EBU VIEWPOINT

PSM Funding

The issue

Funding is one of the biggest challenges facing public service media (PSM) today. The age of austerity has brought closer scrutiny on the way EBU Members are financed. Yet even as budgets contract, the need to invest in the future, driven by fast-evolving technology and audience requirements, grows more urgent.

PSM have a duty of inclusivity, to serve the broadest possible audiences. People now expect fast, mobile access to relevant, quality content; but sophisticated, multimedia tastes mean broadcasters need sophisticated multimedia capabilities.

Key investment areas for PSM today – technology, infrastructure, digitization, training and archiving – require specific, secure funding if broadcasters are to continue to guarantee the overall service they provide.

Today's consumers use multiple devices to access audiovisual content, so is it right to link the licence fee to the appliances owned? Millions of Europeans carry smartphones and own TVs, radios, computers and tablets, so is it now fairer to charge all households by bundling the levy into other service fees? Should PSM be financed from state budgets, advertising or mixed sources?

States are best placed to answer these questions according to their national contexts, but what is certain in all cases is that public broadcasters need sufficient, sustainable and politically independent funding to honour their remits.

In a continent comprising a broad range of economic, socio-political and cultural complexions, there can be no 'one-size-fits-all' funding solution. But governments must find ways to provide their broadcasters with the support they need to serve their public properly.

Key messages

Broadcasters need specific, sustainable funding

Public broadcasters, like health, education and transport, need a special legal framework that secures their funding. If broadcasters' entire income is linked to the markets, then they are exposed to market fluctuations or failure. Broadcasters must be able to honour their remits while adapting to new consumer demands and technology. If they are to provide quality, relevant content to the broadest possible audience, then specific, sustainable funding is paramount.

The funding model must fit the context

EBU research has found that the funding model does not have a significant impact on a broadcaster's performance. What does make the difference is the absolute level of funding. Revenues must be sufficient, long-term guaranteed and shielded from the vagaries of national politics. Legislators must remember that without solid financial foundations, PSM lose their independence and cannot prepare for the future. Media organizations that truly serve the public must be editorially independent and not reliant on political favour or on their appeal to advertisers.

The level of funding must reflect national needs

Public service media organizations operate within unique national contexts, each posing unique financial questions. Countries' economic, political and social landscapes vary, but common to all PSM is a duty to serve the public. What constitutes sufficient funding differs, depending on such considerations as demographics, multilingualism and population size. However, if a broadcaster cannot fulfil its remit because it is underfunded, then important values that build successful democracies are undermined.

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Public service media need specific, sustainable funding

Broadcasting for the good

The notion of public broadcasting for society's benefit took shape in the first half of the 20th century, and was given greater urgency by World War II. The Axis powers' unchecked exploitation of broadcasting to propagate their destructive ideology compelled democracies to set down principles to ensure public broadcasting's power would always serve the greater good.

Largely following the BBC model in place since the 1920s, public broadcasters began to commit to these precepts. They pledged to cater to all citizens, with specific attention to minority cultures and languages; to contribute to national identity and community; to remain independent of vested interests.

For almost a century the ideals threading these basic principles have remained untouched; today they are just as valid, perhaps more so, as when they were formulated. But public service broadcasters cannot embody these values and work in the interests of democratic societies without specific, sufficient and sustainable financing.

Competition is healthy

Twenty to thirty years ago, the commercial broadcasting sector was a bustling bazaar of independent players jostling for position. But today, private broadcasters are increasingly subject to corporate consolidation, meaning the players are far fewer, albeit far larger.

Competition is positive; it drives up standards and compels the pursuit of excellence, efficiency and innovation. But financial pressures and the push for profits have given rise to a multitude of new channels and pay services, which undermine the principle of universality by excluding audiences from attractive content that is free at the point of access. A media world dominated by a few global giants chasing returns and audiences is inevitably characterized by homogenous, derivative programming.

Public broadcasters, largely insulated against these business concerns, are frequently the greatest innovators in both technology and content. Viewers want and deserve choice, and properly funded PSM can expand the overall media offering by blazing trails that their commercial counterparts would be unwise not to follow.

PSM under pressure

Public service media organizations have been facing mounting financial and political pressure for several years. Governments grappling with economic woes have reduced state allocations and licence fee income, as well as imposing cost-cutting and downsizing measures. In addition, advertisers are spending less. Such changes are taking a heavy toll on PSM, which today find themselves forced to cut salaries, make deep efficiency savings and shelve plans to invest in programming and technology.

