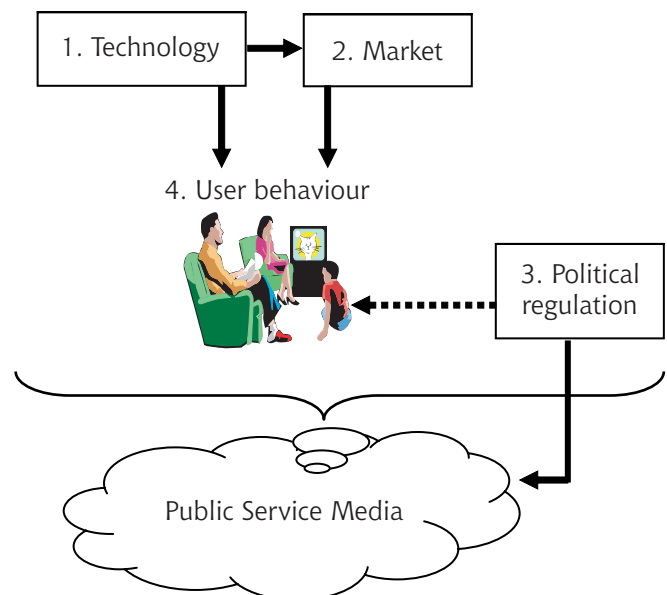
This development has been driven by a complex set of forces. During some periods the driver has been

politics, for instance in the nineteen twenties and thirties when parliaments and governments decided that broadcasting should be a public domain and not a commercial business run by private companies. At other times, technological developments have been the driving factor, as was the case in the middle of the last century when it became possible to create and transport living pictures over the ether, what we now call television. Looking back over 80 years of development, it ought not to be so difficult to describe and understand what happened and why the development of broadcasting took different paths at certain times.

However at present, on the threshold of this new millennium, we live in a period of dramatic change in the media landscape, probably the most profound changes in the history of electronic media. Due to the ubiquitous and continual nature of these changes, a special perspective and a number of focal points are required to perceive and understand what these determining factors are. Such a perspective is suggested in Figure 2.1 with four interrelated and determining factors.

- New technology
- Changes in the market
- The influence of parliaments and governments
- User behaviour.

Figure 2.1: Four determining factors in the development of electronic media



The order in which these factors are listed is not arbitrary. Digital innovation places technology as the initial driving force, which in turn leads to changes in the market. These in turn lead to changes in user behaviour. These combined changes have subsequently reduced the power of parliaments and govern-

ments to regulate the media sector and weakened political influence over what citizens listen to on the radio and watch on TV.

The interrelated changes taking place in these four areas are radically altering the conditions for public service media. As will be described later in this paper, even the

very notion of PSB is being challenged. The “public” is in the process of becoming consumers. The kind of “services” which should be offered is under debate and “broadcasting” now accounts for only a part of the activity.

The digital revolution

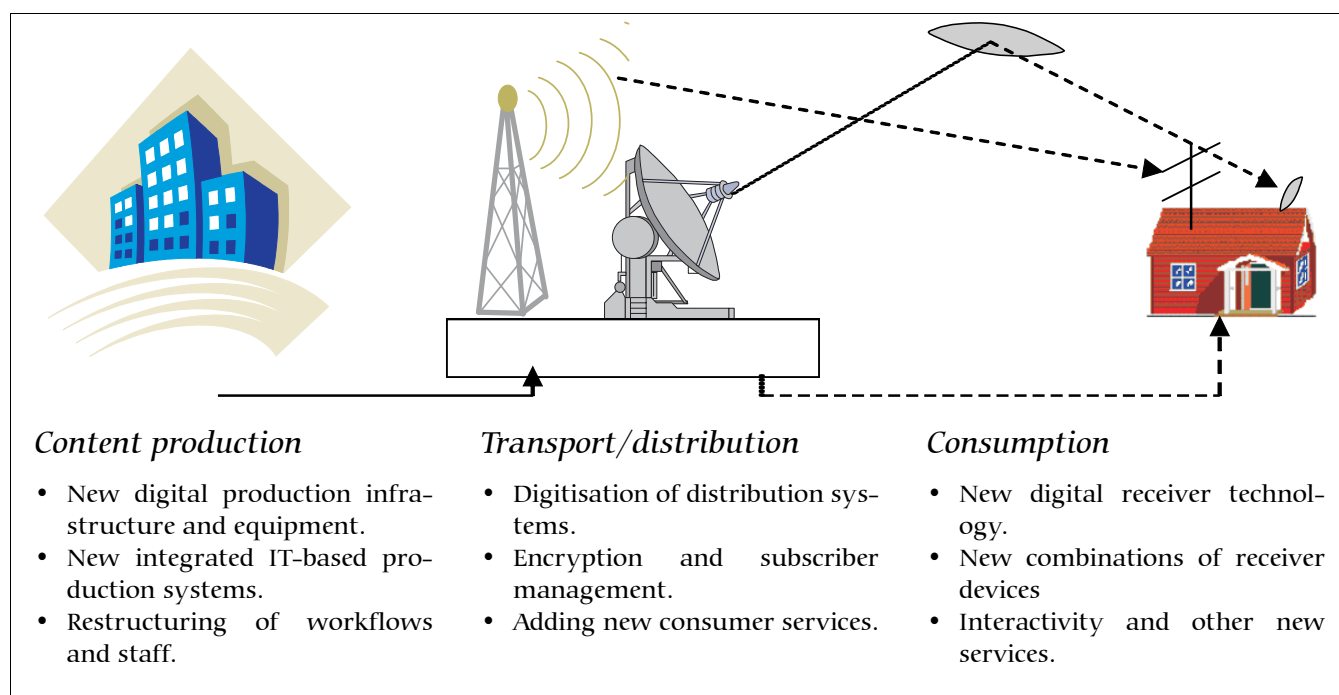
This is not the right place for a comprehensive account of the technological changes that are taking place in media as the result of the introduction of digital technology. On the other hand, without some understanding of the relevant technology it may be difficult to understand what is happening in the electronic media world. For this reason, a very brief outline will be presented here.

As can be seen from Figure 2.2, the key changes fall into three categories in the “food chain” from con-

tent production and content distribution to the consumption of media in households. The *transition from analogue to digital in the production systems* of media companies is a huge endeavour from a technical, economic and managerial perspective. It is, however, largely an internal affair for such companies and has no direct impact on their role and remit. It is, however, worth mentioning that the heavy investment burden resulting from this transition is a source of economic problems for many public broad-

casters. To give the reader an impression of the order of magnitude of such investments, a medium-sized broadcaster with both radio and TV production will have to invest some 100 million in order to migrate from analogue to digital production. In addition, the change will probably have to have been completed within the next 10 years, as it is already difficult to get spare parts for some of the old analogue equipment.

Figure 2.2: Digitisation of content production, transport and consumption



In the area of *distribution*, at first glance the most striking new element is that digital technology makes it possible to expand the capacity of the distribution systems. With the present compression standards, whether it is cable, satellite or terrestrial transmission, one can carry at least four standard def-

inition digital radio or TV channels using the bandwidth of one analogue channel. Most satellite systems have already been digitised and the same is taking place in cable systems. In essence, the whole terrestrial network in Europe will be converted to digital transmission with the introduction of DAB (Dig-

ital Audio Broadcasting) and DVB (Digital Video Broadcasting) within the next 10-15 years.

This improvement in spectrum utilisation efficiency provides bandwidth for new multi-channel systems, where households in the near future will be able to receive several hundred TV channels and even more

radio channels and a number of new information services from various content providers that were not previous part of the broadcast industry. In terrestrial networks the capacity will probably be somewhat less – 20-50 channels – depending on specific circumstances. Even more striking is the development of completely new functions in the management of customer relations, the so-called “gatekeepers”. We will return to gatekeepers and their role in the next section of this chapter.

In addition to the traditional distribution system of “broadcast” (“point to multipoint”), new (“point to point”) systems are emerging. It is the Internet on a range of broadband distribution platforms that

provides the basis for completely new forms of communication and in itself raises controversial challenges to the traditional public broadcasters, a question we will come back to in Chapter 6 (p. 24).

At the very end of the broadcast food chain we find the viewer or listener – media *consumption* in households. Even the term “households” in the context of media consumption is becoming outdated as an increasing proportion of media consumption takes place while the individual is on the move via an ever-growing number of mobile and handheld devices. All receivers will contain some kind of computer microprocessor and will be able to handle text, sound and images combined in

many striking ways. An example of this is a handheld device that can be used as a telephone and a tuner capable of receiving still, audio and television and with integrated Internet connectivity. The freedom to combine such functions will also be possible for stationary systems and devices in the home. This might sound exciting or scary, depending on one’s mood, but from a broadcaster’s point of view such changes merely pave the way for the development of new types of content and services and a concomitant change in consumer behaviour. This is an issue we will return to later in this chapter.

Changes in the market: Internationalisation and concentration

For a public service broadcaster – being old monopolists – the media “market” is a relatively new phenomenon. Since the liberalisation of

the European media in the seventies and eighties (and in former eastern Europe just before the turn of the century) a media market has devel-

oped. This phenomenon will be the subject of Chapter 3 (p. 15). Here we will concentrate on two new developments.

Table 2.1: The largest media companies in Europe by (media) revenue in 2004

Rank	Company	Domicile	Media revenue (millions of euros)	News-papers	Magazines, Periodicals	Books	Radio	TV	Film	Music
1	Bertelsmann	Germany	13 767	•	•	•	•	•	•	•
2	Vivendi Universal	France	9 048		•	•		•		•
3	Reed Elsevier	Netherlands/ United Kingdom	7 074		•	•				
4	ARD	Germany	6 100				•	•		
5	Pearson	United Kingdom	5 498	•		•				
6	BBC	United Kingdom	5 464		•		•	•		
7	BSkyB	United Kingdom	5 390					•		
8	Lagardère	France	4 228		•	•	•	•		
9	Mediaset	Italy	3 442					•		
10	Wolters Kluwer	Netherlands	3 261		•	•				
11	EMI Group	United Kingdom	3 127							•
12	Daily Mail	United Kingdom	3 109	•	•		•			
13	ITV Plc	United Kingdom	3 071					•		
14	TF1	France	2 862				•	•		
15	RAI	Italy	2 700				•	•		
16	Springer	Germany	2 402	•	•					
17	Bonnier	Sweden	2 145	•	•	•	•	•	•	•
18	Hubert Burda	Germany	2 004							
19	Sanoma	Finland	1 890		•			•		
20	ProSiebenSat,1	Germany	1 835					•		

Source: NORDICOM, www.nordicom.gu.se

The first is the **internationalisation of the media market**. The important change here is not so

much that radio and TV programmes are broadcast from one country to another, or that televi-

sion programming has become a billion euro commodity that is bought and sold all over the globe. These

factors are important and do have a significant influence on the whole industry and the viewing patterns of the European TV viewer. What is more striking, however, is the fact that the main actors on the media scene are now international corporations unrestricted by frontiers and national ties. They have no territorial allegiances nor do they have obligations to cultural heritage.

In Table 2.1, the 20 largest media corporations in Europe are ranked by their revenue from media activities in 2004. Some of them operate

globally while others are active at European level only. Of the top 20 media enterprises, only three of them are public broadcasters (ARD, BBC and RAI). As will be explained later in this section, companies of this size and transnational orientation can neither be monitored nor controlled by national governments.

The list also illustrates the second characteristic development in the media market, **the horizontal concentration** across the value chains of different parts of the media industry.

Whereas the three public broadcasters are active in radio and TV only (the BBC also runs some periodicals), most of the commercial companies are active in a wider range of media from newspapers, periodicals and books to radio, film, television and music. In many countries and international bodies, this development has caused some concern in relation to editorial independence and the freedom of the press.

Figure 2.3: Horizontal concentration and vertical integration.

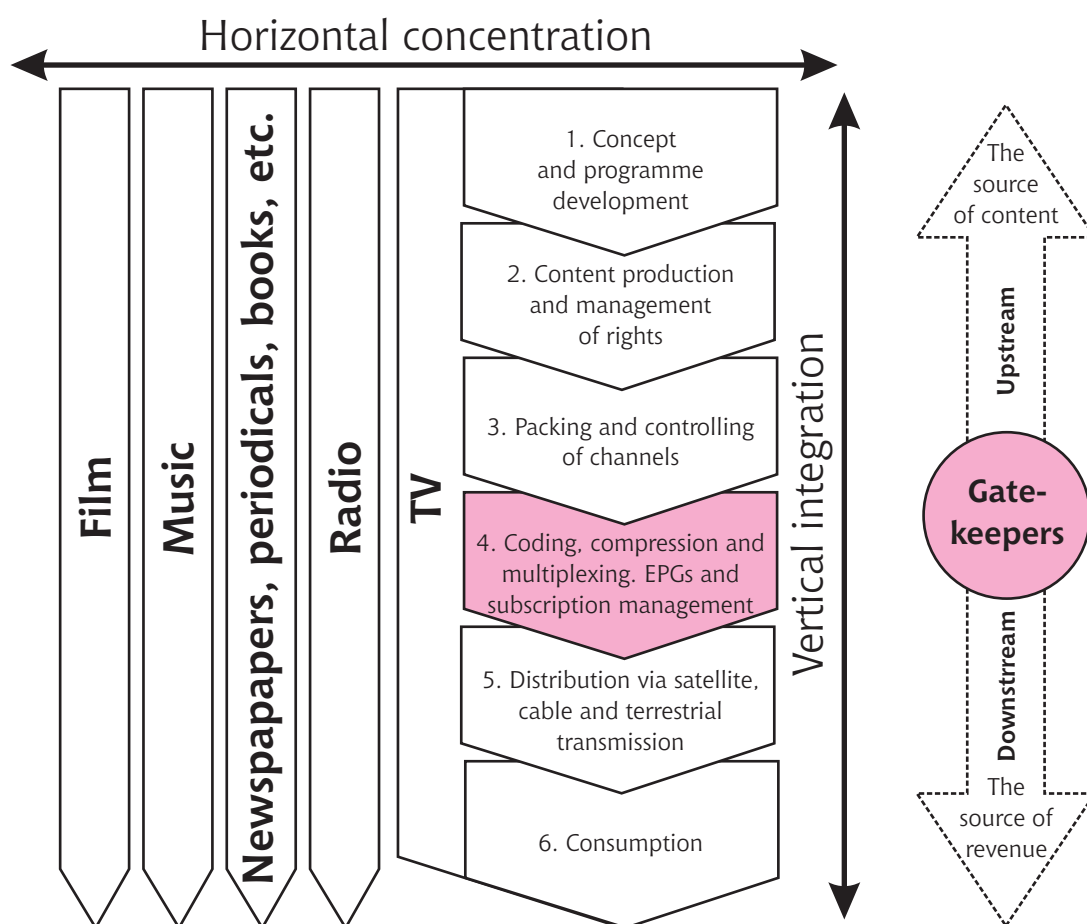


Figure 2.3 shows that horizontal concentration is only one aspect of corporate development in the international media market. Another just as important phenomenon is the **vertical integration** of the media value chain from the development and creation of concepts and formats and content production to channel management, distribution and consumption. Right from the start, both public and commercial

broadcasters catered for their own programme development and production as well as channel control. Distribution via analogue terrestrial networks was a neutral technical function carried out by telcos many of which were publicly owned.

Towards the end of the last century, this pattern gradually changed from a value chain with few, general functions to a more differentiated value chain in which independent

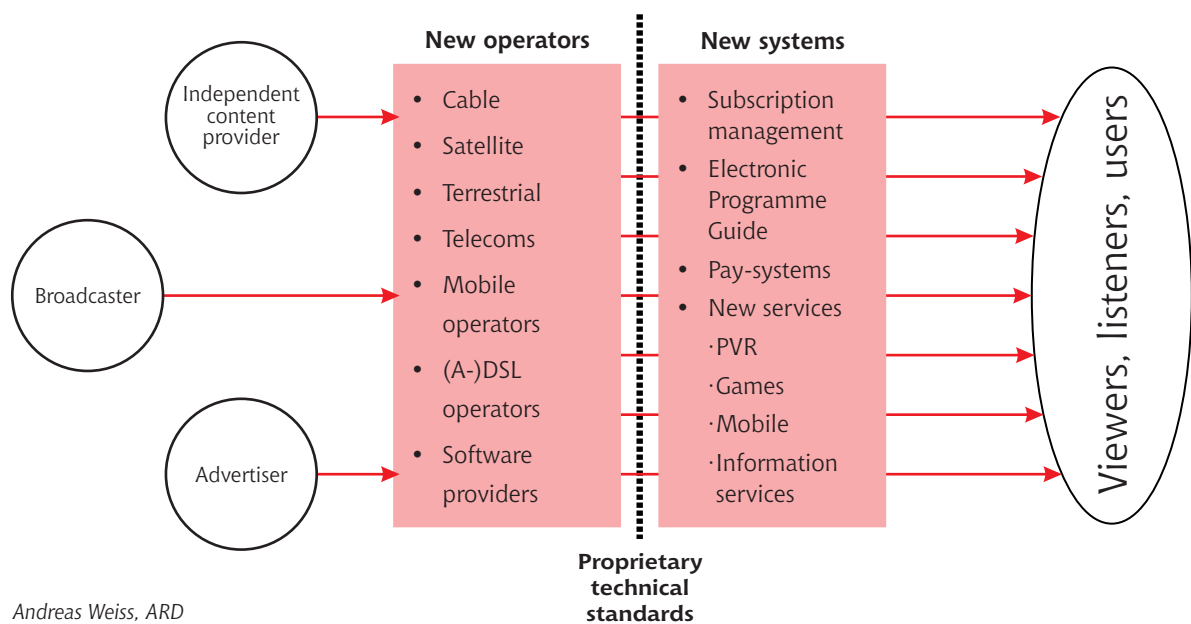
companies specialised in one or two of these new functions. A new, independent production sector emerged. Public broadcasters now outsource some of their programme production either of their own volition or in order to comply with national legislation. Many telcos are now private corporations often in competition with commercially owned satellite television operators.