Promisingly, PSM took in 4.3% more in revenues in 2010 than the previous year, although the figure was still below 2005 levels, adjusted for inflation. Indeed, thirty of forty-six reporting countries saw income increases, although these advances were coming off a low base, since 2009 was the all-time low of aggregate PSM financing over the past five years. Furthermore, the main commercial broadcaster groups saw a 6.8% increase in revenues.

An EBU poll in October 2011 found that 60% of EBU Members described their financial situation as "difficult" or "very difficult", with roughly half expecting their problems to increase over the next five years. Revenues are dwindling right across the broad geographical expanse from which the EBU Membership is drawn, from the former Soviet states of the Baltic and Balkans to the larger Western countries of 'old' Europe.

For instance, the Dutch government announced a 20% cut in the media budget by 2015, including a reduction of €127 million for national public service broadcasting. The Portuguese government is going even further, with plans to halve the total income and costs of public broadcaster RTP by 2013.

Hungary's MTV reported a 37% reduction in public funding income in 2010 – a loss of about €35 million. This had a serious impact on the organization's overall income, which fell by almost a third. And LRT, in Lithuania, suffered incremental reductions in its public funding both in 2009 and 2010, and has reported budget deficits two years running, despite numerous cost reduction measures. LRT's public funding has not been as low since 1999.

Governments must act

These facts paint a pessimistic picture of the future, but the EBU believes that legislators can and must take steps to adapt to today's economic realities without jeopardizing their public service media organizations.

Above all, governments must ensure PSM can provide the level of service that their populations rightly expect and deserve. Access to diverse, demographically inclusive, quality content and information merits similar consideration as transport, education and healthcare, especially in times of financial crisis, since it is an equal contributor to modern, social cohesion.

The funding model must fit the context

It's not how, but how much

EBU research has found that precisely how a broadcaster is funded has little or no impact on the organization's market share or programming output. In other words, whether the money comes through licence fee or state funding, advertising or a combination of these has no direct influence on a broadcaster's performance.

The single most important factor determining these measurements is *absolute income*; in other words, whether the broadcaster is adequately financed.

A government's choice of funding model is, typically, an expression of the unique circumstances of that particular country, including its general wealth, history and culture, tolerance of advertising and cultural acceptance of paying a licence fee. This is why considerations such as multilingual services and overall population size must play a decisive role in the way a public broadcaster is funded.

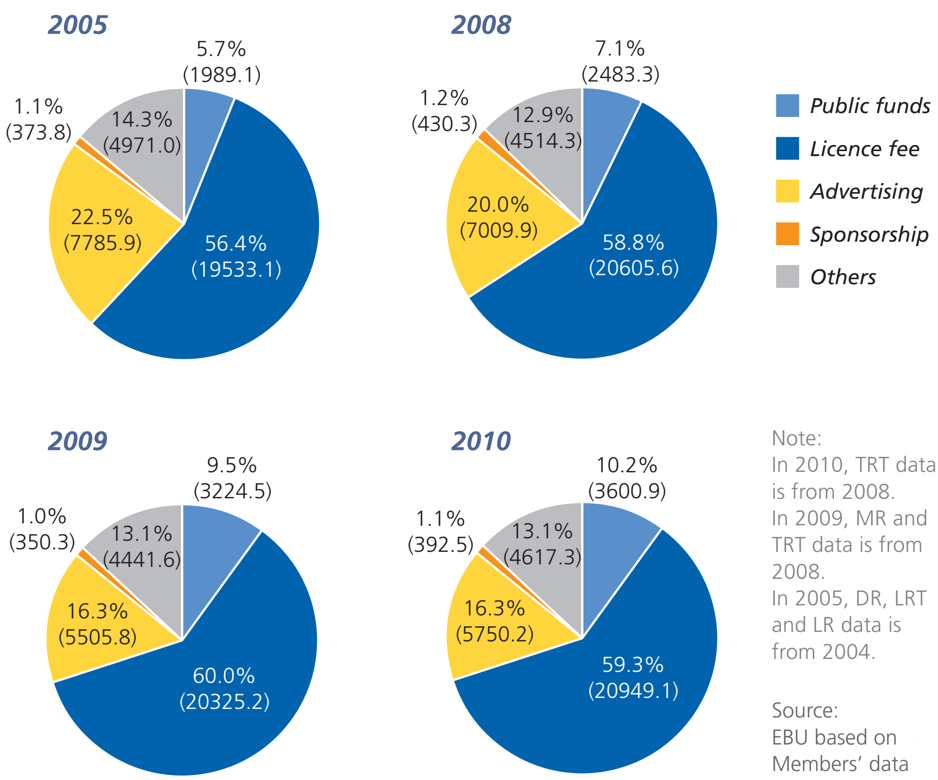
Public money for public services

On average, the EBU Membership receives 60% of its financing from licence fees, 29% from commercial income such as advertising, sponsoring, merchandising and programme sales and 10% from non-licence fee public funding.