As a consequence of the digitisation of distribution networks mentioned earlier, a new function – the “gate keeper” – has emerged, shown as the fourth element in the chain in Figure 2.3. Telcos or satellite operators are most commonly gatekeepers. They are the ones who control customer access to content and those who make and package channels. The signal carrying the TV channel is encrypted, compressed and packed in bundles (“multiplexes”) and can only be decoded and

accessed by users/customers who have paid a subscription to receive the channels. Handling this subscription system (often called “Subscription Management System” or SMS) and the “Electronic Programme Guides” or EPGs that are comparable in function to the search machines we know from the Internet are two key functions of the whole delivery system. Those who are in control of these functions also control to a large extent the whole value chain.

This is further illustrated in Figure 2.4, which presents some of the functions catered for by the various new gatekeepers. This new basic model of the provision and delivery system varies from country to country, or rather from one market to the next. In some cases, from one to a handful of huge transnational operators control all the traditional delivery platforms and also several of the new ones. In others the various operations are split up among a handful of actors.

Figure 2.4: The new system of content- and service delivery.



Andreas Weiss, ARD

In some cases, these actors can influence or directly decide which channels are available to households. They control a significant part of the revenue stream from subscribers back to broadcasters and programme makers. This control over revenue often results in a reduction in the share of the revenues that programme makers receive for their investment in new content. The broadcasters, both private and public, have lost their former pivotal position *vis-à-vis* independent programme makers and advertisers as the only “gate” or access point to consumers.

From this position of strength, the gatekeepers have extended their control “upstream” by gaining influence over TV channels, pro-

gramme producers and content developers, as the result of a number of mergers in the international media market. As the traditional role of television advertising declines (to which we will return in chapter 9), advertisers understandably will grasp new means for promotion in these new systems controlled by such gatekeepers.

A special feature of this new state of affairs is the use of *proprietary technical solutions* in delivery systems that function as “walled gardens” or “fenced prairies”. Subscribers using the devices or receivers of one provider cannot get the content and services from another. The equipment is tied to the subscriber contract and there is no service interoperability.

Such closed systems constitute a threat to independent commercial television stations and public media alike. Their closed, proprietary nature endangers the free exchange of information in society and hinders free competition. There are two options to open up such closed systems. One is to establish more free spectrum by digitising the (state-regulated) terrestrial networks to ensure that they remain as open channels between the content providers and their audiences. The other is to mandate common and open technical standards in delivery systems. Both issues are, at present, very controversial questions not only at EU level but also at national level.

The declining influence of parliaments and governments

In the days of broadcasting monopolies, parliaments and governments were in full control of the radio and TV channels and programmes that were broadcast to citizens in their countries. As the monopolies were abolished and the electronic media markets were liberalised, this public control has gradually waned. The development of satellite distribution across frontiers covering large cross-national territories hand in hand with the emergence of the large transnational media corporations has exacerbated this trend. For instance, national quotas for music and programme production of national origin as well as national rules governing TV advertising can be evaded by simply placing the satellite uplink in another country with more liberal rules. The emergence of Internet distribution of content has also added to this open, international market outside public control.

This internationalisation of the media market, the liberalisation of content provision and declining public control can be viewed from two different perspectives. On the one hand it has given the public more freedom of choice. Viewers and listeners are no longer forced to restrict themselves to “state authorised” channels and programmes if they want to listen to radio or watch television.

On the other hand one can question whether this new media order of things actually offers free choice and more diversity. TV programmes (and to a lesser extent music on the radio) have become international commodities traded by commercial companies in fierce competition in an expanding market characterised by lack of adequate funding for content. It is self-evident that such a market will tend to become homogeneous, leaving little room either for content of an experimental character or for programmes catering for

small language groups, national and regional cultures all of which characterise the European scene.

These two conflicting perspectives are at the core of the debate on the role of public service broadcasting that will be the main subject of this paper. To the extent that public service is seen as a corrective for market failure, how should this role be defined and the remit drafted for PSM in its operating territory? Are parliaments and governments compensating for their diminishing, direct influence over the media markets by enforcing tighter control over “their own” broadcasters, the public service bodies? Can (some of) the weakened governmental control be replaced by international regulation?

Before addressing these issues, we need to take a brief look at the expected changes in consumer behaviour that can be ascribed to digitisation.

User behaviour: from a passive mass audience to interactive individuals

The emergence of radio and television broadcasting were fantastic revolutions from a technical, educational, cultural and popular entertainment perspective. However from a communication point of view, it was to some degree a step in the wrong direction as far as user control is concerned, if compared with reading a text. The reader has full control over the user situation. He or she can decide *what* to read, *when* and *where* to do it. The reader can take a break and re-read passages of the text at will

This freedom was taken away by the broadcaster, who decided not only *what* and *when* but also *where*, until the emergence of the portable radio. Radio and television are broadcast (the same signal is simultaneously transmitted from one point to everyone) in a stream or “flow”. This “flow” characteristic has a fundamental influence not only on the way programmes are produced and radio and TV channels are scheduled but also on how programmes are chosen and used by lis-

teners and viewers. This is what constitutes radio and TV as mass media, and what has given them tremendous influence over public opinion – for better or for worse.

As mentioned earlier, the abolition of monopolies and the emergence of the opportunity to choose among several channels have softened some of the original characteristics of flow channels. Even so, the vast majority of listeners and viewers still choose channels as their point of access to programmes. They rarely select individual programmes, and if they do, they still have to wait until the programme is broadcast to their receiver. Programmes are ephemeral. After being broadcast a programme is gone and no longer available, unless it was recorded, which very few viewers and listeners do.

The digital revolution will gradually change this user pattern in coming years. It is as illustrated in figure 2.5 a very complex and exciting evolution, which will not be dealt with in detail here.

A few examples will serve as further illustrations. With the use of digital “personal video recorders” (PVR) integrated in the receiver, the viewer is offered new and better means of breaking the constraints of flow channels (seeing programmes “when” he or she wants). The opportunities for interactivity that come with the introduction of a return path (from the user to the content provider) with which we are familiar from the Internet pave the way for “on-demand use”. This gives the user the freedom and power to use “what” he or she wants. It also provides a whole new possibility of direct interpersonal communication.

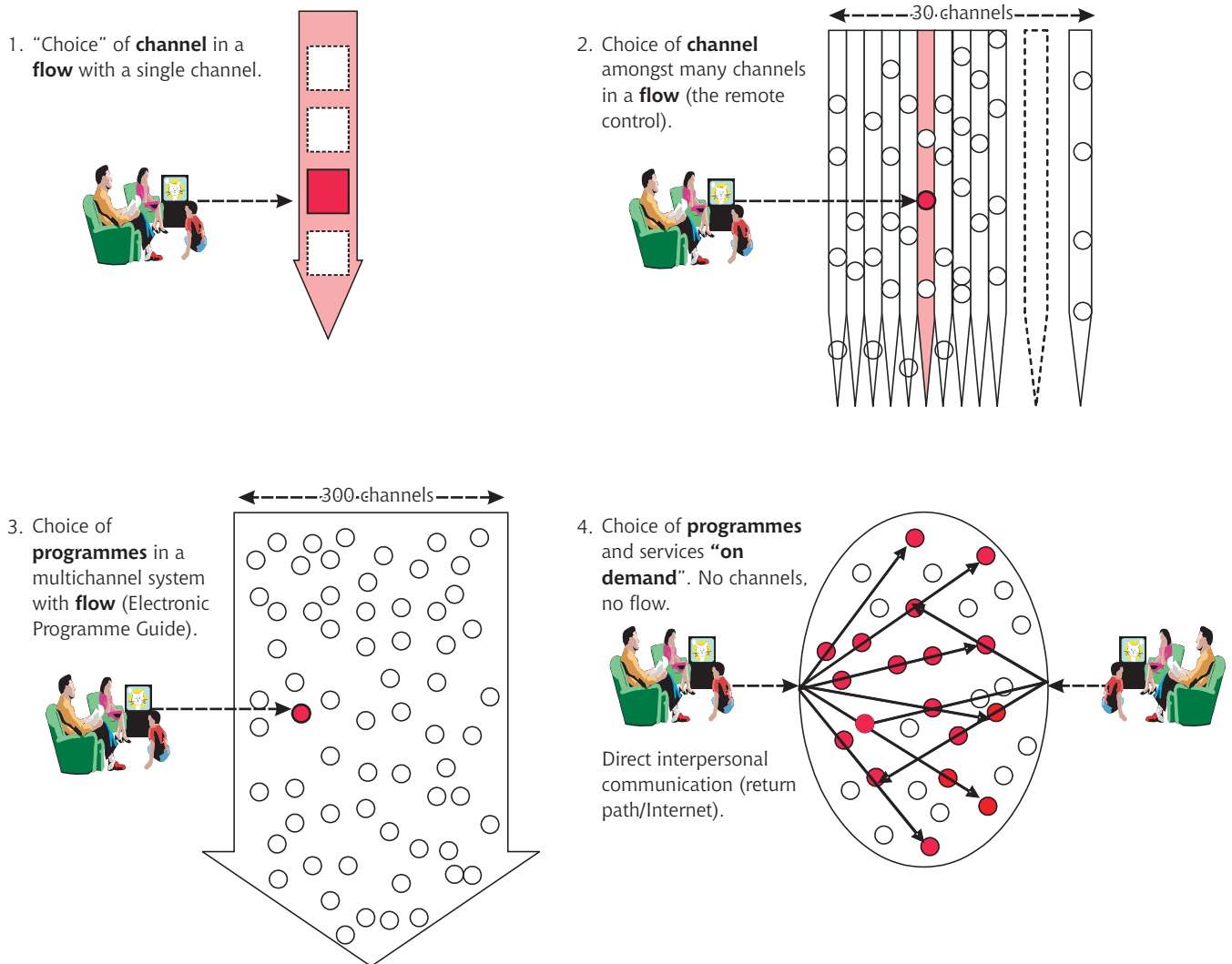
This shift in the balance of power from the broadcaster to the user will probably also lead to a change in the way the audience is understood. It follows from the collective nature of the viewing of flow channels that television (and radio) is a mass medium addressing the (whole) public. As will be further argued in Chapter 6, it is precisely this feature

that is important for the societal obligations of public media, and is a commercial necessity for privately owned media. However, the more freedom of choice the user is given, the more fragmented and individualised the audience becomes. Years ago when there was only a handful of radio and television channels, everybody listened to and watched more or less the same programmes.

The next day at school or at work viewers and listeners could discuss what they had seen and heard the night before. Such shared media experiences are few and far between in this day and age and the shift from shared to individualised media use will continue, transforming the collective public of today to the individual consumer of tomorrow. If this development is combined with

elements of the new revenue streams such as “pay per view”, the consumer will probably tend to look upon himself as a customer making trade-offs between the costs and benefits of the media he can access. We will return to this and its consequences for public media in Chapter 9, p. 42, *New challenges – and some old ones returning with a vengeance.*

Figure 2.5: From “stream” to “lake”: An evolving pattern of user behaviour.



From a technical perspective, this kind of individualisation is possible today. Experience gained from early adopters gives us reason to believe that fundamental changes will take place in our use of media in coming years. How rapidly and comprehensively these changes will take place is another matter. Cultural habits do not change overnight but in the course of generations. Listening to radio and watching television are culturally-determined habits.

The fact that the pace and degree of change cannot be fully forecast should not be used to justify a “wait and see” attitude among those in charge of the media, private media firms and public broadcasters. Far from it! The overwhelming majority of content providers, broadcasters, those in the transmission industry and so forth are currently heavily involved in the preparation of and planning for such new digital serv-

ices that will lead to radical changes throughout the whole value chain. Controllers, authorities, politicians, governments and parliaments – including the public in general – should also take an active part in this process, which goes far further than just radio listening and television viewing. What is currently happening all around us in connection with the digitisation of the electronic media and the emergence of a new media market may well lead to

cultural and political changes as profound as those which followed Gutenberg's revolutionary discovery of the printing press five hundred years ago. And this is precisely the reason why public regulation of the media market and the basic tenets of public service media both have come under fire.

3. Public service media: from a monopoly to a competitive market

The emergence, or rather the conscious development, of the modern European welfare state in the last hundred years has been characterised by a dual economy. Parallel to a fast-growing private sector based on the production of goods and services, a public sector was established, consisting not only of traditional public enterprises such as a postal service, defence and law enforcement, but also covering areas such as infrastructure, transport, education, health, social welfare and culture. The reasons for active public sector involvement in these fields varied from sector to sector and from country to country. The commonality of developments in Europe is an interesting piece of politico-economic history of the continent that we will not dwell upon here.

In the course of the last decades of the twentieth century, the public sector tide has turned. In most countries, a number of public enterprises have been privatised in part or in whole and privatisation has yet to be concluded. Against this backdrop it is not surprising that public service media as a potential object for privatisation have come under scrutiny. If the operational responsibility for running prisons, postal services and healthcare can be safely entrusted to private entrepreneurs, why are public institutions needed to take care of radio and television? Why maintain public service media, financed by licence fee revenues, when commercial companies apparently are capable of producing and delivering an overwhelming amount

of radio and television on the free market?

Those working within public service media might find these questions both naïve and hostile. But the fact is that there is no easy and quick answer to them. Neither rational economics nor simple logic can give the same straight response that they could have done a couple of generations ago. In this day and age, arguments are often tossed backwards and forwards in the arena of political ideology. In many ways, that is where they belong. For this reason the often sought-after, all-embracing and authoritative definition of public service media remains an ideal that can not be constructed.

Arguments for public service media: then and now

To understand this historical shift, we must go back to the roots of public service broadcasting some 75 years ago and look at the reasons then in vogue for establishing state monopolies in the electronic media (radio) at a time when the print media (newspapers) had been privately run for centuries. Column one of Table 3.1 presents the main reasons and arguments for the creation of public monopolies for radio broadcasting at that time. Column two examines the extent to which these arguments are still valid today and points at additional elements to

explain why governments and parliaments still accord broadcasting a special role in the overall media landscape.

As can be seen from Table 3.1, the weight of the arguments in favour of electronic media as a public enterprise has shifted from more or less objective techno-economic considerations to more value-based arguments in cultural policies. The “scarcity of spectrum” argument (No. 1) in an age of numerous channels has no relevance any more. An exception might be terrestrial transmission, even when the available

frequencies can be used for digital channels, because the amount of “attractive” capacity is still limited and also because terrestrial frequencies are the regulatory domain of national bodies and are thus an important basis for national media politics. The horizontal concentration and vertical integration mentioned in Chapter 2 might call for some kind of public regulation and intervention, but not necessarily a public role in the production and delivery of media.

The “free rider problem” (No. 2) with the emergence of encryption

and SMS systems has also been resolved from a technical point of view. The reason behind public funding of broadcast is not, however, of a technical nature only. Broadcast content is a very special commodity. In economic terms it is – in contrast to most other goods and services – characterised by zero marginal cost.

The costs of producing and broadcasting a programme (from “point to multipoint”) in a given territory are the same whether the audience is 100 000 or 1 million. Without going into a detailed economic analysis, finding the appropriate price for, say, one person watching TV for two hours is no

mean feat. If the price is calculated on the basis that all the costs and a reasonable profit are to be covered by, say, 500 000 viewers, what would then be the fair price for the next 100 000 viewers of the same programme? The traditional solution in “welfare economics” is to handle such services as “public goods” separating the financial side from their use, which then becomes free of charge. However, costs have to be covered, and that can be achieved by collective financing, so the user pays for the service whether he/she actually uses it or not. Both licence fee and advertising can be considered to be such a collective funding system. The former

was predominant in Europe for many years, while the latter was chosen in the American market.

As will be further demonstrated in Chapter 9 (p. 41), there are reasons to believe that the predominant revenue stream for commercial TV (and perhaps for radio, too) will shift from advertising to subscription. With the introduction of “on demand” services, payment will be directly related to the use of content, the so-called “pay-per-view” concept). The viewer is charged a fee for programmes that are actually watched and not a subscription for a bundle of channels, of which only some will be of interest and thus used.

Table 3.1: Arguments for electronic media in the public sphere: Then – and now.

When monopoly was established	Today
1 Scarcity of spectrum in terrestrial networks. There was only space for a limited number of frequencies, i.e. one or two nationwide radio channels.	As described in Chapter 2 (p. 7), more frequencies are available (terrestrial, cable, satellite) and spectrum is now used more efficiently as a consequence of digitisation.
2 The “free rider problem”. Technically it was impossible to charge the listener for his/her individual listening. In economic terms, radio was considered a “public good” and as such financed collectively in line with other “public services”.	Today individual billing is possible (using the Subscription Management System explained in Chapter 2) and will gradually be the most important revenue stream for commercial TV. User-based funding will, however, have a significant and controversial influence on both the supply side and public access to media.
3 There was no international market. Radio programmes (and to begin with TV programmes, too) were produced for local, national markets.	Programme content provided by the private sector is today largely produced for an international, commercial market, which tends to reduce diversity and puts programming aimed at small nations and cultures at a disadvantage.
4 Due to their impact on public opinion (and the fact that there was only a handful of channels) tight government control over programming was considered a method to exert political influence over the media on behalf of all political parties.	The plenitude of channels and ideals of pluralistic democracy have generated an “arm’s length” principle of editorial independence (between government and PS provider) as a prerequisite for credibility.

From a normal consumer point of view this direct link between use and payment might appear to be a good and healthy development. It does, however, have an important impact on the kinds of content that are brought to market. The logic for this assertion is as follows: the more “pay-per-view” oriented the delivery and revenue system becomes, the more demand-driven, market-oriented the supply will tend to be. Here “market-oriented” means that the supplier – quite reasonably – will try to reduce his risks and optimise earnings, a calculation that becomes more compelling as revenues become a direct function of actual viewing.

Translated into content profiles for the TV (and radio) supply side, this leads to mainstream program-

ming catering for big audiences. In a given national market it means the recycling of content and formats that already have proven audience appeal in other markets. From a normal “supply and demand” perspective, this market-driven paradigm is not a bad thing. It is a general model for the development, production and distribution of goods and services that has brought economic prosperity and wealth to modern society. It is the system that constitutes the ideal for societies in eastern Europe that abandoned the command economy system at the beginning of the 1990s.

The issue is, however, whether this demand-driven system when applied to electronic media content is the one that will best suit European societies in coming years. A

response cannot be couched solely in economic terms. Rather, the answer depends on whether one considers the sum of individual preferences of a majority of individual consumers in an international market as being congruent with the needs of the individual societies in the same territory. Nobody can give a final, authoritative answer here. This is the core of a fundamental political dispute. Two questions can be used to illustrate this problem.

Right from the very beginning of public service media, one of the sacred principles has been to offer all citizens *universal, equal and unimpeded access* to broadcast content. One aspect of this principle was social equity, that rich and poor alike should have the same opportunities to receive programmes. A

second argument of a more societal and cultural nature was that public service media should play a special role as a “cultural commons”, binding the nation together. In order to do so, content should reach each and every citizen wherever possible. Introducing individual payments will no doubt have a negative effect as regards equal access.

The third argument is *the nature and diversity of programming* that is brought to market by international media corporations (No. 3 in Table 3.1). Mention has already been made of market forces that usually result in mainstream content directed at large audiences. The price structure (the zero marginal cost) will favour formats and programmes that can either be broadcast in their original form to many countries or, supplemented with dubbing or subtitling, be localised in multiple versions and broadcast in a large number of small, national territories.

The result of these mechanisms in the international TV market is well known. Firstly, there is programme content either in the form of original programmes or remakes based on international formats. These are produced in a relative small group of predominantly English-speaking countries and have a very prominent position in the TV schedules of most European TV channels. Secondly, there is another clear bias in the content on offer in the international market. The majority of programmes traded are found in the genres of fiction, entertainment (a plethora of formats) and sport, whereas factual programmes (cur-

rent affairs and documentaries), culture and programmes for children have a far less prominent position. All in all, the content offered by commercial providers is characterised by a lack of national and cultural diversity and, as such, does not reflect the diversity of European nations and regions. This version of the argument that public service media can be seen as a remedy for a market failure is a relatively new one. It can be termed “new” because it was not an issue in the original rationale for establishing electronic media in the public sphere, as can be seen in Table 3.1.

The fourth and last of the arguments listed in the table is of a more subtle kind, *editorial independence*. Relatively soon after the emergence of radio broadcasting, an awareness of the significance of its impact on public opinion was realised. However, due to the scarcity of spectrum, it was not possible to provide political parties with access to this new means of communication as had been the case with newspapers. As each and every party could not be given its own radio channel, parties had share access to one single channel by making the radio station a public enterprise under parliamentary control.

After the Second World War (and with the traumatic experiences of “the Third Reich” still fresh in peoples’ minds) it became abundantly clear that such a “state radio” was not in accordance with the principles of a pluralist democracy. This dilemma was of no concern to Communist regimes in eastern Europe. In fact they probably moved public

opinion in western Europe further in the direction of a separation of government and public broadcasters, and of guaranteeing the fundamental principles of full, independent editorial control. Of course, this independence could also have been obtained by abolishing the system of public ownership and letting the private media sector take over.

On the other hand, it could have led to the converse result, due to concerns about the concentration of media ownership. By ensuring that public media are independent of economic and commercial interests and live up to their role as “an island of trust and reliability”, they represented a counterbalance to the concentration of media ownership in private hands. This line of argument often stresses the special role of public media in guaranteeing freedom of expression and of meeting a special obligation of the state to provide its citizens with relevant information and cultural services. While these requirements are certainly regarded as an important obligation by public media corporations and many governments, nevertheless it is an argument that is a source of concern among those sceptical or suspicious of state interference in the media.

In recent years, the whole question of editorial independence free from political and economic interests has become a controversial issue in many countries and will be discussed in further detail in Chapter 8 (p. 35).

Public service media in a competitive international market: Yes or no?

In the previous section, the main arguments for public service media have been presented and evaluated. Some of the original justifications for public engagement in electronic media are no longer relevant and new arguments have emerged. Nevertheless, probably to the dismay of many readers, the analysis did not come up with a clear answer to the central question: On balance, is there an open and shut case for retaining public ownership over a

considerable part of the electronic media sector?

As has been emphasised several times in the text, it is probably impossible to come up with such a clear-cut answer that can settle the debate once and for all. There is no solid equation with objective, rational parameters, not even a common and generally accepted definition of public service broadcasting. For some this might cause frustration, especially at a time

where the dual European media model and the role of public media are both bones of contention. Others have welcomed this debate all too long neglected by people in public media who realised, rather late in the day that their well-protected world dating back to the monopoly era has been opened up by market forces and has required them to fight back, with considerable success, ever since.

The arguments presented above only constitute the central skeleton of this debate. Many others, some specific and others of a more general, philosophical kind, merit a mention, for instance:

- Cultural diversity as a prerequisite of, or a barrier to, an integrated Europe.
- Electronic media as a tool for cultural enrichment and popular enlightenment, or just another commercial business sector in line with many others.
- The media user as a citizen in society, or a consumer in a market.
- Collective public responsibility versus the individual's freedom of choice.

These issues are in no way specifically related to public service media. They are, however, all essential to an understanding of the debate on public service media and the conflicting interests that determine

their role and remit. Put in other words: The role and remit of public service media in Europe can not be determined on the basis of a generally-accepted definition and a set of general premises. At the end of the day it all boils down to political ideology, not in the narrow sense of party strife but, at a more general level, the debate on what kind of society we want to live in and the values and societal norms we want to defend and develop.

The decision within the European Union in 1997 to adopt the "Amsterdam Protocol" stating that "... the system of public broadcasting in the Member States is directly related to the democratic, social and cultural needs of each society and to the need to preserve media pluralism ..." is based on such general ideological values. At the same time the Protocol recognises the specific national character of public service media in Europe by underlining that the pro-

visions of the Treaty "... shall be without prejudice to the competence of Member States to provide for the funding of public service broadcasting insofar as such funding is granted to broadcasting organisations for the fulfilment of the public service remit as conferred, defined and organised by each Member State ...".

This paper is written on the assumption that public service media are a force to be reckoned with on the European media scene. The main question is not *whether* we need public media or not but rather, *how* PSM can adapt to a changing world and a new media scenario. A crucial element in this adaptation is the question of how the societal role and remit should be understood and described in the new era of the information society. This will be the topic of the following chapters.

4. Public service media: a pact with society

As stated at the end of Chapter 3, the rest of this report is based on the assumption that European societies need some kind of electronic media for their citizens that the market is not able to provide. With that as the point of departure, this and the following chapters will discuss and present a number of suggestions as to how the role and remit of public services in electronic media might be adapted to the needs of a modern information society.

The framework for such an adaptation is illustrated in Figure 4.1, which is a brief summary of Chapters 2 and 3. It assumes that the *commercial media market* is able to offer a range of content services using electronic media. As these are largely mainstream in nature they can to some extent meet the needs of an international mass audience. Where content is paid for on an individual basis using mechanisms that are continually emerging, this will certainly not be well-suited for small national territories and linguistic areas with a universally accessible content, where the needs of national and cultural diversity need to be taken into consideration, nor will it meet the needs of specific groups and interests in large markets.

The *users of electronic media* are breaking down existing segmentation models and increasingly regard themselves as individuals. As advertising in its conventional form loses ground and “pay per view” grows, the user will replace the advertiser as the “customer” in the commercial

media market. Pay per view takes into account individual tastes, preferences and choices as regards content and the way in which it is paid for. Viewers will thus see themselves as customers, guided in their choice by their individual preferences and unwilling, or at least reluctant, to pay for something they do not use. How will that influence their role as citizens?

These two changes when taken together are formidable challenges to modern *society*, if one regards this social structure as being more than just the sum of the individuals living in a given territory. The general trend towards globalisation and internationalisation, regional integration of nation states and individualisation of citizens requires modern society to find mechanisms that counter this fragmentation and create social cohesion. Electronic media and services adapted to the new context of the information society can serve this role.

Whether such an adaptation can be limited to the iterative improvement of the previous models and traditions of public service media, or whether a paradigm shift will be needed is not an easy question to answer. Clearly, it cannot be answered solely by those sitting round the “PSM bonfire” aided and abetted by their close friends in academic circles. They certainly have a moral obligation to do their best. But public service protagonists and their friends in government, parliament and international bodies will be subject to constant scrutiny and

confronted by criticism from the commercial media sector. The claim will be that public engagement in the media industry causes unfair competition that leads to market distortion.

What is proposed in the following text is not a “one size fits all” model, but more a general framework or set of tools to be used when analysing and discussing the relations between public service media and society in Europe. Although the combined European media landscape has many common characteristics, and in spite of the fact that a growing number of rules and directives form the basis of transnational regulation, there are still marked differences among the media models and the public role in media from one European state to the next, as well as a strong, national political will to keep things that way.

The term “*pact*” will be used in the following to describe the special relations between society and public service media. A pact is different from a contract that is a legal agreement between two equal parties. A pact is of a more complex, psychological nature and is based on a shared destiny and a common cause. It can encompass mutual expectations and interdependence, but also, at times, interests at variance with each other.

How should one define the two parties to a pact? Who is “society” and with whom has society entered into the pact? In practice, there can be no doubt that society is represented by parliament and govern-

ment. From a pragmatic point of view we can define the other party as “the PSM content provider” or “the public enterprise” which is entrusted with the provision of public service media by government.

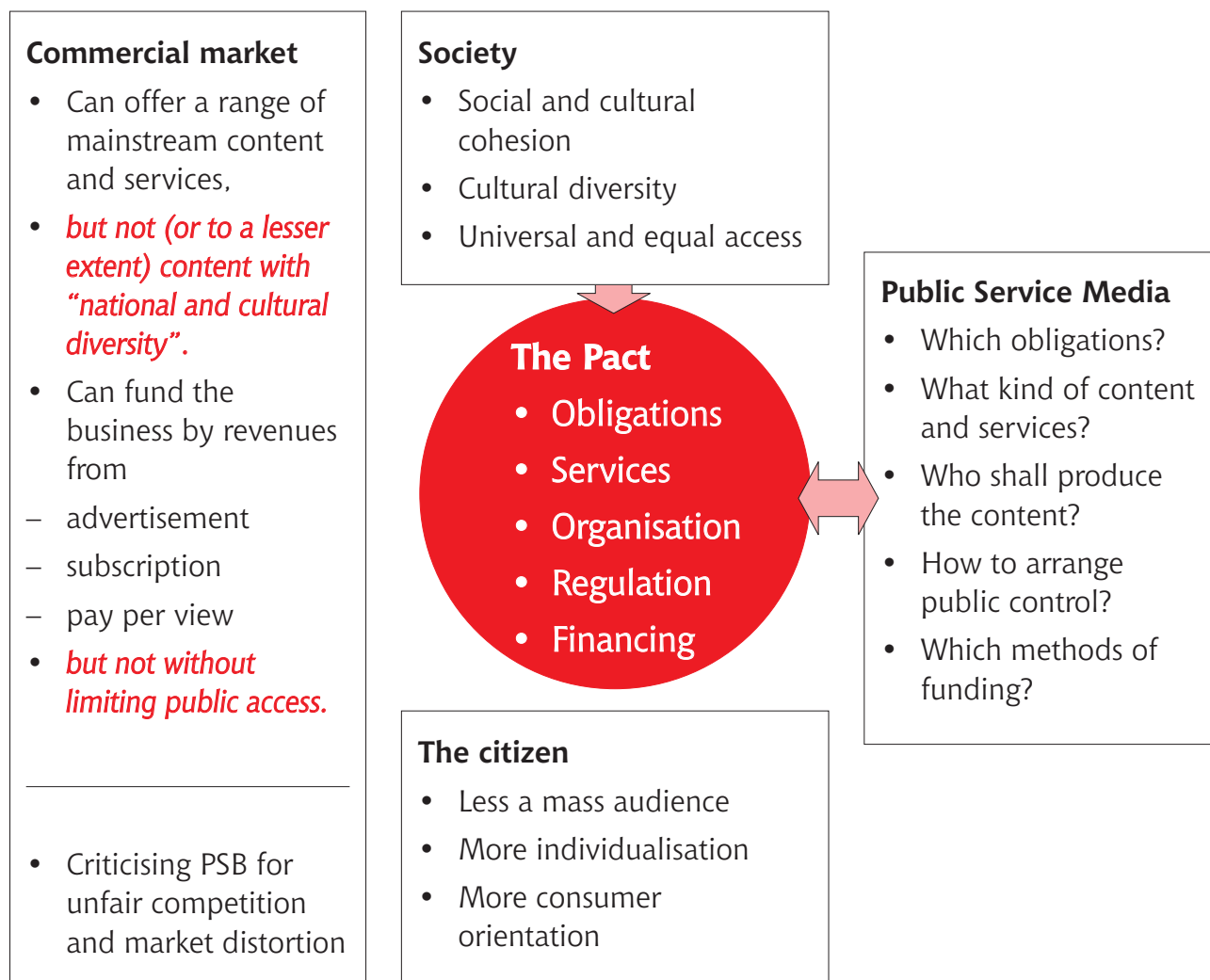
To prevent misunderstandings, the pact described here is not synonymous with “public service contracts”, which is currently a regulatory instrument in many

countries that governs dealings between a government and the public service media organisation. These contracts will be described in chapter 8.

What is presented in the following chapters are the elements or “clauses” in the pact between society and a public enterprise responsible for delivering electronic media content.

1. Objectives and overall obligations of public service media.
2. The remit: what kind of media content and services shall be provided?
3. How shall the provision and distribution of content be organised?
4. Governance: public regulation and control of public service media.
5. Funding public media.

Figure 4.1: A public service media pact: Elements and background.



5. Objectives and obligations of public service media

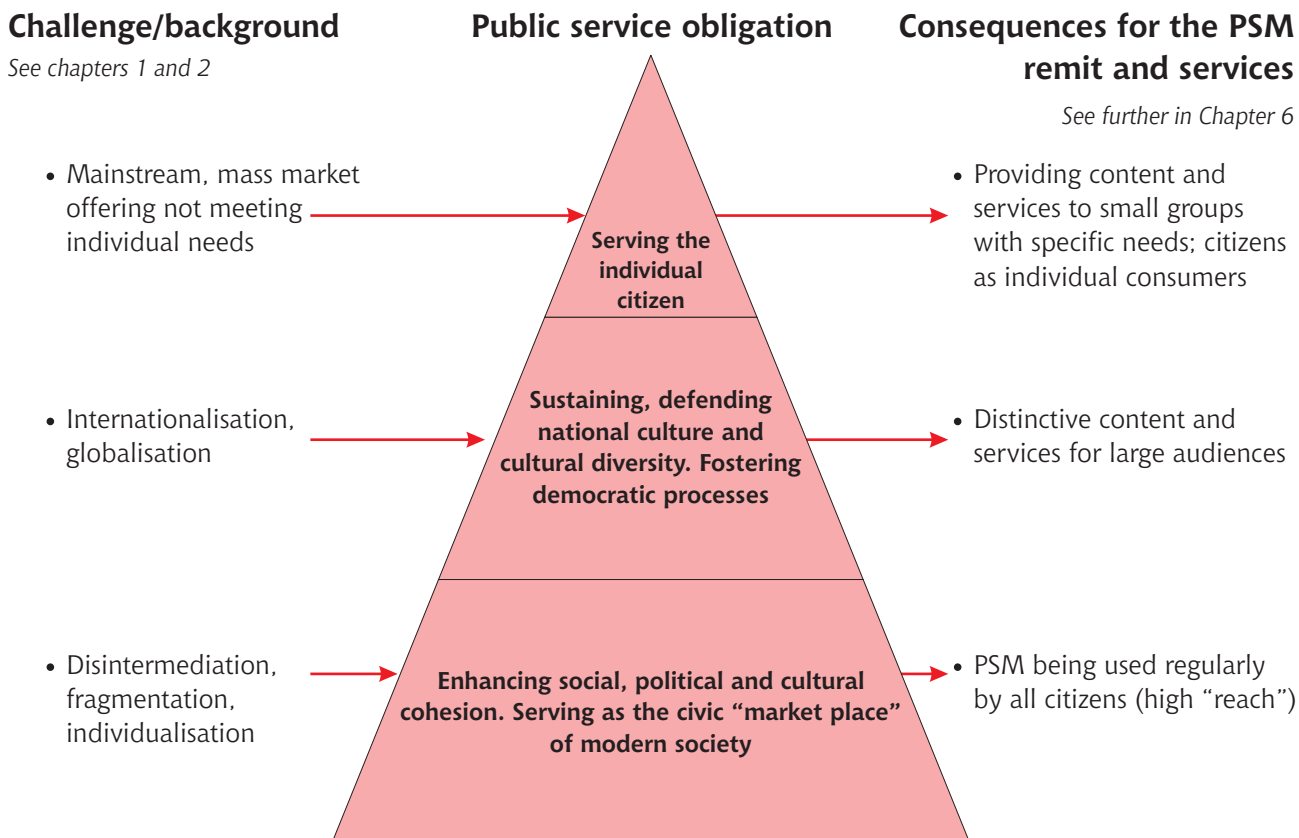
In a period where the wisdom of having public enterprises is being questioned, publicly owned media cannot be taken for granted, and their objectives and obligations are no longer self-evident. The central issue can be formulated thus: what does society expect of PSM companies in return for their special sta-

tus, public funding and a number of other privileges?

Figure 5.1 provides an overview of three categories of obligations, their causal relations and the implications for the PSM remit of content and services. As can be seen from the table, it paints much the same picture of PSM obligations as has been

the case for the last decades. In other words, the obligations are more or less the same, but their background and the means by which these obligations need to be carried out are being challenged by the information society and market forces. In the following discussion of the table this will be commented on in brief.

Figure 5.1: PSM obligations – their background and consequences



Enhancing social, political and cultural cohesion

As mentioned earlier, the very basis of modern society is being challenged by internal fragmentation and a number of forces eroding social cohesion. At the individual level, citizens are becoming customers motivated in their choice and behaviour more by individual needs and preferences than by their civic role in the community. Few social institutions such as political parties, trade unions and other community groups play the same cohesive role as they did a generation or so ago. Also migration from other continents on a hitherto unseen scale, and new opportunities for immigrants to keep in touch (via satellite

TV) with “the old fatherland” have heightened the need for integrating forces.