The level of licence fee dependence has been fairly stable for the past six years, although recently there has been a shift away from advertising towards state funding. This tendency was notable in Spain, France and Iceland, where advertising on public service channels was completely or partially excluded, and the lost income offset by state subsidies.

Such anti-commercialism is potentially problematic, because it increases PSMs' exposure to political vacillations, which can lead to financial instability; politicians' pledges to secure budgets can be broken, leading to austerity and cuts.

EBU Members: Funding mix (%)



Note:
In 2010, TRT data is from 2008.
In 2009, MR and TRT data is from 2008.
In 2005, DR, LRT and LR data is from 2004.

Source:
EBU based on Members' data

The commercial revenues of most EBU Members have been steadily falling since 2005. France, Spain and the Czech Republic have introduced partial or complete bans on advertising and restrictions have been tightened in Slovakia and Croatia.

Broadcasters depending on state funding are facing budget cuts for political and economic reasons. Increases in the licence fee have commonly been lower than inflation, and commercial revenues are down because of the general economic crisis or new legal restrictions. What is more, licence fee evasion rates are increasing.

New times, new approaches

The licence fee has long been the favoured means of collecting public money for national broadcasters, but in recent years states have begun to explore new approaches to both sourcing and collecting the money.

Typically, the fee was based on the type of device owned, but in a world awash with screens, this may no longer be appropriate. The Austrian, German, Irish, Swedish and Swiss governments are currently reviewing their licence fee systems, taking technological convergence into account. They are all mulling a device independent scheme based on a so-called Public Broadcasting Charge, which would be applicable to all households and some businesses regardless of the device used to access content.

The reform of Finnish broadcaster YLE's financing as of 2013 – a tax instead of licence fees

The Finnish parliament agreed in December 2011 that from 2013 YLE will be funded by a progressive and specific fee payable by all tax payers, rather than a licence fee. As of January 1, 2013, taxpayers – except those on a low income – will pay between €50 and €140, depending on earnings. The money collected will be handled by the state but will not figure in state finances or budget negotiations. Instead, in 2013, €500 million will be passed to the State Television & Radio Fund, with changes based on the consumer price index and the index of wage and salary earnings.

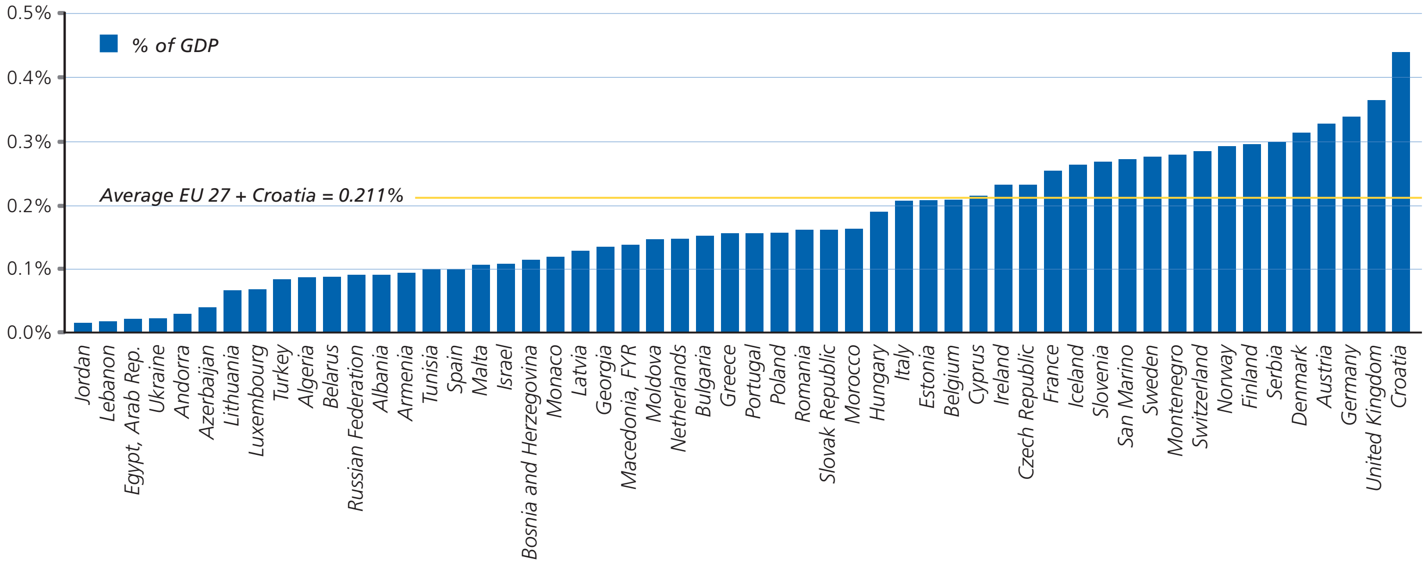
The level of funding must reflect national needs