All in all, European society currently lacks many of the integrating and cohesive forces that were the bedrock of Europe over the last couple of centuries. Symbolically, citizens of modern society have left the “town square” (where they used to swap “the talk of the town”) and have withdrawn to their private homes.

Public service media is in a position to reverse this trend and bring the “town square” to private homes, thus re-establishing at least some of the lost societal and cultural com-

mons. PSM are the common meeting ground and present the reference points and experiences needed to shape the values and norms on which society is based.

A provocatively formulated consequence of this cohesive role (which will be further discussed in the next chapter) is that widespread and regular use of PSM is more important than the provision of the content and services themselves. This is the reason behind the PSM argument in favour of a high “reach” (this being a metric for the extent to which a channel is seen or heard by its potential audience over a given period of time).

Sustaining national culture and democratic society

In tandem with such internal forces disrupting social cohesion, the national cultural foundation of modern society is being challenged from the outside by globalisation and internationalisation. The free movement of capital, goods and services, growing tourism, business travel and language abilities are just some of the trends. To a greater or lesser extent, we are all following the same international trends in fashion, eating the same cuisine, humming the themes of international hits and reading international bestsellers. But the sources of these international trends and impulses are not spread evenly all over the European continent. Following simple logic (read “economics”), they mirror the international economic power structure. A number of huge metropolises are at the centre of this new internationally-oriented culture, and consequently place many of the smaller European countries on the periphery.

For better or for worse, growing internationalisation and globalisation exert pressure on the national democracies of European states as can be seen above. Written constitutions play an important role for the exercise of democracy, but democracy is also built upon customs, national identity and culture.

Furthermore, inasmuch as electronic media (cf. Chapters 2 and 3)

share some of the responsibility for these developments, public service can serve as a remedy. If allowed to act as mass media reaching out to all, PSM can sustain and develop national cultures and cultural diversity. As will be mentioned in the next chapter, bear in mind that PSM provide content and services that *extend and complement the mainstream provision* brought to market by international, commercial providers. Here we are at the traditional core of public media: “to enlighten, educate, entertain” (and, one might add, “to empower”) citizens.

Needless to say, this obligation is of particular relevance in small countries (and markets) that are unable to sustain a diversified, broad offering provided on a multitude of channels on a commercial footing. In that respect, nearly all European countries are small.

The whole question of “national cultures” in relation to a “European culture” is an interesting and controversial one at a time of European integration and the expansion both geographically and in terms of EU regulation. As mentioned above, a common national culture is in many ways a prerequisite for a stable political system and for the general acceptance of its institutions and public governance. If this is the case in a nation state, what about the European Union?

Is the perspective of ever-closer European integration and increasing the scope of interventions by EU institutions along with the establishment of supranational political institutions realistic in the long run without a common foundation based on some kind of common European culture? Can a common European culture be consciously and deliberately engendered? How far can you go in this direction without coming into conflict with the interests of national or even regional cultures and the often-claimed importance of cultural diversity? The case for subsidiarity in the area of culture may well be a good one, but it might – as we will return to in Chapter 9 (p. 41) – also have a distorting consequence in a European regulatory environment, which tends to consider media more as an industrial enterprise than a cultural endeavour.

If public media have an important role to play and indisputable obligations to fulfil in order to sustain national culture, this certainly also applies to the more civic aspects of culture: citizenship, political participation, democracy and its institutions. Fundamental human rights such as freedom of expression and of information are closely linked to the role media play as a mean of communication in society. At times of growing concentration of media

ownership (see Chapter 2 (p. 7)), publicly-owned media independent of economic interests are indispensable in an open pluralistic society. Public ownership of media also faces dilemmas when dealing with the freedoms of expression and information. As will be discussed in Chapter 8 (p. 35), it is far from easy to construct a system of public ownership that precludes the risk of public media becoming a “state broadcaster”. Editorial autonomy in relation to political interests is just as important for public media as is editorial autonomy *vis-à-vis* economic interests.

Until recently, this democratic obligation of public media was closely tied to its role in mass media. No other means of communication have the same near universal reach that radio and television have, and

very few have the communicative clout of the electronic media. With the development of digital communication systems (“new media” described in Chapter 2), mass media need to be supplemented by new individualised and personal features such as those we know from today’s Internet. This development may result in a reduced role for broadcast radio and television in serving political processes of society, but right now it is too early to say. It is conceivable that new media will become a natural complement to, and not a replacement for, traditional electronic media.

As has already been mentioned, new individualised services have a fantastic new potential. This also applies to political communication and participation in the form of direct, quick and much easier per-

sonal contacts between the individual citizen and representatives in parliament. The citizen now has access to huge amounts of information and new, cheap and easy-to-use options for the individual to disseminate his/her points of view to fellow citizens. Everyone can be his/her own political editor and commentator in the future.

On closer examination, achieving this might not be all that simple. Apart from a general discussion of their merits and potential, “new media” raise new issues in relation to the nature and extent of participation and as regards the quality and trustworthiness of the content and services provided in the new digital “Speaker’s Corner”. That will be discussed further in the next section.

Serving minority groups and the individual citizen

The obligations described in the two previous sections all rest upon public service as mass media directed at all citizens or large groups of them. Serving the public means serving “all”, and “everybody”. As mentioned in Chapters 2 and 3, this is very difficult for media traded commercially in an international market. This is especially the case if commercial activity has to be done respecting the principle of universal and equal access. Public service is in a position to meet this obligation on two fronts.

Firstly, media provided as “a public good” can serve minority groups (be they special interest, ethnic, regional, linguistic, those with disabilities or cultural minorities) with content that could never be funded commercially. This “market failure” role of public media has emerged as an important part of

PSM obligations within the last decade or so of media competition.

Secondly, with the appearance of new, digital services, public media have unique qualifications in this respect, and are therefore obliged to play an active role in providing services on new platforms.

As will be seen in the next chapter, public service on new platforms is a controversial issue *vis-à-vis* the commercial sector. An important aspect of public service in this field is the risk of the so-called “digital divide”, the concern that not all citizens will have equal access to new services that to a large extent will be provided on a “pay per use” basis. When surfing the Internet as it is today and evaluating the content and services it provides, one can find some of the same shortcomings that characterise the supply of commercial television channels. As is the

case with the Internet today, on the new, more individualised platforms one can foresee a range of content the quality of which falls short of what is needed to promote public debate. In their capacities as both individuals and citizens in a democratic society, users will need content and services – “Islands of Trust” – with the same depth of coverage and trustworthiness as the content that public media have always been obliged to provide.

As pointed out previously, several of the obligations mentioned in this chapter are of much greater importance to small countries than to large ones. A big market can more easily sustain a diversified service, as a minority in a large country often has the size of the whole population of minor European countries.

6. The remit: public service media content and services

The previous chapter listed a number of obligations bestowed upon public service institutions by society, and it was claimed that these obligations have a direct impact on the nature of the content and services offered by the PSM-provider, defining the remit of its activities. In this chapter we will look more closely at the nature of the remit and at some of the controversial issues arising from the disputed territory between public and commercial media.

The programmes offered on public radio and TV channels have always given rise to debate. Since the beginning of broadcasting 80 years ago, some have accused PSM programmes of being too boring or paternalistic; others have criticised public programming for pandering to basic instincts and bad taste. Very often these disagreements have been based upon differences in taste and interests, and illustrate how difficult it is for a broadcast mass medium to meet all the needs and wishes of its audience.

In the decades since the emergence of commercial media, this dis-

cussion quite understandably has lead to the question of whether public media should withdraw from programme areas catered for by private media. As mentioned in Chapter 3 (p. 15), one argument has been: “Why use public funds for programming that is brought to the market in any case by commercial companies?” The private sector has accused public media of “market distortion”, and that issue is the focal point of the many cases brought to the European Commission by commercial media corporations. It boils down to whether public media should only be considered as a means of rectifying market failure and of providing content that is not commercially viable. This central question will be the subject of this chapter.

Before addressing this question it is important to stress that only in “public monopoly areas” can activities financed by public funds be carried out without influencing, and to some degree also distorting, the parallel private market. We can restate this more bluntly: influencing the listener’s and viewer’s choices, and

thus media consumption pattern is the very reason why public media were established and why their existence has been upheld even in times of abundant media supply. Those in PSM trying to avoid the accusation of market distortion by denying its existence altogether are, so to speak, shooting public media in the foot.

The consequences of public service obligations described in Chapter 5 are briefly enumerated in the right column of Figure 5.1 on page 21. They fall into two main categories: *quantitative* consequences requiring that public media must be used regularly by all citizens (have “high reach”) if they are to live up to their role in furthering social, political and cultural cohesion. There is also a *qualitative* consequence, serving the audience with a range of content and services not found in the general (commercial) media market. Let us now look more closely at these two sets of consequences for the PSM remit.

High reach: A *sine qua non* for public service

Although disputed by some, the rationale behind “high reach” should be self-evident for public media. “Reach” is a technical measure of the degree to which the programming from a radio or TV channel is used on a regular basis by

its potential audience. It can, for instance, be the percentage of all citizens above the age of three who have watched at least one TV programme (or for a minimum number of minutes) on a specific TV channel (or a bouquet of channels from a

specific broadcaster) in the course of a week. Reach is the most important quantitative success criterion for public broadcasters; for PSM it is much more important than “market share”, the measure on the basis of

which advertising revenue is calculated by commercial broadcasters.

The rationale for high reach expounded above is a consequence of the PSM obligation to act as “the town square” of modern society. Public media must be in regular contact with all. PSM need to comply with their contractual role of being an important part of the forces sustaining and furthering social, political and cultural cohesion. If the audience shrinks to a minority of the population and the town square is scaled down to an alley, it cannot serve as the common meeting place of society even if it is surrounded by the most beautiful buildings. The same goes for the obligation of public media to follow citizens as they migrate from traditional broadcast content to new interactive services. The obligation of reach has to do with being in touch and engaging in dialogue, not with the use of a given technology.

Public service media in USA (PBS) are a thought-provoking illustration of such a “PS-alley”. Its schedule is of high (public) value offering programmes many European public broadcasters would be proud to present. There are cultural programmes, documentaries, children’s

programmes and so forth of a kind that are rarely found on commercial channels in the USA. In the States, public service really gives the audience a healthy alternative media diet to the fast food of commercial channels, but the audience is barely measurable! Public programming is out of reach for the vast majority of Americans and has therefore very little impact on cultural, social and political life in the USA.

This theme also has to do with a shift in the role of public service media as they have developed into the voice of just one chorister in the media choir of modern society. It was, and certainly still is, an important obligation for public media to ensure that citizens have the freedom to choose from a wide range of media. In the second phase, after the monopoly had been abandoned, some of this variety of programming was delivered by commercial broadcasters. In the information society of today and tomorrow, more emphasis will have to be placed on the societal obligation of PSM that it is actually used by the audience. Availability will not be enough. Making sure that audiences avail themselves of PSM programming will be as least as important as

the operating conditions and financial basis of PSM if their position in the market and their ability to serve as an integrating force is to be assured.

A supporting argument to the claim of high reach for European public media is the fact that PSM are largely financed collectively by citizens. In the long run, this funding system cannot preserve its legitimacy, neither amongst citizens “footing the bill” nor politically, if payments from everybody are used for the benefit of only the few. We will return to this issue in chapter 9 below.

At the end of section 5.1 there was a somewhat provocative claim that from the perspective of social cohesion and the role of public media it was more important to guarantee a high reach than to focus exclusively on the nature of the content and services provided. Although not completely erroneous, this is, of course, not the whole truth. For public media, being in regular contact with all is on the one hand a *necessary prerequisite* of living up to its cohesive role. On the other hand, it is nevertheless *not sufficient*. We will now take a closer look at this issue causing a difficult dilemma.

Serving society and the individual with distinctive content and services

It is an easy matter for a professional scheduler to set up a programme mix that will secure a high reach if he or she is given a free hand and is not fettered by any restrictions derived from the special public obligations presented in Chapter 5. In addition to the “high reach” argument, Figure 5.1 presents another set of consequences of the public service obligation: serving the audience with a range of content and services not found in the general (commercial) media market. The main question here is how distinctive does PSM need to be and how different should PSM programming be from that of private media?

The reason for asking this question is that it is just as easy for the professional scheduler to make a channel with programmes that no clever, successful commercial channel would ever choose to broadcast.

But would such a watertight alternative constitute a channel in the service of the public? In the following we will first look at the content implications derived from the obligation to promote social, political and cultural cohesion. Subsequent to that, the focus will be narrowed down to more specific content requirements in relation to cultural diversity, the needs of special groups and the individual user of PSM.

Programming with the function of sustaining social cohesion could be considered the cultural, social and political “glue” of society. Such glue has complex characteristics. It consists of the nation’s collective memory of the past as well as their shared aspirations for the future. It is the common language, the fairy tales children are told and the songs we hum during a morning shave. It contains the norms and values

which guide us in deciding between what is good and bad.

The recipe of such “societal glue” cannot be boiled down to a narrow range of special public service programme formats presenting paternalistic or patronising lectures, approved series on cultural heritage and so forth. The necessary ingredients are to be found in all aspects of social activity and, indeed, in almost all kinds of content in electronic media ranging from the transmission of a football match, a news programme and TV drama to an entertainment show and documentaries of national origin.

If public media are to live up to their obligation to further social, political and cultural cohesion, not only must they reach all, but at the same time do so with a broad range of content genres and formats. It is not enough to bring together all the

citizens at the town square, they must be provided with content reflecting all aspects of human life and activity. Someone, however, will very reasonably ask or protest, "Couldn't that combined task be performed jointly by PSM (catering for content narrow in scope) and the commercial sector (in charge of the broad, all-encompassing provision)?" This is certainly a relevant issue that will be discussed below, page 26.

Before moving on, let us first take a look at *more specific PSM content requirements* in relation to cultural diversity and the demands of a democratic society, the needs of special groups and the individual user of public media. The rationale for this was given in Chapter 5, pages 22 and 23, and their consequences can be summed up in the following requirements for PSM scheduling and service provision:

- Programmes/content based upon or bearers of national cultural heritage, language, music, literature, drama and so forth that compete with mainstream programming from the international market, especially in the small countries of Europe.
- Contribute to pan-European/international cultural diversity by sustaining individual national cultures (see above) and co-operate with other public broadcasters on co-productions, the exchange of programmes and so forth.

- Foster citizenship, political culture and democratic processes by according high priority for content in areas such as news, current affairs, education, documentaries and debate, and also provide space for critical investigative journalism.
- Set quality standards for national media production in areas such as "production values", creativity and innovation.
- Define (and defend) ethical standards in relation to the nature, balance and fairness in the way in which religion, race and sex amongst others are handled in journalism.

In relation to "*small groups*" with *special needs* not met by mainstream international provisions, public media have special obligations:

- Content serving the special needs of ethnic groups, and linguistic and cultural minorities.
- Children's programming in national languages and culture.
- Special services for those with disabilities.

Behind each of these very briefly formulated content requirements can be found a very broad and intensive internal debate amongst media professionals, and a comparable one between them and external commentators and critics. What kinds of programmes are best suited to further national cultural heritage? How can citizenship be fostered in news programmes and documentaries? Does one foster cultural inte-

gration by providing special content for ethnical minorities? These are just some of the questions. On the one hand, most people would agree that the remit of public service media should be determined in one way or the other by such requirements. On the other hand it is not easy to come up with an operative formulation that enjoys broad acceptance.

We live in an age where almost every aspect of human activity is measured. The media business is no exception. Quantitative audience research on viewing and listening habits is carried out rigorously, as it provides the key data used to calculate the cost/benefit of running advertisements. It is more difficult to measure the quality of a programme, however. If a given programme has a high share of total viewing with a large, satisfied audience are these also metrics of high quality? How does one distinguish between a subjective evaluation based purely on taste and user satisfaction and one that uses objectively-scored quality norms? This has been the background for pioneering work carried out by EBU (the European Broadcasting Union) and a small group of its members aiming at establishing a set of generally-defined and broadly-accepted quality criteria and methods to measure programme quality.

"New Media" and the public service remit

A special and contentious issue at present is the role of public media in the field of "new digital services". Commercial media players argue that PSM should stick to traditional radio and TV broadcasting and stay out of emerging areas such as the Internet and the nascent market for mobile services. If allowed to work with Internet services, the argument goes that PSM should limit their activities to services directly linked to broadcasts and should not offer content independent of radio and television programming.

In the context of EU regulation governing electronic communica-

tion, these new "non-broadcast services" are also becoming a controversial issue. The right of member states to define the areas of activity they deem to be public service is enshrined in the Amsterdam Protocol. Nevertheless public service has recently (probably due to tradition of terminology) been linked to the narrow technical term "broadcast". As most "new media" activities cannot be considered to be broadcasting in its strict technical meaning, there is a risk that this whole area will be treated in a different, more restrictive regulatory regime.

An example of this line of reasoning is to be found in several complaints about public broadcasters raised by private companies. In recent years, the Commission has conducted special investigations in public media activities outside the traditional (read: broadcast) programming activities of public media. It seems here that some "online information services" can be accepted by the Commission. It still remains to be seen how the term "information service" ultimately will be defined. Whether it will lead to restrictions limiting broadcasters to information services linked to

their broadcast programming or will apply a broader definition allowing for broadcast-independent services in parallel to full-scale radio and television broadcasting remains to be seen.

Mobile phone services that for some years have been an increasingly important part of the content provision of many public media corporations are different. They are apparently regarded by the Commission as being outside what can be considered “services of general interest”. Will this also be the case

for broadcast to handhelds (BTH) that often includes the use of mobile handsets?

On their side, public media corporations claim the right and obligation to be players in all fields of activity and on all electronic media platforms, following the audience in its ever broader use of new information technologies.

When looking at this debate from a distance, it is not easy to understand why public media, whose remit and field of operation have neither been defined by nor limited

to specific distribution technologies, should accept a restricted role in new media. As can be seen from chapter 5, no such restrictive policy can be derived from overall PSM obligations. On the contrary (as was explained in chapter 2 and 3), in a world where the use of electronic media will gradually move from broadcast mass media to individual, on-demand use, it follows directly from the “high reach” prerequisite that PSM will have to follow its audience in the same direction.

Table 6.1: Extending public service TV and radio with new media

Public service task	TV & Radio	Extending with New Media (examples)
Inform the public of events of significance to their daily lives	• Broadcast extra news programmes	• Alert-services on mobile phones (text, image) • Providing extra information (on demand)
Encourage participation in public debate	• Invite listeners and viewers to take part in TV and radio programmes	• WEB and SMS-services as an integral part of TV-programmes (e.g. voting and comments) • Provide forums and ‘communities’ on web sites
Provide “value for money” by moving towards the “Anything, Anytime, Anywhere” paradigm	• Re-running radio and TV programmes	• EPG and metadata to make time-shift easier on PVRs • Provide archive material on-demand via the Internet • Streaming radio (and later TV) • TV and radio on handheld devices, e.g. news and sports
Provide quality entertainment	• Entertainment shows	• Online games on the web • Interaction with entertainment shows
Educate	• Educational broadcasts	• Offer archive materials of educational value and interactive applications (with individual options)

If they were not to do so, public media would lose contact with a growing number of citizens. The changes in the media consumption patterns of audiences under the age of 25 – already on the move from broadcast to new media – is a warning illustration of this threat.

One can also point to a number of more specific reasons some of which are illustrated in Table 6.1 that explain why a public media presence in the field of new media is so important:

- In contrast to radio and TV, the use of new media technologies and content is not evenly distrib-

uted amongst different social groups (when defined by age, educational level and economic status). Due to its social responsibility and broad contacts with traditional media audiences, PSM can help bridge the so-called “digital divide”.

- As explained in Chapter 2 (p. 7), interactivity is a new and characteristic element of new media. Interactivity between teacher and student is of decisive importance in any teaching/learning process. Through interactive media, PSM gain a new forceful tool helping

to meet its educational obligations.

- With the proliferation and devolution of editorial responsibility (or rather the lack of it) that can be seen on the Internet, PSM can play a crucial role by acting as “islands of trust” in an ocean of misinformation and unreliability.
- At this early stage in the development of new media where proper funding is difficult to obtain, public initiatives and collectively-financed activities can serve as a locomotive for the penetration of these new services in this new market.

New media functions and features will not remain isolated islands of content and services, but will gradually be incorporated into traditional programming as integral enhancements of well-known concepts and formats. Denying PSM of its role in new media will inhibit the development of a multimedia future, where broadcast and interactive content will be integrated seamlessly both in production, delivery and usage.

The only rational reason for the attempt by the commercial sector to shut out public media from the most popular activities in this green field site is fear of competition in a business that may well be one of the few

media activities with considerable commercial growth potential. It is, indeed, a daunting prospect for public media. If PSM is pushed into a limited, non-competitive new media ghetto, there is also an additional risk of public media being forced to accept the same limited role in traditional broadcasting.

Instead, one could hope for constructive cooperation between private and public media in promoting the use of new media to a broad audience, thereby bridging the digital divide. Public media have a long and proud tradition of spearheading the introduction of new communication technologies in the pre-competitive phase of the market cycle,

where activities are not commercially self-sustaining. Especially in the small countries of Europe that often lack a critical mass of both economic resources and creative talent there are also very good reasons for such cooperation when it comes to the creative development of new services and relevant content.

The question of how such new media activities of public media companies should be funded (via the license fee or on a pay-per-use basis) is a special and difficult issue that will be dealt with in Chapter 9 (p. 41).

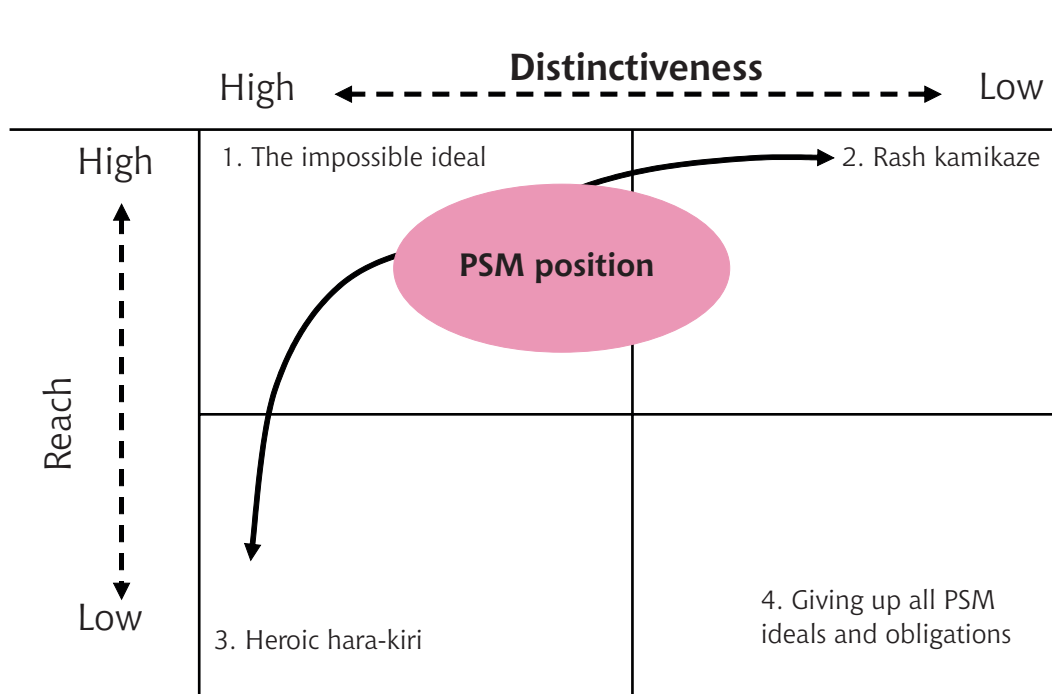
The dilemma of distinctiveness versus reach

This discussion of the PSM remit in new media is, of course, a mirror of the more general overall territorial dispute between the public and private media sectors and can be seen as an attempt by commercial media to stake a claim to new,

uncultivated land, preventing incursions from the public sphere. Commercial aspirations do not stop at this border. Unlike most other continents, public media were pioneers in Europe and since the days of the broadcasting monopoly they have

been strong bastions in most European countries. This position has been defended by PSM and to the surprise of many, they have been able to hold their ground in the recent decades of fierce competition.

Figure 6.1: PSM – the balance between reach and distinctiveness^a



a. "Distinctiveness" defined as a percentage of content in categories such as national culture and language, current affairs, documentaries, programmes for children and minorities etc. (see Chapter 5, p. 22, *Sustaining national culture and democratic society*).

But success in the battlefield has not been without costs. Neither are the battle fronts nor the likely lines of attack in the future particularly

clear. Public service media is facing a number of difficult dilemmas. For instance "the high reach" goal described in Chapter 5 (p. 22) can

barely be reached if programming is excessively characterised by the distinctive public obligations mentioned on page 22. As shown in

Figure 6.1, PSM are indeed a balancing act striking equilibrium between being so distinctive in the service of the public obligations that they lose their audience while at the same time trying so hard to reach all citizens that they are devoid of any kind of distinctiveness as a result.

The first alternative would lead to an honourable and heroic death in the service of a minority already culturally well-supplied and the demise of PSM would be applauded by commercial media. If public media try to avoid this fate by engaging in a fearless attack on its private rivals thus compromising the distinctiveness of public obligations it would commit a less heroic, but very rash suicide, losing its rationale, public support and political legitimacy along the way.

Frightened to lose their audience in this battle on two fronts PSM might, in the last decades of the 20th century, in some countries have leaned too much in the direction of reach and thus lost some of their distinctiveness. To formulate it more proactively, it might have been a necessary strategic manoeuvre in the past, but nevertheless in the years to come it is worth considering whether PSM should look more closely at the following developments and options:

- A revitalised *flow paradigm* (see Chapter 2 (p. 12)). “Flow” has been the basis for scheduling whereby popular programmes have functioned as the necessary “lead in” to distinctive pro-

grammes such as news, current affairs and culture. As this traditional scheduling paradigm in coming years will be undermined by interactivity, on-demand and multi-channel systems, PSM will have to develop schedules in a more distinctive direction, reducing the share of popular programming.

- It is a widespread misconception that the public service value of a broadcaster can be evaluated on the basis of specific programmes. The PSM argument for “*full scale programming*” that such an evaluation must be based not on individual programmes but the totality of its programming in a channel is absolutely justifiable. Nevertheless, does this argument also count when the PSM organisation – on top of its main channels – also develops a number of thematic or audience-segmented channels and services each of which is indistinctive from many of the channels provided by commercial competitors?
- Is the often-raised criticism against public channels for carrying *too many standard formats* developed by international “concept factories” justified?
- Are there types of programmes (for instance some of the extreme “reality shows” and “paparazzi journalism”) that have no place in a public schedule due to their *lack of basic ethical standards*?

These questions and considerations should not be taken as argu-

ments for setting PSM on a direct course toward the “heroic hara-kiri” scenario in Figure 6.1. It is also necessary to emphasise the great variation in PSM from country to country in Europe. The strong PSM position mentioned above is characteristic of most of the countries in the north-west of Europe. There public media have much more room to manoeuvre than their colleagues in Central and Eastern Europe, where PSM is fighting a battle on two fronts against a new, strong and often foreign-controlled private media sector and political authorities often relapsing into the traditions of the old “state radio”.

However, in the turmoil of the private-public media battle, looking at the European media landscape from outside it should not be forgotten that the “European duopoly” has merits that are envied by many. Several observers point to the clear correlation, at least in some markets, between the quality and distinctiveness of content in public and commercial channels brought about by mutual competition that is to the benefit of the audience. Viewers and listeners become accustomed to the level of quality of public broadcasters and expect and require the same level from commercial alternatives. In the short term, the commercial sector may benefit from a weakened PSM, but in the long run the benefits are more doubtful. Such a development will certainly give rise to losers, European societies and their citizens.

7. Organising the provision and distribution of public service media

Given the obligations described in Chapter 5 (p. 21) and the remit of PSM content activities laid out in Chapter 6 (p. 24), we can now turn to the question of how the provision and distribution of public media should be organised, still keeping in mind the “pact” between society and a public media provider. In the age of broadcast monopolies this was not an issue. As was the case for other public services, radio and later TV were established as an integral part of public life. Inspired by the BBC, in some countries PSM were given a special independent status

outside the state apparatus. With the exception of the splitting up of radio and TV into separate organisations seen in some European countries, the predominant organisational model was, however, one organisational unit taking care of everything from the creation and production of content to its distribution.

As will be argued in the following section, there are still very good reasons why the relatively small European public media organisations should be maintained as corporate entities while being more open-

minded and courageous when collaborating with or outsourcing some of their production to external production companies. The outsourcing route should only be followed after serious consideration and evaluation of the pros and cons. This section will deal with such issues and present some of the arguments put forward. The more specific issue of public regulation and control of PSM (in many ways related to the organisational issue) will be the subject of the next chapter. The managerial aspects of PSM will not be a part of this discussion.

Cutting the public service cake

The shift in the debate as to how public media should be organised is part of a broad debate as to how the production of public goods and services should be organised. The trend can be described as a *shift from a “structural” to a “functional” approach*, or as it is often formulated: “The important thing is not where (i.e. under public or private auspices) a public service is produced, but what is produced, its quality and price.” This functional approach has given rise to the “outsourcing” of internal services (cleaning, building maintenance, IT service and so forth) in both public and private enterprises. In recent years, some core functions of public service such as health, social services, and the custody of prisoners have also been outsourced to pri-

vate, commercially-operated companies. The reasons behind this are a mixture of rational economics, quality optimising and political ideology seeking to reduce the public sector and to enlarge the scope of the private sector.

When we turn to public service media, an awareness of these general trends leads to recognition that suggestions to outsource parts of public media operations are not solely and specifically directed against PSM. It is, however, possible to highlight specific elements of the outsourcing policy formulated in the public media area:

- Public media organisations are seen by some as huge, almost frightening symbols of governmental power over the souls and minds of its citizens. Just to

reduce their size can be a goal in itself.

- A similar line of thought underpins the splitting up of the public media “value chain” (cf. above, Chapter 2, p. 9, *Changes in the market: Internationalisation and concentration*) by outsourcing some of the links in the chain to private media firms or telcos.
- In some countries there is a political desire to establish a new private media sector, or to support the existing one, by giving private firms a piece of the public cake.

Let us take a closer look at these and other related elements of a strategy to outsource parts of public media operations. Here we will exclude internal services or support functions in areas where there is no reason to believe that media are any

different from other industries. It is in the core business areas of media production and distribution that the questions are crucial and controversial.

Before going into a number of separate issues where there are reasons to be “en garde” in relation to the splitting up and outsourcing trends in public media, the varied and compelling case for public media organisations to develop closer ties with private media businesses should be stressed. From the days of the monopoly where it was difficult to find private partners, public media have been a very closed and self-sufficient world. Now there are plenty of opportunities for exchange of ideas, to benchmark performance on both output and quality and to add to one’s own capabilities by exploiting external competencies. These opportunities ought to be explored to a greater extent than is the case in many PSM companies.

One should also mention the opportunity to set up public/private partnerships in fields such as new, interactive audiovisual content on digital platforms where neither public media corporations nor private software houses possess all the necessary competencies and experience. At present such partnerships are only allowed on a strictly commercial basis, normally a hindrance for development and experiments in these fields. Such collaboration is vital, especially in small countries where both private firms and public enterprises lack the size and resources to engage in complicated and risky projects outside their current spheres of operation. Infant business areas of this kind can be developed through public/private partnerships, where each side brings in its own competencies and resources to the table. The fruits of the endeavour can be exploited by letting the private company use the results in commercial activities in other territories and by allowing the public media organisation to apply the results in a project in its own territory.

Returning to the outsourcing issue, mention was previously made of the need to carefully scrutinise

the arguments for and consequences of outsourcing public media. Five points have been highlighted for further comment:

1. First, is mere size important in its own right? Guidelines and inspiration for the answer of this question can be found in the international media market. As we saw above (Chapter 2, p. 9, *Changes in the market: Internationalisation and concentration*), private firms in great numbers are merging, integrating their systems and are being taken over by each other in the horizontal concentration and vertical integration of value chains. If size and control over the value chain is of no real importance to the rational running of a business, one might wonder why the often very professionally-managed media corporations are going in this direction. Neither should one forget that among the twenty biggest media corporations in Europe, there are only three public broadcasters (ARD, BBC and RAI). This was shown in Table 2.1, page 9. In the many small countries of Europe, there are historical reasons that explain why public media organisations are often considered to be huge, competition-distorting corporations, but in reality they are merely midgets amongst commercial giants. Size is important not only to achieve economies of scale but also to increase visibility in the market, to further the ability to accumulate professionalism and know-how and to maintain a complicated technical infrastructure.
2. The second question concerns the “external production quotas” that are set for more and more public media corporations by law or governmental decision. Some twenty years ago, the Conservative government forced the BBC to outsource 25% of its programme production (measured in terms of hours broadcast) to independent external programme producers. It is unlikely that there are claims that this decision had grave consequences for the BBC, but one should bear in mind that the BBC is 10-20 times larger

than most other European PSM corporations. It could outsource up to 90% of its production and still maintain a larger in-house production than, say, the total production of each of the Scandinavian public broadcasters.

Assuring critical mass for internal media production is vital for small PSM organisations, and most European PSM corporations belong in that category. A full-scale public media corporation with the obligation to provide comprehensive programming needs across-the-board expertise and in-depth knowledge. It will not be able to live up to the standards demanded if its programme staff is spread too thinly by the heavy burden of external production quotas. Creativity and innovation in media production seldom emerge from the minds of individual geniuses, but are the result of the development of teamwork and creative environments over time. These creative hotspots can be debilitated by too heavy a quota burden.

3. Although mixing internal and external competencies makes good sense and much more should be done in that field, a third point must be stressed in relation to the “critical mass argument” when looking ahead to the era of cross-media production. In this new world of content development and production that hinges on information technology it becomes much more important to integrate work processes, criss-crossing departmental barriers and traditional organisational and professional borders. This development will not reach its full potential if a considerable part of the cross-media production (traditional or new media) takes place outside the corporation. This goes a long way to explain the drive towards media concentration in the private sector.
4. A fourth issue also comes from cross platform and cross media development, where the “COPE paradigm” (Create Once – Publish Everywhere) is key to both creativity and cost-effective produc-

tion. *Content rights and archives* along with direct and easy online access to the materials in them will be ever more important in the future. If a considerable proportion of PSM content is produced by external independents claiming secondary rights, that content will often be out of reach for further PSM use, both economically and physically.

5. Last but not least, a fifth point should be mentioned. Handling *the relation to the contracting part, the government and parliament* is – as will be seen in the next chapter – a complicated and controversial matter. Political pressure canalised through the public ownership and troublesome influences from a long row of other interest groups are facts of life for PSM

management and employees. Splitting up the public corporation and distributing the public service obligation to a row of smaller and more vulnerable entities involves a danger of opening up a gate for illegitimate influence and pressure.

Distributing the public service obligations

The “functional” approach mentioned on page 30 has also found its way to an organisational model whereby public service obligations are distributed among two or more institutions, either publicly-owned or private commercial corporations. This is the model in use in the United Kingdom (ITV), the privatised public station TF1 in France and the “late-comers” (both TV and radio) in several other countries.

Specific rationales and circumstances may vary from case to case. It was often a solution in times of the ageing monopoly when governments decided to establish a second TV channel in the country. It could either be given to the public broadcaster as its second channel or granted as a concession to a private corporation with a set of conditions combining a fee and certain content obligations. Governments were in a favourable negotiating position due to the fact that bandwidth in those days (when cable and satellite were still in their infancy) was scarce. Private firms eager to secure this new means of access to audiences were willing to pay considerable amounts of money for a terrestrial channel and also to accept a number of restrictions and guidelines for the broadcast programming.

The programming obligations were more or less of the same kind as those for the old public broadcasters, but often with a lighter touch: news, a certain amount of the programming in the national language(s), or national music, children’s programmes and so forth. This way of distributing public service obligations among a number of content providers can be looked at

from several angles and certainly has its strong and weak features.