How much is enough? GDP as a benchmark

Just how much money enables a public service broadcaster to honour its remit is a question without a simple answer. In 2010 the EBU collected data from Members and calculated their operational expenditure as a percentage of the country's GDP. The figures presented in the graph below suggest which countries are committed to supporting their public service broadcasters.

PSM funding, measured by operational expenditure, represented about 0.17% of national economies on average across EBU Member countries in 2009, although many countries – particularly outside the EU – were well below this. Over the past three years the situation has degraded for some, most strikingly in Hungary, where MTV's overall income dropped by about a third. The average for the EU 27 plus Croatia was a more respectable 0.21% of GDP. This is a serious concern, since it is the younger democracies of North Africa and Eastern Europe where PSM most need heavy investment to become solid contributors to social diversity and advancement.

EBU Member Operational Expenditure as a Percentage of GDP



The EBU Special Assistance Project, which supports Members facing serious political, technical and financial difficulties, is most in demand in countries appearing to the left of the graph. The conclusion must be that many of these countries, some of them former Soviet states, are underserving their public broadcasters instead of embracing them as drivers of progress.

Rainclouds ahead

As part of the aforementioned 2011 EBU poll, Members were asked about any cost-saving measures they had implemented and the reasons behind them. Members were also asked to make projections about their evolving financial situations.

Ominously, more than 70% of respondents said their organization had shed jobs, cut programming budgets and restructured in order to increase efficiency. Two had even reduced the number of channels.

Reasons given included weak state finances and reduced spending across the whole public sector; political pressure to reduce public service broadcaster funding; increased licence fee evasion and falling advertising income, either due to new laws limiting ads on public channels or advertisers spending less.

In short, the financial outlook is gloomy for public service broadcasters, with more belt-tightening expected in the next five years. It is important to be realistic about the reasons behind the falling revenues, but if PSMs' budgets continue to shrink at the same rate, some broadcasters will be gravely imperilled.

Invest today to prosper tomorrow

Today, technology is developing so rapidly that budgeting algorithms often fall behind, meaning public service broadcasters face shortfalls for technological investment. Nonetheless, adequate investment in new technologies can mean greater efficiency, reduced operational costs and greater consumer access.

Technological evolution and the convergence of media and communications markets ask new, challenging questions of public media. States have to adapt the budgeting of public service broadcasting to meet those challenges.

Solvency means sovereignty

The EBU is an outspoken defender of the independence of public service media. Their duty is to fulfil a mission of serving the public by meeting the needs of individuals and society as a whole in terms of information, education and culture.

This is not possible if PSMs' lifeblood depends on – sometimes populist – political interference in the process to set their funding. PSM need reliable, sustainable funding to ensure they give society and their audiences the best possible service.

The EBU does not recommend one funding model over another, and each country has to find the solution that best suits its purposes. But in a broadcasting world that is becoming more exclusive, it is only the constitutionally inclusive public service media that can make the difference.

European Broadcasting Union (EBU)

The EBU is the leading association of national media organizations in the world, comprising 85 national media organizations in 56 countries in and around Europe. The EBU represents its Members and promotes the values and distinctiveness of public service media in Europe and around the world.

Did you know?

- The licence fee remains the main source of income for EBU Members and still accounts for a 60 per cent share of their total aggregated income.
- Many countries are reviewing their licence fee schemes, and there is growing interest in a device-independent system with a fee paid by all households.
- Reductions in advertising airtime on public TV channels have increased in the past years.
- There has also been a shift towards greater dependency on government grants (state funds) over the past three years.

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March 2012