First of all, it leads to very healthy and much-needed competition. There is no doubt that having a monopoly had led to complacency among many of the old public service institutions that previously had shown little concern for the wishes of their audiences. Suddenly they woke up to a new situation. From a societal point of view, this new arrangement assured programming from the new channels of a kind one would not have expected had they been allocated without any programming restrictions. In many ways, this policy formed the basis of the special European dual media model mentioned at the end of chapter 6, leading to both public and private channels of an overall quality seldom found in radio and television outside Europe.

Secondly, it is difficult to find reasons why governments back in the seventies and eighties should not have used the opportunity to trade content obligations for channels. There have been, and still are, arguments that the state should restrict its indomitable regulatory urge to “its own” media, the public media institutions, and free the private sector from interference. In some countries this often ideologically-based point of view has recently gained some ground in the light of the more general debate about the limits of the public sector.

Thirdly, in this connection one can mention that this public contractually-based intervention in the scheduling policy of private channels often has been followed by granting them official status as “a privately-owned public service

broadcaster”. One of the consequences has been that in recent decades the “public service label” has spread to a significant number of media corporations of which some are very commercially oriented and only bear a passing resemblance to the publicly owned “real PSM-corporations”.

This state of affairs has led to a watering down of the term “public service media” and is at the root of many of the difficulties when defining public service media, describing their obligations and demarcating their remit. Those who repeatedly ask for a clearer definition of PSM should perhaps consider a revision of this policy and limit the use of the term to publicly-owned companies. It would certainly bring a much-needed clarification that, incidentally, would also make it easier for the licence fee payers to see how much money is spent on PSM and what it is used for.

A fourth point worth mentioning in relation to the distributed PSM model is the concomitant need for often very detailed control mechanisms. The content obligations in concession agreements naturally enough inhibit the commercial potential of the channels. So consequently channels controllers are tempted to work around the spirit of their obligations in all conceivable ways, cutting minutes here and there, juggling with definitions, quotas and so forth. The regulatory authorities on their side respond with ever more detailed demands and ingenious control mechanisms. This “arms race” probably bears a part of the responsibility for the problematic trend in the direction of more and more detailed media regu-

lation also encompassing the genuine PSM companies. It will be the subject of Chapter 8.

The radical solution: get rid of the public service media institutions

A suggestion of a more fundamental kind merits special attention. It is the radical model of dismantling public media institutions altogether, which pops up now and then in the debate on public service media and is strongly supported – to the surprise of no one – by commercial media. “We don’t need public media corporations at all,” it is argued. “They are dinosaurs in today’s media landscape.” In short, the proposed solution is not to let time pass and see the public dinosaurs slowly become extinct in a new, hostile ecosystem, but to abolish the public service corporation with one fell legislative swoop and let public funding in the form of the licence fee be transformed into a public media foundation or trust.

According to this model, individual producers, production companies and commercial channels can contact the trust with an application for the funding of their projects. The trust can then assure that proposals most in need of public funding get it, freeing the trust from any of the burdens or dilemmas described in Chapter 5 (p. 21). The programmes funded are those with the least chances of finding their own way to commercial distribution. After having received the payments from the trust, the lucky applicant produces the programme, contacts the commercial broadcasters and offers them the programme free of charge.

Hey presto! Public media are produced and distributed by the market, assisted by a lean and effective trust without needing a big and bureaucratic public corporation.

Please excuse my sarcasm! Given common knowledge of how the schedule of commercial broadcasters is put together and the criteria used to select their programming, one can wonder how this model has survived in the public debate, even with

all the support it has received from private media. It is to be expected that the PS-trust will be eager to select proposals that are genuine alternatives to popular, commercial programmes. A game show or an ordinary soap will have few chances of getting support. Why give the scarce resources to formats that can survive on their own in the commercial market?

The philosophy guiding commercial broadcasters is just as crystal clear – for a very good reason. Such broadcasters were not established to provide listeners and viewers with good programmes, but to deliver ears and eyeballs to the advertisers who buy airtime for their commercials. Moreover, to maximise the size of the audience that determines revenue is at least as important as the cost of the programmes. Hence highbrow programmes of unique cultural value are hardly attractive, even if they are offered free of charge.

This leaves the trust with its own unique dilemma. Either it will have to stick to its narrow, alternative course and accept that it will be difficult to find commercial broadcasters willing to broadcast programmes from the trust, or it will have to be willing to compromise the ideal of alternative programming and accept proposals for programmes with greater popular appeal, programmes that the commercial channels are willing to distribute. There is, of course, a third solution: the trust is obliged to establish its own radio and TV channels as dedicated means of distributing its own programming. In doing so, it re-invents the old public broadcaster!

All this may sound a little strange, but it is far from fantasy. The model has been tested in real life for a period of more than 10 years.

In 1988 as part of a dramatic liberalization of the whole public sector, the New Zealand government decided to split up the BCNZ (Broadcasting Corporation of New Zealand – a venerable institution styled along the lines of the BBC) and to turn the television part of the corporation (TVNZ) into a commercially-operated, state-owned station. The licence fee revenue (from the year 2000 replaced by finance from central government) is given to a trust (“New Zealand On Air”, NZOA). Following the model described above, TVNZ and its private competitors along with independent producers all apply to NZOA for the funding of programme proposals and these programmes are aired on the different TV channels.

The consequences of this model have been dramatic. The changes lead to a drastic commercialisation of the TVNZ schedule with more entertainment and less factual, cultural and children’s programming. In the first period of the new system, nationally-produced programming dropped to a world record beating low level. In response, NZOA concentrated its funding on content of local origin, just to see them broadcast early in the morning and late at night where such programmes do not undermine the commercial imperatives of schedules.

Where this will end is difficult to say. The previous New Zealand government, recognising that the change has been an unmitigated disaster has announced that it will try to return to the old public service system in one form or another. This is easier said than done. While abolishing a public media corporation can be done in a couple of weeks it may well take a generation to rebuild.

Do we need a new kind of public service media organisation?

As argued in the sections above, generally speaking there are very good reasons why the provision and distribution of public service media content and services in most European countries is catered for by consolidated, publicly owned corporations. In many ways, the reasons put forward are parallel to those guiding private media companies in their organisational thinking. Mere size and the opportunity to harvest the fruits of synergies *are* important. Critical mass *is* crucial when it comes to establishing and developing viable creative programme departments able to recruit the best talent. Running a business involving the production and distribution of public service radio, television and new media twenty-four hours a day, year in, year out is a complex matter both administratively and logistically. It is not a service that is easily managed by a number of collaborating – and competing – small companies.

On the other hand, one has to take into account the risk that entrusting PSM to a monolithic, publicly owned media corporation

can lead to too much uniformity and a lack of healthy divergence. Even more problematic is the risk that the single organisational broadcaster will behave and be treated by political authorities as a “state broadcaster”. When dealing with these issues, one needs to consider the size of the country and its media industry. What might be a healthy solution in a large country with many well-run media companies might be deadly poison in small countries barely able to sustain a national media industry.

As has been argued in the previous sections of this chapter, there are several pragmatic reasons for retaining a consolidated corporation rather than splitting it up. The need to do so should not, however, be taken as an argument for neglecting the opportunities for change and improvement. Since the days of monopolies, many PSM corporations have turned their backs on the external production environment. Both parties would benefit from a closer and constructive engagement on their own initiative rather than being forced to so as the result of

compulsory and bureaucratic quota systems. As explained above, page 32, it might also be a good idea to re-evaluate the so-called “distributed public service” model where wholly commercial enterprises have PSM obligations as part of the terms of their concessions. All in all, when it comes to the overall organisational models, the time has come for iterative reform, not for revolution.

Another concern is the way public media corporations are organised and managed internally. For instance, how does one reconcile the need of the management of a business corporation to be well-run, rational and efficient as well as being accountable for its use of the licence payers’ money with the needs of an innovative environment with creative programme staff? A strong and centralised top management might be a prerequisite for the former but a hindrance to the latter. This is not the place for such an in-depth discussion of management although it raises important questions.

8. Public service governance

In the previous chapters, we have examined the overall *obligations* of public media, their operational *remit* and the *organisation* of PSM provisions. In this section we will take a closer look at the question of *governance*: how can society – parliament and government – ensure that PSM companies live up to their obligations and keep activities within the limits of their remit?

As we will see later on, this governance issue is part and parcel of a more general debate on public policy and administration. What makes it especially contentious in relation to public service media is the fact that governance has an impact on one of the most fundamental principles of public media, that of editorial independence and autonomy. Here we have yet another tricky dilemma for PSM: to live up to the principles of editorial independence in relation to government and parliament and at the same time to be accountable to and controlled by public authorities. As with the other dilemmas presented in previous chapters of this paper, there are no easy and clear-cut solutions.

Several circumstances make it difficult to deal with the governance issue in the context of public media.

- There is a vast variety of regulatory models in Europe. There are certainly some common traits, but national traditions and differences in political culture have had a significant impact on the formal models chosen in the various nation states.

- In many countries there is a problematic difference between on the one hand formal models established by law and on the other hand the grim reality of day-to-day life. Illegitimate political pressure being put to bear on, for instance, the appointment of staff or on editorial decisions in a news department seldom take place in broad daylight and can be difficult to record in an objective and impartial manner.

- Generally speaking, media increasingly find themselves in a political battleground engaged in the fight for public opinion and the minds of citizens. Public media find themselves at the centre of this battle which very often makes the regulatory framework a divisive issue in itself.

- Those who argue for the need for closer public regulation and more accountability are often accused of pushing PSM in the direction of the old “state radio”. People from the public media sector who warn that governmental influence is becoming too strong on the other hand are accused of just wanting to run their radio and TV stations themselves without any interference or accountability. One could add that on occasions, both accusations are sometimes quite right.

A special and very difficult issue when dealing with governance and public media is that of “ownership”. “Who owns the public media corporation and to whom is it responsible?” one may ask. The tenet on

which public service media are based leads to the answer that public media belong to civil society and its citizens. The term “pact” used in Chapter 4 to describe the special relationship between society and the public corporation was chosen to underline this. It signals elements of ideology and normative values more than those of a formal ownership contract. The importance of this springs from the need to stress that the relationship is different from that of a “state enterprise” whose every activity can be decided in detail by the authorities of the state, parliament and government. Public service media are not and must not be treated as “state radio and television”. On the contrary, public media also have the obligation to defend the interests of society and citizens against wrongdoings carried out by the state and its political authorities.

Having said that, one should bear in mind that civil society cannot act as a societal entity. That is why we elect members of parliament and government to represent the interests of citizens. It is in this capacity that the responsibility for governance *vis-à-vis* public service media is placed in the hands of parliament and government. It is not the ideal solution, but it is difficult to find a better one.

The problems of governance in public media should be kept in mind during the following deliberations on the subject. It is not always easy – either for the writer or the reader – to distinguish between the descriptive and the normative elements.

Tighter regulation and less autonomy

With a few exceptions one can say that the trend in European states is an evolution in the direction of tighter regulation by public authorities and diminishing autonomy for public service media. Several developments form the background of this trend.

First of all, there is the general development of public administration that also influences the media field as was the case with “outsourcing” (above, p. page 30). In the final decades of the last century *making public institutions accountable* for their services and controlling their operations moved into the spotlight. It can also be regarded as the consequence of the public sector having evolved from a relatively small legalistic, law-enforcing institution to become a large and complicated machine producing and providing the goods and services of a welfare society. That development was followed by the introduction of what has been called “managerialism” in public administration – introducing management methods from private business such as the control of productivity and goal-related performance based on service or management contracts.

To some extent this has been accompanied and influenced by political and ideological disagreements on the nature and limits of the public sector *vis-à-vis* private

industry, similar to those we have seen in the media field. Maintaining a tighter grip over public enterprises can be seen as a mechanism to defend public endeavours and a method to reduce the scope of their operation. Both arguments can be found in the political debate. The establishment of European Union competition regulation and its ever closer intervention in the operations of the public sectors of the member states is a part of this general trend.

The second more general trend influencing the regulation of public media is the *change in culture and the nature of political communication*. In the course of the last century, the printed press lost much of their affiliations with specific political parties and developed into “omnibus newspapers” directed at larger audiences in a competitive, commercial market. Political parties and governments thus lost an important channel of direct communication to their constituencies. Many politicians, especially when in government, see themselves as being under constant siege by a hostile press in search of cases of wrong-doing, journalists who distort their motives and criticise their initiatives.

At the same time, politics itself has changed. The strategic, long-term perspectives based on political ideology and formulated in party programmes have been toned down

and replaced by a more tactical way of operation in day-to-day politics. In such a scenario, the communicative aspects of political initiatives, both the message itself and its timing, often have just as much importance as their material substance. The increasingly intense use of focus groups and polls are examples of this development, which, coupled with the introduction of spin doctors, have reached a point where, to paraphrase the old McLuhan saying, “The message has become the policy”.

In such a politicised communicative landscape it is no wonder that those in charge of public interests in PSM (i.e. politicians in government and parliament) are sometimes tempted to encroach on public media corporations. “If you can’t prevent the newspapers and commercial radio and TV from disseminating all the wrong stories and cannot force them to communicate your own gospel, the least you can do is to make sure that ‘your own radio and TV’, the public broadcaster, is kept in line.” To cite a politically appointed member of the governing board of a minor western European public broadcaster arguing for his right to intervene in programming: “Those who pay the fiddler call the tune”.

Editorial independence

After having explained some of the reasons – be they good or bad – behind the tighter control of public media corporations and the weakened PSM autonomy that results, let us now turn to the other side of the coin, the principle of editorial independence and autonomy.

Basically, editorial independence is not limited to public media. It is a well-established principle in any free press. The editorial policy of a newspaper that lives up to fundamental ideals of journalism should not be decided by outside forces, whether they be politicians or representatives of economic interests. Even the owners of a newspaper should limit

their influence to the appointment and dismissal of the editors and not interfere with the content of the daily paper. The reason behind this principle is very simple and boils down to an issue of “trustworthiness”. Censorship and other limitations of free speech – whether formally enforced or self-imposed, restrictions imposed by governmental or by others – are contrary to the basic principles of an open and pluralistic society.

If these principles govern the press in general, although they regrettably are not always followed, there are even stronger reasons why they are so important in public

media. Since the time of the American and French revolutions in the 18th century, freedom of speech and a free press have been an integral part of civil rights. At that time they were seen as a means of protecting citizens from the state. In contemporary democracies, we may well have more positive attitudes towards the state, although millions of Europeans still have very clear memories of the state as a ruthless dictator using media as a means of oppression. The press in general and public media in particular, has a special role in acting as the unfettered watchdog of democracy. From that perspective, any direct government-

tal influence in media should be regarded with profound scepticism. This applies even more strongly if the state “runs its own radio and TV station”. How can you trust the news bulletins if you suspect the editors of being marionettes hang-

ing from strings guided by the hands of government?

This is why the principle of editorial autonomy is so important for public media – and, indeed, for governments. On the other hand, there is no denying the risk of this principle being abused by this or that

director-general wanting to run the whole show without any interference from outside.

Let us now turn to the formal structures of governance and later in this chapter to a discussion on how they are, and ought to be, used.

The formal structures of regulation and control

As mentioned earlier, when describing the elements of the formal structure one should bear in mind that there are large variations among the present systems of the European states that stem from their different traditions and political cultures. It is probably impossible to propose a single model suitable for everyone. It is, however, possible to group the different solutions in three more or less distinct categories based on their formal structures:

- Systems where government and majority parties in parliament play an active and rather direct steering role. Countries like France, Greece and Spain are often placed in this group.

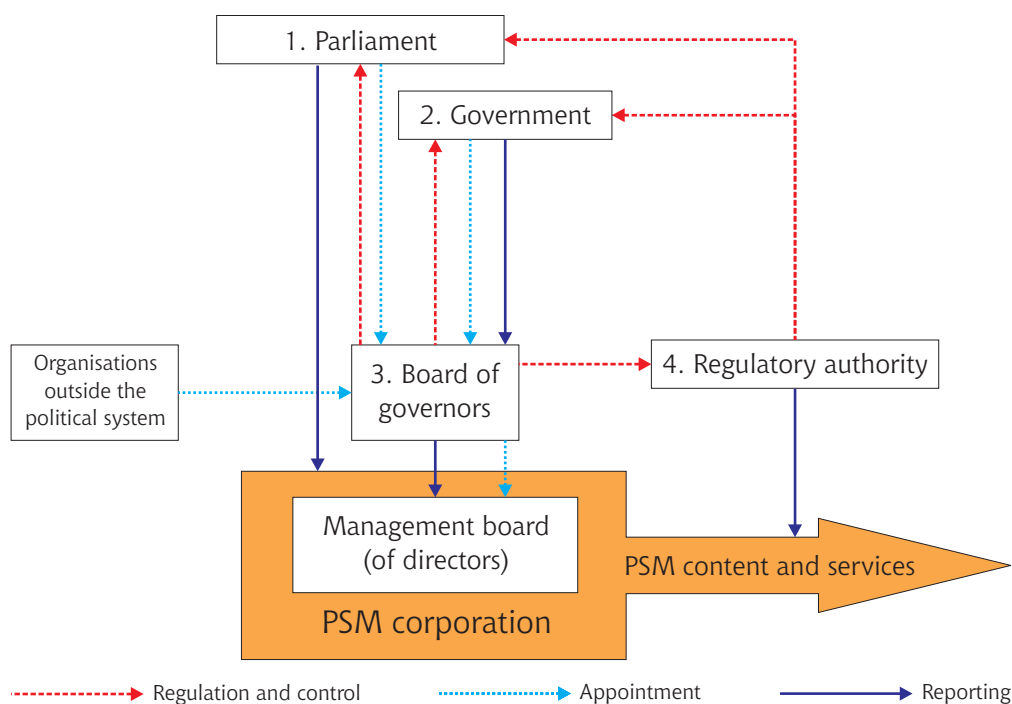
- Systems based on proportional representation where government has no formal role, but influence is distributed among several political parties including the opposition, and in some cases also includes a number of non-political organisations and institutions in society. Examples here include pre-Berlusconi Italy, Germany, Austria, Holland and some of the former eastern European states.
- Systems based on an attempt to insulate the public service institution from the political system, for instance by introducing a governing body as a go-between, and regulatory bodies more or less independent from government. The United Kingdom, Ireland and

the Scandinavian countries belong to this category although they also have several traits in common with proportional representation.

This categorisation is problematic, not only because it does not take into account that actual governance and regulatory practice may be at variance with the formal setup but also due to the fact that many countries found in one group share traits from systems in other categories.

It does, however, serve as a starting point for the following description of elements of governance in what could be termed the basic model (cf. Figure 8.1) that presents some of the fundamental mechanisms of regulation and autonomy.

Figure 8.1: PSM governance – a standard model.



1. It is an important trait of the model that *parliament* (and government) has limited direct influ-

ence on the day-to-day business of the PSM organisation. Parliament passes a law laying down

the basic obligations, the overall remit (these two elements being compulsory in relation to Euro-

pean Union regulation), the governance structures and the financial system. The public media law, typically a “Broadcasting Act” and the level of funding are revised at intervals of several years to assure a certain degree of stability. Parliament might participate on the basis of proportional representation in the appointment of the board of governors. A yearly report on the activities is submitted to parliament either by an independent regulatory body or directly from the PSM organisation (or from both) and can form the basis of a debate in parliament.

2. The *government* has a close relation to the PSM organisation, primarily in its capacity as the contracting part when setting up the service or management contract (or other similar regulations) stipulating obligations and the remit in more detail.

Some comments should be added concerning the “*management contract*”. As mentioned in chapter 4, in recent decades such contracts have become a generic steering instrument in public administration. When used in public service media, it can be viewed from two mutually inconsistent angles. If one omits the external control implications, in many ways such a mechanism can be a helpful tool in the *internal* management process of the PSM organisation. Setting goals and regularly controlling the degree to which one is on the right track is a very fruitful method in the management of any company or organisation. Several PSM companies have done this of their own volition for years. They have published an annual “public service budget” setting out both their overall goals and translating them into more concise, often quantifiable performance targets. In addition, they have documented their results in annual reports also termed “public service accounts”. In the public debate, this kind of reporting has also served as a defence when addressing accusations that the PSM organisation has not lived up to its obligations.

In recent years, this perspective of societal accountability has become an increasingly prominent part of public service governance. From being an internal management tool, the goal setting and reporting system has been turned into a compulsory control system stipulating detailed performance indicators and often requiring rather complicated reporting procedures. European Union competition regulation has accelerated this development. When dealing with questions of “state aid offering excess compensation” and other issues of market distortion, it is simple logic that you need to know what kind of activities have been carried out using the public purse.

On a positive note one can regard management contracts and the detailed reporting system linked to them as a shield set up by a friendly government to protect the PSM institution from hostile attacks by the private media sector. In a more sceptical vein, government can use or abuse these contracts to keep a tight controlling rein on PSM organisations. This suddenly results in a dubious paradigm shift governing the whole PSM psychological set-up. It is as if PSM organisations freed of governmental control would go freewheeling out of their remit and into a head-on competition with the private sector.

The coin has another and more problematic side. When PSM organisations are forced to meet detailed contractual obligations often formulated in strictly quantitative terms they can be tempted to err on the safe side when developing content and experimenting with its scheduling. Will it cause trouble if costly but important pioneering initiatives with new types of content and services are deemed to be failures? Should such development projects be mentioned in the contract, or is it better to play safe and make no mention of them?

The risk of using this kind of formal control through performance indicators is that it tends to focus on what can be communi-

cated quantitatively (so and so many hours of this and that kind of programme genres, X amount of money used for this or that purpose and so forth). Sustaining national culture and enriching citizenship and the political debate are all very difficult to quantify. Such formulas are easier to adopt when forcing the PSM organisation to outsource parts of its programme production or to use a given amount of its budget as indirect state aid to the national film industry as we have seen in several “public service contracts”. Many “new media” services that are an integral part of both the production and consumption of cross media formats are more difficult to quantify than, say, the costs of a radio channel and its audience ratings. Consequently, there is an important task ahead in developing relevant metrics and methods for the evaluation and reporting of new media activities.

3. One of the very difficult problems in PSM governance is *how to assure the necessary distance between government and the PSM institution*. One way to solve the problem is to install a “buffer zone” or connecting link. It can be a trust, a council or some other kind of organ that can also encompass a corporate element of representatives from different non-political organisations in society. Without having any direct governance responsibility in relation to the PSM organisation it can be in charge of appointing a board of governors or the director-general. Such mechanisms are known in one form or the other from, for instance, Sweden (Trust) and the German “Rundfunkrat”. It may well be an element in the new BBC governance.

In the basic model shown in Figure 8.1, independence is sought by establishing a *board of governors*, a characteristic of many PSM organisations. Three issues are worth mentioning in this connection:

- *Who is to appoint the board members?* Apart from giving external

organisations such a role (as mentioned above), it is difficult to come up with an alternative to government and/or parliament in their capacity as the formally-appointed representatives of citizens and society. From an autonomy point of view, appointment by parliament rather than government is preferable because the element of proportional representation distributes power to all (or most) political parties, whereas appointment by government is a reflection of majority rule.

- *Who should be appointed?* To illustrate the breadth of the question one can ask whether the appointment should be made on professional criteria (i.e. people with the competencies normally represented on the governing boards of business enterprises) or close political allies of the political parties in charge of the appointment. It is probably unrealistic to imagine that a political party would appoint candidates without an eye to their political affiliation. On the other hand, appointing political “errand boys” will lead to the rapid erosion or disappearance of independence. What is needed are board members with a knowledge of the cultural and political landscape and at the same time with the backbone and stamina needed to secure the necessary institutional autonomy. Such people are few and far between!
- *What is the role of the board?* On the one hand, the board represents its “owners” (society/parliament) and has as such an externally-linked role in steering and controlling. On the other hand, the board, in line with the board of any other corporation (in the continental European tradition), is expected to work solely in the interests of the PSM organisation, guiding and supporting the management internally and defending the interests of the institution against attacks from the outside. Depending on circumstances, the political climate, competition and so forth, the equilibrium between these two can see-saw in either direction.

There is, however, a potential conflict. If the board considers itself as being firmly placed at the top of the PSM organisation as its guide and defender, it risks losing its credibility as an instrument of control in relation to government. If, however, the board “moves out” and places itself in a more outside controlling role, the PSM organisation will be without a board in the normal sense of the word.

Another issue in relation to this is how the board should operate within the PSM organisation. The short answer is that it should act professionally in the way well functioning boards do, concentrating on strategy and leaving the daily business to the director-general and the rest of the managing board. As was mentioned above (page 36), this division of labour is especially important in media, and even more so in public media. To that end, arguably the most important task of the board is to appoint (and to dismiss) the management board of directors and to shield this process from party politics.

4. If the board of governors is “on the side of the PSM organisation” making its governing role its priority, the system of governance needs an *independent regulatory authority*. Such an institution is also a precondition in the PSM set up as outlined by the European Commission. It can be appointed by parliament or government and takes care of monitoring the activities of the PSM organisation in relation to broadcast legislation, the management contract (“the public service contract”) and other guidelines such as quotas and rules in the EU “Television Without Frontiers” directive. Such regulatory bodies have been established or are in the process of being set up in most European countries. Normally it will receive an annual report on activities from the PSM organisation as the basis of its evaluation and can supplement the report with its own ongoing findings. It can also be equipped with the authority to deal with complaints and it

reports to parliament and government on its findings and evaluation.

A possible alternative, or rather a supplementary way of regulation and control, is *self-regulation*. As mentioned above, many public media corporations carry out self-regulatory procedures as a part of their internal management procedures, with some links to the requirements of legislation governing broadcasting and other official regulations. From a psychological point of view, such internal procedures have clear advantages, but can never offer the same controlling “security” as one would expect of an external audit carried out by a regulatory authority.

At the end of this presentation of what has been called a “basic model of governance” it should be stressed that one thing is to put such formal constructs on paper. As discussed above, this can be difficult enough. Quite another thing is its *modus vivendi* in a real world of conflicting institutional and political interests. Many European PSM companies are governed within a framework whose formal elements are the close approximation of an ideal created in heaven. They however often live with a completely different reality with frequent political interference in editorial processes, with all kinds of political pressure being applied and with top management coming and going with each new puff of political wind.

This is often a difficult matter to deal with because interference is so controversial and difficult to monitor and document. Open or covert interference and pressure often work indirectly by creating a climate in which self-imposed censorship is the key to survival. Few people in politics with inside knowledge of political pressure wish to bring it out into the open. Only seldom do you see a director-general complaining about being treated with thumbscrews by the ruling party. He or she might go public if it goes as far as a dismissal, but even then the courageous ones are few in number and their complaints will usually be forgotten or neglected after the episode has blown over.

Another issue – which will be further developed in the next chapter – is the clear tendency towards pan-European regulation: more and more of the regulations and controls governing European public service media are being lifted out of national governance and the national environment and are being assumed by the European Union, especially its competition authority in the Commission. As we will see, it is not only a shift from the national to the international level. It is also a shift of focus from the perspective of culture, nation-building and other holistic aspects of society to that of industrial politics and the free movement of capital, goods and services.

9. Financing public media

As with the other main issues in this paper, the funding side of public service media is also characterised by the two continually-evolving statements: it was much easier in the days of monopoly; and PSM is now confronted with really serious dilemmas.

In the days of monopoly, it followed that because public service radio and TV were outside the normal supply and demand economy they should be collectively financed. Logically enough, there were no accusations at that time of market distortion and “unfair competition”. Today the funding of PSM just accounts for a small corner of the whole international and constantly expanding media economy.

As has been mentioned in Chapters 2 and 3, this, and the introduction of a number of new technologies, leads into a very relevant and necessary debate on the future of PSM funding.

Here are a couple of dilemmas:

How can one adapt a collectively-financed public service to new surroundings where the users to a considerable degree will act and consider themselves as customers rather than citizens? What does one do when consumption (as was illustrated in Chapters 2 and 3) gradually moves from “flow use” of a broadcast signal (which with its “zero marginal cost” corresponding perfectly to collective funding) to individual use (“on demand”), where

“pay per view” in many ways makes more sense, but at the same time undermines the principle of equal access and universality so dear to public service media?

In the following sections we will first look very briefly at some general trends regarding the funding of electronic media as the result of new market influences and new technology. Then a number of basic principles for funding public service media will be discussed before going to the main questions of this section: Is PSM – taking into consideration changes in the market, new “consumer habits” and attitudes, new technology, international (EU) regulation – being forced to re-think its whole financial basis?

Financing electronic media – some general trends

As mentioned in Chapter 2, electronic media generally speaking are underfinanced. The fast growth in the number of channels and the cost of delivering content through them has not been followed by a corresponding increase in revenue. This trend has been exacerbated by investors’ expectations on the return on the very large external investments in the sector, for instance as the result of mergers and acquisitions that have taken place in recent years.

One of the problems is the generally inadequate growth potential of advertising. There are limits as to how many commercial breaks one can insert into a radio or TV programme, or for that matter a film.

In many countries that limit seems to have been reached. The stations can increase their rate for slots in a commercial break but even that has its limits as TV channels are not alone in the advertising market.

The growing dislike of commercials among viewers observed in many markets combined with the emergence of digital receiver equipment, mentioned in Chapters 2 and 3, has led to a challenge to existing models of television advertising. Personal video recorders (PVRs) facilitate “ad” avoidance, seriously undermining advertising as a business model for television.

Three reactions in the TV industry can be expected, and to some extent have already be observed.

Firstly, moving “advertisements” into the programmes themselves and hiding them as “product placement”, a ploy which has been used for many years in films and has now become increasingly normal in TV programmes, too. Secondly, the rise in *subscription and pay-TV channels*, especially in small markets with few households where advertising is less profitable. This development is helped by digital technology and its generally-speaking secure encryption systems. These changes may lead to collateral damage for small channels who at present often survive by being “bundled” together with strong channels in “programme packages”.

Thirdly, the introduction of “pay per view”, described in Chapter 3, where the user, thanks to new digital delivery systems, leaves the flow of a broadcast channel and only uses

– and pays for – programmes and services on an individual basis.

To sum up: We can expect a shift from the collective funding of commercial media, primarily TV,

through advertising to more individual, user-based funding systems like subscription and “pay per view”.

Funding public service media: values and principles

What will be the consequences of these trends for public service media? The first and most obvious one is that for most European public broadcasters, advertising accounts for as much as 40% of their total revenue streams. They have or will encounter many of the same problems as their commercial colleagues, although to a lesser degree thanks to the fact that advertising is only one source of revenue. Even more radical challenges will come from the other changes taking place as the result of digitisation and these challenges strike right at the heart and core values of public media.

The whole idea of public media and their role and responsibility in society leads to a number of principles and values related to funding:

- *The collective financing* of public media content is a natural consequence of its nature as a common good as is the case for education, social welfare, health and so forth. Although topped up by users of public services, they have been collectively funded by taxes for generations. Licence fee funding was originally the natural choice, both for economic and technological reasons (the “zero marginal cost” and welfare goods aspect described in chapter 3) and because of its nature as a collectively-funded public service in line with taxation. The economic

burden of important tasks to assure the welfare of all members of society should be a shared responsibility.

- As a logical consequence of collective funding, *equal and unimpeded access* to programming for everyone should be assured, both technically and in economic terms. Limitations following a user-based payment model like subscription or pay-per-view are incompatible with this ideal.
- From time to time it is suggested that funding via *taxation and the fiscal budget* of the state should replace *the licence fee*. The costs of licence fee collection and problems of evasion are often put forward as arguments. The proliferation of receiver technologies is also cited as an argument for abolishing the traditional licence fee. These arguments all have some bearing and we will return to them shortly.

The strongest argument against such a development is the risk of closer ties to political decision-makers and the *increased dependence* it can lead to. For the public service corporation (and its autonomy) there is a difference on the one hand between having a licence fee agreement negotiated and decided in parliament for a period of several years (which in itself is not without risks) and on the other hand being a minor

pawn in the much larger yearly power play over the fiscal budget. It is also argued that the special and direct link between the licence fee and its use to fund public service content establishes a healthy link of accountability and responsibility between the licence fee payers and the public service institution.

All in all, the licence fee system is the funding system that best fits these principles and values. That is probably the reason why the licence fee to date has been retained in most European countries in spite of all the discussion and criticism. There are exceptions; especially in areas such as eastern and central Europe that do not have a long tradition of levying a licence fee. Such countries are confronted with both problems of licence evasion and a political system that is in two minds as to whether to give up the licence fee and look around for alternatives.

The issue at stake – not only in eastern Europe – is whether there are realistic and viable alternatives. When the basic values and principles listed above are coming up against new market conditions and the developments and introduction of new technologies, public service media have to tackle a number of new thorny problems that will not go away on their own.

New challenges – and some old ones returning with a vengeance

Before turning to these challenges and problems, note that one very seldom hears the suggestion that the public, collective funding of public service media should be replaced by introducing or increasing the use of advertisement, whether or not this is already being used. When such suggestions are tabled, they are usually turned down by commercial media, worried about the impact this could have on an already trou-

bled advertising market. One might add that the media market is already marked by rivalry and competition between the private and public sector and certainly does not need additional battlegrounds if this can be avoided in any way.

The challenges to the future funding of public service media can be summed up in three main points answering the following interrelated questions: Will digital technology

make it difficult to collect the licence fee? Are an evolving “consumer attitude” combined with a more individual “on demand” user behaviour eroding the willingness of citizens to pay collectively through the licence fee and thereby tempting the politicians to abolish it? Is individual user payment an unthinkable way of financing PSM? How does that relate to the question of public media participating in commercial activities?

Finally, as touched upon in the next section, what are the perspectives of EU competition regulation?

Digital technology and the licence fee

In general the licence fee is collected from households that are in possession of a radio and/or a television set. In some countries the criterion is having “equipment capable of receiving radio and/or TV signals and reproducing them with the aid of a loudspeaker or a television screen”. That was the straightforward solution when radio and TV tuners and sets were the only way to receive PSM content.

Now an increasing number of citizens are listening to radio and watching video content on a PC with an Internet connection or on a mobile device, neither of which are receivers in a traditional broadcast delivery system. This is the crux of the whole matter, with ramifications far wider than the issue of the licence fee. Public service media have become so intimately associated with a specific distribution infrastructure to disseminate its content

that the technology itself has now become a straitjacket.

If given the chance to select anew a collectively based funding system for public media without being bound by tradition nor having to concern oneself with resistance from competing commercial interests, a licence fee collected from amongst those using the content and services regardless of the equipment in use would almost certainly be the first choice. But we are limited by traditions, and there certainly is opposition to the idea from a broad range of commercial interests trying to fence in public media in its “broadcast enclosure”.

As computer microprocessors in one guise or another will be an integral part of all consumer devices in the coming years, as was explained in Chapter 2 (p. 7), and as more and more people will be able to enjoy public media content of non-broad-

cast platforms, there are really only two alternatives. The first is to expand the basis for collecting the licence fee to all types of devices able to receive and display public service media and the second is to abandon the licence fee altogether.

There is, however, a third option. Given that only a minute proportion of households and citizens never use PSM and assuming that society as such benefits from their use, one could propose the option of changing the licence fee to a compulsory “excise duty” collected from all households and citizens. The arguments against making it a tax (and the revenues a part of the fiscal budget) mentioned on page 42 still hold true. Some European states are moving in this direction, which has one additional and significant benefit in that it will take care of the problem of evasion.

Individual use and the erosion of collective responsibilities

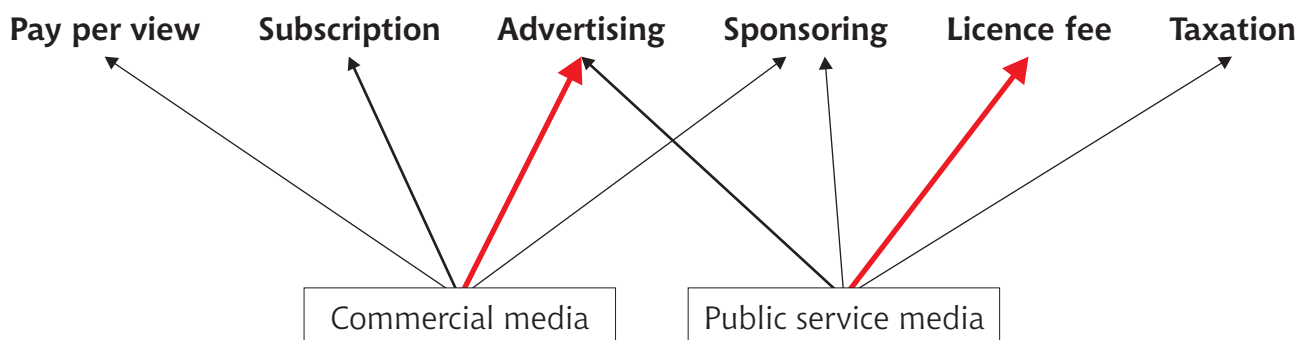
There is, however, one compelling counter to the argument above. Collective funding such as the licence fee goes hand in hand with collective use and “zero marginal cost” making the broadcast signal a “public good”. Precisely the same content is brought to everybody at exactly the same time. You may not want to use it, but you have the option of doing so, and your choice will not influence the costs of delivery to everyone else. There are, of course, people who are offended by this kind

of collectivism, in the same way as there are those who do not like public funding of schools because they have no children. However the vast majority accepts (at least some) public money spent in areas even though they are only potential customers: police, health and the care of elderly to name just a few.

What would be the response if the supply of public media were to leave the collective flow of radio and TV channels? What will happen when the audience gets used to indi-

vidual “time shift” and “on demand” use? Will they have the same altruistic collective attitude that constitutes the foundation of the licence fee? Or to turn the argument on its head, will the licence fee payers accept that some people are using services over and above the collectively-funded provision content, especially when one notes that the marginal costs of some of the new digital services increase in function of the number of simultaneous users?

Figure 9.1: Different methods of funding electronic media.



The questions are illustrated in Figure 9.1. They are far from hypothetical. Should textbooks published by the broadcaster in connection to an educational TV programme be free of charge although producing the book and distributing it will lead to extra costs that in the end will have to be paid by all the other licence fee payers? The same could be said about tickets to a concert with a radio symphony orchestra and its recordings. All these activi-

ties will cause higher total production and distribution costs which rise as a function of the number of users. Here we no longer have “zero marginal cost” which characterises broadcasting where an increase in the number of, say, listeners has no impact on the total cost of producing and distributing radio programmes.

Some of the new, individualised media services on the Internet and on mobile devices have the same

economic characteristics as the above-mentioned services outside the “zero marginal cost” area. Currently the costs of such services are relatively small and thus it is mainly a question of principle. In fact, a number of interactive services can be handled with very low marginal costs, for instance the basic provision of Internet services.

Figure 9.2: Financing collective and individual services.

	Broadcast (collective)	Individual service
<i>Content/service</i>	Same programme/service is provided to everybody at the same time.	The user orders an individual service such as: <ul style="list-style-type: none"> • A textbook published in conjunction with an educational programme. • A CD with a recorded concert by the radio orchestra. • Tickets to a radio concert. • Downloads from a PSM Internet service.
<i>Funding</i>	Funded collectively through the licence fee. (Zero marginal cost: More users do not result in higher costs)	The user pays according to his/her individual use. (Marginal cost higher than zero. Cost rise as a function of the number of simultaneous users)

We would find ourselves in a completely different situation if the number of users in future approached the figures we currently have for broadcast radio and television. With the technology we know today, in such a situation it would be necessary to run large and very costly server farms with the costs rising as a function of the number of users.

Ironically enough cost also poses a dilemma for the commercial service providers in new media. On the one hand, they do not want to share the proceeds from this new market with PSM organisations. On the other hand, services provided free of charge by public media are regarded as a threat to an emerging business fighting to make users pay for such services. This dilemma might be one of the reasons the private sector is so eager to keep public services out of this new field of activity.

As long as broadcasts are used by everybody and new media services are only marginal to operational costs, as is the case today, there is no problem calling for immediate resolution. On the other hand, if we take a piecemeal approach to the costs of

new media in what is still a problematic and nebulous field; precedents may be made that lead to more permanent and irreversible solutions. Apart from such tactical or strategic considerations that cannot be neglected by public media, this question of costs and funding goes right to the core of the values and principles of how public service media should be funded – as mentioned on page 41 above. Regardless of whether the user pays the PSM organisation directly or extra costs – for instance for transmission – are borne indirectly by charges on the telephone bill, accepting the very logical and pragmatic solution of user-financed, individualised services is in clear conflict with the principle of universal, equal and unimpeded access to public media services. Accepting this funding model might open up a Pandora’s Box with dramatic, long-term consequences for the whole funding system of public media. In the real world of providing new services and covering costs, this is not a big problem. A new solution may be encountered along the way by using a new, as yet unknown technology. Be that

as it may, at present there are certainly very good arguments for not opening the lock of Pandora’s box and challenging the principle of universal access when one considers all the problems that may well follow.

The problem cannot be reduced to merely the question of how individualised services provided by public service media corporations should be financed. As mentioned above (and in Chapter 2), we are witness to a general trend from a collectively-oriented attitude and culture, where people were able to look upon themselves also as citizens in a society, to a more egocentric culture where people are seen as consumers. This shift in perception not only affects the firms selling goods and services, but also to a large extent the individuals themselves and politicians. Ultimately these are the parties who will be in charge of deciding which services shall be provided by society and funded on a collective basis, and which are more effectively and perhaps justly produced, distributed and financed by means of a “pay per use” system.

Public service media and (purely) commercial activities

In the section above, the focus has been on financial principles covering the funding of a specific category of public service activities. The question has not been whether a specific activity could be regarded as public service or not, but whether PSM should be financed collectively or on an individual basis.

In this section we turn to a parallel, but distinct issue, that of public service corporations engaging in activities outside the scope of a public service remit, given that scope is determined in "public service contracts" as decided by governments. Such activities are by no means a new phenomenon. For many years, PSM organisations have sold programmes and surplus production capacity to other radio and TV stations and external producers and ploughed the revenue back into programme production. In some countries, such commercial activities have from time to time given raised eyebrows from commercial competitors and even the occasional outburst of harsh criticism.

Commercial activities of this kind, apart from a very few public service media corporations such as the BBC, have only been of marginal

significance and in no way of decisive importance to the overall budget of such PSM organisations. One must admit that until a few years ago, commercial endeavours were not central to the focus of PSM senior management. The pricing and the calculation of costs were not always something one could proudly present to the auditors. This has – or should have – changed, not only out of respect for competition authorities but because it can lead to misuse of scarce resources, if PSM companies do not charge external customers a price that adequately reflects the true costs. The claim of full transparency is fully justified in relation to the commercial market and at the same time is both healthy and necessary to assure full accountability.

What is, however, becoming a much more contentious issue is the fact that, with the development of the information society described in this paper, the grey zone between commercial and non-commercial activities will be growing in the coming years. One of the central and characteristic aspects of the information society and new digital technologies is encompassed by the term "COPE" (Create Once – Publish

Everywhere). The background research for a news story is used for the production of both a radio and television news programme. The same material forms the basis for text, audio and video at the news site on the Internet, on Teletext and can be "pushed" or "pulled" to your mobile phone. These examples are just the tip of the iceberg in relation to what is already provided by many public media companies today. Some of these services might be characterised and regulated as genuine public service activities, while others will fall outside the remit and need to be treated as purely commercial undertakings. It will not be easy to manage separate funding and accounting systems in such integrated services. In a few years' time services of this kind will be a matter of course for citizens/customers, whether the information and service provider be private or public. PSM companies deprived of these opportunities and services will be regarded in much the same way as we currently see the "printed" media of the pre-Gutenberg era.

That is why the trends in competition regulation in the European Union are of central importance to the future of public service media.

EU regulation

This is not the place for a thorough analysis of the very complicated issues concerning the EU media market intervention in general, and intervention in connection with public service media in particular. Intervention pertinent to public media takes place in two main areas: the general Television without Frontiers directive (TVWF) from 1989, currently undergoing revision and the more specific regulation of competition carried out by the competition authorities of the European Commission (Directorate-General for Competition).

The TVWF directive governs the regulation of advertising, various types of content quotas, the protection of minors, human dignity and the right to reply. The revision of the directive primarily tries to tackle the

difficult issue of how to handle the whole "new media area" outside broadcasting. Will all new interactive media services (down to small private Internet sites and mobile phone communication) be regulated using the same rules and instruments as large transnational television channels? Probably not, but if so, where should the relevant limits be drawn? The directive and its revision are important for both public and private media but the likely impact on public media will not be all that dramatic.

The same cannot be said about the interventions and policies of the European Commission in the field of competition. It should, however, be noted that regulation by the European Union in this respect is based on a very complex and often some-

what contradictory set of policies, rules and actions. As mentioned above in Chapter 3, p. 17, *Public service media in a competitive international market: Yes or no?*, the Amsterdam Protocol and its inclusion in the text of the draft European Constitution can be interpreted as firm support for public service media and the basic principles and ideas upon which they are founded. The Protocol is also a confirmation of the right of individual member states of the European Union to make their own arrangements in this field.

By the same token, one should recognise the need for international, pan-European regulation taking into account the size and economic importance of the European media industry and the fact that it operates at international level often outside

the reach of national regulation. At stake are the potential for the abuse of economic power and risks of all kinds of market distortion that come with both the concentration of ownership and the internationalisation of the industry. This points to the need for supranational regulation of the media industry in line with regulation conducted by the European Union in other areas. There is no reason why media should be an exception to this general trend.

One of the ways a free and transparent market can be distorted is when national governments assist their own industries by giving them economic or other kinds of support. EU intervention in the "state aid issue" is therefore a necessary part of the overall regulatory regime. With that in mind, it is no wonder that the unique "European dual media model" with a publicly-owned media sector of a considerable size, financed primarily by public funds, attracts the attention of the regulatory authorities of the Union. Transparency rules to sort out the various sources of funds and their use are not only a natural and necessary element of regulation that is needed to assure free and open competition. As mentioned above, in the case of public media it is also a way of guaranteeing that licence fee revenues are not used illegally.

From a public service media perspective, the core of the problem and the reasons for examining increas-

ingly detailed EU interventions with some concern is that the whole regulation paradigm is based on an industrial policy perspective and framework. The methods used to regulate the provision of electricity, shipbuilding, foodstuffs and the like are not necessarily well-suited to the area of sustaining and developing cultural diversity and democratic citizenship. It seems that public service media are currently being pressed into the generic mould of competition regulation. The so-called "Altmark case" (on bus transport) and the four conditions that need to be met in order to ensure that "state aid" is not deemed illegitimate will (if used rigorously) cause serious troubles for the continued development of European public service media in the sense that we understand them today. The heart of the problem seems to be that the DG Competition is under considerable pressure from the European commercial media sector. This pressure consists of individual complaints lodged by various media corporations combined with a very effective collective lobbying.

Another serious concern is the risk of locking up public service media in the traditional "broadcasting" closet and depriving them of the opportunity to develop into the areas of new, interactive media (which, regrettably, is not mentioned clearly as a part of the public service remit in the Amsterdam Protocol and the new draft constitu-

tion). Here the policy of the Commission seems to be in line with the aggressive stance taken by commercial media players and, if implemented, will give rise to the problems and limitations described above, Chapter 6, p. 26, *"New Media" and the public service remit*.

The scope of this paper does not allow for the treatment of this whole area that it truly deserves. On page 12 it was argued that the influence of governments and parliaments is waning due to internationalisation of the media market and the emergence of strong multinational media corporations. Given the importance of electronic media and the influence they have – for better or for worse – on European societies and the lives of their citizens, one can hardly resist some degree of international or intergovernmental regulation of the media industry. As mentioned earlier, some of the difficulties encountered with EU media regulation are linked to the fact that current regulation is tailored to industry and business in a more general sense. Members of the European Union eagerly guard culture as a national concern. Although there are many good reasons for such a position, one of its consequences may very well be to deprive the EU of the very tools needed for a cultural counterbalance to the present industrially and commercially-oriented regulation of the media sector.

10. Summary and conclusions

The changes taking place in the media market and the challenges confronting public service media do not stem from a single source. As described in Chapter 2 (p. 7), we have to look at a wide range of trends and developments. The internationalisation of the media market and the concentration of ownership are two important factors. So is the change taking place in the political environment and the loosening of the political regulation of the media sector at national level.

The choice of “*the information society*” as the point of departure of this report was done with good reason. The changes in the media industry are an integral part of the global transition from an industrial society to an information society, a development that is largely sustained by the evolution of digital technologies.

While technological developments have always influenced human life on a broader scale than just the modes of production, there is reason to believe that we are in an era in which technologically driven change is more significant and is taking place at a rate faster than ever before. One of the key traits of an industrial society built on mass production has been the collectivist culture that characterised both production and consumption, in both public and private spheres of life. People currently living in the evolving information society tend to regard themselves more as individual consumers than citizens, and

society more as a marketplace than a community.

This broad technological, commercial, communicative and socio-psychological turn of events is a formidable challenge for one of the cornerstones of European culture and civic life, public service broadcasters and the unique European dual media model. In line with the segmentation and individualisation of modern society in general, public media are moving from collective “broadcasts” to providing content and services tailor-made for a society of individuals.

The main issues addressed in the report focus on a number of possible consequences of this development. Chapter 3 (p. 15) describes the historic background for the rise of European public service media organisations and addresses the basic question of whether they are still viable propositions. The rest of the report assumes that the central question is not whether we still need public media, but rather how public media can adapt successfully to the inevitable changes that are accompanying the information society.

Chapter 4 (p. 19) presents as an overall conceptual framework for public service media as a societal institution based on a “pact” established by society and containing a number of clauses covering in principle all the pertinent aspects of public service media:

- The obligations of public media.
- The remit governing their activities.

- How the provision of public service needs to be organised.
- The execution of the necessary societal regulation and control.
- The way public media are funded.

These 5 main clauses are discussed in the 5 remaining chapters (Chapters 5-9) of the report. Each chapter presents the main issues as well as possible new trends caused by the interplay between the media sector and the societal environment of which it is a part.

In Chapter 6 (p. 24), the assumptions are made:

- that modern society is in need of some kind of forces or instruments to further social, political and cultural cohesion,
- that both national European cultures and the cultural diversity of Europe as such should be sustained and defended,
- that individuals and minority groups should be catered for with specific, targeted content and services, and as its main conclusion,
- that the mainstream supply of media by the commercial media market is incapable of meeting these needs both in terms of the nature and quality of the media offering.

The obligations of public service media are consequently built upon fulfilling these four assumptions. In Chapter 6 this leads to the following description of the remit for public service media:

- In principle, public service media must be used on a regular basis

by all citizens – it must have a high reach.

- PSM must provide a range of content and services that are both different from what the market can provide and at the same time able to attract large audiences.
- Providing content and specific services to small groups with specific needs and to citizens as individual consumers are also a part of the PSM remit. This also includes a wide range of individualised “new media” services.

It is not difficult to recognise that the various elements of the public service remit in many ways are in direct conflict with each other. An instance of this is the classic dilemma of assuring a high reach among listeners, viewers and other users on the one hand and of ensuring that the overall PSM offering can differentiate itself from that of commercial providers on the other. The combination of broadcast mass media (traditional radio and television) and more personalised “on demand” services will make it easier for public media to meet both requirements.

Chapter 7 (p. 30) presents a discussion as to how the provision and distribution of public service content should be provided. The case is made for a single, consolidated PSM organisation rather than organisational models where PSM functions and obligations are distributed among a number of (private) media companies. While many public service corporations can benefit significantly from closer cooperation with external, independent media firms, there are several reasons why caution should be exercised when considering outsourcing core functions in part or in whole. This applies especially to programme production in small European countries. The

chapter also points to the need to re-evaluate the status of commercial media companies that in many countries have contractual obligations to provide PSM. The case is made for not distributing PSM functions, especially to guard against radical solutions where the publicly owned corporation is abandoned in favour of a PSM “trust”.

A specific aspect of PSM organisation is the question of governance described in Chapter 8 (p. 35). How can one secure the editorial autonomy of public service corporations when they are owned by society and regulated and controlled by parliament and government? This key question is linked to one of the many unresolved dilemmas in a period with clear trend in the direction of tighter governmental control that risks undermining the “constitutional” independence of public media. Several models and elements of formal organisational structures are discussed. Given the differences in political cultures in Europe, the conclusion is that it is unwise to aim for a single standard European model of governance. The chapter ends by highlighting the often disturbing differences between the spirit and letter of the laws governing broadcasting and the harsh realities of the daily life of PSM.

Finally, Chapter 9 (p. 41) deals with the complex question of how public service activities can be funded in future in a day and age where the whole media industry is confronted with structural changes in its funding and where new digital technologies are undermining both the business models behind advertising and broadcast licence funding. The fact that the funding of new interactive personalised services is not fully compatible with the collective funding through a licence fee is

also discussed. The main problem here is that a direct link between use and payment is in direct conflict with the fundamental PSM principle of equal and unimpeded access to PSM by all citizens.

The chapter ends with a brief comment on some of the pros and cons of the ever more restrictive and detailed regulation of the European Union authorities.

As can be seen from this short résumé and the more detailed discussion in the previous chapters, there are several formidable challenges facing European public service media organisations and the principles and ideas behind PSM. European public service media constitute a unique institution that has served as a role model or benchmark for many other countries around the world. Few impartial and independent observers doubt the invaluable and indispensable role that public media play in the cultural and political life of European societies.

It is, however, quite another matter to be confronted with the problems, questions and dilemmas put forward in this report. Having read it, few should be in doubt as to the need for change and reform. But how far down the path to reform should one go if the decisions taken along the way compromise the fundamental principles and sacred values of public media in other areas?

Ultimately it is the job of politicians to agree on priorities and take decisions. But before this is done, it is in the best interests of each and every one of us, dare I say it is also our duty, to address the dilemmas and take an active part in the debate on public service media in the information society.